UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

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

For the fiscal year ended February 1, 2020

OR

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

For the transition period from to

Commission file number: 1-13536

Macy's, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**13-3324058**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

151 West 34th Street , New York, New York 10001	(212) 494-1602
(Address of Principal Executive Offices, including Zip Code)	(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $.01 par value per share	M	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant as of the last business day of the registrant’s most recently completed second fiscal quarter (August 3, 2019) was approximately $6,576,798,072.

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

Class	Outstanding at February 29, 2020
Common Stock, $.01 par value per share	309,645,426 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held May 15, 2020	Part III

Unless the context requires otherwise, references to "Macy's" or the "Company" are references to Macy's and its subsidiaries and references to "2019," "2018," "2017," "2016" and "2015" are references to the Company's fiscal years ended February 1, 2020, February 2, 2019, February 3, 2018, January 28, 2017 and January 30, 2016, respectively. Fiscal year 2017 included 53 weeks; fiscal years 2019, 2018, 2016 and 2015 included 52 weeks.

Forward-Looking Statements

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

- *the effects of the weather, natural disasters, and health pandemics, including the novel coronavirus (COVID-19), on customer demand, our supply chain as well as our consolidated results of operation, financial position and cash flows;*
- *the possible invalidity of the underlying beliefs and assumptions;*
- *the Company's ability to successfully implement its Polaris strategy, including the ability to realize the anticipated benefits within the expected time frame or at all;*
- *the success of the Company's operational decisions, such as product sourcing, merchandise mix and pricing, and marketing, and strategic initiatives, such as Growth stores, Backstage on-mall off-price business, and vendor direct expansion;*
- *general consumer-spending levels, including the impact of changes in general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, and the costs of basic necessities and other goods;*
- *competitive pressures from department stores, specialty stores, general merchandise stores, manufacturers' outlets, off-price and discount stores, and all other retail channels, including the Internet, catalogs and television;*
- *the Company's ability to remain competitive and relevant as consumers' shopping behaviors migrate to other shopping channels and to maintain its brand and reputation;*
- *possible systems failures and/or security breaches, including any security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or company information, or the failure to comply with various laws applicable to the Company in the event of such a breach;*
- *the cost of employee benefits as well as attracting and retaining quality employees;*
- *transactions and strategy involving the Company's real estate portfolio;*
- *the seasonal nature of the Company's business;*
- *conditions to, or changes in the timing of, proposed transactions, and changes in expected synergies, cost savings and non-recurring charges;*
- *the potential for the incurrence of charges in connection with the impairment of intangible assets, including goodwill;*
- *possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions;*
- *possible actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials;*
- *changes in relationships with vendors and other product and service providers;*

- *currency, interest and exchange rates and other capital market, economic and geo-political conditions;*
- *unstable political conditions, civil unrest, terrorist activities and armed conflicts;*
- *the possible inability of the Company's manufacturers or transporters to deliver products in a timely manner or meet the Company's quality standards;*
- *the Company's reliance on foreign sources of production, including risks related to the disruption of imports by labor disputes, regional and global health pandemics, and regional political and economic conditions; and*
- *duties, taxes, other charges and quotas on imports.*

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

Item 1. Business.

General

The Company is a corporation organized under the laws of the State of Delaware in 1985. The Company and its predecessors have been operating department stores since 1830. The Company operates 775 store locations in 43 states, the District of Columbia, Puerto Rico and Guam. As of February 1, 2020, the Company's operations were conducted through Macy's, Bloomingdale's, Bloomingdale's The Outlet, Macy's Backstage, and bluemercury. In addition, Bloomingdale's in Dubai, United Arab Emirates and Al Zahra, Kuwait are operated under license agreements with Al Tayer Insignia, a company of Al Tayer Group, LLC.

The Company sells a wide range of merchandise, including apparel and accessories (men's, women's and kids'), cosmetics, home furnishings and other consumer goods. The specific assortments vary by size of store, merchandising assortments and character of customers in the trade areas. Most stores are located at urban or suburban sites, principally in densely populated areas across the United States.

Disaggregation of the Company's net sales by family of business for 2019, 2018 and 2017 were as follows:

	2019	2018	2017
Women's Accessories, Intimate Apparel, Shoes, Cosmetics and Fragrances	$ 9,454	$ 9,457	$ 9,444
Women's Apparel	5,411	5,642	5,765
Men's and Kids'	5,628	5,699	5,610
Home/Other (a)	4,067	4,173	4,120
Total	$ 24,560	$ 24,971	$ 24,939

(a) Other primarily includes restaurant sales, allowance for merchandise returns adjustments, certain loyalty program income and breakage income from unredeemed gift cards.

In 2019, the Company's subsidiaries provided various support functions to the Company's retail operations on an integrated, company-wide basis.

- The Company's wholly-owned bank subsidiary, FDS Bank, provides certain collections, customer service and credit marketing services in respect of all credit card accounts that are owned either by Department Stores National Bank ("DSNB"), a subsidiary of Citibank, N.A., or FDS Bank and that constitute a part of the credit programs of the Company's retail operations.
- Macy's Systems and Technology, Inc. ("MST"), a wholly-owned indirect subsidiary of the Company, provides operational electronic data processing and management information services to all of the Company's operations other than bluemercury.
- Macy's Merchandising Group, Inc. ("MMG"), a wholly-owned direct subsidiary of the Company, and its subsidiary Macy's Merchandising Group International, LLC, are responsible for the design, development and marketing of Macy's private label brands and certain licensed brands. Bloomingdale's uses MMG for a

small portion of its private label merchandise. The Company believes that its private label merchandise differentiates its merchandise assortments from those of its competitors and delivers exceptional value to its customers. MMG also offers its services, either directly or indirectly, to unrelated third parties.

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

The Company’s principal executive office is located at 151 West 34th Street, New York, New York 10001, telephone number: (212) 494-1602.

Employees

As of February 1, 2020, excluding seasonal employees, the Company had approximately 123,000 employees, primarily including regular full-time and part-time. Because of the seasonal nature of the retail business, the number of employees peaks in the holiday season. Approximately 8% of the Company’s employees were represented by unions as of February 1, 2020.

Seasonality

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

Purchasing

The Company purchases merchandise from many suppliers, no one of which accounted for more than 5% of the Company’s purchases during 2019. The Company has no material long-term purchase commitments with any of its suppliers, and believes that it is not dependent on any one supplier. The Company considers its relations with its suppliers to be good.

Private Label Brands and Related Trademarks

The principal private label brands currently offered by the Company include Alfani, American Rag, Aqua, Bar III, Belgique, Charter Club, Club Room, Epic Threads, first impressions, Giani Bernini, Greg Norman for Tasso Elba, Holiday Lane, Home Design, Hotel Collection, Hudson Park, Ideology, I-N-C, jenni, JM Collection, Karen Scott, lune+aster, M-61, Maison Jules, Martha Stewart Collection, Material Girl, Oake, Sky, Style & Co., Sun + Stone, Sutton Studio, Tasso Elba, Thalia Sodi, The Cellar, Tools of the Trade and Wild Pair.

The trademarks associated with the Company's private label brands, other than American Rag, Greg Norman for Tasso Elba, Martha Stewart Collection, Material Girl and Thalia Sodi, are owned by the Company. The American Rag, Greg Norman, Martha Stewart Collection, Material Girl and Thalia Sodi brands are owned by third parties, which license the trademarks associated with the brands to Macy’s pursuant to agreements. The agreements for American Rag, Greg Norman, Material Girl, and Thalia Sodi expired at the end of 2019, while the Martha Stewart agreement extends through 2022.

Competition

The retail industry is highly competitive. The Company’s operations compete with many retail formats on the national and local level, including department stores, specialty stores, general merchandise stores, manufacturers' outlets, off-price and discount stores, online retailers, catalogs and television shopping, among others. The Company seeks to attract customers by offering compelling, high-quality products, great prices and trusted service across all channels. Macy’s stores are located in premier locations and the Company provides a superior omnichannel fashion experience. Other retailers may compete for customers on some or all of these bases, or on other bases, and may be perceived by some potential customers as being better aligned with their particular preferences.

Available Information

The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") available free of charge through its internet website at *https://www.macysinc.com* as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC; the address of that site is *https://www.sec.gov*. In addition, the Company has made the following available free of charge through its website at *https://www.macysinc.com*:

- Charters of the Audit Committee, Compensation and Management Development Committee, Finance Committee, and Nominating and Corporate Governance Committee,
- Corporate Governance Principles,
- Lead Independent Director Policy,
- Non-Employee Director Code of Business Conduct and Ethics,
- Code of Conduct,
- Standards for Director Independence,
- Related Person Transactions Policy,
- Method to Facilitate Receipt, Retention and Treatment of Communications, and
- Proxy Access By-Laws.

Any of these items are also available in print to any shareholder who requests them. Requests should be sent to the Corporate Secretary of Macy's, Inc. at 151 West 34th Street, New York, New York 10001.

Information about our Executive Officers

The following table sets forth certain information as of March 19, 2020 regarding the Executive Officers of the Company:

Name	Age	Position with the Company
Jeff Gennette	58	Chief Executive Officer, Chairman of the Board and Director
Paula A. Price	58	Executive Vice President and Chief Financial Officer
Elisa D. Garcia	62	Executive Vice President, Chief Legal Officer and Secretary
John T. Harper	60	Executive Vice President and Chief Operations Officer
Danielle L. Kirgan	44	Executive Vice President and Chief Transformation Officer
Felicia Williams	54	Senior Vice President, Controller and Enterprise Risk Officer

Executive Officer Biographies

Jeff Gennette has been Chief Executive Officer of the Company since March 2017 and Chairman of the Board since January 2018; prior thereto he was President from March 2014 to August 2017, Chief Merchandising Officer from February 2009 to March 2014, Chairman and Chief Executive Officer of Macy's West in San Francisco from February 2008 to February 2009 and Chairman and Chief Executive Officer of Seattle-based Macy's Northwest from February 2006 through February 2008.

Paula A. Price has been Executive Vice President and Chief Financial Officer of the Company since July 2018; prior thereto she was a full-time lecturer in the Accounting and Management Unit at Harvard Business School from January 2014 to July 2018 and Executive Vice President and Chief Financial Officer of Ahold USA from May 2009 to January 2014.

Elisa D. Garcia has been Executive Vice President, Chief Legal Officer and Secretary of the Company since September 2016; prior thereto she served as Chief Legal Officer of Office Depot, Inc. from December 2013 to September 2016, Executive Vice President and Secretary from July 2007 to September 2016 and General Counsel from July 2007 to December 2013.

John T. Harper has been Executive Vice President, Chief Operations Officer of the Company since January 2020; prior thereto he served as Chief Stores Officer from September 2017 to January 2020, President of Store Operations from May 2009 to September 2017, President of Macy's Home Store from 2007 to 2009, Vice Chairman of Macy's Midwest from 2006 to 2007 and Chairman of Hecht's department stores from 2004 to 2006.

Danielle L. Kirgan has been Executive Vice President and Chief Transformation Officer of the Company since February 2020 and Chief Human Resources Officer since October 2017; prior thereto she served as Senior Vice President, People at American Airlines Group, Inc. from October 2016 to October 2017, Chief Human Resources Officer at Darden Restaurants, Inc. from January 2015 to October 2016 and Senior Vice President from May 2010, Vice President, Global Human Resources at ACI Worldwide, Inc. from January 2009 to December 2009, and Vice President, Human Resources at Conagra Foods, Inc. from 2004 to 2008.

Felicia Williams has been Senior Vice President, Controller and Enterprise Risk Officer of the Company since June 2016; prior thereto she served as Senior Vice President, Finance and Risk Management from February 2011 to June 2016, Senior Vice President, Treasury and Risk Management from September 2009 to February 2011, Vice President, Finance and Risk Management from October 2008 to September 2009, and Vice President, Internal Audit from March 2004 to October 2008.

Item 1A. Risk Factors.

In evaluating Macy's, the risks described below and the matters described in "Forward-Looking Statements" should be considered carefully. Such risks and matters are numerous and diverse, may be experienced continuously or intermittently, and may vary in intensity and effect. Any of such risks and matters, individually or in combination, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows, as well as on the attractiveness and value of an investment in Macy's securities.

The recent outbreak of COVID-19 may have a significant negative impact on the Company's business and financial results

In December 2019, there was an outbreak of COVID-19 in China that has since spread to many other regions of the world. The outbreak was subsequently labeled as a global pandemic by the World Health Organization in March 2020. As the pandemic continues to spread throughout the United States, businesses as well as federal, state and local governments have implemented significant actions to attempt to mitigate this public health crisis. Although the ultimate severity of the COVID-19 outbreak is uncertain at this time, the pandemic may have adverse impacts on the Company's financial condition and results of operations, including, but not limited to:

- The Company may experience significant reductions or volatility in demand for its retail products as customers may not be able to purchase merchandise due to illness, quarantine or government or self-imposed restrictions placed on our stores' operations. Currently all of our stores are closed and will remain closed until it is safe to reopen. Additionally, social distancing measures or changes in consumer spending behaviors due to COVID-19 may continue to impact traffic in our stores after they resume normal operations and such actions could result in a loss of sales and profit.
- The Company may experience temporary or long-term disruptions in its supply chain, as the outbreak has resulted in travel disruptions and has impacted manufacturing and distribution throughout the world. We anticipate that the receipt of products or raw material sourced from impacted areas will be slowed or disrupted in the coming months and our brand partners are expected to face similar challenges in fulfilling our orders for their merchandise. Furthermore, transportation delays and cost increases, more extensive travel restrictions, closures or disruptions of businesses and facilities or social, economic, political or labor instability in the affected areas, may impact our or our suppliers' operations or our customers.
- The Company may be required to change its plan for inventory receipts which would place financial pressure on our brand partners. Such actions may negatively impact our relationships with our brand partners or adversely impact their financial performance and position. If this occurs, our current brand partners' ability to meet their obligations to the Company may be impacted or we may also be required to identify new brand partner relationships.
- The Company's liquidity may be negatively impacted if its stores do not resume normal operations and the Company may be required to pursue additional sources of financing to meet its financial obligations. Obtaining such financing is not guaranteed and is largely dependent upon market conditions and other factors. Further actions may be required to improve the Company's cash position, including but not limited to, monetizing Company assets, implementing employee furloughs, and foregoing capital expenditures and other discretionary expenses.

The extent of the impact of COVID-19 on the Company's operations and financial results depends on future developments and is highly uncertain due to the unknown duration and severity of the outbreak. The situation is changing rapidly and future impacts may materialize that are not yet known.

Strategic, Operational and Competitive Risks

Our strategic initiatives may not be successful, which could negatively affect our profitability and growth.

In February 2020, we announced the Polaris strategy, a three-year plan designed to stabilize profitability and position the Company for sustainable, profitable growth. Our ability to achieve sustainable, profitable growth is subject to the successful implementation of our strategic plans, including the Polaris strategy, and realization of anticipated benefits and savings. If these investments or initiatives do not perform as expected or create implementation or operational challenges, we may incur impairment charges and our profitability and growth could suffer.

Our sales and operating results depend on consumer preferences and consumer spending.

The fashion and retail industries are subject to sudden shifts in consumer trends and consumer spending. Our sales and operating results depend in part on our ability to predict or respond to changes in fashion trends and consumer preferences in a timely manner. We develop new retail concepts and continuously adjust our industry position in certain major and private-label brands and product categories in an effort to attract and retain customers. Any sustained failure to anticipate, identify and respond to emerging trends in lifestyle and consumer preferences could negatively affect our business and results of operations.

Our sales are significantly affected by discretionary spending by consumers. Consumer spending may be affected by many factors outside of our control, including general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, consumer behaviors towards incurring and paying debt, the cost of basic necessities and other goods, the strength of the U.S. Dollar relative to foreign currencies and the effects of the weather, natural disasters or health pandemics. These factors can have psychological or economic impacts on consumers that affect their discretionary spending habits. Any decline in discretionary spending by consumers could negatively affect our business and results of operations.

We face significant competition in the retail industry.

We conduct our retail merchandising business under highly competitive conditions. Although Macy's is one of the nation’s largest retailers, we have numerous and varied competitors at the national and local levels, including department stores, specialty stores, general merchandise stores, manufacturers’ outlets, off-price and discount stores, online retailers, catalogs and television shopping, among others. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. Any failure by us to compete effectively could negatively affect our business and results of operations.

We face challenges as consumers migrate to online shopping and we depend on our ability to differentiate Macy's in retail's ever-changing environment.

As consumers continue to migrate online, we face pressures to not only compete from a price perspective with our competitors, some of whom sell the same products, but also to differentiate Macy's to stay relevant in retail's ever-changing environment. We continue to significantly invest in our omnichannel capabilities to provide a seamless shopping experience to our customers between our store locations and our online and mobile environments. Insufficient, untimely or misguided investments in this area could significantly impact our profitability and growth and affect our ability to attract new customers, as well as maintain our existing ones.

In addition, declining customer store traffic and migration of sales from brick and mortar stores to digital platforms could lead to additional store closures, restructuring and other costs that could adversely impact our results of operations and cash flows.

Our ability to grow depends in part on our stores remaining relevant to customers.

We are investing in facilities and fixtures upgrades, merchandise assortment and customer service in selected stores to improve customer retention rates and overall customer satisfaction. Some stores are receiving targeted local marketing plans to drive customer traffic. While these stores with the "Growth Treatment" have outperformed the remainder of our store fleet, there can be no assurance that we will be able to achieve continued improvement in our store business.

Because we rely on the ability of our physical retail locations to remain relevant to customers, providing desirable and sought-out shopping experiences is critical to our financial success. Changes in consumer shopping habits, financial difficulties at other anchor tenants, significant mall vacancy issues, mall violence and new on- and off-mall developments could each adversely impact the traffic at current retail locations and lead to a decline in our financial condition or performance.

We may not be able to successfully execute our real estate strategy.

We continue to explore opportunities to monetize our real estate portfolio, including sales of stores as well as non-store real estate such as warehouses, outparcels and parking garages. We also continue to evaluate our real estate portfolio to identify opportunities where the redevelopment value of our real estate exceeds the value of non-strategic operating locations. This strategy is multi-pronged and may include transactions, strategic alliances or other arrangements with mall developers or other unrelated third-parties. Due to the cyclical nature of real estate markets, the performance of our real estate strategy is inherently volatile and could have a significant impact on our results of operations or financial condition.

Our revenues and cash requirements are affected by the seasonal nature of our business.

Our business is seasonal, with a high proportion of revenues and operating cash flows generated during the second half of the year, which includes the fall and holiday selling seasons. A disproportionate amount of our revenues is in the fourth quarter, which coincides with the holiday season. Should holiday sales fall below our expectations, a disproportionately negative impact on our results of operations could occur.

We incur significant additional expenses in the period leading up to the months of November and December in anticipation of higher sales volume in those periods, including costs for additional inventory, advertising and employees. If we are not successful in selling inventory, we may have to sell the inventory at significantly reduced prices or may not be able to sell the inventory at all, which could have a material adverse effect on our results of operations and cash flows.

We depend on our ability to attract, train, develop and retain quality employees.

Our business is dependent upon attracting, training, developing and retaining quality employees. Macy's has a large number of employees, many of whom are in entry level or part-time positions with historically high rates of turnover. The ability to meet our labor needs while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. In addition, as a large and complex enterprise operating in a highly competitive and challenging business environment, Macy's is highly dependent upon management personnel to develop and effectively execute successful business strategies and tactics. Any circumstances that adversely impact our ability to attract, train, develop and retain quality employees throughout the organization could negatively affect our business and results of operations.

We depend on the success of advertising and marketing programs.

Our business depends on effective marketing to create high customer traffic at stores and online. Macy's has many initiatives in this area, and we often change advertising and marketing programs to attract customers and increase sales. There can be no assurance as to our continued ability to effectively execute our advertising and marketing programs, and any failure to do so could negatively affect our business and results of operations.

If cash flows from our private label credit card decrease, our financial and operational results may be negatively impacted.

We previously sold most of our credit accounts and related receivables to Citibank. Following the sale, we share in the economic performance of the credit card program with Citibank. Deterioration in economic or political conditions could adversely affect the volume of new credit accounts, the amount of credit card program balances and the ability of credit card holders to pay their balances. These conditions could result in Macy’s receiving lower payments under the credit card program.

Credit card operations are subject to many federal and state laws that may impose certain requirements and limitations on credit card providers. Citibank and our subsidiary bank, FDS Bank, may be required to comply with regulations that may negatively impact the operation of our private label credit card. This negative impact may affect our revenue streams derived from the sale of such credit card accounts and our financial results.

Gross margins could suffer if we are unable to effectively manage our inventory.

Our profitability depends on our ability to manage inventory levels and respond to shifts in consumer demand patterns. Overestimating customer demand for merchandise will likely result in the need to record inventory markdowns and sell excess inventory at clearance prices which would negatively impact our gross margins and operating results. Underestimating customer demand for merchandise can lead to inventory shortages, missed sales opportunities and negative customer experiences.

Our defined benefit plan funding requirements or plan settlement expense could impact our financial results and cash flow.

Significant changes in interest rates, decreases in the fair value of plan assets and timing and amount of benefit payments could affect the funded status of our plans and could increase future funding requirements of the plans. A significant increase in future funding requirements could have a negative impact on our cash flows, financial condition or results of operations.

These plans allow eligible retiring employees to receive lump sum distributions of benefits earned. Under applicable accounting rules, if annual lump sum distributions exceed an actuarially determined threshold of the total of the annual service and interest costs, we would be required to recognize in the current period of operations a settlement expense of a portion of the unrecognized actuarial loss and could have a negative impact on our results of operations.

Increases in labor costs and the cost of employee benefits could impact our financial results and cash flow.

Minimum wage increases by states and wage and benefit increases to attract and retain workers in a tight labor market have driven-up labor costs in the retail sector. These increased costs pressure our margins and could have a negative impact on our financial results.

Our expenses relating to employee health benefits are significant. Unfavorable changes in the cost of such benefits could negatively affect our financial results and cash flow. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform have resulted and could continue to result in significant changes to the U.S. healthcare system. Due to uncertainty regarding legislative or regulatory changes, we are not able to fully determine the impact that future healthcare reform will have on our company-sponsored medical plans.

If our company's reputation and brand are not maintained at a high level, our operations and financial results may suffer.

We believe our reputation and brand are partially based on the perception that we act equitably and honestly in dealing with our customers, employees, business partners and shareholders. Our reputation and brand may be deteriorated by any incident that erodes the trust or confidence of our customers or the general public, particularly if the incident results in significant adverse publicity or governmental inquiry. In addition, information concerning us, whether or not true, may be instantly and easily posted on social media platforms at any time, which information may be adverse to our reputation or brand. The harm may be immediate without affording us an opportunity for redress or correction. If our reputation or brand is damaged, our customers may refuse to continue shopping with us, potential employees may be unwilling to work for us, business partners may be discouraged from seeking future business dealings with us and, as a result, our operations and financial results may suffer.

If we are unable to protect our intellectual property, our brands and business could be damaged.

We believe that our copyrights, trademarks, trade dress, trade secrets and similar intellectual property are important assets and key elements of our strategy, including those related to our private brand merchandise. We rely on copyright and trademark law, trade secret protection and confidentiality agreements with our employees, consultants, vendors and others to protect our proprietary rights. If the steps we take to protect our proprietary rights are inadequate, or if we are unable to protect or preserve the value of our copyrights, trademarks, trade secrets and other proprietary rights for any reason, our merchandise brands and business could be negatively affected.

Our sales and operating results could be adversely affected by product safety concerns.

If Macy's merchandise offerings do not meet applicable safety standards or consumers' expectations regarding safety, we could experience decreased sales, increased costs and/or be exposed to legal and reputational risk. Events that give rise to actual, potential or perceived product safety concerns could expose Macy's to government enforcement action and/or private litigation. Reputational damage caused by real or perceived product safety concerns could negatively affect our business and results of operations.

A shutdown or disruption in our distribution and fulfillment centers could have an adverse impact on our business and operations.

Our business depends on the orderly receipt and distribution of merchandise and effective management of our distribution and fulfillment centers. Unforeseen disruptions in operations due to fire, severe weather conditions, natural disasters, health pandemics or other catastrophic events, labor disagreements, or other shipping problems may result in the loss or unavailability of inventory and/or delays in the delivery of merchandise to our stores and customers.

Technology and Data Security Risks

A material disruption in our information technology systems could adversely affect our business or results of operations.

We rely extensively on our information technology systems to process transactions, summarize results and manage our business. Our information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attack or other security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our information technology systems are damaged or cease to function properly, including a material disruption in our ability to authorize and process transactions at our stores or on our online systems, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data and interruptions or delays in our operations. Any material interruption in our information technology systems could negatively affect our business and results of operations.

In addition, COVID-19 may have an adverse impact on our information technology systems, including telecommuting issues associated with our employee population working remotely or an increase in online orders due to disruptions or closures of our retail store operations.

If our technology-based e-commerce systems do not function properly, our operating results could be negatively affected.

Customers are increasingly using computers, tablets and smart phones to shop online and to do price and comparison shopping. We strive to anticipate and meet our customers' changing expectations and are focused on building a seamless shopping experience across our omnichannel business. Any failure to provide user-friendly, secure e-commerce platforms that offer a variety of merchandise at competitive prices with low cost and quick delivery options that meet customers' expectations could place us at a competitive disadvantage, result in the loss of e-commerce and other sales, harm our reputation with customers and have a material adverse impact on the growth of our business and our operating results.

A breach of information technology systems could adversely affect our reputation, business partner and customer relationships and operations, and result in high costs.

Through our sales, marketing activities, and use of third-party information, we collect and store certain non-public personal information that customers provide to purchase products or services, enroll in promotional programs, register on websites, or otherwise communicate to us. This may include phone numbers, driver license numbers, contact preferences, personal information stored on electronic devices, and payment information, including credit and debit card data. We gather and retain information about employees in the normal course of business. We may share information about such persons with vendors that assist with certain aspects of our business. In addition, our online operations depend upon the transmission of confidential information over the Internet, such as information permitting cashless payments.

We employ safeguards for the protection of this information and have made significant investments to secure access to our information technology network. For instance, we have implemented authentication protocols, installed firewalls and anti-virus/anti-malware software, conducted continuous risk assessments, and established data security breach preparedness and response plans. We also employ encryption and other methods to protect our data, promote security awareness with our associates and work with business partners in an effort to create secure and compliant systems.

However, these protections may be compromised as a result of third-party security breaches, burglaries, cyberattacks, errors by employees or employees of third-party vendors, or contractors, misappropriation of data by employees, vendors or unaffiliated third-parties, or other irregularities that may result in persons obtaining unauthorized access to company data.

Retail data frequently targeted by cybercriminals includes consumer credit card data, personally identifiable information, including social security numbers, and health care information. For retailers, point of sale and e-commerce websites are often attacked through compromised credentials, including those obtained through phishing, vishing and credential stuffing. Other methods of attack include advanced malware, the exploitation of software and operating vulnerabilities, and physical device tampering/skimming at card reader units. We believe these attack methods will continue to evolve.

Despite instituting controls for the protection of such information, no commercial or government entity can be entirely free of vulnerability to attack or compromise given that the techniques used to obtain unauthorized access, disable or degrade service change frequently. During the normal course of business, we have experienced and expect to continue to experience attempts to compromise our information systems. Unauthorized parties may attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deception to employees, contractors, vendors and temporary staff. We may be unable to protect the integrity of our systems or company data. An alleged or actual unauthorized access or unauthorized disclosure of non-public personal information could:

- materially damage our reputation and brand, negatively affect customer satisfaction and loyalty, expose us to individual claims or consumer class actions, administrative, civil or criminal investigations or actions, and infringe on proprietary information; and

- cause us to incur substantial costs, including costs associated with remediation of information technology systems, customer protection costs and incentive payments for the maintenance of business relationships, litigation costs, lost revenues resulting from negative changes in consumer shopping patterns, unauthorized use of proprietary information or the failure to retain or attract customers following an attack. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be unavailable or insufficient to cover all losses or all types of claims that may arise in the continually evolving area of cyber risk.

Supply Chain and Third Party Risks

We depend upon vendors and other sources of merchandise, goods and services outside the U.S.. Our business could be affected by disruptions in, or other legal, regulatory, political, economic or public health issues associated with, our supply network.

We depend on vendors for timely and efficient access to products we sell. We source the majority of our merchandise from manufacturers located outside the U.S., primarily Asia. Any major changes in tax policy, such as the disallowance of tax deductions for imported merchandise could have a material adverse effect on our business, results of operations and liquidity.

The procurement of all our goods and services is subject to the effects of price increases, which we may or may not be able to pass through to our customers. In addition, our procurement of goods and services from outside the U.S. is subject to risks associated with political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, health pandemics and other factors relating to foreign trade. All of these factors may affect our ability to access suitable merchandise on acceptable terms, are beyond our control and could negatively affect our business, results of operations and liquidity.

The U.S. has been engaged in extended trade negotiations with China, which has resulted in the implementation of tariffs on a significant number of products manufactured in China and imported into the U.S. On May 10, 2019, the current U.S. Administration imposed a 25% tariff on approximately $200 billion worth of imports from China into the U.S. (the “Stage 3 Tariffs”), which imports include merchandise for both private-label and national brands sold in our stores. On August 1, 2019, the current U.S. Administration announced its intent to impose a 10% tariff on all remaining imports from China, valued at approximately $300 billion (the “Stage 4 Tariffs”), which imports also include merchandise sold in our stores. The proposed Stage 4 Tariffs were increased to 15% in August 2019 following retaliatory tariffs from China, and a portion of such 15% tariffs went into effect on September 1, 2019 (the “Stage 4A Tariffs”). Subsequently, in October 2019, the current U.S. Administration announced the suspension of the remaining new 15% tariffs (the “Stage 4B Tariffs”) following positive negotiations with China. On January 15, 2020, the U.S. and China signed an agreement known as the “Phase One” trade deal, pursuant to which, among other things, the Stage 3 Tariffs remained unchanged, the Stage 4A Tariffs were reduced from 15% to 7.5%, and the Stage 4B Tariffs were indefinitely suspended.

We continue to evaluate the impact of the effective tariffs, including potential future retaliatory tariffs, as well as other recent changes in foreign trade policy on our supply chain, costs, sales and profitability, and are actively working through strategies to mitigate such impact, including reviewing sourcing options and working with our vendors and merchants. At this time, it is unknown how long U.S. tariffs on Chinese goods will remain in effect or whether additional tariffs will be imposed. Depending upon their duration and implementation, as well as our ability to mitigate their impact, these changes in foreign trade policy and any recently enacted, proposed and future tariffs on products imported by us from China could negatively impact our business, results of operations and liquidity if they seriously disrupt the movement of products through our supply chain or increase their cost. In addition, while we may be able to shift our sourcing options, executing such a shift would be time consuming and would be difficult or impracticable for many products and may result in an increase in our manufacturing costs. The adoption and expansion of trade restrictions, retaliatory tariffs, or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and/or the U.S. economy, which in turn could adversely impact our results of operations and business.

If our vendors, or any raw material vendors on which our vendors or our private label business relies, suffer prolonged manufacturing or transportation disruptions due to public health conditions or other unforeseen events, such as the COVID-19 pandemic, our ability to source product could be adversely impacted which would adversely affect our results of operations.

Disruption of global sourcing activities and quality and other concerns over our own brands could negatively impact brand reputation and earnings.

Economic and civil unrest in areas of the world where we source products, as well as shipping and dockage issues, could adversely impact the availability or cost of our products, or both. Most of Macy’s goods imported to the U.S. arrive from Asia through ports located on the U.S. west coast and are subject to potential disruption due to labor unrest, security issues or natural disasters affecting any or all of these ports. In addition, in recent years, we have substantially increased the number and types of merchandise that are sold under Macy’s proprietary brands. While we have focused on the quality of our proprietary branded products, we rely on third-parties to manufacture these products. Such third-party manufacturers may prove to be unreliable, the quality of our globally sourced products may vary from expectations and standards, the products may not meet applicable regulatory requirements which may require us to recall these products, or the products may infringe upon the intellectual property rights of third-parties. We face challenges in seeking indemnities from manufacturers of these products, including the uncertainty of recovering on such indemnity and the lack of understanding by manufacturers of U.S. product liability laws in certain foreign jurisdictions.

We also face concerns relating to human rights, working conditions and other labor rights and conditions and environmental impact in factories or countries where merchandise that we sell is produced and concerns about transparent sourcing and supply chains. We require all vendors for both private and national brands to comply with our vendor and supplier code of conduct which outlines minimum standards to help ensure our merchandise is produced in workplaces free of abusive, exploitative or unsafe working conditions, and to comply with applicable laws and regulations of the United States and the country of manufacture or exportation. Although we have implemented policies and procedures designed to facilitate compliance with laws and regulations relating to production of merchandise, doing business in foreign countries and importing merchandise, and to screen, train and monitor our private label vendors to ensure safe and ethical treatment of workers in our supply chain, there can be no assurance that our vendors and other third parties with whom we do business will not violate such laws and regulations or our policies, which could subject us to liability and could adversely impact our reputation, results of operations and business.

Parties with whom Macy's does business may be subject to insolvency risks or may otherwise become unable or unwilling to perform on their obligations to us.

Macy's is a party to contracts, transactions and business relationships with various third parties, including, without limitation, vendors, suppliers, service providers, lenders and participants in joint ventures, strategic alliances and other joint commercial relationships, pursuant to which such third parties have performance, payment and other obligations to Macy's. In some cases, we depend upon such third parties to provide essential leaseholds, products, services or other benefits, including with respect to store and distribution center locations, merchandise, advertising, software development and support, logistics, other agreements for goods and services to operate our business in the ordinary course, extensions of credit, credit card accounts and related receivables, and other vital matters. Current economic, industry and market conditions could result in increased risks to Macy's associated with the potential financial distress or insolvency of such third parties. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the rights and benefits with respect to our contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to us, or otherwise impaired. We may be unable to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as existing contracts, transactions or business relationships. Our inability to do so could negatively affect our cash flows, financial condition and results of operations.

Global, Legal and External Risks

Macy’s business is subject to unfavorable economic and political conditions, extreme violence and other related risks.

Unfavorable global, domestic or regional economic or political conditions and other developments and risks could negatively affect our business and results of operations. For example, unfavorable changes related to interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, consumer debt payment behaviors, tax rates and policy, unemployment trends, energy prices, and other matters that influence the availability and cost of merchandise, consumer confidence, spending and tourism could negatively affect our business and results of operations. In addition, unstable political conditions, civil unrest, terrorist activities, armed conflicts or events of extreme violence may disrupt commerce and could negatively affect our business and results of operations.

Our business could be affected by extreme weather conditions, natural disasters or regional or global health pandemics.

Extreme weather conditions in the areas in which our stores are located could negatively affect our business and results of operations. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could reduce demand for a portion of our inventory and thereby reduce our sales and profitability. In addition, extreme weather conditions could result in disruption or delay of production and delivery of materials and products in our supply chain and cause staffing shortages in our stores.

Natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could damage or destroy our facilities or make it difficult for customers to travel to our stores, thereby negatively affecting our business and results of operations.

Our business and results of operations could also be negatively affected if a regional or global health pandemic were to occur, depending upon its location, duration and severity. Customers might avoid public places, such as our stores, or in extreme cases governments might limit or ban public gatherings or travel, resulting in temporary store closures or changes in consumer spending behavior. A regional or global health pandemic might also result in disruption or delay of production and delivery of materials and products in our supply chain and cause staffing shortages in our stores.

Litigation, legislation or regulatory developments could adversely affect our business and results of operations.

We are subject to various federal, state and local laws, rules, regulations, inquiries and initiatives in connection with both our core business operations and our credit card and other ancillary operations (including the Credit Card Act of 2009 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010). Recent and future developments relating to such matters could increase our compliance costs and adversely affect the profitability of our credit card and other operations. Our effective tax rate is impacted by a number of factors, including changes in federal or state tax law, interpretation of existing laws and the ability to defend and support the tax positions taken on historical tax returns. Certain changes in any of these factors could materially impact the effective tax rate and net income.

We are also subject to anti-bribery, customs, child labor, truth-in-advertising and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and warehouse facilities. Although we undertake to monitor changes in these laws, if these laws change without our knowledge, or are violated by importers, designers, manufacturers, distributors or agents, we could experience delays in shipments and receipt of goods or be subject to fines or other penalties under the controlling regulations, any of which could negatively affect our business and results of operations. In addition, we are regularly involved in various litigation matters that arise in the ordinary course of our business. Adverse outcomes in current or future litigation could negatively affect our financial condition, results of operations and cash flows.

Financial Risks

Inability to access capital markets could adversely affect our business or financial condition.

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

Factors beyond our control could affect Macy's stock price.

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

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

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The properties of the Company consist primarily of stores and related facilities, including a logistics network. The Company also owns or leases other properties, including corporate office space in Cincinnati and New York and other facilities at which centralized operational support functions are conducted. As of February 1, 2020, the operations of the Company were reviewed by management using store locations which combines multi-box properties into a single location, whereas the previous property information was provided solely by number of individual store boxes.

As of February 1, 2020, the operations of the Company included 775 store locations in 43 states, the District of Columbia, Puerto Rico and Guam, comprising a total of approximately 120 million square feet. At these locations, store boxes consisted of 342 owned boxes, 384 leased boxes, 108 boxes operated under arrangements where the Company owned the building and leased the land and five boxes of partly owned and partly leased buildings. All owned properties are held free and clear of mortgages. Pursuant to various shopping center agreements, the Company is obligated to operate certain stores for periods of up to 15 years. Some of these agreements require that the stores be operated under a particular name. Most leases require the Company to pay real estate taxes, maintenance and other costs; some also require additional payments based on percentages of sales and some contain purchase options. Certain of the Company’s real estate leases have terms that extend for a significant number of years and provide for rental rates that increase or decrease over time.

The Company's operations were conducted through the following branded store locations:

	2019	
	Boxes	Locations
Macy's	613	551
Bloomingdale's	55	53
bluemercury	171	171
	839	775

Store count activity was as follows:

	2019	
	Boxes	Locations
Store count at beginning of fiscal year	867	800
Stores opened	12	12
Stores closed, consolidated into or relocated from existing centers	(40)	(37)
Store count at end of fiscal year	839	775

Additional information about the Company’s store boxes as of February 1, 2020 is as follows:

By Brand	Total	Owned	Leased	Subject to a Ground Lease	Partly Owned and Partly Leased
Macy's	613	329	178	101	5
Bloomingdale's	55	13	35	7	—
bluemercury	171	—	171	—	—
	839	342	384	108	5

Additional information about the Company’s logistics network as of February 1, 2020 is as follows:

Location	Primary Function	Owned or Leased	Square Footage (thousands)
Cheshire, CT	Direct to customer	Owned	725
Chicago, IL	Stores	Owned	861
Columbus, OH	Stores	Leased	673
Dayton, OH	Stores	Leased	107
Denver, CO	Stores	Leased	20
Goodyear, AZ	Direct to customer	Owned	1,560
Hayward, CA	Stores	Owned	310
Houston, TX	Stores	Owned	992
Joppa, MD	Stores	Owned	850
Kapolei, HI	Stores	Leased	260
Los Angeles, CA	Stores	Owned	1,529
Martinsburg, WV	Direct to customer	Owned	2,200
Miami, FL	Stores	Leased	535
Portland, TN	Direct to customer	Owned	1,455
Raritan, NJ	Stores	Owned	980
Sacramento, CA	Direct to customer	Leased	385
Secaucus, NJ	Stores	Leased	675
South Windsor, CT	Stores	Owned	595
Stone Mountain, GA	Stores	Owned	920
Tampa, FL	Stores	Owned	585
Tulsa, OK	Direct to customer	Owned	2,195
Tukwila, WA	Stores	Leased	500
Union City, CA	Stores	Leased	165
Youngstown, OH	Stores	Owned	645

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's common stock is listed on the New York Stock Exchange under the trading symbol "M." As of February 1, 2020, the Company had approximately 14,000 stockholders of record.

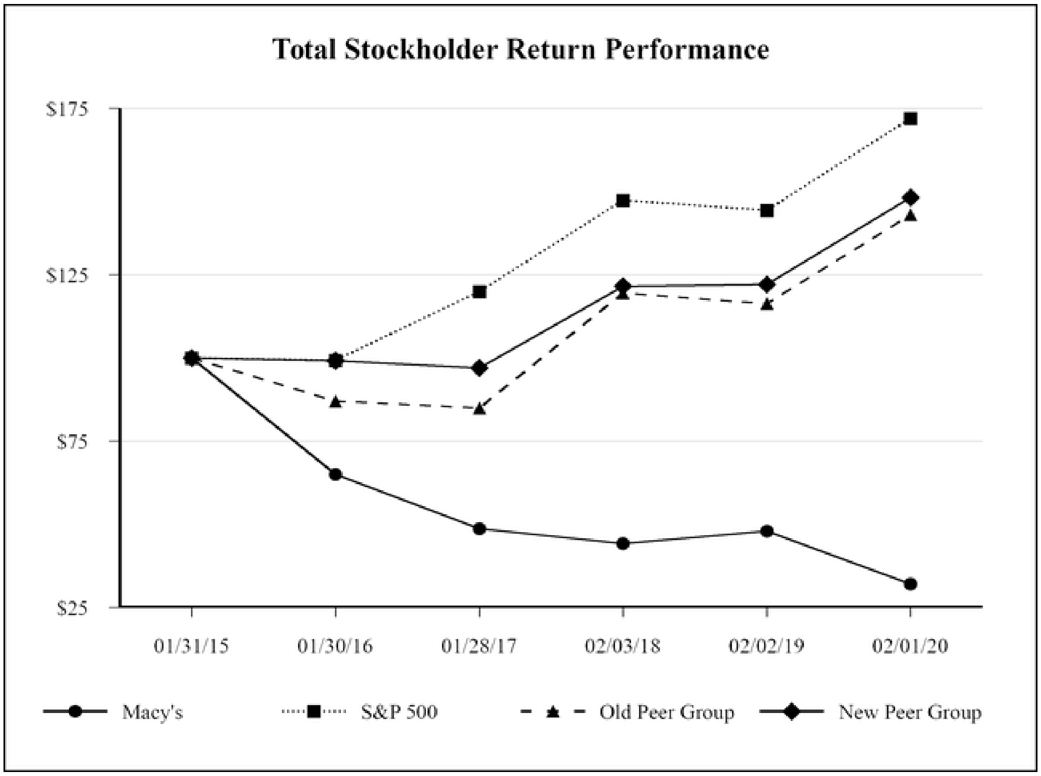
The declaration and payment of future dividends will be at the discretion of the Company's Board of Directors, are subject to restrictions under the Company's credit facility and may be affected by various other factors, including the Company's earnings, financial condition and legal or contractual restrictions.

The following table provides information regarding the Company's purchases of common stock during the fourth quarter of 2019.

	Total Number of Shares Purchased	Average Price Paid per Share ($)	Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs ($)(1)
	(thousands)		(thousands)	(millions)
November 3, 2019 - November 30, 2019	—	—	—	1,716
December 1, 2019 - January 4, 2020	—	—	—	1,716
January 5, 2020 - February 1, 2020	—	—	—	1,716
	—	—	—	

(1) Beginning in January 2000, the Company's Board of Directors approved various authorizations to purchase, in the aggregate, up to $18 billion of common stock. As of February 1, 2020, $1,716 million of authorization remained unused. On March 26, 2020, the Company's Board of Directors rescinded its authorization of the remaining unused amount.

The following graph compares the cumulative total stockholder return on the Company's common stock with the Standard & Poor's 500 Composite Index and the Company's peer group for the period from January 31, 2015 through February 1, 2020, assuming an initial investment of $100 and the reinvestment of all dividends, if any.



The companies included in the old peer group are Bed, Bath & Beyond, Dillard's, Gap, J.C. Penney, Kohl's, L Brands, Nordstrom, Ross Stores, Sears Holdings, Target, TJX Companies and Wal-Mart; while the companies included in the new peer group are Bed, Bath & Beyond, Best Buy, Dillard's, Dollar Tree, Gap, Hudson's Bay, J.C. Penney, Kohl's, L Brands, Lowe's, Nordstrom, Ross Stores, Target, and TJX Companies.

The change in peer group was made to be consistent with the peer group that the Compensation and Management Development Committee of the Board of Directors uses in benchmarking and assessing compensation for the Company's executive officers.

Item 6. Selected Financial Data.

The selected financial data set forth below should be read in conjunction with the Consolidated Financial Statements and the notes thereto and the other information contained elsewhere in this report. The Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), on February 3, 2019, using a modified retrospective approach that allowed for transition in the period of adoption. Therefore, results prior to 2019 have not been recast for the adoption of this standard. Additionally, the Company adopted the ASU No. 2014-09, Revenue from Contracts with Customers, on February 4, 2018 using the full retrospective transition method and recast results from 2017 and 2016. Results from 2015 have not been recast for the adoption of this standard.

	2019	2018	2017*	2016	2015
			(millions, except per share)		
Consolidated Statement of Income Data:					
Net sales	$ 24,560	$ 24,971	$ 24,939	$ 25,908	$ 27,079
Gross margin (a)	9,389	9,756	9,758	10,242	10,583
Operating income	970	1,738	1,864	1,371	2,028
Net income	564	1,098	1,555	619	1,070
Net income attributable to Macy's, Inc. shareholders	564	1,108	1,566	627	1,072
Basic earnings per share attributable to Macy's, Inc. shareholders	$ 1.82	$ 3.60	$ 5.13	$ 2.03	$ 3.26
Diluted earnings per share attributable to Macy's, Inc. shareholders	$ 1.81	$ 3.56	$ 5.10	$ 2.02	$ 3.22
Average number of shares outstanding	309.7	307.7	305.4	308.5	328.4
Cash dividends paid per share	$ 1.51	$ 1.51	$ 1.51	$ 1.49	$ 1.39
Depreciation and amortization	$ 981	$ 962	$ 991	$ 1,058	$ 1,061
Capital expenditures	$ 1,157	$ 932	$ 760	$ 912	$ 1,113
Balance Sheet Data (at year end):					
Cash and cash equivalents	$ 685	$ 1,162	$ 1,455	$ 1,297	$ 1,109
Property and equipment - net	6,633	6,637	6,672	7,017	7,616
Total assets	21,172	19,194	19,583	20,082	20,576
Short-term debt	539	43	22	309	642
Long-term debt	3,621	4,708	5,861	6,562	6,995
Total Shareholders' equity	6,377	6,436	5,733	4,375	4,253

* 53 weeks

(a) Gross margin is defined as net sales less cost of sales.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The discussion in this Item 7 should be read in conjunction with the Consolidated Financial Statements and the related notes included elsewhere in this report. The discussion in this Item 7 contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in "Risk Factors" and "Forward-Looking Statements."

Company Overview

The Company is an omnichannel retail organization operating stores, websites and mobile applications under three brands (Macy's, Bloomingdale's and bluemercury) that sell a wide range of merchandise, including apparel and accessories (men's, women's and kids'), cosmetics, home furnishings and other consumer goods. As of February 1, 2020, the Company's operations were conducted through Macy's, Bloomingdale's, Macy's Backstage, Bloomingdale's The Outlet and bluemercury, which are aggregated into one reporting segment in accordance with the FASB Accounting Standards Codification ("ASC") Topic 280, Segment Reporting.

Bloomingdale's in Dubai, United Arab Emirates and Al Zahra, Kuwait are operated under a license agreement with Al Tayer Insignia, a company of the Al Tayer Group, LLC.

2019 Operating Results and Summary

Continuing with its 3-year plan introduced in 2017, the Company continued the implementation of its North Star strategy to transform its omnichannel business and focus on key growth areas, embrace customer centricity, and optimize value in its real estate portfolio. The key components to this strategy were:

1. **From Familiar to Favorite** included everything the Company does to further its brand awareness and identity to its core customers.
2. **It Must Be Macy's** encompassed delivering the products and experiences customers love and are exclusive to the Company.
3. **Every Experience Matters**, in-store and online leveraged the Company's competitive advantage in combining the human touch in its physical stores with cutting-edge technology in its mobile applications and websites.
4. **Funding our Future** represented the decisions and actions the Company took to identify and realize resources to fuel growth.
5. **What's New, What's Next** explored and developed innovation ideas to turn consumer and technology trends to the Company's advantage and to drive growth.

During 2019, the Company executed its five 2019 key strategic initiatives underlying components of the North Star strategy. The following summarizes how these initiatives contributed to 2019 results.

- In 2019, the Company expanded the growth treatment to an additional 100 locations, from the original 50 locations in 2018. The Growth150 locations (a mix of stores where the Company accelerated a number of successful store initiatives, such as facility upgrades, merchandising strategies, and localized marketing) contributed to the operating results for 2019, with sales results outperforming the other Macy's store locations.
- Continued the expansion of Backstage, Macy's mall-based off-price business, the Company opened 50 new Backstage locations within Macy's stores during 2019. This expansion brings the total Backstage locations to 218 (six freestanding and 212 inside Macy's stores) as of February 1, 2020.
- The Company's vendor direct program (merchandise purchased from the Company's websites and digital applications and shipped directly to customers from the respective vendor) continued its expansion during 2019, adding more than 1 million SKUs and 1,000 new vendors.
- The mobile-first strategy has continued to create an improved omnichannel experience for customers through the enhancement of app features, such as My Wallet, My Store and My Stylist. Mobile remains the Company's fastest growing channel, with downloads and mobile active users experiencing significant growth during 2019.

- Sales at the Company's destination businesses (six merchandise categories: dresses, fine jewelry, big ticket, men's tailored, women's shoes and beauty) grew in 2019 as the Company invested in these categories through merchandise assortment, customer service, improved store environments, and enhanced marketing.

From a brand standpoint in 2019, Bloomingdale's piloted My List, a rental service, with 80 vendors offering 1,500 styles. In addition, Bloomingdale's opened a new location in Norwalk, Connecticut, bringing the total Bloomingdale's locations to 34 as of February 1, 2020. A new Bloomingdale's in Silicon Valley opened in March 2020. Bloomingdale's the Outlets continued its growth in 2019 with the opening of two new locations and has plans for continued expansion in 2020.

The Company continued to grow its luxury beauty products and spa retailer, bluemercury, by opening nine additional freestanding bluemercury stores in urban and suburban markets and adding bluemercury products and boutiques to Macy's stores. The brand also launched its first loyalty program, Bluerewards, during 2019. As of February 1, 2020, the Company operated 191 bluemercury locations (171 freestanding and 20 inside Macy's stores).

2019 Financial Results

Specific 2019 Macy's, Inc. financial performance included:

- Net sales decreased 1.6% compared to 2018.
- Comparable sales on an owned basis decreased 0.8% and comparable sales on an owned plus licensed basis decreased 0.7%.
- Asset sale gains decreased $227 million to $162 million compared to 2018.
- Restructuring, impairment, store closing and other costs increased $218 million to $354 million compared to 2018 driven by the restructuring activities, store closures and campus consolidation plans related to the Polaris strategy.
- Net income attributable to Macy's, Inc. shareholders for 2019 was $564 million, a decrease of $544 million from $1,108 million in 2018.
- Diluted earnings per share attributable to Macy's, Inc. shareholders decreased to $1.81 in 2019 compared to $3.56 in 2018. Excluding restructuring, impairment, store closing and other costs, settlement charges, and losses on early retirement of debt, adjusted diluted earnings per share attributable to Macy's, Inc. shareholders decreased to $2.91 in 2019 from $4.18 in 2018. In addition, excluding asset sales gains, adjusted diluted earnings per share attributable to Macy's, Inc. shareholders decreased to $2.53 in 2019 from $3.26 in 2018.
- Earnings before interest, taxes, depreciation and amortization excluding restructuring, impairment, store closing and other costs and settlement charges ("Adjusted EBITDA") was $2,336 million in 2019, as compared to $2,877 million in 2018.
- Return on invested capital ("ROIC"), a key measure of operating productivity, was 17.1% for 2019 and 19.9% for 2018.
- In 2019, the Company repurchased $525 million of debt in a tender offer. In 2018, the Company repurchased $1,094 million of debt, consisting of $344 million of debt repurchased in the open market and $750 million of debt repurchased in a tender offer.

See pages 30 to 34 for reconciliations of the non-GAAP financial measures presented above to the most comparable U.S. generally accepted accounting principles ("GAAP") financial measures and other important information.

Strategic Initiative Update

On February 4, 2020, Macy’s, Inc. announced its Polaris strategy, a three-year plan designed to stabilize profitability and position the Company for sustainable, profitable growth. The five major components of the Polaris strategy are:

- Strengthen Customer Relationships: The Company is focusing on building customer lifetime value and expanding the Macy's Star Rewards loyalty program with the launch of Loyalty 3.0 in early February 2020. Loyalty 3.0 allows every Star Rewards member to earn loyalty rewards on their purchases regardless of tender.

- Curate Quality Fashion: The Company is repositioning its merchandise category focus to drive sales and improve gross margin. As part of the merchandising strategy, the Company is committed to a more focused approach to its higher-margin private brands business with plans to build four of them into $1 billion brands.

- Accelerate Digital Growth: The Company will continue to invest in its websites and mobile apps to deliver a superior fashion experience and accelerate growth. The Company will grow its customer franchise with a strong focus on personalization and continued innovation to deliver the best digital fashion experience to its customers.

- Optimize the Store Portfolio: The Company completed a rigorous evaluation of the Macy's store portfolio. This included a store-level assessment of each store's overall value to the fleet, including predicted profitability based on consumer trends and demographics. As a result, the Company plans to close approximately 125 of its least productive stores over the next three years, including approximately 30 stores that were announced for closure in the spring of 2020. The Company will expand the Growth treatment to another 100 locations in 2020 and will expand to 50 more Backstage locations within Macy's stores and add 7 more freestanding Backstage locations in 2020.

  The Company is testing a retail ecosystem model with a mix of Macy's store formats within a geographic market. As part of this test, the Company opened a new store format, Market by Macy's, in Dallas in February 2020. This new format is smaller than an average Macy's store and will be located off-mall in lifestyle centers. Market by Macy's will feature a mix of curated Macy's merchandise and local goods, as well as local food and beverage options and a robust community events calendar. The first Market by Macy's opened in Dallas in February 2020.

- Reset Cost Base: The Company is streamlining and right-sizing the organization and expense base to drive improvement in working capital and operating results. This includes reductions in corporate and support functions, campus consolidations and the consolidation of the Company's sole headquarters to New York City, New York. Additionally, the Company is further reshaping its supply chain to support omnichannel customer behavior and the Company's new retail ecosystem.

Over the next three years, the savings driven by Polaris are expected to total approximately $1.5 billion in 2022, of which approximately $600 million is associated with gross margin improvement and approximately $900 million is related to selling, general and administrative ("SG&A") expense savings. Some of these savings are expected to flow through the Company's financial results whereas the remaining portion will be invested back into the business.

The total costs to be incurred by the Company in implementing its Polaris strategy are estimated to be approximately $400 million to $420 million. In 2019, the Company recognized Polaris-related costs of approximately $318 million, of which approximately $161 million were non-cash impairment charges associated with store closures and campus consolidations and approximately $157 million were cash costs primarily related to severance and human resource-related activities and other costs. The remaining costs to be recorded in 2020 are expected to be cash.

The Company may incur significant additional charges in future periods as it more fully defines incremental Polaris strategy initiatives and moves into the execution phases of these projects. Since the scope of such efforts are not fully known at this time, the benefits of such initiatives, and any related charges or capital expenditures, are not currently quantifiable. Actions associated with the Polaris strategy are currently expected to continue through 2022.

COVID-19 Impact

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, which continues to spread throughout the United States. COVID-19 has had a negative impact on the Company's 2020 operations and financial results to date, and the full financial impact of the pandemic cannot be reasonably estimated at this time due to uncertainty as to its severity and duration. The Company has taken the following steps to help mitigate the current impact, as well as the continued uncertainty regarding the ultimate impact of COVID-19 on the Company's business, results of operations, financial position and cash flows:

- The Company temporarily closed all stores on March 18, 2020 and the stores will remain closed until it is safe to reopen. This included all Macy’s, Bloomingdale’s, Bluemercury, Macy’s Backstage, Bloomingdales the Outlet and Market by Macy’s stores.
- In an effort to increase liquidity, the Company fully drew on the $1,500 million credit facility, announced the suspension of quarterly cash dividends beginning in the second quarter of 2020 and took additional steps to reduce discretionary spending and other expenditures. The Company's Board of Directors rescinded its authorization of any unused amounts under the Company's share repurchase program.
- Due to heightened uncertainty relating to the potential impacts of the COVID-19 pandemic on the Company’s business operations, including its duration, its impact on overall demand for merchandise and the effect on the Company's stores, on March 20, 2020, the Company announced the withdrawal of its 2020 guidance, which was previously issued on February 5, 2020 and confirmed on February 25, 2020.
- To improve the Company's current cash position and reduce its cash expenditures during this uncertain time, the Company's Board of Directors and Chief Executive Officer will forgo any compensation for the duration of the COVID-19 crisis. In addition, the Company has deferred cash expenditures where possible and temporarily implemented a furlough for the majority of its employee population. Individuals not impacted by the furlough have taken a temporary reduction of their pay.

The COVID-19 pandemic may have a material adverse impact on the Company's operational performance, financial results and cash flows, although the full impact will depend on future developments, including the continued spread and duration of the outbreak and any related restrictions, all of which are highly uncertain and cannot be predicted. The Company continues to monitor the situation closely and may implement further measures to improve liquidity. Such measures may include pursuing additional sources of financing, securitizing Company assets, reducing or deferring future capital expenditures and other expenses, or other yet to be identified actions.

Presentation of Information

The discussion that follows includes a comparison of our results of operations and liquidity and capital resources for the fiscal years ended February 1, 2020 and February 2, 2019. For a discussion of changes from the fiscal year ended February 3, 2018 to February 2, 2019, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019 (filed April 3, 2019).

Results of Operations

	2019		2018		2017	
	Amount	% to Sales	Amount	% to Sales	Amount	% to Sales
	(dollars in millions, except per share figures)					
Net sales	$ 24,560		$ 24,971		$ 24,939	
Increase (decrease) in comparable sales	(0.8) %		1.7 %		(2.2) %	
Credit card revenues, net	771	3.1 %	768	3.1 %	702	2.8 %
Cost of sales	(15,171)	(61.8) %	(15,215)	(60.9) %	(15,181)	(60.9) %
Selling, general and administrative expenses	(8,998)	(36.6) %	(9,039)	(36.2) %	(8,954)	(35.9) %
Gains on sale of real estate	162	0.6 %	389	1.5 %	544	2.2 %
Restructuring, impairment, store closing and other costs	(354)	(1.4) %	(136)	(0.5) %	(186)	(0.7) %
Operating income	970	3.9 %	1,738	7.0 %	1,864	7.5 %
Benefit plan income, net	31		39		57	
Settlement charges	(58)		(88)		(105)	
Interest expense - net	(185)		(236)		(310)	
Gains (losses) on early retirement of debt	(30)		(33)		10	
Income before income taxes	728		1,420		1,516	
Federal, state and local income tax benefit (expense)	(164)		(322)		39	
Net income	564		1,098		1,555	
Net loss attributable to noncontrolling interest	—		10		11	
Net income attributable to Macy's, Inc. shareholders	$ 564	2.3 %	$ 1,108	4.4 %	$ 1,566	6.3 %
Diluted earnings per share attributable to Macy's, Inc. shareholders	$ 1.81		$ 3.56		$ 5.10	
Supplemental Financial Measure						
Gross margin	$ 9,389	38.2 %	$ 9,756	39.1 %	$ 9,758	39.1 %
Digital sales as a percent of comparable sales on an owned basis	26.0 %		23.0 %		22.0 %	
Supplemental Non-GAAP Financial Measures						
Increase (decrease) in comparable sales on an owned plus licensed basis	(0.7) %		2.0 %		(1.9) %	
Adjusted diluted earnings per share attributable to Macy's, Inc. shareholders	$ 2.91		$ 4.18		$ 3.79	
Adjusted EBITDA	$ 2,336		$ 2,877		$ 3,109	
ROIC	17.1 %		19.9 %		20.8 %	

See pages 30 to 34 for a reconciliation of these non-GAAP financial measures to their most comparable GAAP financial measure and for other important information.

Comparison of 2019 and 2018

Net Sales and Comparable Sales

Net sales for 2019 were $24,560 million, a decrease of $411 million, or 1.6%, from 2018. The decrease in comparable sales on an owned basis for 2019 was 0.8% compared to 2018. The decrease in comparable sales on an owned plus licensed basis for 2019 was 0.7% compared to 2018. Digital sales continued to be strong in 2019, with digital sales as a percent of net sales increasing to 26.0% from 23.0% in 2018. By family of business, destination businesses including dresses, fine jewelry, fragrances, men's tailored clothing, women's shoes and mattresses performed well during 2019. Sales in 2019 were also strong in active apparel and kids. Sales in 2019 were weak in women's sportswear, handbags, color cosmetics and fashion watches. Sales of Macy's-branded private label brands represented nearly 20% of net sales in the Macy's-branded operations in both 2019 and 2018.

Comparable sales on an owned basis within the Company's three brands, which include store-within-store locations, are as follows:

	2019	2018
Macy's		
Stores (a)	65.0 %	68.0 %
Digital	23.0 %	21.0 %
Bloomingdale's		
Stores (a)	8.0 %	8.0 %
Digital	3.0 %	2.0 %
bluemercury	1.0 %	1.0 %
Total	100.0 %	100.0 %

(a) Includes Macy's Backstage free-standing locations and Bloomingdale's the Outlets, respectively.

Credit Card Revenues, Net

Net credit card revenues were $771 million for 2019, an increase of $3 million compared to $768 million recognized in 2018. Credit card penetration for 2019 was flat to 2018 at 46.9%. Net credit card revenues for 2019 were primarily driven by strong co-brand sales growth from transactions on the card outside of the Macy's family of brands offset by the decline in net sales and improved profit share associated with the underlying credit card portfolio performance.

Cost of Sales

Cost of sales for 2019 decreased $44 million from 2018. The cost of sales rate as a percent to net sales of 61.8% in 2019 increased 90 basis points in 2018, primarily due to higher promotional markdowns and higher delivery expenses associated with the Company's omnichannel activities, free shipping promotions and loyalty programs.

SG&A Expenses

SG&A expenses for 2019 decreased $41 million from 2018 and the SG&A rate as a percent to net sales increased 40 basis points to 36.6% as compared to 2018. The SG&A dollar reduction reflects lower variable expenses due to lower net sales. In addition, advertising expense, net of cooperative advertising allowances, decreased to $1,142 million in 2019 from $1,162 million in 2018.

Gains on Sale of Real Estate

The Company recognized gains of $162 million in 2019 associated with real estate sales, as compared to $389 million in 2018. 2019 included a gain of $52 million associated with the sale of the Macy's Downtown Seattle location. 2018 included gains of $178 million related to the I. Magnin building in Union Square San Francisco and $58 million related to the continued recognition of the deferred gain from the Macy's Brooklyn transaction which closed in 2015.

Restructuring, Impairment, Store Closing and Other Costs

Restructuring, impairment, store closing and other costs for 2019 and 2018 of $354 million and $136 million, respectively, included severance and other human resource-related costs, asset impairment charges and other costs associated with organizational changes and store closings. 2019 included costs primarily associated with the Polaris strategy, including $161 million of non-cash impairment charges associated with store closures and campus consolidations and $157 million related to severance and other human resource-related costs. 2018 included costs and expenses primarily associated with the organizational changes and store closings announced in January 2019.

Benefit Plan Income, Net

2019 and 2018 included $31 million and $39 million, respectively, of non-cash net benefit plan income relating to the Company's defined benefit plans. This income includes the net of: interest cost, expected return on plan assets and amortization of prior service costs or credits and actuarial gains and losses. The decline from 2018 is mainly driven by the decrease in the expected return on plan assets from 6.75% in 2018 to 6.5% in 2019, partially offset by lower interest cost.

Settlement Charges

$58 million and $88 million of non-cash settlement charges were recognized in 2019 and 2018, respectively. These charges relate to the pro-rata recognition of net actuarial losses associated with the Company’s defined benefit retirement plans and are the result of lump sum distributions associated with retiree distribution elections and restructuring activity.

Net Interest Expense

Net interest expense, excluding losses on early retirement of debt, for 2019 decreased $51 million from 2018. This decrease was primarily driven by the reduction in the Company's debt resulting from the tender offer and open market repurchases in 2018.

Losses on Early Retirement of Debt

In 2019, the Company completed a tender offer debt repurchase of $525 million face value of senior notes and debentures. As a result of these transactions, the Company recognized $30 million in expenses and fees.

In 2018, the Company repurchased $344 million face value of senior notes and debentures and completed a tender offer debt repurchase of $750 million face value of senior notes and debentures. As a result of these transactions, the Company recognized $33 million in expenses and fees net of the write-off of unamortized debt premiums.

Effective Tax Rate

The Company's effective tax rate was expense of 22.5% for 2019 and 22.7% for 2018 compared to the federal income tax statutory rate of 21%. The federal income tax statutory rate of 21% reflects U.S. federal tax reform enacted in 2017. The effective tax rates in 2019 and 2018 were impacted by the settlement of certain state and local tax matters.

Net Income Attributable to Macy's, Inc. Shareholders

Net income attributable to Macy's, Inc. shareholders for 2019 decreased $544 million compared to 2018, driven by lower earnings before interest and taxes ("EBIT") partially offset by lower net interest expense and lower federal, state, and local income tax expense.

Cash Flow, Liquidity and Capital Resources

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

Because of the COVID-19 outbreak, there is significant uncertainty surrounding the potential impact on the Company's results of operations and cash flows. The Company is proactively taking steps to increase available cash on hand including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures, and utilizing funds available under the Company's credit agreement. The Company may pursue additional sources of financing to improve its liquidity. However the disruption of the capital markets caused by the COVID-19 outbreak could make any financing more challenging and there can be no assurance that the Company will be able to obtain such additional financing on commercially reasonable terms or at all.

Operating Activities

Net cash provided by operating activities was $1,608 million in 2019 compared to $1,735 million in 2018. The decline was driven by lower EBITDA and a decrease in non-merchandise accounts payable, which were partially offset by lower tax payments and a net improvement in merchandise inventory and payables.

Investing Activities

Net cash used by investing activities for 2019 was $1,002 million, compared to net cash used by investing activities of $456 million for 2018. Investing activities for 2019 included purchases of property and equipment totaling $902 million and capitalized software of $255 million, compared to purchases of property and equipment totaling $657 million and capitalized software of $275 million for 2018. The increase in capital expenditures was largely driven by the Company's Growth store investments, which expanded to another 100 stores in 2019, and Backstage strategic initiatives.

In 2019, the Company continued to execute on its real estate strategy that includes creating value through monetization and, in some cases, redevelopment of real estate assets. Overall, property and equipment sales, primarily related to real estate, generated cash proceeds of $185 million in 2019 compared to $474 million in 2018.

Financing Activities

Net cash used by the Company for financing activities was $1,123 million for 2019, including the repayment of $597 million of debt, the payment of $466 million of cash dividends and a $62 million decrease in outstanding checks. 2019 debt repayments included the repayment at maturity of $36 million of 8.5% senior debentures.

During December 2019, the Company completed a tender offer and purchased $525 million in aggregate principal amount of certain senior unsecured notes and debentures. The purchased senior unsecured notes and debentures included $190 million of 4.375% senior notes due 2023, $113 million of 6.9% senior debentures due 2029, $110 million of 2.875% senior notes due 2023, $100 million of 3.875% senior notes due 2022, and $12 million of 7.0% senior debentures due 2028. The total cash cost for the tender offer was $553 million. The Company recognized $30 million of expense related to the recognition of the tender premium and other costs including deferred debt discount amortization. This expense is presented as losses on early retirement of debt on the Consolidated Statements of Income during 2019.

During December 2018, the Company completed a tender offer and purchased $750 million in aggregate principal amount of certain senior unsecured notes and debentures. The purchased senior unsecured notes and debentures included $164 million of 6.65% senior debentures due 2024, $155 million of 7.0% senior debentures due 2028, $114 million of 6.9% senior debentures due 2029, $103 million of 4.5% senior notes due 2034, $94 million of 6.79% senior debentures due 2027, $35 million of 6.7% senior debentures due 2034, $34 million of 6.375% senior notes due 2037, $34 million of 6.7% senior debentures due 2028, $10 million of 6.9% senior debentures due 2032, $5 million of 8.75% senior debentures due 2029, and $2 million of 7.875% senior debentures due 2030. The total cash cost for the tender offer was $789 million. The Company recognized $28 million of expense related to the recognition of the tender premium and other costs partially offset by the unamortized debt premium associated with this debt. This expense is presented as losses on early retirement of debt on the Consolidated Statements of Income during 2018.

During 2018, the Company repurchased $344 million face value of senior notes and debentures. The debt repurchases were made in the open market for a total cost of $354 million, including expenses and other fees related to the transactions. Such repurchases resulted in the recognition of expense of $5 million during 2018 presented as losses on early retirement of debt on the Consolidated Statements of Income.

Net cash used by the Company for financing activities was $1,544 million for 2018, including the repayment of $1,149 million of debt and the payment of $463 million of cash dividends, partially offset by the issuance of $45 million of common stock, primarily related to the exercise of stock options, and proceeds of $7 million received from Macy's China Limited's noncontrolling interest shareholder.

Liquidity

On May 9, 2019, the Company entered into a new credit agreement with certain financial institutions that replaced the previous credit agreement which was set to expire on May 6, 2021. Similar to the previous agreement, the new credit agreement provides for revolving credit borrowings and letters of credit in an aggregate amount not to exceed $1,500 million (which may be increased to $1,750 million at the option of the Company, subject to the willingness of existing or new lenders to provide commitments for such additional financing). The new credit agreement is scheduled to expire on May 9, 2024, subject to up to two one-year extensions that may be requested by the Company and agreed to by the lenders.

As of February 1, 2020 and February 2, 2019, there were no revolving credit loans outstanding under the credit agreements, and there were no borrowings under the agreement during 2019 and 2018. In addition, there were no standby letters of credit outstanding at February 1, 2020 and February 2, 2019. Revolving loans under the credit agreement bear interest based on various published rates.

The Company is party to a $1,500 million unsecured commercial paper program. The Company may issue and sell commercial paper in an aggregate amount outstanding at any particular time not to exceed its then-current combined borrowing availability under the bank credit agreement with certain financial institutions. There were no borrowings under the program during 2019 and 2018. As of February 1, 2020 and February 2, 2019, there were no remaining borrowings outstanding under the commercial paper program. As a result of the COVID-19 pandemic, the Company's ability to draw on commercial paper is limited.

The credit agreement requires the Company to maintain a specified interest coverage ratio for the latest four quarters of no less than 3.25 and a specified leverage ratio as of and for the latest four quarters of no more than 3.75. The Company's interest coverage ratio for 2019 was 12.68 and its leverage ratio at February 1, 2020 was 1.78, in each case as calculated in accordance with the credit agreement. The interest coverage ratio is defined as EBITDA divided by net interest expense and the leverage ratio is defined as debt divided by EBITDA. For purposes of these calculations EBITDA is calculated as net income plus interest expense, taxes, depreciation, amortization, non-cash impairment of goodwill, intangibles and real estate, settlement charges, non-recurring cash charges not to exceed in the aggregate $200 million and extraordinary losses less interest income and non-recurring or extraordinary gains. Net interest is adjusted to exclude the premium on early retirement of debt.

A breach of a restrictive covenant in the Company's credit agreement or the inability of the Company to maintain the financial ratios described above could result in an event of default under the credit agreement. In addition, an event of default would occur under the credit agreement if any indebtedness of the Company in excess of an aggregate principal amount of $150 million becomes due prior to its stated maturity or the holders of such indebtedness become able to cause it to become due prior to its stated maturity. Upon the occurrence of an event of default, the lenders could, subject to the terms and conditions of the credit agreement, elect to declare the outstanding principal, together with accrued interest, to be immediately due and payable. Moreover, most of the Company's senior notes and debentures contain cross-default provisions based on the non-payment at maturity, or other default after an applicable grace period, of any other debt, the unpaid principal amount of which is not less than $100 million that could be triggered by an event of default under the credit agreement. In such an event, the Company's senior notes and debentures that contain cross-default provisions would also be subject to acceleration.

At February 1, 2020, no notes or debentures contained provisions requiring acceleration of payment upon a debt rating downgrade. However, the terms of approximately $3,359 million in aggregate principal amount of the Company's senior notes outstanding at that date require the Company to offer to purchase such notes at a price equal to 101% of their principal amount plus accrued and unpaid interest if there is both a change of control (as defined in the applicable indenture) of the Company and the notes are rated by specified rating agencies at a level below investment grade.

As of February 1, 2020, the Company's credit rating and outlook were as described in the table below.

	Moody's	Standard & Poor's	Fitch
Long-term debt	Baa3	BBB-	BBB
Outlook	Stable	Stable	Stable

In February 2020, Standard and Poor's and Fitch downgraded Macy's long-term debt ratings to BB+ and BBB-, respectively. Outlook by Standard and Poor's and Fitch remained at stable. In March 2020, Moody's downgraded the Company's long-term debt rating from Baa3 to Ba1 and changed the outlook to negative.

Dividends

On February 28, 2020, the Company's board of directors declared a quarterly dividend of 37.75 cents per share on its common stock, payable April 1, 2020, to shareholders of record at the close of business on March 13, 2020.

Share repurchases

As of February 1, 2020, the Company had $1,716 million of authorization remaining under its share repurchase program.

Contractual Obligations and Commitments

At February 1, 2020, the Company had contractual obligations (within the scope of Item 303(a)(5) of Regulation S-K) as follows:

	Obligations Due, by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
			(millions)		
Short-term debt	$ 539	$ 539	$ —	$ —	$ —
Long-term debt	3,607	—	453	1,472	1,682
Interest on debt	1,723	188	316	248	971
Finance lease obligations	34	3	6	6	19
Operating leases (a and b)	6,911	362	667	617	5,265
Letters of credit	34	34	—	—	—
Other obligations	4,274	2,778	525	233	738
	$ 17,122	$ 3,904	$ 1,967	$ 2,576	$ 8,675

(a) Operating lease payments include $3,240 million related to options to extend lease terms that are reasonably certain of being exercised and exclude $706 million of legally binding minimum lease payments for leases signed but not yet commenced.
(b) Operating lease payments include $1,203 million related to non-lease component payments, with $876 million related to options to extend lease terms that are reasonably certain of being exercised.

"Other obligations" in the foregoing table includes post employment and postretirement benefits, self-insurance reserves, group medical/dental/life insurance programs, merchandise purchase obligations and obligations under outsourcing arrangements, construction contracts, energy and other supply agreements identified by the Company and liabilities for unrecognized tax benefits that the Company expects to settle in cash in the next year excluding interest and penalties. The Company's merchandise purchase obligations fluctuate on a seasonal basis, typically being higher in the summer and early fall and being lower in the late winter and early spring. The Company purchases a substantial portion of its merchandise inventories and other goods and services otherwise than through binding contracts. Consequently, the amounts shown as "Other obligations" in the foregoing table do not reflect the total amounts that the Company would need to spend on goods and services in order to operate its businesses in the ordinary course.

Of the Company's $133 million of unrecognized tax benefits at February 1, 2020, within "other obligations" in the foregoing table, the Company has excluded$4 million of deferred tax assets and $117 million of long-term liabilities for unrecognized tax benefits for various tax positions taken. The table also excludes federal, state and local interest and penalties related to unrecognized tax benefits of $60 million. These liabilities may increase or decrease over time as a result of tax examinations, and given the status of examinations, the Company cannot reliably estimate the period of any cash settlement with the respective taxing authorities.

Important Information Regarding Non-GAAP Financial Measures

The Company reports its financial results in accordance with GAAP. However, management believes that certain non-GAAP financial measures provide users of the Company's financial information with additional useful information in evaluating operating performance. Management believes that providing supplemental changes in comparable sales on an owned plus licensed basis, which includes the impact of growth in comparable sales of departments licensed to third parties, assists in evaluating the Company's ability to generate sales growth, whether through owned businesses or departments licensed to third parties, on a comparable basis, and in evaluating the impact of changes in the manner in which certain departments are operated. In addition, management believes that excluding certain items that are not associated with the Company's core operations and that may vary substantially in frequency and magnitude period-to-period from diluted earnings per share attributable to Macy's, Inc. shareholders, EBIT and EBITDA, including as a percent to sales, provide useful supplemental measures that assist in evaluating the Company's ability to generate earnings and leverage sales, respectively, and to more readily compare these metrics between past and future periods. Management also believes that EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA are frequently used by investors and securities analysts in their evaluations of companies, and that such supplemental measures facilitate comparisons between companies that have different capital and financing structures and/or tax rates. In addition, management believes that ROIC is a useful supplemental measure in evaluating how efficiently the Company employs its capital. The Company uses some of these non-GAAP financial measures as performance measures for components of executive compensation.

Non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, the Company's financial results prepared in accordance with GAAP. Certain of the items that may be excluded or included in non-GAAP financial measures may be significant items that could impact the Company's financial position, results of operations or cash flows and should therefore be considered in assessing the Company's actual and future financial condition and performance. Additionally, the amounts received by the Company on account of sales of departments licensed to third parties are limited to commissions received on such sales. The methods used by the Company to calculate its non-GAAP financial measures may differ significantly from methods used by other companies to compute similar measures. As a result, any non-GAAP financial measures presented herein may not be comparable to similar measures provided by other companies.

Changes in Comparable Sales

The following is a tabular reconciliation of the non-GAAP financial measure of changes in comparable sales on an owned plus licensed basis, to GAAP comparable sales (i.e., on an owned basis), which the Company believes to be the most directly comparable GAAP financial measure.

	2019	2018	2017
Increase (decrease) in comparable sales on an owned basis (note 1)	(0.8)%	1.7%	(2.2)%
Impact of growth in comparable sales of departments licensed to third parties (note 2)	0.1 %	0.3%	0.3 %
Increase (decrease) in comparable sales on an owned plus licensed basis	(0.7)%	2.0%	(1.9)%

Notes:

(1) Represents the period-to-period percentage change in net sales from stores in operation throughout the year presented and the immediately preceding year and all online sales, adjusting for the 53rd week in 2017, excluding commissions from departments licensed to third parties. Stores impacted by a natural disaster or undergoing significant expansion or shrinkage remain in the comparable sales calculation unless the store, or a material portion of the store, is closed for a significant period of time. Definitions and calculations of comparable sales differ among companies in the retail industry.

(2) Represents the impact of including the sales of departments licensed to third parties occurring in stores in operation throughout the year presented and the immediately preceding year and all online sales, adjusting for the 53rd week in 2017, in the calculation of comparable sales. The Company licenses third parties to operate certain departments in its stores and online and receives commissions from these third parties based on a percentage of their net sales. In its financial statements prepared in conformity with GAAP, the Company includes these commissions (rather than sales of the departments licensed to third parties) in its net sales. The Company does not, however, include any amounts in respect of licensed department sales (or any commissions earned on such sales) in its comparable sales in accordance

with GAAP (i.e., on an owned basis). The amounts of commissions earned on sales of departments licensed to third parties are not material to its net sales for the periods presented.

Adjusted Diluted Earnings Per Share Attributable to Macy's, Inc. Shareholders

The following is a tabular reconciliation of the non-GAAP financial measure diluted earnings per share attributable to Macy's, Inc. shareholders, excluding certain items, to GAAP diluted earnings per share attributable to Macy's, Inc. shareholders, which the Company believes to be the most directly comparable GAAP measure.

	2019	2018	2017
As reported	$ 1.81	$ 3.56	$ 5.10
Restructuring, impairment, store closing and other costs (a)	1.13	0.41	0.61
Settlement charges	0.19	0.28	0.34
Losses (gains) on early retirement of debt	0.10	0.11	(0.03)
Income tax impact of certain items identified above	(0.32)	(0.18)	(0.33)
Deferred tax effects of federal tax reform	—	—	(1.90)
As adjusted	$ 2.91	$ 4.18	$ 3.79
Gains on sale of real estate	(0.52)	(1.25)	(1.77)
Income tax impact of gains on sale of real estate	0.14	0.33	0.67
As adjusted excluding gains on sale of real estate	$ 2.53	$ 3.26	$ 2.69

(a) 2018 excludes impairment, restructuring, and other costs attributable to the noncontrollling interest shareholder of $8 million.

Adjusted EBIT and EBITDA as a Percent to Net Sales

The following is a tabular reconciliation of the non-GAAP financial measures EBIT and EBITDA, as adjusted to exclude certain items ("Adjusted EBIT and Adjusted EBITDA"), as a percent to net sales to GAAP net income attributable to Macy's, Inc. shareholders as a percent to net sales, which the Company believes to be the most directly comparable GAAP financial measure.

	2019	2018	2017
		(millions, except percentages)	
Net sales	$ 24,560	$ 24,971	$ 24,939
Net income attributable to Macy's, Inc. shareholders	$ 564	$ 1,108	$ 1,566
Net income attributable to Macy's, Inc. shareholders as a percent to net sales	2.3 %	4.4 %	6.3 %
Net income attributable to Macy's, Inc. shareholders	$ 564	$ 1,108	$ 1,566
Restructuring, impairment, store closing and other costs (a)	354	128	186
Settlement charges	58	88	105
Interest expense - net	185	236	310
Losses (gains) on early retirement of debt	30	33	(10)
Federal, state and local income tax expense (benefit)	164	322	(39)
Adjusted EBIT	$ 1,355	$ 1,915	$ 2,118
Adjusted EBIT as a percent to net sales	5.5 %	7.7 %	8.5 %
Add back depreciation and amortization	981	962	991
Adjusted EBITDA	$ 2,336	$ 2,877	$ 3,109
Adjusted EBITDA as a percent to net sales	9.5 %	11.5 %	12.5 %

(a) 2018 excludes impairment, restructuring, and other costs attributable to the noncontrollling interest shareholder of $8 million.

ROIC

Historically, the Company defined ROIC as adjusted EBITDA, excluding net lease expense, as a percent to average invested capital. Average invested capital is comprised of an annual two-point (i.e., end of the year presented and the immediately preceding year) average of gross property and equipment, a capitalized value of non-capitalized leases equal to periodic annual reported net rent expense multiplied by a factor of eight and a four-point (i.e., end of each quarter within the period presented) average of other selected assets and liabilities. The calculation of the capitalized value of non-capitalized leases is consistent with industry and credit rating agency practice and the specified assets are subject to a four-point average to compensate for seasonal fluctuations.

In conjunction with the Company's adoption of ASU No. 2016-02 on February 3, 2019, the Company recognized lease liabilities and related right of use ("ROU") assets on the balance sheet for its operating leases. In the calculation of the Company's ROIC as of February 1, 2020, the Company utilized the total lease ROU assets in lieu of the capitalized value of non-capitalized leases, excluding variable rent which is still multiplied by a factor of eight, as a result of the adoption of ASU 2016-02. In the Company's ROIC calculation as of February 2, 2019 and February 3, 2018, a capitalized value of non-capitalized leases equal to periodic annual reported net rent expense multiplied by a factor of eight was utilized. Rent expense in 2019 reflects lease expense related to the Company's operating leases in accordance with ASU 2016-02 and excludes non-lease component expenses. See Note 4, Properties and Leases, to the Consolidated Financial Statements for information on leases, including non-lease components.

In 2019, the calculation of ROIC reflected certain refinements to better reflect the company's adjusted EBITDA, excluding lease expense, and invested capital which are summarized below (4-point average of balance, as applicable):

- Exclude non-lease components of $83 million from lease expense.
- Exclude benefit plan income, net of $31 million from Adjusted EBITDA, excluding lease expense.
- Exclude rabbi trust investments related to company's deferred compensation plan from prepaid expenses and other current assets ($32 million).
- Exclude deferred financing costs ($4 million) and net pension asset ($46 million) from other assets.
- Exclude dividend payable ($29 million), current liabilities for other postretirement health care and life insurance benefits and the supplementary retirement plan ($15 million and $61 million, respectively), and the current lease liability ($306 million) from accounts payable and accrued liabilities.
- Include long-term workers' compensation and general liability ($371 million).

The following is a tabular reconciliation of the non-GAAP financial measure of ROIC to net income as a percent to property and equipment - net, which the Company believes to be the most directly comparable GAAP financial measure.

	2019	2018	2017
		(millions, except percentages)	
Net income	$ 564	$ 1,098	$ 1,555
Property and equipment - net	$ 6,633	$ 6,637	$ 6,672
Net income as a percent to property and equipment - net	8.5 %	16.5 %	23.3 %

	2019	2018	2017
Net income	$ 564	$ 1,098	$ 1,555
Add back interest expense, net	185	236	310
Add back (deduct) losses (gains) on early retirement of debt	30	33	(10)
Add back (deduct) federal, state and local tax expense (benefit)	164	322	(39)
Add back restructuring, impairment, store closing and other costs	354	136	186
Add back settlement charges	58	88	105
Add back depreciation and amortization	981	962	991
Deduct benefit plan income, net	(31)	—	—
Add back rent expense			
Real estate	335	327	310
Personal property	8	9	10
Deferred rent amortization	—	14	14
Adjusted EBITDA, excluding benefit plan income, net and lease expense	$ 2,648	$ 3,225	$ 3,432

	2019	2018	2017
Property and equipment - net	$ 6,628	$ 6,655	$ 6,845
Add back accumulated depreciation and amortization	4,438	4,553	4,733
Add capitalized value of non-capitalized leases	—	2,800	2,672
Add back capitalized value of variable rent	114	—	—
Add back lease right of use assets	2,241	—	—
Add (deduct) other selected assets and liabilities:			
Receivables	265	273	327
Merchandise inventories	5,743	5,664	5,712
Prepaid expenses and other current assets	551	608	616
Other assets	675	803	830
Merchandise accounts payable	(2,183)	(2,219)	(2,115)
Accounts payable and accrued liabilities	(2,609)	(2,917)	(3,127)
Other long-term liabilities	(371)	—	—
Total average invested capital	$ 15,492	$ 16,220	$ 16,493
ROIC	17.1 %	19.9 %	20.8 %

Critical Accounting Policies

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market using the last-in, first-out ("LIFO") retail inventory method. Under the retail inventory method, inventory is segregated into departments of merchandise having similar characteristics, and is stated at its current retail selling value. The retail inventory method inherently requires management judgments and estimates, such as the amount and timing of permanent markdowns to clear unproductive or slow-moving inventory, which may impact the ending inventory valuation as well as gross margins.

Permanent markdowns designated for clearance activity are recorded when the utility of the inventory has diminished. Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise and fashion trends. When a decision is made to permanently mark down merchandise, the resulting gross margin reduction is recognized in the period the markdown is recorded.

Long-Lived Asset Impairment and Restructuring Charges

The carrying values of long-lived assets, inclusive of ROU assets, are periodically reviewed by the Company whenever events or changes in circumstances indicate that the carrying value may not be recoverable, such as historical operating losses or plans to close stores before the end of their previously estimated useful lives. Additionally, on an annual basis, the recoverability of the carrying values of individual stores is evaluated. A potential impairment has occurred if projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of those assets in operations. When a potential impairment has occurred, an impairment write-down is recorded if the carrying value of the long-lived asset exceeds its fair value. The Company believes its estimated cash flows are sufficient to support the carrying value of its long-lived assets. If estimated cash flows significantly differ in the future, the Company may be required to record asset impairment write-downs.

If the Company commits to a plan to dispose of a long-lived asset before the end of its previously estimated useful life, estimated cash flows are revised accordingly, and the Company may be required to record an asset impairment write-down. Additionally, related liabilities arise such as severance, contractual obligations and other accruals associated with store closings from decisions to dispose of assets. The Company estimates these liabilities based on the facts and circumstances in existence for each restructuring decision. The amounts the Company will ultimately realize or disburse could differ from the amounts assumed in arriving at the asset impairment and restructuring charge recorded.

Goodwill and Intangible Assets

The Company reviews the carrying value of its goodwill and other intangible assets with indefinite lives at least annually, as of the end of fiscal May, or more frequently if an event occurs or circumstances change, for possible impairment in accordance with ASC Topic 350, Intangibles - Goodwill and Other. For impairment testing, goodwill has been assigned to reporting units which consist of the Company's retail operating divisions. Macy's and bluemercury are the only reporting units with goodwill as of February 1, 2020, and 97% of the Company's goodwill is allocated to the Macy's reporting unit.

The Company may elect to evaluate qualitative factors to determine if it is more likely than not that the fair value of a reporting unit or fair value of indefinite lived intangible assets is less than its carrying value. If the qualitative evaluation indicates that it is more likely than not that the fair value of a reporting unit or indefinite lived intangible asset is less than its carrying amount, a quantitative impairment test is required. Alternatively, the Company may bypass the qualitative assessment for a reporting unit or indefinite lived intangible asset and directly perform the quantitative assessment. This determination can be made on an individual reporting unit or asset basis, and performance of the qualitative assessment may resume in a subsequent period.

The quantitative impairment test involves estimating the fair value of each reporting unit and indefinite lived intangible asset and comparing these estimated fair values with the respective reporting unit or indefinite lived intangible asset carrying value. If the carrying value of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to such excess, limited to the total amount of goodwill allocated to the reporting unit. If the carrying value of an individual indefinite lived intangible asset exceeds its fair value, such individual indefinite lived intangible asset is written down by an amount equal to such excess.

Estimating the fair values of reporting units and indefinite lived intangible assets involves the use of significant assumptions, estimates and judgments with respect to a variety of factors, including sales, gross margin and SG&A rates, capital expenditures, cash flows and the selection and use of an appropriate discount rate and market values and multiples of earnings and revenues of similar public companies. Projected sales, gross margin and SG&A expense rate assumptions and capital expenditures are based on the Company's annual business plan or other forecasted results. Discount rates reflect market-based estimates of the risks associated with the projected cash flows of the reporting unit or indefinite lived intangible asset.

The use of different assumptions, estimates or judgments in the goodwill impairment testing process, including with respect to the estimated future cash flows of the Company's reporting units, the discount rate used to discount such estimated cash flows to their net present value, and the reasonableness of the resultant implied control premium relative to the Company's market capitalization, could materially increase or decrease the fair value of the reporting unit and/or its net assets and, accordingly, could materially increase or decrease any related impairment charge.

For its annual goodwill impairment test as of the end of fiscal May 2019, the Company performed a quantitative impairment assessment for all of its reporting units. The Company determined the fair value of each of its reporting units using a market approach, an income approach, or a combination of both, where appropriate. In the most recent annual impairment test performed as of the end of fiscal May 2019, the fair value of the Macy's reporting unit exceeded its related carrying value by approximately 29%.

As of the end of fiscal May 2019, the Company elected to perform a qualitative impairment test on its intangible assets with indefinite lives and concluded that it is more likely than not that the fair values exceeded the carrying values and the intangible assets with indefinite lives were not impaired.

During 2019, as a result of a number of business factors, including the Company's market capitalization being below its carrying value, qualitative interim impairment assessments of the Macy's goodwill balance were performed as of November 2, 2019 and February 1, 2020. As a result of these tests, the Company concluded that it is more likely than not that the fair values of the reporting unit exceeded the carrying value and goodwill was not impaired.

During the first quarter of 2020, the Company observed a significant decline in the market valuation of the Company's common shares as a result of events occurring after the end of 2019, including but not limited to the COVID-19 pandemic. As a result, the Company determined a triggering event had occurred that will require an interim quantitative impairment assessment for the Company's reporting units. If the market valuation of the Company's common shares remains at current levels, the Company expects to incur a goodwill impairment charge. Any impairment charge will be recognized in the first quarter of 2020.

Income Taxes

Income taxes are estimated based on the tax statutes, regulations and case law of the various jurisdictions in which the Company operates. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and net operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets are evaluated for recoverability based on all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. Deferred income tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred income tax assets will not be realized.

Uncertain tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Uncertain tax positions meeting the more-likely-than-not recognition threshold are then measured to determine the amount of benefit eligible for recognition in the financial statements. Each uncertain tax position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement. Uncertain tax positions are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions. Resolution of these matters could have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Significant judgment is required in evaluating the Company's uncertain tax positions, provision for income taxes, and any valuation allowance recorded against deferred tax assets. Although the Company believes that its judgments are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in the Company's historical income provisions and accruals.

Pension and Supplementary Retirement Plans

The Company has a funded defined benefit pension plan (the “Pension Plan”) and an unfunded defined benefit supplementary retirement plan (the “SERP”). The Company accounts for these plans in accordance with ASC Topic 715, Compensation - Retirement Benefits. Under ASC Topic 715, an employer recognizes the funded status of a defined benefit postretirement plan as an asset or liability on the balance sheet and recognizes changes in that funded status in the year in which the changes occur through comprehensive income. Additionally, pension expense is generally recognized on an accrual basis over the average remaining lifetime of participants. The pension expense calculation is generally independent of funding decisions or requirements.

The Pension Protection Act of 2006 provides the funding requirements for the Pension Plan which are different from the employer's accounting for the plan as outlined in ASC Topic 715. No funding contributions were required, and the Company made no funding contributions to the Pension Plan in 2019 and 2018. As of the date of this report, the Company does not anticipate making funding contributions to the Pension Plan in 2020.

The calculation of pension expense and pension liabilities requires the use of a number of assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience may differ significantly from current expectations. The Company believes that the most critical assumptions relate to the long-term rate of return on plan assets (in the case of the Pension Plan) and the discount rate used to determine the present value of projected benefit obligations.

The Company's assumed annual long-term rate of return for the Pension Plan's assets was 6.50% for 2019, 6.75% for 2018 and 7.00% for 2017 based on expected future returns on the portfolio of assets. For 2020, the Company is lowering the assumed annual long-term rate of return to 6.25% based on expected future returns of the portfolio of assets. The Company develops its expected long-term rate of return assumption by evaluating input from several professional advisors taking into account the asset allocation of the portfolio and long-term asset class return expectations, as well as long-term inflation assumptions. Pension expense increases or decreases as the expected rate of return on the assets of the Pension Plan decreases or increases, respectively. Lowering or raising the expected long-term rate of return assumption on the Pension Plan's assets by 0.25% would increase or decrease the estimated 2020 pension expense by approximately $7 million.

The Company discounted its future pension obligations using a weighted-average rate of 2.83% at February 1, 2020 and 4.03% at February 2, 2019 for the Pension Plan and 2.89% at February 1, 2020 and 4.10% at February 2, 2019 for the SERP. The discount rate used to determine the present value of the Company's Pension Plan and SERP obligations is based on a yield curve constructed from a portfolio of high quality corporate debt securities with various maturities. Each year's expected future benefit payments are discounted to their present value at the appropriate yield curve rate, thereby generating the overall discount rate for Pension Plan and SERP obligations. As the discount rate is reduced or increased, the pension liability would increase or decrease, respectively, and future pension expense would decrease or increase, respectively. Lowering the discount rates by 0.25% would increase the projected benefit obligations at February 1, 2020 by approximately $93 million and would decrease estimated 2020 pension expense by approximately $4 million. Increasing the discount rates by 0.25% would decrease the projected benefit obligations at February 1, 2020 by approximately $88 million and would increase estimated 2020 pension expense by approximately $4 million.

The Company estimates the service and interest cost components of net periodic benefit costs for the Pension Plan and SERP. This method uses a full yield curve approach in the estimation of these components of net periodic benefit costs. Under this approach, the Company applies discounting using individual spot rates from the yield curve composed of the rates of return from a portfolio of high quality corporate debt securities available at the measurement date. These spot rates align to each of the projected benefit obligation and service cost cash flows.

New Pronouncements

See Note 1, Organization and Summary of Significant Accounting Policies, to the Consolidated Financial Statements for discussion on new accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in interest rates that may adversely affect its financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposures through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Company does not use financial instruments for trading or other speculative purposes and is not a party to any leveraged financial instruments.

The Company is exposed to interest rate risk through its borrowing activities, which are described in Note 6, Financing, to the Consolidated Financial Statements. All of the Company's borrowings are under fixed rate instruments. However, the Company, from time to time, may use interest rate swap and interest rate cap agreements to help manage its exposure to interest rate movements and reduce borrowing costs. At February 1, 2020, the Company was not a party to any derivative financial instruments and based on the Company's lack of market risk sensitive instruments outstanding at February 1, 2020, the Company has determined that there was no material market risk exposure to the Company's consolidated financial position, results of operations or cash flows as of such date.

Item 8. Financial Statements and Supplementary Data.

Information called for by this item is set forth in the Company's Consolidated Financial Statements and supplementary data contained in this report and is incorporated herein by this reference. Specific financial statements and supplementary data can be found at the pages listed in the following index:

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

a. Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have carried out, as of February 1, 2020, with the participation of the Company's management, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of February 1, 2020 the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports the Company files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

b. Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework* (2013). Based on this assessment, the Company's management has concluded that, as of February 1, 2020, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal control over financial reporting as of February 1, 2020 and has issued an attestation report expressing an unqualified opinion on the effectiveness of the Company's internal control over financial reporting, as stated in their report located on page F-3.

c. Changes in Internal Control over Financial Reporting

From time to time adoption of new accounting pronouncements, major organizational restructuring and realignment occurs for which the Company reviews its internal control over financial reporting. As a result of this review, there were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. **Directors, Executive Officers and Corporate Governance.**

The information required by this item for executive officers is set forth under “Item 1. Business - Information about our Executive Officers” in this report. The other information called for by this item is set forth under “Item 1. Election of Directors” and “Further Information Concerning the Board of Directors - Committees of the Board” in the Proxy Statement to be delivered to stockholders in connection with the 2020 Annual Meeting of Shareholders (the “Proxy Statement”), and incorporated herein by reference.

The Company’s Code of Conduct is in compliance with the applicable rules of the SEC that apply to the principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Conduct is available, free of charge, through the Company’s website at *https://www.macysinc.com*. We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the Code of Conduct by posting such information to the Company’s website at the address and location specified above.

Set forth below are the names, ages and principal occupations of the Company's non-employee directors as of March 19, 2020.

Name	Age	Director Since	Principal Occupation
David P. Abney	64	2018	Chairman and Chief Executive Officer of UPS, Inc., a multinational package delivery and supply chain management company, since 2016 and 2014, respectively. Chief Operating Officer of UPS, Inc. since 2007.
Francis S. Blake	70	2015	Former Chairman and Chief Executive Officer of The Home Depot, Inc., a multinational home improvement retailer.
Torrence N. Boone	50	2019	Vice President, Global Client Partnerships, Alphabet Inc. since 2010.
John A. Bryant	54	2015	Former Chairman, President and Chief Executive Officer of Kellogg Company, a multinational cereal and snack food producer.
Deirdre P. Connelly	59	2008	Former President, North American Pharmaceuticals of GlaxoSmithKline, a global pharmaceutical company.
Leslie D. Hale	47	2015	President and Chief Executive Officer of RLJ Lodging Trust, a publicly-traded lodging real estate investment trust, since 2018.
William H. Lenehan	43	2016	President and Chief Executive Officer of Four Corners Property Trust, Inc., a real estate investment trust, since 2015.
Sara Levinson	69	1997	Co-Founder and Director of Katapult, a digital entertainment company making products for today's creative generation, since 2013.
Joyce M. Roché	73	2006	Former President and Chief Executive Officer of Girls Incorporated, a national non-profit research, education and advocacy organization.
Paul C. Varga	56	2012	Former Chairman and Chief Executive Officer of Brown-Forman Corporation, a spirits and wine company.
Marna C. Whittington	72	1993	Former Chief Executive Officer of Allianz Global Investors Capital, a diversified global investment firm.

Item 11. Executive Compensation.

Information called for by this item is set forth under “Compensation Discussion & Analysis,” “Compensation of the Named Executives for 2019,” “Compensation Committee Report,” “Compensation Committee Interlocks and Insider Participation” and "Further Information Concerning the Board of Directors – Risk Oversight" in the Proxy Statement and incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information called for by this item is set forth under “Stock Ownership – Certain Beneficial Owners,” “Stock Ownership – Securities Authorized for Issuance Under Equity Compensation Plans,” and “Stock Ownership – Stock Ownership of Directors and Executive Officers” in the Proxy Statement and incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information called for by this item is set forth under “Further Information Concerning the Board of Directors – Director Independence” and “Policy on Related Person Transactions” in the Proxy Statement and incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Information called for by this item is set forth under “Item 2. Ratification of the Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement and incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. ***Financial Statements:***

The list of financial statements required by this item is set forth in Item 8 "Consolidated Financial Statements and Supplementary Data" and is incorporated herein by reference.

2. ***Financial Statement Schedules:***

All schedules are omitted because they are inapplicable, not required, or the information is included elsewhere in the Consolidated Financial Statements or the notes thereto.

3. ***Exhibits:***

Exhibit Number	Description	Document if Incorporated by Reference
3.1	Amended and Restated Certificate of Incorporation	Exhibit 3.1 to the Company's Current Report on Form 8-K filed May 18, 2010
3.1.1	Certificate of Designations of Series A Junior Participating Preferred Stock	Exhibit 3.1.1 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended January 28, 1995
3.1.2	Article Seventh of the Amended and Restated Certificate of Incorporation	Exhibit 3.1 to the Company's Current Report on Form 8-K filed May 24, 2011
3.2	Amended and Restated By-Laws	Exhibit 3.1 to the Company's Current Report on Form 8-K filed September 30, 2016
4.1	Indenture, dated as of January 15, 1991, among the Company (as successor to The May Department Stores Company ("May Delaware")), Macy's Retail Holdings, Inc. ("Macy's Retail") (f/k/a The May Department Stores Company (NY) or "May New York") and The Bank of New York Mellon Trust Company, N.A. ("BNY Mellon", successor to J.P. Morgan Trust Company and as successor to The First National Bank of Chicago), as Trustee ("1991 Indenture")	Exhibit 4(2) to May New York's Current Report on Form 8-K filed January 15, 1991
4.1.1	Guarantee of Securities, dated as of August 30, 2005, by the Company relating to 1991 Indenture	Exhibit 10.13 to the Company's Current Report on Form 8-K filed August 30, 2005 ("August 30, 2005 Form 8-K")
4.2	Indenture, dated as of December 15, 1994, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee ("1994 Indenture")	Exhibit 4.1 to the Company's Registration Statement on Form S-3 (Registration No. 33-88328) filed January 9, 1995
4.2.1	Ninth Supplemental Indenture to 1994 Indenture, dated as of July 14, 1997, between the Company and U.S. Bank National Association (successor to State Street Bank and Trust Company and The First National Bank of Boston), as Trustee	Exhibit 3 to the Company's Current Report on Form 8-K filed July 15, 1997
4.2.2	Tenth Supplemental Indenture to 1994 Indenture, dated as of August 30, 2005, among the Company, Macy's Retail and U.S. Bank National Association (as successor to State Street Bank and Trust Company and as successor to The First National Bank of Boston), as Trustee	Exhibit 10.14 to August 30, 2005 Form 8-K

Exhibit Number	Description	Document if Incorporated by Reference
4.2.3	Guarantee of Securities, dated as of August 30, 2005, by the Company relating to 1994 Indenture	Exhibit 10.16 to August 30, 2005 Form 8-K
4.3	Indenture, dated as of September 10, 1997, between the Company and U.S. Bank National Association (successor to Citibank, N.A.), as Trustee ("1997 Indenture")	Exhibit 4.4 to the Company's Amendment No. 1 to Form S-3 (Registration No. 333-34321) filed September 11, 1997
4.3.1	First Supplemental Indenture to 1997 Indenture, dated as of February 6, 1998, between the Company and U.S. Bank National Association (successor to Citibank, N.A.), as Trustee	Exhibit 2 to the Company's Current Report on Form 8-K filed February 6, 1998
4.3.2	Third Supplemental Indenture to 1997 Indenture, dated as of March 24, 1999, between the Company and U.S. Bank National Association (successor to Citibank, N.A.), as Trustee	Exhibit 4.2 to the Company's Registration Statement on Form S-4 (Registration No. 333-76795) filed April 22, 1999
4.3.3	Seventh Supplemental Indenture to 1997 Indenture, dated as of August 30, 2005 among the Company, Macy's Retail and U.S. Bank National Association (successor to Citibank, N.A.), as Trustee	Exhibit 10.15 to August 30, 2005 Form 8-K
4.3.4	Guarantee of Securities, dated as of August 30, 2005, by the Company relating to 1997 Indenture	Exhibit 10.17 to August 30, 2005 Form 8-K
4.4	Indenture, dated as of June 17, 1996, among the Company (as successor to May Delaware), Macy's Retail (f/k/a May New York) and The Bank of New York Mellon Trust Company, N.A. ("BNY Mellon", successor to J.P. Morgan Trust Company), as Trustee ("1996 Indenture")	Exhibit 4.1 to the Registration Statement on Form S-3 (Registration No. 333-06171) filed June 18, 1996 by May Delaware
4.4.1	First Supplemental Indenture to 1996 Indenture, dated as of August 30, 2005, by and among the Company (as successor to May Delaware), Macy's Retail (f/k/a May New York) and BNY Mellon (successor to J.P. Morgan Trust Company, National Association), as Trustee	Exhibit 10.9 to August 30, 2005 Form 8-K
4.5	Indenture, dated as of July 20, 2004, among the Company (as successor to May Delaware), Macy's Retail (f/k/a May New York) and BNY Mellon, as Trustee ("2004 Indenture")	Exhibit 4.1 to Current Report on Form 8-K (File No. 001-00079) filed July 22, 2004 by May Delaware
4.5.1	First Supplemental Indenture to 2004 Indenture, dated as of August 30, 2005 among the Company (as successor to May Delaware), Macy's Retail and BNY Mellon (successor to J.P. Morgan Trust Company, National Association), as Trustee	Exhibit 10.10 to August 30, 2005 Form 8-K
4.6	Indenture, dated as of November 2, 2006, by and among Macy's Retail, the Company and U.S. Bank National Association, as Trustee ("2006 Indenture")	Exhibit 4.6 to the Company's Registration Statement on Form S-3ASR (Registration No. 333-138376) filed November 2, 2006
4.6.1	Third Supplemental Indenture to 2006 Indenture, dated March 12, 2007, among Macy's Retail, the Company and U.S. Bank National Association, as Trustee	Exhibit 4.2 to the Company's Current Report on Form 8-K filed March 12, 2007
4.6.2	Sixth Supplemental Indenture to 2006 Indenture, dated December 10, 2015, among Macy's Retail, the Company and U.S. Bank National Association, as Trustee	Exhibit 4.2 to the Company's Current Report on Form 8-K filed December 10, 2015
4.7	Indenture, dated as of January 13, 2012, among Macy's Retail, the Company and BNY Mellon, as Trustee ("2012 Indenture")	Exhibit 4.1 to the Company's Current Report on Form 8-K filed January 13, 2012 ("January 13, 2012 Form 8-K")

Exhibit Number	Description	Document if Incorporated by Reference
4.7.1	First Supplemental Trust Indenture to 2012 Indenture, dated as of January 13, 2012, among Macy's Retail, as issuer, the Company, as guarantor, and BNY Mellon, as trustee	Exhibit 4.2 to January 13, 2012 Form 8-K
4.7.2	Second Supplemental Trust Indenture to 2012 Indenture, dated as of January 13, 2012, among Macy's Retail, as issuer, the Company, as guarantor, and BNY Mellon, as trustee	Exhibit 4.3 to January 13, 2012 Form 8-K
4.7.3	Third Supplemental Trust Indenture, dated as of November 20, 2012, among Macy's Retail, as issuer, the Company, as guarantor, and BNY Mellon, as trustee	Exhibit 4.2 to the Company's Current Report on Form 8-K filed November 20, 2012 ("November 20, 2012 Form 8-K")
4.7.4	Fourth Supplemental Trust Indenture, dated as of November 20, 2012, among Macy's Retail, as issuer, the Company, as guarantor, and BNY Mellon, as trustee	Exhibit 4.3 to November 20, 2012 Form 8-K
4.7.5	Fifth Supplemental Trust Indenture, dated as of September 6, 2013, among Macy's Retail, as issuer, the Company, as guarantor, and BNY Mellon, as trustee	Exhibit 4.2 to the Company's Current Report on Form 8-K filed September 6, 2013
4.7.6	Sixth Supplemental Trust Indenture, dated as of May 23, 2014, among Macy's Retail, as issuer, the Company, as guarantor, and BNY Mellon, as trustee	Exhibit 4.2 to the Company's Current Report on Form 8-K filed May 23, 2014
4.7.7	Seventh Supplemental Trust Indenture, dated as of November 18, 2014, among Macy's Retail, as issuer, the Company, as guarantor, and BNY Mellon, as trustee	Exhibit 4.2 to the Company's Current Report on Form 8-K filed November 18, 2014
4.8	Description of the Company's Securities Registered under Section 12 of the Securities Exchange Act of 1934	
10.1	Credit Agreement, dated as of May 9, 2019, among the Company, Macy's Retail and Bank of America, N.A., as administrative agent	Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 15, 2019 ("May 15, 2019 Form 8-K")
10.2	Guarantee Agreement, dated as of May 9, 2019, among the Company, Macy's Retail and Bank of America, N.A., as administrative agent	Exhibit 10.2 to May 15, 2019 Form 8-K
10.3	Tax Sharing Agreement, dated as of October 31, 2014, among Macy's, Inc. and members of the Affiliated Group	Exhibit 10.7 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended January 31, 2015 ("2014 Form 10-K")
10.4+	Amended and Restated Credit Card Program Agreement, dated November 10, 2014, among the Company, FDS Bank, Macy's Credit and Customer Services, Inc. ("MCCS"), Macy's West Stores, Inc., Bloomingdales, Inc., Department Stores National Bank ("DSNB") and Citibank, N.A.	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed December 8, 2014
10.5	Senior Executive Incentive Compensation Plan *	Appendix B to the Company's Proxy Statement dated March 31, 2017
10.6	Form of Indemnification Agreement *	Exhibit 10.14 to the Registration Statement on Form 10 (File No. 1-10951), filed November 27, 1991

Exhibit Number	Description	Document if Incorporated by Reference
10.7	Executive Severance Plan, effective November 1, 2009, as revised and restated January 1, 2014 *	Exhibit 10.14 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended February 1, 2014 ("2013 Form 10-K")
10.7.1	Senior Executive Severance Plan effective as of April 1, 2018 *	Exhibit 10.9.1 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended February 3, 2018 ("2017 Form 10-K")
10.8	Form of Nonqualified Stock Option Agreement under the 2009 Omnibus Incentive Compensation Plan (for Executives and Key Employees) *	Exhibit 10.15.3 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended February 2, 2013 ("2012 Form 10-K")
10.8.1	Form of Nonqualified Stock Option Agreement under the Amended and Restated 2009 Omnibus Incentive Compensation Plan (for Executives and Key Employees) *	Exhibit 10.14.4 to 2014 Form 10-K
10.8.2	Form of Nonqualified Stock Option Agreement under the Amended and Restated 2009 Omnibus Incentive Compensation Plan (for Executives and Key Employees), as amended *	Exhibit 10.10.5 to 2017 Form 10-K
10.8.3	Form of Stock Option Terms and Conditions under the 2018 Equity and Incentive Compensation Plan *	Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-13536) for the quarter ended May 4, 2019
10.9	Form of Time-Based Restricted Stock Agreement under the 2009 Omnibus Incentive Compensation Plan *	Exhibit 10.3 to the Company's Current Report on Form 8-K filed March 25, 2010
10.10	2017-2019 Performance-Based Restricted Stock Unit Terms and Conditions under the Amended and Restated 2009 Omnibus Incentive Compensation Plan *	Exhibit 10.13.2 to the Company's Quarterly Report on Form 10-Q filed August 25, 2017
10.10.1	2018-2020 Performance-Based Restricted Stock Unit Terms and Conditions under the Amended and Restated 2009 Omnibus Incentive Compensation Plan *	Exhibit 10.12.2 to 2017 Form 10-K
10.10.2	2019-2021 Performance-Based Restricted Stock Unit Terms and Conditions under the 2018 Equity and Incentive Compensation Plan *	Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 1-13536) for the quarter ended May 4, 2019
10.11	Form of Time-Based Restricted Stock Unit Agreement under the 2009 Omnibus Incentive Compensation Plan *	Exhibit 10.19 to 2012 Form 10-K
10.11.1	Form of Time-Based Restricted Stock Unit Agreement under the Amended and Restated 2009 Omnibus Incentive Compensation Plan *	Exhibit 10.18.1 to 2014 Form 10-K
10.11.2	Form of Time-Based Restricted Stock Unit Agreement under the Amended and Restated 2009 Omnibus Incentive Compensation Plan (with dividend equivalents) *	Exhibit 10.13.2 to 2017 Form 10-K
10.11.3	Form of Time-Based Restricted Stock Unit Agreement under the Amended and Restated 2009 Omnibus Incentive Compensation Plan, as amended *	Exhibit 10.13.3 to 2017 Form 10-K
10.11.4	Form of Time-Based Restricted Stock Unit Terms and Conditions under the 2018 Equity and Incentive Compensation Plan *	Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 1-13536) for the quarter ended May 4, 2019
10.12	Supplementary Executive Retirement Plan *	Exhibit 10.29 to 2008 Form 10-K

Exhibit Number	Description	Document if Incorporated by Reference
10.12.1	First Amendment to the Supplementary Executive Retirement Plan effective January 1, 2012 *	Exhibit 10.21.1 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended January 28, 2012
10.12.2	Second Amendment to Supplementary Executive Retirement Plan effective January 1, 2012 *	Exhibit 10.20.2 to 2012 Form 10-K
10.12.3	Third Amendment to Supplementary Executive Retirement Plan effective December 31, 2013 *	Exhibit 10.20.3 to 2013 Form 10-K
10.13	Executive Deferred Compensation Plan *	Exhibit 10.30 to 2008 Form 10-K
10.13.1	First Amendment to Executive Deferred Compensation Plan effective December 31, 2013 *	Exhibit 10.21.1 to 2013 Form 10-K
10.14	Macy's, Inc. 401(k) Retirement Investment Plan (the "Plan") (amending and restating the Macy's, Inc. 401(k) Retirement Investment Plan) effective as of January 1, 2014 *	Exhibit 10.22 to 2013 Form 10-K
10.14.1	First Amendment to the Plan regarding matching contributions with respect to the Plan's plan years beginning on and after January 1, 2014, effective January 1, 2014 *	Exhibit 10.21.1 to 2014 Form 10-K
10.14.2	Second Amendment to the Plan regarding marriage status, effective January 1, 2014 *	Exhibit 10.21.2 to 2014 Form 10-K
10.14.3	Third Amendment to the Plan regarding matching contributions with respect to the Plan's plan years beginning on and after January 1, 2014 *	Exhibit 10.21.3 to 2014 Form 10-K
10.14.4	Fourth Amendment to the Plan regarding rules applicable to Puerto Rico participants effective January 1, 2011 (and for the Plan's plan years beginning on and after that date)*	Exhibit 10.17.4 to the Company's Annual Report on Form 10-K (File No. 1-13536) for the fiscal year ended January 30, 2016 ("2015 Form 10-K")
10.14.5	Fifth Amendment to the Plan regarding eligible associates to participate (pre-tax deferrals only, no match) immediately upon hire effective as of January 1, 2014*	Exhibit 10.17.5 to 2015 Form 10-K
10.15	Director Deferred Compensation Plan *	Exhibit 10.33 to 2008 Form 10-K
10.16	Macy's, Inc. Amended and Restated 2009 Omnibus Incentive Compensation Plan *	Appendix B to the Company's Proxy Statement dated April 2, 2014
10.17	Macy's, Inc. 2018 Equity and Incentive Compensation Plan *	Appendix B to the Company's Proxy Statement dated April 4, 2018
10.18	Macy's, Inc. Deferred Compensation Plan (Amended and restated effective as of August 1, 2018) *	
10.19	Change in Control Plan, effective November 1, 2009, as revised and restated effective April 1, 2018 *	Exhibit 10.20 to 2017 Form 10-K
10.20	Time Sharing Agreement between Macy's, Inc. and Jeff Gennette, dated June 14, 2017 *	Exhibit 10.21.1 to 2017 Form 10-K
21	Subsidiaries	
23	Consent of KPMG LLP	
24	Powers of Attorney	

Exhibit Number	Description	Document if Incorporated by Reference
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)	
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)	
32.1	Certification by Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act	
32.2	Certification by Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act	
101	The following financial statements from Macy's, Inc.’s Annual Report on Form 10-K for the year ended February 1, 2020, filed March 30, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Changes in Shareholders’ Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements, tagged as block of text and in detail.	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

\+ Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The confidential portions have been provided to the SEC.

* Constitutes a compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MACY'S, INC.

By: /s/ ELISA D. GARCIA

Elisa D. Garcia
Executive Vice President, Chief Legal Officer and Secretary

Date: March 30, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 30, 2020.

*	*	*
Jeff Gennette	**Paula A. Price**	**Felicia Williams**
Chief Executive Officer (principal executive officer), Chairman of the Board and Director	Executive Vice President and Chief Financial Officer (principal financial officer)	Senior Vice President, Controller and Enterprise Risk Officer (principal accounting officer)
*	*	*
David P. Abney	**Francis S. Blake**	**Torrence N. Boone**
Director	Director	Director
*	*	*
John A. Bryant	**Deirdre P. Connelly**	**Leslie D. Hale**
Director	Director	Director
*	*	*
William H. Lenehan	**Sara Levinson**	**Joyce M. Roché**
Director	Director	Director
*	*	
Paul C. Varga	**Marna C. Whittington**	
Director	Director	

* The undersigned, by signing her name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named officers and directors and filed herewith.

By: /s/ ELISA D. GARCIA

Elisa D. Garcia
Attorney-in-Fact

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF MANAGEMENT

To the Shareholders of
Macy's, Inc.:

The integrity and consistency of the Consolidated Financial Statements of Macy's, Inc. and subsidiaries, which were prepared in accordance with accounting principles generally accepted in the United States of America, are the responsibility of management and properly include some amounts that are based upon estimates and judgments.

The Company maintains a system of internal accounting controls, which is supported by a program of internal audits with appropriate management follow-up action, to provide reasonable assurance, at appropriate cost, that the Company's assets are protected and transactions are properly recorded. Additionally, the integrity of the financial accounting system is based on careful selection and training of qualified personnel, organizational arrangements which provide for appropriate division of responsibilities and communication of established written policies and procedures.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and has issued Management's Report on Internal Control over Financial Reporting.

The Consolidated Financial Statements of the Company have been audited by KPMG LLP. Their report expresses their opinion as to the fair presentation, in all material respects, of the financial statements and is based upon their independent audits.

The Audit Committee, composed solely of outside directors, meets periodically with KPMG LLP, the internal auditors and representatives of management to discuss auditing and financial reporting matters. In addition, KPMG LLP and the Company's internal auditors meet periodically with the Audit Committee without management representatives present and have free access to the Audit Committee at any time. The Audit Committee is responsible for recommending to the Board of Directors the engagement of the independent registered public accounting firm and the general oversight review of management's discharge of its responsibilities with respect to the matters referred to above.

Jeff Gennette
Chief Executive Officer, Chairman of the Board and Director

Paula A. Price
Executive Vice President and Chief Financial Officer

Felicia Williams
Senior Vice President, Controller and Enterprise Risk Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Macy's, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Macy's, Inc. and subsidiaries (the Company) as of February 1, 2020 and February 2, 2019, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended February 1, 2020, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of February 1, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended February 1, 2020, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 1, 2020 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases as of February 3, 2019 due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A(b), "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the liability for unrecognized tax benefits

As discussed in Note 8 to the consolidated financial statements, the Company has recorded gross unrecognized tax benefits, including interest and penalties, of $193 million as of February 1, 2020. The Company recognizes tax positions when it is more likely than not that the tax position will be sustained on examination based on the technical merits of the position. Uncertain tax positions meeting the recognition threshold are then measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

We identified the assessment of the liability for unrecognized tax benefits as a critical audit matter. Complex auditor judgment was required in evaluating the Company's interpretation of tax law and its estimate of the ultimate resolution of the tax positions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's unrecognized tax benefits process, including controls related to the interpretation of tax law and the estimate of the ultimate resolution. Since tax law is complex and often subject to interpretation, we involved tax professionals with specialized skills and knowledge. They assisted us in evaluating the tax positions taken by the Company and the impact on unrecognized tax benefits by assessing tax examination activity and evaluating the tax positions based on tax law, regulations, and other authoritative guidance with respect to statute expirations and reserve additions.

Assessment of the carrying value of certain property and equipment

As discussed in Note 1 to the consolidated financial statements, the Company evaluates the carrying value of property and equipment whenever events or changes in circumstances indicate that a potential impairment has occurred. As of February 1, 2020, net property and equipment was $6,633 million. The Company primarily used a market approach in determining the fair value of potentially impaired property and equipment in order to evaluate the recoverability of its carrying value. As discussed in Note 3 to the consolidated financial statements, the Company recognized asset impairments of $197 million in the year ended February 1, 2020.

We identified the assessment of the carrying value of certain property and equipment as a critical audit matter. Subjective and challenging auditor judgment was required to identify comparable sales transactions and market rent assumptions, as well as assessing adjustments to the comparable market data based on the specific characteristics of the property.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's impairment assessment process for property and equipment. We involved valuation professionals with specialized skills and knowledge who assisted in developing an independent fair value estimate for certain properties by:

- Selecting comparable sales transactions and market rent assumptions based on publicly available market data for comparable assets, considering the location, quality of the property and real estate market conditions
- Comparing the independent fair value estimates to the Company's fair value estimates which were ultimately used to identify and record, if applicable, impairment

/s/ KPMG LLP

We have served as the Company's auditor since 1988.

Cincinnati, Ohio
March 30, 2020

MACY'S, INC.

CONSOLIDATED STATEMENTS OF INCOME
(millions, except per share data)

	2019	2018	2017
Net sales	$ 24,560	$ 24,971	$ 24,939
Credit card revenues, net	771	768	702
Cost of sales	(15,171)	(15,215)	(15,181)
Selling, general and administrative expenses	(8,998)	(9,039)	(8,954)
Gains on sale of real estate	162	389	544
Restructuring, impairment, store closing and other costs	(354)	(136)	(186)
Operating income	970	1,738	1,864
Benefit plan income, net	31	39	57
Settlement charges	(58)	(88)	(105)
Interest expense	(205)	(261)	(321)
Gains (losses) on early retirement of debt	(30)	(33)	10
Interest income	20	25	11
Income before income taxes	728	1,420	1,516
Federal, state and local income tax benefit (expense)	(164)	(322)	39
Net income	564	1,098	1,555
Net loss attributable to noncontrolling interest	—	10	11
Net income attributable to Macy's, Inc. shareholders	$ 564	$ 1,108	$ 1,566
Basic earnings per share attributable to Macy's, Inc. shareholders	$ 1.82	$ 3.60	$ 5.13
Diluted earnings per share attributable to Macy's, Inc. shareholders	$ 1.81	$ 3.56	$ 5.10

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

MACY’S, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(millions)

	2019	2018	2017
Net income	$ 564	$ 1,098	$ 1,555
Other comprehensive income (loss), net of taxes:			
Net actuarial gain (loss) and prior service credit on post employment and postretirement benefit plans, net of tax effect of $36 million, $52 million and $37 million	(107)	(151)	82
Reclassifications to net income:			
Net actuarial loss and prior service cost on post employment and postretirement benefit plans, net of tax effect of $8 million, $7 million and $13 million	23	23	22
Settlement charges, net of tax effect of $14 million, $23 million and $37 million	44	65	68
Total other comprehensive income (loss)	(40)	(63)	172
Comprehensive income	524	1,035	1,727
Comprehensive loss attributable to noncontrolling interest	—	10	11
Comprehensive income attributable to Macy's, Inc. shareholders	$ 524	$ 1,045	$ 1,738

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

MACY'S, INC.

CONSOLIDATED BALANCE SHEETS
(millions)

	February 1, 2020	February 2, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 685	$ 1,162
Receivables	409	400
Merchandise inventories	5,188	5,263
Prepaid expenses and other current assets	528	620
Total Current Assets	6,810	7,445
Property and Equipment – net	6,633	6,637
Right of Use Assets	2,668	—
Goodwill	3,908	3,908
Other Intangible Assets – net	439	478
Other Assets	714	726
Total Assets	$ 21,172	$ 19,194
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 539	$ 43
Merchandise accounts payable	1,682	1,655
Accounts payable and accrued liabilities	3,448	3,366
Income taxes	81	168
Total Current Liabilities	5,750	5,232
Long-Term Debt	3,621	4,708
Long-Term Lease Liabilities	2,918	—
Deferred Income Taxes	1,169	1,238
Other Liabilities	1,337	1,580
Shareholders' Equity:		
Common stock (309.0 and 307.5 shares outstanding)	3	3
Additional paid-in capital	621	652
Accumulated equity	7,989	8,050
Treasury stock	(1,241)	(1,318)
Accumulated other comprehensive loss	(995)	(951)
Total Macy's, Inc. Shareholders' Equity	6,377	6,436
Noncontrolling interest	—	—
Total Shareholders' Equity	6,377	6,436
Total Liabilities and Shareholders' Equity	$ 21,172	$ 19,194

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

MACY'S, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(millions)

	Common Stock	Additional Paid-In Capital	Accumulated Equity	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Macy's, Inc. Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity
Balance at January 28, 2017	$ 3	$ 617	$ 6,141	$ (1,489)	$ (896)	$ 4,376	$ (1)	$ 4,375
Net income (loss)			1,566			1,566	(11)	1,555
Other comprehensive income					172	172		172
Common stock dividends ($1.51 per share)			(461)			(461)		(461)
Stock repurchases				(1)		(1)		(1)
Stock-based compensation expense		58				58		58
Stock issued under stock plans		(24)		34		10		10
Other		25				25		25
Balance at February 3, 2018	3	676	7,246	(1,456)	(724)	5,745	(12)	5,733
Net income (loss)			1,108			1,108	(10)	1,098
Other comprehensive loss					(63)	(63)		(63)
Common stock dividends ($1.51 per share)			(468)			(468)		(468)
Stock-based compensation expense		63				63		63
Stock issued under stock plans		(87)		138		51		51
Stranded tax costs (a)			164		(164)	—		—
Macy's China Limited						—	22	22
Balance at February 2, 2019	3	652	8,050	(1,318)	(951)	6,436	—	6,436
Cumulative-effect adjustment (b)			(158)			(158)		(158)
Net income			564			564		564
Other comprehensive loss					(40)	(40)		(40)
Common stock dividends ($1.51 per share)			(470)			(470)		(470)
Stock repurchases				(1)		(1)		(1)
Stock-based compensation expense		38				38		38
Stock issued under stock plans		(69)		78		9		9
Other			3		(4)	(1)		(1)
Balance at February 1, 2020	$ 3	$ 621	$ 7,989	$ (1,241)	$ (995)	$ 6,377	$ —	$ 6,377

(a) Represents the reclassification of stranded tax effects to retained earnings as a result of U.S. federal tax reform.
(b) Represents the cumulative-effect adjustment to retained earnings for the adoption of Accounting Standards Update 2016-02 (ASU-2016-02), Leases (Topic 842), on February 3, 2019.

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

MACY'S, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions)

	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 564	$ 1,098	$ 1,555
Adjustments to reconcile net income to net cash provided by operating activities:			
Restructuring, impairment, store closing and other costs	354	136	186
Settlement charges	58	88	105
Depreciation and amortization	981	962	991
Benefit plans	31	30	35
Stock-based compensation expense	38	63	58
Gains on sale of real estate	(162)	(389)	(544)
Deferred income taxes	(6)	112	(421)
Amortization of financing costs and premium on acquired debt	4	(15)	(45)
Changes in assets and liabilities:			
(Increase) decrease in receivables	(9)	(61)	120
(Increase) decrease in merchandise inventories	75	(87)	221
Decrease in prepaid expenses and other current assets	89	21	17
Increase in merchandise accounts payable	40	55	162
Increase (decrease) in accounts payable and accrued liabilities	(257)	14	(221)
Decrease in current income taxes	(60)	(136)	(114)
Change in other assets and liabilities	(132)	(156)	(129)
Net cash provided by operating activities	1,608	1,735	1,976
Cash flows from investing activities:			
Purchase of property and equipment	(902)	(657)	(487)
Capitalized software	(255)	(275)	(273)
Disposition of property and equipment	185	474	411
Other, net	(30)	2	(2)
Net cash used by investing activities	(1,002)	(456)	(351)
Cash flows from financing activities:			
Debt issuance costs	(3)	—	—
Debt repaid	(597)	(1,149)	(988)
Dividends paid	(466)	(463)	(461)
Increase (decrease) in outstanding checks	(62)	16	(15)
Acquisition of treasury stock	(1)	—	(1)
Issuance of common stock	6	45	6
Proceeds from noncontrolling interest	—	7	13
Net cash used by financing activities	(1,123)	(1,544)	(1,446)
Net increase (decrease) in cash, cash equivalents and restricted cash	(517)	(265)	179
Cash, cash equivalents and restricted cash beginning of period	1,248	1,513	1,334
Cash, cash equivalents and restricted cash end of period	$ 731	$ 1,248	$ 1,513
Supplemental cash flow information:			
Interest paid	$ 242	$ 328	$ 361
Interest received	20	25	12
Income taxes paid (net of refunds received)	229	345	496
Restricted cash, end of period	46	86	58

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

1. Organization and Summary of Significant Accounting Policies

Nature of Operations

Macy's, Inc., together with its subsidiaries (the "Company"), is an omnichannel retail organization operating stores, websites and mobile applications under three brands (Macy's, Bloomingdale's and bluemercury) that sell a wide range of merchandise, including apparel and accessories (men's, women's and kids'), cosmetics, home furnishings and other consumer goods. The Company has stores in 43 states, the District of Columbia, Puerto Rico and Guam. As of February 1, 2020, the Company's operations and operating segments were conducted through Macy's, Bloomingdale's, Bloomingdale's The Outlet, Macy's Backstage, and bluemercury, which are aggregated into one reporting segment in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 280, Segment Reporting. The metrics used by management to assess the performance of the Company's operating divisions include sales trends, gross margin rates, expense rates, and rates of earnings before interest and taxes ("EBIT") and earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company's operating divisions have historically had similar economic characteristics and are expected to have similar economic characteristics and long-term financial performance in future periods.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years 2019, 2018 and 2017 ended on February 1, 2020, February 2, 2019 and February 3, 2018, respectively. Fiscal years 2019 and 2018 included 52 weeks and fiscal year 2017 included 53 weeks. References to years in the Consolidated Financial Statements relate to fiscal years rather than calendar years.

Basis of Presentation

In August 2015, the Company established a joint venture, Macy's China Limited, of which the Company held a sixty-five percent ownership interest and Hong Kong-based Fung Retailing Limited held the remaining thirty-five percent ownership interest. Macy's China Limited sold merchandise in China through an e-commerce presence on Alibaba Group's Tmall Global. In January 2019, the Company ended the joint venture with Fung Retailing Limited after winding down the operations of Macy's China Limited earlier in 2018. In conjunction with the termination of the joint venture, the Company acquired the noncontrolling interest in Macy's China Limited from Fung Retailing Limited, resulting in one hundred percent ownership. For the period of time prior to the acquisition of the noncontrolling interest, Fung Retailing Limited's thirty-five percent proportionate share of the results of Macy's China Limited was reported as noncontrolling interest in the Consolidated Financial Statements. All significant intercompany transactions were eliminated.

For 2019 and 2018, the Consolidated Financial Statements include the accounts of Macy's, Inc. and its 100%-owned subsidiaries and, for the applicable periods, the majority-owned subsidiary, Macy's China Limited.

Certain reclassifications were made to prior years' amounts to conform with the classifications of such amounts in the most recent years.

Use of Estimates

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

Net Sales

Revenue is recognized when customers obtain control of goods and services promised by the Company. The amount of revenue recognized is based on the amount that reflects the consideration that is expected to be received in exchange for those respective goods and services. See Note 2, Revenue, for further discussion of the Company's accounting policies for revenue from contracts with customers.

Cost of Sales

Cost of sales consists of the cost of merchandise, including inbound freight, shipping and handling costs, and depreciation. An estimated allowance for future sales returns is recorded and cost of sales is adjusted accordingly.

Cash and Cash Equivalents

Cash and cash equivalents include cash and liquid investments with original maturities of three months or less. Cash and cash equivalents includes amounts due in respect of credit card sales transactions that are settled early in the following period in the amount of $118 million at February 1, 2020 and $114 million at February 2, 2019.

Investments

The Company from time to time invests in debt and equity securities, including companies engaged in complementary businesses. All debt securities held by the Company are accounted for under ASC Topic 320, Investments – Debt Securities, while all marketable securities held by the Company are accounted for under ASC Topic 321, Investments – Equity Securities. Unrealized holding gains and losses on trading securities and equity securities with a readily determinable fair value are recognized in the Consolidated Statements of Income. Equity securities without a readily determinable fair value are generally recorded at cost and subsequently adjusted, in net income, for observable price changes (i.e., prices in orderly transactions for the identical investment or similar investment of the same issuer).

Receivables

Receivables were $409 million at February 1, 2020, compared to $400 million at February 2, 2019.

The Company and Citibank, the owner of most of the Company's credit assets, are party to a long-term marketing and servicing alliance pursuant to the terms of a Credit Card Program Agreement (the “Program Agreement”). Income earned under the Program Agreement is treated as credit card revenues, net on the Consolidated Statements of Income. Under the Program Agreement, Citibank offers proprietary and non-proprietary credit cards to the Company’s customers.

Merchandise Inventories

Merchandise inventories are valued at lower of cost or market using the last-in, first-out ("LIFO") retail inventory method. Under the retail inventory method, inventory is segregated into departments of merchandise having similar characteristics, and is stated at its current retail selling value. Inventory retail values are converted to a cost basis by applying specific average cost factors for each merchandise department. Cost factors represent the average cost-to-retail ratio for each merchandise department based on beginning inventory and the annual purchase activity. At February 1, 2020 and February 2, 2019, merchandise inventories valued at LIFO, including adjustments as necessary to record inventory at the lower of cost or market, approximated the cost of such inventories using the first-in, first-out ("FIFO") retail inventory method. The application of the LIFO retail inventory method did not result in the recognition of any LIFO charges or credits affecting cost of sales for 2019, 2018 or 2017. The retail inventory method inherently requires management judgments and estimates, such as the amount and timing of permanent markdowns to clear unproductive or slow-moving inventory, which may impact the ending inventory valuation as well as gross margins.

Permanent markdowns designated for clearance activity are recorded when the utility of the inventory has diminished. Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise and fashion trends. When a decision is made to permanently markdown merchandise, the resulting gross margin reduction is recognized in the period the markdown is recorded.

Physical inventories are generally taken within each merchandise department annually, and inventory records are adjusted accordingly, resulting in the recording of actual shrinkage. Physical inventories are taken at all store locations for substantially all merchandise categories approximately three weeks before the end of the year. Shrinkage is estimated as a percentage of sales at interim periods and for this approximate three-week period, based on historical shrinkage rates. While it is not possible to quantify the impact from each cause of shrinkage, the Company has loss prevention programs and policies that are intended to minimize shrinkage, including the use of radio frequency identification cycle counts and interim inventories to keep the Company's merchandise files accurate.

Vendor Allowances

The Company receives certain allowances as reimbursement for markdowns taken and/or to support the gross margins earned in connection with the sales of merchandise. These allowances are recognized when earned. The Company also receives advertising allowances from approximately 780 of its merchandise vendors pursuant to cooperative advertising programs, with some vendors participating in multiple programs. These allowances represent reimbursements by vendors of costs incurred by the Company to promote the vendors' merchandise and are netted against advertising and promotional costs when the related costs are incurred. Advertising allowances in excess of costs incurred are recorded as a reduction of merchandise costs and, ultimately, through cost of sales when the merchandise is sold.

The arrangements pursuant to which the Company's vendors provide allowances, while binding, are generally informal in nature andone year or less in duration. The terms and conditions of these arrangements vary significantly from vendor to vendor and are influenced by, among other things, the type of merchandise to be supported.

Advertising

Advertising and promotional costs are generally expensed at first showing.Advertising and promotional costs and cooperative advertising allowances were as follows:

	2019	2018	2017
		(millions)	
Gross advertising and promotional costs	$ 1,330	$ 1,358	$ 1,397
Cooperative advertising allowances	188	196	289
Advertising and promotional costs, net of cooperative advertising allowances	$ 1,142	$ 1,162	$ 1,108
Net sales	$ 24,560	$ 24,971	$ 24,939
Advertising and promotional costs, net of cooperative advertising allowances, as a percent to net sales	4.6%	4.7%	4.4%

Property and Equipment

Depreciation of owned properties is provided primarily on a straight-line basis over the estimated asset lives, which range from fifteen tofifty years for buildings and building equipment and three to fifteen years for fixtures and equipment. Real estate taxes and interest on construction in progress and land under development are capitalized. Amounts capitalized are amortized over the estimated lives of the related depreciable assets. The Company receives contributions from developers and merchandise vendors to fund building improvement and the construction of vendor shops. Such contributions are generally netted against the capital expenditures.

Buildings on leased land and leasehold improvements are amortized over the shorter of their economic lives or the lease term, beginning on the date the asset is put into use.

The carrying value of long-lived assets, inclusive of ROU assets, is periodically reviewed by the Company whenever events or changes in circumstances indicate that a potential impairment has occurred. For long-lived assets held for use, a potential impairment has occurred if projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of those assets in operations. When a potential impairment has occurred, an impairment write-down is recorded if the carrying value of the long-lived asset exceeds its fair value. The Company believes its estimated cash flows are sufficient to support the carrying value of its long-lived assets. If estimated cash flows significantly differ in the future, the Company may be required to record asset impairment write-downs.

If the Company commits to a plan to dispose of a long-lived asset before the end of its previously estimated useful life, estimated cash flows are revised accordingly, and the Company may be required to record an asset impairment write-down. Additionally, related liabilities arise such as severance, contractual obligations and other accruals associated with store closings from decisions to dispose of assets. The Company estimates these liabilities based on the facts and circumstances in existence for each restructuring decision. The amounts the Company will ultimately realize or disburse could differ from the amounts assumed in arriving at the asset impairment and restructuring charge recorded.

The Company classifies certain long-lived assets as held for disposal by sale and ceases depreciation when the particular criteria for such classification are met, including the probable sale within one year. For long-lived assets to be disposed of by sale, an impairment charge is recorded if the carrying amount of the asset exceeds its fair value less costs to sell. Such valuations include estimations of fair values and incremental direct costs to transact a sale.

Leases

Operating lease liabilities are recognized at the lease commencement date based on the present value of the fixed lease payments using the Company's incremental borrowing rates for its population of leases. Related operating ROU assets are recognized based on the initial present value of the fixed lease payments, reduced by contributions from landlords, plus any prepaid rent and direct costs from executing the leases. ROU assets are tested for impairment in the same manner as long-lived assets. Certain of the Company's real estate leases have terms that extend for a significant number of years and provide for rental rates that increase or decrease over time. Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. Lease agreements with lease and non-lease components are combined as a single lease component for all classes of underlying assets.

Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Variable lease payments are recognized as lease expense as they are incurred.

Prior to February 3, 2019, leases were accounted for under ASC Subtopic 840, Leases.

Goodwill and Other Intangible Assets

The carrying value of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with ASC Subtopic 350-20, Goodwill. Goodwill and other intangible assets with indefinite lives have been assigned to reporting units for purposes of impairment testing. The reporting units are the Company's retail operating divisions. Goodwill and other intangible assets with indefinite lives are tested for impairment annually at the end of the fiscal month of May.

The Company evaluates qualitative factors to determine if it is more likely than not that the fair value of a reporting unit or other intangible assets with indefinite lives is less than its carrying value and whether it is necessary to perform the quantitative impairment test. If required, the Company performs a quantitative impairment test which involves a comparison of each reporting unit's or other intangible assets with indefinite lives' fair values to its carrying value. Estimating the fair values of the reporting units or other intangible assets with indefinite lives involves the use of significant assumptions, estimates and judgments with respect to a variety of factors, including sales, gross margin and SG&A rates, capital expenditures, cash flows and the selection and use of an appropriate discount rate and market values and multiples of earnings and revenues of similar public companies. The projected sales, gross margin and SG&A expense rate assumptions and capital expenditures are based on the Company's annual business plan or other forecasted results. Discount rates reflect market-based estimates of the risks associated with the projected cash flows of the reporting unit or indefinite lived intangible asset.

The estimates of fair value of reporting units or other intangible assets with indefinite lives are based on the best information available as of the date of the assessment. If the carrying value of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to such excess, limited to the total amount of goodwill allocated to the reporting unit. If the carrying value of an individual indefinite-lived intangible asset exceeds its fair value, such individual indefinite-lived intangible asset is written down by an amount equal to such excess.

Capitalized Software

The Company capitalizes purchased and internally developed software and amortizes such costs to expense on a straight-line basis generally over four tofive years. Capitalized software is included in other assets on the Consolidated Balance Sheets.

Gift Cards

The Company only offers no-fee, non-expiring gift cards to its customers. At the time gift cards are sold or issued, no revenue is recognized; rather, the Company records an accrued liability to customers. The liability is relieved and revenue is recognized equal to the amount redeemed for merchandise. The Company records revenue from unredeemed gift cards (breakage) in net sales on a pro-rata basis over the time period gift cards are actually redeemed. At leastthree years of historical data, updated annually, is used to determine actual redemption patterns. The Company records breakage income within net sales on the Consolidated Statements of Income.

Loyalty Programs

The Company maintains customer loyalty programs in which customers earn points based on their purchases. Under the Macy’s Star Rewards loyalty program, points are earned based on customers’ spending on Macy’s private label and co-branded credit cards as well as non-proprietary cards during certain tender-neutral promotional events. Under the Macy’s brand, the Company previously participated in a coalition program ("Plenti") whereby customers could earn points based on spending levels with bonus opportunities through various targeted offers and promotions at Macy's and other partners. The Company's participation in Plenti ended on May 3, 2018. Under the Bloomingdale’s Loyallist program, the Company offers a tender neutral points-based program. The Company recognizes the estimated net amount of the rewards that will be earned and redeemed as a reduction to net sales at the time of the initial transaction and as tender when the points are subsequently redeemed by a customer.

Self-Insurance Reserves

The Company, through its insurance subsidiary, is self-insured for workers compensation and general liability claims up to certain maximum liability amounts. Although the amounts accrued are actuarially determined based on analysis of historical trends of losses, settlements, litigation costs and other factors, the amounts the Company will ultimately disburse could differ from such accrued amounts.

Post Employment and Postretirement Obligations

The Company, through its actuaries, utilizes assumptions when estimating the liabilities for pension and other employee benefit plans. These assumptions, where applicable, include the discount rates used to determine the actuarial present value of projected benefit obligations, the rate of increase in future compensation levels, mortality rates, the long-term rate of return on assets and the growth in health care costs. The Company measures post employment and postretirement assets and obligations using the month-end that is closest to the Company's fiscal year-end or an interim period quarter-end if a plan is determined to qualify for a remeasurement. The benefit expense is generally recognized in the Consolidated Financial Statements on an accrual basis over the average remaining lifetime of participants, and the accrued benefits are reported in other assets, accounts payable and accrued liabilities and other liabilities on the Consolidated Balance Sheets, as appropriate.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and net operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Income in the period that includes the enactment date. Deferred income tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred income tax assets will not be realized.

Stock Based Compensation

The Company records stock-based compensation expense according to the provisions of ASC Topic 718, Compensation – Stock Compensation. ASC Topic 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under the provisions of ASC Topic 718, the Company determines the appropriate fair value model to be used for valuing share-based payments and the amortization method for compensation cost.

Comprehensive Income

Total comprehensive income represents the change in equity during a period from sources other than transactions with shareholders and, as such, includes net income. For the Company, the only other components of total comprehensive income for 2019, 2018 and 2017 relate to post employment and postretirement plan items. Settlement charges incurred are included as a separate component of income before income taxes in the Consolidated Statements of Income. Amortization reclassifications out of accumulated other comprehensive loss are included in the computation of net periodic benefit cost (income) and are included in benefit plan income, net on the Consolidated Statements of Income.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), as amended, which requires lessees to recognize substantially all leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a ROU model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new standard was adopted by the Company on February 3, 2019 utilizing a modified retrospective approach that allowed for transition in the period of adoption. The Company adopted the package of practical expedients available at transition that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. Upon adoption, the Company used hindsight in determining lease term and impairment. For lease and non-lease components, the Company has elected to account for both as a single lease component.

Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of$2,519 million to $2,728 million, respectively, as of February 3, 2019. The difference of $209 million between the additional net lease assets and lease liabilities, net of the deferred tax impact of$54 million, was recorded as an adjustment to retained earnings. Prepaid rent, intangible lease assets, finance lease assets, and accrued and deferred rent as of February 3, 2019 were recorded as part of the ROU asset. Finance lease obligations as of February 3, 2019 were recorded as part of the lease liabilities. The standard did not materially impact the Company's consolidated net income and had no impact on cash flows.

2. Revenue

Net sales

Revenue is recognized when customers obtain control of goods and services promised by the Company. The amount of revenue recognized is based on the amount that reflects the consideration that is expected to be received in exchange for those respective goods and services. Macy's accounted for approximately 88% of the Company's net sales for 2019 and 89% of the Company's net sales for both 2018 and 2017. Disaggregation of the Company's net sales by family of business for2019, 2018 and 2017 were as follows:

	2019	2018	2017
Women's Accessories, Intimate Apparel, Shoes, Cosmetics and Fragrances	$ 9,454	$ 9,457	$ 9,444
Women's Apparel	5,411	5,642	5,765
Men's and Kids'	5,628	5,699	5,610
Home/Other (a)	4,067	4,173	4,120
Total	$ 24,560	$ 24,971	$ 24,939

(a) Other primarily includes restaurant sales, allowance for merchandise returns adjustments, certain loyalty program income and breakage income from unredeemed gift cards.

The Company's revenue generating activities include the following:

Retail Sales

Retail sales include merchandise sales, inclusive of delivery income, licensed department income, sales of private brand goods directly to third party retailers and sales of excess inventory to third parties. Sales of merchandise are recorded at the time of shipment to the customer and are reported net of estimated merchandise returns and certain customer incentives. Commissions earned on sales generated by licensed departments are included as a component of total net sales and are recognized as revenue at the time merchandise is sold to customers. Service revenues (e.g., alteration and cosmetic services) are recorded at the time the customer receives the benefit of the service. The Company has elected to present sales taxes on a net basis and, as such, sales taxes are included in accounts payable and accrued liabilities until remitted to the taxing authorities.

Merchandise Returns

The Company estimates merchandise returns using historical data and recognizes an allowance that reduces net sales and cost of sales. The liability for merchandise returns is included in accounts payable and accrued liabilities on the Company's Consolidated Balance Sheets and was $213 million as of February 1, 2020 and $269 million as of February 2, 2019. Included in prepaid expenses and other current assets is an asset totaling$147 million as of February 1, 2020 and $188 million as of February 2, 2019 for the recoverable cost of merchandise estimated to be returned by customers.

Gift Cards and Customer Loyalty Programs

The liability for unredeemed gift cards and customer loyalty programs is included in accounts payable and accrued liabilities on the Company's Consolidated Balance Sheets and was $839 million as of February 1, 2020 and $856 million as of February 2, 2019. During 2018, the Company recognized approximately $40 million in breakage income related to changes in breakage rate estimates. Changes in the liability for unredeemed gift cards and customer loyalty programs are as follows:

	2019	2018	2017
		(millions)	
Balance, beginning of year	$ 856	$ 906	$ 911
Liabilities issued but not redeemed (a)	554	570	551
Revenue recognized from beginning liability	(571)	(620)	(556)
Balance, end of year	$ 839	$ 856	$ 906

(a) Net of estimated breakage income.

Credit Card Revenues, net

In connection with the sale of most of the Company's credit card accounts and related receivable balances to Citibank, the Company and Citibank entered into a long-term marketing and servicing alliance pursuant to the terms of an amended and restated Credit Card Program Agreement ("Credit Card Program"). The Program Agreement expires March 31, 2025, subject to an additional renewal term of three years. The Program Agreement provides for, among other things, (i) the ownership by Citibank of the accounts purchased by Citibank, (ii) the ownership by Citibank of new accounts opened by the Company's customers, (iii) the provision of credit by Citibank to the holders of the credit cards associated with the foregoing accounts, (iv) the servicing of the foregoing accounts, and (v) the allocation between Citibank and the Company of the economic benefits and burdens associated with the foregoing and other aspects of the alliance.

As part of the Program Agreement, the Company receives payments for providing a combination of interrelated services and intellectual property to Citibank in support of the underlying Credit Card Program. Revenue based on the spending activity of the underlying accounts is recognized as the respective card purchases occur and the Company's profit share is recognized based on the performance of the underlying portfolio. Revenue associated with the establishment of new credit accounts and assisting in the receipt of payments for existing accounts is recognized as such activities occur. Credit card revenues include finance charges, late fees and other revenue generated by the Company's Credit Card Program, net of fraud losses and expenses associated with establishing new accounts.

Pursuant to the Program Agreement, the Company continues to provide certain servicing functions related to the accounts and related receivables owned by Citibank and receives compensation from Citibank for these services. The amounts earned under the Program Agreement related to the servicing functions are deemed adequate compensation and, accordingly, no servicing asset or liability has been recorded on the Consolidated Balance Sheets.

The Company's credit card revenues, net were$771 million for 2019, $768 million for 2018, and $702 million for 2017. Amounts received under the Program Agreement were $985 million for 2019, $966 million for 2018 and $929 million for 2017, and are included within credit card revenues, net on the Consolidated Statements of Income.

3. Restructuring, Impairment, Store Closing and Other Costs

Restructuring, impairment, store closing and other costs (income) consist of the following:

	2019	2018	2017
		(millions)	
Restructuring	$ 123	$ 80	$ 142
Asset Impairments	197	64	53
Other	34	(8)	(9)
	$ 354	$ 136	$ 186

During 2019, the Company closed or announced the closure of 30 Macy's stores. On February 4, 2020, the Company announced its Polaris strategy, a three-year plan designed to stabilize profitability and position the Company for sustainable, profitable growth. The strategy, developed in 2019, includes initiatives focused on strengthening customer relationships, curating quality fashion, accelerating digital growth, optimizing the Company's store portfolio and resetting its cost base. In conjunction with these initiatives, the Company announced plans to close approximately 125 of its least productive stores over the next three years, including the 30 announced in 2019. As part of the reset of its cost base, the Company developed a plan to streamline the organization through reductions in corporate and support functions, campus consolidations and the consolidation of the Company's sole headquarters to New York City, New York. In 2019, the Company recognized Polaris-related costs of approximately $318 million, of which approximately $161 million were non-cash impairment charges associated with store closures and campus consolidations and approximately $157 million were cash costs primarily related to severance and human resource-related activities and other costs.

A summary of the restructuring and other cash activity for 2019 related to the Polaris strategy, which are included within accounts payable and accrued liabilities, is as follows:

	Severance and other benefits	Professional fees and other related charges	Total
		(millions)	
Balance at February 2, 2019	$ —	$ —	$ —
Additions charged to expense	121	36	157
Cash payments	(6)	(27)	(33)
Balance at February 1, 2020	$ 115	$ 9	$ 124

As the Company continues to execute on the initiatives identified under the Polaris strategy, the Company expects to incur additional costs in 2020 of approximately $82 million to $102 million. The Company may incur significant additional charges in future periods as it more fully defines incremental Polaris strategy initiatives and moves into the execution phases of these projects. Since the scope of such efforts are not fully known at this time, the benefits of such initiatives, and any related charges or capital expenditures, are not currently quantifiable. Actions associated with the Polaris strategy are currently expected to continue through 2022.

During 2018, the Company closed or announced the closure of ten Macy's stores. In addition, the Company introduced a plan in 2018 that reduced the complexity of the upper management structure to increase the speed of decision making, reduce costs and respond to changing customer expectations. Restructuring, impairment, store closing and other costs for 2018 included costs and expenses, including severance and other human-resource related costs, primarily associated with the organizational changes and store closings announced in January 2019. For 2018, the Company recorded expense of approximately $80 million of severance and other human resource-related costs associated with these restructuring activities.

During 2017, the Company closed or announced the closure of sixteen Macy's stores, part of the approximately 100 planned closings announced in August 2016. During January 2018 and August 2017, the Company announced restructuring efforts, including the consolidation of three functions (merchandising, planning and private brands) into a single merchandising function as well as organizational changes for certain store and non-store functions. Restructuring, impairment, store closing and other costs for 2017 included costs and expenses, including severance and other human-resource related costs, primarily associated with the organizational changes and store closings announced in January 2018 and August 2017.

The Company expects to pay out the majority of the 2019 accrued severance costs, which are included in accounts payable and accrued liabilities on the Consolidated Balance Sheets, prior to the end of the second quarter of 2020. The 2018 and 2017 accrued severance costs, which were included in accounts payable and accrued liabilities on the respective Consolidated Balance Sheets, were paid out in the year subsequent to incurring such severance costs.

4. Properties and Leases

Property and Equipment, net

The major classes of property and equipment, net as of February 1, 2020 and February 2, 2019 are as follows:

	February 1, 2020	February 2, 2019
	(millions)	
Land	$ 1,436	$ 1,454
Buildings on owned land	3,822	4,019
Buildings on leased land and leasehold improvements	1,365	1,404
Fixtures and equipment	4,402	4,230
Leased properties under capitalized leases (a)	—	25
	11,025	11,132
Less accumulated depreciation and amortization (a)	4,392	4,495
	$ 6,633	$ 6,637

(a) As a result of the adoption of ASU 2016-02 on February 3, 2019, capital, or finance, lease assets were reclassed to the ROU assets on the Consolidated Balance Sheet. See Note 4 for information on leases.

In connection with various shopping center agreements, the Company is obligated to operate certain stores within the centers for periods of up to fifteen years. Some of these agreements require that the stores be operated under a particular name.

Leases

The Company leases a portion of the real estate and personal property used in its operations. Most leases require the Company to pay real estate taxes, maintenance, insurance and other similar costs; some also require additional payments based on percentages of sales and some contain purchase options. Certain of the Company's leases contain covenants that restrict the ability of the tenant (typically a subsidiary of the Company) to take specified actions (including the payment of dividends or other amounts on account of its capital stock) unless the tenant satisfies certain financial tests.

ROU assets and lease liabilities consist of:

	Classification	February 1, 2020 (millions)
Assets		
Finance lease assets (a)	Right of Use Assets	$ 13
Operating lease assets (b)	Right of Use Assets	2,655
Total lease assets		$ 2,668
Liabilities		
Current		
Finance (a)	Accounts payable and accrued liabilities	$ 2
Operating (b)	Accounts payable and accrued liabilities	331
Noncurrent		
Finance (a)	Long-Term Lease Liabilities	21
Operating (b)	Long-Term Lease Liabilities	2,897
Total lease liabilities		$ 3,251

(a) Finance lease assets are recorded net of accumulated amortization of $12 million as of February 1, 2020. As of February 1, 2020, finance lease assets and noncurrent lease liabilities each included $2 million of non-lease components.
(b) As of February 1, 2020, operating lease assets included $403 million of non-lease components and current and noncurrent lease liabilities included $36 million and $397 million, respectively, of non-lease components.

The components of net lease expense, recognized primarily within selling, general and administrative expenses are disclosed below. For 2019, lease expense included $83 million related to non-lease components.

	2019	2018	2017
		(millions)	
Real estate			
Operating leases (c) –			
Minimum rents	$ 364	$ 317	$ 317
Variable rents	54	11	11
	418	328	328
Less income from subleases –			
Operating leases	(2)	(1)	(3)
	$ 416	$ 327	$ 325
Personal property – Operating leases	$ 8	$ 9	$ 10

(c) Certain supply chain operating lease expense amounts are included in cost of sales.

As of February 1, 2020, the maturity of lease liabilities is as follows:

	Finance Leases (d)	Operating Leases (e and f)	Total
		(millions)	
Fiscal year			
2020	$ 3	$ 362	$ 365
2021	3	345	348
2022	3	322	325
2023	3	317	320
2024	3	300	303
After 2024	19	5,265	5,284
Total undiscounted lease payments	34	6,911	6,945
Less amount representing interest	11	3,683	3,694
Total lease liabilities	$ 23	$ 3,228	$ 3,251

(d) Finance lease payments include $3 million related to non-lease component payments.
(e) Operating lease payments include $3,240 million related to options to extend lease terms that are reasonably certain of being exercised and exclude $706 million of legally binding minimum lease payments for leases signed but not yet commenced.
(f) Operating lease payments include $1,203 million related to non-lease component payments, with $876 million of such payments related to options to extend lease terms that are reasonably certain of being exercised.

Additional supplemental information regarding assumptions and cash flows for operating and finance leases is as follows:

	February 1, 2020
Lease Term and Discount Rate	(millions)
Weighted-average remaining lease term (years)	
Finance leases	12.7
Operating leases	23.3
Weighted-average discount rate	
Finance leases	6.69 %
Operating leases	6.53 %

	52 Weeks Ended February 1, 2020
Other Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used from operating leases	$ 363
Financing cash flows used from financing leases	2
Leased assets obtained in exchange for new operating lease liabilities	216

The Company is a guarantor with respect to certain lease obligations associated with The May Department Stores Company and previously disposed subsidiaries or businesses. The leases, one of which includes potential extensions to 2070, have future minimum lease payments aggregating $225 million and are offset by payments from existing tenants and subtenants. In addition, the Company is contingently liable for other expenses related to the above leases, such as property taxes and common area maintenance, which are also payable by existing tenants and subtenants. Potential liabilities related to these guarantees are subject to certain defenses by the Company. The Company believes that the risk of significant loss from the guarantees of these lease obligations is remote.

5. Goodwill and Other Intangible Assets

The following summarizes the Company's goodwill and other intangible assets:

	February 1, 2020	February 2, 2019
	(millions)	
Non-amortizing intangible assets		
Goodwill	$ 9,290	$ 9,290
Accumulated impairment losses	(5,382)	(5,382)
	3,908	3,908
Tradenames	403	403
	$ 4,311	$ 4,311
Amortizing intangible assets		
Favorable leases and other contractual assets (a)	$ 5	$ 136
Tradenames	43	43
	48	179
Accumulated amortization		
Favorable leases and other contractual assets (a)	(1)	(95)
Tradenames	(11)	(9)
	(12)	(104)
	$ 36	$ 75
Capitalized software		
Gross balance	$ 1,262	$ 1,316
Accumulated amortization	(620)	(646)
	$ 642	$ 670

(a) As a result of the adoption of ASU 2016-02 on February 3, 2019, favorable leases were reclassed to the right of use assets on the Consolidated Balance Sheet. See Note 4 for information on the right of use assets as of February 1, 2020.

Finite lived tradenames are being amortized over their respective useful lives of 20 years. Favorable lease intangible assets are being amortized over their respective lease terms.

Other contractual assets and tradenames amortization expense amounted to $3 million for 2019**,** while favorable leases, other contractual assets, and tradenames amortization expense amounted to $10 million for 2018 and 2017. Capitalized software amortization expense amounted to $285 million for 2019, $296 million for 2018 and $301 million for 2017.

Future estimated amortization expense for assets, excluding in-process capitalized software of $66 million not yet placed in service as of February 1, 2020, is shown below:

	Amortizing intangible assets	Capitalized Software
	(millions)	
Fiscal year		
2020	$ 2	$ 253
2021	2	185
2022	2	103
2023	2	34
2024	2	1

6. Financing

The Company's debt is as follows:

	February 1, 2020	February 2, 2019
	(millions)	
Short-term debt:		
8.5% Senior debentures due 2019	$ —	$ 36
3.45% Senior notes due 2021	500	—
10.25% Senior debentures due 2021	33	—
Capital lease and current portion of other long-term obligations (a)	6	7
	$ 539	$ 43
Long-term debt:		
2.875% Senior notes due 2023	$ 640	$ 750
3.875% Senior notes due 2022	450	550
4.5% Senior notes due 2034	367	367
3.45% Senior notes due 2021	—	500
3.625% Senior notes due 2024	500	500
4.375% Senior notes due 2023	210	400
5.125% Senior debentures due 2042	250	250
4.3% Senior notes due 2043	250	250
6.7% Senior debentures due 2034	201	201
6.9% Senior debentures due 2029	79	192
6.375% Senior notes due 2037	192	192
6.65% Senior debentures due 2024	122	122
7.0% Senior debentures due 2028	105	117
6.7% Senior debentures due 2028	103	103
6.79% Senior debentures due 2027	71	71
6.9% Senior debentures due 2032	17	17
10.25% Senior debentures due 2021	—	33
7.6% Senior debentures due 2025	24	24
8.75% Senior debentures due 2029	13	13
7.875% Senior debentures due 2030	10	10
9.5% amortizing debentures due 2021	2	6
9.75% amortizing debentures due 2021	1	3
Unamortized debt issue costs	(13)	(18)
Unamortized debt discount	(7)	(9)
Premium on acquired debt, using an effective interest yield of 5.542% to 7.144%	34	39
Capital lease and other long-term obligations (a)	—	25
	$ 3,621	$ 4,708

(a) As a result of the adoption of ASU 2016-02 on February 3, 2019, capital, or finance, leases were reclassed to lease liabilities within accounts payable and accrued liabilities and long-term lease liabilities on the Consolidated Balance Sheet. See Note 4 for information on leases.

Interest expense and losses (gains) on early retirement of debt are as follows:

	2019	2018	2017
		(millions)	
Interest on debt	$ 211	$ 269	$ 332
Amortization of debt premium	(5)	(7)	(9)
Amortization of financing costs and debt discount	6	7	7
Interest on capitalized leases	2	2	2
	214	271	332
Less interest capitalized on construction	9	10	11
Interest expense	$ 205	$ 261	$ 321
Losses (gains) on early retirement of debt	$ 30	$ 33	$ (10)

During December 2019, the Company completed a tender offer and purchased $525 million in aggregate principal amount of certain senior unsecured notes and debentures. The purchased senior unsecured notes and debentures included $190 million of 4.375% senior notes due 2023, $113 million of 6.9% senior debentures due 2029, $110 million of 2.875% senior notes due 2023, $100 million of 3.875% senior notes due 2022, and $12 million of 7.0% senior debentures due 2028. The total cash cost for the tender offer was $553 million. The Company recognized $30 million of expense related to the recognition of the tender premium and other costs including deferred debt discount amortization. This expense is presented as losses on early retirement of debt on the Consolidated Statements of Income during 2019.

During 2018, the Company repurchased $344 million face value of senior notes and debentures. The debt repurchases were made in the open market for a total cost of $354 million, including expenses and other fees related to the transactions. Such repurchases resulted in the recognition of expense of $5 million during 2018 presented as losses on early retirement of debt on the Consolidated Statements of Income.

During December 2018, the Company completed a tender offer and purchased $750 million in aggregate principal amount of certain senior unsecured notes and debentures. The purchased senior unsecured notes and debentures included $164 million of 6.65% senior debentures due 2024, $155 million of 7.0% senior debentures due 2028, $114 million of 6.9% senior debentures due 2029, $103 million of 4.5% senior notes due 2034, $94 million of 6.79% senior debentures due 2027, $35 million of 6.7% senior debentures due 2034, $34 million of 6.375% senior notes due 2037, $34 million of 6.7% senior debentures due 2028, $10 million of 6.9% senior debentures due 2032, $5 million of 8.75% senior debentures due 2029, and $2 million of 7.875% senior debentures due 2030. The total cash cost for the tender offer was $789 million. The Company recognized $28 million of expense related to the recognition of the tender premium and other costs partially offset by the unamortized debt premium associated with this debt. This expense is presented as losses on early retirement of debt on the Consolidated Statements of Income during 2018.

During 2017, the Company completed a tender offer and purchased $400 million in aggregate principal amount of certain senior unsecured notes and debentures. The purchased senior unsecured notes and debentures included $147 million of 6.9% senior debentures due 2032, $108 million of 6.7% senior debentures due 2034, $96 million of 6.375% senior notes due 2037, $43 million of 8.75% senior debentures due 2029, and $6 million of 7.875% senior debentures due 2030. The total cash cost for the tender offer was $423 million. The Company recognized $11 million of income related to the recognition of the unamortized debt premium partially offset by the tender premium and other costs associated with this debt as gains on early retirement of debt. This income is presented as gains on early retirement of debt on the Consolidated Statements of Income during 2017.

During 2017, the Company repurchased $247 million face value of senior notes and debentures. The debt repurchases were made in the open market for a total cash cost of $257 million, including expenses related to the transactions. Such repurchases resulted in the recognition of expense of $1 million during 2017 presented as losses on early retirement of debt on the Consolidated Statements of Income.

Future maturities of long-term debt are shown below:

		(millions)
Fiscal year		
2021	$	453
2022		—
2023		850
2024		622
2025		24
After 2025		1,658

During 2019 and 2017, the Company repaid $36 million and $300 million, respectively, of indebtedness at maturity.

The following table shows the detail of debt repayments:

	2019	2018	2017
		(millions)	
6.9% Senior debentures due 2029	$ 113	$ 204	$ 3
4.5% Senior notes due 2034	—	183	—
7.0% Senior debentures due 2028	12	182	2
4.375% Senior notes due 2023	190	—	—
3.875% Senior notes due 2022	100	—	—
2.875% Senior notes due 2023	110	—	—
6.65% Senior debentures due 2024	—	175	4
7.45% Senior debentures due 2017	—	—	300
6.7% Senior debentures due 2028	—	94	3
6.79% Senior debentures due 2027	—	94	—
6.375% Senior notes due 2037	—	77	231
6.7% Senior debentures due 2034	—	63	136
6.9% Senior debentures due 2032	—	15	219
8.75% Senior debentures due 2029	—	5	43
7.875% Senior debentures due 2030	—	2	6
8.5% Senior debentures due 2019	36	—	—
9.5% amortizing debentures due 2021	4	4	4
9.75% amortizing debentures due 2021	2	2	2
Capital leases and other obligations (a)	—	1	1
	$ 567	$ 1,101	$ 954

(a) As a result of the adoption of ASU 2016-02 on February 3, 2019, capital, or finance, leases were reclassed to lease liabilities within accounts payable and accrued liabilities and long-term lease liabilities on the Consolidated Balance Sheet. See Note 4 for information on leases.

The following summarizes certain components of the Company's debt:

Bank Credit Agreement

On May 9, 2019, the Company entered into a new credit agreement with certain financial institutions that replaced the previous credit agreement which was set to expire on May 6, 2021. Similar to the previous agreement, the new credit agreement provides for revolving credit borrowings and letters of credit in an aggregate amount not to exceed $1,500 million (which may be increased to$1,750 million at the option of the Company, subject to the willingness of existing or new lenders to provide commitments for such additional financing). The new credit agreement is scheduled to expire on May 9, 2024, subject to up to two one-year extensions that may be requested by the Company and agreed to by the lenders.

As of February 1, 2020 and February 2, 2019, there were no revolving credit loans outstanding under the credit agreements, and there were no borrowings under the agreements during 2019 and 2018. In addition, there were no standby letters of credit outstanding at February 1, 2020 and February 2, 2019. Revolving loans under the credit agreement bear interest based on various published rates.

The Company's credit agreement, which is an obligation of a 100%-owned subsidiary of Macy's, Inc. ("Parent"), is not secured. However, Parent has fully and unconditionally guaranteed this obligation. The credit agreement requires the Company to maintain a specified interest coverage ratio for the latest four quarters of no less than 3.25 and a specified leverage ratio as of and for the latest four quarters of no more than 3.75. The Company's interest coverage ratio for 2019 was 12.68 and its leverage ratio at February 1, 2020 was 1.78, in each case as calculated in accordance with the credit agreement. The interest coverage ratio is defined as EBITDA divided by net interest expense and the leverage ratio is defined as debt divided by EBITDA. For purposes of these calculations EBITDA is calculated as net income plus interest expense, taxes, depreciation, amortization, non-cash impairment of goodwill, intangibles and real estate, settlement charges, non-recurring cash charges not to exceed in the aggregate $200 million and extraordinary losses less interest income and non-recurring or extraordinary gains. Net interest is adjusted to exclude the premium on early retirement of debt.

A breach of a restrictive covenant in the Company's credit agreement or the inability of the Company to maintain the financial ratios described above could result in an event of default under the credit agreement. In addition, an event of default would occur under the credit agreement if any indebtedness of the Company in excess of an aggregate principal amount of $150 million becomes due prior to its stated maturity or the holders of such indebtedness become able to cause it to become due prior to its stated maturity. Upon the occurrence of an event of default, the lenders could, subject to the terms and conditions of the credit agreement, elect to declare the outstanding principal, together with accrued interest, to be immediately due and payable. Moreover, most of the Company's senior notes and debentures contain cross-default provisions based on the non-payment at maturity, or other default after an applicable grace period, of any other debt, the unpaid principal amount of which is not less than $100 million that could be triggered by an event of default under the credit agreement. In such an event, the Company's senior notes and debentures that contain cross-default provisions would also be subject to acceleration.

Commercial Paper

The Company is a party to a $1,500 million unsecured commercial paper program. The Company may issue and sell commercial paper in an aggregate amount outstanding at any particular time not to exceed its then-current combined borrowing availability under the bank credit agreement described above. The issuance of commercial paper will have the effect, while such commercial paper is outstanding, of reducing the Company's borrowing capacity under the bank credit agreement by an amount equal to the principal amount of such commercial paper. There were no borrowings under the program during 2019 and 2018. As of February 1, 2020 and February 2, 2019, there were no remaining borrowings outstanding under the commercial paper program.

This program, which is an obligation of a 100%-owned subsidiary of Macy's, Inc., is not secured. However, Parent has fully and unconditionally guaranteed the obligations.

Senior Notes and Debentures

The senior notes and the senior debentures are unsecured obligations of a 100%-owned subsidiary of Macy's, Inc. and Parent has fully and unconditionally guaranteed these obligations (see Note 16, Condensed Consolidating Financial Information).

Other Financing Arrangements

At February 1, 2020 and February 2, 2019, the Company had dedicated $37 million of cash, included in prepaid expenses and other current assets, which is used to collateralize the Company's issuances of standby letters of credit. There were $34 million and $28 million, respectively, of other standby letters of credit outstanding at February 1, 2020 and February 2, 2019.

7. Accounts Payable and Accrued Liabilities

	February 1, 2020	February 2, 2019
	(millions)	
Accounts payable	$ 977	$ 983
Gift cards and customer rewards	839	856
Lease related liabilities (a)	399	180
Allowance for future sales returns	213	269
Accrued wages and vacation	194	268
Current portion of post employment and postretirement benefits	180	194
Taxes other than income taxes	145	134
Current portion of workers' compensation and general liability reserves	105	112
Restructuring accruals, including severance	113	67
Accrued interest	41	51
Deferred real estate gains	—	23
Other	242	229
	$ 3,448	$ 3,366

(a) As of February 1, 2020, the balance includes the current portion of operating leases and finance leases accounted for under ASU 2016-02. As of February 2, 2019, lease related liabilities were accounted for under ASC Subtopic 840, Leases. See Note 4 for information on leases.

Changes in workers' compensation and general liability reserves, including the current portion, are as follows:

	2019	2018	2017
		(millions)	
Balance, beginning of year	$ 487	$ 497	$ 503
Charged to costs and expenses	120	130	144
Payments, net of recoveries	(145)	(140)	(150)
Balance, end of year	$ 462	$ 487	$ 497

The non-current portion of workers' compensation and general liability reserves is included in other liabilities on the Consolidated Balance Sheets. AtFebruary 1, 2020 and February 2, 2019, workers' compensation and general liability reserves included$110 million and $112 million, respectively, which are covered by deposits and receivables included in current assets on the Consolidated Balance Sheets.

8. Taxes

Income tax expense (benefit) is as follows:

	2019			2018			2017		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
					(millions)				
Federal	$ 137	$ 4	$ 141	$ 156	$ 79	$ 235	$ 367	$ (462)	$ (95)
State and local	33	(10)	23	54	33	87	15	41	56
	$ 170	$ (6)	$ 164	$ 210	$ 112	$ 322	$ 382	$ (421)	$ (39)

On December 22, 2017, H.R. 1 was enacted into law. This new tax legislation, among other things, reduced the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018.

In applying the impacts of the new tax legislation to its 2017 income tax provision, the Company remeasured its deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally a 21% federal tax rate and its related impact on the state tax rates. The resulting impact was the recognition of an income tax benefit of $584 million in the fourth quarter of 2017. In addition, applying the new U.S. federal corporate tax rate of 21% on January 1, 2018, resulted in a federal income tax statutory rate of 33.7% in 2017. Combining the impacts on the Company's current income tax provision and the remeasurement of its deferred tax balances, the Company's effective income tax rate was a benefit of 2.6% in 2017.

The income tax expense (benefit) reported differs from the expected tax computed by applying the federal income tax statutory rate of 21% for both 2019 and 2018, and 33.7% for 2017 to income before income taxes net of noncontrolling interest. The reasons for this difference and their tax effects are as follows:

	2019	2018	2017
		(millions)	
Expected tax	$ 153	$ 300	$ 515
State and local income taxes, net of federal income tax benefit (a)	13	59	19
Federal tax reform deferred tax remeasurement	—	(17)	(584)
Tax impact of equity awards (a)	1	—	14
Federal tax credits	(3)	(16)	(16)
Change in valuation allowance	5	10	18
Other	(5)	(14)	(5)
	$ 164	$ 322	$ (39)

(a) 2017 included the recognition of approximately $15 million of net tax shortfalls associated with share-based payment awards due to the adoption of Accounting Standards Update 2016-09, Improvements to Employee Share-Based Payment Accounting. Historically, the Company had recognized such amounts as an offset to accumulated excess tax benefits previously recognized in additional paid-in capital.

The Company participates in the Internal Revenue Service ("IRS") Compliance Assurance Program ("CAP"). As part of the CAP, tax years are audited on a contemporaneous basis so that all or most issues are resolved prior to the filing of the tax return. The IRS has completed examinations of 2016 and all prior tax years.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	February 1, 2020	February 2, 2019
	(millions)	
Deferred tax assets		
Post employment and postretirement benefits	$ 210	$ 208
Accrued liabilities accounted for on a cash basis for tax purposes	165	222
Lease liabilities	864	—
Unrecognized state tax benefits and accrued interest	40	39
State operating loss and credit carryforwards	102	103
Other	110	172
Valuation allowance	(80)	(75)
Total deferred tax assets	1,411	669
Deferred tax liabilities		
Excess of book basis over tax basis of property and equipment	(988)	(987)
Right of use assets	(707)	—
Merchandise inventories	(365)	(398)
Intangible assets	(309)	(308)
Other	(211)	(214)
Total deferred tax liabilities	(2,580)	(1,907)
Net deferred tax liability	$ (1,169)	$ (1,238)

The valuation allowance at February 1, 2020 and February 2, 2019 relates to net deferred tax assets for state net operating loss and credit carryforwards. The net change in the valuation allowance amounted to an increase of $5 million for 2019. In 2018, the net change in the valuation allowance amounted to an increase of $10 million.

As of February 1, 2020, the Company had no federal net operating loss carryforwards, state net operating loss carryforwards, net of valuation allowances, of $218 million, and state credit carryforwards, net of valuation allowances, of $9 million, which will expire between 2020 and 2039.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	February 1, 2020	February 2, 2019	February 3, 2018
		(millions)	
Balance, beginning of year	$ 149	$ 140	$ 167
Additions based on tax positions related to the current year	18	17	7
Additions for tax positions of prior years	11	13	—
Reductions for tax positions of prior years	(20)	(12)	(23)
Settlements	(16)	—	(2)
Statute expirations	(9)	(9)	(9)
Balance, end of year	$ 133	$ 149	$ 140
Amounts recognized in the Consolidated Balance Sheets			
Current income taxes	$ 12	$ 28	$ 11
Deferred income taxes	4	4	4
Other liabilities (a)	117	117	125
	$ 133	$ 149	$ 140

(a) Unrecognized tax benefits not expected to be settled within one year are included within other liabilities on the Consolidated Balance Sheets.

Additional information regarding unrecognized benefits and related interest and penalties is as follow:

	February 1, 2020	February 2, 2019
	(millions)	
Amount of unrecognized tax benefits, net of deferred tax assets, that if recognized would affect the effective tax rate	$ 106	$ 120
Accrued federal, state and local interest and penalties	60	56
Amounts recognized in the Consolidated Balance Sheets		
Current income taxes	4	28
Other liabilities	56	28

The Company classifies federal, state and local interest and penalties not expected to be settled within one year as other liabilities on the Consolidated Balance Sheets and follows a policy of recognizing all interest and penalties related to unrecognized tax benefits in income tax expense. The accrued federal, state and local interest and penalties primarily relate to state tax issues and the amount of penalties paid in prior periods, and the amounts of penalties accrued at February 1, 2020 and February 2, 2019, are insignificant. Federal, state and local interest and penalties amounted to an expense of $6 million for 2019, an expense of $5 million for 2018, and a credit of $3 million for 2017.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016. With respect to state and local jurisdictions, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for years before 2010. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been accrued for any adjustments that are expected to result from the years still subject to examination.

As of February 1, 2020, the Company believes it is reasonably possible that certain unrecognized tax benefits ranging fromzero to $56 million may be recognized by the end of 2020. It is reasonably possible that there could be other material changes to the amount of uncertain tax positions due to activities of the taxing authorities, settlement of audit issues or the reassessment of existing uncertain tax positions; however, the Company is not able to estimate the impact of these items at this time.

9. Retirement Plans

The Company has defined contribution plans which cover substantially all employees who work 1,000 hours or more in a year. In addition, the Company has a funded defined benefit plan ("Pension Plan") and an unfunded defined benefit supplementary retirement plan ("SERP"), which provides benefits, for certain employees, in excess of qualified plan limitations. Effective January 1, 2012, the Pension Plan was closed to new participants, with limited exceptions, and effective January 2, 2012, the SERP was closed to new participants.

In February 2013, the Company announced changes to the Pension Plan and SERP whereby eligible employees no longer earn future pension service credits after December 31, 2013, with limited exceptions. All retirement benefits attributable to service in subsequent periods are provided through defined contribution plans.

Retirement expenses, excluding settlement charges, included the following components:

	2019	2018	2017
		(millions)	
401(k) Qualified Defined Contribution Plan	$ 96	$ 96	$ 93
Non-Qualified Defined Contribution Plan	2	1	1
Pension Plan	(54)	(64)	(82)
Supplementary Retirement Plan	30	31	31
	$ 74	$ 64	$ 43

The Company estimates the service and interest cost components of net periodic benefit costs for the Pension Plan and SERP. This method uses a full yield curve approach in the estimation of these components of net periodic benefit costs. Under this approach, the Company applies discounting using individual spot rates from the yield curve composed of the rates of return from a portfolio of high quality corporate debt securities available at the measurement date. These spot rates align to each of the projected benefit obligation and service cost cash flows.

Defined Contribution Plans

The Company has a qualified plan that permits participating associates to defer eligible compensation up to the maximum limits allowable under the Internal Revenue Code. Beginning January 1, 2014, the Company has a non-qualified plan which permits participating associates to defer eligible compensation above the limits of the qualified plan. The Company contributes a matching percentage of employee contributions under both the qualified and non-qualified plans. Effective January 1, 2014, the Company's matching contribution to the qualified plan was enhanced for all participating employees, with limited exceptions. Prior to January 1, 2014, the matching contribution rate under the qualified plan was higher for those employees not eligible for the Pension Plan than for employees eligible for the Pension Plan.

The liability related to the qualified plan matching contribution, which is reflected in accounts payable and accrued liabilities on the Consolidated Balance Sheets, was $104 million at February 1, 2020 and $103 million at February 2, 2019. Expense related to matching contributions for the qualified plan amounted to $96 million for 2019 and 2018, and $93 million for 2017.

At February 1, 2020 and February 2, 2019, the liability under the non-qualified plan, which is reflected in other liabilities on the Consolidated Balance Sheets, was $34 million and $27 million, respectively. The liability related to the non-qualified plan matching contribution, which is reflected in accounts payable and accrued liabilities on the Consolidated Balance Sheets, was $2 million at February 1, 2020 and February 2, 2019. Expense related to matching contributions for the non-qualified plan amounted to $2 million for 2019 and $1 million for both 2018 and 2017. In connection with the non-qualified plan, the Company had mutual fund investments at February 1, 2020 and February 2, 2019 of $34 million and $27 million, respectively, which are included in prepaid expenses and other current assets on the Consolidated Balance Sheets.

Pension Plan

The following provides a reconciliation of benefit obligations, plan assets, and funded status of the Pension Plan as ofFebruary 1, 2020 and February 2, 2019:

	2019	2018
	(millions)	
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 3,011	$ 3,271
Service cost	5	5
Interest cost	103	109
Actuarial (gain) loss	463	(27)
Benefits paid	(261)	(347)
Projected benefit obligation, end of year	3,321	3,011
Changes in plan assets		
Fair value of plan assets, beginning of year	3,018	3,409
Actual return on plan assets	602	(44)
Company contributions	—	—
Benefits paid	(261)	(347)
Fair value of plan assets, end of year	3,359	3,018
Funded status at end of year	$ 38	$ 7
Amounts recognized in the Consolidated Balance Sheets at February 1, 2020 and February 2, 2019		
Other assets	$ 38	$ 7
Amounts recognized in accumulated other comprehensive loss at February 1, 2020 and February 2, 2019		
Net actuarial loss	$ 1,086	$ 1,109

The accumulated benefit obligation for the Pension Plan was$3,320 million as of February 1, 2020 and $3,010 million as of February 2, 2019.

Net pension costs, settlement charges and other amounts recognized in other comprehensive loss for the Pension Plan included the following actuarially determined components:

	2019	2018	2017
		(millions)	
Net Periodic Pension Cost			
Service cost	$ 5	$ 5	$ 6
Interest cost	103	109	104
Expected return on assets	(191)	(206)	(223)
Amortization of net actuarial loss	29	28	31
Amortization of prior service credit	—	—	—
	(54)	(64)	(82)
Settlement charges	45	78	89
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Loss			
Net actuarial (gain) loss	51	223	(120)
Amortization of net actuarial loss	(29)	(28)	(31)
Settlement charges	(45)	(78)	(89)
	(23)	117	(240)
Total recognized	$ (32)	$ 131	$ (233)

The estimated net actuarial loss for the Pension Plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2020 is $42 million.

The following weighted average assumptions were used to determine the projected benefit obligations for the Pension Plan at February 1, 2020 and February 2, 2019:

	2019	2018
Discount rate	2.83 %	4.03 %
Rate of compensation increases	3.25 %	4.00 %

The following weighted average assumptions were used to determine the net periodic pension cost for the Pension Plan:

	2019	2018	2017
Discount rate used to measure service cost	4.09 %	3.77% - 4.46%	3.75% - 4.06%
Discount rate used to measure interest cost	3.67 %	3.39% - 4.06%	3.12% - 3.31%
Expected long-term return on plan assets	6.50 %	6.75 %	7.00 %
Rate of compensation increases	4.00 %	4.00 %	4.10 %

The Pension Plan's assumptions are evaluated annually, and at interim re-measurements if required, and updated as necessary. Due to settlement accounting and re-measurements during 2018 and 2017, the discount rate used to measure service cost and the discount rate used to measure interest cost varied between periods. The table above shows the range of rates used to determine net periodic expense for the Pension Plan.

The discount rate used to determine the present value of the projected benefit obligation for the Pension Plan is based on a yield curve constructed from a portfolio of high quality corporate debt securities with various maturities. Each year's expected future benefit payments are discounted to their present value at the appropriate yield curve rate, thereby generating the overall discount rate for the projected benefit obligation.

The Company develops its expected long-term rate of return on plan asset assumption by evaluating input from several professional advisors taking into account the asset allocation of the portfolio and long-term asset class return expectations, as well as long-term inflation assumptions. Expected returns for each major asset class are considered along with their volatility and the expected correlations among them. These expectations are based upon historical relationships as well as forecasts of how future returns may vary from historical returns. Returns by asset class and correlations among asset classes are combined using the target asset allocation to derive an expected return for the portfolio as a whole. Long-term historical returns of the portfolio are also considered. Portfolio returns are calculated net of all expenses, therefore, the Company also analyzes expected costs and expenses, including investment management fees, administrative expenses, Pension Benefit Guaranty Corporation premiums and other costs and expenses. As of February 1, 2020, the Company lowered the assumed annual long-term rate of return for the Pension Plan's assets from 6.50% to 6.25% based on expected future returns on the portfolio of assets.

The assets of the Pension Plan are managed by investment specialists with the primary objectives of payment of benefit obligations to Plan participants and an ultimate realization of investment returns over longer periods in excess of inflation. The Company employs a total return investment approach whereby a mix of domestic and foreign equity securities, fixed income securities and other investments is used to maximize the long-term return on the assets of the Pension Plan for a prudent level of risk. Risks are mitigated through asset diversification and the use of multiple investment managers. The target allocation for plan assets is currently 30% equity securities, 63% debt securities, 2% real estate and 5% private equities.

The Company generally employs investment managers to specialize in a specific asset class. These managers are chosen and monitored with the assistance of professional advisors, using criteria that include organizational structure, investment philosophy, investment process, performance compared to market benchmarks and peer groups.

The Company periodically conducts an analysis of the behavior of the Pension Plan's assets and liabilities under various economic and interest rate scenarios to ensure that the long-term target asset allocation is appropriate given the liabilities.

The fair values of the Pension Plan assets as ofFebruary 1, 2020, excluding interest and dividend receivables and pending investment purchases and sales, by asset category are as follows:

	Fair Value Measurements			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(millions)			
Money market funds	$ 37	$ 37	$ —	$ —
Equity securities:				
U.S. stocks	122	122	—	—
U.S. pooled funds	474	474	—	—
International pooled funds (a)	357	82	—	—
Fixed income securities:				
U.S. Treasury bonds	58	—	58	—
Other Government bonds	61	—	61	—
Agency backed bonds	13	—	13	—
Corporate bonds	615	—	615	—
Mortgage-backed securities	23	—	23	—
Asset-backed securities	10	—	10	—
Pooled funds	1,442	1,442	—	—
Other types of investments:				
Real estate (a)	37	—	—	—
Private equity (a)	167	—	—	—
Derivatives in a positive position	4	—	4	—
Derivatives in a negative position	(6)	—	(6)	—
Total	$ 3,414	$ 2,157	$ 778	$ —

(a) Certain investments that are measured at fair value using the net asset value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the fair value of plan assets.

The fair values of the Pension Plan assets as ofFebruary 2, 2019, excluding interest and dividend receivables and pending investment purchases and sales, by asset category are as follows:

	Fair Value Measurements			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(millions)			
Short term investments	$ 1	$ —	$ 1	$ —
Money market funds	33	33	—	—
Equity securities:				
U.S. stocks	117	117	—	—
U.S. pooled funds	398	398	—	—
International pooled funds (a)	347	78	—	—
Fixed income securities:				
U.S. Treasury bonds	52	—	52	—
Other Government bonds	53	—	53	—
Agency backed bonds	11	—	11	—
Corporate bonds	513	—	513	—
Mortgage-backed securities	15	—	15	—
Asset-backed securities	11	—	11	—
Pooled funds	1,270	1,270	—	—
Other types of investments:				
Real estate (a)	56	—	—	—
Private equity (a)	185	—	—	—
Derivatives in a positive position	6	—	6	—
Derivatives in a negative position	(2)	—	(2)	—
Total	$ 3,066	$ 1,896	$ 660	$ —

(a) Certain investments that are measured at fair value using the net asset value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the fair value of plan assets.

Corporate bonds consist primarily of investment grade bonds of U.S. issuers from diverse industries.

The fair value of certain pooled funds including equity securities, real estate and private equity investments represents the reported net asset value of shares or underlying assets of the investment as a practical expedient to estimate fair value. International equity pooled funds seek to provide long-term capital growth and income by investing in equity securities of non-U.S. companies located both in developed and emerging markets. There are generally no redemption restrictions or unfunded commitments related to these equity securities.

Real estate investments include several funds which seek risk-adjusted return by providing a stable, income-driven rate of return over the long term with high potential for growth of net investment income and appreciation of value. The real estate investments are diversified across property types and geographical areas primarily in the United States of America. Private equity investments have an objective of realizing aggregate long-term returns in excess of those available from investments in the public equity markets. Private equity investments generally consist of limited partnerships in the United States of America, Europe and Asia. Private equity and real estate investments are valued using fair values per the most recent financial reports provided by the investment sponsor, adjusted as appropriate for any lag between the date of the financial reports and the Company's reporting date.

Due to the nature of the underlying assets of the real estate and private equity investments, changes in market conditions and the economic environment may significantly impact the net asset value of these investments and, consequently, the fair value of the Pension Plan's investments. These investments are redeemable at net asset value to the extent provided in the documentation governing the investments. However, these redemption rights may be restricted in accordance with the governing documents. Redemption of these investments is subject to restrictions including lock-up periods where no redemptions are allowed, restrictions on redemption frequency and advance notice periods for redemptions. As of February 1, 2020 and February 2, 2019, certain of these investments are generally subject to lock-up periods, ranging fromone to nine years, certain of these investments are subject to restrictions on redemption frequency, ranging from daily to four times per year, and certain of these investments are subject to advance notice requirements. As of February 1, 2020 and February 2, 2019, the Pension Plan had unfunded commitments related to certain of these investments totaling $43 million and $49 million, respectively.

The Company does not anticipate making funding contributions to the Pension Plan in 2020.

The following benefit payments are estimated to be paid from the Pension Plan:

	(millions)
Fiscal year	
2020	$ 325
2021	274
2022	259
2023	250
2024	234
2025-2029	1,010

Supplementary Retirement Plan

The following provides a reconciliation of benefit obligations, plan assets and funded status of the supplementary retirement plan as of February 1, 2020 and February 2, 2019:

	2019	2018
	(millions)	
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 644	$ 703
Service cost	—	—
Interest cost	21	23
Actuarial (gain) loss	87	(9)
Benefits paid	(71)	(73)
Projected benefit obligation, end of year	681	644
Change in plan assets		
Fair value of plan assets, beginning of year	—	—
Company contributions	71	73
Benefits paid	(71)	(73)
Fair value of plan assets, end of year	—	—
Funded status at end of year	$ (681)	$ (644)
Amounts recognized in the Consolidated Balance Sheets at February 1, 2020 and February 2, 2019		
Accounts payable and accrued liabilities	$ (55)	$ (68)
Other liabilities	(626)	(576)
	$ (681)	$ (644)
Amounts recognized in accumulated other comprehensive loss at February 1, 2020 and February 2, 2019		
Net actuarial loss	$ 283	$ 218
Prior service cost	6	6
	$ 289	$ 224

The accumulated benefit obligation for the supplementary retirement plan was $681 million as of February 1, 2020 and $644 million as of February 2, 2019.

Net pension costs, settlement charges and other amounts recognized in other comprehensive loss for the supplementary retirement plan included the following actuarially determined components:

	2019	2018	2017
		(millions)	
Net Periodic Pension Cost			
Service cost	$ —	$ —	$ —
Interest cost	21	23	22
Amortization of net actuarial loss	9	7	8
Amortization of prior service cost	—	1	1
	30	31	31
Settlement charges	13	10	16
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Loss			
Net actuarial loss (gain)	87	(9)	20
Amortization of net actuarial loss	(9)	(7)	(8)
Amortization of prior service cost	—	(1)	(1)
Settlement charges	(13)	(10)	(16)
	65	(27)	(5)
Total recognized	$ 108	$ 14	$ 42

The estimated net actuarial loss and prior service cost for the supplementary retirement plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2020 is $12 million.

The following weighted average assumption was used to determine the projected benefit obligations for the supplementary retirement plan at February 1, 2020 and February 2, 2019:

	2019	2018
Discount rate	2.89%	4.10%

The following weighted average assumption was used to determine net pension costs for the supplementary retirement plan:

	2019	2018	2017
Discount rate used to measure interest cost	2.65% - 3.69%	3.39% - 4.09%	3.10% - 3.26%

The supplementary retirement plan's assumptions are evaluated annually, and at interim re-measurements if required, and updated as necessary. Due to settlement accounting and re-measurements during 2019, 2018 and 2017, the discount rate used to measure interest cost varied between periods. The table above shows the range of rates used to determine net periodic expense for the supplementary retirement plan.

The discount rate used to determine the present value of the projected benefit obligation for the supplementary retirement plan is based on a yield curve constructed from a portfolio of high quality corporate debt securities with various maturities. Each year's expected future benefit payments are discounted to their present value at the appropriate yield curve rate, thereby generating the overall discount rate for the projected benefit obligation.

The following benefit payments are estimated to be funded by the Company and paid from the supplementary retirement plan:

		(millions)
Fiscal year		
2020	$	55
2021		50
2022		47
2023		46
2024		45
2025-2029		203

10. Postretirement Health Care and Life Insurance Benefits

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

The following provides a reconciliation of benefit obligations, plan assets, and funded status of the postretirement obligations as ofFebruary 1, 2020 and February 2, 2019:

	2019	2018
	(millions)	
Change in accumulated postretirement benefit obligation		
Accumulated postretirement benefit obligation, beginning of year	$ 137	$ 156
Service cost	—	—
Interest cost	5	5
Actuarial loss (gain)	5	(11)
Medicare Part D subsidy	—	—
Benefits paid	(14)	(13)
Accumulated postretirement benefit obligation, end of year	133	137
Change in plan assets		
Fair value of plan assets, beginning of year	—	—
Company contributions	14	13
Benefits paid	(14)	(13)
Fair value of plan assets, end of year	—	—
Funded status at end of year	$ (133)	$ (137)
Amounts recognized in the Consolidated Balance Sheets at February 1, 2020 and February 2, 2019		
Accounts payable and accrued liabilities	$ (14)	$ (15)
Other liabilities	(119)	(122)
	$ (133)	$ (137)
Amounts recognized in accumulated other comprehensive loss at February 1, 2020 and February 2, 2019		
Net actuarial gain	$ (30)	$ (41)
Prior service credit	(8)	(9)
	$ (38)	$ (50)

Net postretirement benefit costs and other amounts recognized in other comprehensive loss included the following actuarially determined components:

	2019	2018	2017
		(millions)	
Net Periodic Postretirement Benefit Cost			
Service cost	$ —	$ —	$ —
Interest cost	5	5	5
Amortization of net actuarial gain	(6)	(5)	(5)
Amortization of prior service credit	(1)	(1)	—
	(2)	(1)	—
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Loss			
Net actuarial loss (gain)	5	(11)	(9)
Amortization of net actuarial gain	6	5	5
Amortization of prior service credit	1	1	—
Prior service credit	—	—	(10)
	12	(5)	(14)
Total recognized	$ 10	$ (6)	$ (14)

The estimated net actuarial gain and prior service credit that will be amortized from accumulated other comprehensive loss into net periodic postretirement benefit cost during 2020 is $5 million.

The following weighted average assumption was used to determine the accumulated postretirement benefit obligations atFebruary 1, 2020 and February 2, 2019:

	2019	2018
Discount rate	2.81 %	4.02 %

The following weighted average assumption was used to determine the net postretirement benefit costs for the postretirement obligations:

	2019	2018	2017
Discount rate used to measure interest cost	3.57 %	3.28 %	3.17 %

The accumulated postretirement benefit obligation assumptions are evaluated annually, and at interim re-measurements if required, and updated as necessary.

The discount rate used to determine the present value of the Company’s accumulated postretirement benefit obligations is based on a yield curve constructed from a portfolio of high quality corporate debt securities with various maturities. Each year’s expected future benefit payments are discounted to their present value at the appropriate yield curve rate, thereby generating the overall discount rate for the accumulated postretirement benefit obligations.

The Company estimates the interest cost component of net periodic benefit costs using a full yield curve approach in the estimation of these components of net periodic benefit costs. Under this approach, the Company applies discounting using individual spot rates from the yield curve composed of the rates of return from a portfolio of high quality corporate debt securities available at the measurement date. These spot rates align to each of the projected benefit obligation and service cost cash flows.

The future medical benefits provided by the Company for certain employees are based on a fixed amount per year of service, and the accumulated postretirement benefit obligation is not affected by increases in health care costs. However, the future medical benefits provided by the Company for certain other employees are affected by increases in health care costs.

The following provides the assumed health care cost trend rates related to the Company's accumulated postretirement benefit obligations atFebruary 1, 2020 and February 2, 2019:

	2019	2018
Health care cost trend rates assumed for next year	5.25% - 8.63%	5.38% - 9.31%
Rates to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2027	2027

The assumed health care cost trend rates have an impact on the amounts reported for the accumulated postretirement benefit obligations.A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	1 – Percentage Point Increase	1 – Percentage Point Decrease
	(millions)	
Effect on total of service and interest cost	$ —	$ —
Effect on accumulated postretirement benefit obligations	$ 7	$ (6)

The following table reflects the benefit payments estimated to be funded by the Company and paid from the accumulated postretirement benefit obligations and estimated federal subsidies expected to be received under the Medicare Prescription Drug Improvement and Modernization Act of 2003:

	Expected Benefit Payments	Expected Federal Subsidy
	(millions)	
Fiscal Year		
2020	$ 14	$ —
2021	13	—
2022	12	—
2023	11	—
2024	10	—
2025-2029	41	1

11. Stock-Based Compensation

The following disclosures present the Company's equity plans on a combined basis. The equity plans are administered by the Compensation and Management Development Committee of the Board of Directors (the "CMD Committee"). The CMD Committee is authorized to grant options, stock appreciation rights, restricted stock and restricted stock units to officers and key employees of the Company and its subsidiaries and to non-employee directors. The equity plans are intended to help the Company attract and retain directors, officers, other key executives and employees and is also intended to provide incentives and rewards relating to the Company's business plans to encourage such persons to devote themselves to the business of the Company. There have been no grants of stock appreciation rights under the equity plans.

Stock option grants have an exercise price at least equal to the market value of the underlying common stock on the date of grant, have ten-year terms and typically vest ratably over four years of continued employment. Restricted stock and time-based restricted stock unit awards generally vest one to four years from the date of grant. Performance-based restricted stock units generally are earned based on the attainment of specified goals achieved over the performance period.

As of February 1, 2020, approximately 17 million shares of common stock were available for additional grants pursuant to the Company's equity plans. Shares awarded are generally issued from the Company's treasury stock.

Stock-based compensation expense included the following components:

	2019	2018	2017
		(millions)	
Stock options	$ 15	$ 24	$ 34
Restricted stock units	23	39	24
	$ 38	$ 63	$ 58

All stock-based compensation expense is recorded in SG&A expense in the Consolidated Statements of Income.

Stock Options

The fair value of stock options granted during2019, 2018 and 2017 and the weighted average assumptions used to estimate the fair value are as follows:

	2019	2018	2017
Weighted average grant date fair value of stock options granted during the period	$ 5.11	$ 7.43	$ 5.84
Dividend yield	6.3%	5.2%	6.2%
Expected volatility	40.6%	41.1%	41.8%
Risk-free interest rate	2.4%	2.7%	1.9%
Expected life	5.5 years	5.6 years	5.7 years

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company estimates the expected volatility and expected option life assumption consistent with ASC Topic 718, Compensation – Stock Compensation. The expected volatility of the Company's common stock at the date of grant is estimated based on a historic volatility rate and the expected option life is calculated based on historical stock option experience as the best estimate of future exercise patterns. The dividend yield assumption is based on historical and anticipated dividend payouts. The risk-free interest rate assumption is based on observed interest rates consistent with the expected life of each stock option grant. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest. Compensation expense is recorded for all stock options expected to vest based on the amortization of the fair value at the date of grant on a straight-line basis primarily over the vesting period of the options.

Activity related to stock options for2019 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	(thousands)		(years)	(millions)
Outstanding, beginning of period	18,893	$ 39.73		
Granted	1,994	23.94		
Canceled or forfeited	(1,731)	32.73		
Exercised	(657)	9.08		
Outstanding, end of period	18,499	$ 39.77		
Exercisable, end of period	14,258	$ 42.97	4.2	$ —
Options expected to vest	3,133	$ 29.20	7.9	$ —

Additional information relating to stock options is as follows:

	2019	2018	2017
		(millions)	
Intrinsic value of options exercised	$ 10	$ 27	$ 3
Cash received from stock options exercised	6	45	6

As of February 1, 2020, the Company had $15 million of unrecognized compensation costs related to nonvested stock options, which is expected to be recognized over a weighted average period of approximately 2.2 years.

Restricted Stock Units

The weighted average grant date fair values of performance-based and time-based restricted stock units granted during2019, 2018 and 2017 are as follows:

	2019	2018	2017
Restricted stock units (performance-based)	$ 24.28	$ 30.64	$ 27.16
Restricted stock units (time-based)	17.81	25.57	20.75

During 2019, 2018 and 2017, the CMD Committee approved awards of performance-based restricted stock units to certain senior executives of the Company. Each award reflects a target number of shares (“Target Shares”) that may be issued to the award recipient. These awards may be earned upon the completion of three-year performance periods ending January 29, 2022, January 30, 2021 and February 1, 2020, respectively. Whether units are earned at the end of the performance period will be determined based on the achievement of certain performance objectives over the performance period. The performance objectives include achieving an EBITDA as a percent to sales ratio, owned plus licensed comparable sales growth and a return on invested capital ratio. The performance-based restricted stock units also include a performance objective relating to relative total shareholder return (“TSR”). Relative TSR reflects the change in the value of the Company’s common stock over the performance period in relation to the change in the value of the common stock of an executive compensation peer group over the performance period, assuming the reinvestment of dividends. Depending on the results achieved during the three-year performance periods, the actual number of shares that a grant recipient receives at the end of the period may range from 0% to 200% of the Target Shares granted.

The fair value of the Target Shares and restricted stock awards are based on the fair value of the underlying shares on the date of grant. The fair value of the portion of the Target Shares that relate to a relative TSR performance objective was determined using a Monte Carlo simulation analysis to estimate the total shareholder return ranking of the Company among an executive compensation peer group over the remaining performance periods. The expected volatility of the Company's common stock at the date of grant was estimated based on a historical average volatility rate for the approximate three-year performance period. The dividend yield assumption was based on historical and anticipated dividend payouts. The risk-free interest rate assumption was based on observed interest rates consistent with the approximate three-year performance measurement period.

The fair value of a restricted stock unit award at the grant date is equal to the market price of the Company's common stock on the grant date. Compensation expense is recorded for all restricted stock unit awards based on the amortization of the fair market value at the date of grant over the period the restrictions lapse or over the performance period of the performance-based restricted stock units. As of February 1, 2020, the Company had $43 million of unrecognized compensation costs related to nonvested restricted stock units, which is expected to be recognized over a weighted average period of approximately 2.0 years.

Activity related to restricted stock units for2019 is as follows:

	Shares	Weighted Average Grant Date Fair Value
	(thousands)	
Nonvested, beginning of period	4,143	$ 26.33
Granted – performance-based	861	24.28
Performance adjustment	(26)	28.17
Granted – time-based	1,443	17.81
Forfeited	(909)	23.88
Vested	(765)	29.19
Nonvested, end of period	4,747	$ 23.37

12. Shareholders' Equity

The authorized shares of the Company consist of 125 million shares of preferred stock ("Preferred Stock"), par value of $0.01 per share, with no shares issued, and 1,000 million shares of common stock, par value of $0.01 per share, with 333.6 million shares of common stock issued and 309.0 million shares of common stock outstanding at February 1, 2020, and with 333.6 million shares of common stock issued and 307.5 million shares of common stock outstanding at February 2, 2019 (with shares held in the Company's treasury being treated as issued, but not outstanding).

No shares of common stock were retired during 2019, 2018 and 2017.

Beginning in January 2000, the Company's Board of Directors approved various authorizations to purchase, in the aggregate, up to $18,000 million of common stock, which includes the Company's Board of Directors approval of an additional authorization to purchase common stock of $1,500 million on February 26, 2016. As of February 1, 2020, $1,716 million of authorization remained unused.

Common Stock

The holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Subject to preferential rights that may be applicable to any Preferred Stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the Board of Directors in its discretion, out of funds legally available.

Treasury Stock

Treasury stock contains shares repurchased under the share repurchase program, shares repurchased to cover employee tax liabilities related to stock plan activity and shares maintained in a trust related to deferred compensation plans. Under the deferred compensation plans, shares are maintained in a trust to cover the number estimated to be needed for distribution on account of stock credits currently outstanding.

Changes in the Company's common stock issued and outstanding, including shares held by the Company's treasury, are as follows:

	Common Stock Issued	Treasury Stock			Common Stock Outstanding
		Deferred Compensation Plans	Other	Total	
			(thousands)		
Balance at January 28, 2017	333,606	(1,096)	(28,447)	(29,543)	304,063
Stock issued under stock plans		(119)	590	471	471
Stock repurchases			(38)	(38)	(38)
Deferred compensation plan distributions		269		269	269
Balance at February 3, 2018	333,606	(946)	(27,895)	(28,841)	304,765
Stock issued under stock plans		(106)	2,756	2,650	2,650
Stock repurchases			(6)	(6)	(6)
Deferred compensation plan distributions		111		111	111
Balance at February 2, 2019	333,606	(941)	(25,145)	(26,086)	307,520
Stock issued under stock plans		(130)	1,510	1,380	1,380
Stock repurchases			(38)	(38)	(38)
Deferred compensation plan distributions		169		169	169
Balance at February 1, 2020	333,606	(902)	(23,673)	(24,575)	309,031

Accumulated Other Comprehensive Loss

For the Company, the only component of accumulated other comprehensive loss for 2019, 2018 and 2017 relates to post employment and postretirement plan items. The net actuarial gains and losses and prior service costs and credits related to post employment and postretirement benefit plans are reclassified out of accumulated other comprehensive loss and included in the computation of net periodic benefit cost (income) and are included in benefit plan income, net in the Consolidated Statements of Income. In addition, the Company incurred the pro-rata recognition of net actuarial losses associated with an increase in lump sum distributions associated with store closings, organizational restructuring, and periodic distribution activity as settlement charges in the Consolidated Statements of Income. See Note 9, Retirement Plans, and Note 10, Postretirement Health Care and Life Insurance Benefits, for further information.

13. Fair Value Measurements and Concentrations of Credit Risk

The following table shows the Company's financial assets that are required to be measured at fair value on a recurring basis, by level within the hierarchy as defined by applicable accounting standards:

	February 1, 2020				February 2, 2019			
		Fair Value Measurements				Fair Value Measurements		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(millions)							
Marketable equity and debt securities	$ 132	$ 34	$ 98	$ —	$ 101	$ 27	$ 74	$ —

Other financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, receivables, certain-short term investments and other assets, short-term debt, merchandise accounts payable, accounts payable and accrued liabilities and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value because of the short maturity of these instruments. The fair values of long-term debt, excluding capitalized leases, are generally estimated based on quoted market prices for identical or similar instruments, and are classified as Level 2 measurements within the hierarchy as defined by applicable accounting standards.

The following table shows the estimated fair value of the Company's long-term debt, excluding capital leases and other obligations:

	February 1, 2020			February 2, 2019		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
	(millions)					
Long-term debt	$ 3,607	$ 3,621	$ 3,702	$ 4,671	$ 4,683	$ 4,407

The following table shows certain of the Company's long-lived assets, which includes tangible and intangible assets, that were measured at fair value on a nonrecurring basis during 2019 and 2018:

	February 1, 2020				February 2, 2019			
		Fair Value Measurements				Fair Value Measurements		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(millions)							
Long-lived assets	$ 129	$ —	$ —	$ 129	$ 24	$ —	$ —	$ 24

During 2019, long-lived assets with a carrying value of$326 million were written down to their fair value of$129 million, resulting in asset impairment charges of $197 million. During 2018, long-lived assets with a carrying value of$84 million were written down to their fair value of$24 million, resulting in asset impairment charges of $60 million. The fair values of these assets were calculated based on the projected cash flows and an estimated risk-adjusted rate of return that would be used by market participants in valuing these assets or prices of similar assets.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. The Company places its temporary cash investments in what it believes to be high credit quality financial instruments.

14. Earnings Per Share Attributable to Macy's, Inc. Shareholders

The following table sets forth the computation of basic and diluted earnings per share attributable to Macy's, Inc. shareholders:

	2019			2018			2017		
	Net Income		Shares	Net Income		Shares	Net Income		Shares
	(millions, except per share data)								
Net income attributable to Macy's, Inc. shareholders and average number of shares outstanding	$ 564		308.8	$ 1,108		306.8	$ 1,566		304.5
Shares to be issued under deferred compensation and other plans	—		0.9	—		0.9	—		0.9
	$ 564		309.7	$ 1,108		307.7	$ 1,566		305.4
Basic earnings per share attributable to Macy's, Inc. shareholders		$ 1.82			$ 3.60			$ 5.13	
Effect of dilutive securities:									
Stock options and restricted stock units	—		1.7	—		3.7	—		1.4
	$ 564		311.4	$ 1,108		311.4	$ 1,566		306.8
Diluted earnings per share attributable to Macy's, Inc. shareholders		$ 1.81			$ 3.56			$ 5.10	

In addition to the stock options and restricted stock units reflected in the foregoing table, stock options to purchase 18.5 million shares of common stock and restricted stock units relating to 1.7 million shares of common stock were outstanding atFebruary 1, 2020, stock options to purchase15.3 million of shares of common stock and restricted stock units relating to 0.9 million shares of common stock were outstanding atFebruary 2, 2019, and stock options to purchase16.6 million of shares of common stock and restricted stock units relating to 0.9 million shares of common stock were outstanding atFebruary 3, 2018, but were not included in the computation of diluted earnings per share attributable to Macy's, Inc. shareholders for 2019, 2018 and 2017, respectively, because their inclusion would have been antidilutive or they were subject to performance conditions that had not been met.

15. Quarterly Results (unaudited)

Unaudited quarterly results for the last two years were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(millions, except per share data)			
2019:				
Net sales	$ 5,504	$ 5,546	$ 5,173	$ 8,337
Credit card revenues, net	172	176	183	239
Cost of sales	(3,403)	(3,395)	(3,106)	(5,266)
Selling, general and administrative expenses	(2,112)	(2,177)	(2,202)	(2,509)
Gains on sale of real estate	43	7	17	95
Restructuring, impairment, store closing and other costs	(1)	(2)	(13)	(337)
Benefit plan income, net	7	8	8	8
Settlement charges	—	—	(12)	(46)
Net income attributable to Macy's, Inc. shareholders	136	86	2	340
Basic earnings per share attributable to Macy's, Inc. shareholders	0.44	0.28	0.01	1.10
Diluted earnings per share attributable to Macy's, Inc. shareholders	0.44	0.28	0.01	1.09
2018:				
Net sales	$ 5,541	$ 5,572	$ 5,404	$ 8,455
Credit card revenues, net	157	186	185	240
Cost of sales	(3,382)	(3,320)	(3,226)	(5,288)
Selling, general and administrative expenses	(2,083)	(2,164)	(2,255)	(2,538)
Gains on sale of real estate	24	46	42	278
Restructuring, impairment, store closing and other costs	(19)	(17)	(3)	(97)
Benefit plan income, net	11	11	9	8
Settlement charges	—	(50)	(23)	(15)
Net income attributable to Macy's, Inc. shareholders	139	166	62	740
Basic earnings per share attributable to Macy's, Inc. shareholders	0.45	0.54	0.20	2.40
Diluted earnings per share attributable to Macy's, Inc. shareholders	0.45	0.53	0.20	2.37

Note: Annual results may not equal the sum of the quarterly results for the respective periods due to rounding conventions.

16. Condensed Consolidating Financial Information

Certain debt obligations of the Company described in Note 6, Financing, which constitute debt obligations of Parent's 100%-owned subsidiary, Macy's Retail Holdings, Inc. ("Subsidiary Issuer"), are fully and unconditionally guaranteed by Parent. In the following condensed consolidating financial statements, "Other Subsidiaries" includes all other direct subsidiaries of Parent, including Bluemercury, Inc., FDS Bank, West 34th Street Insurance Company New York, Macy's Merchandising Corporation, Macy's Merchandising Group, Inc. and its subsidiaries Macy's Merchandising Group (Hong Kong) Limited, Macy's Merchandising Group Procurement, LLC, Macy's Merchandising Group International, LLC, Macy's Merchandising Group International (Hong Kong) Limited, and Macy's China Limited. "Subsidiary Issuer" includes operating divisions and non-guarantor subsidiaries of the Subsidiary Issuer on an equity basis. The assets and liabilities and results of operations of the non-guarantor subsidiaries of the Subsidiary Issuer are also reflected in "Other Subsidiaries."

Condensed Consolidating Statements of Comprehensive Income for 2019, 2018 and 2017, Consolidating Balance Sheets as of February 1, 2020 and February 2, 2019, and the related Condensed Consolidating Statements of Cash Flows for 2019, 2018, and 2017 are presented on the following pages.

MACY'S, INC.

Condensed Consolidating Statement of Comprehensive Income
For 2019
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 9,477	$ 20,831	$ (5,748)	$ 24,560
Credit card revenues (expense), net	—	(7)	778	—	771
Cost of sales	—	(5,834)	(15,085)	5,748	(15,171)
Selling, general and administrative expenses	2	(3,490)	(5,510)	—	(8,998)
Gains on sale of real estate	—	37	125	—	162
Restructuring, impairment, store closing and other costs	—	(108)	(246)	—	(354)
Operating income	2	75	893	—	970
Benefit plan income, net	—	12	19	—	31
Settlement charges	—	(22)	(36)	—	(58)
Interest (expense) income, net:					
External	15	(204)	4	—	(185)
Intercompany	—	(72)	72	—	—
Losses on early retirement of debt	—	(30)	—	—	(30)
Equity in earnings (loss) of subsidiaries	547	(266)	—	(281)	—
Income (loss) before income taxes	564	(507)	952	(281)	728
Federal, state and local income tax benefit (expense)	—	33	(197)	—	(164)
Net income (loss)	564	(474)	755	(281)	564
Net loss attributable to noncontrolling interest	—	—	—	—	—
Net income attributable to Macy's, Inc. shareholders	$ 564	$ (474)	$ 755	$ (281)	$ 564
Comprehensive income (loss)	$ 524	$ (512)	$ 731	$ (219)	$ 524
Comprehensive loss attributable to noncontrolling interest	—	—	—	—	—
Comprehensive income (loss) attributable to Macy's, Inc. shareholders	$ 524	$ (512)	$ 731	$ (219)	$ 524

MACY'S, INC.

Condensed Consolidating Statement of Comprehensive Income
For 2018
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 9,051	$ 23,720	$ (7,800)	$ 24,971
Credit card revenues (expense), net	—	(3)	771	—	768
Cost of sales	—	(5,786)	(17,229)	7,800	(15,215)
Selling, general and administrative expenses	—	(3,509)	(5,530)	—	(9,039)
Gains on sale of real estate	—	141	248	—	389
Restructuring, impairment, store closing and other costs	—	(33)	(103)	—	(136)
Operating income (loss)	—	(139)	1,877	—	1,738
Benefit plan income, net	—	15	24	—	39
Settlement charges	(5)	(30)	(53)	—	(88)
Interest (expense) income, net:					
External	20	(260)	4	—	(236)
Intercompany	—	(72)	72	—	—
Losses on early retirement of debt	—	(33)	—	—	(33)
Equity in earnings of subsidiaries	1,104	345	—	(1,449)	—
Income (loss) before income taxes	1,119	(174)	1,924	(1,449)	1,420
Federal, state and local income tax benefit (expense)	(11)	219	(530)	—	(322)
Net income	1,108	45	1,394	(1,449)	1,098
Net loss attributable to noncontrolling interest	—	—	10	—	10
Net income attributable to Macy's, Inc. shareholders	$ 1,108	$ 45	$ 1,404	$ (1,449)	$ 1,108
Comprehensive income (loss)	$ 1,045	$ (15)	$ 1,353	$ (1,348)	$ 1,035
Comprehensive loss attributable to noncontrolling interest	—	—	10	—	10
Comprehensive income (loss) attributable to Macy's, Inc. shareholders	$ 1,045	$ (15)	$ 1,363	$ (1,348)	$ 1,045

MACY'S, INC.

Condensed Consolidating Statement of Comprehensive Income
For 2017
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 9,490	$ 23,317	$ (7,868)	$ 24,939
Credit card revenues (expense), net	—	(2)	704	—	702
Cost of sales	—	(6,122)	(16,927)	7,868	(15,181)
Selling, general and administrative expenses	—	(3,426)	(5,528)	—	(8,954)
Gains on sale of real estate	—	201	343	—	544
Restructuring, impairment, store closing and other costs	—	(40)	(146)	—	(186)
Operating income	—	101	1,763	—	1,864
Benefit plan income, net	—	22	35	—	57
Settlement charges	—	(35)	(70)	—	(105)
Interest (expense) income, net:					
External	—	(313)	3	—	(310)
Intercompany	—	(139)	139	—	—
Gains on early retirement of debt	—	10	—	—	10
Equity in earnings of subsidiaries	1,574	773	—	(2,347)	—
Income before income taxes	1,574	419	1,870	(2,347)	1,516
Federal, state and local income tax benefit (expense)	(8)	356	(309)	—	39
Net income	1,566	775	1,561	(2,347)	1,555
Net loss attributable to noncontrolling interest	—	—	11	—	11
Net income attributable to Macy's, Inc. shareholders	$ 1,566	$ 775	$ 1,572	$ (2,347)	$ 1,566
Comprehensive income	$ 1,738	$ 935	$ 1,673	$ (2,619)	$ 1,727
Comprehensive loss attributable to noncontrolling interest	—	—	11	—	11
Comprehensive income attributable to Macy's, Inc. shareholders	$ 1,738	$ 935	$ 1,684	$ (2,619)	$ 1,738

MACY'S, INC.

Condensed Consolidating Balance Sheet
As of February 1, 2020
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 413	$ 59	$ 213	$ —	$ 685
Receivables	—	83	326	—	409
Merchandise inventories	—	2,239	2,949	—	5,188
Prepaid expenses and other current assets	—	118	410	—	528
Total Current Assets	413	2,499	3,898	—	6,810
Property and Equipment – net	—	3,103	3,530	—	6,633
Right of Use Assets	—	611	2,057	—	2,668
Goodwill	—	3,326	582	—	3,908
Other Intangible Assets – net	—	4	435	—	439
Other Assets	—	37	677	—	714
Deferred Income Taxes	12	—	—	(12)	—
Intercompany Receivable	2,675	—	1,128	(3,803)	—
Investment in Subsidiaries	3,433	2,796	—	(6,229)	—
Total Assets	$ 6,533	$ 12,376	$ 12,307	$ (10,044)	$ 21,172
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	$ —	$ 539	$ —	$ —	$ 539
Merchandise accounts payable	—	702	980	—	1,682
Accounts payable and accrued liabilities	126	909	2,413	—	3,448
Income taxes	5	11	65	—	81
Total Current Liabilities	131	2,161	3,458	—	5,750
Long-Term Debt	—	3,621	—	—	3,621
Long-Term Lease Liabilities	—	543	2,375	—	2,918
Intercompany Payable	—	3,803	—	(3,803)	—
Deferred Income Taxes	—	595	586	(12)	1,169
Other Liabilities	25	414	898	—	1,337
Shareholders' Equity:					
Macy's, Inc.	6,377	1,239	4,990	(6,229)	6,377
Noncontrolling Interest	—	—	—	—	—
Total Shareholders' Equity	6,377	1,239	4,990	(6,229)	6,377
Total Liabilities and Shareholders' Equity	$ 6,533	$ 12,376	$ 12,307	$ (10,044)	$ 21,172

MACY'S, INC.

Condensed Consolidating Balance Sheet
As of February 2, 2019
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 889	$ 59	$ 214	$ —	$ 1,162
Receivables	—	68	332	—	400
Merchandise inventories	—	2,342	2,921	—	5,263
Prepaid expenses and other current assets	—	143	477	—	620
Total Current Assets	889	2,612	3,944	—	7,445
Property and Equipment – net	—	3,287	3,350	—	6,637
Goodwill	—	3,326	582	—	3,908
Other Intangible Assets – net	—	38	440	—	478
Other Assets	—	41	685	—	726
Deferred Income Taxes	12	—	—	(12)	—
Intercompany Receivable	1,713	—	1,390	(3,103)	—
Investment in Subsidiaries	4,030	3,119	—	(7,149)	—
Total Assets	$ 6,644	$ 12,423	$ 10,391	$ (10,264)	$ 19,194
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	$ —	$ 42	$ 1	$ —	$ 43
Merchandise accounts payable	—	713	942	—	1,655
Accounts payable and accrued liabilities	170	950	2,246	—	3,366
Income taxes	14	52	102	—	168
Total Current Liabilities	184	1,757	3,291	—	5,232
Long-Term Debt	—	4,692	16	—	4,708
Intercompany Payable	—	3,103	—	(3,103)	—
Deferred Income Taxes	—	679	571	(12)	1,238
Other Liabilities	24	406	1,150	—	1,580
Shareholders' Equity:					
Macy's, Inc.	6,436	1,786	5,363	(7,149)	6,436
Noncontrolling Interest	—	—	—	—	—
Total Shareholders' Equity	6,436	1,786	5,363	(7,149)	6,436
Total Liabilities and Shareholders' Equity	$ 6,644	$ 12,423	$ 10,391	$ (10,264)	$ 19,194

MACY'S, INC.

Condensed Consolidating Statement of Cash Flows
For 2019
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ 564	$ (474)	$ 755	$ (281)	$ 564
Restructuring, impairment, store closing and other costs	—	108	246	—	354
Settlement charges	—	22	36	—	58
Gains on sale of real estate	—	(37)	(125)	—	(162)
Equity in (earnings) loss of subsidiaries	(547)	266	—	281	—
Dividends received from subsidiaries	936	—	—	(936)	—
Depreciation and amortization	—	323	658	—	981
Changes in assets, liabilities and other items not separately identified	(4)	(90)	(93)	—	(187)
Net cash provided by operating activities	949	118	1,477	(936)	1,608
Cash flows from investing activities:					
Purchase of property and equipment and capitalized software, net	—	(198)	(774)	—	(972)
Other, net	—	(2)	(28)	—	(30)
Net cash used by investing activities	—	(200)	(802)	—	(1,002)
Cash flows from financing activities:					
Debt repaid, including debt issuance costs	—	(598)	(2)	—	(600)
Dividends paid	(466)	—	(936)	936	(466)
Issuance of common stock, net of common stock acquired	5	—	—	—	5
Intercompany activity, net	(915)	687	228	—	—
Other, net	(49)	(7)	(6)	—	(62)
Net cash provided (used) by financing activities	(1,425)	82	(716)	936	(1,123)
Net decrease in cash, cash equivalents and restricted cash	(476)	—	(41)	—	(517)
Cash, cash equivalents and restricted cash at beginning of period	889	64	295	—	1,248
Cash, cash equivalents and restricted cash at end of period	$ 413	$ 64	$ 254	$ —	$ 731

MACY'S, INC.

Condensed Consolidating Statement of Cash Flows
For 2018
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income	$ 1,108	$ 45	$ 1,394	$ (1,449)	$ 1,098
Restructuring, impairment, store closing and other costs	—	33	103	—	136
Settlement charges	5	30	53	—	88
Gains on sale of real estate	—	(141)	(248)	—	(389)
Equity in earnings of subsidiaries	(1,104)	(345)	—	1,449	—
Dividends received from subsidiaries	1,040	200	—	(1,240)	—
Depreciation and amortization	—	334	628	—	962
Changes in assets, liabilities and other items not separately identified	(91)	198	(266)	(1)	(160)
Net cash provided by operating activities	958	354	1,664	(1,241)	1,735
Cash flows from investing activities:					
Purchase of property and equipment and capitalized software, net	—	(135)	(323)	—	(458)
Other, net	—	(16)	(33)	51	2
Net cash used by investing activities	—	(151)	(356)	51	(456)
Cash flows from financing activities:					
Debt repaid	—	(1,098)	(1)	(50)	(1,149)
Dividends paid	(463)	—	(1,240)	1,240	(463)
Issuance of common stock, net of common stock acquired	45	—	—	—	45
Proceeds from noncontrolling interest	—	—	7	—	7
Intercompany activity, net	(767)	875	(108)	—	—
Other, net	7	5	4	—	16
Net cash used by financing activities	(1,178)	(218)	(1,338)	1,190	(1,544)
Net decrease in cash, cash equivalents and restricted cash	(220)	(15)	(30)	—	(265)
Cash, cash equivalents and restricted cash at beginning of period	1,109	79	325	—	1,513
Cash, cash equivalents and restricted cash at end of period	$ 889	$ 64	$ 295	$ —	$ 1,248

MACY'S, INC.

Condensed Consolidating Statement of Cash Flows
For 2017
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income	$ 1,566	$ 775	$ 1,561	$ (2,347)	$ 1,555
Restructuring, impairment, store closing and other costs	—	40	146	—	186
Settlement charges	—	35	70	—	105
Gains on sale of real estate	—	(201)	(343)	—	(544)
Equity in earnings of subsidiaries	(1,574)	(773)	—	2,347	—
Dividends received from subsidiaries	903	450	—	(1,353)	—
Depreciation and amortization	—	354	637	—	991
Changes in assets, liabilities and other items not separately identified	14	79	(410)	—	(317)
Net cash provided by operating activities	909	759	1,661	(1,353)	1,976
Cash flows from investing activities:					
Disposition (purchase) of property and equipment and capitalized software, net	—	68	(417)	—	(349)
Other, net	—	7	(9)	—	(2)
Net cash provided (used) by investing activities	—	75	(426)	—	(351)
Cash flows from financing activities:					
Debt repaid	—	(987)	(1)	—	(988)
Dividends paid	(461)	—	(1,353)	1,353	(461)
Issuance of common stock, net of common stock acquired	5	—	—	—	5
Proceeds from noncontrolling interest	—	—	13	—	13
Intercompany activity, net	(427)	249	178	—	—
Other, net	145	(98)	(62)	—	(15)
Net cash used by financing activities	(738)	(836)	(1,225)	1,353	(1,446)
Net increase (decrease) in cash, cash equivalents and restricted cash	171	(2)	10	—	179
Cash, cash equivalents and restricted cash at beginning of period	938	81	315	—	1,334
Cash, cash equivalents and restricted cash at end of period	$ 1,109	$ 79	$ 325	$ —	$ 1,513

17. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic and the virus has continued to spread throughout the United States. As a result of this outbreak, on March 18, 2020, the Company temporarily closed all stores and the stores will remain closed until it is safe to reopen to prioritize the health and safety of its customers, colleagues and communities. These closures include all Macy's, Bloomingdale's, Bluemercury, Macy's Backstage, Bloomingdales the Outlet and Market by Macy's stores. COVID-19 has had a negative impact on the Company's operations and financial results to date, and the full financial impact of the virus cannot be reasonably estimated at this time due to uncertainty as to its severity and duration. It is anticipated that the COVID-19 outbreak may ultimately have a material adverse impact on the Company's results of operations, financial position and cash flow in 2020. As a result, in March 2020, the Company fully drew on the $1,500 million credit facility, announced the suspension of quarterly cash dividends beginning in the second quarter of 2020, and took additional steps to reduce discretionary spending and other expenditures including a temporary furlough for the majority of its employee population. The Company's Board of Directors rescinded its authorization of any unused amounts under the Company's share repurchase program. The Company continues to monitor the situation closely and may implement further measures to provide additional financial flexibility and improve the Company's cash position and liquidity.

EXHIBIT 4.8

Description of Registrant's Securities Registered under
Section 12 of the Securities Exchange Act of 1934

Authorized Capital Stock

Macy's, Inc. ("Macy's") is authorized to issue 1,125 million shares of capital stock, consisting of 1,000 million shares of common stock, par value $0.01 per share, and 125 million shares of preferred stock, par value $0.01 per share.

Macy's common stock is registered under Section 12 of the Exchange Act.

Common Stock

Holders of Macy's common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Upon satisfaction of Macy's obligations to preferred stockholders, holders of Macy's common stock may receive dividends when declared by the Macy's board of directors. If Macy's liquidates, dissolves or winds-up its business, holders of Macy's common stock will share equally in the assets remaining after Macy's pays all of its creditors and satisfies all of its obligations to preferred stockholders. Holders of Macy's common stock have no conversion, preemptive, subscription or redemption rights. Macy's common stock is traded on the New York Stock Exchange (NYSE) under the symbol "M." The registrar and transfer agent for the common stock is Computershare Shareowner Services.

Preferred Stock

The Macy's board of directors can, without approval of stockholders, issue one or more series of preferred stock. The board can determine the number of shares of each series and the rights, preferences and limitations of each series, including dividend rights, voting rights, conversion rights, redemption rights and any liquidation preferences and the terms and conditions of the issue. In some cases, the issuance of preferred stock could delay, defer or prevent a change in control of Macy's and make it harder to remove present management, without further action by Macy's stockholders. Under some circumstances, preferred stock could also decrease the amount of earnings and assets available for distribution to holders of Macy's common stock if Macy's liquidates or dissolves and could also restrict or limit dividend payments to holders of Macy's common stock.

Macy's has not issued any shares of preferred stock to date, and Macy's does not plan to issue any shares of preferred stock.

Purposes and Effects of Certain Provisions of Macy's Certificate of Incorporation and By-laws

General

Macy's certificate of incorporation and by-laws contain provisions that could make more difficult the acquisition of control of Macy's by means of a tender offer, open market purchases, a proxy contest or otherwise. A description of these provisions is set forth below.

Removal of Directors

Macy's certificate of incorporation provides that, except as may be otherwise provided by the terms of any series of preferred stock, a director may only be removed at any annual or special meeting of Macy's stockholders, the notice of which states that the removal of a director or directors is among the purposes of the meeting, by the affirmative vote of the holders of at least a majority of the voting stock present or represented by proxy at such meeting and actually voting on such matter, voted together as a single class.

Limitation of Director Liability

Macy's certificate of incorporation provides that, to the full extent permitted by the Delaware General Corporation Law or any other applicable law currently or hereafter in effect, no director will be personally liable to Macy's or its stockholders for or with respect to any acts or omissions in the performance of his or her duties as a director of Macy's. This provision in Macy's certificate of incorporation may have the effect of reducing the likelihood of derivative litigation against Macy's directors and may discourage or deter stockholders or management from bringing a lawsuit against Macy's directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited Macy's and its stockholders. These provisions do not limit or affect a stockholder's ability to seek and obtain relief under federal securities laws.

No Stockholder Action by Written Consent

Macy's certificate of incorporation provides that any action required or permitted to be taken by the Macy's stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by a written consent of Macy's stockholders. This prevents Macy's stockholders from initiating or effecting any action by written consent, thereby limiting the ability of Macy's stockholders to take actions opposed by Macy's board of directors.

Special Meetings of Stockholders

Macy's certificate of incorporation and by-laws provide that special meetings of stockholders may be called only by the chairman of the Macy's board of directors, the secretary of Macy's within 10 calendar days after receipt of a written request from a majority of directors (assuming no vacancies) or the Macy's board of directors upon receipt of a written request from not less than 15% of Macy's voting stock entitled to vote in the election of directors, voting together as a single class.

Section 203 of the Delaware General Corporation Law

Macy's is subject to Section 203, which prohibits publicly held Delaware corporations from engaging in a "business combination" with an "interested stockholder" for a period of three years following the time of the transaction in which the person or entity became an interested stockholder, unless:

- prior to that time, either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the board of directors of the corporation;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the outstanding voting stock of the corporation, excluding for this purpose shares owned by persons who are directors and also officers of the corporation and by specified employee benefit plans; or
- at or after such time the business combination is approved by the board of directors of the corporation and by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

For the purposes of Section 203, a "business combination" is broadly defined to include mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns or within the immediately preceding three years did own 15% or more of the corporation's voting stock.

EXHIBIT 10.18

MACY'S, INC.
DEFERRED COMPENSATION PLAN

(Amended and restated effective as of August 1, 2018)

MACY’S, INC.
DEFERRED COMPENSATION PLAN

(Amended and restated effective as of August 1, 2018)

SECTION 1

INTRODUCTION TO PLAN

1.1 Name and Sponsor of Plan. The name of this Plan is the Macy’s, Inc. Deferred Compensation Plan, and its sponsor is Macy’s.

1.2 Purpose of Plan. The purpose of the Plan is to provide deferred compensation for a select group of management and highly compensated employees of the Company.

1.3 Effective Date and Amendment of Plan. The Plan was initially effective as of January 1, 2014, and is not a continuation of any prior plan of Macy’s. The Plan was subsequently amended from time to time, and is amended and restated in its entirety as set forth herein, effective as of the date first written above.

SECTION 2

GENERAL DEFINITIONS

For all purposes of the Plan, the following terms of this section 2 shall have the meanings hereinafter set forth, unless the context clearly indicates otherwise.

2.1 “Account” means, with respect to any Participant, the bookkeeping account maintained for the Participant under the terms of this Plan and to which amounts are credited or otherwise allocated under the subsequent sections of the Plan in order to help determine the Participant’s benefits under the Plan. As is indicated elsewhere in the Plan, a Participant’s Account may be divided into subaccounts to the extent necessary to properly administer the Plan.

2.2 “Aggregate Elective Deferrals” means, with respect to any Participant and for any Plan Year, the sum of (i) the Participant’s Basic Salary and Incentive Award Payment amounts that are credited to the Participant’s Account under the Plan as of dates within such Plan Year and (ii) the Participant’s elective deferrals (as defined in Code Section 402(g)(3)) that are credited to the Participant’s account under and pursuant to the Macy’s 401(k) Plan as of dates within such Plan Year.

2.3 “Basic Salary” means, with respect to any Employee, the basic salary (not including awards, bonuses, or any other remuneration not treated by the Company as part of the Employee’s base rate of salary) payable to the Employee by the Company.

2.4 “Beneficiary” means, with respect to any Participant, the person or entity designated by the Participant, on forms furnished and in the manner prescribed by the Committee, to receive any benefit payable under the Plan after the Participant’s death. If a Participant fails to designate a beneficiary or if, for any reason, such designation is not effective, his or her “Beneficiary” shall be deemed to be his or her surviving spouse or, if none, his or her estate.

2.5 “Board” means the Board of Directors of Macy’s.

2.6 “Change in Control” means the occurrence of any of the events described in subsection 2.6(a), (b), and (c) hereof. All of such events shall be determined under and subject to all of the terms of Section 1.409A-3(i)(5) of the Treasury Regulations.

(a) A change in the ownership of Macy’s (within the meaning of Section 1.409A-3(i)(5)(v) of the Treasury Regulations). In very general terms, Section 1.409A-3(i)(5)(v) of the Treasury Regulations provides that a change in the ownership of Macy’s occurs when a person or more than one person acting as a group acquires outstanding stock of Macy’s that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of Macy’s.

(b) A change in the effective control of Macy’s (within the meaning of Section 1.409A-3(i)(5)(vi) of the Treasury Regulations). In very general terms, Section 1.409A-3(i)(5)(vi) of the Treasury Regulations provides that a change in the effective control of Macy’s occurs either:

(1) when a person or more than one person acting as a group acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Macy’s possessing 30% or more of the total voting power of the stock of Macy’s; or

(2) when a majority of members of the Board is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election.

(c) A change in the ownership of a substantial portion of the assets of Macy’s (within the meaning of Section 1.409A-3(i)(5)(vii) of the Treasury Regulations). In very general terms, Section 1.409A-3(i)(5)(vii) of the Treasury Regulations provides that a change in the ownership of a substantial portion of the assets of Macy’s occurs when a person or more than one person acting as a group acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or persons) assets from Macy’s that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of Macy’s immediately prior to such acquisition or acquisitions.

2.7 “Code” means the Internal Revenue Code of 1986, as it exists as of the Effective Date and as it may thereafter be amended. A reference to a specific section of the Code shall be deemed to be a reference both (i) to the provisions of such section as it exists as of the Effective Date and as it is subsequently amended, renumbered, or superseded (by future legislation) and (ii) to the provisions of any section of the Treasury Regulations that is issued under such section.

2.8 “Committee” means the committee appointed to administer the Plan under the provisions of subsection 9.1 hereof.

2.9 “Company” means all of the Employers considered collectively.

2.10 “Compensation” means, as to any Participant and with respect to any Plan Year, the amount of the Participant’s remuneration from the Company that would be considered the Participant’s “compensation” under the Macy’s 401(k) Plan for purposes of determining the Company’s “matching contributions” under and as defined in the Macy’s 401(k) Plan for such Plan Year if: (i) except to the extent otherwise noted in clause (ii), the terms of the Macy’s 401(k) Plan as in effect on the first day of such Plan Year never changed and were to apply to such Plan Year in its entirety; and (ii) the Tax-Qualified Plan Annual

Compensation Limit and the terms of the Macy's 401(k) Plan that are intended to reflect that limit were disregarded for such Plan Year.

2.11 "Effective Date" means January 1, 2014.

2.12 "Eligible Employee" means, with respect to any Plan Year (or any other period described in subsections 3.2 or 3.3 hereof), any Employee who, pursuant to the provisions of section 3 hereof, is eligible to elect to have contributions made on his or her behalf under the Plan pursuant to the provisions of section 4 hereof for such Plan Year (or such other period).

2.13 "Employee" means any person who (i) is a common law employee of the Company (i.e., a person whose work procedures are subject to control by the Company) and paid by the Company from an employee payroll of the Company and (ii) is treated by the Company as exempt from the premium overtime pay requirements of the federal Fair Labor Standards Act of 1938, as amended.

2.14 "Employer" means each of: (i) Macy's; and (ii) each other corporation or other organization that is deemed to be a single employer with Macy's under Section 414(b) or (c) of the Code (i.e., as part of a controlled group of corporations that includes Macy's or under common control with Macy's).

2.15 "ERISA" means the Employee Retirement Income Security Act of 1974, as it exists as of the Effective Date and as it may thereafter be amended. A reference to a specific section of ERISA shall be deemed to be a reference both (i) to the provisions of such section as it exists as of the Effective Date and as it is subsequently amended, renumbered, or superseded (by future legislation) and (ii) to the provisions of any government regulation that is issued under such section.

2.16 "Fiscal Year" means Macy's tax year for federal income tax purposes. As of the Effective Date, the last day of the "Fiscal Year" is the Saturday that is nearest to January 31 of a calendar year.

2.17 "Incentive Award Payment" means, with respect to any Employee, any amount that becomes payable to the Employee pursuant to an award that is granted to the Employee under the Macy's Annual Incentive Plan with respect to a Fiscal Year.

2.18 "Macy's" means Macy's, Inc. (and, except for purposes of determining whether a Change in Control has occurred, any legal successor to Macy's, Inc. that results from a merger or similar transaction).

2.19 "Macy's Annual Incentive Plan" means the incentive compensation plans that are maintained by the Company and under which annual performance-based compensation awards are made to executives of the Company, as such plans are in effect as of the Effective Date and as they may be amended or added after such date.

2.20 "Macy's 401(k) Plan" means the Macy's, Inc. 401(k) Retirement Investment Plan, as such plan is in effect as of the Effective Date and as it may be amended after such date. The Macy's 401(k) Plan is intended to be a tax-qualified plan under Section 401(a) of the Code and generally permits Employees to elect to make contributions to such plan from their pay and provides for the Company to make matching contributions (contributions that are made in relation to the elective contributions of Employees) to such plan.

2.21 "Participant" means, at any time, a person who (i) is an Eligible Employee with respect to a Plan Year (or other period described in subsections 3.2 or 3.3 hereof) which has not yet ended or (ii) has amounts still allocated to an Account held for him or her under the Plan. Such a person shall remain a Participant until the first date on which he or she is not an Eligible Employee with respect to a Plan Year in which such date occurs and any amounts that may have been allocated to his or her Account under the Plan have been fully paid and/or forfeited, as the case may be.

2.22 "Plan" means the Macy's, Inc. Deferred Compensation Plan, as set forth in this document (and as such plan may be amended after the Effective Date).

2.23 "Plan Year" refers to the twelve month period on which Plan records are kept and means a calendar year that begins on or after the Effective Date. The first Plan Year of the Plan is the calendar year that begins on the Effective Date. The Plan Year also serves as the plan year of the Macy's 401(k) Plan for periods that begin after December 31, 2013.

2.24 "Tax-Qualified Plan Annual Compensation Limit" means, with respect to any calendar year, the annual compensation limit that, for any plan that is subject to Code Section 401(a), applies for that plan's plan year which begins in such calendar year under Section 401(a)(17) of the Code (as such limit is adjusted as of January 1 of such calendar year under Section 401(a)(17)(B) of the Code).

2.25 "Total Disability" or "Totally Disabled" means or refers to, with respect to any Participant, the Participant's permanent and continuous mental or physical inability by reason of injury, disease, or condition to meet the requirements of any employment for wage or profit. A Participant shall be deemed to be disabled for purposes of the Plan only when both of the two requirements set forth in subsection 2.25(a) and (b) are met.

(a) First, a licensed physician or psychiatrist must provide to the Committee a written opinion that the Participant is totally disabled as that term is defined herein.

(b) Second, the Participant must be eligible for and receive total disability benefits under Section 223 of the federal Social Security Act, as amended, or any similar or subsequent section or act of like intent or purpose (unless the Committee determines, based on the written opinion of a licensed physician or psychiatrist provided the Committee pursuant to subsection 2.25(a) hereof, that the Participant would be likely to qualify for such total disability benefits if he or she survived a sufficient amount of time to be processed for and receive such benefits but that he or she is also likely to die before he or she would otherwise be determined by the Social Security Administration or other applicable government agency to qualify for or to receive such benefits).

2.26 "Treasury Regulations" means all final regulations issued by the U.S. Department of the Treasury under the Code, as such regulations exist as of the Effective Date and as they are subsequently amended, renumbered, or superseded. A reference to a specific section or paragraph of the Treasury Regulations shall be deemed to be a reference to the provisions of such section or paragraph as it exists as of the Effective Date and as it is subsequently amended, renumbered, or superseded.

SECTION 3

ELIGIBILITY FOR PLAN AND PLAN ACCOUNTS

3.1 General Rules of Eligibility for Plan Year. Subject to the provisions of subsection 3.3 hereof, an Employee shall be eligible to actively participate in the Plan, and hence shall be considered an "Eligible Employee" in the Plan, with respect to any Plan Year (for purposes of this subsection 3.1, the "subject Plan Year") if he or she meets all of the following conditions:

(a) he or she has, prior to the start of the subject Plan Year, both been credited with a year of Eligibility Service (as defined in and determined under the Macy's 401(k) Plan) and attained at least age 21;

(b) the sum of his or her annual rate of Basic Salary in effect as of the latest September 1 that precedes the start of the subject Plan Year and his or her targeted bonus under the Macy's Annual Incentive Plan for the Fiscal Year in which such September 1 falls exceeds the Tax-Qualified Plan Annual Compensation Limit that applies to the calendar year that immediately precedes the calendar year with or in which the subject Plan Year begins;

(c) he or she is an Employee at the start of the subject Plan Year; and

(d) he or she represents to the Committee by the start of the subject Plan Year that his or her tax year for federal income tax purposes is a calendar year.

3.2 <u>Special Rules of Eligibility for Certain Newly Eligible Participants</u>. As a special eligibility rule, if an Employee is not eligible to participate in the Plan with respect to a Plan Year (for purposes of this subsection 3.2, the "subject Plan Year") under the terms of subsection 3.1 hereof, but he or she meets all of the conditions set forth in subsection 3.2(a) hereof with respect to a calendar quarter that falls in the subject Plan Year (for purposes of this subsection 3.2, the "subject Plan Year quarter"), then Macy's may in its discretion designate that the Employee shall be eligible to actively participate in the Plan, and hence shall be considered an "Eligible Employee" in the Plan, for the period (for purposes of this subsection 3.2, the "subject Plan Year period") that begins on the first day of the subject Plan Year quarter and ends on the last day of the subject Plan Year.

(a) The conditions that must be met by the Employee with respect to the subject Plan Year quarter in order for Macy's to designate the Employee as an Eligible Employee for the subject Plan Year period pursuant to the preceding terms of this subsection 3.2 are the following:

(1) the Employee has, prior to the start of the subject Plan Year quarter, both been credited with a year of Eligibility Service (as defined in and determined under the Macy's 401(k) Plan) and attained at least age 21;

(2) the sum of the Employee's annual rate of Basic Salary in effect as of the pay determination date that applies to the subject Plan Year quarter (as determined under the provisions of subsection 3.2(b) hereof) and the Employee's targeted bonus under the Macy's Annual Incentive Plan for the Fiscal Year in which such pay determination date falls exceeds the Tax-Qualified Plan Annual Compensation Limit that applies to the calendar year in which the subject Plan Year quarter falls;

(3) he or she is an Employee at the start of the subject Plan Year quarter;

(4) prior to the start of the subject Plan Year quarter, he or she has never been eligible to participate in the Plan (or in any other plan of the Company that is treated as a single plan with the Plan under the provisions of Section 1.409A-1(c)(2) of the Treasury Regulations); and

(5) he or she represents to the Committee by the start of the subject Plan Year quarter that his or her tax year for federal income tax purposes is a calendar year.

(b) For purposes of subsection 3.2(a)(2) hereof, the "pay determination date" that applies to the subject Plan Year quarter means a date (i) that occurs in the 90-consecutive day period that ends on the date that immediately precedes the first day of the subject Plan Year quarter and (ii) that is chosen by

Macy's to be used for purposes of determining the Employee's eligibility to become a Participant in the Plan.

(c) For purposes of the provisions of subsection 3.2(a)(4) hereof, if, prior to the start of the subject Plan Year quarter, the Employee had been eligible to participate in the Plan (or in any other plan of the Company that is treated as a single plan with the Plan under the provisions of Section 1.409A-1(c)(2) of the Treasury Regulations), but had ceased being eligible to participate in the Plan (and, to the extent applicable, in every such other plan), other than for an accrual of earnings and regardless of whether all amounts deferred under the Plan (and, to the extent applicable, under each such other plan) have been paid, the Employee shall be treated as being first eligible to participate in the Plan on the first day of the subject Plan Year quarter (and to have never previously been eligible to participate in any other plan of the Company that is treated as a single plan with the Plan under the provisions of Section 1.409A-1(c)(2) of the Treasury Regulations) provided that (and only if) the Employee has not been eligible to participate in the Plan (or in any such other plan), other than for the accrual of earnings, at any time in the 24-month period ending on the first day of the subject Plan Year quarter.

3.3 Special Rules of Eligibility for Certain Newly Hired or Promoted Participants.

(a) As another special eligibility rule, if an Employee is not eligible to participate in the Plan with respect to a Plan Year (for purposes of this subsection 3.3, the "subject Plan Year") under the terms of subsection 3.1 or subsection 3.2 hereof, but he or she meets all of the conditions set forth in subsection 3.3(b) hereof, then Macy's may in its discretion designate that the Employee shall be eligible to actively participate in the Plan, and hence shall be considered an "Eligible Employee" in the Plan, for such period (for purposes of this subsection 3.3, the "subject Plan Year period") designated by Macy's that begins on or after the first day of the calendar month following the Employee's date of hire or date of promotion and ends on the last day of the subject Plan Year (or, where applicable pursuant to subsection 4.1(c)(1)(B) with respect to the Employee's Incentive Award Payment, on the last day of the Fiscal Year that begins during the subject Plan Year).

(b) The conditions that must be met by the Employee in order for Macy's to designate the Employee as an Eligible Employee for the subject Plan Year period pursuant to the preceding terms of this subsection 3.3 are the following:

(1) the Employee has been newly hired by an Employer or newly promoted during the subject Plan Year and at the time of hire, has attained at least age 21;

(2) the sum of the Employee's annual rate of Basic Salary in effect as of the first day of the subject Plan Year period and the Employee's targeted bonus under the Macy's Annual Incentive Plan for the Fiscal Year that begins during the subject Plan Year exceeds the Tax-Qualified Plan Annual Compensation Limit that applies to the subject Plan Year;

(3) he or she is an Employee at the start of the subject Plan Year period;

(4) prior to the start of the subject Plan Year period, he or she has never been eligible to participate in the Plan (or in any other plan of the Company that is treated as a single plan with the Plan under the provisions of Section 1.409A-1(c)(2) of the Treasury Regulations); and

(5) he or she represents to the Committee by the start of the subject Plan Year period that his or her tax year for federal income tax purposes is a calendar year.

3.4 Active Participants Must Be Select Group of Management and Highly Compensated Employees and Loss of Active Participant Status. Macy's has determined that the conditions that are required under subsections 3.1, 3.2 and 3.3 hereof to become an Eligible Employee in the Plan with respect to any Plan Year (or any other period described in subsections 3.2 or 3.3 hereof) will result in any Employee who becomes an Eligible Employee for such Plan Year (or such other period) being part of a select group of management and highly compensated employees of the Company within the meaning of Sections 201, 301, and 401 of ERISA. Notwithstanding the foregoing or any other provision of the Plan, if the Committee determines at any time that any Employee is not a part of a select group of management or highly compensated employees within the meaning of Sections 201, 301, and 401 of ERISA, he or she will not be treated as an Eligible Employee with respect to any Plan Year (or any other period described in subsections 3.2 or 3.3 hereof) that begins after such determination is made, regardless of his or her ability still to satisfy the conditions of either subsection 3.1, 3.2 or 3.3 hereof for such Plan Year (or such other period).

3.5 Accounts.

(a) An Account shall be established for each Participant in the Plan. Amounts shall be credited to a Participant's Account in accordance with the subsequent sections of the Plan.

(b) The Committee may create subaccounts under any Participant's Account to the extent needed administratively (e.g., to account for different distribution rules that apply to different portions of the Participant's Account). For instance, subaccounts may be created under a Participant's Account so that each subaccount reflects (i) all of the amounts allocated to such Account that are payable under the same payment rules of section 7 hereof (as to, e.g., the number of annual payments and the commencement date of the payments) and (ii) none of the amounts allocated to such Account that are payable under any different payment rules.

SECTION 4

ELECTIVE DEFERRALS AND COMPANY MATCH CREDITS TO ACCOUNTS

4.1 Deferrals of Basic Salary and Incentive Award Payments.

(a) General Rules for Deferral Elections. This subsection 4.1(a) applies to any Employee who, under the provisions of subsection 3.1 hereof, is an Eligible Employee with respect to any Plan Year (for purposes of this subsection 4.1(a), the "subject Plan Year").

(1) Subject to the other subsections of this section 4 and to such administrative rules as the Committee may prescribe, the Eligible Employee may elect for the subject Plan Year, by completing a deferral agreement or deferral agreements and filing such agreement or agreements with a Plan representative by and no later than the end of the last day of the immediately preceding Plan Year (for purposes of this subsection 4.1(a), the "deadline day"), (i) to defer the receipt of any whole percent (up to but not greater than 50%) of his or her Basic Salary that is otherwise payable to him or her for services performed in the subject Plan Year and/or (ii) to defer the receipt of any whole percent (up to but not greater than 90%) of his or her Incentive Award Payment that is otherwise payable to him or her prior to his or her separation from service with the Company (under the Company's normal payment policies under the Macy's Annual Incentive Plan) and for services performed in the Fiscal Year that begins within the subject Plan Year.

(2) Subject to the other subsections of this section 4 and to such administrative rules as the Committee may prescribe, the Eligible Employee may change, or terminate and thereby void, any deferral election that he or she has made for the subject Plan Year under the provisions of subsection

4.1(a)(1) hereof, by completing another appropriate agreement and filing such agreement with a Plan representative, up to but not after the end of the deadline day. At the end of the deadline day, whatever deferral elections (or lack of deferral elections) he or she then has in effect shall become irrevocable for the subject Plan Year.

(3) Notwithstanding the foregoing subparagraphs of this subsection 4.1(a), if the Employee first becomes eligible to participate in the Plan on the first day of the subject Plan Year (and if the Employee had never previously been eligible to participate in any other plan of the Company that is treated as a single plan with the Plan under the provisions of Section 1.409A-1(c)(2) of the Treasury Regulations), and if no deferral election is in effect for the Employee under the foregoing subparagraphs of this subsection 4.1(a) as of the start of the subject Plan Year, then the Employee shall still be entitled to make a deferral election in accordance with the provisions of subsection 4.1(a)(1) hereof up to but not after the 30th day after the first day of the subject Plan Year. Any such deferral election shall be irrevocable and may not be changed or terminated for the remainder of the subject Plan Year. Notwithstanding the foregoing subparagraphs of this subsection 4.1(a), if the Employee makes a deferral election under this subsection 4.1(a)(3) after the day that is the deadline day as to the subject Plan Year under the provisions of subsection 4.1(a)(1), then: (i) such deferral election, to the extent it purports to apply to Basic Salary that is otherwise payable to him or her for services performed in the subject Plan Year, shall apply only to his or her Basic Salary otherwise payable for services performed in the portion of the subject Plan Year that does not include any pay period that begins before such deferral election is filed by the Employee with a Plan representative; and (ii) such deferral election, to the extent it purports to apply to an Incentive Award Payment that is otherwise payable to him or her prior to his or her separation from service with the Company (under the Company's normal payment policies under the Macy's Annual Incentive Plan) and for services performed in the Fiscal Year that begins within the subject Plan Year, shall only so apply if such Fiscal Year begins after such deferral election is filed by the Employee with a Plan representative.

(4) For purposes of the provisions of subsection 4.1(a)(3) hereof, if, prior to the start of the subject Plan Year, the Employee had been eligible to participate in the Plan (or in any other plan of the Company that is treated as a single plan with the Plan under the provisions of Section 1.409A-1(c)(2) of the Treasury Regulations), but had ceased being eligible to participate in the Plan (and, to the extent applicable, in every such other plan), other than for an accrual of earnings and regardless of whether all amounts deferred under the Plan (and, to the extent applicable, under each such other plan) have been paid, the Employee shall be treated as being first eligible to participate in the Plan on the first day of the subject Plan Year (and to have never previously been eligible to participate in any other plan of the Company that is treated as a single plan with the Plan under the provisions of Section 1.409A-1(c)(2) of the Treasury Regulations) provided that (and only if) the Employee has not been eligible to participate in the Plan (or in any such other plan), other than for the accrual of earnings, at any time in the 24-month period ending on the first day of the subject Plan Year.

(b) Newly Eligible Employee Rules for Certain Deferral Elections. This subsection 4.1(b) applies to any Employee who, under the provisions of subsection 3.2 hereof, is an Eligible Employee with respect to a portion of any Plan Year (for purposes of this subsection 4.1(b), the "subject Plan Year period").

(1) Subject to the other subsections of this section 4 and to such administrative rules as the Committee may prescribe, the Eligible Employee may elect for the subject Plan Year period, by completing a deferral agreement and filing such agreement with a Plan representative by and no later than the end of the last day of the calendar month immediately preceding the first day of the subject Plan Year period (with the last day of such preceding calendar month referred to, for purposes of this subsection 4.1(b), as his or her "deadline day"), to defer the receipt of any whole percent (up to but not greater than 50%) of

his or her Basic Salary that is otherwise payable to him or her for services performed in the subject Plan Year period.

(2) Subject to the other subsections of this section 4 and to such administrative rules as the Committee may prescribe, the Eligible Employee may change, or terminate and thereby void, any deferral election that he or she has made for the subject Plan Year period under the provisions of subsection 4.1(b)(1) hereof, by completing another appropriate agreement and filing such agreement with a Plan representative, up to but not after the end of his or her deadline day. At the end of his or her deadline day, whatever deferral election (or lack of deferral election) he or she then has in effect shall become irrevocable for the subject Plan Year period.

(3) Notwithstanding the foregoing subparagraphs of this subsection 4.1(b), if no deferral election is in effect for the Employee under the foregoing subparagraphs of this subsection 4.1(b) as of the start of the subject Plan Year period, then the Employee shall still be entitled to make a deferral election in accordance with the provisions of subsection 4.1(b)(1) hereof up to but not after the 30th day after the first day of the subject Plan Year period. Any such deferral election shall be irrevocable and may not be changed or terminated for the remainder of the subject Plan Year period. Notwithstanding the foregoing subparagraphs of this subsection 4.1(b), if the Employee makes a deferral election under this subsection 4.1(b)(3) after the day that is the deadline day as to the subject Plan Year period under the provisions of subsection 4.1(b)(1), then such deferral election shall only apply to his or her Basic Salary otherwise payable for services performed in the portion of the subject Plan Year period that does not include any pay period that begins before such deferral election is filed by the Employee with a Plan representative.

(c) Newly Hired or Promoted Employee Rules for Certain Deferral Elections. This subsection 4.1(c) applies to any Employee who, under the provisions of subsection 3.3 hereof, is an Eligible Employee with respect to a subject Plan Year period (within the meaning of subsection 3.3 hereof).

(1) Subject to the other subsections of this section 4 and to such administrative rules as the Committee may prescribe, by completing a deferral agreement and filing such agreement with a Plan representative by and no later than such date as specified by Macy's, which shall be not later than the 30th day after the first day of the subject Plan Year period (with such date referred to, for purposes of this subsection 4.1(c), as his or her "deadline day"), the Eligible Employee may elect:

(A) To defer the receipt of any whole percent (up to but not greater than 50%) of his or her Basic Salary that is otherwise payable to him or her for services performed in the portion of the subject Plan Year period that does not include any pay period that begins before the applicable deadline day; and

(B) If and only if (i) the Eligible Employee's date of hire occurs during the first six months of the Fiscal Year that begins during the subject Plan Year, (ii) the Eligible Employee is the Chief Executive Officer or a senior executive who reports directly to the Chief Executive Officer or President of the Company, and whose compensation is reviewed by the Compensation and Management Development Committee of the Board on a regular basis (as described in the Macy's, Inc. Senior Executive Severance Plan), and (iii) only to the extent permitted by Macy's in its sole discretion, to defer the receipt of any whole percent (up to but not greater than 90%) of the Incentive Award Payment (if any) that is otherwise payable to him or her prior to his or her separation from service with the Company (under the Company's normal payment policies under the Macy's Annual Incentive Plan) with respect to the Fiscal Year that begins during the subject Plan Year; provided, however, that any such deferral election may only apply to the portion of such Incentive Award Payment paid for services performed by the Eligible Employee after the applicable deadline day, as determined by Macy's in its discretion.

(2) Any deferral election under this subsection 4.1(c) shall be irrevocable on the applicable deadline day and may not be changed or terminated thereafter for the remainder of the subject Plan Year period.

4.2 Company Match.

(a) Right To Company Match. For each Plan Year for which a Participant (who is an Eligible Employee with respect to such Plan Year) has any Aggregate Elective Deferrals, there shall be credited to his or her Account the amount, if any, computed in accordance with the provisions of subsection 4.2(b) hereof (which amount shall be referred to in the Plan as a “Company match”). Notwithstanding the foregoing or any other provision of this Section 4, however, in no event will any Company match be credited to the account of any Participant described in Sections 3.3 and 4.1(c) hereof, unless and until such Participant has been credited with a year of Eligibility Service (as defined in and determined under the Macy’s 401(k) Plan).

(b) Amount of Company Match. For any Plan Year in which a Company match is required to be made to a Participant’s Account pursuant to the provisions of subsection 4.2(a), the Company match to be credited to the Participant’s Account for such Plan Year shall be equal to the excess, if any, by which the amount determined under subsection 4.2(b)(1) hereof exceeds the amount determined under subsection 4.2(b)(2) hereof, where such subsections 4.2(b)(1) and 4.2(b)(2) are as follows.

(1) The amount determined under this subsection 4.2(b)(1) shall be deemed to be equal to the sum of (i) 100% of the portion of the amount of the Participant’s Aggregate Elective Deferrals for such Plan Year that does not exceed 1% of the Participant’s Compensation for such Plan Year plus (ii) 50% of the portion of the amount of the Participant’s Aggregate Elective Deferrals for such Plan Year that exceeds 1% but does not exceed 6% of the Participant’s Compensation for such Plan Year.

(2) The amount determined under this subsection 4.2(b)(2) shall be deemed to be equal to the greater of (i) the amount that the Company would have contributed for the Participant as “matching contributions” under and as defined in the Macy’s 401(k) Plan (under all of the terms of such plan as in effect at the start of such Plan Year, including its then terms that reflect limits on plans subject to Code Section 401(a), on cash or deferred arrangements described in Code Section 401(k), and on matching contributions described in Code Section 401(m), such as but not limited to the limits set forth under Code Sections 401(a)(17), 401(k)(3), 401(m)(2), and 415) with respect to such Plan Year if the Participant’s elective deferrals (as defined in Code Section 402(g)(3)) credited to the Participant’s account under and pursuant to the Macy’s 401(k) Plan as of dates within such Plan Year had been equal to the limit on such elective deferrals for such Plan Year that is provided under Code Section 402(g)(1)(A) and (B) and the Treasury Regulations issued thereunder (but with such limit determined without regard to Code Section 402(g)(1)(C) and Code Section 414(v)) or (ii) the actual amount that the Company contributes for the Participant as “matching contributions” under and as defined in the Macy’s 401(k) Plan for such Plan Year.

(c) Crediting of Company Match to Account. Subject to such rules as the Committee may prescribe, any amount of a Company match applicable to a Participant for any Plan Year under the provisions of this subsection 4.2 shall be credited to the Account of the Employee as of the 31st day of the first March that begins after such Plan Year (or, in the sole discretion of the Committee, as of any earlier day in such March).

SECTION 5

ASSUMED INVESTMENT OF AND
ALLOCATION OF GAINS AND LOSSES TO ACCOUNTS

5.1 Assumed Investment of Account. Any amounts credited to the Account of a Participant under subsection 4.1 or 4.2 hereof shall be assumed to have been invested in the investments designated or deemed to be designated by the Participant on a form provided by and filed with the Committee, and adjusted by reason of such assumed investments, in accordance with the provisions of subsections 5.2, 5.3, 5.4, and 5.5 hereof.

5.2 Start of Investment of Deferred Basic Salary and Incentive Award Payment Portion of Account. Any portion of a Participant's Account that is attributable to any deferred Basic Salary or Incentive Award Payment amount that is credited to the Participant's Account under the provisions of subsection 4.1(c) hereof as of the day on which such deferred amount would otherwise have been paid to the Participant shall be assumed to have been invested beginning, and not before, a date that is not earlier than the day on which such amount is credited to the Account and not later than the seventh day after such crediting date and that, within such parameters, is chosen by the Committee in its discretion.

5.3 Start of Investment of Company Match Portion of Account. Any portion of a Participant's Account that is attributable to any Company match amount made with respect to a Plan Year and that is credited to the Participant's Account under the provisions of subsection 4.2(c) hereof as of the 31st day of the first March that begins after such Plan Year (or, in the sole discretion of the Committee, as of any earlier day in such March) shall be assumed to have been invested beginning, and not before, a date that is not earlier than the day on which such amount is credited to the Account and not later than the last day of the Plan Year in which such crediting date occurs and that, within such parameters, is chosen by the Committee in its discretion.

5.4 Assumed Investments. The Committee shall designate in notices or other documents provided to Participants a limited number of "assumed investments" for purposes of the Plan. Such assumed investments will generally be (but will not be required to be) limited to mutual funds or similar types of investments. Some or all of the assumed investments designated for the Plan may be changed by the Committee to other assumed investments, effective as of any date, in which case prior written notice of such change shall be provided by the Committee to all Participants. In no event shall any such assumed investments include an investment that is designed to invest primarily in any securities of the Company.

(a) General Rules on Participant Designations of Assumed Investments. The credits to any Participant's Account made in accordance with section 4 hereof shall, beginning as of such dates as are determined under subsections 5.2 and 5.3 hereof, be assumed to have been invested among such assumed investments, and in such proportions, as is elected by the Participant through his or her completing an investment agreement and filing such agreement with a Plan representative, except that any investment direction of the Participant is subject to such reasonable administrative rules concerning such assumed investment directions as are adopted or used by the Committee.

(b) Initial Assumed Investment Election. The Participant must elect, before the first date a credit made to the Account established for him or her under the Plan will start to be assumed to be invested under the provisions of subsections 5.2 and 5.3 hereof, the assumed investments in which his or her Account credits are to be initially assumed to be invested and the proportions of each credit initially assumed to be invested in each designated assumed investment. Otherwise, the Participant shall be deemed to have elected that his or her Account credits will not be assumed to be invested in any investment until he or she makes an investment election under the provisions of this subsection 5.4 (or, if the Committee in its discretion so decides, the Participant shall be deemed to have elected that his or her Account credits will be assumed to be initially invested in an investment or investments chosen by the Committee).

(c) Change in Assumed Investment Election. Further, the Participant may request a change in the assumed investments of his or her Account and the proportions of his or her new Account credits assumed to be invested in each designated investment to other assumed investments and/or proportions effective as of the first day of any Plan Year, or as of any other date as the Committee may provide in its discretion, by completing another appropriate agreement and filing such agreement with a Plan representative prior to such date (or such earlier date as may be established by the Committee).

5.5 Adjustment of Account for Assumed Investment Returns and Losses. The amounts credited to any Participant's Account shall be adjusted as of the last day of each Plan Year, and as of such other dates as the Committee may provide in its discretion, to reflect the assumed investment gains or losses (since the last prior adjustment in the Account) that are attributable to the assumed investments in which his or her Account is deemed to be invested. For purposes of this Plan, the assumed net investment gains and losses of the assumed investments of any amount which is credited to a Participant's Account under the Plan shall be deemed to be "attributable" to such amount (and to the portion of such Account that reflects such amount).

SECTION 6

VESTING IN ACCOUNTS

6.1 Vesting as to Basic Salary and Incentive Award Payment Deferral Credits. A Participant shall always be fully (100%) vested in the portion of his or her Account under the Plan that is attributable to the Basic Salary and Incentive Award Payment amounts that are credited to such Account under the provisions of subsection 4.1 hereof.

6.2 Vesting as to Company Match Credits.

(a) Except as is otherwise provided under subsection 6.2(b) hereof, a Participant shall be fully (100%) vested in the portion of his or her Account under the Plan that is attributable to the Company match amounts that are credited to such Account under the provisions of subsection 4.2 hereof upon (and not until) the date he or she is credited with at least two years of Vesting Service. In accordance with the terms of the immediately preceding sentence, and except as is otherwise provided under subsection 6.2(b) hereof, a Participant who separates from service with the Company prior to being credited with at least two years of Vesting Service shall have no (0%) vested interest in the amounts then credited to such portion of his or her Account and will forfeit the amounts then allocated to such Account portion. For purposes of this subsection 6.2(a), a Participant's "Vesting Service" means the Employee's service that is used to determine his or her vested right to a benefit under the Macy's 401(k) Plan as such service is determined under the provisions of such plan.

(b) Notwithstanding any other provision of this section 6 to the contrary, a Participant shall be fully (100%) vested in the portion of his or her Account under the Plan that is attributable to the Company match amounts that are credited to such Account under the provisions of subsection 4.2 hereof (provided such Account portion has not previously been forfeited under the other provisions of the Plan) upon the earliest of the following: (i) the Participant's death prior to his or her separation from service with the Company; (ii) the Participant becoming Totally Disabled prior to his or her separation from service with the Company; or (iii) the occurrence of a Change in Control of the Company prior to his or her separation from service with the Company.

6.3 Effect of Nonvested Status of Company Match Portion of Account. Any portion of an Account of a Participant that is at any time nonvested under the provisions of subsection 6.2 hereof shall not in any event, even when the provisions of section 7 hereof would otherwise permit a distribution of such Account portion at such time and notwithstanding any provision of section 7 hereof which may be read to the contrary, be able to be distributed to the Participant or any other party claiming through the Participant until such Account portion is no longer nonvested (and any distribution of such Account portion otherwise called for under section 7 hereof shall to the extent necessary be deferred until, and shall be made as of, the date such portion is no longer nonvested).

(a) References to Distributable Account Not To Include Nonvested Portion. Consistent with the rule set forth in the foregoing provisions of this subsection 6.3 and notwithstanding any other provision of section 7 hereof, any reference in any provision of section 7 hereof as to the distribution of the amounts allocated to a portion of the Account of a Participant at any time shall be deemed not to include the amounts allocated to any part of such Account portion that is then nonvested and such part shall be treated as if it were a separate class of Account until it is no longer nonvested.

(b) Forfeiture of Nonvested Portion of Account. Further, if a Participant separates from service with the Company (other than by reason of his or her death or Total Disability) when any portion of the Account established for him or her is nonvested, he or she shall never be entitled to receive the amounts allocated to such Account portion and such amounts shall be forfeited on the date he or she so separates from service with the Company.

6.4 Deduction of Forfeitures From Account. Any forfeiture of any portion of a Participant's Account under the provisions of the Plan shall be charged, as of the date such forfeiture is deemed to be made under the other provisions of this Plan, to such Account portion (or, in other words, deducted from the amounts then allocated to such Account portion). Except as is otherwise provided under administrative policies adopted by the Committee, any such forfeiture shall be charged among all of the types of assumed investments applicable to such Account portion, on a pro rata basis.

SECTION 7

DISTRIBUTIONS

7.1 General Distribution Rules for Deferred Basic Salary. Subject to the following provisions of this section 7 and the other provisions of the Plan, this subsection 7.1 concerns the rules for payment of the portion of the Account of a Participant that is attributable to the amount of his or her Basic Salary that is otherwise payable to the Participant for services performed in any specific Plan Year but the receipt of which has been deferred by the Participant under the Plan (for purposes of subsection 7.1(a) hereof, the "subject year's Basic Salary deferred amount").

(a) Initial Distribution Election as to Commencement Date and Form of Payment.

(1) Subject to the provisions of subsections 7.1(a)(2), (3), and (4) and 7.1(b) hereof and the subsections of section 7 hereof that follow subsection 7.3 hereof and to such administrative rules as the Committee may prescribe, the Participant may, in the same deferral agreement by which he or she elects under the Plan to defer the receipt of the subject year's Basic Salary deferred amount, elect that the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount shall be paid by any of the three payment methods described in subsection 7.1(a)(1)(A), (B), and (C) hereof.

(A) Payment Method 1 - Under the payment method described in this subsection 7.1(a)(1)(A) (for purposes of this subsection 7.1, "Payment Method 1"), the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount shall be paid in one lump sum payment as of the date on which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, as of the date immediately following the date which is six months after the date he or she separates from service with the Company).

(B) Payment Method 2 - Under the payment method described in this subsection 7.1(a)(1)(B) (for purposes of this subsection 7.1, "Payment Method 2"), the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount shall:

(x) commence to be paid as of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, the later of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company or the date immediately following the date which is six months after the date he or she separates from service with the Company); and

(y) be paid in one lump sum payment or in annual payments over two to fifteen years, as chosen by the Participant when he or she first elects or elected Payment Method 2 to apply to any portion of his or her Account that is attributable to an amount of the Participant's Basic Salary the receipt of which is deferred under the Plan.

(C) Payment Method 3 - Under the payment method described in this subsection 7.1(a)(1)(C) (for purposes of this subsection 7.1, "Payment Method 3"), the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount shall:

(x) commence to be paid as of the earlier of (i) the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, the later of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company or the date immediately following the date which is six months after the date he or she separates from service with the Company) or (ii) subject to the provisions of subsection 7.1(a)(2)(C) hereof, any fixed date (for purposes of this subsection 7.1, "a Payment Method 3 initial fixed commencement date"), as chosen by the Participant when he or she first elects Payment Method 3 to apply to the portion of his or her Account that is attributable to the subject year's Basic Salary deferred amount; and

(y) be paid in one lump sum payment or in annual payments over two to five years, as chosen by the Participant when he or she first elects or elected Payment Method 3 with the same initial fixed commencement date to apply to any portion of his or her Account that is attributable to an amount of the Participant's Basic Salary the receipt of which is deferred under the Plan.

(2) Notwithstanding any of the provisions of subsection 7.1(a)(1) hereof but subject to the provisions of subsection 7.1(b) hereof and the subsections of section 7 hereof that follow subsection 7.3 hereof, the following payment method election restrictions or conditions shall apply to the payment of the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount.

(A) The Participant may not elect Payment Method 1 for payment of the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount if he or she has elected (or under subsection 7.1(a)(2)(D) hereof has been deemed to have elected) Payment Method 2 for payment of the portion of the Participant's Account that is attributable to an amount of the Participant's Basic Salary the receipt of which was deferred under the Plan for any Plan Year that was earlier than the Plan Year with respect to which the subject year's Basic Salary deferred amount is deferred.

(B) The Participant may not elect Payment Method 2 for payment of the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount if he or she has elected Payment Method 1 for payment of the portion of the Participant's Account that is attributable to an amount of the Participant's Basic Salary the receipt of which was deferred under the Plan for any Plan Year that was earlier than the Plan Year with respect to which the subject year's Basic Salary deferred amount is deferred

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(C) The Participant may not elect Payment Method 3 for payment of the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount unless the elected Payment Method 3 initial fixed commencement date is no earlier than the first day of the first March that begins after the end of the Plan Year in which occurs the fifth annual anniversary of the date on which the first credit of the subject year's Basic Salary deferred amount is made to the Participant's Account and (ii) does not cause the Participant to have more than three different Payment Method 3 initial fixed commencements dates applicable to the entire portion of his or her Account that is payable under Payment Method 3.

(D) In the event the Participant fails in the applicable deferral form to make any payment method election at all for payment of the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount and he or she has never elected (or under this subsection previously been deemed to have elected) either Payment Method 1 or Payment Method 2 for payment of the portion of the Participant's Account that is attributable to an amount of the Participant's Basic Salary the receipt of which was deferred under the Plan for any Plan Year that was earlier than the Plan Year with respect to which the subject year's Basic Salary deferred amount is deferred, then he or she shall be deemed for all purposes of this subsection 7.1 to have elected Payment Method 2 (and to have chosen under such method that payment will be made in one lump sum payment) for payment of the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount.

(E) In the event the Participant fails in the applicable deferral form to make any payment method election at all for payment of the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount but he or she has elected (or under subsection 7.1(a)(2)(D) hereof has been deemed to have elected) either Payment Method 1 or Payment Method 2 for payment of the portion of the Participant's Account that is attributable to an amount of the Participant's Basic Salary the receipt of which was deferred under the Plan for any Plan Year that was earlier than the Plan Year with respect to which the subject year's Basic Salary deferred amount is deferred, then he or she shall be deemed for all purposes of this subsection 7.1 to have elected the same payment method for payment of the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount.

(3) If the Participant elects to receive the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount under any payment method that provides for annual installments of two or more payments, then (i) the date as of which the first annual installment payment is to be made shall be determined under the provisions of subsection 7.1(a)(1) hereof that describe such payment method, (ii) the date as of which any annual installment payment other than the first annual installment payment is to be made shall be an annual anniversary of the date as of which the first annual

installment payment is to be made, and (iii) the amount of each installment payment shall be equal to the quotient obtained by dividing the amount allocated to the portion of the Participant's Account that is attributable to the subject year's Basic Salary deferred amount as of the date of such installment payment by the number of installment payments still to be made to the Participant under the applicable payment method (including the subject installment payment).

(4) Notwithstanding any of the foregoing provisions of this subsection 7.1(a), if any portion of the subject year's Basic Salary deferred amount is credited under the terms of the Plan to the Participant's Account as of a date that is later than the latest date as of which a payment of the subject year's Basic Salary deferred amount is to be made under the foregoing provisions of this subsection 7.1(a), then such portion of the subject year's Basic Salary deferred amount shall be paid as of the date as of which such portion is credited under the terms of the Plan to the Participant's Account.

(b) Subsequent Distribution Elections as to Commencement Date and Form of Payment.

(1) If the Participant previously has elected under subsection 7.1(a) hereof to have any portion of his or her Account that is attributable to the amount of his or her Basic Salary that is earned in one or more specific Plan Years and the receipt of which has been deferred by the Participant under the Plan paid under Payment Method 1, he or she may, by completing a subsequent payment agreement and filing such agreement with a Plan representative not less than twelve months before the date on which he or she separates from service with the Company, elect to have Payment Method 1 be deemed for purposes of the Participant to be a payment method under which the entire portion of the Participant's Account that is payable under Payment Method 1:

(A) commences to be paid as of the first day of the first March that begins after the end of the Plan Year in which occurs the fifth anniversary of the date on which the Participant separates from service with the Company; and

(B) is paid in annual payments over two to fifteen years (as chosen by the Participant when he or she elects to change the payment method represented as Payment Method 1).

However, such new election shall not become effective until at least twelve months elapse from the filing of such election with the Committee (and thus will be ineffective should the date on which the Participant separates from service with the Company occur prior to the expiration of such twelve month period).

(2) If the Participant previously has elected under subsection 7.1(a) hereof to have any portion of his or her Account that is attributable to the amount of his or her Basic Salary that is earned in one or more specific Plan Years and the receipt of which has been deferred by the Participant under the Plan paid under Payment Method 2, he or she may, by completing a subsequent payment agreement and filing such agreement with a Plan representative not less than twelve months before the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company, elect to have Payment Method 2 be deemed for purposes of the Participant to be a payment method under which the entire portion of the Participant's Account that is payable under Payment Method 2:

(A) commences to be paid as of the first day of the first March that begins after the end of the Plan Year in which occurs the fifth anniversary of the date on which the Participant separates from service with the Company; and

(B) is paid in one lump sum payment or in annual payments over two to fifteen years (as chosen by the Participant when he or she elects to change the payment method represented as Payment Method 2), provided that the number of annual payments to be made under the changed Payment Method 2 is different than the number of annual payments that were to be made under Payment Method 2 as in effect for the Participant before the change.

However, such new election shall not become effective until at least twelve months elapse from the filing of such election with the Committee (and thus will be ineffective should the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company occur prior to the expiration of such twelve month period).

(3) If the Participant previously has elected under subsection 7.1(a) hereof to have any portion of his or her Account that is attributable to the amount of his or her Basic Salary that is earned in one or more specific Plan Years and the receipt of which has been deferred by the Participant under the Plan paid under Payment Method 3, he or she may, by completing a subsequent payment agreement and filing such agreement with a Plan representative not less than twelve months before an applicable Payment Method 3 initial fixed commencement date, elect to have Payment Method 3 be deemed, for purposes of the entire portion of the Participant's Account that is subject to such Payment Method 3 initial fixed commencement date, to be a payment method under which such portion:

(A) commences to be paid as of the earlier of (i) the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, the later of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company or the date immediately following the date which is six months after the date he or she separates from service with the Company) or (ii) any fixed date that is specified by the Participant in his or her new election under this subsection 7.1(b)(3) and that is no earlier than the first day of the first March that occurs on or after the fifth annual anniversary of the applicable Payment Method 3 initial fixed commencement date; and

(B) is paid in one lump sum payment or in annual payments over two to five years (as chosen by the Participant when he or she elects to change the payment method represented as Payment Method 3 with respect to the portion of the Participant's Account that is subject to the applicable Payment Method 3 initial fixed commencement date).

However, such new election shall not become effective until at least twelve months elapse from the filing of such election with the Committee (and thus will be ineffective should the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company occur prior to the expiration of such twelve month period).

7.2 General Distribution Rules for Deferred Incentive Award Payment. Subject to the following provisions of this section 7 and the other provisions of the Plan, this subsection 7.2 concerns the rules for payment of the portion of the Account of a Participant that is attributable to the amount of his or her Incentive Award Payment that is otherwise payable to the Participant for services performed in the Fiscal Year that begins within any specific Plan Year but the receipt of which has been deferred by the Participant under the Plan (for purposes of this subsection 7.2, the "subject year's Incentive Award Payment deferred amount"). Payment of the subject year's Incentive Award Payment deferred amount shall be determined pursuant to the provisions of subsection 7.1 hereof in their entirety, except that each reference to "Basic Salary" contained in subsection 7.1 hereof (including each such reference that is part of a quoted phrase) shall for purposes of this subsection 7.2 be deemed to be a reference to "Incentive Award Payment."

7.3 <u>General Distribution Rules for Company Match Amounts</u>. Subject to the following provisions of this section 7 and the other provisions of the Plan, this subsection 7.3 concerns the rules for payment of the vested portion of the Account of a Participant that is attributable to the amount of the Company match amount that is credited to such Account for any specific Plan Year (for purposes of subsection 7.3 hereof, the "subject year's Company match deferred amount").

(a) <u>Initial 2014 Distribution Payment Method</u>.

(1) When the Plan Year that begins on the Effective Date is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, subject to the provisions of subsections 7.3(a)(2) and (3) and 7.3(c) hereof and the subsections of section 7 hereof that follow this subsection 7.3 and to such administrative rules as the Committee may prescribe, the portion of the Participant's vested Account that is attributable to the subject year's Company match deferred amount shall be paid in accordance with the payment method described in this subsection 7.3(a)(1) (for purposes of this subsection 7.3, the "2014 Payment Method"). Under the 2014 Payment Method, such portion of the Participant's vested Account shall:

(A) commence to be paid as of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, the later of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company or the date immediately following the date which is six months after the date he or she separates from service with the Company); and

(B) be paid in one lump sum payment or in annual payments over two to fifteen years, as chosen by the Participant by completing a payment agreement and filing such agreement with a Plan representative before the start of the Plan Year that begins on the Effective Date. In the event the Participant fails to complete or file such a payment agreement before the start of such Plan Year, then he or she shall be deemed for all purposes of this subsection 7.3(a)(1) to have chosen under the 2014 Payment Method that payment will be made in one lump sum payment.

(2) When the Plan Year that begins on the Effective Date is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, if the Participant elects to receive the portion of the Participant's vested Account that is attributable to the subject year's Company match deferred amount in annual installments of two or more payments (under the 2014 Payment Method), then (i) the date as of which the first annual installment payment is to be made shall be determined under the provisions of subsection 7.3(a)(1)(A) hereof, (ii) the date as of which any annual installment payment other than the first annual installment payment is to be made shall be an annual anniversary of the date as of which the first annual installment payment is to be made, and (iii) the amount of each installment payment shall be equal to the quotient obtained by dividing the amount allocated to the portion of the Participant's vested Account that is attributable to the subject year's Company match deferred amount as of the date of such installment payment by the number of installment payments still to be made to the Participant under the applicable payment method (including the subject installment payment).

(3) When the Plan Year that begins on the Effective Date is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, notwithstanding any of the foregoing provisions of this subsection 7.3(a), if any portion of the subject year's Company match deferred amount is credited under the terms of the Plan to the Participant's Account as of a date that is later than the latest date as of which a payment of such portion would otherwise be made under the foregoing provisions of this subsection 7.3(a) and the Participant is vested in such portion, such

portion shall be paid as of the date as of which such portion is credited under the terms of the Plan to the Participant's Account.

(b) Initial Post-2014 Distribution Payment Method.

(1) When a Plan Year that begins on or after January 1, 2015 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, subject to the provisions of subsections 7.3(b)(2), (3), and (4) and 7.3(c) hereof and the subsections of section 7 hereof that follow this subsection 7.3 and to such administrative rules as the Committee may prescribe, the Participant may, by completing a payment agreement and filing such agreement with a Plan representative before the start of the Plan Year for which the subject year's Company match deferred amount is credited to his or her Account under the Plan, elect that the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount shall be paid by either of the two payment methods described in subsection 7.3(b)(1)(A) and (B) hereof.

(A) Payment Method 1 - Under the payment method described in this subsection 7.3(b)(1)(A) (for purposes of this subsection 7.3, "Payment Method 1"), the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount shall be paid in one lump sum payment as of the date on which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, as of the date immediately following the date which is six months after the date he or she separates from service with the Company).

(B) Payment Method 2 - Under the payment method described in this subsection 7.3(b)(1)(B) (for purposes of this subsection 7.3, "Payment Method 2"), the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount shall:

(x) commence to be paid as of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, the later of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company or the date immediately following the date which is six months after the date he or she separates from service with the Company); and

(y) be paid in one lump sum payment or in annual payments over two to fifteen years, as chosen by the Participant when he or she elects (or under subsection 7.3(b)(2)(C) hereof is deemed to elect) Payment Method 2 to apply to the portion of his or her Account that is attributable to the amount of the Participant's Company match deferred amount that was credited to the Participant's Account for any Plan Year that began on or after January 1, 2015.

(2) When a Plan Year that begins on or after January 1, 2015 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, notwithstanding any of the provisions of subsection 7.3(b)(1) hereof but subject to the provisions of subsection 7.3(c) hereof and the subsections of section 7 hereof that follow this subsection 7.3, the following payment method election restrictions or conditions shall apply to the payment of the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount.

(A) When a Plan Year that begins on or after January 1, 2016 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then the Participant may not elect Payment Method 1 for payment of the portion of the

Participant's Account that is attributable to the subject year's Company match deferred amount if he or she has elected (or under subsection 7.3(b)(2)(C) hereof has been deemed to have elected) Payment Method 2 for payment of the portion of the Participant's Account that is attributable to the amount of the Participant's Company match amount that was credited to the Participant's Account for any Plan Year that both began on or after January 1, 2015 and was earlier than the Plan Year with respect to which the subject year's Company match deferred amount is credited to the Participant's Account.

(B) When a Plan Year that begins on or after January 1, 2016 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then the Participant may not elect Payment Method 2 for payment of the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount if he or she has elected Payment Method 1 for payment of the portion of the Participant's Account that is attributable to the amount of the Participant's Company match amount that was credited to the Participant's Account for any Plan Year that both began on or after January 1, 2015 and was earlier than the Plan Year with respect to which the subject year's Company match deferred amount is credited to the Participant's Account.

(C) When the Plan Year that begins on January 1, 2015 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, in the event the Participant fails in the applicable payment agreement to make any payment method election at all for payment of the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount, he or she shall be deemed for all purposes of this subsection 7.3 to have elected Payment Method 2 (and to have chosen under such method that payment will be made in one lump sum payment) for payment of the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount.

(D) When a Plan Year that begins on or after January 1, 2016 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, in the event the Participant fails in the applicable payment agreement to make any payment method election at all for payment of the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount and he or she has never elected (or under subsection 7.3(b)(2)(C) hereof been deemed to have elected) a distribution method with respect to a Company match amount credited to his or her Account under the Plan for any Plan Year that both began on or after January 1, 2015 and was earlier than the Plan Year with respect to which the subject year's Company match deferred amount is credited to the Participant's Account, he or she shall be deemed for all purposes of this subsection 7.3 to have elected Payment Method 2 (and to have chosen under such method that payment will be made in one lump sum payment) for payment of the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount.

(E) When a Plan Year that begins on or after January 1, 2016 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, in the event the Participant fails in the applicable payment agreement to make any payment method election at all for payment of the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount and he or she has elected (or under subsection 7.3(b)(2)(C) hereof has been deemed to have elected) either Payment Method 1 or Payment Method 2 for payment of the portion of the Participant's Account that is attributable to a Company match amount that was credited to the Participant's Account for any Plan Year that both began on or after January 1, 2015 and was earlier than the Plan Year with respect to which the subject year's Company match deferred amount is credited to the Participant's Account, he or she shall be deemed for all purposes of this subsection 7.3 to have elected the same payment method for payment of the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount.

(3) When a Plan Year that begins on or after January 1, 2015 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, if the Participant elects to receive the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount in annual installments of two or more payments (under any applicable payment method), then (i) the date as of which the first annual installment payment is to be made shall be determined under the provisions of subsection 7.3(b)(1) hereof that describe such payment method, (ii) the date as of which any annual installment payment other than the first annual installment payment is to be made shall be an annual anniversary of the date as of which the first annual installment payment is to be made, and (iii) the amount of each installment payment shall be equal to the quotient obtained by dividing the amount allocated to the portion of the Participant's Account that is attributable to the subject year's Company match deferred amount as of the date of such installment payment by the number of installment payments still to be made to the Participant under the applicable payment method (including the subject installment payment).

(4) When a Plan Year that begins on or after January 1, 2015 is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, notwithstanding any of the foregoing provisions of this subsection 7.3(b), if any portion of the subject year's Company match deferred amount is credited under the terms of the Plan to the Participant's Account as of a date that is later than the latest date as of which a payment of such portion would otherwise be made under the foregoing provisions of this subsection 7.3(b) and the Participant is vested in such portion, such portion shall be paid as of the date as of which such portion is credited under the terms of the Plan to the Participant's Account.

(c) Subsequent Distribution Elections as to Commencement Date and Form of Payment.

(1) If any portion of the Participant's Account is attributable to the amount of a Company match amount that is credited to his or her Account under the Plan for the Plan Year that begins on the Effective Date and hence, pursuant to the provisions of subsection 7.3(a) hereof, paid under the 2014 Payment Method, the Participant may, by completing a subsequent payment agreement and filing such agreement with a Plan representative not less than twelve months before the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company, elect to have the 2014 Payment Method be deemed for purposes of the Participant to be a payment method under which the entire portion of the Participant's Account that is payable under the 2014 Payment Method:

(A) commences to be paid as of the first day of the first March that begins after the end of the Plan Year in which occurs the fifth anniversary of the date on which the Participant separates from service with the Company; and

(B) is paid in one lump sum payment or in annual payments over two to fifteen years (as chosen by the Participant when he or she elects to change the payment method represented as the 2014 Payment Method), provided that the number of annual payments to be made under the changed 2014 Payment Method is different than the number of annual payments that were to be made under 2014 Payment Method as in effect for the Participant before the change.

However, such new election shall not become effective until at least twelve months elapse from the filing of such election with the Committee (and thus will be ineffective should the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company occur prior to the expiration of such twelve month period).

(2) If the Participant previously has elected under subsection 7.3(b) hereof to have any portion of his or her Account that is attributable to the amount of his or her Company match amount that is credited to his or her Account under the Plan for one or more specific Plan Years that begin on or after January 1, 2015 paid under Payment Method 1, he or she may, by completing a subsequent payment agreement and filing such agreement with a Plan representative not less than twelve months before the date on which he or she separates from service with the Company, elect to have Payment Method 1 be deemed for purposes of the Participant to be a payment method under which the entire portion of the Participant's Account that is payable under Payment Method 1:

(A) commences to be paid as of the first day of the first March that begins after the end of the Plan Year in which occurs the fifth anniversary of the date on which the Participant separates from service with the Company; and

(B) is paid in annual payments over two to fifteen years (as chosen by the Participant when he or she elects to change the payment method represented as Payment Method 1).

However, such new election shall not become effective until at least twelve months elapse from the filing of such election with the Committee (and thus will be ineffective should the date on which the Participant separates from service with the Company occur prior to the expiration of such twelve month period).

(3) If the Participant previously has elected (or been deemed to have elected) under subsection 7.3(b) hereof to have any portion of his or her Account that is attributable to the amount of his or her Company match amount that is credited to his or her Account under the Plan for one or more specific Plan Years that begin on or after January 1, 2015 paid under Payment Method 2, he or she may, by completing a subsequent payment agreement and filing such agreement with a Plan representative not less than twelve months before the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company, elect to have Payment Method 2 be deemed for purposes of the Participant to be a payment method under which the entire portion of the Participant's Account that is payable under Payment Method 2:

(A) commences to be paid as of the first day of the first March that begins after the end of the Plan Year in which occurs the fifth anniversary of the date on which the Participant separates from service with the Company; and

(B) is paid in one lump sum payment or in annual payments over two to fifteen years (as chosen by the Participant when he or she elects to change the payment method represented as Payment Method 2), provided that the number of annual payments to be made under the changed Payment Method 2 is different than the number of annual payments that were to be made under Payment Method 2 as in effect for the Participant before the change.

However, such new election shall not become effective until at least twelve months elapse from the filing of such election with the Committee (and thus will be ineffective should the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company occur prior to the expiration of such twelve month period).

(d) Mid-Year Entry Distribution Payment Method.

(1) Notwithstanding the foregoing provisions of this subsection 7.3 or any other provision of the Plan, with respect to a Participant who becomes newly eligible to participate in the Plan as of the first day of a calendar quarter that falls in a Plan Year under the provisions of subsection 3.2 hereof

(without regard to subsection 3.2(c) hereof) and when such Plan Year begins on or after January 1, 2015 and is the Plan Year for which the subject year's Company match deferred amount is credited to the Participant's Account under the Plan, then, the subject year's Company match deferred amount shall be paid in one lump sum payment as of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, the later of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company or the date immediately following the date which is six months after the date he or she separates from service with the Company). The Participant may not make any subsequent change to the distribution method provided for in the immediately preceding sentence and such distribution method has no effect on the distribution rules that apply under the foregoing provisions of this subsection 7.3 to the vested portion of the Account of the Participant that is attributable to the amount of the Company match amount that is credited to his or her Account for any other Plan Year.

(2) Notwithstanding the foregoing provisions of this subsection 7.3(d) or any other provision of the Plan, if any portion of the subject year's Company match deferred amount is credited under the terms of the Plan to the Participant's Account as of a date that is later than the date as of which a payment of such portion would otherwise be made under the foregoing provisions of this subsection 7.3(d) and the Participant is vested in such portion, such portion shall be paid as of the date as of which such portion is credited under the terms of the Plan to the Participant's Account.

7.4 Accelerated Distribution. The time or schedule of any payment due under the Plan shall not be accelerated excepted as permitted in regulations and administrative guidance issued under Section 409A of the Code. Consistent with the immediately preceding sentence, the following paragraphs of this subsection 7.4 apply to the distribution of certain small balances under the Plan.

(a) Accelerated Distribution of Small Amounts. Notwithstanding the provisions of subsections 7.1, 7.2, and 7.3 hereof, if the vested balance of the Participant's entire Account is less than $15,000 as of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company (or, if the Participant is, on the date on which the Participant separates from service with the Company, a Specified Employee, the later of the first day of the first March that begins after the end of the Plan Year in which the Participant separates from service with the Company or the date immediately following the date which is six months after the date he or she separates from service with the Company), then the vested balance of the Participant's entire interest in the Plan shall be paid in one lump sum payment made as of such date and the Participant's interest in the Plan shall thereupon be completely ended.

(b) Limited Cashouts Permitted. Notwithstanding any other provision of this Section 7, the Company may elect, in its sole discretion and without the Participant's consent (or the consent of the Participant's Beneficiary, if applicable), to cash-out the balance of a Participant's subaccounts in accordance with the provisions of this subsection 7.4(b).

(1) Cash-out of Deferred Basic Salary and Incentive Award Payment Portion of Account. The Company may elect, in its sole discretion and without the Participant's consent (or the consent of the Participant's Beneficiary, if applicable), to pay the portion of a Participant's Account that is attributable to deferred Basic Salary and Incentive Award Payments in one lump sum at any time so long as (a) the Company's exercise of discretion to cash-out such amount is evidenced in writing no later than the date of such payment; (b) the payment results in the termination and liquidation of (i) the Participant's entire interest

in the Plan relating to Basic Salary and Incentive Award Payments and (ii) all other amounts deferred under any under other plans or arrangements and required to be aggregated with such amounts under Treasury Regulation Section 1.409A-1(c)(2); (c) the payment does not exceed the applicable dollar amount under Code Section 402(g)(1)(B); and (d) the payment does not violate the provisions of subparagraph (3) below.

(2) Cash-out of Company Match Portion of Account. The Company may elect, in its sole discretion and without the Participant's consent (or the consent of the Participant's Beneficiary, if applicable), to pay the vested portion of a Participant's Account that is attributable to Company match amounts in one lump sum at any time so long as (a) the Company's exercise of discretion to cash-out such amount is evidenced in writing no later than the date of such payment; (b) the payment results in the termination and liquidation of (i) the Participant's entire interest in the Plan relating to Company match amounts and (ii) all other amounts deferred under any under other plans or arrangements and required to be aggregated with such Company amounts under Treasury Regulation Section 1.409A-1(c)(2); (c) the payment does not exceed the applicable dollar amount under Code Section 402(g)(1)(B); and (d) the payment does not violate the provisions of subparagraph (3) below.

(3) Application of Cashout Rules to Specified Employees. Notwithstanding subparagraphs (1) and (2) of this subsection 7.4(b), if a Participant separates from service with the Company and is a Specified Employee on his or her date of separation from service, no accelerated payment shall be made under this subsection 7.4(b) to such Participant during the period beginning on his or her date of separation from service and ending on the date that is six months after such date of separation from service, except as permitted under Treasury Regulation Section 1.409A-3(i)(2).

7.5 Specified Employees.

(a) General Rules for Specified Employee Determinations. For purposes of the provisions of subsections 7.1, 7.2, 7.3, and 7.4 hereof and all other provisions of the Plan, a Participant shall be deemed to be a "Specified Employee" on each and any day that occurs during any twelve month period that begins on an April 1 and ends on the next following March 31 (for purposes of this subsection 7.5, the "subject period") if, and only if, (i) on any day that occurs in the twelve month period (for purposes of this subsection 7.5, the "identification period") that ends on the latest Identification Date that precedes the start of the subject period any corporation or organization that is then an Employer or Affiliate has stock which is publicly traded on an established securities market (within the meaning of Section 1.897-1(m) of the Treasury Regulations) or otherwise and (ii) the Participant meets either the criteria set forth in subsection 7.5(a)(1) hereof or the criteria set forth in subsection 7.5(a)(2) hereof.

(1) The criteria under this subsection 7.5(a)(1) demands that the Participant both (i) is an officer of any Employer or Affiliate on any day that occurs in the identification period and (ii) he or she receives during the identification period an aggregate amount of Compensation from the Employers and Affiliates greater than $130,000 (as adjusted under Section 416(i) of the Code). For this purpose and in accordance with the terms of Code Section 416(i) and the Treasury Regulations issued under Section 416 of the Code, no more than 50 employees (or, if less, the greater of three employees or 10% of the employees) of all of the Employers and Affiliates shall be treated as officers.

(2) The criteria under this subsection 7.5(a)(2) demands that the Participant either: (i) is a 5% or more owner of any Employer or Affiliate on any day that occurs in the identification period; or (ii) both is a 1% or more owner of any Employer or Affiliate on any day that occurs in the identification period and receives during the identification period an aggregate amount of Compensation from the Employers and Affiliates greater than $150,000. For purposes of this subsection 7.5(a)(2), a Participant is

considered to own 5% or 1%, as the case may be, of any Employer or Affiliate if he or she owns (or is considered as owning within the meaning of Code Section 318, except that subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting “5%” for “50%”) at least 5% or 1%, as the case may be, of either the outstanding stock or the voting power of all stock of the Employer or Affiliate (or, if the Employer or Affiliate is not a corporation, at least 5% or 1%, as the case may be, of the capital or profits interest in the Employer or Affiliate).

(b) Definitions of Terms Used in Specified Employee Determinations. For purposes of this subsection 7.5, the following terms of this subsection 7.5(b) shall have the meanings hereinafter set forth.

(1) “Affiliate” means: (i) any member of an affiliated service group, within the meaning of Section 414(m) of the Code, which includes an Employer; and (ii) each other entity required to be aggregated with an Employer under Section 414(o) of the Code.

(2) “Compensation” means, with respect to any Participant and for any specified period, the Participant’s compensation for such period that is received from the Employers and the Affiliates considered collectively and that is determined under Section 1.415(c)-(2)(a) of the Treasury Regulations, applied as if the Participant were not using any safe harbor provided in Section 1.415(c)-2(d) of the Treasury Regulations, were not using any of the special timing rules of Section 1.415(c)-2(e) of the Treasury Regulations, and were not using any of the special rules provided in Section 1.415(c)-2(g) of the Treasury Regulations.

(3) “Identification Date” means December 31. In this regard, Macy’s has elected that December 31 serve as the identification date for purposes of determining Specified Employees in accordance with the provisions of Section 1.409A-1(i) of the Treasury Regulations.

7.6 Special In-Service Distribution for Unforeseeable Emergency. Notwithstanding any other provision of the Plan, a Participant may, by filing an appropriate form with the Committee, elect to have any portion of the amounts then allocated to his or her Account under the Plan distributed to him or her as of any date (for purposes of this subsection 7.6, the “payment date”) that occurs after such election is filed with the Committee because of an unforeseeable emergency, even if the payment date precedes the date as of which such portion of his or her Account would otherwise be paid under the foregoing provisions of this section 7. A Participant may also, by filing an appropriate form with the Committee, elect, because of an unforeseeable emergency, to cancel and void in its entirety any election that he or she has in effect under the provisions of subsection 4.1 hereof to defer the receipt of any amount of Basic Salary or Incentive Award Payment that has not yet as of the payment date become payable and free of any substantial risk of forfeiture, and any such election shall be considered a request for a distribution for purposes of this subsection 7.6 that is made on the first date any such compensation has become payable and free of any substantial risk of forfeiture.

(a) Conditions For Approval of Unforeseeable Emergency Distribution Request. Any distribution requested under this subsection 7.6 because of an unforeseeable emergency shall be granted by the Committee if, and only if, the Committee determines that the requested distribution meets all of the requirements set forth in subsection 7.6(b) and (c) hereof.

(b) Unforeseeable Emergency Reason Requirements for Distribution. Any distribution which is requested by a Participant under this subsection 7.6 because of an unforeseeable emergency must be requested by the Participant and certified by him or her to be on account of the Participant’s severe financial hardship resulting from an illness or accident of the Participant, the Participant’s spouse, or a dependent (as defined in Section 152 of the Code, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances as a result of events beyond the control of the Participant. The need to pay for the funeral expenses of a spouse or dependent (as defined in Section 152 of the Code, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant may also constitute an unforeseeable emergency for purposes of this subsection 7.6. Written documentation of the reason for requesting the distribution shall be required. Whether a distribution is requested on account of an unforeseeable emergency shall be determined by the Committee on the basis of all facts and circumstances. In no event shall an unforeseeable emergency for purposes of this subsection 7.6 be deemed to exist for any reason that would not constitute an unforeseeable emergency under the provisions of Section 1.409A-3(i)(3) of the Treasury Regulations.

(c) Financial Need Requirements for Distribution. Any distribution which is requested by a Participant under this subsection 7.6 because of an unforeseeable emergency must also be necessary to satisfy the need for the distribution. A distribution shall be deemed necessary to satisfy such need if, and only if, the conditions set forth in subsection 7.6(c)(1) and (2) hereof, and any other conditions imposed by the Committee in its discretion, are met.

(1) The Participant certifies and provides written evidence that the distribution is not in excess of the amount of the financial need of the Participant which has caused the Participant to request the distribution (taking into account, if applicable, any additional compensation that will become payable to the Participant by his or her canceling deferral elections under this Plan in accordance with the second sentence of this subsection 7.6). The amount of financial need of the Participant may include an amount permitted by the Committee to cover federal, state, local, or foreign taxes which can reasonably be anticipated to result to the Participant from the distribution.

(2) The Participant certifies and provides written evidence (including, when applicable, a financial statement) that he or she cannot relieve his or her need for the distribution through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets, or by cessation of deferrals under this Plan and other deferred compensation plans of the Company. For purposes hereof, the Participant's assets are deemed to include those assets of the Participant's spouse and minor children that are reasonably available to the Participant.

(d) Limitation Applicable to Specified Employees. Notwithstanding any of the foregoing provisions of this subsection 7.6, if (i) a Participant elects a distribution under this subsection 7.6 by reason of an unforeseeable emergency, (ii) the date on which the Participant separates from service with the Company precedes the date on which he or she makes such unforeseeable emergency distribution election under this subsection 7.6, (iii) the Participant is a Specified Employee on such separation from service date (as determined under the provisions of subsection 7.5 hereof), and (iv) the Participant elects a payment date under this subsection 7.6 that is earlier than the date immediately following the date which is six months after such separation from service date, then the Participant shall be deemed to have elected that such payment date shall be the date immediately following the date which is six months after such separation from service date.

7.7 Plan Payments Upon Participant's Death.

(a) General Rules for Payments Upon Participant's Death. If, with respect to any portion of a Participant's Account, the Participant dies before the complete payment of the Participant's Account (whether the Participant's death occurs before any amounts allocated to such Account portion have begun to be paid under subsection 7.1, 7.2, or 7.3 hereof or on or after the date as of which any amounts allocated to such Account portion have begun to be paid under subsection 7.1, 7.2, or 7.3 hereof), then the Company shall make to the Participant's Beneficiary all payments of the amounts allocated to such Account portion that would have been paid to the Participant after his or her death under the other provisions of subsections

7.1, 7.2, and 7.3 hereof had he or she not died (but had separated from service with the Company no later than his or her date of death) and at the same times and on the same schedules that would have applied had the Participant not died.

(b) Credits After Participant's Death. Notwithstanding any of the foregoing provisions of this subsection 7.7, if any amount is credited to a Participant's Account under the terms of the Plan as of a date that is both after the Participant's death and after the latest date as of which a payment of the Participant's Account is to be made under the foregoing provisions of this subsection 7.7, then, in the event the Participant is vested in the portion of his or her Account that reflects such amount, such amount shall be paid to the Participant's Beneficiary as of the date as of which such amount is credited under the terms of the Plan to the Participant's Account.

7.8 Cash Form of Payment. Any payment made under the Plan to a Participant (or a Participant's Beneficiary) shall be made in cash.

7.9 Distributions for Payment of Taxes.

(a) Distribution for FICA and Related Income Taxes.

(1) Notwithstanding any other provision of the Plan, the Company shall have the right (without notice to or approval by a Participant, his or her Beneficiary, or any other person) to pay the Federal Insurance Contributions Act (for purposes of this subsection 7.9(a), "FICA") tax imposed under Code Sections 3101, 3121(a), and 3121(v)(2) on compensation deferred under the Plan with respect to the Participant (for purposes of this subsection 7.9(a), the "FICA amount"), plus (i) any income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA amount and (ii) any additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes, from the compensation deferred under the Plan with respect to the Participant (or from any amounts otherwise payable by the Company to or on account of the Participant).

(2) However, notwithstanding the foregoing, the total payment that is taken under the provisions of this subsection 7.9(a) from the compensation deferred under the Plan for the Participant must not exceed the aggregate of the FICA amount and the income tax withholding related to the FICA amount.

(3) Also, to the extent payments made in accordance with the provisions of this subsection 7.9(a) are satisfied from the compensation deferred under the Plan for the Participant, then the balance in the Participant's Account shall immediately be reduced by the amount of such payments and the amount of such payments shall be deemed a distribution to the Participant, his or her Beneficiary, or such other person, as the case may be.

(b) Distributions for Benefit Payment Tax Withholding Requirements. Also notwithstanding any other provision of the Plan, the Company shall have the right (without notice to or approval by a Participant, his or her Beneficiary, or any other person) to withhold from any amounts otherwise payable by the Company to or on account of the Participant, or from any payment otherwise then being made by the Company to the Participant, his or her Beneficiary, or any other person by reason of the Plan, an amount which the Company determines is sufficient to satisfy all federal, state, local, and foreign tax withholding requirements that may apply with respect to such benefit payment made under the Plan. To the extent such tax withholding requirements are satisfied from any payment otherwise then being made by the Company to the Participant, his or her Beneficiary, or any other person by reason of the Plan, the amount so withheld shall be deemed a distribution to the Participant, his or her Beneficiary, or such other person, as the case may be.

7.10 Administrative Period To Make Payments.

(1) The other provisions of this section 7 provide that any payment that is made under the Plan shall occur "as of" a specific date and sometimes refer to such a date as a "commencement date" or a "payment date."

(2) However, in accordance with the provisions of Section 1.409A-3(d) of the Treasury Regulations and in order to permit a reasonable administrative period for the Company to make payments required under the Plan, and notwithstanding any other provision of this section 7 or any other provision of the Plan, any payment that is made under the Plan to or with respect to a Participant may be made (and shall still be deemed to have been made as of the specific date as of which it is to be paid under the other provisions of the Plan as long as it is made) within the 60 consecutive day period that begins on such specified date. The Company alone shall have the discretion to determine, within such 60 day period, the date as of which the payment is actually made.

7.11 Employer To Make Payment. Any payment with respect to a Participant's Account shall be the liability of and made by each Employer to the extent that such payment is attributable to the credits made under section 4 hereof that relate to or arise from service of the Participant as an Employee for that entity. The determination of any Employer's liability for any benefit payment under the Plan to a Participant shall be made by the Committee.

7.12 Facility of Payment. Any amounts payable hereunder to any person who is under legal disability or who, in the judgment of the Committee, is unable to properly manage the person's financial affairs may be paid to the legal representative of such person or may be applied for the benefit of such person in any manner which the Committee may select, and any such payment shall be deemed to be payment for such person's account and shall be a complete discharge of all liability of the applicable Employer with respect to the amount so paid.

7.13 Deduction of Payments From Account. Any payment, including an annual installment payment, of any portion of a Participant's Account under the provisions of the Plan shall be charged, as of the date such payment is deemed to be made under the other provisions of this Plan, to such Account portion (or, in other words, deducted from the amounts then allocated to such Account portion). Except as is otherwise provided under administrative policies adopted by the Committee, any such payment shall be charged among all of the types of assumed investments applicable to such Account portion, on a pro rata basis.

SECTION 8

ADDITIONAL MAINTENANCE OF ACCOUNT RULES

8.1 Valuation. The balance of the Account of a Participant shall be determined periodically (under procedures adopted by the Committee) to reflect all amounts credited to the Account under the provisions of section 4 hereof since the latest preceding date on which the Account balance was determined, any assumed net investment gains and losses in the value of the Account's assumed investments under the provisions of section 5 hereof since the latest date on which the Account balance was determined, and any forfeitures or payments under the provisions of sections 6 and 7 hereof since the latest preceding date on which the Account balance was determined.

8.2 Account Statements. As soon as practical following the end of each Plan Year, each Participant (or, in the event of his or her death, his or her Beneficiary) shall be furnished a statement as of the last day of such Plan Year showing the balance of the Participant's Account, the total increases and reductions made in the balance of such Account during such Plan Year, and, if amounts allocated to such Account are assumed to have been invested in securities, a description of such securities including the number of shares assumed to have been purchased by the amounts allocated to such Account.

8.3 Account Balance. For purposes of the Plan, the amounts allocated to the Account of a Participant (i.e., the balance of such Account) at any specific time shall be deemed to be the net sum of amounts credited, charged, or otherwise allocated to such Account at such time under the other provisions of the Plan.

8.4 Cancellation of Account. The Account of a Participant shall be cancelled, and the amount then allocated to such Account shall be reduced to zero, on the date as of which the entire amount allocated to the Account at such time is deemed to be paid to the Participant (or his or her Beneficiary under this Plan) and/or forfeited under the other provisions of the Plan.

SECTION 9

ADMINISTRATION OF PLAN

9.1 Administrator of Plan. Macy's shall be the administrator of the Plan. However, the Plan shall be administered on behalf of Macy's by the Committee. The Committee shall be the Pension and Profit Sharing Committee of Macy's, unless and until the Board appoints a different committee to administer the Plan.

9.2 Powers of Committee. The Committee, in connection with administering the Plan, is authorized to make such rules and regulations as it may deem necessary to carry out the provisions of the Plan and is given complete discretionary authority to determine any person's eligibility for benefits under the Plan, to construe the terms of the Plan, and to decide any other matters pertaining to the Plan's administration. The Committee shall determine any question arising in the administration, interpretation, and application of the Plan, which determination shall be binding and conclusive on all persons (subject only to the claims and appeal procedure provisions of subsection 9.7 hereof). The Committee may correct errors, however arising, and, as far as possible, adjust any benefit payments accordingly.

9.3 Actions of Committee.

(a) Manner of Acting as Committee. The Committee shall act by a majority of its members at the time in office, and any such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may by such majority action authorize any one or more of its members or any agent of it to execute any document or documents or to take any other action, including the exercise of discretion, on behalf of the Committee.

(b) Appointment of Agents. The Committee may appoint or employ such counsel, auditors, physicians, clerical help, actuaries, and/or any other agents as in the Committee's judgment may seem reasonable or necessary for the proper administration of the Plan, and any agent it so employs may carry out any of the responsibilities of the Committee that are delegated to him or her with the same effect as if the Committee had acted directly. The Committee may provide for the allocation of responsibilities for the operation of the Plan.

(c) Conflict of Interest of Committee Member. Any member of the Committee who is also a Participant in the Plan shall not participate in any meeting, discussion, or action of the Committee that specifically concerns his or her own situation.

9.4 Compensation of Committee and Payment of Administrative Expenses. The members of the Committee shall not receive any extra or special compensation for serving as the administrative committee with respect to the Plan and, except as required by law, no bond or other security need be required of them in such capacity in any jurisdiction. All expenses of the administration of the Plan shall be paid by the Company.

9.5 Limits on Liability. The Company shall hold each member of the Committee harmless from any and all claims, losses, damages, expenses, and liabilities arising from any act or omission of the member under or relating to the Plan, other than any expenses or liabilities resulting from the member's own gross negligence or willful misconduct. The foregoing right of indemnification shall be in addition to any other rights to which the members of the Committee may be entitled as a matter of law.

9.6 Methods for Making Deferral or Other Agreement. The Committee may adopt procedures so that any deferral or other agreement that may be entered into by a Participant under the Plan may be made through (i) a written form prepared or approved for this purpose by the Committee and filed with a Plan representative, (ii) a communication to a Plan representative under a telephonic or electronic system approved by the Committee, or (iii) under any other method approved by the Committee, with the specific method or methods to be used to be chosen in its discretion by the Committee. The Committee may choose different methods to apply to Participants in different situations (e.g., requiring a written form to be used for new Participants but a telephonic or electronic system to be used for other Participants). Regardless of what agreement method is to be used for a Participant, if the Participant properly enters into an agreement applicable to the Plan or amends such an agreement under the method for doing so which applies to him or her and the type of election he or she is making, for all other provisions of the Plan he or she will be deemed to have "filed" with a Plan representative such agreement or amendment on the day he or she completes all steps required by such method to enter into such agreement or amendment.

9.7 Claims Procedures.

(a) Initial Claim. If a Participant, a Participant's Beneficiary, or any other person claiming through a Participant has a dispute as to the failure of the Plan to pay or provide a benefit, as to the amount of Plan benefit paid, or as to any other matter involving the Plan, the person may file a claim for the benefit or relief believed by the person to be due. Such claim must be provided by written notice to the Committee. The Committee shall decide any claims made pursuant to this subsection 9.7.

(b) Rules If Initial Claim Is Denied. If a claim made pursuant to subsection 9.7(a) hereof is denied, in whole or in part, the Committee shall generally furnish notice of the denial in writing to the claimant within 90 days (or, if a Participant's disability is material to the claim, 45 days) after receipt of the claim by the Committee; except that if special circumstances require an extension of time for processing the claim, the period in which the Committee is to furnish the claimant written notice of the denial shall be extended for up to an additional 90 days (or, if a Participant's disability is material to the claim, 30 days), and the Committee shall provide the claimant within the initial 90-day (or 45-day) period a written notice indicating the reasons for the extension and the date by which the Committee expects to render the final decision.

(c) Final Denial Notice. If a claim made pursuant to subsection 9.7(a) hereof is denied, in whole or in part, the final notice of denial shall be written in a manner designed to be understood by the claimant and set forth (i) the specific reasons for the denial, (ii) specific reference to pertinent Plan provisions on which the denial is based, (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the claimant wishes to appeal such denial of his or her claim, including the time limits applicable to making a request for an appeal and, in the event the claim is one for benefits under the Plan, a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal.

(d) Appeal of Denied Claim. Any claimant who has a claim denied under subsection 9.7(a), (b), and (c) hereof may appeal the denied claim to the Committee. Such an appeal must, in order to be considered, be filed by written notice to the Committee within 60 days (or, if a Participant's disability is material to the claim, 180 days) of the receipt by the claimant of a written notice of the denial of his or her initial claim.

(1) If any appeal is filed in accordance with such rules, the claimant (i) shall be given, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claim and (ii) shall be provided the opportunity to submit written comments, documents, records, and other information relating to the claim.

(2) A formal hearing may be allowed in its discretion by the Committee but is not required.

(e) Appeal Process. Upon any appeal of a denied claim, the Committee shall provide a full and fair review of the subject claim, taking into account all comments, documents, records, and other information submitted by the claimant (without regard to whether such information was submitted or considered in the initial benefit determination of the claim), and generally decide the appeal within 60 days (or, if a Participant's disability is material to the claim, 45 days) after the filing of the appeal; except that if special circumstances require an extension of time for processing the appeal, the period in which the appeal is to be decided may be extended for up to an additional 60 days (or, if a Participant's disability is material to the claim, 45 days) and the Committee shall provide the claimant written notice of the extension prior to the end of the initial period. However, if the decision on the appeal is extended due to the claimant's failure to submit information necessary to decide the appeal, the period for making the decision on the appeal shall be tolled from the date on which the notification of the extension is sent until the date on which the claimant responds to the request for additional information.

(f) Appeal Decision Notice If Appeal Is Denied. If an appeal of a denied claim is denied, the decision on appeal shall (i) be set forth in a writing designed to be understood by the claimant, (ii) specify the reasons for the decision and references to pertinent provisions of this Plan on which the decision is based, and (iii) contain statements that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claim and, in the event the appeal involves a claim for benefits under the Plan, of the claimant's right to bring a civil action under Section 502(a) of ERISA. The decision on appeal shall generally be furnished to the claimant by the Committee within the applicable appeal period that is described above.

(g) Special Disability Claims and Appeal Rules. In the event a Participant's disability is material to a claim or an appeal of a denied claim made under this subsection 9.7, the following provisions of this subsection 9.7(g) shall also apply to such claim or appeal, notwithstanding any other provisions set forth in this subsection 9.7.

(1) If a Participant's disability is material to a claim or an appeal of a denied claim made under this subsection 9.7, then the written notice as to any denial of the initial claim or the appeal, as appropriate, shall to the extent applicable include the information described in subsection 9.7(g)(1)(A) and (B) hereof.

(A) If an internal rule, guideline, protocol, or other similar criterion (for purposes of this subsection 9.7(g)(1)(A) and collectively, a "rule") was relied upon in making an adverse determination on the initial claim or on the appeal, then the applicable written notice (as to the denial of the initial claim or the appeal) shall contain either the specific rule or a statement that such rule was relied upon in making the adverse determination or the decision and that a copy of that rule will be provided to the claimant free of charge upon request.

(B) In addition, if an adverse determination on the initial claim or on the appeal is based on a medical necessity or experimental treatment or similar exclusion or limit, then the applicable written notice (as to the denial of the initial claim or as to the decision on the appeal) shall contain either an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Participant's medical circumstances, or a statement that such explanation will be provided to the claimant free of charge upon request.

(2) Further, if a Participant's disability is material to an appeal of a denied claim made under this subsection 9.7, then:

(A) the claim shall be reviewed on the appeal without deference to the initial adverse benefit determination and the review shall be conducted by an appropriate fiduciary of the Plan who is neither the individual who made the initial adverse benefit determination that is the subject of the appeal nor the subordinate of such individual;

(B) in the event the initial adverse benefit determination was based in whole or part on medical judgment, an appropriate Plan fiduciary shall, in considering such medical judgment under the appeal, consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment (and who is neither an individual who was consulted in connection with the initial adverse benefit determination that is the subject of the appeal nor the subordinate of any such individual); and

(C) any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the initial adverse benefit determination shall be identified, without regard to whether the advice was relied upon in making the benefit determination.

(h) Miscellaneous Claims Procedure Rules. A claimant may appoint a representative to act on his or her behalf in making or pursuing a claim or an appeal of a claim. In addition, the Committee may prescribe additional rules which are consistent with the other provisions of this subsection 9.7 in order to carry out the claim procedures of this Plan.

SECTION 10

FUNDING OBLIGATION

10.1 General Rule for Source of Benefits. Except as is otherwise provided herein, any payment of any benefit provided under the Plan to or on account of a Participant shall be made from the general assets of the Employer or Employers which are liable for such payment (under the provisions of subsection 7.11

hereof). Notwithstanding any other provision of the Plan, neither the Participant, his or her Beneficiary, nor any other person claiming through the Participant shall have any right or claim to any payment of the benefit to be provided pursuant to the Plan which in any manner whatsoever is superior to or different from the right or claim of a general and unsecured creditor of such Employer or Employers.

10.2 "Rabbi" Trust. Notwithstanding the provisions of subsection 10.1 hereof, Macy's may, in its sole and absolute discretion, establish a trust (for purposes of this subsection 10.2, the "Trust") to which contributions may be made by an Employer in order to fund the Employer's obligations under the Plan. If, and only if, Macy's exercises its discretion to establish a Trust, the following paragraphs of this subsection 10.2 shall apply (notwithstanding any other provision of the Plan).

(a) Grantor Trust Requirement. The part of the Trust attributable to any Employer's contributions to the Trust (for purposes of this subsection 10.2, such Employer's "Trust account") shall be a "grantor" trust under the Code, in that such Employer shall be treated as the grantor of such Employer's Trust account within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code.

(b) Creditors Rights Under Trust When Employer Insolvent. Any Employer's Trust account shall be subject to the claims of such Employer's creditors in the event of such Employer's insolvency. For purposes hereof, an Employer shall be considered "insolvent" if either (i) such Employer is unable to pay its debts as they become due or (ii) such Employer is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(c) Contributions To Trust. Except as may otherwise be required by the terms of the Trust itself, an Employer may make contributions to its Trust account for the purposes of meeting its obligations under the Plan at any time, and in such amounts, as such Employer determines in its discretion.

(d) Payments From Trust. Any payment otherwise required to be made by an Employer under the Plan shall be made by such Employer's Trust account instead of such Employer in the event that such Employer fails to make such payment directly and such Employer's Trust account then has sufficient assets to make such payment, provided that such Employer is not then insolvent. If such Employer becomes insolvent, however, then all assets of such Employer's Trust account shall be held for the benefit of such Employer's creditors and payments from such Employer's Trust account shall cease or not begin, as the case may be.

(e) Remaining Liability of Employer. Unless and except to the extent any payment required to be made pursuant to the Plan by an Employer is made by such Employer's Trust account, the obligation to make such payment remains exclusively that of such Employer.

(f) Terms of Trust Incorporated. The terms of the Trust are hereby incorporated by reference into the Plan. To the extent the terms of the Plan conflict with the terms of the Trust, the terms of the Trust shall control.

SECTION 11

AMENDMENT AND TERMINATION OF PLAN

11.1 Right and Procedure to Terminate Plan. Macy's reserves the right to terminate the Plan in its entirety.

(a) Procedure To Terminate Plan. The procedure for Macy's to terminate the Plan in its entirety is as follows. In order to completely terminate the Plan, the Board shall adopt resolutions, pursuant and subject to the regulations or by-laws of Macy's and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to terminate the Plan. Such resolutions shall set forth therein the effective date of the Plan's termination.

(b) Effect of Termination of Plan. In the event the Board adopts resolutions completely terminating the Plan, no further benefits may be paid after the effective date of the Plan's termination. Notwithstanding the foregoing, the Plan's termination shall not affect the payment (in accordance with the provisions of the Plan) of the Plan's benefits attributable to compensation the deferral of which (i) has already been elected by a Participant or otherwise required under the terms of this Plan, and (ii) cannot still be voided by the Participant's election or otherwise under the terms of Sections 1.409A-1 through 1.409A-6 of the Treasury Regulations, by the later of the effective date of the Plan's termination or the date such resolutions terminating the Plan are adopted.

11.2 Amendment of Plan. Subject to the other provisions of this subsection 11.2, Macy's may amend the Plan at any time and from time to time in any respect; provided that no such amendment shall decrease the benefits attributable to compensation the deferral of which (i) has already been elected by a Participant or otherwise required under the terms of this Plan, and (ii) cannot still be voided by the Participant's election or otherwise under the terms of Sections 1.409A-1 through 1.409A-6 of the Treasury Regulations, by the later of the effective date of the amendment or the date the amendment is adopted.

(a) Procedure To Amend Plan. Subject to the provisions of subsection 11.2(b) hereof, in order to amend the Plan, the Board shall adopt resolutions, pursuant and subject to the regulations or by-laws of Macy's and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to amend the Plan. Such resolutions shall either (i) set forth the express terms of the Plan amendment or (ii) simply set forth the nature of the amendment and direct an officer of Macy's to have prepared and to sign on behalf of Macy's the formal amendment to the Plan. In the latter case, such officer shall have prepared and shall sign on behalf of Macy's an amendment to the Plan which is in accordance with such resolutions.

(b) Alternative Procedure To Amend Plan. In addition to the procedure for amending the Plan set forth in subsection 11.2(a) hereof, the Board may also adopt resolutions, pursuant and subject to the regulations or by-laws of Macy's and any applicable law, and either at a duly called meeting of the Board or by a written consent in lieu of a meeting, to delegate to any officer of Macy's or to the Committee the authority to amend the Plan.

(1) Such resolutions may either grant the officer or the Committee broad authority to amend the Plan in any manner the officer or the Committee deems necessary or advisable or may limit the scope of amendments he, she, or it may adopt, such as by limiting such amendments to matters related to the administration of the Plan. In the event of any such delegation to amend the Plan, the officer or the Committee to whom or which authority is delegated shall amend the Plan by having prepared and signed on behalf of Macy's an amendment to the Plan which is within the scope of amendments which he, she, or it has authority to adopt. Also, any such delegation to amend the Plan may be terminated at any time by later resolutions adopted by the Board.

(2) In the event of any such delegation to amend the Plan, and even while such delegation remains in effect, the Board shall continue to retain its own right to amend the Plan pursuant to the procedure set forth in subsection 11.2(a) hereof.

SECTION 12

MISCELLANEOUS

12.1 Delegation. Except as is otherwise provided in sections 9 and 11 hereof, any matter or thing to be done by Macy's shall be done by its Board, except that, from time to time, the Board by resolution may delegate to any person or committee certain of its rights and duties hereunder. Any such delegation shall be valid and binding on all persons, and the person or committee to whom or which authority is delegated shall have full power to act in all matters so delegated until the authority expires by its terms or is revoked by the Board, as the case may be.

12.2 Non-Alienation of Benefits. Except to the extent required by applicable law, no Participant or Beneficiary may alienate, commute, anticipate, assign, pledge, encumber, transfer, or dispose of the right to receive the payments required to be made by the Company hereunder, which payments and the right to receive them are expressly declared to be nonassignable and nontransferable. In the event of any attempt to alienate, commute, anticipate, assign, pledge, encumber, transfer, or dispose of the right to receive the payments required to be made by the Company hereunder, the Company shall have no further obligation to make any payments otherwise required of it hereunder (except to the extent required by applicable law).

12.3 No Spousal Rights. Nothing contained in the Plan shall give any spouse or former spouse of a Participant any right to benefits under the Plan of the types described in Code Sections 401(a)(11) and 417 (relating to qualified preretirement survivor annuities and qualified joint and survivor annuities).

12.4 Separation From Service. For all purposes of the Plan, a Participant shall be deemed to have separated from service with the Company on the date he or she dies, retires, or otherwise has a separation from service with the Company's controlled group. The following provisions of this subsection 12.4 shall apply in determining when a Participant has incurred a separation from service with the Company's controlled group.

(a) Effect of Leave of Service. The Participant's service with the Company's controlled group shall be treated as continuing intact while the Participant is on military leave, sick leave, or other bona fide leave of absence where there is a reasonable expectation that the Participant will return to perform services for the Company's controlled group (but not beyond the later of the date on which the leave has lasted for six months or the date on which the Participant no longer retains a right of reemployment with the Company's controlled group under an applicable statute or by contract).

(b) Determination of Separation From Service. For purposes of the Plan, a separation from service of the Participant with the Company's controlled group as of any date shall be determined to have occurred when, under all facts and circumstances, either (i) no further services will be performed by the Participant for the Company's controlled group after such date or (ii) the level of bona fide services the Participant will perform for the Company's controlled group after such date (whether as an employee or as an independent contractor) will permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or as an independent contractor) by the Participant for the Company's controlled group over the immediately preceding 36-month period (or the full period of the Participant's service for the Company's controlled group if such period has been less than 36 months).

(c) Controlled Group Definition. For purposes of this subsection 12.4, the "Company's controlled group" means, collectively, (i) each Employer and (ii) each other corporation or other organization that is deemed to be a single employer with an Employer under Section 414(b) or (c) of the Code (i.e., as part of a controlled group of corporations that includes an Employer or under common control with an

Employer), provided that such Code sections will be applied and interpreted by substituting “at least 50 percent” for each reference to “at least 80 percent” that is contained in Code Section 1563(a)(1), (2), and (3) and in Section 1.414(c)-2 of the Treasury Regulations.

12.5 No Effect On Employment. The Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by the Plan except as specifically provided in the Plan. The establishment of the Plan shall not be construed as conferring any legal rights upon any Participant for a continuation of employment, nor shall it interfere with the right of the Company to discharge any Employee and to treat him or her without regard to the effect which such treatment might have upon him or her as a Participant in the Plan. Each Participant (and any Beneficiary of or other person claiming through the Participant) who may have or claim any right under the Plan shall be bound by the terms of the Plan.

12.6 Applicable Law. The Plan shall be governed by applicable federal law and, to the extent not preempted by applicable federal law, the laws of the State of Ohio.

12.7 Separability of Provisions. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and the Plan shall be construed and enforced as if such provision had not been included.

12.8 Headings. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

12.9 Counterparts. The Plan may be executed in any number of counterparts, each of which shall be deemed an original. All counterparts shall constitute one and the same instrument, which shall be sufficiently evidenced by any one thereof.

12.10 Application of Code Section 409A. The Plan is intended to satisfy and comply with all of the requirements of Section 409A of the Code and any Treasury Regulations issued thereunder. The provisions of the Plan shall be interpreted and administered in accordance with such intent.

IN ORDER TO EFFECT THE PROVISIONS OF THIS AMENDED AND RESTATED PLAN DOCUMENT , Macy’s, Inc., the sponsor of the Plan, has caused its name to be subscribed to this Plan document, to be amended and restated effective as of August 1, 2018.

MACY’S, INC.

By ________________________

Title ________________________

Date ________________________

Macy’s, Inc.
Subsidiary List as of February 1, 2020

Exhibit 21

Corporate Name	State of Incorporation/ Formation	Trade Name(s)
Advertex Communications, Inc.	New York	Macy’s Marketing
Bloomingdale's, Inc.	Ohio	
Bloomingdale’s The Outlet Store, LLC	Ohio	
Bloomingdale’s, LLC	Ohio	Bloomingdale’s New York
Bloomingdales.com, LLC	Ohio	
Bluemercury, Inc.	Delaware	Bluemercury
FDS Bank	N/A	
FDS Thrift Holding Co., Inc.	Ohio	
Macy’s Backstage, Inc.	Ohio	
Macy’s Corporate Services, Inc.	Ohio	
Macy’s Credit and Customer Services, Inc.	Ohio	
Macy’s Credit Operations, Inc.	Ohio	
Macy’s Florida Stores, LLC	Ohio	Macy’s
Macy’s Merchandising Corporation	New York	
Macy’s Merchandising Group (Hong Kong) Limited	Hong Kong	
Macy’s Merchandising Group International (Hong Kong) Limited	Hong Kong	
Macy’s Merchandising Group International, LLC	Delaware	
Macy’s Merchandising Group Procurement, LLC	Delaware	
Macy’s Merchandising Group, Inc.	New York	
Macy’s Puerto Rico, Inc.	Puerto Rico	
Macy’s Retail Holdings, Inc.	New York	Macy’s
Macy’s Systems and Technology, Inc.	Ohio	
Macy’s West Stores, Inc.	Ohio	Macy’s
Macys.com, LLC	Ohio	
West 34th Street Insurance Company New York	New York	

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Macy’s, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-231970, 333-192917, 333-160564, 333-153721, 333-153720, 333-153719, 333-133080, 333-104017, 333-185575, 333-213707 and 333-225210) on Form S-8 and (No. 333-228707) on Form S-3 of Macy’s, Inc. and subsidiaries (“Macy’s, Inc.”) of our report dated March 30, 2020, with respect to the consolidated balance sheets of Macy’s, Inc. as of February 1, 2020 and February 2, 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for each of the years in the three-year period ended February 1, 2020, and the effectiveness of internal control over financial reporting as of February 1, 2020, which report appears in the February 1, 2020 annual report on Form 10-K of Macy’s, Inc.

/s/ KPMG

Cincinnati, Ohio
March 30, 2020

EXHIBIT 24

POWER OF ATTORNEY

The undersigned, a director and/or officer of Macy's, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints each of Elisa D. Garcia and Steven R. Watts my true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, to do any and all acts and things in my name and behalf in my capacities as director and/or officer of the Company and to execute any and all instruments for me and in my name in the capacities indicated above, which said attorneys-in-fact and agents may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules, regulations, and requirements of the Securities and Exchange Commission (the "Commission"), in connection with an Annual Report on Form 10-K for the year ended February 1, 2020 to be filed by the Company pursuant to Section 13 of the Exchange Act, including without limitation, power and authority to sign for me, in my name in the capacity or capacities referred to above, such Annual Report, and to file the same, with all exhibits thereto, and other documents, including amendments, in connection therewith, with the Commission, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, or any one of them, shall do or cause to be done by virtue hereof.

Dated: March 19, 2020

/s/ David P. Abney	/s/ Francis S. Blake	/s/ Torrence N. Boone
David P. Abney	Francis S. Blake	Torrence N. Boone
/s/ John A. Bryant	/s/ Deirdre P. Connelly	/s/ Jeff Gennette
John A. Bryant	Deirdre P. Connelly	Jeff Gennette
/s/ Leslie D. Hale	/s/ William H. Lenehan	/s/ Sara Levinson
Leslie D. Hale	William H. Lenehan	Sara Levinson
/s/ Paula A. Price	/s/ Joyce M. Roché	/s/ Paul C. Varga
Paula A. Price	Joyce M. Roché	Paul C. Varga
/s/ Marna C. Whittington	/s/ Felicia Williams	
Marna C. Whittington	Felicia Williams	

Exhibit 31.1

CERTIFICATION

I, Jeff Gennette, certify that:

1 I have reviewed this Annual Report on Form 10-K of Macy's, Inc.;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 30, 2020

/s/ Jeff Gennette
Jeff Gennette
Chief Executive Officer

CERTIFICATION

I, Paula A. Price, certify that:

1 I have reviewed this Annual Report on Form 10-K of Macy's, Inc.;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 30, 2020

/s/ Paula A. Price
Paula A. Price
Chief Financial Officer

Exhibit 32.1

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of Annual Report on Form 10-K of Macy's, Inc. (the "Company") for the fiscal year ended February 1, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies that, to his knowledge:

1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: March 30, 2020

/s/ Jeff Gennette
Name: Jeff Gennette
Title: Chief Executive Officer

Exhibit 32.2

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Annual Report on Form 10-K of Macy's, Inc. (the "Company") for the fiscal year ended February 1, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies that, to his knowledge:

1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: March 30, 2020

/s/ Paula A. Price
Name: Paula A. Price
Title: Chief Financial Officer