



AUG 23 2010

Terry J. Lundgren
Chairman, President
and Chief Executive Officer

AUGUST 19TH, 2010

COMMISSIONER LUIS A. AGUILAR
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
100 F STREET, N.E.
WASHINGTON, D.C. 20549

DEAR COMMISSIONER AGUILAR:

My name is Terry Lundgren and I am the Chairman of the Board and Chief Executive Officer of Macy's, Inc. Macy's is one of the nation's premier retailers, operating over 850 department stores under the names of Macy's and Bloomingdale's, with fiscal 2009 revenues of \$23.5 billion and more than 160,000 employees. I am also Chairman of the National Retail Federation (NRF) and a member of the Business Roundtable (BRT). I am writing to express my views on proxy access and to urge the Commission not to issue a rule on this matter.

Proxy access is not in the best interests of long-term shareholders. Shareholders with narrow interests, including hedge funds, could nominate directors and use the threat of a contested election solely as a mean to extract company concessions that sacrifice long term growth for a short-term gain. Many consider that type of short-term focus to have been a significant contributing factor to the recent financial crisis. Shifting the focus from the short-term is a cornerstone of *The Aspen Principles*, the set of corporate governance principles signed by The Business Roundtable, institutional investors, business organizations and labor unions.

Moreover, the increased number of proxy contests that are likely to result from a proxy access right will not only create significant costs for companies, but it will also distract management and board attention from the creation of long-term shareholder value. Proxy access could also dilute the effectiveness of boards by resulting in the election of persons whose abilities and experience are not helpful, or even appropriate, to the board and/or its needs. This could adversely affect the high levels of candor and professionalism that are required for a board to function effectively. In addition, it could very well discourage the kind of qualified individuals we want to serve as corporate directors, as these individuals might be deterred by the need to engage in a political campaign to become a director.

If, in spite of these cautions, the Commission decides to implement proxy access, I urge you to impose conditions that serve the interests of mainstream investors, not just special interest groups. In this regard, I encourage the Commission to adopt meaningful ownership and holding period thresholds to ensure that the process is not misused by special interest groups, speculators and others with an agenda separate from the long-term interests of the company. At minimum there should be at least a 5% ownership threshold and at least a two year net long holding requirement, regardless of company size.

Lower ownership thresholds, such as a 3% threshold, would allow special interest groups to easily aggregate their shares to pursue their own agendas, rather than the creation of long-term shareholder value. For Macy's, a 5% threshold would at least assure that a mainstream investor, such as a mutual fund, is part of the shareholder group nominating a director. Critics of a 5% ownership threshold ignore the concentration of ownership at the largest U.S. companies. For example, as The Business Roundtable noted in its August 17, 2009 comment letter to the Commission on its proxy access proposal, the top ten shareholders at the fifty largest companies hold, on average, 27% of the outstanding shares.

I strongly believe that only shareholders with a long-term economic interest in the company should be able to nominate directors under any proxy access regime. Shareholders should not be permitted to cheaply borrow shares to meet eligibility requirements. As the Commission itself said, one of the principles behind proxy access is that shareholders should be able "to meaningfully exercise their rights to vote for and nominate directors of the companies *in which they invest*." It undermines this principle to allow persons without an economic investment in the company to hijack the process.

I appreciate your consideration of my views. Thank you for listening.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry J. Lundgren", with a long horizontal flourish extending to the right.

Terry J. Lundgren