



MACY'S, INC. (M)

CHANGING 2015-2016 DEBT TO "FAIR VALUE" FROM "BUY"
 MAINTAINING:
 "FAIR VALUE" ON 2014 AND SHORTER DEBT MATURITIES
 "BUY" RATINGS ON 2017+ SENIOR DEBENTURES
 "BUY" RATING ON COMMON STOCK, SETTING NEW ONE-
 YEAR PT TO \$32, FROM YEAR-END \$26 PT

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ANALYST DAY NOTES: CRT CONTINUES TO EXPECT 1H 2010 OUTPERFORMANCE

COMMON STOCK BUY RATING AFFIRMED

SUMMARY CAPITALIZATION AND BELLWETHER SECURITIES (*)

(\$'s in millions, except per share data)

Bellwether Security:		Maturity	Par Amt.	Market	Price	Current	YTM	Rating
5.350%	Senior Debs.	3/15/12	\$ 1,100	\$ 1,155	105.0%	5.1%	2.6%	Ba2/BB
5.750%	Senior Debs.	7/15/14	500	528	105.5%	5.5%	4.3%	Ba2/BB
5.900%	Senior Debs.	12/1/16	1,100	1,130	102.8%	5.7%	5.4%	Ba2/BB
7.450%	Senior Debs.	7/15/17	300	323	107.5%	6.9%	6.1%	Ba2/BB

		CRT Estimates										
		Current		1-YR PT		Prior	New	Prior	New	Prior	New	
		Revenue	EBITDA	GAAP	EPS							
Common Equity		\$ 24.03	\$ 32.00			1Q10	\$ 5,342	\$ 5,459	\$ 430	\$ 486	\$ (0.05)	\$ (0.00)
						2Q10	5,280	5,345	642	670	0.29	0.34
2010 CRT EPS	\$1.81	13.3x	17.7x			3Q10	5,372	5,409	434	457	(0.02)	0.01
2011 CRT EPS	2.14	11.2x	15.0x			4Q10	7,966	8,006	1,327	1,400	1.33	1.46
						FY10E	23,981	24,219	2,833	3,024	1.54	1.81
						FY11E	24,448	24,824	2,853	3,127	1.72	2.14

(*) Please see Exhibit I for a detailed capitalization table. Ticker M; 52-week High/Low: \$25.25/\$10.27. Intra-day pricing. Credit rating on positive outlook by S&P. Sources: Company filings and CRT estimates.

Macy's, Inc. (M) held its first Analyst Day in three years yesterday in NYC during which the Company increased its sales and earnings guidance for Q1 and FY 2010. Consequently, we've updated our model for FY 2010 and FY 2011.

Key Changes to Our 2010 Model:

2010 Sales	Comparable store sales increase of 3.1%, up from 2.1%, and at the low end of management's 3.0%-3.5% guidance (raised from 1%-to-2%)
2010 Gross Margin Rate	40.9%, up 38 basis points from fiscal 2009's 40.5% and up from our previous 40.8% projection
2010 S,G&A to Sales	Decline of 70 basis points from 2009 rate to 33.6%, but up by \$68 million
2010 EBITDA	\$3.0 billion, up from \$2.8 billion and an increase from fiscal 2009's \$2.7 billion, principally driven by our increased sales expectations
Diluted EPS	\$1.81, up from \$1.54, and slightly above management's updated guidance of \$1.75-to-\$1.80 (up from \$1.55-to-\$1.60)

Please find important disclosures on the final page of this document.



Upside Expected in 1H 2010. Macy's also updated yesterday its Q1 2010 sales for the period ending May 1, 2010, now calling for a 5% increase in comparable store sales year-over-year (quarter to date comps are up 7.6% before April report next week) and first-time guidance of EPS to be breakeven. Based on our industry sources, we think there may be a first half upside sales and earnings surprise, and, consequently, we anticipate share price appreciation to be weighted more toward the front half of this 12-month price target period.

De-levering and Return to Investment Grade Rating Remain Stated Goals. As previously reported, Macy's expended \$526 million to repurchase \$500 million of unsecured debt outstanding. We think that Macy's will continue to be opportunistic in repurchases and to deploy its significant cash flow to repaying maturities as they come due. We anticipate that Macy's will not have to return to the capital markets prior to 2016, but we'd also note the low-interest rate environment and access to credit for quality department stores may lead the Company to refinance earlier. Recall that Nordstrom, Inc. priced this month an upsized 10-year deal with a 4.75% coupon, now trading at a 4.6% YTM.

Projected Sales Growth Set to Exploit the Earnings Potential for Macy's. We believe that cash generation creates long term value through permanent debt reduction and productive capital expenditures, both of which have led to increased shareholder value over the course of the last 18 months (from a low of \$5.07 in November 2008 to a high yesterday of \$25.25). RETAIL in 2009 was ultimately about a management's ability to take positive steps to position its company, in the face of a protracted (2010) weak top-line environment, for stability, if not improving profitability. We continue to be impressed with Macy's Inc.'s operational and financial performance and continue to believe that Macy's is executing a strategy—cost control, merchandise mix (private label and exclusive brands for good margin performance), lean inventories—all of which have combined to provide, in our view, a strong foundation and one that has poised the Company to reap benefits for investors. And, for now, the consumer seems to be back to shopping, at least in the first quarter of this year (beyond the seasonal sales related to Easter).

Macy's Debt Securities

In November, we stated our belief “that the bonds will continue to see price appreciation, now toward the 8% range or some 7-to-8 points in price over the coming two quarters. **This would imply an absolute return of more than 17% (current yield plus price appreciation).**” The 2017-2034 Debentures are now trading with YTM's in the range of 6.1%-to-7.5%, having risen 6-to-10 points in price from that November report. On a relative value basis among the department store group and given the focus of management (as stated during yesterday's earnings call) to regaining an investment grade rating through de-leveraging, we continue to rate the 2017 and longer-dated debt tranches a “Buy”.

The shorter-dated (2012-2014) maturities following the Q3 release in November were trading with YTM's of 5.5%-to-6.9% which have now tightened to 2.6%-to-5.7%. While we continue to believe that Macy's will repay from cash on hand the 2010 and 2011 debt maturities, with no need to access the capital markets prior to 2016, we find these yields to be only in-line with market opportunities. Therefore, we affirm our “Fair Value” rating on these maturities. We now also include in our Fair Value ratings, the 2015 and 2016 debt maturities which is trading with a 5.1% and 5.4% YTM, respectively. As a reminder, Macy's did not draw last year on its \$2.0 billion revolving credit facility. We project that Macy's will return to investment grade over the coming 12 months as they repay when do or repurchase debt from cash on hand.

Affirming “Buy” Rating in the Common Stock with \$32 Common Stock price target

Our fundamental thesis regarding an investment in Macy's remains the same as we stated in our initiating report published on February 26, 2009: Macy's management and franchise will carry the day through the very difficult 2009/2010 economic and retail environment, generally out-performing expectations and producing superior profitability and long-term shareholder value. **We've also repeatedly warned about share price volatility, particular in light of monthly comparable store sales** (April is guided to a flat performance). **We continue to see opportunity in the Street's generally neutral view of the shares.**



We are affirming our “Buy” rating on the Common Stock. At this point, we are now setting a ONE-YEAR price target of \$32. This is up from our YEAR-END target of \$26 per share. Our new price target is based on a 6.5 times (up from a 6.1 times) multiple of our revised fiscal 2010 (ending January 2011) adjusted EBITDA for an implied total enterprise value of nearly \$19.6 billion. This multiple is the same we’ve applied to JCP and slightly higher than the six times multiple applied to still recession-bound EBITDA from department stores of this size. We believe that we are seeing some evidence of a returning consumer. Recovery period multiples typically, in our experience, have had a floor of six times. Our \$32 target price represents a forward price to earnings multiple of 17.7 and 15.0 times our 2010 and 2011 EPS estimates of \$1.81 and \$2.14, respectively. In comparison, Street consensus calls for \$1.80 and \$2.10 per share for 2010 and 2011, respectively.

While we think the consumer is returning to the mall, she remains, in our view, remains price and value sensitive. The *My Macy’s* initiative—selling more (15%-to-20%) “locally tailored” inventory is proving successful—and, again in our view, will bear more fruit in 2010, with even greater productivity expected from the initiative in 2011. Getting the mix “right” – sourcing at the “right cost structure” and offering it at the “right” price – not only leads to strong cash flow generation, but sets up the Company for significant profitability once the consumer returns to more normal spending levels.

We believe that Macy’s, in particular, is poised to see positive share price performance in 1H 2010 as it comps against easy sales 2009 comparisons and having indicated that it expects to see gross margin improvement in 2010, particularly in the first half of 2010. Consequently, we continue to believe a “Buy” rating remains warranted on the Common Stock at current levels.

Macy’s operated 850 department stores at quarter end under the *Macy’s* and *Bloomingdale’s* banners. At January 30, 2010 of the 850 stores, 469 locations were owned, 264 were leased and 117 were subject to ground leases. All of published Research Updates are available in the Research Section of our website, www.crtllc.com, on Bloomberg, Reuters, TheMarkets.com and FactSet.

EXHIBIT I

(\$'s in millions, except per share data)

Estimated Pro Forma Capitalization:		Pro Forma Note Repurchase			Midpoint Price	CY	YTM	Rating
Coupon		Maturity	Est. Book at 1/30/10	Value				
Variable	\$2 bn Unsec. Bank Line	8/30/12	\$ -	\$ -				
Variable	Est. Cap Leases & Other		327	327				
8.500%	Senior Notes	6/1/10	76	76				Ba2/BB
10.625%	Senior Debentures	11/1/10	150	-				Ba2/BB
6.625%	Senior Notes*	4/1/11	450	470	104.5%	6.3%	1.7%	Ba2/BB
7.450%	Senior Debentures	9/15/11	150	-				Ba2/BB
5.350%	Senior Debentures*	3/15/12	675	709	105.0%	5.1%	2.6%	Ba2/BB
8.000%	Senior Debentures*	7/15/12	175	192	109.5%	7.3%	3.5%	Ba2/BB
5.875%	Senior Notes	1/15/13	350	369	105.5%	5.6%	3.7%	Ba2/BB
7.625%	Senior Debentures	8/15/13	125	-				Ba2/BB
5.750%	Senior Debentures	7/15/14	500	528	105.5%	5.5%	4.3%	Ba2/BB
7.500%	Senior Debentures	6/1/15	100	-				Ba2/BB
8.375%	Senior Debs (old 7.875%)	7/1/15	650	746	114.8%	7.3%	5.1%	Ba2/BB
7.450%	Senior Debentures	10/15/16	125	-				Ba2/BB
5.900%	Senior Debentures	12/1/16	1,100	1,130	102.8%	5.7%	5.4%	Ba2/BB
7.450%	Senior Debentures	7/15/17	300	323	107.5%	6.9%	6.1%	Ba2/BB
7.6%-to-10.25%	Senior Debentures	2019-2025	167	-				Ba2/BB
6.650%	Senior Debentures	7/15/24	300	284	94.5%	7.0%	7.3%	Ba2/BB
6.790%	Senior Debentures	7/15/27	165	-				Ba2/BB
7.000%	Senior Debentures	2/15/28	300	285	95.0%	7.4%	7.5%	Ba2/BB
6.700%	Senior Debentures	9/15/28	200	188	94.0%	7.1%	7.3%	Ba2/BB
6.900%	Senior Debentures	4/1/29	400	384	96.0%	7.2%	7.3%	Ba2/BB
6.900%	Senior Debentures	1/15/32	250	238	95.0%	7.3%	7.4%	Ba2/BB
6.700%	Senior Debentures	7/15/34	400	373	93.3%	7.2%	7.3%	Ba2/BB
7.875%-to-8.75%	Senior Debentures	2029-2036	263	-				Ba2/BB
6.375%	Senior Notes	3/15/37	500	458	91.5%	7.0%	7.1%	Ba2/BB
	Senior Notes and Debentures		<u>7,871</u>					
Total Debt and Capital Leases			8,198					
Equity: Book and Intra-day Market			4,494	10,191	\$ 24.03	424.1 million shares		
Cash				(1,160)		\$ 0.05	quarterly dividend	
TEV (Debt at Book, Equity at Market)				\$ 17,229		0.8% dividend yield		
		LTM STATS	Adj. EBITDA	CRT 2010				
Gross Book Debt/EBITDA			3.1x	3.0x	2.7x			
Net Book Debt/EBITDA			2.6x	2.6x	2.3x			
TEV/EBITDA			6.5x	NA	5.7x			
TEV/Adjusted EBITDA			NA	6.3x	5.7x			

Closing price on 4/28/10. CRT estimates of debt tranches repurchased. Other Sources: Company SEC filings and reports and CRT estimates.

EXHIBIT II

SUMMARY HISTORICAL AND CRT PROJECTED FINANCIAL PERFORMANCE

Macy's, Inc.

(\$'s in millions) - Italicized numbers are estimates.

Operations:	Fiscal Years Ended				Quarters Ended		CRT Projections				Fiscal '10	Fiscal '11
	2/3/07 (53)	2/2/08	1/31/09	1/30/10	1/31/09	1/30/10	1Q10	2Q10	3Q10	4Q10	1/29/11	1/28/12
Net Sales	\$ 26,970	\$ 26,313	\$ 24,892	\$ 23,489	\$ 7,934	\$ 7,849	\$ 5,459	\$ 5,345	\$ 5,409	\$ 8,006	\$ 24,219	\$ 24,824
Cost of Merchandise	16,019	15,677	15,009	13,973	4,812	4,577	3,325	3,116	3,229	4,651	14,321	14,671
Gross Profit	10,951	10,636	9,883	9,516	3,122	3,272	2,134	2,229	2,180	3,355	9,898	10,153
S, G & A Expenses	8,678	8,554	8,481	8,062	2,256	2,212	1,970	1,868	2,041	2,250	8,130	8,192
Operating Profit	2,273	2,082	1,402	1,454	866	1,060	164	360	139	1,105	1,768	1,961
Operational Restructuring	178	219	187	276	58	71	-	-	-	-	-	-
May Integration Costs	450	-	-	-	-	-	-	-	-	-	-	-
Adjusted Operating Profit	1,645	1,863	1,215	1,178	808	989	164	360	139	1,105	1,768	1,961
Interest Expense	451	579	560	556	143	139	165	132	130	125	552	520
Interest (Income)	(61)	(36)	-	-	-	-	-	-	-	-	-	-
Other Expense, Asset Impairment	-	-	211	115	161	115	-	-	-	-	-	-
(Gain) on Sale of Accts. Rec.	(191)	-	-	-	-	-	-	-	-	-	-	-
Pre-tax Inc. from Cont. Ops.	1,446	1,320	444	507	504	735	(1)	228	9	980	1,216	1,441
Income Tax Exp. (Benefit)	458	411	(135)	157	194	269	(0)	84	3	362	450	533
Income from Contin'g Opers.	988	909	579	350	310	466	(0)	144	5	617	766	908
Discont. Opers., net of taxes	7	(16)	-	-	-	-	-	-	-	-	-	-
Net Income	\$ 995	\$ 893	\$ 579	\$ 350	\$ 310	\$ 466	\$ (0)	\$ 144	\$ 5	\$ 617	\$ 766	\$ 908
Diluted Shares Outstanding			422.0	423.2	421.4	424.1	424.1	424.1	424.1	424.1	424.1	424.1
EPS from Continuing Opers.	\$ 1.80	\$ 2.01	\$ 1.37	\$ 0.83	\$ 0.74	\$ 1.10	\$ (0.00)	\$ 0.34	\$ 0.01	\$ 1.46	\$ 1.81	\$ 2.14
Margins:												
Gross Profit	40.6%	40.4%	39.7%	40.5%	39.3%	41.7%	39.1%	41.7%	40.3%	41.9%	40.9%	40.9%
SG&A/Sales	32.2%	32.5%	34.1%	34.3%	28.4%	28.2%	36.1%	35.0%	37.7%	28.1%	33.6%	33.0%
EBIT	8.4%	7.9%	5.6%	6.2%	10.9%	13.5%	3.0%	6.7%	2.6%	13.8%	7.3%	7.9%
Adjusted EBITDA	13.5%	13.1%	10.9%	11.7%	15.2%	17.5%	8.9%	12.5%	8.4%	17.6%	12.5%	12.6%
Free cash flow:												
EBIT	\$ 2,273	\$ 2,082	\$ 1,402	\$ 1,454	\$ 866	\$ 1,060	\$ 164	\$ 360	\$ 139	\$ 1,105	\$ 1,768	\$ 1,961
D & A Exp. & Lse. Amort.	1,265	1,304	1,278	1,210	328	305	295	295	295	295	1,180	1,105
EBITDA	3,538	3,386	2,680	2,664	1,194	1,365	459	655	434	1,400	2,948	3,066
Share-based compensation	91	60	43	76	11	11	27	15	23	11	76	61
Adjusted EBITDA	3,629	3,446	2,723	2,740	1,205	1,376	486	670	457	1,411	3,024	3,127
Capital Exp. & Acqn's, net	1,091	(760)	(792)	(377)	(185)	(102)	(150)	(150)	(150)	(100)	(550)	(550)
FCF bef. Wkg. Cap. Changes	4,720	2,686	1,931	2,363	1,020	1,274	336	520	307	1,311	2,474	2,577
Inventory	(51)	256	291	154	2,146	1,791						
Merch. & Other Accounts Payable	(872)	(528)	(317)	(172)	(1,950)	(1,863)	(325)	(100)	(100)	(100)	(625)	(335)
Chng. in Prop. A/R & Other A/R	2,249	28	(1)	7	(72)	(61)						
Chng Accr'd Exp., Prepd&Other	27	2	59	(379)	380	255						
Free Cash Flow bef. Int.	6,073	2,444	1,963	1,973	1,524	1,396	11	420	207	1,211	1,849	2,242
Cash Dividends	274	230	221	84	55	21	25	25	25	25	100	100
Estimated Cash Taxes	561	432	323	35	(1)	(207)	(0)	84	3	362	450	533
Estimated Cash Interest	541	556	616	592	178	177	165	132	130	125	552	520
EST. FCF before Financings	\$ 4,697	\$ 1,226	\$ 803	\$ 1,262	\$ 1,292	\$ 1,405	\$ (178)	\$ 179	\$ 48	\$ 698	\$ 747	\$ 1,089
Coverage:												
EBIT/Net Interest	4.2	3.7	2.3	2.5	4.9	6.0	1.0	2.7	1.1	8.8	3.2	3.8
Adjusted EBITDA/Net Interest	6.7	6.2	4.4	4.6	6.8	7.8	2.9	5.1	3.5	11.3	5.5	6.0
Ending Store Count		853	853	850	853	850	851	851	851	851	851	851
Comparable Store Sales	4.4%	(1.3%)	(4.6%)	(5.3%)	(7.0%)	(0.8%)	5.0%	3.5%	2.5%	2.0%	3.1%	2.5%

Sources: Company SEC filings and reports and CRT estimates.

EXHIBIT III

Summary Balance Sheet Data
(*\$'s in millions*)

	2/3/07	5/5/07	8/4/07	11/3/07	2/2/08	5/3/08	8/2/08	11/1/08	1/31/09	5/2/09	8/1/09	10/31/09	10/31/09	1/30/10
Cash	\$ 1,211	\$ 500	\$ 249	\$ 275	\$ 583	\$ 366	\$ 1,293	\$ 300	\$ 1,306	\$ 295	\$ 515	\$ 489	\$ 489	\$ 1,686
Receivables	517	504	490	459	463	385	341	367	439	379	401	374	374	358
Inventory	5,317	5,499	5,200	7,012	5,060	5,284	5,008	6,915	4,769	5,026	4,634	6,406	6,406	4,615
Prepaid Exp. & Other	251	281	267	261	218	313	270	289	226	459	254	244	244	223
Assets of Discont'd Operations	126	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	7,422	6,784	6,206	8,007	6,324	6,348	6,912	7,871	6,740	6,159	5,804	7,513	7,513	6,882
Property and Equipment, net	11,473	11,229	11,110	11,072	10,991	10,741	10,655	10,616	10,442	10,226	10,046	9,862	9,862	9,507
Goodwill	9,204	9,199	9,194	9,139	9,133	9,133	9,132	9,123	3,743	3,743	3,743	3,743	3,743	3,743
Other Intangibles	883	878	857	842	831	818	757	747	719	707	697	688	688	678
Other Assets	568	541	561	609	510	539	537	547	501	496	494	507	507	490
Total Assets	\$ 29,550	\$ 28,631	\$ 27,928	\$ 29,669	\$ 27,789	\$ 27,579	\$ 27,993	\$ 28,904	\$ 22,145	\$ 21,331	\$ 20,784	\$ 22,313	\$ 22,313	\$ 21,300
Accounts Payable & Accrued Exp.	\$ 4,604	\$ 4,354	\$ 4,266	\$ 6,097	\$ 4,127	\$ 4,357	\$ 4,094	\$ 5,687	\$ 3,910	\$ 4,032	\$ 3,754	\$ 5,468	\$ 5,468	\$ 3,938
Short-term Debt	650	648	545	1,634	666	1,016	1,616	1,086	966	135	92	92	92	242
Income Taxes	665	39	76	6	344	-	-	-	28	-	-	-	-	68
Deferred Taxes + Liabs.Disc.Ops.	176	196	192	177	223	243	234	246	222	230	226	250	250	206
Total Current Liabilities	6,095	5,237	5,079	7,914	5,360	5,616	5,944	7,019	5,126	4,397	4,072	5,810	5,810	4,454
Long-Term Debt	7,847	9,425	9,762	9,097	9,087	8,723	8,761	8,748	8,733	8,719	8,632	8,618	8,618	8,456
Deferred Income Taxes	1,652	1,508	1,391	1,464	1,446	1,445	1,450	1,466	1,119	1,156	1,082	1,007	1,007	1,068
Other Liabilities	1,702	1,980	2,089	1,754	1,989	1,984	2,002	1,981	2,521	2,504	2,449	2,384	2,384	2,621
Total liabilities	17,296	18,150	18,321	20,229	17,882	17,768	18,157	19,214	17,499	16,776	16,235	17,819	17,819	16,599
Total Stockholders' Equity	12,254	10,481	9,607	9,440	9,907	9,811	9,836	9,690	4,646	4,555	4,549	4,494	4,494	4,701
Total Liab. & Shareholders' Equity	\$ 29,550	\$ 28,631	\$ 27,928	\$ 29,669	\$ 27,789	\$ 27,579	\$ 27,993	\$ 28,904	\$ 22,145	\$ 21,331	\$ 20,784	\$ 22,313	\$ 22,313	\$ 21,300
Current Assets - Current Liabs	\$ 1,327	\$ 1,547	\$ 1,127	\$ 93	\$ 964	\$ 732	\$ 968	\$ 852	\$ 1,614	\$ 1,762	\$ 1,732	\$ 1,703	\$ 1,703	\$ 2,428
Total Payables to Inventory	87%	79%	82%	87%	82%	82%	82%	82%	82%	80%	81%	85%	85%	85%

Sources: Company SEC filings and reports and CRT estimates.

EXHIBIT IV

Macy's

<u>Security</u>			<u>Bench.</u>	<u>Spread</u>		<u>Price</u>		<u>YTM</u>	<u>CY</u>	<u>Amt (mm)</u>	<u>Moody's</u>	<u>S&P</u>
				<u>Bid</u>		<u>Bid</u>	<u>Ask</u>					
5.350%	03/15/12	Senior Unsecured	2 Yr.	183		104.50	105.50	2.6%	5.1%	\$ 675	Ba2	BB**
5.875%	01/15/13	Senior Unsecured	3 Yr.	227		105.00	106.00	3.7%	5.6%	350	Ba2	BB**
5.750%	07/15/14	Senior Unsecured	5 Yr.	290		105.00	106.00	4.3%	5.5%	500	Ba2	BB**
7.875%	07/15/15	Senior Unsecured	5 Yr.	325		114.25	115.25	4.6%	6.9%	650	Ba2	BB**
5.900%	12/01/16	Senior Unsecured	10 Yr.	237		102.25	103.25	5.4%	5.7%	1,100	Ba2	BB**
7.450%	07/15/17	Senior Unsecured	10 Yr.	298		107.00	108.00	6.1%	6.9%	300	Ba2	BB**
6.650%	07/15/24	Senior Unsecured	10 Yr.	355		94.00	95.00	7.3%	7.0%	300	Ba2	BB**
6.900%	04/01/29	Senior Unsecured	30 Yr.	361		95.00	97.00	7.3%	7.2%	400	Ba2	BB**
6.900%	01/15/32	Senior Unsecured	30 Yr.	367		94.00	96.00	7.4%	7.3%	250	Ba2	BB**
6.700%	07/15/34	Senior Unsecured	30 Yr.	326		97.00	98.00	6.9%	6.9%	400	Ba2	BB**
6.375%	03/15/37	Senior Unsecured	30 Yr.	220		95.00	96.00	6.7%	6.7%	500	Ba2	BB**
5 Year CDS		158 bps										

JCPenney

9.000%	08/01/12	Senior Unsecured	2 Yr.	259		111.50	112.50	3.4%	8.0%	230	Ba1	BB+
6.875%	10/15/15	Senior Unsecured	5 Yr.	292		106.50	107.50	5.4%	6.4%	200	Ba1	BB+
7.650%	08/15/16	Senior Unsecured	10 Yr.	313		111.00	112.00	5.5%	6.9%	200	Ba1	BB+
7.950%	04/01/17	Senior Unsecured	10 Yr.	188		113.50	114.50	5.5%	7.0%	285	Ba1	BB+
5.750%	02/15/18	Senior Unsecured	10 Yr.	120		105.50	106.50	4.8%	5.4%	300	Ba1	BB+
7.125%	11/15/23	Senior Unsecured	10 Yr.	298		104.00	105.00	6.6%	6.8%	255	Ba1	BB+
6.375%	10/15/36	Senior Unsecured	30 Yr.	164		102.00	103.00	6.2%	6.2%	700	Ba1	BB+
7.400%	04/01/37	Senior Unsecured	30 Yr.	268		101.00	102.00	7.3%	7.3%	326	Ba1	BB+
7.625%	03/01/97	Senior Unsecured	30 Yr.	320		98.00	99.00	7.7%	7.7%	\$ 500	Ba1	BB+
5 Year CDS		134 bps										

Sources: Company SEC filings and reports and CRT estimates.

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Rating	Meaning
Buy	Expected rate of return on investment at current price levels is above that rate required, in CRT's view, to undertake the attendant risks perceived – positive risk/reward investment balance.
Fair Value	Expected rate of return on investment at current price levels is in line with that rate required, in CRT's view, to undertake the attendant risks perceived – equitable risk/reward investment balance.
Sell	Expected rate of return on investment at current price levels is below that rate required, in CRT's view, to undertake the attendant risks perceived – negative risk/reward investment balance.

CRT Equity Securities Ratings Percentages As of March 31, 2010	Percentage of Banking Clients Within Each Ratings Category As of March 31, 2010
Buy 53%	0%
Fair Value/Hold 38%	0%
Sell 9%	0%

Risks that may impede achievement of the stated price target, if any, include, but are not limited to, broad market and macroeconomic fluctuations and unforeseen changes in the subject company's fundamentals or business trends

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