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GENERAL ELECTRIC CO  
Form 13F-HR  
August 14, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 13F

FORM 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: June 30, 2002

Check here if Amendment [ ]; Amendment Number:

This Amendment (Check only one.): [ ] is a restatement.  
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

General Electric Company  
3135 Easton Turnpike  
Fairfield, CT 06431

13F File Number: 028-01502

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert R. DeGennaro  
Title: Manager - Accounting Projects  
Phone: (203) 373-2535

Signature, Place, and Date of Signing:

Robert R. DeGennaro	Fairfield, CT	06431	August 14, 2002
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(Signature)	(City, State)	(Zip)	(Date)

Report Type (Check only one.):

- 13F HOLDINGS REPORT. (Check here if all holdings of this reporting manager are reported in this report.)
- 13F NOTICE. (Check here if no holdings reported are in this report, and all holdings are reported by other reporting manager(s).)
- 13F COMBINATION REPORT. (Check here if a portion of the holdings for this reporting manager are reported in this report and a portion are reported by other reporting manager(s).)

FORM 13F SUMMARY PAGE

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Report Summary:

Number of Other Included Managers:

Form 13F Information Table Entry Total: 1,120

Form 13F Information Table Value Total: \$30,448,319  
(thousands)

List of Other Included Managers:

No.	Form 13F File Number	Name
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01	028-05827	GE Asset Management
02	028-06519	National Broadcasting Company, Inc.
03	028-06517	General Electric Mortgage Insurance Corporation
04	028-06513	GE Capital Equity Investments, Inc.
05	028-06603	GE Capital Structured Finance Group

### FORM 13F INFORMATION TABLE

NAME OF ISSUER	TITLE OF CLASS	CUSIP	VALUE (x\$1000)	SHRS OR PRN AMT	SH/ PRN	PUT/ CALL	INVESTM DISCRET
-----	-----	-----	-----	-----	----	----	-----
ACE LTD	ORD	G0070K103	7014	221958	SH		DEFINED
BANK OF BERMUDA LTD	SHS	G07644100	342	7650	SH		SOLE
EVEREST RE GROUP LTD	COM	G3223R108	12432	222191	SH		DEFINED
EVEREST RE GROUP LTD	COM	G3223R108	834	14900	SH		DEFINED
GLOBALSANTAFE CORP	SHS	G3930E101	16814	614773	SH		DEFINED
GLOBALSANTAFE CORP	SHS	G3930E101	1238	45250	SH		DEFINED
NOBLE CORPORATION	SHS	G65422100	2154	55800	SH		DEFINED
RENAISSANCE RE HLDGS LTD	COM	G7496G103	2745	75000	SH		DEFINED
HILFIGER TOMMY CORP	ORD	G8915Z102	1368	95542	SH		DEFINED
BACKWEB TECHNOLOGIES LTD	ORD	M15633106	788	1316304	SH		DEFINED
CAMTEK LTD	ORD	M20791105	453	452843	SH		DEFINED
ECTEL LTD	ORD	M29925100	10495	904724	SH		DEFINED
FUNDTECH LTD	ORD	M47095100	2097	524210	SH		DEFINED
LUMENIS LTD	SHS	M6778Q105	1455	392276	SH		DEFINED
RADVIEW SOFTWARE LTD	ORD	M81867109	194	776329	SH		DEFINED
TARO PHARMACEUTICAL INDS LTD	ORD	M8737E108	2889	117815	SH		DEFINED
TTI TEAM TELECOM INTL LTD	ORD	M88258104	5697	355871	SH		DEFINED
SAPIENS INTL CORP N V	ORD	N7716A102	772	848293	SH		DEFINED
FLEXTRONICS INTL LTD	ORD	Y2573F102	1338	187668	SH		DEFINED
A D C TELECOMMUNICATIONS	COM	000886101	348	151800	SH		DEFINED
AFLAC INC	COM	001055102	69736	2179249	SH		DEFINED
AGCO CORP	COM	001084102	2634	135056	SH		DEFINED
AES CORP	COM	00130H105	422	77900	SH		DEFINED
AES CORP	COM	00130H105	1285	237000	SH		DEFINED
AK STL HLDG CORP	COM	001547108	1018	79500	SH		DEFINED
AMN HEALTHCARE SERVICES INC	COM	001744101	231	6600	SH		DEFINED
AMR CORP	COM	001765106	1180	69963	SH		DEFINED
AOL TIME WARNER INC	COM	00184A105	147	10000	SH		SOLE
AOL TIME WARNER INC	COM	00184A105	68122	4630973	SH		DEFINED
AOL TIME WARNER INC	COM	00184A105	1258	85500	SH		DEFINED
AT&T CORP	COM	001957109	80852	7556285	SH		DEFINED
AT&T WIRELESS SVCS INC	COM	00209A106	5748	982551	SH		DEFINED
ABBOTT LABS	COM	002824100	1495	39700	SH		SOLE
ABBOTT LABS	COM	002824100	158691	4214901	SH		DEFINED

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ABERCROMBIE & FITCH CO	CL A	002896207	965	40010	SH	DEFINED
ACCREDO HEALTH INC	COM	00437V104	637	13800	SH	DEFINED
ACTIVISION INC NEW	COM NEW	004930202	610	20989	SH	DEFINED
ACTUATE CORP	COM	00508B102	575	127800	SH	DEFINED
ACXIOM CORP	COM	005125109	460	26318	SH	DEFINED
ACXIOM CORP	COM	005125109	3883	222000	SH	DEFINED
ADAPTEC INC	COM	00651F108	645	81700	SH	DEFINED
ADOBE SYS INC	COM	00724F101	4688	164483	SH	DEFINED
ADVANCED AUTO PARTS INC	COM	00751Y106	360	6600	SH	DEFINED
ADVANCED LTG TECHNOLOGIES	COM	00753C102	1144	1429590	SH	DEFINED
ADVANCED FIBRE COMMUNICATION	COM	00754A105	6768	409195	SH	DEFINED
ADVANCED MICRO DEVICES INC	COM	007903107	486	50000	SH	DEFINED
ADVANCEPCS	COM	00790K109	1728	72200	SH	DEFINED
ADVANCEPCS	COM	00790K109	373	15600	SH	DEFINED
ADVENT SOFTWARE INC	COM	007974108	394	15340	SH	DEFINED
AFFILIATED COMPUTER SERVICES	CL A	008190100	10628	223834	SH	DEFINED
AFFILIATED COMPUTER SERVICES	CL A	008190100	503	10600	SH	DEFINED
AFFILIATED MANAGERS GROUP	COM	008252108	1476	24000	SH	DEFINED
AFFYMETRIX INC	COM	00826T108	569	23700	SH	DEFINED
AFTERMARKET TECHNOLOGY CORP	COM	008318107	40887	2129539	SH	DEFINED
AGILENT TECHNOLOGIES INC	COM	00846U101	3803	160792	SH	DEFINED
AIR PRODS & CHEMS INC	COM	009158106	611	12100	SH	SOLE
AIR PRODS & CHEMS INC	COM	009158106	16047	317956	SH	DEFINED
AKAMAI TECHNOLOGIES INC	COM	00971T101	239	184219	SH	DEFINED
ALBERTO CULVER CO	CL B CONV	013068101	1257	26300	SH	DEFINED
ALBERTSONS INC	COM	013104104	11235	368836	SH	DEFINED
ALBERTSONS INC	COM	013104104	2796	91800	SH	DEFINED
ALCAN INC	COM	013716105	4781	127430	SH	DEFINED
ALCOA INC	COM	013817101	92538	2791488	SH	DEFINED
ALCATEL	SPONSORED ADR	013904305	954	134217	SH	DEFINED
ALKERMES INC	COM	01642T108	562	35100	SH	DEFINED
ALLEGHANY CORP DEL	COM	017175100	10610	55548	SH	DEFINED
ALLERGAN INC	COM	018490102	7792	116734	SH	DEFINED
ALLETE INC	COM	018522102	5268	194391	SH	DEFINED
ALLIANCE DATA SYSTEMS CORP	COM	018581108	549	21500	SH	DEFINED
ALLIANT TECHSYSTEMS INC	COM	018804104	970	15200	SH	DEFINED
ALLIED CAP CORP NEW	COM	01903Q108	865	38200	SH	DEFINED
ALLIED WASTE INDS INC	COM PAR\$.01NEW	019589308	499	52000	SH	DEFINED
ALLSTATE CORP	COM	020002101	51918	1403947	SH	DEFINED
ALLTEL CORP	COM	020039103	2505	53290	SH	DEFINED
ALTERA CORP	COM	021441100	2920	214700	SH	DEFINED
ALUMINUM CORP CHINA LTD	SPON ADR H SHS	022276109	10677	558982	SH	DEFINED
AMAZON COM INC	COM	023135106	1451	89300	SH	DEFINED
AMBASSADORS GROUP INC	COM	023177108	2872	200000	SH	DEFINED
AMBASSADORS INTL INC	COM	023178106	2012	200000	SH	DEFINED
AMERADA HESS CORP	COM	023551104	1361	16500	SH	DEFINED
AMERICA MOVIL S A DE C V	SPON ADR L SHS	02364W105	7136	532558	SH	DEFINED
AMERICAN ELEC PWR INC	COM	025537101	22853	571048	SH	DEFINED
AMERICAN EAGLE OUTFITTERS NE	COM	02553E106	478	22589	SH	DEFINED
AMERICAN EXPRESS CO	COM	025816109	817	22500	SH	SOLE
AMERICAN EXPRESS CO	COM	025816109	255276	7028529	SH	DEFINED
AMERICAN INTL GROUP INC	COM	026874107	2661	39000	SH	SOLE
AMERICAN INTL GROUP INC	COM	026874107	568627	8333969	SH	DEFINED
AMERICAN PWR CONVERSION CORP	COM	029066107	135	10700	SH	DEFINED
AMERICAN STD COS INC DEL	COM	029712106	3637	48428	SH	DEFINED
AMERICREDIT CORP	COM	03060R101	875	31200	SH	DEFINED
AMERICREDIT CORP	COM	03060R101	3879	138300	SH	DEFINED
AMERISOURCEBERGEN CORP	COM	03073E105	33699	443408	SH	DEFINED
AMERISOURCEBERGEN CORP	COM	03073E105	1353	17800	SH	DEFINED
AMGEN INC	COM	031162100	13080	312325	SH	DEFINED
AMKOR TECHNOLOGY INC	COM	031652100	162	26000	SH	DEFINED
AMPHENOL CORP NEW	CL A	032095101	328	9100	SH	DEFINED

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ANADARKO PETE CORP	COM	032511107	77586	1573757	SH	DEFINED
ANALOG DEVICES INC	COM	032654105	1042	35100	SH	SOLE
ANALOG DEVICES INC	COM	032654105	63738	2146077	SH	DEFINED
ANDRX GROUP	COM	034553107	801	29700	SH	DEFINED
ANDRX GROUP	COM	034553107	747	27700	SH	DEFINED
ANHEUSER BUSCH COS INC	COM	035229103	127647	2552940	SH	DEFINED
ANTHEM INC	COM	03674B104	2699	40000	SH	DEFINED
ANTHEM INC	COM	03674B104	4386	65000	SH	DEFINED
APARTMENT INVT & MGMT CO	CL A	03748R101	2299	46728	SH	SOLE
APOLLO GROUP INC	CL A	037604105	6730	170735	SH	DEFINED
APOLLO GROUP INC	COM UNV PHOENX	037604204	207	7000	SH	DEFINED
APOGENT TECHNOLOGIES INC	COM	03760A101	94630	4600390	SH	DEFINED
APOGENT TECHNOLOGIES INC	COM	03760A101	461	22400	SH	DEFINED
APPLEBEES INTL INC	COM	037899101	601	26200	SH	DEFINED
APPLERA CORP	COM AP BIO GRP	038020103	1826	93700	SH	DEFINED
APPLIED MATLS INC	COM	038222105	643	33800	SH	SOLE
APPLIED MATLS INC	COM	038222105	143901	7565792	SH	DEFINED
APPLIED MICRO CIRCUITS CORP	COM	03822W109	333	70300	SH	DEFINED
APTARGROUP INC	COM	038336103	873	28400	SH	DEFINED
ARACRUZ CELULOSE S A	SPON ADR CL B	038496204	2567	128334	SH	DEFINED
ARAMARK CORP	CL B	038521100	353	14100	SH	DEFINED
ARCH COAL INC	COM	039380100	1136	50000	SH	DEFINED
ARGONAUT TECHNOLOGIES INC	COM	040175101	89	78455	SH	SOLE
ARROW ELECTRS INC	COM	042735100	3693	177954	SH	DEFINED
AT & T LATIN AMER CORP	COM	04649A106	477	883089	SH	DEFINED
ATMEL CORP	COM	049513104	9149	1461474	SH	DEFINED
AUTOBYTEL INC	COM	05275N106	127	41673	SH	DEFINED
AUTODESK INC	COM	052769106	196	14800	SH	DEFINED
AUTOMATIC DATA PROCESSING IN	COM	053015103	1476	33900	SH	SOLE
AUTOMATIC DATA PROCESSING IN	COM	053015103	201724	4632017	SH	DEFINED
AUTOZONE INC	COM	053332102	2628	34000	SH	DEFINED
AVAYA INC	COM	053499109	108	21900	SH	DEFINED
AVERY DENNISON CORP	COM	053611109	5654	90096	SH	DEFINED
AVON PRODS INC	COM	054303102	1102	21100	SH	SOLE
AVON PRODS INC	COM	054303102	145231	2780077	SH	DEFINED
AXCELIS TECHNOLOGIES INC	COM	054540109	17317	1532453	SH	DEFINED
BISYS GROUP INC	COM	055472104	1721	51675	SH	DEFINED
BISYS GROUP INC	COM	055472104	1185	35600	SH	DEFINED
BJ SVCS CO	COM	055482103	10654	314477	SH	DEFINED
BJS WHOLESALE CLUB INC	COM	05548J106	4457	115755	SH	DEFINED
BP PLC	SPONSORED ADR	055622104	78810	1560904	SH	DEFINED
BMC SOFTWARE INC	COM	055921100	6986	420837	SH	DEFINED
BAKER HUGHES INC	COM	057224107	165434	4969493	SH	DEFINED
BALL CORP	COM	058498106	236	5700	SH	DEFINED
BANK OF AMERICA CORPORATION	COM	060505104	1569	22300	SH	SOLE
BANK OF AMERICA CORPORATION	COM	060505104	331533	4711950	SH	DEFINED
BANK NEW YORK INC	COM	064057102	26922	797683	SH	DEFINED
BANK ONE CORP	COM	06423A103	1220	31700	SH	SOLE
BANK ONE CORP	COM	06423A103	218119	5668383	SH	DEFINED
BANK ONE CORP	COM	06423A103	5657	147000	SH	DEFINED
BANKNORTH GROUP INC NEW	COM	06646R107	14120	542656	SH	DEFINED
BANTA CORP	COM	066821109	1282	35700	SH	DEFINED
BARRICK GOLD CORP	COM	067901108	55793	2938004	SH	DEFINED
BARR LABS INC	COM	068306109	6759	106398	SH	DEFINED
BAXTER INTL INC	COM	071813109	61636	1386626	SH	DEFINED
BEA SYS INC	COM	073325102	8424	885800	SH	DEFINED
BEACON POWER CORP	COM	073677106	629	2857142	SH	DEFINED
BEAZER HOMES USA INC	COM	07556Q105	1160	14500	SH	DEFINED
BECKMAN COULTER INC	COM	075811109	1365	27362	SH	DEFINED
BECTON DICKINSON & CO	COM	075887109	4543	131871	SH	DEFINED
BED BATH & BEYOND INC	COM	075896100	13206	349916	SH	DEFINED
BELLSOUTH CORP	COM	079860102	19090	606028	SH	DEFINED

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BERKSHIRE HATHAWAY INC DEL	CL B	084670207	2011	900	SH	SOLE
BERKSHIRE HATHAWAY INC DEL	CL B	084670207	122948	55035	SH	DEFINED
BEST BUY INC	COM	086516101	7582	208865	SH	DEFINED
BEVERLY ENTERPRISES INC	COM NEW	087851309	1054	138500	SH	DEFINED
BIG LOTS INC	COM	089302103	590	30000	SH	DEFINED
BIOGEN INC	COM	090597105	34639	836076	SH	DEFINED
BIOMET INC	COM	090613100	3412	125800	SH	DEFINED
BIOMET INC	COM	090613100	515	19000	SH	DEFINED
BLACK & DECKER CORP	COM	091797100	1726	35800	SH	DEFINED
BLACK BOX CORP DEL	COM	091826107	933	22900	SH	DEFINED
BLACKROCK INC	CL A	09247X101	32916	743025	SH	DEFINED
BLACKROCK INC	CL A	09247X101	1085	24500	SH	DEFINED
BLOCK H & R INC	COM	093671105	6474	140287	SH	DEFINED
BOEING CO	COM	097023105	33704	748969	SH	DEFINED
BORG WARNER INC	COM	099724106	913	15800	SH	DEFINED
BOWATER INC	COM	102183100	57075	1049757	SH	DEFINED
BRINKER INTL INC	COM	109641100	1341	42248	SH	DEFINED
BRISTOL MYERS SQUIBB CO	COM	110122108	830	32300	SH	SOLE
BRISTOL MYERS SQUIBB CO	COM	110122108	127937	4978077	SH	DEFINED
BROADCOM CORP	CL A	111320107	1931	110088	SH	DEFINED
BROADWING INC	COM	111620100	27267	10487410	SH	DEFINED
BROADWING INC	COM	111620100	837	322000	SH	DEFINED
BROCADE COMMUNICATIONS SYS I	COM	111621108	88	5008	SH	SOLE
BROCADE COMMUNICATIONS SYS I	COM	111621108	1916	109600	SH	DEFINED
BROCADE COMMUNICATIONS SYS I	COM	111621108	470	26900	SH	DEFINED
BROWN & BROWN INC	COM	115236101	715	22700	SH	DEFINED
BROWN FORMAN CORP	CL B	115637209	1125	16300	SH	DEFINED
BULL RUN CORP GA	COM	120182100	1447	1608251	SH	DEFINED
BULL RUN CORP GA	COM	120182100	1481	1645000	SH	DEFINED
BURLINGTON NORTHN SANTA FE C	COM	12189T104	1503	50100	SH	SOLE
BURLINGTON NORTHN SANTA FE C	COM	12189T104	130687	4356242	SH	DEFINED
BURLINGTON RES INC	COM	122014103	1083	28500	SH	SOLE
BURLINGTON RES INC	COM	122014103	100498	2644694	SH	DEFINED
CDW COMPUTER CTRS INC	COM	125129106	6595	140899	SH	DEFINED
CDW COMPUTER CTRS INC	COM	125129106	492	10500	SH	DEFINED
CEC ENTMT INC	COM	125137109	21	511	SH	SOLE
CEC ENTMT INC	COM	125137109	2870	69500	SH	DEFINED
C H ROBINSON WORLDWIDE INC	COM	12541W100	1054	31436	SH	DEFINED
CNF INC	COM	12612W104	1588	41800	SH	DEFINED
CNET NETWORKS INC	COM	12613R104	1079	541975	SH	DEFINED
CSG SYS INTL INC	COM	126349109	474	24790	SH	DEFINED
CSX CORP	COM	126408103	1299	37069	SH	DEFINED
CVS CORP	COM	126650100	4634	151427	SH	DEFINED
CABLEVISION SYS CORP	CL A RAINB MED	12686C844	148185	16935472	SH	DEFINED
CABOT CORP	COM	127055101	4936	172297	SH	DEFINED
CADENCE DESIGN SYSTEM INC	COM	127387108	9021	559626	SH	DEFINED
CALPINE CORP	COM	131347106	626	89100	SH	DEFINED
CAMINUS CORP	COM	133766105	591	101300	SH	DEFINED
CANADIAN PAC RY LTD	COM	13645T100	9156	373409	SH	DEFINED
CAPITAL ONE FINL CORP	COM	14040H105	83897	1374234	SH	DEFINED
CAPSTONE TURBINE CORP	COM	14067D102	54	32542	SH	SOLE
CARDINAL HEALTH INC	COM	14149Y108	2002	32600	SH	SOLE
CARDINAL HEALTH INC	COM	14149Y108	570813	9295110	SH	DEFINED
CAREER EDUCATION CORP	COM	141665109	950	21100	SH	DEFINED
CAREMARK RX INC	COM	141705103	22761	1379457	SH	DEFINED
CAREMARK RX INC	COM	141705103	551	33400	SH	DEFINED
CARNIVAL CORP	COM	143658102	144979	5235785	SH	DEFINED
CATALINA MARKETING CORP	COM	148867104	124877	4425120	SH	DEFINED
CATALYTICA ENERGY SYS INC	COM	148884109	579	183120	SH	DEFINED
CATELLUS DEV CORP	COM	149111106	611	29900	SH	DEFINED
CATERPILLAR INC DEL	COM	149123101	3958	80860	SH	DEFINED
CELGENE CORP	COM	151020104	543	35500	SH	DEFINED

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CENDANT CORP	COM	151313103	4242	267137	SH	DEFINED
CENTURYTEL INC	COM	156700106	779	26400	SH	DEFINED
CEPHALON INC	COM	156708109	981	21700	SH	DEFINED
CEPHALON INC	COM	156708109	249	5500	SH	DEFINED
CERIDIAN CORP NEW	COM	156779100	1033	54450	SH	DEFINED
CERNER CORP	COM	156782104	627	13100	SH	DEFINED
CERTEGY INC	COM	156880106	961	25900	SH	SOLE
CERTEGY INC	COM	156880106	167330	4509020	SH	DEFINED
CHARLES & COLVARD LTD	COM	159765106	583	122737	SH	DEFINED
CHARLES RIV LABS INTL INC	COM	159864107	733	20900	SH	DEFINED
CHARLES RIV LABS INTL INC	COM	159864107	470	13400	SH	DEFINED
CHARTER ONE FINL INC	COM	160903100	636	18500	SH	DEFINED
CHARTER COMMUNICATIONS INC D	CL A	16117M107	13851	3394843	SH	DEFINED
CHECKFREE CORP NEW	COM	162813109	228	14600	SH	DEFINED
CHEESECAKE FACTORY INC	COM	163072101	840	23673	SH	DEFINED
CHEVRONTEXACO CORP	COM	166764100	216815	2449892	SH	DEFINED
CHICOS FAS INC	COM	168615102	617	17000	SH	DEFINED
CHINA MOBILE HONG KONG LTD	SPONSORED ADR	16941M109	4561	311985	SH	DEFINED
CHIRON CORP	COM	170040109	1545	43700	SH	DEFINED
CHOICEPOINT INC	COM	170388102	2953	64943	SH	DEFINED
CHOICEPOINT INC	COM	170388102	136	3000	SH	DEFINED
CHOICE ONE COMMUNICATION INC	COM	17038P104	235	264602	SH	DEFINED
CHORDIANT SOFTWARE INC	COM	170404107	509	261000	SH	DEFINED
CHUBB CORP	COM	171232101	17259	243771	SH	DEFINED
CHURCH & DWIGHT INC	COM	171340102	312	9971	SH	DEFINED
CIENA CORP	COM	171779101	424	101100	SH	DEFINED
CIRCUIT CITY STORE INC	CIRCT CITY GRP	172737108	2095	111727	SH	DEFINED
CIRCUIT CITY STORE INC	CARMAX GROUP	172737306	251	11600	SH	DEFINED
CISCO SYS INC	COM	17275R102	2370	169922	SH	SOLE
CISCO SYS INC	COM	17275R102	247317	17728814	SH	DEFINED
CINTAS CORP	COM	172908105	3100	62724	SH	DEFINED
CITIGROUP INC	COM	172967101	2519	65000	SH	SOLE
CITIGROUP INC	COM	172967101	886073	22866394	SH	DEFINED
CITIGROUP INC	COM	172967101	3119	80501	SH	DEFINED
CITIZENS COMMUNICATIONS CO	COM	17453B101	514	61500	SH	DEFINED
CITRIX SYS INC	COM	177376100	452	74900	SH	DEFINED
CLEAR CHANNEL COMMUNICATIONS	COM	184502102	7063	220568	SH	DEFINED
CLOROX CO DEL	COM	189054109	1609	38900	SH	DEFINED
COACH INC	COM	189754104	1142	20793	SH	DEFINED
COACH INC	COM	189754104	467	8500	SH	DEFINED
COCA COLA CO	COM	191216100	43109	769801	SH	DEFINED
COCA COLA ENTERPRISES INC	COM	191219104	2206	99920	SH	DEFINED
COCA-COLA FEMSA S A DE C V	SPON ADR REP L	191241108	1727	71954	SH	DEFINED
COLGATE PALMOLIVE CO	COM	194162103	140460	2806398	SH	DEFINED
COMCAST CORP	CL A SPL	200300200	1778	74600	SH	SOLE
COMCAST CORP	CL A SPL	200300200	232953	9771535	SH	DEFINED
COMERICA INC	COM	200340107	9858	160559	SH	DEFINED
COMMERCE BANCORP INC NJ	COM	200519106	1202	27190	SH	DEFINED
COMMERCE ONE INC DEL	COM	200693109	6	15587	SH	DEFINED
COMMUNITY HEALTH SYS INC NEW	COM	203668108	1849	69000	SH	DEFINED
COMPUTER ASSOC INTL INC	COM	204912109	415	26100	SH	DEFINED
COMPUTER SCIENCES CORP	COM	205363104	7355	153870	SH	DEFINED
COMPUWARE CORP	COM	205638109	421	69300	SH	DEFINED
COMVERSE TECHNOLOGY INC	COM PAR \$0.10	205862402	407	43900	SH	DEFINED
COMVERSE TECHNOLOGY INC	COM PAR \$0.10	205862402	732	79000	SH	DEFINED
CONAGRA FOODS INC	COM	205887102	9129	330156	SH	DEFINED
CONCORD EFS INC	COM	206197105	24575	815373	SH	DEFINED
CONEXANT SYSTEMS INC	COM	207142100	1	524	SH	SOLE
CONEXANT SYSTEMS INC	COM	207142100	98	60700	SH	DEFINED
CONOCO INC	COM	208251504	101247	3641962	SH	DEFINED
CONSECO INC	COM	208464107	3327	1663408	SH	SOLE
CONSOL ENERGY INC	COM	20854P109	206	9700	SH	DEFINED

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CONSTELLATION BRANDS INC	CL A	21036P108	451	14100	SH	DEFINED
CONTINENTAL AIRLS INC	CL B	210795308	209	13261	SH	SOLE
CONVERGYS CORP	COM	212485106	29624	1520739	SH	DEFINED
CONVERGYS CORP	COM	212485106	1944	99800	SH	DEFINED
COOPER CAMERON CORP	COM	216640102	975	20139	SH	DEFINED
COPART INC	COM	217204106	510	31402	SH	DEFINED
CORNING INC	COM	219350105	1594	449151	SH	DEFINED
CORNING INC	COM	219350105	327	92100	SH	DEFINED
CORVIS CORP	COM	221009103	24	37448	SH	SOLE
COSTCO WHSL CORP NEW	COM	22160K105	24025	622077	SH	DEFINED
COUNTRYWIDE CR INDS INC DEL	COM	222372104	4154	86100	SH	DEFINED
COVENTRY HEALTH CARE INC	COM	222862104	1171	41200	SH	DEFINED
COX RADIO INC	CL A	224051102	1174	48700	SH	DEFINED
CREE INC	COM	225447101	33075	2500000	SH	DEFINED
CROSS CTRY INC	COM	22748P105	386	10200	SH	DEFINED
CROWN CORK & SEAL INC	COM	228255105	2803	409200	SH	DEFINED
CUBIST PHARMACEUTICALS INC	COM	229678107	345	36700	SH	DEFINED
CUMULUS MEDIA INC	CL A	231082108	3565	258728	SH	SOLE
CUMULUS MEDIA INC	CL A	231082108	1350	98000	SH	DEFINED
CYMER INC	COM	232572107	557	15900	SH	DEFINED
CYPRESS SEMICONDUCTOR CORP	COM	232806109	1686	111087	SH	DEFINED
CYTEC INDS INC	COM	232820100	1226	39000	SH	DEFINED
CYTYC CORP	COM	232946103	40	5220	SH	SOLE
CYTYC CORP	COM	232946103	439	57560	SH	DEFINED
CYTYC CORP	COM	232946103	174	22800	SH	DEFINED
D R HORTON INC	COM	23331A109	242	9300	SH	DEFINED
DST SYS INC DEL	COM	233326107	7596	166175	SH	DEFINED
DST SYS INC DEL	COM	233326107	1111	24300	SH	DEFINED
DSP GROUP INC	COM	23332B106	4958	252976	SH	DEFINED
DTE ENERGY CO	COM	233331107	1786	40000	SH	DEFINED
DAISYTEK INTL CORP	COM	234053106	1426	84100	SH	DEFINED
DANAHER CORP DEL	COM	235851102	25744	388008	SH	DEFINED
DANIELSON HLDG CORP	COM	236274106	86	17489	SH	SOLE
DANIELSON HLDG CORP	COM	236274106	86	17489	SH	DEFINED
DARDEN RESTAURANTS INC	COM	237194105	2008	81300	SH	DEFINED
DEERE & CO	COM	244199105	4051	84565	SH	DEFINED
DELL COMPUTER CORP	COM	247025109	2295	87800	SH	SOLE
DELL COMPUTER CORP	COM	247025109	315140	12055862	SH	DEFINED
DELPHI CORP	COM	247126105	54432	4123640	SH	DEFINED
DELTA AIR LINES INC DEL	COM	247361108	433	21670	SH	DEFINED
DELTAGEN INC	COM	24783R103	54	22180	SH	SOLE
DELUXE CORP	COM	248019101	1174	30200	SH	DEFINED
DENTSPLY INTL INC NEW	COM	249030107	93053	2521087	SH	DEFINED
DEVON ENERGY CORP NEW	COM	25179M103	23533	477541	SH	DEFINED
DEVRY INC DEL	COM	251893103	611	26767	SH	DEFINED
DIAGNOSTIC PRODS CORP	COM	252450101	381	10300	SH	DEFINED
DIAL CORP NEW	COM	25247D101	464	23163	SH	DEFINED
DIAMOND OFFSHORE DRILLING IN	COM	25271C102	465	16300	SH	DEFINED
DIGITALTHINK INC	COM	25388M100	1614	1152961	SH	DEFINED
DIGITAL GENERATION SYS INC	COM	253921100	1036	933520	SH	SOLE
DISNEY WALT CO	COM DISNEY	254687106	1336	70700	SH	SOLE
DISNEY WALT CO	COM DISNEY	254687106	72119	3815807	SH	DEFINED
DIVINE INC	CL A NEW	255402406	181	46303	SH	DEFINED
DOCENT INC	COM	25608L106	489	425532	SH	DEFINED
DR REDDYS LABS LTD	ADR	256135203	5812	299571	SH	DEFINED
DOCUMENTUM INC	COM	256159104	792	66000	SH	DEFINED
DOLLAR GEN CORP	COM	256669102	2516	132200	SH	DEFINED
DOLLAR TREE STORES INC	COM	256747106	2104	53382	SH	DEFINED
DOLLAR TREE STORES INC	COM	256747106	751	19050	SH	DEFINED
DOMINION RES INC VA NEW	COM	25746U109	161662	2442018	SH	DEFINED
DONALDSON INC	COM	257651109	424	12099	SH	DEFINED
DONNELLEY R R & SONS CO	COM	257867101	209	7600	SH	DEFINED

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DORAL FINL CORP	COM	25811P100	447	13400	SH	DEFINED
DOVER CORP	COM	260003108	1607	45900	SH	SOLE
DOVER CORP	COM	260003108	273507	7814488	SH	DEFINED
DOVER CORP	COM	260003108	1019	29100	SH	DEFINED
DOW CHEM CO	COM	260543103	16175	470483	SH	DEFINED
DOW JONES & CO INC	COM	260561105	717	14800	SH	DEFINED
DREYERS GRAND ICE CREAM INC	COM	261878102	336	4900	SH	DEFINED
DU PONT E I DE NEMOURS & CO	COM	263534109	41000	923418	SH	DEFINED
DUKE ENERGY CORP	COM	264399106	110105	3540369	SH	DEFINED
DUN & BRADSTREET CORP DEL NE	COM	26483E100	925	27998	SH	DEFINED
DUPONT PHOTOMASKS INC	COM	26613X101	477	14700	SH	DEFINED
DUPONT PHOTOMASKS INC	COM	26613X101	120	3700	SH	DEFINED
DYNEGY INC NEW	CL A	26816Q101	990	137466	SH	DEFINED
ECI TELECOM LTD	ORD	268258100	278	92738	SH	DEFINED
E M C CORP MASS	COM	268648102	5259	696589	SH	DEFINED
ENSCO INTL INC	COM	26874Q100	7330	268894	SH	DEFINED
EOG RES INC	COM	26875P101	11607	292368	SH	DEFINED
E PIPHANY INC	COM	26881V100	516	117600	SH	DEFINED
E TRADE GROUP INC	COM	269246104	338	61900	SH	DEFINED
EASTMAN KODAK CO	COM	277461109	3325	114000	SH	DEFINED
EASYLINK SVCS CORP	CL A NEW	27784T200	297	237268	SH	DEFINED
EATON CORP	COM	278058102	30674	421635	SH	DEFINED
EATON VANCE CORP	COM NON VTG	278265103	860	27575	SH	DEFINED
EBAY INC	COM	278642103	2791	45300	SH	DEFINED
ECOLAB INC	COM	278865100	2802	60600	SH	DEFINED
ECOLAB INC	COM	278865100	1623	35100	SH	DEFINED
EDISON INTL	COM	281020107	1131	66500	SH	DEFINED
EDUCATION MGMT CORP	COM	28139T101	470	11532	SH	DEFINED
J D EDWARDS & CO	COM	281667105	573	47200	SH	DEFINED
EDWARDS AG INC	COM	281760108	5543	142600	SH	DEFINED
EDWARDS LIFESCIENCES CORP	COM	28176E108	451	19441	SH	DEFINED
EL PASO CORP	COM	28336L109	9091	441085	SH	DEFINED
ELECTRONIC ARTS INC	COM	285512109	9316	141052	SH	DEFINED
ELECTRONIC DATA SYS NEW	COM	285661104	122601	3300173	SH	DEFINED
ELIZABETH ARDEN INC	COM	28660G106	1453	83000	SH	DEFINED
EMCORE CORP	COM	290846104	1380	230020	SH	DEFINED
EMCOR GROUP INC	COM	29084Q100	857	14600	SH	DEFINED
EMERSON ELEC CO	COM	291011104	2146	40100	SH	SOLE
EMERSON ELEC CO	COM	291011104	230726	4311823	SH	DEFINED
EMMIS COMMUNICATIONS CORP	CL A	291525103	1888	89100	SH	DEFINED
EMPRESA NACIONAL DE ELCTRCID	SPONSORED ADR	29244T101	1840	230293	SH	DEFINED
EMULEX CORP	COM NEW	292475209	687	30500	SH	DEFINED
EMULEX CORP	COM NEW	292475209	486	21600	SH	DEFINED
ENERGIZER HLDGS INC	COM	29266R108	15322	558774	SH	DEFINED
ENTERCOM COMMUNICATIONS CORP	CL A	293639100	1864	40607	SH	DEFINED
ENTERCOM COMMUNICATIONS CORP	CL A	293639100	1047	22800	SH	DEFINED
ENTERGY CORP NEW	COM	29364G103	66909	1576552	SH	DEFINED
ENTERGY CORP NEW	COM	29364G103	980	23100	SH	DEFINED
EQUIFAX INC	COM	294429105	1750	64800	SH	SOLE
EQUIFAX INC	COM	294429105	179564	6650534	SH	DEFINED
EQUITY OFFICE PROPERTIES TRU	COM	294741103	2692	89433	SH	DEFINED
EQUITY RESIDENTIAL	SH BEN INT	29476L107	6	200	SH	SOLE
EQUITY RESIDENTIAL	SH BEN INT	29476L107	2964	103090	SH	DEFINED
ETHAN ALLEN INTERIORS INC	COM	297602104	279	8000	SH	DEFINED
EXELON CORP	COM	30161N101	64735	1237770	SH	DEFINED
EXPEDIA INC	CL A	302125109	273	4600	SH	DEFINED
EXPEDITORS INTL WASH INC	COM	302130109	1464	44144	SH	DEFINED
EXPRESS SCRIPTS INC	COM	302182100	1489	29708	SH	DEFINED
EXTENDED STAY AMER INC	COM	30224P101	1015	62600	SH	DEFINED
EXTREME NETWORKS INC	COM	30226D106	389	38600	SH	DEFINED
EXXON MOBIL CORP	COM	30231G102	3257	79600	SH	SOLE
EXXON MOBIL CORP	COM	30231G102	764170	18674722	SH	DEFINED



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FLIR SYS INC	COM	302445101	701	16700	SH	DEFINED
FAIR ISAAC & CO INC	COM	303250104	1673	50900	SH	DEFINED
FAIRCHILD SEMICONDUCTOR INTL	CL A	303726103	1237	50888	SH	DEFINED
FAMILY DLR STORES INC	COM	307000109	4726	134081	SH	DEFINED
FAMILY DLR STORES INC	COM	307000109	1001	28400	SH	DEFINED
FASTENAL CO	COM	311900104	1061	27550	SH	DEFINED
FEDERAL HOME LN MTG CORP	COM	313400301	84099	1374166	SH	DEFINED
FEDERAL NATL MTG ASSN	COM	313586109	2744	37200	SH	SOLE
FEDERAL NATL MTG ASSN	COM	313586109	564614	7655785	SH	DEFINED
FEDERATED DEPT STORES INC DE	COM	31410H101	0	4	SH	SOLE
FEDERATED DEPT STORES INC DE	COM	31410H101	79379	1999472	SH	DEFINED
FEDERATED INVS INC PA	CL B	314211103	1338	38700	SH	DEFINED
FEDEX CORP	COM	31428X106	4985	93356	SH	DEFINED
FIDELITY NATIONAL SOLTNS INC	COM	31620P109	1432	59671	SH	DEFINED
FIDELITY NATL FINL INC	COM	316326107	23973	758634	SH	DEFINED
FIFTH THIRD BANCORP	COM	316773100	46492	697553	SH	DEFINED
FIRST DATA CORP	COM	319963104	1384	37200	SH	SOLE
FIRST DATA CORP	COM	319963104	641435	17242880	SH	DEFINED
FIRST HEALTH GROUP CORP	COM	320960107	1333	47532	SH	DEFINED
FIRST TENN NATL CORP	COM	337162101	1642	42863	SH	DEFINED
FIRST TENN NATL CORP	COM	337162101	839	21900	SH	DEFINED
FIRST VIRTUAL COMMUNICATIONS	COM	337484109	184	408204	SH	SOLE
FISERV INC	COM	337738108	8054	219390	SH	DEFINED
FIRSTENERGY CORP	COM	337932107	3338	100000	SH	DEFINED
FISHER SCIENTIFIC INTL INC	COM NEW	338032204	717	25600	SH	DEFINED
FLEETBOSTON FINL CORP	COM	339030108	96988	2998074	SH	DEFINED
FLEETBOSTON FINL CORP	COM	339030108	2588	80000	SH	DEFINED
FLEMING COS INC	COM	339130106	891	49100	SH	DEFINED
FLUOR CORP NEW	COM	343412102	234	6000	SH	DEFINED
FLOWSERVE CORP	COM	34354P105	682	22902	SH	DEFINED
FOOT LOCKER INC	COM	344849104	361	25000	SH	DEFINED
FORD MTR CO DEL	COM PAR \$0.01	345370860	10446	652880	SH	DEFINED
FOREST LABS INC	COM	345838106	1777	25100	SH	DEFINED
FOREST OIL CORP	COM PAR \$0.01	346091705	205	7200	SH	DEFINED
FRANKLIN RES INC	COM	354613101	1343	31500	SH	DEFINED
FREEMPORT-MCMORAN COPPER & GO	CL B	35671D857	614	34400	SH	DEFINED
FURNITURE BRANDS INTL INC	COM	360921100	466	15400	SH	DEFINED
GATX CORP	COM	361448103	783	26000	SH	DEFINED
GALLAGHER ARTHUR J & CO	COM	363576109	1399	40380	SH	DEFINED
GANNETT INC	COM	364730101	1564	20600	SH	SOLE
GANNETT INC	COM	364730101	70839	933314	SH	DEFINED
GAP INC DEL	COM	364760108	5379	378811	SH	DEFINED
GATEWAY INC	COM	367626108	895	201500	SH	DEFINED
GEMSTAR-TV GUIDE INTL INC	COM	36866W106	285	52800	SH	DEFINED
GENAISSANCE PHARMACEUTICALS	COM	36867W105	27	20463	SH	SOLE
GENCORP INC	COM	368682100	1124	78600	SH	DEFINED
GENENTECH INC	COM NEW	368710406	3837	114550	SH	DEFINED
GENERAL DYNAMICS CORP	COM	369550108	231610	2177812	SH	DEFINED
GENERAL ELEC CO	COM	369604103	2900184	99834222	SH	DEFINED
GENERAL MLS INC	COM	370334104	109802	2490975	SH	DEFINED
GENERAL MTRS CORP	COM	370442105	11368	212691	SH	DEFINED
GENERAL MTRS CORP	COM	370442105	2245	42000	SH	DEFINED
GENESIS HEALTH VENTURE INC N	COM	37183F107	27990	1393216	SH	SOLE
GENESIS HEALTH VENTURE INC N	COM	37183F107	1087	54100	SH	DEFINED
GENTEX CORP	COM	371901109	974	35463	SH	DEFINED
GENZYME CORP	COM GENL DIV	372917104	2471	128450	SH	DEFINED
GENZYME CORP	COM GENL DIV	372917104	745	38700	SH	DEFINED
GETTY IMAGES INC	COM	374276103	927	42600	SH	DEFINED
GILEAD SCIENCES INC	COM	375558103	8792	267410	SH	DEFINED
GILEAD SCIENCES INC	COM	375558103	1006	30600	SH	DEFINED
GILLETTE CO	COM	375766102	86273	2547188	SH	DEFINED
GLOBAL PMTS INC	COM	37940X102	482	16200	SH	DEFINED

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GLOBAL POWER EQUIPMENT INC	COM		37941P108	4697	474462	SH	SOLE
GLOBESPANVIRATA INC	COM		37957V106	86	22176	SH	DEFINED
GOLD FIELDS LTD NEW	SPONSORED ADR		38059T106	2327	207420	SH	DEFINED
GOLDEN ST BANCORP INC	COM		381197102	14301	394517	SH	DEFINED
GOLDMAN SACHS GROUP INC	COM		38141G104	1034	14100	SH	DEFINED
GRACO INC	COM		384109104	561	22300	SH	DEFINED
GRACO INC	COM		384109104	788	31350	SH	DEFINED
GRANT PRIDECO INC	COM		38821G101	567	41670	SH	DEFINED
GRIC COMMUNICATIONS INC	COM		398081109	539	357142	SH	DEFINED
GRUPO TELEVISIA SA DE CV	SP ADR REP ORD		40049J206	56146	1502045	SH	DEFINED
GTECH HLDGS CORP	COM		400518106	450	17618	SH	DEFINED
GRUPO AEROPORTUARIO DEL SURE	SPON ADR SER B		40051E202	6231	483040	SH	DEFINED
GUIDANT CORP	COM		401698105	11674	386174	SH	DEFINED
HCA INC	COM		404119109	8254	173768	SH	DEFINED
HCC INS HLDGS INC	COM		404132102	1692	64200	SH	DEFINED
HALLIBURTON CO	COM		406216101	1631	102300	SH	DEFINED
HANCOCK JOHN FINL SVCS INC	COM		41014S106	28	809	SH	SOLE
HANCOCK JOHN FINL SVCS INC	COM		41014S106	15768	447948	SH	DEFINED
HARLEY DAVIDSON INC	COM		412822108	4930	96151	SH	DEFINED
HARMAN INTL INDS INC	COM		413086109	601	12200	SH	DEFINED
HARMONY GOLD MNG LTD	SPONSORED ADR		413216300	3616	267234	SH	DEFINED
HARRAHS ENTMT INC	COM		413619107	4925	111040	SH	DEFINED
HARRIS CORP DEL	COM		413875105	4339	119725	SH	DEFINED
HARTE-HANKS INC	COM		416196103	436	21233	SH	DEFINED
HARTFORD FINL SVCS GROUP INC	COM		416515104	242602	4079398	SH	DEFINED
HEALTHSOUTH CORP	COM		421924101	168	13100	SH	DEFINED
HEALTHSOUTH CORP	SDCV	3.250% 4/0	421924AF8	24998	25250000	PRN	SOLE
HEALTH MGMT ASSOC INC NEW	CL A		421933102	2283	113300	SH	DEFINED
HEALTH MGMT ASSOC INC NEW	CL A		421933102	443	22000	SH	DEFINED
HEALTHEXTRAS INC	COM		422211102	99	19567	SH	DEFINED
HEALTH NET INC	COM		42222G108	256	9550	SH	DEFINED
HEALTHSTREAM INC	COM		42222N103	604	428238	SH	DEFINED
HENRY JACK & ASSOC INC	COM		426281101	533	31922	SH	DEFINED
HENRY JACK & ASSOC INC	COM		426281101	552	33100	SH	DEFINED
HERSHEY FOODS CORP	COM		427866108	37694	603096	SH	DEFINED
HEWLETT PACKARD CO	COM		428236103	45417	2972332	SH	DEFINED
HILTON HOTELS CORP	COM		432848109	43843	3154154	SH	DEFINED
HISPANIC BROADCASTING CORP	CL A		43357B104	2636	101010	SH	DEFINED
HOME DEPOT INC	COM		437076102	1763	48000	SH	SOLE
HOME DEPOT INC	COM		437076102	397093	10811123	SH	DEFINED
HONEYWELL INTL INC	COM		438516106	139130	3949191	SH	DEFINED
HOOVERS INC	COM		439321100	1113	206045	SH	DEFINED
HOUSEHOLD INTL INC	COM		441815107	5525	111161	SH	DEFINED
HUANENG PWR INTL INC	SPON ADR N		443304100	5525	171485	SH	DEFINED
HUGOTON RTY TR TEX	UNIT BEN INT		444717102	7829	738600	SH	DEFINED
HUMAN GENOME SCIENCES INC	COM		444903108	379	28300	SH	DEFINED
ICN PHARMACEUTICALS INC NEW	COM		448924100	983	40600	SH	DEFINED
IDEC PHARMACEUTICALS CORP	COM		449370105	7425	209438	SH	DEFINED
IDEC PHARMACEUTICALS CORP	COM		449370105	730	20600	SH	DEFINED
IMS HEALTH INC	COM		449934108	34521	1923156	SH	DEFINED
ISTAR FINL INC	COM		45031U101	1448	50800	SH	DEFINED
ITT EDUCATIONAL SERVICES INC	COM		45068B109	1711	78500	SH	DEFINED
ITT INDS INC IND	COM		450911102	11521	163193	SH	DEFINED
IDEXX LABS INC	COM		45168D104	650	25200	SH	DEFINED
ILLINOIS TOOL WKS INC	COM		452308109	2089	30584	SH	DEFINED
IMMUNEX CORP NEW	COM		452528102	5180	231889	SH	DEFINED
INDYMAC BANCORP INC	COM		456607100	1989	87700	SH	DEFINED
INFORMATICA CORP	COM		45666Q102	246	34700	SH	DEFINED
INGRAM MICRO INC	CL A		457153104	146	10600	SH	DEFINED
INTEGRATED DEVICE TECHNOLOGY	COM		458118106	1471	81076	SH	DEFINED
INTEGRATED DEVICE TECHNOLOGY	COM		458118106	619	34100	SH	DEFINED
INTEGRATED CIRCUIT SYS INC	COM		45811K208	448	22200	SH	DEFINED

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INTEL CORP	COM	458140100	1496	81900	SH	SOLE
INTEL CORP	COM	458140100	339042	18557324	SH	DEFINED
INTEGRATED DEFENSE TECHNOLOG	COM	45819B101	7715	262145	SH	DEFINED
INTERCEPT INC	COM	45845L107	307	14800	SH	DEFINED
INTERFACE INC	CL A	458665106	653	81200	SH	DEFINED
INTERMUNE INC	COM	45884X103	405	19200	SH	DEFINED
INTERNAP NETWORK SVCS CORP	COM	45885A102	9	41244	SH	DEFINED
INTERNATIONAL BUSINESS MACHS	COM	459200101	1901	26400	SH	SOLE
INTERNATIONAL BUSINESS MACHS	COM	459200101	226343	3143647	SH	DEFINED
INTERNATIONAL BUSINESS MACHS	COM	459200101	1512	21000	SH	DEFINED
INTERNATIONAL FLAVORS&FRAGRA	COM	459506101	497	15300	SH	DEFINED
INTERNATIONAL GAME TECHNOLOG	COM	459902102	3185	56174	SH	DEFINED
INTERNATIONAL GAME TECHNOLOG	COM	459902102	1304	23000	SH	DEFINED
INTL PAPER CO	COM	460146103	6563	150599	SH	DEFINED
INTERNATIONAL RECTIFIER CORP	COM	460254105	2939	100839	SH	DEFINED
INTERNATIONAL SPEEDWAY CORP	CL A	460335201	260	6474	SH	DEFINED
INTERNET CAP GROUP INC	COM	46059C106	1800	6666682	SH	DEFINED
INTERNET SEC SYS INC	COM	46060X107	363	27700	SH	DEFINED
INTERPUBLIC GROUP COS INC	COM	460690100	1949	78700	SH	SOLE
INTERPUBLIC GROUP COS INC	COM	460690100	127987	5169122	SH	DEFINED
INTERSIL CORP	CL A	46069S109	1840	86074	SH	DEFINED
INTERSTATE BAKERIES CORP DEL	COM	46072H108	1450	50200	SH	DEFINED
INTUIT	COM	461202103	287242	5777196	SH	DEFINED
INVACARE CORP	COM	461203101	1184	32000	SH	DEFINED
INVESTMENT TECHNOLOGY GRP NE	COM	46145F105	754	23067	SH	DEFINED
INVESTMENT TECHNOLOGY GRP NE	COM	46145F105	203	6200	SH	DEFINED
INVITROGEN CORP	COM	46185R100	349	10900	SH	DEFINED
INVITROGEN CORP	COM	46185R100	182	5700	SH	DEFINED
INVESTORS FINL SERVICES CORP	COM	461915100	1012	30171	SH	DEFINED
INVESTORS FINL SERVICES CORP	COM	461915100	596	17768	SH	DEFINED
IRON MTN INC PA	COM	462846106	586	19000	SH	DEFINED
I3 MOBILE INC	COM	465713105	436	631250	SH	DEFINED
I2 TECHNOLOGIES INC	COM	465754109	106	71400	SH	DEFINED
IVAX CORP	COM	465823102	2611	241770	SH	DEFINED
IVAX CORP	COM	465823102	681	63100	SH	DEFINED
IVILLAGE INC	COM	46588H105	2338	1855359	SH	DEFINED
IVILLAGE INC	COM	46588H105	20	15689	SH	DEFINED
IXYS CORP	COM	46600W106	125	23284	SH	DEFINED
JDS UNIPHASE CORP	COM	46612J101	1906	713910	SH	DEFINED
J P MORGAN CHASE & CO	COM	46625H100	739	21800	SH	SOLE
J P MORGAN CHASE & CO	COM	46625H100	38890	1146523	SH	DEFINED
J P MORGAN CHASE & CO	COM	46625H100	4410	130000	SH	DEFINED
JABIL CIRCUIT INC	COM	466313103	1404	66500	SH	DEFINED
JABIL CIRCUIT INC	COM	466313103	578	27400	SH	DEFINED
JACOBS ENGR GROUP INC DEL	COM	469814107	7722	222031	SH	DEFINED
JOHN NUVEEN CO	CL A	478035108	260	10100	SH	DEFINED
JOHNSON & JOHNSON	COM	478160104	1184	22654	SH	SOLE
JOHNSON & JOHNSON	COM	478160104	617459	11815141	SH	DEFINED
JOHNSON CTLS INC	COM	478366107	2836	34753	SH	DEFINED
JONES APPAREL GROUP INC	COM	480074103	6752	180052	SH	DEFINED
JUNIPER NETWORKS INC	COM	48203R104	675	119500	SH	DEFINED
JUNIPER NETWORKS INC	COM	48203R104	84	14800	SH	DEFINED
KLA-TENCOR CORP	COM	482480100	7168	162940	SH	DEFINED
KPMG CONSULTING INC	COM	48265R109	994	66900	SH	DEFINED
KELLOGG CO	COM	487836108	5018	139939	SH	DEFINED
KEMET CORP	COM	488360108	1259	70500	SH	DEFINED
KENNAMETAL INC	COM	489170100	977	26700	SH	DEFINED
KIMBERLY CLARK CORP	COM	494368103	1792	28900	SH	SOLE
KIMBERLY CLARK CORP	COM	494368103	152619	2461593	SH	DEFINED
KINDER MORGAN INC KANS	COM	49455P101	3622	95275	SH	DEFINED
KING PHARMACEUTICALS INC	COM	495582108	3367	151305	SH	DEFINED
KING PHARMACEUTICALS INC	COM	495582108	234	10500	SH	DEFINED

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KNIGHT RIDDER INC	COM	499040103	1353	21500	SH	DEFINED
KOHL'S CORP	COM	500255104	4815	68713	SH	DEFINED
KOOKMIN BK NEW	SPONSORED ADR	50049M109	12786	260138	SH	DEFINED
KRAFT FOODS INC	CL A	50075N104	4886	119320	SH	DEFINED
KRISPY KREME DOUGHNUTS INC	COM	501014104	624	19400	SH	DEFINED
KRISPY KREME DOUGHNUTS INC	COM	501014104	470	14600	SH	DEFINED
KROGER CO	COM	501044101	24671	1239749	SH	DEFINED
KROGER CO	COM	501044101	2866	144000	SH	DEFINED
KYPHON INC	COM	501577100	257	17601	SH	SOLE
LSI LOGIC CORP	COM	502161102	760	86900	SH	DEFINED
LTX CORP	COM	502392103	280	19600	SH	DEFINED
L-3 COMMUNICATIONS HLDGS INC	COM	502424104	5194	96193	SH	DEFINED
L-3 COMMUNICATIONS HLDGS INC	COM	502424104	454	8400	SH	DEFINED
LABORATORY CORP AMER HLDGS	COM NEW	50540R409	3054	66900	SH	DEFINED
LABORATORY CORP AMER HLDGS	COM NEW	50540R409	1598	35000	SH	DEFINED
LAM RESEARCH CORP	COM	512807108	1075	59783	SH	DEFINED
LAM RESEARCH CORP	COM	512807108	1268	70500	SH	DEFINED
LAMAR ADVERTISING CO	CL A	512815101	878	23600	SH	DEFINED
LAMAR ADVERTISING CO	CL A	512815101	796	21400	SH	DEFINED
LANDSTAR SYS INC	COM	515098101	1314	12300	SH	DEFINED
LAUDER ESTEE COS INC	CL A	518439104	4641	131834	SH	DEFINED
LAUDER ESTEE COS INC	CL A	518439104	1616	45900	SH	DEFINED
LEAR CORP	COM	521865105	1230	26600	SH	DEFINED
LEAR CORP	COM	521865105	486	10500	SH	DEFINED
LEGGETT & PLATT INC	COM	524660107	676	28900	SH	DEFINED
LEGG MASON INC	COM	524901105	852	17271	SH	DEFINED
LEGG MASON INC	COM	524901105	1150	23300	SH	DEFINED
LEHMAN BROS HLDGS INC	COM	524908100	37007	591925	SH	DEFINED
LENDINGTREE INC	COM	52602Q105	833	65500	SH	DEFINED
LEVEL 3 COMMUNICATIONS INC	COM	52729N100	445	151000	SH	DEFINED
LEXMARK INTL NEW	CL A	529771107	5582	102605	SH	DEFINED
LIBERTY MEDIA CORP NEW	COM SER A	530718105	1318	131800	SH	SOLE
LIBERTY MEDIA CORP NEW	COM SER A	530718105	280079	28007881	SH	DEFINED
LIFEPPOINT HOSPITALS INC	COM	53219L109	1695	46673	SH	DEFINED
LILLY ELI & CO	COM	532457108	64357	1141077	SH	DEFINED
LIN TV CORP	CL A	532774106	12876	476190	SH	DEFINED
LINCARE HLDGS INC	COM	532791100	190924	5910960	SH	DEFINED
LINCOLN NATL CORP IND	COM	534187109	59459	1415688	SH	DEFINED
LINEAR TECHNOLOGY CORP	COM	535678106	5487	174589	SH	DEFINED
LINENS N THINGS INC	COM	535679104	1070	32600	SH	DEFINED
LINENS N THINGS INC	COM	535679104	807	24600	SH	DEFINED
LIVEPERSON INC	COM	538146101	1026	1578946	SH	DEFINED
LOCKHEED MARTIN CORP	COM	539830109	35157	505854	SH	DEFINED
LODGIAN INC	COM	54021P106	11	185084	SH	SOLE
LOEWS CORP	COM	540424108	1113	21000	SH	SOLE
LOEWS CORP	COM	540424108	23374	441106	SH	DEFINED
LOUDEYE CORP	COM	545754103	141	392465	SH	DEFINED
LOWES COS INC	COM	548661107	105185	2316840	SH	DEFINED
LUBRIZOL CORP	COM	549271104	2120	63285	SH	DEFINED
LUCENT TECHNOLOGIES INC	COM	549463107	1282	772219	SH	DEFINED
M & T BK CORP	COM	55261F104	13622	158841	SH	DEFINED
M & T BK CORP	COM	55261F104	1730	20170	SH	DEFINED
MBNA CORP	COM	55262L100	12206	369084	SH	DEFINED
MBNA CORP	COM	55262L100	1759	53200	SH	DEFINED
MDC CORP	CL A SUBVTGNEW	55267W309	2409	522300	SH	DEFINED
MGIC INVT CORP WIS	COM	552848103	8719	128596	SH	DEFINED
MKS INSTRUMENT INC	COM	55306N104	203	10100	SH	DEFINED
MKTG SERVICES INC	COM	55308X100	470	723437	SH	DEFINED
MSC INDL DIRECT INC	CL A	553530106	1059	54300	SH	DEFINED
MACROVISION CORP	COM	555904101	2288	174517	SH	DEFINED
MANITOWOC INC	COM	563571108	713	20100	SH	DEFINED
MANOR CARE INC NEW	COM	564055101	15983	694931	SH	DEFINED

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MANPOWER INC	COM	56418H100	870	23662	SH	DEFINED
MANUGISTICS GROUP INC	COM	565011103	978	160000	SH	DEFINED
MANUGISTICS GROUP INC	COM	565011103	126	20700	SH	DEFINED
MANULIFE FINL CORP	COM	56501R106	3322	116167	SH	SOLE
MARSH & MCLENNAN COS INC	COM	571748102	3458	35800	SH	SOLE
MARSH & MCLENNAN COS INC	COM	571748102	296429	3068627	SH	DEFINED
MARRIOTT INTL INC NEW	CL A	571903202	5311	139587	SH	DEFINED
MARTIN MARIETTA MATLS INC	COM	573284106	8669	222285	SH	DEFINED
MASCO CORP	COM	574599106	2827	104261	SH	DEFINED
MATRIXONE INC	COM	57685P304	2745	450000	SH	DEFINED
MATRIXONE INC	COM	57685P304	54	8900	SH	DEFINED
MATTEL INC	COM	577081102	3955	187600	SH	DEFINED
MAXIM INTEGRATED PRODS INC	COM	57772K101	4231	110392	SH	DEFINED
MAY DEPT STORES CO	COM	577778103	1480	44947	SH	DEFINED
MAXIMUS INC	COM	577933104	1052	33200	SH	DEFINED
MAYTAG CORP	COM	578592107	1552	36400	SH	DEFINED
MCCORMICK & CO INC	COM NON VTG	579780206	887	34455	SH	DEFINED
MCDATA CORP	CL A	580031201	394	44700	SH	DEFINED
MCDONALDS CORP	COM	580135101	1266	44500	SH	SOLE
MCDONALDS CORP	COM	580135101	28007	984441	SH	DEFINED
MCGRAW HILL COS INC	COM	580645109	3942	66033	SH	DEFINED
MCKESSON CORP	COM	58155Q103	3535	108100	SH	DEFINED
MCKESSON CORP	COM	58155Q103	2583	79000	SH	DEFINED
MEADWESTVACO CORP	COM	583334107	1356	40402	SH	DEFINED
MEDICIS PHARMACEUTICAL CORP	CL A NEW	584690309	475	11100	SH	DEFINED
MEDIMMUNE INC	COM	584699102	13695	518739	SH	DEFINED
MEDIMMUNE INC	COM	584699102	903	34200	SH	DEFINED
MEDTRONIC INC	COM	585055106	40	929	SH	SOLE
MEDTRONIC INC	COM	585055106	32365	755316	SH	DEFINED
MELLON FINL CORP	COM	58551A108	13263	422000	SH	DEFINED
MERCK & CO INC	COM	589331107	2836	56000	SH	SOLE
MERCK & CO INC	COM	589331107	419913	8292117	SH	DEFINED
MERCURY INTERACTIVE CORP	COM	589405109	831	36200	SH	DEFINED
MERCURY INTERACTIVE CORP	COM	589405109	106	4600	SH	DEFINED
MERISTAR HOSPITALITY CORP	COM	58984Y103	1437	94200	SH	DEFINED
MERRILL LYNCH & CO INC	COM	590188108	3857	95227	SH	DEFINED
METLIFE INC	COM	59156R108	9934	344944	SH	DEFINED
METRIS COS INC	COM	591598107	509	61300	SH	DEFINED
METRIS COS INC	COM	591598107	271	32600	SH	DEFINED
METRO GOLDWYN MAYER INC	COM	591610100	118	10100	SH	DEFINED
METTLER TOLEDO INTERNATIONAL	COM	592688105	24991	677814	SH	DEFINED
MICHAELS STORES INC	COM	594087108	1213	31106	SH	DEFINED
MICHAELS STORES INC	COM	594087108	437	11200	SH	DEFINED
MICREL INC	COM	594793101	422	29332	SH	DEFINED
MICREL INC	COM	594793101	630	43800	SH	DEFINED
MICROSOFT CORP	COM	594918104	3402	62200	SH	SOLE
MICROSOFT CORP	COM	594918104	707380	12931991	SH	DEFINED
MICROVISION INC WASH	COM	594960106	1831	350000	SH	DEFINED
MICROSTRATEGY INC	CL A	594972101	7	14000	SH	SOLE
MICROCHIP TECHNOLOGY INC	COM	595017104	4399	160373	SH	DEFINED
MICROCHIP TECHNOLOGY INC	COM	595017104	321	11700	SH	DEFINED
MICRON TECHNOLOGY INC	COM	595112103	348	17200	SH	SOLE
MICRON TECHNOLOGY INC	COM	595112103	7472	369536	SH	DEFINED
MID ATLANTIC MED SVCS INC	COM	59523C107	693	22100	SH	DEFINED
MILLENNIUM PHARMACEUTICALS I	COM	599902103	4240	348939	SH	DEFINED
MILLER HERMAN INC	COM	600544100	726	35745	SH	DEFINED
MILLIPORE CORP	COM	601073109	726	22700	SH	DEFINED
MIRANT CORP	COM	604675108	1745	239006	SH	DEFINED
MIRANT CORP	COM	604675108	298	40800	SH	DEFINED
MOBILE TELESYSTEMS OJSC	SPONSORED ADR	607409109	4914	162233	SH	DEFINED
MOHAWK INDS INC	COM	608190104	1483	24100	SH	DEFINED
MOLEX INC	COM	608554101	1757	52400	SH	DEFINED

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MOLEX INC	CL A	608554200	252126	9191607	SH	DEFINED
MONACO COACH CORP	COM	60886R103	1154	54200	SH	DEFINED
MOODYS CORP	COM	615369105	5926	119123	SH	DEFINED
MORGAN STANLEY DEAN WITTER&C	COM NEW	617446448	65232	1514209	SH	DEFINED
MOTOROLA INC	COM	620076109	9411	645049	SH	DEFINED
MURPHY OIL CORP	COM	626717102	2512	30447	SH	DEFINED
MURPHY OIL CORP	COM	626717102	1048	12700	SH	DEFINED
MYLAN LABS INC	COM	628530107	1732	55239	SH	DEFINED
NCO GROUP INC	COM	628858102	1052	48300	SH	DEFINED
NVR INC	COM	62944T105	808	2500	SH	DEFINED
NABORS INDS INC	COM	629568106	805	22800	SH	SOLE
NATIONAL CITY CORP	COM	635405103	6540	196677	SH	DEFINED
NATIONAL COMMERCE FINL CORP	COM	63545P104	5023	190981	SH	DEFINED
NATIONAL COMMERCE FINL CORP	COM	63545P104	744	28300	SH	DEFINED
NATIONAL INSTRS CORP	COM	636518102	444	13636	SH	DEFINED
NATIONAL-OILWELL INC	COM	637071101	505	24000	SH	DEFINED
NATIONAL-OILWELL INC	COM	637071101	1680	79800	SH	DEFINED
NATIONAL SEMICONDUCTOR CORP	COM	637640103	2068	70900	SH	DEFINED
NATIONWIDE FINL SVCS INC	CL A	638612101	16222	410693	SH	DEFINED
NAVIGANT INTL INC	COM	63935R108	9549	617283	SH	DEFINED
NEIMAN MARCUS GROUP INC	CL A	640204202	4790	138050	SH	DEFINED
NETWORKS ASSOCS INC	COM	640938106	1329	68978	SH	DEFINED
NETWORKS ASSOCS INC	COM	640938106	605	31400	SH	DEFINED
NET2PHONE	COM	64108N106	854	200000	SH	DEFINED
NET2PHONE	COM	64108N106	610	142916	SH	DEFINED
NETIQ CORP	COM	64115P102	1797	79400	SH	DEFINED
NETIQ CORP	COM	64115P102	733	32400	SH	DEFINED
NETSCREEN TECHNOLOGIES INC	COM	64117V107	11814	1286954	SH	DEFINED
NETWORK APPLIANCE INC	COM	64120L104	1732	139200	SH	DEFINED
NEUBERGER BERMAN INC	COM	641234109	897	24498	SH	DEFINED
NEW YORK CMNTY BANCORP INC	COM	649445103	1960	72310	SH	DEFINED
NEW YORK TIMES CO	CL A	650111107	5528	107331	SH	DEFINED
NEWELL RUBBERMAID INC	COM	651229106	224	6400	SH	DEFINED
NEWFIELD EXPL CO	COM	651290108	457	12300	SH	DEFINED
NEWMONT MINING CORP	COM	651639106	12954	491989	SH	DEFINED
NEWPARK RES INC	COM PAR \$.01NEW	651718504	1050	142900	SH	DEFINED
NEXTEL COMMUNICATIONS INC	CL A	65332V103	904	281600	SH	DEFINED
NEXTEL PARTNERS INC	CL A	65333F107	8226	2732862	SH	DEFINED
NIKE INC	CL B	654106103	5555	103539	SH	DEFINED
99 CENTS ONLY STORES	COM	65440K106	497	19371	SH	DEFINED
NISOURCE INC	COM	65473P105	2023	92675	SH	DEFINED
NISOURCE INC	COM	65473P105	1655	75800	SH	DEFINED
NORFOLK SOUTHERN CORP	COM	655844108	1788	76456	SH	DEFINED
NORTEL NETWORKS CORP NEW	COM	656568102	1058	729819	SH	DEFINED
NORTEL NETWORKS CORP NEW	COM	656568102	644	444337	SH	DEFINED
NORTH FORK BANCORPORATION NY	COM	659424105	5904	148297	SH	DEFINED
NORTH FORK BANCORPORATION NY	COM	659424105	1628	40900	SH	DEFINED
NORTHROP GRUMMAN CORP	COM	666807102	45441	363525	SH	DEFINED
NOVELLUS SYS INC	COM	670008101	2139	62900	SH	DEFINED
NVIDIA CORP	COM	67066G104	3120	181593	SH	DEFINED
OGE ENERGY CORP	COM	670837103	11773	515000	SH	DEFINED
OM GROUP INC	COM	670872100	843	13600	SH	DEFINED
OAKLEY INC	COM	673662102	1418	81500	SH	DEFINED
OCEAN ENERGY INC DEL	COM	67481E106	4409	203463	SH	DEFINED
ODYSSEY RE HLDGS CORP	COM	67612W108	556	32000	SH	DEFINED
OFFICE DEPOT INC	COM	676220106	250	14904	SH	DEFINED
OFFICE DEPOT INC	COM	676220106	469	27900	SH	DEFINED
OLD REP INTL CORP	COM	680223104	11399	361860	SH	DEFINED
OMNICARE INC	COM	681904108	1967	74900	SH	DEFINED
OMNICARE INC	COM	681904108	3380	128700	SH	DEFINED
OMNICOM GROUP INC	COM	681919106	107079	2337963	SH	DEFINED
ON COMMAND CORP	COM	682160106	1283	759116	SH	DEFINED

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ON COMMAND CORP	*W EXP 10/07/200	682160122	15	296598	SH	DEFINED
ONVIA COM INC	COM	68338T106	815	4289000	SH	DEFINED
OPEN JT STK CO-VIMPEL COMMUN	SPONSORED ADR	68370R109	8220	322860	SH	DEFINED
ORACLE CORP	COM	68389X105	26331	2780430	SH	DEFINED
ORCHID BIOSCIENCES INC	COM	68571P100	16	11860	SH	SOLE
O REILLY AUTOMOTIVE INC	COM	686091109	446	16200	SH	DEFINED
O REILLY AUTOMOTIVE INC	COM	686091109	480	17400	SH	DEFINED
ORTHODONTIC CTRS AMER INC	COM	68750P103	466	20200	SH	DEFINED
OUTBACK STEAKHOUSE INC	COM	689899102	513	14602	SH	DEFINED
OXFORD HEALTH PLANS INC	COM	691471106	1919	41312	SH	DEFINED
PMC-SIERRA INC	COM	69344F106	724	78100	SH	DEFINED
PMC-SIERRA INC	COM	69344F106	384	41400	SH	DEFINED
PNC FINL SVCS GROUP INC	COM	693475105	701	13400	SH	SOLE
PNC FINL SVCS GROUP INC	COM	693475105	10275	196541	SH	DEFINED
PPG INDS INC	COM	693506107	2295	37079	SH	DEFINED
PACKAGING CORP AMER	COM	695156109	1468	73800	SH	DEFINED
PACTIV CORP	COM	695257105	2768	116309	SH	DEFINED
PARKER HANNIFIN CORP	COM	701094104	5265	110171	SH	DEFINED
PARKER HANNIFIN CORP	COM	701094104	836	17500	SH	DEFINED
PATTERSON DENTAL CO	COM	703412106	1170	23244	SH	DEFINED
PATTERSON UTI ENERGY INC	COM	703481101	885	31341	SH	DEFINED
PAXSON COMMUNICATIONS CORP	COM	704231109	228	41500	SH	DEFINED
PAYCHEX INC	COM	704326107	3357	107275	SH	DEFINED
PEGASUS COMMUNICATIONS CORP	CL A	705904100	33	44537	SH	DEFINED
PENTAIR INC	COM	709631105	1082	22500	SH	DEFINED
PEOPLESOFT INC	COM	712713106	2929	196824	SH	DEFINED
PEPSI BOTTLING GROUP INC	COM	713409100	6820	221414	SH	DEFINED
PEPSI BOTTLING GROUP INC	COM	713409100	1204	39100	SH	DEFINED
PEPSICO INC	COM	713448108	2251	46700	SH	SOLE
PEPSICO INC	COM	713448108	403035	8361723	SH	DEFINED
PER-SE TECHNOLOGIES INC	COM NEW	713569309	140	15175	SH	DEFINED
PERFORMANCE FOOD GROUP CO	COM	713755106	515	15200	SH	DEFINED
PERKINELMER INC	COM	714046109	233	21100	SH	DEFINED
PERKINELMER INC	COM	714046109	1136	102800	SH	DEFINED
PEROT SYS CORP	CL A	714265105	334	30700	SH	DEFINED
PETRO-CDA	COM	71644E102	6355	224805	SH	DEFINED
PETROLEO BRASILEIRO SA PETRO	SPONSORED ADR	71654V101	11530	662615	SH	DEFINED
PETROLEO BRASILEIRO SA PETRO	SPONSORED ADR	71654V408	50882	2697896	SH	DEFINED
PETSMART INC	COM	716768106	1004	62600	SH	DEFINED
PFIZER INC	COM	717081103	3150	90000	SH	SOLE
PFIZER INC	COM	717081103	686607	19617357	SH	DEFINED
PHARMACEUTICAL PROD DEV INC	COM	717124101	579	22000	SH	DEFINED
PHARMACIA CORP	COM	71713U102	127019	3391697	SH	DEFINED
PHILIP MORRIS COS INC	COM	718154107	1983	45400	SH	SOLE
PHILIP MORRIS COS INC	COM	718154107	180560	4133695	SH	DEFINED
PHILIPPINE LONG DISTANCE TEL	SPONSORED ADR	718252604	1005	134657	SH	DEFINED
PHILLIPS PETE CO	COM	718507106	41849	710746	SH	DEFINED
PIER 1 IMPORTS INC	COM	720279108	307	14600	SH	DEFINED
PIONEER NAT RES CO	COM	723787107	5759	221085	SH	DEFINED
PITNEY BOWES INC	COM	724479100	1132	28500	SH	SOLE
PITNEY BOWES INC	COM	724479100	65326	1644671	SH	DEFINED
PIXAR	COM	725811103	366	8300	SH	DEFINED
PLACER DOME INC	COM	725906101	1920	171274	SH	DEFINED
PLUG POWER INC	COM	72919P103	44823	5666666	SH	SOLE
PLUM CREEK TIMBER CO INC	COM	729251108	6982	227431	SH	DEFINED
POGO PRODUCING CO	COM	730448107	3213	98500	SH	DEFINED
POLARIS INDS INC	COM	731068102	709	10900	SH	DEFINED
POLYCOM INC	COM	73172K104	2801	233648	SH	DEFINED
POTOMAC ELEC PWR CO	COM	737679100	1696	78969	SH	DEFINED
PRAXAIR INC	COM	74005P104	15987	280616	SH	DEFINED
PRECISION CASTPARTS CORP	COM	740189105	906	27465	SH	DEFINED
PRICE T ROWE GROUP INC	COM	74144T108	539	16400	SH	DEFINED

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PRIDE INTL INC DEL	COM	74153Q102	2148	137196	SH	DEFINED
PROCTER & GAMBLE CO	COM	742718109	116792	1307862	SH	DEFINED
PROGRESS ENERGY INC	COM	743263105	6025	115846	SH	DEFINED
PROGRESS ENERGY INC	COM	743263105	1123	21600	SH	DEFINED
PROLOGIS TR	SH BEN INT	743410102	450719	17335348	SH	SOLE
PROTEIN DESIGN LABS INC	COM	74369L103	193	17800	SH	DEFINED
PROVIDENT FINL GROUP INC	COM	743866105	287	9900	SH	DEFINED
PROVINCE HEALTHCARE CO	COM	743977100	1067	47700	SH	DEFINED
PROVIDIAN FINL CORP	COM	74406A102	286	48600	SH	DEFINED
PROVIDIAN FINL CORP	COM	74406A102	3152	536000	SH	DEFINED
PRUDENTIAL FINL INC	COM	744320102	2520	75534	SH	DEFINED
PUBLIC SVC ENTERPRISE GROUP	COM	744573106	903	20851	SH	DEFINED
PULTE HOMES INC	COM	745867101	1916	33338	SH	DEFINED
QLOGIC CORP	COM	747277101	1577	41400	SH	DEFINED
QLOGIC CORP	COM	747277101	1402	36800	SH	DEFINED
QUALCOMM INC	COM	747525103	18338	667079	SH	DEFINED
QUANTA SVCS INC	COM	74762E102	299	30300	SH	DEFINED
QUEST DIAGNOSTICS INC	COM	74834L100	19957	231919	SH	DEFINED
QUEST DIAGNOSTICS INC	COM	74834L100	972	11300	SH	DEFINED
QUINTILES TRANSNATIONAL CORP	COM	748767100	348	27900	SH	DEFINED
QWEST COMMUNICATIONS INTL IN	COM	749121109	1893	676113	SH	DEFINED
QWEST COMMUNICATIONS INTL IN	COM	749121109	655	234000	SH	DEFINED
RF MICRODEVICES INC	COM	749941100	3228	423683	SH	DEFINED
RF MICRODEVICES INC	COM	749941100	277	36400	SH	DEFINED
RADIANT SYSTEMS INC	COM	75025N102	3637	279100	SH	DEFINED
RADIO ONE INC	CL D NON VTG	75040P405	272	18300	SH	DEFINED
RADIOSHACK CORP	COM	750438103	2453	81600	SH	DEFINED
RATIONAL SOFTWARE CORP	COM NEW	75409P202	975	118800	SH	DEFINED
RAYMOND JAMES FINANCIAL INC	COM	754730109	857	30100	SH	DEFINED
RAYONIER INC	COM	754907103	11656	237251	SH	DEFINED
RAYTHEON CO	COM NEW	755111507	23890	586267	SH	DEFINED
READERS DIGEST ASSN INC	CL A NON VTG	755267101	245	13088	SH	DEFINED
REALNETWORKS INC	COM	75605L104	142	34900	SH	DEFINED
REGENCY CTRS CORP	COM	758849103	1016201	34273236	SH	SOLE
REGENT COMMUNICATIONS INC DE	COM	758865109	7765	1099998	SH	SOLE
REMINGTON OIL & GAS CORP	COM	759594302	1133	56900	SH	DEFINED
RENAL CARE GROUP INC	COM	759930100	548	17600	SH	DEFINED
RENT A CTR INC NEW	COM	76009N100	708	12200	SH	DEFINED
REPUBLIC SVCS INC	COM	760759100	22693	1190000	SH	DEFINED
REPUBLIC SVCS INC	COM	760759100	2813	147500	SH	DEFINED
RESEARCH IN MOTION LTD	COM	760975102	1506	132300	SH	DEFINED
RESPIRONICS INC	COM	761230101	1158	34000	SH	DEFINED
RETEK INC	COM	76128Q109	909	37400	SH	DEFINED
REYNOLDS & REYNOLDS CO	CL A	761695105	1212	43361	SH	DEFINED
REYNOLDS R J TOB HLDGS INC	COM	76182K105	11367	211477	SH	DEFINED
RITE AID CORP	COM	767754104	177	75200	SH	DEFINED
RIVERDEEP GROUP PLC	ADR	76870Q109	884	56803	SH	DEFINED
RIVERSTONE NETWORKS INC	COM	769320102	485	155000	SH	DEFINED
ROBERT HALF INTL INC	COM	770323103	1680	72100	SH	DEFINED
ROCKWELL COLLINS INC	COM	774341101	1075	39207	SH	DEFINED
ROHM & HAAS CO	COM	775371107	60084	1483933	SH	DEFINED
ROSS STORES INC	COM	778296103	1513	37133	SH	DEFINED
ROWAN COS INC	COM	779382100	547	25500	SH	DEFINED
ROYAL DUTCH PETE CO	NY REG GLD1.25	780257804	33294	602392	SH	DEFINED
RUBY TUESDAY INC	COM	781182100	594	30600	SH	DEFINED
RYANAIR HLDGS PLC	SPONSORED ADR	783513104	6927	198640	SH	DEFINED
SBC COMMUNICATIONS INC	COM	78387G103	976	32000	SH	SOLE
SBC COMMUNICATIONS INC	COM	78387G103	187945	6162139	SH	DEFINED
SEI INVESTMENTS CO	COM	784117103	5999	212955	SH	DEFINED
SPDR TR	UNIT SER 1	78462F103	13662	138059	SH	DEFINED
SPX CORP	COM	784635104	858	7304	SH	DEFINED
SABRE HLDGS CORP	CL A	785905100	4178	116715	SH	DEFINED



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SAFEWAY INC	COM NEW	786514208	960	32900	SH	SOLE
SAFEWAY INC	COM NEW	786514208	90749	3108912	SH	DEFINED
ST JOE CO	COM	790148100	423	14100	SH	DEFINED
ST JUDE MED INC	COM	790849103	3189	43179	SH	DEFINED
ST JUDE MED INC	COM	790849103	391	5300	SH	DEFINED
ST PAUL COS INC	COM	792860108	53004	1361883	SH	DEFINED
SANMINA SCI CORP	COM	800907107	7034	1114813	SH	DEFINED
SARA LEE CORP	COM	803111103	37625	1822910	SH	DEFINED
SATYAM COMPUTER SERVICES LTD	ADR	804098101	13177	1258536	SH	DEFINED
SCANA CORP NEW	COM	80589M102	3787	122663	SH	DEFINED
SCHEIN HENRY INC	COM	806407102	4206	94525	SH	DEFINED
SCHLUMBERGER LTD	COM	806857108	1655	35600	SH	SOLE
SCHLUMBERGER LTD	COM	806857108	189241	4069703	SH	DEFINED
SCHOLASTIC CORP	COM	807066105	276	7290	SH	DEFINED
SCIENT INC	COM NEW	808649305	10	21851	SH	SOLE
SCIENT INC	COM NEW	808649305	56	127273	SH	DEFINED
SCREAMINGMEDIA INC	COM	810883108	2416	1538903	SH	DEFINED
SCRIPPS E W CO OHIO	CL A	811054204	955	12400	SH	DEFINED
SEA CONTAINERS LTD	CL B	811371103	2123	150000	SH	SOLE
SEA CONTAINERS LTD	CL A	811371707	5633	391198	SH	SOLE
SEACOR SMIT INC	COM	811904101	999	21100	SH	DEFINED
SEALED AIR CORP NEW	COM	81211K100	17382	431630	SH	DEFINED
SEARS ROEBUCK & CO	COM	812387108	16900	311237	SH	DEFINED
SEMTECH CORP	COM	816850101	768	28753	SH	DEFINED
SEMTECH CORP	COM	816850101	758	28400	SH	DEFINED
SEPRACOR INC	COM	817315104	1518	159000	SH	DEFINED
SHAW GROUP INC	COM	820280105	350	11400	SH	DEFINED
SHUFFLE MASTER INC	COM	825549108	1830	99600	SH	DEFINED
SICOR INC	COM	825846108	597	32200	SH	DEFINED
SIEBEL SYS INC	COM	826170102	4478	314881	SH	DEFINED
SIEBEL SYS INC	COM	826170102	9536	670578	SH	DEFINED
SIGMA ALDRICH CORP	COM	826552101	311	6200	SH	DEFINED
SILICON LABORATORIES INC	COM	826919102	874	32300	SH	DEFINED
SILGAN HOLDINGS INC	COM	827048109	1306	32300	SH	DEFINED
SIMON PPTY GROUP INC NEW	COM	828806109	2194	59544	SH	DEFINED
SIX FLAGS INC	COM	83001P109	1149	79500	SH	DEFINED
SKECHERS U S A INC	CL A	830566105	1018	47100	SH	DEFINED
SKYWEST INC	COM	830879102	1460	62400	SH	DEFINED
SMITH INTL INC	COM	832110100	1620	23764	SH	DEFINED
SMITH INTL INC	COM	832110100	1562	22900	SH	DEFINED
SMTC CORP	COM	832682108	357	192901	SH	SOLE
SOLECTRON CORP	COM	834182107	1188	193200	SH	DEFINED
SONIC AUTOMOTIVE INC	CL A	83545G102	203	7900	SH	DEFINED
SONICBLUE INC	COM	83546Q109	463	449431	SH	DEFINED
SOUTHERN CO	COM	842587107	10475	382289	SH	DEFINED
SOUTHTRUST CORP	COM	844730101	4160	159273	SH	DEFINED
SOUTHTRUST CORP	COM	844730101	1199	45900	SH	DEFINED
SOUTHWEST AIRLS CO	COM	844741108	4056	250985	SH	DEFINED
SOUTHWEST BANCORPORATION TEX	COM	84476R109	1047	28900	SH	DEFINED
SPHERION CORP	COM	848420105	2994	251564	SH	DEFINED
SPRINT CORP	COM FON GROUP	852061100	2163	203888	SH	DEFINED
SPRINT CORP	PCS COM SER 1	852061506	3628	811591	SH	DEFINED
STANLEY WKS	COM	854616109	845	20600	SH	DEFINED
STAPLES INC	COM	855030102	4320	219300	SH	DEFINED
STAPLES INC	COM	855030102	686	34800	SH	DEFINED
STAR MULTI CARE SVCS INC	COM PAR \$0.001	855156303	11	24333	SH	SOLE
STARBUCKS CORP	COM	855244109	7154	287875	SH	DEFINED
STARBUCKS CORP	COM	855244109	1471	59200	SH	DEFINED
STARWOOD HOTELS&RESORTS WRLD	PAIRED CTF	85590A203	3027	92040	SH	DEFINED
STATE STR CORP	COM	857477103	81748	1828809	SH	DEFINED
STEEL DYNAMICS INC	COM	858119100	7183	436150	SH	SOLE
STEEL DYNAMICS INC	COM	858119100	24236	1471500	SH	DEFINED

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STERIS CORP	COM	859152100	592	30984	SH	DEFINED
STILWELL FINL INC	COM	860831106	218	12000	SH	DEFINED
STONE ENERGY CORP	COM	861642106	1348	33500	SH	DEFINED
STORAGE TECHNOLOGY CORP	COM PAR \$0.10	862111200	2463	154222	SH	DEFINED
STRYKER CORP	COM	863667101	3382	63200	SH	DEFINED
SUN INC	SDCV 6.750% 6/1	866762AG2	510	500000	PRN	SOLE
SUN MICROSYSTEMS INC	COM	866810104	6332	1263792	SH	DEFINED
SUNGARD DATA SYS INC	COM	867363103	12751	481531	SH	DEFINED
SUNGARD DATA SYS INC	COM	867363103	1353	51100	SH	DEFINED
SUNTRUST BKS INC	COM	867914103	6176	91198	SH	DEFINED
SUPERIOR ENERGY SVCS INC	COM	868157108	4726	465626	SH	SOLE
SWIFT TRANSN CO	COM	870756103	380	16300	SH	DEFINED
SYBASE INC	COM	871130100	212	20100	SH	DEFINED
SYBASE INC	COM	871130100	1720	163000	SH	DEFINED
SYBRON DENTAL SPECIALTIES IN	COM	871142105	18527	1001478	SH	DEFINED
SYMANTEC CORP	COM	871503108	6974	212290	SH	DEFINED
SYMANTEC CORP	COM	871503108	1984	60400	SH	DEFINED
SYMBOL TECHNOLOGIES INC	COM	871508107	457	53800	SH	DEFINED
SYMBOL TECHNOLOGIES INC	COM	871508107	536	63100	SH	DEFINED
SYNOPSIS INC	COM	871607107	1939	35373	SH	DEFINED
SYNOVUS FINL CORP	COM	87161C105	3817	138700	SH	DEFINED
SYSCO CORP	COM	871829107	83557	3069701	SH	DEFINED
TCF FINL CORP	COM	872275102	1054	21457	SH	DEFINED
TCF FINL CORP	COM	872275102	849	17300	SH	DEFINED
TECO ENERGY INC	COM	872375100	6633	268000	SH	DEFINED
TRW INC	COM	872649108	12310	216049	SH	DEFINED
TMP WORLDWIDE INC	COM	872941109	1335	62100	SH	DEFINED
TXU CORP	COM	873168108	45472	882101	SH	DEFINED
TALBOTS INC	COM	874161102	378	10800	SH	DEFINED
TARGET CORP	COM	87612E106	766	20100	SH	SOLE
TARGET CORP	COM	87612E106	323834	8499588	SH	DEFINED
TECH DATA CORP	COM	878237106	280	7400	SH	DEFINED
TELECOMUNICACOES BRASILEIRAS	SPONSORED ADR	879287308	2189	96524	SH	DEFINED
TELECOMMUNICATION SYS INC	CL A	87929J103	3115	1557740	SH	DEFINED
TELEFLEX INC	COM	879369106	250	4381	SH	DEFINED
TELEFONICA S A	SPONSORED ADR	879382208	5251	211293	SH	DEFINED
TELEFONOS DE MEXICO S A	SPON ADR ORD L	879403780	9559	297968	SH	DEFINED
TELEPHONE & DATA SYS INC	COM	879433100	6623	109382	SH	DEFINED
TELEPHONE & DATA SYS INC	COM	879433100	466	7700	SH	DEFINED
TELLABS INC	COM	879664100	538	86800	SH	DEFINED
TELLABS INC	COM	879664100	833	134300	SH	DEFINED
TENET HEALTHCARE CORP	COM	88033G100	173120	2419560	SH	DEFINED
TERADYNE INC	COM	880770102	1582	67300	SH	DEFINED
TERADYNE INC	COM	880770102	375	15950	SH	DEFINED
TEVA PHARMACEUTICAL INDS LTD	ADR	881624209	92014	1377864	SH	DEFINED
TEXAS INSTRS INC	COM	882508104	106571	4496654	SH	DEFINED
TEXTRON INC	COM	883203101	8967	191188	SH	DEFINED
THERMO ELECTRON CORP	COM	883556102	14560	882412	SH	DEFINED
3COM CORP	COM	885535104	1751	398000	SH	DEFINED
3M CO	COM	88579Y101	1292	10500	SH	SOLE
TIBCO SOFTWARE INC	COM	88632Q103	83	15000	SH	DEFINED
TICKETMASTER	CL B	88633P203	204	10900	SH	DEFINED
TIDEWATER INC	COM	886423102	392	11900	SH	DEFINED
TIFFANY & CO NEW	COM	886547108	1841	52300	SH	DEFINED
TIFFANY & CO NEW	COM	886547108	271	7700	SH	DEFINED
TIMBERLAND CO	CL A	887100105	313	8729	SH	DEFINED
TITAN CORP	COM	888266103	562	30700	SH	DEFINED
TIVO INC	COM	888706108	3760	1013513	SH	DEFINED
TOO INC	COM	890333107	1380	44800	SH	DEFINED
TOOTSIE ROLL INDS INC	COM	890516107	458	11867	SH	DEFINED
TORCHMARK CORP	COM	891027104	9353	244855	SH	DEFINED
TOTAL SYS SVCS INC	COM	891906109	329	17500	SH	DEFINED

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TRAVELERS PPTY CAS CORP NEW	CL A	89420G109	620	35000	SH	DEFINED
TRIAD HOSPITALS INC	COM	89579K109	759	17901	SH	DEFINED
TRIBUNE CO NEW	COM	896047107	7487	172120	SH	DEFINED
TRIGON HEALTHCARE INC	COM	89618L100	1347	13393	SH	DEFINED
TRIGON HEALTHCARE INC	COM	89618L100	1634	16250	SH	DEFINED
TRIQUINT SEMICONDUCTOR INC	COM	89674K103	990	154500	SH	DEFINED
TUBOS DE ACERO DE MEXICO S A	ADR NEW	898592506	2410	261959	SH	DEFINED
TYCO INTL LTD NEW	COM	902124106	14461	1070409	SH	DEFINED
TYSON FOODS INC	CL A	902494103	12389	798800	SH	DEFINED
UST INC	COM	902911106	1350	39700	SH	DEFINED
US BANCORP DEL	COM NEW	902973304	45387	1943748	SH	DEFINED
USA INTERACTIVE	COM	902984103	2725	116200	SH	DEFINED
ULTRAPAR PARTICIPACOES S A	SP ADR REP PFD	90400P101	1702	234791	SH	DEFINED
ULTRATECH STEPPER INC	COM	904034105	1209	74700	SH	DEFINED
UNILEVER N V	N Y SHS NEW	904784709	12550	193668	SH	DEFINED
UNION PAC CORP	COM	907818108	20197	319175	SH	DEFINED
UNISYS CORP	COM	909214108	1715	190500	SH	SOLE
UNISYS CORP	COM	909214108	75071	8341224	SH	DEFINED
UNITED DEFENSE INDS INC	COM	91018B104	7389	321250	SH	DEFINED
UNITED MICROELECTRONICS CORP	SPONSORED ADR	910873207	31247	4251253	SH	DEFINED
UNITED PARCEL SERVICE INC	CL B	911312106	256	4139	SH	DEFINED
UNITED TECHNOLOGIES CORP	COM	913017109	2071	30500	SH	SOLE
UNITED'margin:0in;margin-bottom:.0001pt;font-size:12.0pt;font-family:"Times New Roman";margin-rig						

9.607

Total Liabilities and Shareholders Equity.....

\$27,993

\$27,789

\$27,928

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

## MACY'S, INC.

**Consolidated Statements of Cash Flows**

(Unaudited)

(millions)

	26 Weeks Ended 26 Weeks Ended	
	<u>August 2, 2008</u>	<u>August 4, 2007</u>
Cash flows from continuing operating activities:		
Net income.....	\$ 14	\$ 110
Adjustments to reconcile net income to net cash		
provided by continuing operating activities:		
Loss from discontinued operations.....	-	16
Stock-based compensation expense.....	26	32
Division consolidation costs.....	113	-
May integration costs.....	-	133
Asset impairment charges.....	50	-
Depreciation and amortization.....	630	656
Amortization of financing costs and premium		
on acquired debt.....	(14)	(17)
Changes in assets and liabilities:		
Decrease in receivables.....	109	26
Decrease in merchandise inventories.....	52	117
Increase in supplies and prepaid expenses.....	(25)	(16)
Decrease in other assets not separately identified.....	-	13
Decrease in accounts payable and accrued		
liabilities not separately identified.....	(37)	(310)
Decrease in current income taxes.....	(371)	(299)
Increase (decrease) in deferred income taxes.....	20	(89)
Increase in other liabilities not		
separately identified.....	<u>25</u>	<u>40</u>
Net cash provided by continuing operating activities.....	<u>592</u>	<u>412</u>
Cash flows from continuing investing activities:		
Purchase of property and equipment.....	(284)	(403)
Capitalized software.....	(63)	(50)

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Proceeds from hurricane insurance claims.....	13	1
Disposition of property and equipment.....	22	71
Proceeds from the disposition of After Hours Formalwear.....	<u>-</u>	<u>66</u>
Net cash used by continuing investing activities.....	<u>(312)</u>	<u>(315)</u>
Cash flows from continuing financing activities:		
Debt issued.....	650	2,253
Financing costs.....	(5)	(15)
Debt repaid.....	(9)	(416)
Dividends paid.....	(110)	(117)
Decrease in outstanding checks.....	(101)	(97)
Acquisition of treasury stock.....	(1)	(2,919)
Issuance of common stock.....	<u>6</u>	<u>253</u>
Net cash provided (used) by		
continuing financing activities.....	<u>430</u>	<u>(1,058)</u>
Net cash provided (used) by continuing operations.....	<u>710</u>	<u>(961)</u>
Net cash provided by discontinued operating activities.....	-	7
Net cash used by discontinued investing activities.....	-	(7)
Net cash used by discontinued financing activities.....	<u>-</u>	<u>(1)</u>
Net cash used by discontinued operations.....	<u>-</u>	<u>(1)</u>
Net increase (decrease) in cash and cash equivalents.....	710	(962)
Cash and cash equivalents at beginning of period.....	<u>583</u>	<u>1,211</u>
Cash and cash equivalents at end of period.....	<u>\$1,293</u>	<u>\$ 249</u>
Supplemental cash flow information:		
Interest paid.....	\$ 306	\$ 271
Interest received.....	15	23
Income taxes paid (net of refunds received).....	361	406

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

**MACY'S, INC.**

**Notes to Consolidated Financial Statements**

**(Unaudited)**

**1. Summary of Significant Accounting Policies**

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

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008 (the 2007 10-K). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 2007 10-K.

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

The Consolidated Financial Statements for the 13 and 26 weeks ended August 2, 2008 and August 4, 2007, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company.

Because of the seasonal nature of the retail business, the results of operations for the 13 and 26 weeks ended August 2, 2008 and August 4, 2007 (which do not include the Christmas season) are not necessarily indicative of such results for the fiscal year.

On August 30, 2005, the Company completed the acquisition of The May Department Stores Company ( May ). The operations of the acquired Lord & Taylor division and the bridal group (consisting of David s Bridal, After Hours Formalwear and Priscilla of Boston) have been divested and were presented as discontinued operations (see Note 5, Discontinued Operations ).

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

Effective February 3, 2008, the Company adopted Statement of Financial Accounting Standards ( SFAS ) No. 157, Fair Value Measurements, ( SFAS 157 ), as it applies to financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The SFAS 157 fair value hierarchy consists of three levels: Level 1 fair values are valuations based on quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access; Level 2 fair values are those valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and Level 3 fair values are valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The adoption of SFAS 157 as it applies to financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis did not have and is not expected to have an impact on the Company s consolidated financial position, results of operations or cash flows.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company s financial assets and liabilities that are required to be measured at fair value on a recurring basis at August 2, 2008:

	<u>Total</u>	<u>Fair Value Measurements</u>		
		<u>Level 1</u> (millions)	<u>Level 2</u>	<u>Level 3</u>
Marketable equity and debt securities.....	\$ 95	\$ 33	\$ 62	\$ -

In February 2008, the Financial Accounting Standards Board ( FASB ) issued FASB Staff Position No. 157-2 ( FSP 157-2 ) that permits a one-year deferral for the implementation of SFAS 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value on a recurring basis (at least annually). This deferral will impact the Company s accounting for certain nonfinancial assets and liabilities accounted for under SFAS No. 142, Goodwill and Other Intangible Assets, SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, SFAS No. 143, Accounting for Asset Retirement Obligations and SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. The Company has elected this deferral and the full adoption of SFAS 157 is not expected to have a material impact on the Company s consolidated financial position, results of operations and cash flows.



SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, ( SFAS 159 ), which provides companies with the option to report selected financial assets and liabilities at fair value, became effective for the Company beginning February 3, 2008. The adoption of this statement did not and is not expected to have an impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin ( ARB ) No. 51, ( SFAS 160 ). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company does not anticipate the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Also in December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, ( SFAS 141R ). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning after December 15, 2008. The adoption of this statement will affect any future acquisitions entered into by the Company, and beginning with fiscal 2009 the Company will no longer account for adjustments to acquired tax liabilities and unrecognized tax benefits as increases or decreases to goodwill. After adoption of SFAS 141R such adjustments will be accounted for in income tax expense.

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133, ( SFAS 161 ). SFAS 161 expands disclosure requirements for derivative instruments and hedging activities. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The Company does not anticipate the adoption of this statement will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles, ( SFAS 162 ). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles in the United States of America. SFAS 162 will be effective 60 days after the Security and Exchange Commission approves the Public Company Accounting Oversight Board's amendments to AU Section 411. The Company does not anticipate the adoption of SFAS 162 will have an impact on the Company's consolidated financial position, results of operations or cash flows.

## **2. Division Consolidation Costs**

Division consolidation costs represent certain one-time costs related to a localization initiative, called My Macy's, and division consolidations. This initiative is to strengthen local market focus and enhance selling service to enable the Company to both accelerate same-store sales growth and reduce expenses. In combination with the localization initiative, the Company consolidated the Minneapolis-based Macy's North organization into New York-based Macy's East, the St. Louis-based Macy's Midwest organization into Atlanta-based Macy's South and the Seattle-based Macy's Northwest organization into San Francisco-based Macy's West. The Atlanta-based division was renamed Macy's Central. With My Macy's, the Company is taking action in certain markets to ensure that customers surrounding each Macy's store find merchandise assortments, size ranges, marketing programs and shopping experiences that are custom-tailored to their needs. The Company is concentrating more management talent in certain local markets, has created new positions in the field to work with division central planning and buying executives in helping to understand and act on the merchandise needs of local customers, and is empowering locally based executives to make more and better decisions. My Macy's is expected to drive sales growth by improving knowledge at the local level and then acting quickly on that knowledge.

During the 13 and 26 weeks ended August 2, 2008, the Company recorded \$26 million and \$113 million, respectively, of costs and expenses associated with the division consolidation and localization initiative, consisting primarily of severance costs and other human resource-related costs.

The following table shows the beginning and ending balance of, and the activity associated with, the severance accrual established in connection with the division consolidation and localization initiative during the 26 weeks ended August 2, 2008:

	February 2,	Charged To Division Consolidation	Payments	August 2,
	2008	Costs (millions)		2008
Severance costs.....	\$ -	\$ 68	\$(57)	\$ 11

The Company expects to pay out the accrued severance costs, which are included in accounts payable and accrued liabilities on the Consolidated Balance Sheets, prior to January 31, 2009.

### 3. May Integration Costs

May integration costs represent the costs associated with the integration of the acquired May businesses with the Company's pre-existing businesses and the consolidation of certain operations of the Company. The Company completed its review of store locations and distribution center facilities during 2007, closing certain underperforming

stores, temporarily closing other stores for remodeling to optimize merchandise offering strategies, closing certain distribution center facilities, and consolidating operations in existing or newly constructed facilities. The remaining non-divested stores or facilities which have been closed, with carrying values totaling approximately \$75 million, are classified as assets held for sale and are included in other assets on the Consolidated Balance Sheets as of August 2, 2008.

During the 13 weeks ended August 4, 2007, the Company recorded \$97 million of costs and expenses associated with the integration and consolidation of May's operations into the Company's operations, including \$47 million related to impairment charges in connection with distribution center facilities planned to be closed and disposed of. The remaining \$50 million of May integration costs incurred during the 13 weeks ended August 4, 2007 included additional costs related to closed locations, severance, system conversion costs, impairment charges associated with acquired indefinite lived intangible assets and costs related to other operational consolidations.

During the 26 weeks ended August 4, 2007, the Company recorded \$133 million of costs and expenses associated with the integration and consolidation of May's operations into the Company's operations, including \$47 million related to impairment charges in connection with distribution center facilities planned to be closed and disposed of. The remaining \$86 million of May integration costs incurred during the 26 weeks ended August 4, 2007 included additional costs related to closed locations, severance, system conversion costs, impairment charges associated with acquired indefinite lived intangible assets and costs related to other operational consolidations.

During the 26 weeks ended August 4, 2007, approximately \$70 million of property and equipment was transferred to assets held for sale upon store or facility closure. In addition, property and equipment totaling approximately \$25 million was disposed of in connection with the May integration and the Company collected approximately \$22 million of receivables from a prior year disposition.

The following tables show, for the 26 weeks ended August 2, 2008 and August 4, 2007, the beginning and ending balance of, and the activity associated with, the severance and relocation accrual established in connection with the May integration:

	February 2,		August 2,
	<u>2008</u>	<u>Payments</u>	<u>2008</u>
		(millions)	
Severance and			
relocation costs.....	\$ 30	\$ (23)	\$ 7

The Company expects to payout the accrued severance and relocation costs, which are included in accounts payable and accrued liabilities on the Consolidated Balance Sheets, prior to January 31, 2009.

	Charged To May	Integration Costs (millions)	Payments	August 4, 2007
	February 3, <u>2007</u>			
Severance and relocation costs.....	\$ 73	\$ 19	\$(60)	\$ 32

#### 4. Asset Impairment Charges

The Company completed its annual impairment test of goodwill and indefinite lived intangible assets during the second quarter of 2008. In connection with the preparation of these financial statements, management concluded that approximately \$50 million of asset impairment charges for the 13 and 26 weeks ended August 2, 2008 were required in relation to indefinite lived acquired tradenames. As a result of the current operating performance and expectations regarding future operating performance of the Karen Scott and John Ashford private brand tradenames, it was determined that the carrying values exceeded the estimated fair values, which were based on discounted cash flows, by approximately \$50 million.

#### 5. Discontinued Operations

In April 2007, the Company completed the sale of its After Hours Formalwear business for approximately \$66 million in cash, net of \$1 million of transaction costs. The After Hours Formalwear business represented approximately \$73 million of net assets. The Company recorded the loss on disposal of the After Hours Formalwear business of \$7 million on a pre-tax and after-tax basis, or \$.01 per diluted share.

Discontinued operations included net sales of approximately \$27 million for the 26 weeks ended August 4, 2007. No consolidated interest expense had been allocated to discontinued operations. For the 26 weeks ended August 4, 2007, the loss from discontinued operations, including the loss on disposal of the Company's After Hours Formalwear business, totaled \$22 million before income taxes, with a related income tax benefit of \$6 million.

In connection with the sale of the David's Bridal and Priscilla of Boston businesses, the Company agreed to indemnify the buyer and related parties of the buyer for certain losses or liabilities incurred by the buyer or such related parties with respect to (1) certain representations and warranties made to the buyer by the Company in connection with the sale, (2) liabilities relating to the After Hours Formalwear Business under certain circumstances, and (3) certain

pre-closing tax obligations. The representations and warranties in respect of which the Company is subject to indemnification are generally limited to representations and warranties relating to the capitalization of the entities that were sold, the Company's ownership of the equity interests that were sold, the enforceability of the agreement and certain employee benefits and tax matters. The indemnity for breaches of most of these representations expired on March 31, 2008, with the exception of certain representations relating to capitalization and the Company's ownership interest, in respect of which the indemnity does not expire and is not subject to a cap or deductible.

Indemnity obligations created in connection with the sales of businesses generally do not represent added liabilities for the Company, but simply serve to protect the buyer from potential liabilities associated with particular conditions. The Company records accruals for those pre-closing obligations that are considered probable and estimable. Under FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, the Company is required to record a liability for the fair value of the guarantees that are entered into subsequent to December 15, 2002. The Company has not accrued any additional amounts as a result of the indemnity arrangements summarized above as the Company believes the fair value of these arrangements is not material.

## 6. Earnings Per Share

The following tables set forth the computation of basic and diluted earnings per share based on income from continuing operations:

	13 Weeks Ended			
	August 2, 2008		August 4, 2007	
	<u>Income</u>	<u>Shares</u>	<u>Income</u>	<u>Shares</u>
	(millions, except per share figures)			
Income from continuing operations and average number of shares outstanding.....	\$ 73	420.0	\$ 74	450.9
Shares to be issued under deferred compensation plans.....	<u>          </u>	<u>1.1</u>	<u>          </u>	<u>1.0</u>
	\$ 73	421.1	\$ 74	451.9
Basic earnings per share.....		<u>\$ .17</u>		<u>\$ .16</u>
Effect of dilutive securities -				
stock options and restricted stock.....	<u>          </u>	<u>1.0</u>	<u>          </u>	<u>5.9</u>
	\$ 73	422.1	\$ 74	457.8
Diluted earnings per share.....		<u>\$ .17</u>		<u>\$ .16</u>

	26 Weeks Ended			
	August 2, 2008		August 4, 2007	
	<u>Income</u>	<u>Shares</u>	<u>Income</u>	<u>Shares</u>
	(millions, except per share figures)			
Income from continuing operations and average number of shares outstanding.....	\$ 14	419.9	\$ 126	459.0
Shares to be issued under deferred compensation plans.....	<u>      </u>	<u>1.1</u>	<u>      </u>	<u>1.0</u>
	\$ 14	421.0	\$ 126	460.0
Basic earnings per share.....		<u>\$ .03</u>		<u>\$ .27</u>
Effect of dilutive securities -				
stock options and restricted stock.....	<u>      </u>	<u>1.4</u>	<u>      </u>	<u>7.1</u>
	\$ 14	422.4	\$ 126	467.1
Diluted earnings per share.....		<u>\$ .03</u>		<u>\$ .27</u>

In addition to the stock options and restricted stock reflected in the foregoing tables, stock options to purchase 33.9 million shares of common stock at prices ranging from \$21.25 to \$46.15 and 419,000 shares of restricted stock were outstanding at August 2, 2008, and stock options to purchase 12.8 million shares of common stock at prices ranging from \$33.25 to \$46.15 per share and 274,000 shares of restricted stock were outstanding at August 4, 2007, but were not included in the computation of diluted earnings per share because their inclusion would have been antidilutive.

## 7. Benefit Plans

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

In addition, certain retired employees currently are provided with specified health care and life insurance benefits ( Postretirement Obligations ). Eligibility requirements for such benefits vary 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 actuarially determined components of the net periodic benefit cost are as follows:

	13 Weeks Ended		26 Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
	(millions)			
<b>Pension Plan</b>				
Service cost.....	\$ 26	\$ 29	\$ 53	\$ 58
Interest cost.....	40	41	80	81
Expected return on assets.....	(48)	(51)	(95)	(102)
Recognition of net actuarial loss.....	2	4	3	9
Amortization of prior service cost.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
	<u>\$ 20</u>	<u>\$ 23</u>	<u>\$ 41</u>	<u>\$ 45</u>
<b>-</b>				
<u>Supplementary Retirement Plan</u>				
Service cost.....	\$ 2	\$ 3	\$ 3	\$ 5
Interest cost.....	10	10	20	20
Recognition of net actuarial loss.....	-	-	-	-
Amortization of prior service cost.....	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
	<u>\$ 11</u>	<u>\$ 12</u>	<u>\$ 22</u>	<u>\$ 24</u>
<b>-</b>				
<u>Postretirement Obligations</u>				
Service cost.....	\$ -	\$ -	\$ -	\$ -
Interest cost.....	6	5	11	10
Recognition of net actuarial loss.....	-	-	1	-
Amortization of prior service cost.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6</u>	<u>\$ 5</u>	<u>\$ 12</u>	<u>\$ 10</u>

## 8. Accumulated Other Comprehensive Loss

The following table shows the beginning and ending balance of, and the activity associated with, accumulated other comprehensive loss, net of income tax effects, for the 26 weeks ended August 2, 2008 and August 4, 2007:

	August 2, <u>2008</u> (millions)	August 4, <u>2007</u>
Accumulated other comprehensive loss, at beginning of period.....	\$ (182)	\$ (182)
Adjustment to adopt new accounting pronouncements, net of income tax effect of \$14 million.....	-	29
Unrealized loss on marketable securities, net of income tax effect of \$8 million and \$18 million.....	(12)	(29)

Post employment and postretirement benefit plans:

Recognition of net actuarial loss, net of income tax effect of \$1 million and \$4 million.....	3	5
Prior service cost, net of income tax effect of less  than \$1 million and \$1 million.....	<u>(1)</u>	<u>(1)</u>
Accumulated other comprehensive loss, at end of period.....	<u>\$ (192)</u>	<u>\$ (178)</u>

**9. Legal Settlement**

The Company is subject to a wage and hour class action in California. The Company concluded that it is probable that a loss of approximately \$23 million will be incurred to settle this legal matter and has recorded this estimated amount as part of selling, general and administrative expenses during the 26 weeks ended August 2, 2008. However, because this settlement is subject to court approval, there can be no assurance that the outcome of the legal matter will not result in an additional loss.

**10. Condensed Consolidating Financial Information**

Macy's, Inc. ( Parent ) has fully and unconditionally guaranteed certain long-term debt obligations of its wholly-owned subsidiary, Macy's Retail Holdings, Inc. ( Subsidiary Issuer ). Other Subsidiaries includes all other direct subsidiaries of Parent, including FDS Bank, Leadville Insurance Company and Snowdin Insurance Company and, prior to the date of disposition, After Hours Formalwear, Inc. Subsidiary Issuer includes operating divisions and non-guarantor subsidiaries of the Subsidiary Issuer on an equity basis. The assets and liabilities and results of operations of the non-guarantor subsidiaries of the Subsidiary Issuer, including Macy's Merchandising Group International, LLC, are also reflected in Other Subsidiaries.

Condensed Consolidating Balance Sheets as of August 2, 2008, August 4, 2007 and February 2, 2008, the related Condensed Consolidating Statements of Operations for the 13 and 26 weeks ended August 2, 2008 and August 4, 2007, and the related Condensed Consolidating Statements of Cash Flows for the 26 weeks ended August 2, 2008 and August 4, 2007 are presented on the following pages.

**Condensed Consolidating Balance Sheet**

**As of August 2, 2008**

(millions)



	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
<b>ASSETS:</b>					
Current Assets:					
Cash and cash equivalents.....	\$ 1,065	\$ 68	\$ 160	\$ -	\$ 1,293
Receivables.....	-	33	308	-	341
Merchandise inventories.....	-	2,578	2,430	-	5,008
Supplies and prepaid expenses.....	-	115	128	-	243
Income tax receivable.....	<u>116</u>	<u>-</u>	<u>-</u>	<u>(89)</u>	<u>27</u>
Total Current Assets.....	1,181	2,794	3,026	(89)	6,912
Property and Equipment - net.....	-	6,023	4,632	-	10,655
Goodwill.....	-	6,563	2,569	-	9,132
Other Intangible Assets - net.....	-	271	486	-	757
Other Assets.....	4	142	391	-	537
Deferred Income Tax Assets.....	111	-	-	(111)	-
Intercompany Receivable.....	304	-	1,211	(1,515)	-
Investment in Subsidiaries.....	<u>8,411</u>	<u>4,907</u>	<u>-</u>	<u>(13,318)</u>	<u>-</u>
Total Assets.....	<u>\$10,011</u>	<u>\$20,700</u>	<u>\$12,315</u>	<u>\$(15,033)</u>	<u>\$27,993</u>

**LIABILITIES AND SHAREHOLDERS****EQUITY:**

## Current Liabilities:

Short-term debt.....	\$ -	\$ 1,614	\$ 2	\$ -	\$ 1,616
Accounts payable and accrued					
liabilities.....	113	1,825	2,156	-	4,094
Income taxes.....	-	27	62	(89)	-
Deferred income taxes.....	<u>10</u>	<u>215</u>	<u>9</u>	<u>-</u>	<u>234</u>
Total Current Liabilities.....	123	3,681	2,229	(89)	5,944
Long-Term Debt.....	-	8,733	28	-	8,761
Intercompany Payable.....	-	1,515	-	(1,515)	-
Deferred Income Taxes.....	-	1,118	443	(111)	1,450
Other Liabilities.....	52	880	1,070	-	2,002
Shareholders Equity.....	<u>9,836</u>	<u>4,773</u>	<u>8,545</u>	<u>(13,318)</u>	<u>9,836</u>
Total Liabilities and					
Shareholders Equity.....	<u>\$10,011</u>	<u>\$20,700</u>	<u>\$12,315</u>	<u>\$(15,033)</u>	<u>\$27,993</u>

**Condensed Consolidating Statement of Operations**

**For the 13 Weeks Ended August 2, 2008****(millions)**

	Subsidiary		Other	Consolidating	
	<u>Parent</u>	<u>Issuer</u>	<u>Subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Net sales.....	\$ -	\$ 3,073	\$ 3,097	\$ (452)	\$ 5,718
Cost of	<u>-</u>	<u>(1,856)</u>	<u>(1,925)</u>	<u>435</u>	<u>(3,346)</u>
Gross margin.....	-	1,217	1,172	(17)	2,372
Selling, general and administrative expenses.....	(1)	(1,142)	(911)	17	(2,037)
Division consolidation costs.....	-	(24)	(2)	-	(26)
Asset impairment charges.....	<u>-</u>	<u>-</u>	<u>(50)</u>	<u>-</u>	<u>(50)</u>
Operating income (loss).....	(1)	51	209	-	259
Interest (expense) income, net					
External.....	6	(146)	2	-	(138)
Intercompany.....	7	(41)	34	-	-
Equity in earnings of subsidiaries.....	<u>67</u>	<u>85</u>	<u>-</u>	<u>(152)</u>	<u>-</u>
Income (loss) before income taxes.....	79	(51)	245	(152)	121
Federal, state and local income tax benefit (expense)..	<u>(6)</u>	<u>49</u>	<u>(91)</u>	<u>-</u>	<u>(48)</u>
Net income (loss).....	<u>\$ 73</u>	<u>\$ (2)</u>	<u>\$ 154</u>	<u>\$ (152)</u>	<u>\$ 73</u>

**Condensed Consolidating Statement of Operations****For the 26 Weeks Ended August 2, 2008****(millions)**

For the 13 Weeks Ended August 2, 2008

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	Subsidiary Other		Consolidating		
	<u>Parent</u>	<u>Issuer</u>	<u>Subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Net sales.....	\$ -	\$ 6,132	\$ 6,321	\$ (988)	\$11,465
Cost of sales.....	-	<u>(3,861)</u>	<u>(3,965)</u>	<u>953</u>	<u>(6,873)</u>
Gross margin.....	-	2,271	2,356	(35)	4,592
Selling, general and administrative expenses.....	(3)	(2,310)	(1,862)	35	(4,140)
Division consolidation costs.....	-	(80)	(33)	-	(113)
Asset impairment charges.....	-	-	<u>(50)</u>	-	<u>(50)</u>
Operating income (loss).....	(3)	(119)	411	-	289
Interest (expense) income, net					
External.....	10	(287)	3	-	(274)
Intercompany.....	15	(83)	68	-	-
Equity in earnings of subsidiaries.....	<u>(9)</u>	<u>102</u>	-	<u>(93)</u>	-
Income (loss) before income taxes.....	13	(387)	482	(93)	15
Federal, state and local income tax benefit (expense)	<u>1</u>	<u>159</u>	<u>(161)</u>	-	<u>(1)</u>
Net income (loss).....	<u>\$ 14</u>	<u>\$ (228)</u>	<u>\$ 321</u>	<u>\$ (93)</u>	<u>\$ 14</u>

**Condensed Consolidating Statement of Cash Flows**

**For the 26 Weeks Ended August 2, 2008**

**(millions)**

	Subsidiary Other		Consolidating		
	<u>Parent</u>	<u>Issuer</u>	<u>Subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
Cash flows from continuing operating activities:					
Net income (loss).....	\$ 14	\$ (228)	\$ 321	\$ (93)	\$ 14
Division consolidation costs.....	-	80	33	-	113
Asset impairment charges.....	-	-	50	-	50

For the 26 Weeks Ended August 2, 2008

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Equity in earnings of subsidiaries.....	9	(102)	-	93	-
Dividends received from subsidiaries.....	271	-	-	(271)	-
Depreciation and amortization.....	-	339	291	-	630
(Increase) decrease in working capital.....	(25)	37	(284)	-	(272)
Other, net.....	<u>(97)</u>	<u>233</u>	<u>(79)</u>	<u>-</u>	<u>57</u>
Net cash provided by continuing					
operating activities.....	<u>172</u>	<u>359</u>	<u>332</u>	<u>(271)</u>	<u>592</u>
Cash flows from continuing investing activities:					
Purchase of property and equipment					
and capitalized software, net.....	<u>-</u>	<u>(34)</u>	<u>(278)</u>	<u>-</u>	<u>(312)</u>
Net cash used by continuing					
investing activities.....	<u>-</u>	<u>(34)</u>	<u>(278)</u>	<u>-</u>	<u>(312)</u>
Cash flows from continuing financing activities:					
Debt issued, net of debt repaid.....	-	642	(1)	-	641
Dividends paid.....	(110)	-	(271)	271	(110)
Issuance of common stock, net of					
common stock acquired.....	5	-	-	-	5
Intercompany activity, net.....	779	(968)	189	-	-
Other, net.....	<u>(116)</u>	<u>(6)</u>	<u>16</u>	<u>-</u>	<u>(106)</u>
Net cash provided (used) by					
continuing financing activities.....	<u>558</u>	<u>(332)</u>	<u>(67)</u>	<u>271</u>	<u>430</u>
Net increase (decrease) in cash					
and cash equivalents.....	730	(7)	(13)	-	710
Cash and cash equivalents at beginning					
of period.....	<u>335</u>	<u>75</u>	<u>173</u>	<u>-</u>	<u>583</u>
Cash and cash equivalents at end of period.....	<u>\$1,065</u>	<u>\$ 68</u>	<u>\$ 160</u>	<u>\$ -</u>	<u>\$1,293</u>

**Condensed Consolidating Balance Sheet**

**As of August 4, 2007**

For the 26 Weeks Ended August 2, 2008

(millions)

	Subsidiary Other		Consolidating		
	<u>Parent</u>	<u>Issuer</u>	<u>Subsidiaries</u>	<u>Adjustments</u>	<u>Consolidated</u>
<b>ASSETS:</b>					
Current Assets:					
Cash and cash equivalents.....	\$ 12	\$ 72	\$ 165	\$ -	\$ 249
Receivables.....	-	72	418	-	490
Merchandise inventories.....	-	2,778	2,422	-	5,200
Supplies and prepaid expenses.....	-	117	150	-	267
Deferred income tax assets.....	15	-	38	(53)	-
Income tax receivable.....	<u>85</u>	<u>-</u>	<u>-</u>	<u>(85)</u>	<u>-</u>
Total Current Assets.....	112	3,039	3,193	(138)	6,206
Property and Equipment - net.....	3	6,468	4,639	-	11,110
Goodwill.....	-	6,608	2,586	-	9,194
Other Intangible Assets - net.....	-	312	545	-	857
Other Assets.....	4	205	352	-	561
Deferred Income Tax Assets.....	94	-	-	(94)	-
Intercompany Receivable.....	270	-	2,606	(2,876)	-
Investment in Subsidiaries.....	<u>9,347</u>	<u>5,561</u>	<u>-</u>	<u>(14,908)</u>	<u>-</u>
Total Assets.....	<u>\$9,830</u>	<u>\$22,193</u>	<u>\$13,921</u>	<u>\$(18,016)</u>	<u>\$27,928</u>
<b>LIABILITIES AND SHAREHOLDERS</b>					
<b>EQUITY:</b>					
Current Liabilities:					
Short-term debt.....	\$ -	\$ 542	\$ 3	\$ -	\$ 545
Accounts payable and accrued					
liabilities.....	94	1,821	2,351	-	4,266
Income taxes.....	-	21	140	(85)	76
Deferred income taxes.....	<u>-</u>	<u>245</u>	<u>-</u>	<u>(53)</u>	<u>192</u>
Total Current Liabilities.....	94	2,629	2,494	(138)	5,079
Long-Term Debt.....	-	9,732	30	-	9,762
Intercompany Payable.....	-	2,876	-	(2,876)	-
Deferred Income Taxes.....	-	1,000	485	(94)	1,391
Other Liabilities.....	129	339	1,621	-	2,089
Shareholders Equity.....	<u>9,607</u>	<u>5,617</u>	<u>9,291</u>	<u>(14,908)</u>	<u>9,607</u>
Total Liabilities and					
Shareholders Equity.....	<u>\$9,830</u>	<u>\$22,193</u>	<u>\$13,921</u>	<u>\$(18,016)</u>	<u>\$27,928</u>

**Condensed Consolidating Statement of Operations****For the 13 Weeks Ended August 4, 2007****(millions)**

	Subsidiary		Other	Consolidating	
	Parent	Issuer	Subsidiaries	Adjustments	Consolidated
Net sales.....	\$ -	\$ 2,959	\$ 3,378	\$ (445)	\$ 5,892
Cost of sales.....	<u>-</u>	<u>(1,862)</u>	<u>(2,073)</u>	<u>428</u>	<u>(3,507)</u>
Gross margin.....	-	1,097	1,305	(17)	2,385
Selling, general and administrative expenses.....	(2)	(1,068)	(985)	17	(2,038)
May integration costs.....	<u>-</u>	<u>(68)</u>	<u>(29)</u>	<u>-</u>	<u>(97)</u>
Operating income (loss).....	(2)	(39)	291	-	250
Interest (expense) income, net					
External.....	7	(146)	2	-	(137)
Intercompany.....	14	(36)	22	-	-
Equity in earnings of subsidiaries.....	<u>74</u>	<u>24</u>	<u>-</u>	<u>(98)</u>	<u>-</u>
Income (loss) before income taxes.....	93	(197)	315	(98)	113
Federal, state and local income tax benefit (expense)..	<u>(19)</u>	<u>136</u>	<u>(156)</u>	<u>-</u>	<u>(39)</u>
Net income (loss).....	<u>\$ 74</u>	<u>\$ (61)</u>	<u>\$ 159</u>	<u>\$ (98)</u>	<u>\$ 74</u>

**Condensed Consolidating Statement of Operations****For the 26 Weeks Ended August 4, 2007****(millions)**

For the 26 Weeks Ended August 2, 2008

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	Subsidiary Other		Consolidating		
	<u>Parent</u>	<u>Issuer</u>	<u>Subsidiaries</u>	<u>Adjustments</u>	
Net sales.....	\$ -	\$ 5,808	\$ 7,078	\$(1,073)	\$11,813
Cost of sales.....	<u>-</u>	<u>(3,676)</u>	<u>(4,414)</u>	<u>1,019</u>	<u>(7,071)</u>
Gross margin.....	-	2,132	2,664	(54)	4,742
Selling, general and administrative expenses.....	(6)	(2,167)	(2,047)	69	(4,151)
May integration costs.....	<u>-</u>	<u>(85)</u>	<u>(55)</u>	<u>7</u>	<u>(133)</u>
Operating income (loss).....	(6)	(120)	562	22	458
Interest (expense) income, net					
External.....	16	(282)	4	-	(262)
Intercompany.....	31	(71)	40	-	-
Equity in earnings of subsidiaries.....	<u>86</u>	<u>142</u>	<u>-</u>	<u>(228)</u>	<u>-</u>
Income (loss) from continuing operations					
before income taxes.....	127	(331)	606	(206)	196
Federal, state and local income tax benefit (expense)	<u>(17)</u>	<u>180</u>	<u>(227)</u>	<u>(6)</u>	<u>(70)</u>
Income (loss) from continuing operations.....	110	(151)	379	(212)	126
Discontinued operations, net of income taxes.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>(16)</u>
Net income (loss).....	<u>\$ 110</u>	<u>\$ (151)</u>	<u>\$ 379</u>	<u>\$ (228)</u>	<u>\$ 110</u>

**Condensed Consolidating Statement of Cash Flows**

**For the 26 Weeks Ended August 4, 2007**

(millions)

	Subsidiary Other		Consolidating		
	<u>Parent</u>	<u>Issuer</u>	<u>Subsidiaries</u>	<u>Adjustments</u>	

For the 26 Weeks Ended August 2, 2008

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Cash flows from continuing operating activities:					
Net income (loss).....	\$ 110	\$ (151)	\$ 379	\$ (228)	\$ 110
Loss from discontinued operations.....	-	-	-	16	16
May integration costs.....	-	85	55	(7)	133
Equity in earnings of subsidiaries.....	(86)	(142)	-	228	-
Dividends received from subsidiaries.....	208	-	-	(208)	-
Depreciation and amortization.....	-	324	332	-	656
(Increase) decrease in working capital.....	(80)	(409)	23	(16)	(482)
Other, net.....	<u>16</u>	<u>498</u>	<u>(535)</u>	<u>-</u>	<u>(21)</u>
Net cash provided by continuing					
operating activities.....	<u>168</u>	<u>205</u>	<u>254</u>	<u>(215)</u>	<u>412</u>
Cash flows from continuing investing activities:					
Purchase of property and equipment					
and capitalized software, net.....	-	(67)	(321)	7	(381)
Proceeds from the disposition of					
After Hours Formalwear.....	<u>66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66</u>
Net cash provided (used) by continuing					
investing activities.....	<u>66</u>	<u>(67)</u>	<u>(321)</u>	<u>7</u>	<u>(315)</u>
Cash flows from continuing financing activities:					
Debt issued, net of debt repaid.....	-	1,838	(1)	-	1,837
Dividends paid.....	(117)	-	(208)	208	(117)
Acquisition of common stock, net of					
common stock issued.....	(2,666)	-	-	-	(2,666)
Intercompany activity, net.....	1,668	(1,932)	263	1	-
Other, net.....	<u>(75)</u>	<u>(45)</u>	<u>7</u>	<u>1</u>	<u>(112)</u>
Net cash provided (used) by					
continuing financing activities.....	<u>(1,190)</u>	<u>(139)</u>	<u>61</u>	<u>210</u>	<u>(1,058)</u>
Net cash used by continuing operations.....	(956)	(1)	(6)	2	(961)
Net cash used by discontinued operations.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Net decrease in cash and cash equivalents.....	(956)	(1)	(6)	1	(962)
Cash and cash equivalents at beginning					
of period.....	<u>968</u>	<u>73</u>	<u>171</u>	<u>(1)</u>	<u>1,211</u>
Cash and cash equivalents at end of period.....	<u>\$ 12</u>	<u>\$ 72</u>	<u>\$ 165</u>	<u>\$ -</u>	<u>\$ 249</u>



**Condensed Consolidating Balance Sheet****As of February 2, 2008****(millions)**

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
<b>ASSETS:</b>					
Current Assets:					
Cash and cash equivalents.....	\$ 335	\$ 75	\$ 173	\$ -	\$ 583
Receivables.....	-	68	395	-	463
Merchandise inventories.....	-	2,704	2,356	-	5,060
Supplies and prepaid expenses.....	-	118	100	-	218
Income taxes.....	21	-	-	(21)	-
Deferred income tax assets.....	<u>-</u>	<u>-</u>	<u>7</u>	<u>(7)</u>	<u>-</u>
Total Current Assets.....	356	2,965	3,031	(28)	6,324
Property and Equipment - net.....	3	6,292	4,696	-	10,991
Goodwill.....	-	6,564	2,569	-	9,133
Other Intangible Assets - net.....	-	290	541	-	831
Other Assets.....	4	155	351	-	510
Deferred Income Tax Assets.....	22	-	-	(22)	-
Intercompany Receivable.....	1,045	-	1,412	(2,457)	-
Investment in Subsidiaries.....	<u>8,707</u>	<u>4,805</u>	<u>-</u>	<u>(13,512)</u>	<u>-</u>
Total Assets.....	<u>\$10,137</u>	<u>\$21,071</u>	<u>\$12,600</u>	<u>\$(16,019)</u>	<u>\$27,789</u>

**LIABILITIES AND SHAREHOLDERS****EQUITY:**

## Current Liabilities:

Short-term debt.....	\$ -	\$ 664	\$ 2	\$ -	\$ 666
Accounts payable and accrued					
liabilities.....	159	1,880	2,088	-	4,127
Income taxes.....	-	11	354	(21)	344
Deferred income taxes.....	<u>-</u>	<u>230</u>	<u>-</u>	<u>(7)</u>	<u>223</u>
Total Current Liabilities.....	159	2,785	2,444	(28)	5,360
Long-Term Debt.....	-	9,058	29	-	9,087
Intercompany Payable.....	-	2,457	-	(2,457)	-
Deferred Income Taxes.....	-	882	586	(22)	1,446
Other Liabilities.....	71	877	1,041	-	1,989
Shareholders' Equity.....	<u>9,907</u>	<u>5,012</u>	<u>8,500</u>	<u>(13,512)</u>	<u>9,907</u>

Total Liabilities and

Shareholders Equity.....	<u>\$10,137</u>	<u>\$21,071</u>	<u>\$12,600</u>	<u>\$(16,019)</u>	<u>\$27,789</u>
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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

For purposes of the following discussion, all references to second quarter of 2008 and second quarter of 2007 are to the Company's 13-week fiscal periods ended August 2, 2008 and August 4, 2007, respectively, and all references to 2008 and 2007 are to the Company's 26-week fiscal periods ended August 2, 2008 and August 4, 2007, respectively.

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

In 2003, the Company commenced the implementation of a strategy to more fully utilize its Macy's brand, converting all of the Company's regional store nameplates to the Macy's nameplate. This strategy allowed the Company to magnify the impact of its marketing efforts on a nationwide basis, as well as to leverage major events such as the Macy's Thanksgiving Day Parade and Macy's 4th of July fireworks.

In early 2004, the Company announced a further step in reinventing its department stores - the creation of a centralized organization to be responsible for the overall strategy, merchandising and marketing of home-related categories of business in all of its Macy's-branded stores. While its benefits have taken longer to be realized, the centralized operation is still expected to accelerate future sales in these categories largely by improving and further differentiating the Company's home-related merchandise assortments.

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

In 2005, the Company launched a new nationwide Macy's customer loyalty program, called Star Rewards, in coordination with the launch of the Macy's nameplate in cities across the country. The program provides an enhanced level of benefits to Macy's best credit card customers.

On August 30, 2005, the Company completed its merger with The May Department Stores Company (May) (the Merger). The Company added about 400 Macy's locations nationwide in 2006 as it converted the regional department store nameplates acquired through the Merger. In conjunction with the conversion process, the Company identified certain store locations and distribution center facilities to be divested.

Following the Merger, the Company announced its intention to sell the acquired Lord & Taylor division and the acquired bridal group business (which included David's Bridal, After Hours Formalwear and Priscilla of Boston). The sale of the Lord & Taylor division was completed in October 2006, the sale of David's Bridal and Priscilla of Boston was completed in January 2007 and the sale of After Hours Formalwear was completed in April 2007. As a result of the Company's disposition of the Lord & Taylor division and bridal group business, these businesses were reported as discontinued operations. Unless otherwise indicated, the following discussion relates to the Company's continuing operations.

In February 2008, the Company announced a new initiative to strengthen local market focus and enhance selling service expected to enable the Company to both accelerate same-store sales growth and reduce expense. The localization initiative, called My Macy's, was developed with the goal to accelerate sales growth in existing locations by ensuring that core customers surrounding each Macy's store find merchandise assortments, size ranges, marketing programs and shopping experiences that are custom-tailored to their needs. To maximize the results from My Macy's, the Company is taking action in certain markets that will: concentrate more management talent in local markets, effectively reducing the span of control over local stores; create new positions in the field to work with division central planning and buying executives in helping to understand and act on the merchandise needs of local customers; and empower locally based executives to make more and better decisions. In combination with the localization initiative, the Company consolidated the Minneapolis-based Macy's North organization into New York-based Macy's East, the St. Louis-based Macy's Midwest organization into Atlanta-based Macy's South and the Seattle-based Macy's Northwest organization into San Francisco-based Macy's West. The Atlanta-based division was renamed Macy's Central. The savings from the division consolidation process, net of the amount invested in the localization initiative and increased store staffing levels, are expected to reduce selling, general and administrative (SG&A) expenses by approximately \$100 million per year, beginning in 2009. The partial-year reduction in SG&A expenses for 2008 is estimated at approximately \$60 million. The Company anticipates incurring approximately \$150 million of one-time costs related to the division consolidations and the localization initiative in fiscal 2008, consisting primarily of human resource-related costs.

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

In recent periods, there have been substantial increases in the costs of basic necessities, such as food, motor fuels, heating oil, natural gas and electricity. Sustained increases in the cost of such items could reduce the amount of funds that consumers are willing and able to spend for other goods, including some of the merchandise offered by the Company. In addition to adversely affecting the unit volumes of merchandise sold by the Company, such reductions in consumer spending could adversely affect the sales prices for the merchandise offered by the Company (and, accordingly, the Company's gross margin), as the Company is required to take markdowns on its merchandise in order to keep its inventories current. Based on its assessment of market conditions and its recent performance, the Company is assuming that its comparable store sales in the 2008 fall season will be flat to down 1.0% from levels in the 2007 fall season, which would result in fiscal 2008 comparable store sales to be in the range of down 1% to down 1.6%.

The Company cannot predict whether, when or the manner in which the economic conditions described above will change.

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included elsewhere in this report. The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this report (particularly in *Forward-Looking Statements*) and in the 2007 10-K (particularly in *Risk Factors*).

## **Results of Operations**

### **Comparison of the 13 Weeks Ended August 2, 2008 and August 4, 2007**

Net income for the second quarter of 2008 was \$73 million, compared to net income of \$74 million in the second quarter of 2007. Net income for the second quarter of 2008 includes the impact of \$26 million of division consolidation costs and \$50 million of asset impairment charges. Net income in the second quarter of 2007 included the impact of \$97 million of May integration costs.

Net sales for the second quarter of 2008 totaled \$5,718 million, compared to net sales of \$5,892 million for the second quarter of 2007, a decrease of \$174 million or 3.0%. On a comparable store basis, net sales for the second quarter of 2008 were down 2.1% compared to the second quarter of 2007. By family of business, sales in the second quarter of 2008 were strongest in jewelry, cosmetics, shoes, men's furnishings, men's collections, housewares and mattresses. The weaker businesses during the quarter were ready to wear, intimate apparel, men's tailored clothing, men's classification sportswear, children's, textiles and tabletop. The Company calculates comparable store sales as sales from stores in operation throughout the periods being compared and all Internet sales. Definitions and calculations of comparable store sales differ among companies in the retail industry.

Cost of sales was \$3,346 million or 58.5% of net sales for the second quarter of 2008, compared to \$3,507 million or 59.5% of net sales for the second quarter of 2007, a decrease of \$161 million. The improved cost of sales rate for the second quarter of 2008 reflects a lower level of clearance inventory from the prior year as well as good inventory management throughout 2008. The cost of sales rate in the second quarter of 2007 reflected higher net markdowns as a percent of net sales due to the weak sales trend, intended to maintain inventories at appropriate levels. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were \$2,037 million or 35.6% of net sales for the second quarter of 2008, compared to \$2,038 million or 34.6% of net sales for the second quarter of 2007, a decrease of \$1 million. The SG&A rate as a percent to sales was higher in the second quarter of 2008, compared to the second quarter of 2007, primarily because of weaker sales. SG&A expenses in the second quarter of 2008 reflected lower depreciation and amortization expenses and consolidation-related expense savings, offset by lower income from credit and higher expenses to support the high growth Internet businesses.

Division consolidation costs for the second quarter of 2008 amounted to \$26 million and were primarily related to severance costs and other human resource-related costs.

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

May integration costs for the second quarter of 2007 amounted to \$97 million, including \$47 million related to impairment charges in connection with distribution center facilities planned to be closed and disposed of. The remaining \$50 million of May integration costs incurred during the second quarter of 2007 included additional costs related to closed locations, severance, system conversion costs, impairment charges associated with acquired indefinite lived intangible assets and costs related to other operational consolidations.

Net interest expense was \$138 million for the second quarter of 2008 compared to \$137 million for the second quarter of 2007, an increase of \$1 million.

The Company's effective income tax rate of 39.3% for the second quarter of 2008 and 34.3% for the second quarter of 2007 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the effect of state and local income taxes and the settlement of tax examinations.

#### **Comparison of the 26 Weeks Ended August 2, 2008 and August 4, 2007**

Net income for 2008 was \$14 million, compared to net income of \$110 million in 2007. Net income for 2008 includes the impact of \$113 million of division consolidation costs and \$50 million of asset impairment charges. Net income for 2007 included income from continuing operations of \$126 million and a loss from discontinued operations of \$16 million. Income from continuing operations in 2007 included the impact of \$133 million of May integration costs. The loss from discontinued operations in 2007 included the loss on disposal of the After Hours Formalwear business of \$7 million on a pre-tax and after-tax basis.

Net sales for 2008 totaled \$11,465 million, compared to net sales of \$11,813 million for 2007, a decrease of \$348 million or 2.9%. On a comparable store basis, net sales for 2008 were down 2.2% compared to 2007. By family of business, sales in 2008 were strongest in young men's, men's collections, handbags, cosmetics, housewares, mattresses and furniture. The weaker businesses in 2008 were women's ready to wear and home textiles. The Company calculates comparable store sales as sales from stores in operation throughout the periods being compared and all Internet sales. Definitions and calculations of comparable store sales differ among companies in the retail industry.

Cost of sales was \$6,873 million or 60.0% of net sales for 2008, compared to \$7,071 million or 59.9% of net sales for 2007, a decrease of \$198 million. The cost of sales rate in 2007 reflected higher net markdowns as a percent of net sales due to the weak sales trend, intended to maintain inventories at appropriate levels. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were \$4,140 million or 36.1% of net sales for 2008, compared to \$4,151 million or 35.1% of net sales for 2007, a decrease of \$11 million. The SG&A rate as a percent to sales was higher in 2008, compared to 2007, primarily because of weaker sales. SG&A expenses in 2008 benefited from lower depreciation and amortization expenses and lower stock-based compensation expenses, partially offset by lower income from credit.

Division consolidation costs for 2008 amounted to \$113 million and were primarily related to severance costs and other human resource-related costs.

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

May integration costs for 2007 amounted to \$133 million, including \$47 million related to impairment charges in connection with distribution center facilities planned to be closed and disposed of. The remaining \$86 million of May integration costs for 2007 included additional costs related to closed locations, severance, system conversion costs, impairment charges associated with acquired indefinite lived intangible assets and costs related to other operational consolidations.

Net interest expense was \$274 million for 2008 compared to \$262 million for 2007, an increase of \$12 million. The increase in net interest expense for 2008, as compared to 2007, resulted primarily from higher outstanding borrowings.

The Company's effective income tax rate of 3.7% for 2008 and 35.5% for 2007 differ from the federal income tax statutory rate of 35.0%, and on a comparative basis, principally because of the effect of state and local income taxes, including the settlement of various tax issues and tax examinations.

For 2007, the loss from the discontinued operations of the acquired After Hours Formalwear business, net of income taxes, was \$16 million on sales of approximately \$27 million. The loss from discontinued operations included the loss on disposal of the After Hours Formalwear business of \$7 million on a pre-tax and after-tax basis.

### **Liquidity and Capital Resources**

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

Net cash provided by continuing operating activities in 2008 was \$592 million, compared to net cash provided by continuing operating activities of \$412 million in 2007. The increase in net cash provided by continuing operating activities reflects a smaller decrease in accounts payable and accrued liabilities not separately identified, partially offset by lower net income in 2008 as compared to 2007.

Net cash used by continuing investing activities was \$312 million for 2008, compared to net cash used by continuing investing activities of \$315 million for 2007. Continuing investing activities for 2008 include purchases of property and equipment totaling \$284 million and capitalized software of \$63 million, compared to purchases of property and equipment totaling \$403 million and capitalized software of \$50 million for 2007. During 2008, the Company opened two new Macy's department stores. During 2007, the Company opened five Macy's department stores, one Macy's furniture gallery and one Bloomingdale's department store. Cash flows from continuing investing activities included \$22 million and \$71 million from the disposition of property and equipment for 2008 and 2007, respectively. Continuing investing activities for 2007 also included \$66 million of proceeds from the disposition of the discontinued operations of After Hours Formalwear.

Net cash provided by the Company from continuing financing activities was \$430 million for 2008, including debt issued of \$650 million and the issuance of \$6 million of its common stock, primarily related to the exercise of stock options, partially offset by the repayment of \$9 million of debt, cash dividends paid of \$110 million and a decrease in outstanding checks of \$101 million. During 2008, the Company repurchased no shares of its common stock under its share repurchase program and anticipates no share repurchases under its share repurchase program for the remainder of fiscal 2008. Net cash used by the Company from continuing financing activities was \$1,058 million for 2007,

including the repayment of \$416 million of debt, the acquisition of 69.6 million shares of its common stock at an approximate cost of \$2,919 million and cash dividends paid of \$117 million, partially offset by debt issued of \$2,253 million and the issuance of \$253 million of its common stock, primarily related to the exercise of stock options. The debt issued during 2008 was \$650 million of 7.875% senior notes due 2015. The debt issued during 2007 included \$1,100 million of 5.35% senior notes due 2012, \$500 million of 6.375% senior notes due 2037, and \$653 million of commercial paper outstanding at August 4, 2007. The debt repaid in 2007 included \$400 million of 3.95% senior notes due July 15, 2007 and \$6 million of 9.93% medium term notes due August 1, 2007.

The Company is a party to a credit agreement with certain financial institutions providing for revolving credit borrowings and letters of credit in an aggregate amount not to exceed \$2,000 million (which may be increased to \$2,500 million at the option of the Company) outstanding at any particular time. This agreement is set to expire August 30, 2012. As of August 2, 2008, the Company had no borrowings outstanding under this agreement.

The Company also maintains an unsecured commercial paper program pursuant to which it may issue and sell commercial paper in an aggregate amount at any particular time not to exceed its then-current borrowing availability under the revolving credit facility described above. As of August 2, 2008, the Company had no outstanding borrowings under its commercial paper program.

On June 23, 2008, the Company issued \$650 million aggregate principal amount of 7.875% senior notes due 2015. The net proceeds from the debt issuance will be used for the repayment of amounts due on debt in the remainder of the fiscal year. The Company has \$500 million of 6.625% senior notes due September 1, 2008, \$150 million of 5.95% notes due November 1, 2008, \$350 million of 6.3% senior notes due April 1, 2009 and \$600 million of 4.8% notes due July 15, 2009.

On August 22, 2008, the Company's board of directors declared a regular quarterly dividend of 13.25 cents per share on its common stock, payable October 1, 2008, to shareholders of record at the close of business on September 15, 2008.

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



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

#### **Item 4. Controls and Procedures**

The Company's Chief Executive Officer and Chief Financial Officer have carried out, as of August 2, 2008, with the participation of the Company's management, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports the Company files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission (SEC) rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

## **PART II -- OTHER INFORMATION**

### **MACY'S, INC.**

#### **Item 1. Legal Proceedings.**

On January 11, 2006, Edward Decristofaro, an alleged former May stockholder, filed a purported class action lawsuit in the Circuit Court of St. Louis, Missouri on behalf of all former May stockholders against May and the former members of the board of directors of May. The complaint generally alleges that the directors of May breached their fiduciary duties of loyalty, due care, good faith and candor to May stockholders in connection with the Merger. The plaintiffs seek rescission of the Merger or an unspecified amount of rescissory damages and costs including attorneys fees and experts fees. In July 2007, the court denied the defendants motion to dismiss the case. The Company believes the lawsuit is without merit and intends to contest it vigorously.

On June 4, 2007 and June 28, 2007, respectively, each of Robert L. Garber and Marlene Blanchard separately filed a purported class action lawsuit in the United States District Court for the Southern District of New York against the Company and certain members of its senior management on behalf of persons who purchased shares of the Company's common stock between February 8, 2007 and May 15, 2007. Both complaints alleged that the defendants made false and misleading statements regarding the Company's business, operations and prospects in relation to the integration of the acquired May operations, resulting in supposed artificial inflation of the Company's stock price during the relevant period, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The plaintiffs sought an unspecified amount of compensatory damages and costs. On September 5, 2007, the court consolidated the two actions as *In re Macy's, Inc. Securities Litigation*, and appointed Pinellas Park Retirement System (General Employees) as the lead plaintiff in the consolidated action. On May 19, 2008, the court granted the Company's motion to dismiss without prejudice and gave the plaintiffs until June 30, 2008 to file an amended complaint. The plaintiffs did not timely file an amended complaint and, on July 16, 2008, the court dismissed the action with prejudice.

On June 20, 2007, the Pirelli Armstrong Tire Corp. Retiree Medical Benefits Trust, an alleged stockholder of the Company, filed a stockholder derivative action in the United States District Court for the Southern District of New York. The derivative complaint charges the members of the Company's board of directors and certain members of senior management with breach of fiduciary duty and violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, alleging that the defendants made false and misleading statements regarding the Company's business, operations and prospects in relation to the integration of the acquired May operations, resulting in supposed artificial inflation of the Company's stock price between August 30, 2005 and May 15, 2007. Plaintiff seeks various forms of relief from the defendants for the benefit of the Company, including unspecified money damages and disgorgement of profits from allegedly improper trading of Company stock.

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

### Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described in Part I Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008 as filed with the SEC.

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

The following table provides information regarding the Company's purchases of common stock during the second quarter of 2008:

	Total Number of Shares <u>Purchased</u> (thousands)	Average Price per <u>Share (\$)</u>	Total Number of Shares Purchased <u>Under Program (1)</u> (thousands)	Open Authorization <u>Remaining (1) (\$)</u> (millions)
May 4, 2008 -				
May 31, 2008	2	28.47	-	852
June 1, 2008 -				
July 5, 2008	-	-	-	852
July 6, 2008 -				
August 2, 2008	<u>1</u>	<u>28.47</u>	<u>-</u>	852
Total	<u>3</u>	<u>28.47</u>	<u>-</u>	

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

## Item 5. Other Information

### Forward-Looking Statements

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

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

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

general consumer-spending levels, including the impact of the availability and level of consumer debt, levels of consumer confidence and the effects of the weather or natural disasters;

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

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

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

risks related to currency and exchange rates and other capital market, economic and geo-political conditions;

risks associated with severe weather and changes in weather patterns;

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

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

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

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

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

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

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

**MACY'S, INC.**

Item 6. Exhibits

- 4.1 Fifth Supplemental Indenture dated as of June 26, 2008, among Macy's Retail Holdings, Inc., as issuer, Macy's, Inc., as guarantor, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 26, 2008).
- 10.1 Stock Credit Plan for 2008-2009 of Macy's, Inc., as amended as of August 22, 2008\*
- 10.2 Macy's, Inc. Profit Sharing 401(k) Investment Plan (amending and restating the Macy's, Inc. Profit Sharing 401(k) Investment Plan and The May Department Stores Company Profit Sharing Plan), effective as of September 1, 2008\*
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 32.1 Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act.
- 32.2 Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act.

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\* Constitutes a compensatory plan or arrangement.

**MACY'S, INC.**

SIGNATURES

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

MACY'S, INC.

Dated: September 8, 2008

By: /s/ Dennis J. Broderick

Name: Dennis J. Broderick

Title: Senior Vice President, General Counsel

and Secretary

By: /s/ Joel A. Belsky

Name: Joel A. Belsky

Title: Vice President and Controller

(Principal Accounting Officer)