401(k) Savings Plan

Summary Plan Description

J.C. Penney Corporation, Inc.
January 1, 2012
Contents

401(k) Savings Plan SPD.................................................................1
  401(k) Savings Plan SPD Overview.................................................1

About this Summary........................................................................2
  About this Summary......................................................................2

401(k) Savings Plan At-a-Glance....................................................5
  401(k) Savings Plan At-a-Glance.....................................................5

Eligibility and Enrollment.............................................................7
  Eligibility......................................................................................7
  Company Contributions...............................................................7
  Enrollment....................................................................................7
  When Participation Begins.........................................................8
  Changing Your Elections..............................................................9
  When Participation Ends.............................................................9
  Life Events...................................................................................10

How the 401(k) Savings Plan Works .............................................11
  Your Deposits..............................................................................11
  Company Contributions.............................................................14
  Vesting..........................................................................................15

Investing Your Savings...............................................................18
  Investing Your Savings Overview.................................................18
  Choosing Between Investment Options......................................18
  Understanding Your Investment Options..................................19
  How Your Account Is Valued......................................................29
  Managing Your Account.............................................................30
  jcpenny Common Stock Fund Information...............................32
  Resale Restrictions.....................................................................36
  Additional Fund Information.....................................................37

Loans and Withdrawals While Working......................................39
  Loans and Withdrawals While Working Overview....................39
  Loans.........................................................................................39
  Withdrawals While a Team Member...........................................42

How Benefits Are Paid...............................................................45
  How Benefits Are Paid...............................................................45
  Requesting a Distribution..........................................................47
  Payment Options.........................................................................47
  Naming a Beneficiary...................................................................49
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death Benefits</td>
<td>49</td>
</tr>
<tr>
<td>Overpayments</td>
<td>50</td>
</tr>
<tr>
<td>Benefit Cannot Be Assigned</td>
<td>50</td>
</tr>
<tr>
<td>Qualified Domestic Relations Orders (QDRO)</td>
<td>51</td>
</tr>
<tr>
<td><strong>Tax Information</strong></td>
<td><strong>52</strong></td>
</tr>
<tr>
<td>Tax Information Overview</td>
<td>52</td>
</tr>
<tr>
<td>General Tax Considerations</td>
<td>52</td>
</tr>
<tr>
<td>Taxes on Distributions</td>
<td>53</td>
</tr>
<tr>
<td>Dividend Payouts</td>
<td>55</td>
</tr>
<tr>
<td>Financial Hardship Withdrawals</td>
<td>55</td>
</tr>
<tr>
<td>Loans</td>
<td>55</td>
</tr>
<tr>
<td>Saver’s Credit</td>
<td>55</td>
</tr>
<tr>
<td>Net Unrealized Appreciation</td>
<td>56</td>
</tr>
<tr>
<td>State and Local Taxes</td>
<td>56</td>
</tr>
<tr>
<td>Penalty Tax</td>
<td>56</td>
</tr>
<tr>
<td><strong>Administrative Information</strong></td>
<td><strong>58</strong></td>
</tr>
<tr>
<td>Plan Information</td>
<td>58</td>
</tr>
<tr>
<td>Plan Amendment</td>
<td>64</td>
</tr>
<tr>
<td>Severability of Plan Provisions</td>
<td>64</td>
</tr>
<tr>
<td>Plan Termination</td>
<td>64</td>
</tr>
<tr>
<td>Plan Conversions</td>
<td>65</td>
</tr>
<tr>
<td>Transferring Between Companies</td>
<td>65</td>
</tr>
<tr>
<td>Your ERISA Rights</td>
<td>65</td>
</tr>
<tr>
<td>Claims and Appeals</td>
<td>67</td>
</tr>
<tr>
<td><strong>Key Terms</strong></td>
<td><strong>69</strong></td>
</tr>
<tr>
<td>Key Terms</td>
<td>69</td>
</tr>
<tr>
<td><strong>Important Resources</strong></td>
<td><strong>72</strong></td>
</tr>
<tr>
<td>Accessing Account Information</td>
<td>72</td>
</tr>
</tbody>
</table>
401(k) Savings Plan SPD Overview

You are eligible to make Deposits to the 401(k) Savings Plan upon the later of the completion of one Hour of Service or the attainment of age 21. After your enrollment is effective, you can contribute, on a before-tax or after-tax basis, 1–50% of your eligible Pay each paycheck if you earn less than $115,000 per year (indexed); or 1–8% (6% before-tax, 2% after-tax) if you earn $115,000 or more per year.

You become eligible to receive the Company Matching Contribution when you:

- Reach age 21 or older
- Have completed 12 months of service, or
- Have worked 1,000 hours or more.

Once you're eligible for the match, jcpenney matches the money you put aside each paycheck. For every dollar you contribute to the Plan (up to 6% of your Pay [as limited by the Code] during each pay period), the Company will put in an extra 50¢. You vest, or become an owner of your Company Matching Contributions, after three years of service.
About this Summary

This Summary Plan Description ("SPD" or "Summary") describes major provisions of the J. C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan, referred to as the 401(k) Savings Plan, to help you understand the plan and to satisfy the requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Securities Act of 1933, as amended (the Securities Act). Because the information presented here is not intended to be complete in every aspect, your rights and obligations are governed completely by the legal document for the 401(k) Savings Plan. For complete details of your rights and obligations under the 401(k) Savings Plan, refer to the plan document. You may view the plan document at the Plan Administrator's office and other locations, such as worksites. A copy of the plan document is available for a reasonable photocopying charge by calling PowerLine.

The information presented here contains a summary in English of your plan rights and benefits. If you have difficulty understanding any part of this Summary, contact PowerLine for help. Additionally, if you need help translating the benefit information contained in this Summary into a language you speak more fluently than English, contact PowerLine and speak with a specialist.

PowerLine
Your jcpenney Benefits Resource Center
100 Half Day Road
Lincolnshire, IL 60069-1458
1-888-890-8900

This document constitutes a prospectus covering securities that have been registered under the Securities Act, including participation interests in the 401(k) Savings Plan and shares of Common Stock of 50¢ par value of J. C. Penney Company, Inc. (Penney Common Stock).

Nothing contained in this SPD, or in the provisions of the 401(k) Savings Plan, creates or should be inferred to create an employment contract.

La información presentada aquí contiene un resumen en inglés de sus derechos y beneficios en el plan. Si tiene dificultad para entender cualquier parte de este resumen, póngase en contacto con PowerLine para que le ayuden. Además, si necesita ayuda para traducir la información sobre los beneficios que se incluye en este resumen a un idioma que hable con más fluidez, póngase en contacto con PowerLine para hablar con un especialista.

PowerLine
Su Centro de Recursos de Beneficios de jcpenney
100 Half Day Road
Lincolnshire, IL 60069-1458
1-888-890-8900
**Additional Information**

This Summary Plan Description and prospectus contains information concerning the 401(k) Savings Plan and the shares of Penney Common Stock and participation interests offered hereby but does not contain all the information in the Registration Statement and related exhibits, which the Company has filed with the Securities and Exchange Commission ("SEC" or "Commission"), Washington, D.C., under the Securities Act, and to which reference is hereby made.

You can get a free copy of the Company's most current annual report to its stockholders and the most current annual report on Form 11-K of the 401(k) Savings Plan filed pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Securities Act"). Just send a written request to the Company, attention of Director of Benefits, J.C. Penney Corporation, Inc., 6501 Legacy Drive, Plano, TX 75024-3698 or call the Company at 1-972-431-1000. The Company also will provide you a free copy of any document incorporated by reference in the Registration Statement (but not the exhibits to such document unless the exhibit has been specifically incorporated by reference into the document). Just send a written request to the above address or call the Company at 1-972-431-1000.

The Company files reports, proxy statements and other information with the SEC. Our filings with the SEC are available on the Internet at the SEC's EDGAR website at [http://www.sec.gov/](http://www.sec.gov/) or from our website at [http://www.jcpenney.net/](http://www.jcpenney.net/). You may read and copy any document that we file with the SEC at the SEC's Public Reference Room at the following address:

100 F Street, N.E.
Washington, D.C. 20549

You can call the SEC at 1-800-SEC-0330 for more information about the operation of the Public Reference Room. Our SEC filings are also available at the offices of the NYSE, 20 Broad Street, New York, New York 10005. For further information on obtaining copies of our public filings at the NYSE, you can call (212) 656-5060. Information about the Company is also available at our website at [http://www.jcpenney.net/](http://www.jcpenney.net/). Our website and the information contained on it are not part of this prospectus.

Additional updating information about the 401(k) Savings Plan may be provided to you in the future by means of appendices to this Summary and related amendments that the Company must furnish under ERISA.

**Incorporation of Certain Documents by Reference**

The SEC allows us to "incorporate by reference" the information that we file with the SEC. This means that we can disclose important information to you by referring you to information and documents that we have filed with the SEC. Any information that we refer to in this manner is considered part of this prospectus. Any information that we file with the SEC after the date of this prospectus will automatically update and supersede the corresponding information contained in this prospectus.

The following documents, which have been filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules), are incorporated by reference in this Summary Plan Description and prospectus:

- J. C. Penney Company, Inc.'s latest annual report filed pursuant to Section 13(a) or 15(d) of the Securities Act

- All other reports filed by J. C. Penney Company, Inc. pursuant to Section 13(a) or 15(d) of the Securities Act since the end of the fiscal year covered by the annual report referred to above
The plan's latest annual report filed pursuant to Section 15(d) of the Securities Act, and

Any future filings that the J. C. Penney Company, Inc. makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, excluding any information furnished to, rather than filed with, the SEC, after the date of this prospectus until all of the securities being registered by this registration statement have been sold.

This information is intended to be a summary of your benefits under the J. C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan (“401(k) Savings Plan”) and does not include all plan provisions, limitations and exclusions. If there is a discrepancy between this Summary Plan Description and the official plan document, the plan document will govern. The description of the 401(k) Savings Plan is not intended as an employment contract or a guarantee of current or future employment. The Company reserves the right to modify, amend, suspend or terminate the plan at any time.
# 401(k) Savings Plan At-a-Glance

## When You Can Participate
If you are at least age 21 and have completed one Hour of Service, your participation will begin as soon as the first day of a calendar week immediately concurrent with or after the effective date of your enrollment. You will be eligible to receive Company Contributions on the later of the completion of 1,000 Hours of Service in an eligibility period or the attainment of age 21.

## Your Deposits
When you enroll, you elect whether to make before-tax Deposits, after-tax Deposits or a combination of both. You also elect how much to deposit, up to the plan and government limits. In addition, you also elect which funds to invest in.

## jcpenney Matching Contributions
If you are at least age 21, after completing 1,000 Hours of Service in an eligibility period, the Company will put in 50¢ for every dollar of the first 6% of Pay you deposit during each pay period. In some years, the Company may also put in an extra discretionary contribution.

## Retirement Account Contributions
If you are hired or rehired on or after January 1, 2007, are at least age 21 and have completed a 1,000 Hours of Service in an eligibility period, the Company will make an annual contribution for you in the amount of 2% of your Pay if you are still an active Team Member on December 31. Team Members hired before January 1, 2007, participate in the jcpenney Pension Plan and are not eligible for this contribution.

## Tax-Deferred Investment Growth
You do not pay taxes on your before-tax Deposits, Matching Contributions, discretionary contributions and Retirement Account Contributions or earnings on those funds until the funds are paid out of the 401(k) Savings Plan. You also do not pay taxes on the earnings on your after-tax Deposits until you receive them.

## Investment Choices
You can choose from various investment options that include the Penney Common Stock Fund, 11 Target Retirement Trusts, 6 index funds, Stable Value and a brokerage window.

## Vesting
Vesting is ownership in your account. You are always 100% vested in (or own) the value of your Deposits. You earn vesting in Company Contributions allocated to you based on your years of Service.

## Loans
You may borrow the lesser of:
- The value of your before-tax, rollover and after-tax Deposits;
- $50,000 minus the highest aggregate balance of any other loans during the prior 12 months; or
- 50% of your vested account balance.

The amount eligible for a loan will not include any portion of the Retirement Account Contributions or the earnings thereon.

You may have two loans at a time.

### Withdrawals

You may withdraw the value of your after-tax or rollover Deposits minus after-tax Deposits made in the current calendar year at any age. You must be age 59½ to withdraw your before-tax money without penalty unless you qualify for a hardship withdrawal.

### Access to Information

Normally you can access PowerLine from the Team Member Kiosk or [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/) 24 hours a day, Monday through Saturday and after 12:00 p.m. Central time on Sunday. When you log on to PowerLine from the Associate Kiosk or [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/) you can:

- Get information about enrolling in the 401(k) Savings Plan
- Get a better understanding of the 401(k) Savings Plan
- Enroll in the 401(k) Savings Plan, make changes to your Deposit amount or select or change your investment fund choices
- Get access to investment information and investment advisory services
- Complete a transfer among funds, or
- Request a loan, withdrawal or distribution.
Eligibility and Enrollment

Eligibility

Effective January 1, 2007 you are first eligible to enroll and make Deposits to the 401(k) Savings Plan as soon as you complete an Hour of Service as long as you are:

- Age 21, and
- A Team Member of the Company or a Participating Employer who has adopted the plan.

Company Contributions

If you are age 21 and an Team Member of the Company or another Participating Employer, you will be eligible to receive Company Contributions after you complete 1,000 Hours of Service in an Eligibility Computation Period, which is generally a period of 12 consecutive months. Some persons are not eligible to participate in the 401(k) Savings Plan. This includes leased employees, anyone classified by the Company as an independent contractor (whether or not this is reclassified later by the Internal Revenue Service or a court), nonresident aliens who receive no U.S.-source earned income from a Participating Employer, any Team Member employed in a position designated by the Company as ineligible to participate, and any Team Member of a non-participating employer.

Enrollment

Upon the later of the completion of one Hour of Service or your attainment of age 21, you will receive an enrollment package giving you the opportunity to elect or decline to make Deposits by logging on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/.

You must set up a user ID and password to protect the security of your account. You must use your user ID and password to enroll, get information, make requests or make changes to your account.

When you enroll, you will:

- Choose the percentage of your eligible Pay that you want to deposit into the 401(k) Savings Plan
- Choose if you want to contribute on a before-tax basis, after-tax basis or a combination of both, and
- Choose how you want your Deposits invested.
Automatic Enrollment

If you are at least age 21, did not enroll in the plan and did not decline enrollment, you will be automatically enrolled in the 401(k) Savings Plan after you complete an Eligibility Computation Period in which you worked 1,000 hours. The automatic enrollment will result in a Deposit into your account of 4% of your Pay on a before-tax basis.

If you do not decline the automatic enrollment and do not elect how you want your Deposits and contributions invested, you are deemed to have elected an investment into the appropriate Target Retirement Trust for your age. You can change this election or transfer your Deposits at any time. Prior to your automatic enrollment, you will be sent a notice informing you of your right to elect to make Deposits, elect a different percentage for your Deposits, and elect different investment options.

When Participation Begins

Your participation will begin as soon as the first day of a calendar week immediately concurrent with or after the effective date of your enrollment. Your first Deposit is usually made in the next payroll period after your enrollment.

Reemployed Participants

If you are a Participant who terminates employment, and then resumes employment with the Company or a Participating Employer, you will be enrolled again in the 401(k) Savings Plan. You also will be given an enrollment package giving you an opportunity to elect or decline to make Deposits.

Reemployed Non-Participants

If you terminate employment before becoming a Participant, the following rules determine when you will become a Participant upon your reemployment:

- **Termination After Completion of a Period of Qualifying Service**: If you terminate employment after completing 1,000 Hours of Service in an Eligibility Computation Period (which is generally a period of 12 consecutive months beginning on the date you first perform an Hour of Service) and are reemployed, you will become a Participant on the latest of the following dates:
  - The first Entry Date following the Eligibility Computation Period in which your employment terminated.
  - The date of such reemployment.
  - The Entry Date immediately following the date you attain age 21.

- **Termination Before Completion of a Period of Qualifying Service - Company Contributions**: If you terminate employment before completing 1,000 Hours of Service in an Eligibility Computation Period and are reemployed, you will become a Participant on the first Entry Date following the first Eligibility Computation Period in which you complete 1,000 Hours of Service and have attained age 21.
Termination Before Completion of a Period of Qualifying Service - Participant Deposits:
For purposes of making Participant Deposits, if you terminate employment before completing 1,000 Hours of Service in an Eligibility Computation Period and are reemployed, you will receive an enrollment package giving you the opportunity to elect or decline to make Deposits; and you will become a Participant on the first Entry Date following attainment of age 21 and enrollment.

Break in Service
In counting your Hours of Service under the above rules, if you terminate employment and again become a Team Member after the expiration of a five-year Break in Service and your period of absence exceed your pre-break Service, you will be treated as a new Team Member for all purposes; and your prior Hours of Service will be disregarded.

When can I start participating in the 401(k) Savings Plan?
Assuming you are at least age 21, you can enroll in the 401(k) Savings Plan at any time. Your participation will begin as soon as your enrollment is effective.

Changing Your Elections
You can make changes to your 401(k) Savings Plan account at any time. You may increase, decrease or stop your Deposits at any time, or you may change your investment choices at any time, by logging on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/. Your change becomes effective the next available pay period.

When Participation Ends
Participation ends:

- The date you no longer have an account balance; or

- The date the plan is terminated.
<table>
<thead>
<tr>
<th>When You</th>
<th>What Happens</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Begin Work for jcpenney</strong></td>
<td>If you are at least age 21 and have completed one Hour of Service, your participation will begin as soon as the first day of a calendar week immediately concurrent with or after the effective date of your enrollment.</td>
</tr>
<tr>
<td><strong>Complete 1,000 Hours of Service in an eligibility period and are age 21 or older</strong></td>
<td>You become eligible for Company Contributions. The Company will contribute each pay period 50¢ for every dollar of the first 6% of Pay (as limited by the Code) you deposit for a pay period. Provided you were hired or rehired after January 1, 2007, you also become eligible for the Retirement Account Contribution, which is equal to 2% of Pay. If you have not enrolled or decline to participate in the 401(k) Savings Plan, you will be automatically enrolled.</td>
</tr>
<tr>
<td><strong>Begin a Leave of Absence</strong></td>
<td>If you are not receiving Pay, your Deposits stop. However, you will receive any Company Contributions that you are eligible to receive.</td>
</tr>
<tr>
<td><strong>Return from a Leave of Absence</strong></td>
<td>Your Deposits will automatically resume at the same Deposit rate prior to your Leave of Absence. If you were previously eligible to receive Company Contributions, you will be eligible for those contributions when you return to work.</td>
</tr>
<tr>
<td><strong>Leave the Company</strong></td>
<td>If you are not fully vested when your employment ends, you keep only the vested portion of your Company Contributions and any related investment earnings in the 401(k) Savings Plan. You are always 100% vested in your Deposits. Your account can remain in the 401(k) Savings Plan only if your total vested account value is more than $5,000. If your total vested account value is less than or equal to $5,000, you will receive that amount as a complete distribution. (See the How Benefits Are Paid section.)</td>
</tr>
<tr>
<td><strong>Die</strong></td>
<td>Your Beneficiary receives your 401(k) Savings Plan account balance.</td>
</tr>
</tbody>
</table>
How the 401(k) Savings Plan Works

Your Deposits

You may save through before-tax and/or after-tax Deposits to the 401(k) Savings Plan. Your Deposits are made by payroll deduction. You may change the amount you deposit, stop your Deposits or begin Deposits at any time. Each Deposit that you defer to the 401(k) Savings Plan from your payroll check is valued to determine the actual amount that is deposited into your account. Under the 401(k) Savings Plan, your Deposit is valued on the business day prior to your payroll check date.

Before-Tax Deposits

Before-tax Deposits are taken out of your Pay before income taxes are calculated. This reduces your taxable income, so you pay less current federal income tax (and less state and local income taxes in most places). By paying less in taxes, you increase the amount you can save. You do not pay income taxes on your before-tax Deposits (and related earnings) until you withdraw them from your account.

After-Tax Deposits

After-tax Deposits are taken out of your Pay after income taxes are calculated, so your current-year taxable income is not reduced. But, when you withdraw your after-tax Deposits from your account, you pay taxes only on the earnings because you have already paid taxes on the amounts you deposited.

Before-Tax vs. After-Tax

The example below shows how saving with before-tax and after-tax Deposits affects your taxable Pay and take-home Pay.

Example:

Annual Pay = $18,000

<table>
<thead>
<tr>
<th>Federal Tax Rate = 15%</th>
<th>Before-Tax Deposit</th>
<th>After-Tax Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Pay</strong></td>
<td>$18,000</td>
<td>$18,000</td>
</tr>
<tr>
<td><strong>Before-tax deposit (assuming 6% of Pay per pay period)</strong></td>
<td>- 1,080</td>
<td>- 0</td>
</tr>
<tr>
<td><strong>Taxable Pay</strong></td>
<td>$16,920</td>
<td>$18,000</td>
</tr>
<tr>
<td><strong>Estimated federal income tax</strong></td>
<td>- 2,538</td>
<td>- 2,700</td>
</tr>
<tr>
<td><strong>After-tax Deposits</strong></td>
<td>- 0</td>
<td>- 1,080</td>
</tr>
<tr>
<td><strong>Take-home Pay</strong></td>
<td>$14,382</td>
<td>$14,220</td>
</tr>
</tbody>
</table>
Federal Tax Rate = 15%

<table>
<thead>
<tr>
<th>Tax savings with before-tax Deposit</th>
<th>Before-Tax Deposit</th>
<th>After-Tax Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$162</td>
</tr>
</tbody>
</table>

*Does not include Social Security, Medicare or any applicable state taxes.

By saving with before-tax Deposits, you would pay $162 less in federal income tax.

**How Much You May Deposit**

At the same time you choose before-tax or after-tax Deposits, you also choose how much of your Pay you want to deposit, up to the plan and government limits. As shown in the table below, the percentage of Pay you may deposit in the current calendar year is based on your actual annual Pay for the prior calendar year. Your actual annual Pay is your Pay from January 1 through December 31, of the prior calendar year.

<table>
<thead>
<tr>
<th>If your annual Pay in the previous year was...</th>
<th>You may deposit...</th>
</tr>
</thead>
<tbody>
<tr>
<td>$110,000* or less</td>
<td>1% to 50% of your Pay. Your before-tax Deposits are limited by the dollar limit set each year by the Internal Revenue Service (IRS). For 2012, before-tax Deposits are limited to $17,000 in the U.S. (See the following &quot;Special Note for Puerto Rico Team Members&quot;)</td>
</tr>
<tr>
<td>More than $110,000</td>
<td>1% to 8% of your Pay. Your before-tax Deposits are limited to the lesser of 6% of your Pay (as limited by the Code) for each pay period or the dollar limit set each year by the IRS. For 2012, before-tax Deposits are limited to $17,000 in the U.S. (See the following &quot;Special Note for Puerto Rico Team Members&quot;)</td>
</tr>
</tbody>
</table>

*The $110,000 limit is determined and changed by the IRS from time to time.

Federal law limits the amount of annual Pay that can be taken into account when calculating your 401(k) Savings Plan Deposits and Company Matching Contribution. For 2012, the amount is $250,000. This limit is determined by the IRS and changes from time to time.

**When can I start making Deposits?**

You are eligible to make Deposits into the 401(k) Savings Plan beginning the first day of the calendar week following your date of hire, provided you are at least age 21 and enrolled in the plan.

**Special Note for Puerto Rico Team Members**

The laws of Puerto Rico limit the amount you may deposit before-tax to $13,000 beginning on and after January 1, 2012; and $15,000 beginning on January 1, 2013. This limit may change from time to time.
**Limits on Team Member Deposits**

The IRS puts limits on the amount of Pay a Team Member may deposit to plans such as the 401(k) Savings Plan. The Company may also set limits to ensure the 401(k) Savings Plan is able to meet certain IRS requirements. To meet these requirements, the Company may have to reduce some Team Members' Deposit rates during the year or refund Deposits to some Team Members. You will be notified if you must reduce your Deposit rate or receive a refund.

**Deposits While on Leave**

You cannot make any Deposits to your account during a Leave of Absence (including a military Leave of Absence). But, after you return to work from a qualified military leave, the law allows you to make up any Deposits you missed. If you do so, those Deposits will be eligible for the Company Matching Contribution. You may make up those missed Deposits within the earlier of three times your period of military leave or five years. Call PowerLine at 1-888-890-8900 for more information. Retirement Account Contributions will be contributed the later of 90 days after reemployment or when normally due.

If you do not return to work, the 401(k) Savings Plan will consider the last day of your approved leave period to be the date your employment ends.

**Catch-Up Contributions**

If you are at least age 50 by the end of the year, you can make extra before-tax Deposits (catch-up contributions) to the 401(k) Savings Plan during the year up to the annual limits. For 2012, the annual limit is $5,500.

Catch-up contributions allow you to save more than the IRS before-tax limits (e.g., $17,000 for 2012) and more than specific limits that apply to the 401(k) Savings Plan. Catch-up contributions are invested according to your current investment elections. These contributions are 100% vested, but are not eligible for the Company Matching Contributions.

To make catch-up contributions, decide how much you want to deposit each pay period (in whole dollar amounts) and then log on to PowerLine from the Team Member Kiosk or [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/) to change your elections. Once you've elected catch-up contributions, you don't need to make a new election each year. Your current Deposit amount will continue until you change it. The catch-up contribution limit may change from year to year, so if you don't change your contribution amount each year, the amount of your Deposits may not reach the maximum allowable amount.

**Note:** (1) Catch-up contributions are not eligible for Company Matching Contributions. (2) Team Members in Puerto Rico are not eligible for catch-up contributions.

**Rollover Deposits**

If you participated in another employer's qualified retirement plan before you came to work for the Company, you may be able to transfer (roll over) to the 401(k) Savings Plan some or all of your distributions from your prior employer's plan. You cannot roll over a loan or Roth 401(k) from another plan.

The 401(k) Savings Plan accepts eligible cash rollovers directly from another qualified retirement plan that meets certain legal requirements within 60 days after you receive an eligible distribution. For more information about rollovers or to request a rollover form, log on to PowerLine from the Team Member Kiosk or [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/).
If you make an eligible rollover Deposit, you delay paying taxes on your before-tax savings, investment earnings and your earnings on after-tax savings until you actually withdraw the money from the plan. You always have 100% ownership of the value of your rollover Deposit, including any related earnings.

Company Contributions

Fixed Match
If you are at least age 21, you will be eligible to receive fixed Company Matching Contributions after you have completed a period of eligibility service in which you work 1,000 hours. The Company will add 50¢ to your account for every dollar you deposit each pay period up to the first 6% of Pay during each pay period. Your Pay is limited by federal law as explained under Your Deposits.

Example:

Bi-weekly Gross Pay $400.00
Elected Deposit Percentage 8%
Savings Plan Deposit $ 32.00

401(k) Savings Match $12.00

In this example, the Company Matching Contribution was determined based on 50¢ on the first 6% of Pay as follows: $400 x 6% x $.50 = $12.00

Discretionary Contribution
After the end of each fiscal year, the Company may choose to make an additional contribution. You will be eligible to receive any discretionary contributions from the Company for the year you are an active Team Member on December 31 of the Plan Year.

Retirement Account Contributions
After the end of each calendar year, the Company will contribute 2% of your Pay into your Retirement Account if you:

- Were hired or rehired on or after January 1, 2007;
- Are at least age 21;
- Have completed an Eligibility Computation Period in which you work 1,000 hours; and
- Are an active Team Member on December 31.

This contribution will be made in the first quarter of the year following the year in which you meet the above requirements.
Partial Year Contributions
You may be eligible for a special partial discretionary contribution and/or a partial Retirement Account Contribution if you terminate employment before December 31. The partial contribution will be made to your account if you were eligible to receive the contribution and you terminate employment consistent with one of the following:

- At age 55 or later with at least 15 years of Service;
- At age 65 or later;
- At age 60 or later, and you were a Participant in the J. C. Penney Company, Inc. Savings and Profit-Sharing Retirement Plan before January 1, 1989;
- Because you qualify for Social Security disability benefits while working for the Company or a Participating Employer;
- Because of a unit closing, job restructuring or reduction in force determined by the Company entitling you to Company severance pay; or
- Because you die.

Any partial contribution you are eligible for will be based on your employment during the year and contributed into your account at the same time amounts are contributed for all Team Members.

Investment of Company Contributions
Fixed Match, Discretionary Match and Retirement Account Contributions are invested in accordance with your investment election.

Mistaken Contributions
If a contribution is made by a Participating Employer due to a mistake of fact, the amount of any contribution made as a result (reduced by any investment losses attributable to the contribution) will be returned by the trustee to the Participating Employer within one year after the mistaken contribution was made.

Vesting
Being vested means you have an irrevocable right to the vested portion of your benefit. For example, if you are 50% vested in an account with a value of $10,000, which means you have an irrevocable right to $5,000 of that account.

If you are not fully vested when your employment ends, you keep only the vested portion of your Company Contributions and any related investment earnings. You forfeit any non-vested portion of your Company Contributions and any related earnings. Forfeited Company Contributions may be used to restore forfeited amounts of rehired Participants, satisfy Company Contributions to the plan, pay plan expenses, make payment to Participants who were missing, make partial year contributions, correct errors, resolve claims or reallocate to Participants.
You become vested by earning Vesting Service. You receive credit toward becoming vested for each period of Service with the Company and any of its subsidiaries. This is called "Vesting Service." You earn one year of Vesting Service for each 365 days of Service. Vesting Service is measured from your date of hire through the date you leave the Company. You also earn Vesting Service for periods after you leave the Company if you are rehired within 365 days. Different parts of your account vest according to different rules, as shown in the table below:

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Deposits</td>
<td>You are always 100% vested. No Vesting Service is needed.</td>
</tr>
<tr>
<td>Rollovers</td>
<td>You are always 100% vested. No Vesting Service is needed.</td>
</tr>
<tr>
<td>Dividends</td>
<td>You are always 100% vested on any Penney Common Stock Dividends.</td>
</tr>
<tr>
<td>Matching Contributions</td>
<td>For Plan Years before January 1, 2007, you vest 20% for each year of Vesting Service. For Plan Years after December 31, 2006, you are 100% vested after three years of Vesting Service.</td>
</tr>
<tr>
<td>Retirement Account Contributions and discretionary contributions</td>
<td>For Plan Years after December 31, 2006, you are 100% vested after three years of Vesting Service.</td>
</tr>
</tbody>
</table>

When your employment ends, any amount remaining in your Company Contribution accounts after your vested portion is determined will be forfeited. If you later resume employment and participation in the 401(k) Savings Plan before the expiration of a Five-Year Break in Service, the market value of amounts forfeited by you will be reinstated.

**If You Are Rehired**

If you were a Participant in the 401(k) Savings Plan when your employment ended and you were later rehired, your Vesting Service completed before your reemployment will be used to determine your vested interest in your pre-break and post-break balance in your Company Account after you again become a Team Member. You never lose the Vesting Service you have already earned. If your employment ended before you became a Participant in the 401(k) Savings Plan, your prior Service will be counted unless you are rehired after the expiration of a Five-Year Break in Service. If you are rehired after a Five-Year Break in Service, you will be treated as a new Team Member. For purposes of vesting, your prior Service will be disregarded.

You also become 100% vested in the 401(k) Savings Plan — no matter how many years of Service you have — if, while you are a Team Member:

- You reach age 65
- You reach age 60, if you were eligible to participate in the J. C. Penney Company, Inc. Savings and Profit-Sharing Retirement Plan before January 1, 1989
- You qualify for Social Security disability benefits while working for the Company or a Participating Employer
- You terminate employment because of a unit closing, job restructuring or reduction in force (as determined by the Company) entitling you to severance pay, or
- You die.
Investing Your Savings

Investing Your Savings Overview

The 401(k) Savings Plan is a self-directed investment plan. Decisions you make for the investment of your accounts in the plan are yours and yours alone. The 401(k) Savings Plan investment funds offer a range of low to higher risk investments. Neither the plan trustee, Plan Administrator, Independent Fiduciary for the Penney Common Stock Fund, nor the Company recommends one investment fund over another. This section offers information on the investments funds available, including the jcpenney Common Stock Fund. You can also find information related to plan expenses, Dividends, valuation of your account, management of your account, your rights and where to get more information about the investment funds offered.

Choosing Between Investment Options

Answering the following questions may help you decide which investment options to choose:

- Are you a "hands-off" investor who doesn't feel comfortable making investment choices? If so, Tier 1, the Target Retirement Trusts, may be a good choice. You select a trust based on your expected retirement date, and you're done.

- Are you a "hands-on" investor with investment experience who is willing to spend the time to research, choose and manage your own investments? If so, Tier 3, the Self-Directed Brokerage Account Window, may be right for you.

- Are you somewhere in the middle? If so, Tier 2 offers eight funds, including the Penney Common Stock Fund, to use to create your own investment mix.

- Do you want help making an investment decision, want financial advice, or want to consider other investments or assets you have outside of the 401(k) Savings Plan when making a decision for your plan investments? If so, you may want to use the Aon Financial Engines Advisor online advice tool or enroll in the Professional Management program. See the Managing Your Account section.

Can I change my investment elections?
You can change the amount you deposit, change your investment election or make transfers at any time. Simply log on to PowerLine or [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/).
Understanding Your Investment Options

How conservative or aggressive of an investor are you? Are you comfortable with assets changing in value (up or down) in the short-term to try to earn higher long-term returns? Would you rather try to limit your short-term risk, understanding that you may be giving up higher long-term returns?

**Investments At-a-Glance**

<table>
<thead>
<tr>
<th>General Risk Level</th>
<th>Funds</th>
<th>Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low</strong></td>
<td>Interest Income Fund</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Intermediate Bond Fund</td>
<td>2</td>
</tr>
<tr>
<td><strong>Low to Moderate</strong></td>
<td>Target Retirement Income Trust I</td>
<td>1</td>
</tr>
<tr>
<td><strong>Moderate</strong></td>
<td>Target Retirement 2005 Trust I</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2010 Trust I</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2015 Trust I</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2020 Trust I</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2025 Trust I</td>
<td>1</td>
</tr>
<tr>
<td><strong>Moderate to High</strong></td>
<td>S&amp;P 500 Fund</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Russell 1000 Growth Fund</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Russell 1000 Value Fund</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2030 Trust I</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2035 Trust I</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2040 Trust I</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2045 Trust I</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Target Retirement 2050 Trust I</td>
<td>1</td>
</tr>
<tr>
<td><strong>High</strong></td>
<td>Russell 2000 Fund</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>EAFE Fund</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Penney Common Stock Fund</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Brokerage Window (actual risk depends on individual investments within the window)</td>
<td>3</td>
</tr>
</tbody>
</table>
Tier 1

What is your investment “time horizon”? Are you just beginning to save for retirement or are you close to retirement now?

Tier 1 is comprised of several Target Retirement Trusts managed by Vanguard. Target Retirement Trusts manage risk and investment return over time. Each trust is a mix of different investments — stocks, bonds and cash. Each trust starts out with higher stock investment for growth opportunity and ends with fewer stock investments. This lowers your investment risk as you get closer to retirement. One Target Retirement Trust could be all you need — just choose the fund that is closest to the year you plan to retire.

Effective February 8, 2012, the Vanguard Target Retirement 2005 Trust I were merged into the Vanguard Target Retirement Income Trust I. In addition, Target Retirement 2055 Trust I was introduced into the 401(k) Savings Plan.

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Risk</th>
<th>Objective</th>
<th>Underlying Vanguard Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Retirement Income Trust I</strong></td>
<td>Market risk: Low to Moderate</td>
<td>Seeks current income and some capital appreciation by investing in several Vanguard funds. This trust is designed for investors currently in retirement.</td>
<td>21% Total Stock Market Index Fund 9% Total International Stock Index Fund 45% Total Bond Market II Index Fund 20% Inflation-Protected Securities Fund 5% Prime Money Market Fund</td>
</tr>
<tr>
<td><strong>Target Retirement 2010 Trust I</strong></td>
<td>Market risk: Moderate</td>
<td>Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. This trust is designed for investors planning to retire in 2012.</td>
<td>32% Total Stock Market Index Fund 14% Total International Stock Index Fund 41% Total Bond Market II Index Fund 12% Inflation-Protected Securities Fund 1% Prime Money Market Fund</td>
</tr>
<tr>
<td>Fund Name</td>
<td>Risk</td>
<td>Objective</td>
<td>Underlying Vanguard Funds</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
</tbody>
</table>
| **Target Retirement 2015 Trust I** | Market risk: Moderate | Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2013 and 2017.                                                                 | 40% Total Stock Market Index Fund  
17% Total International Stock Index Fund  
40% Total Bond Market II Index Fund  
3% Inflation-Protected Securities Fund |
| **Target Retirement 2020 Trust I** | Market risk: Moderate | Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2018 and 2022.                                                                 | 46% Total Stock Market Index Fund  
19% Total International Stock Index Fund  
35% Total Bond Market II Index Fund |
| **Target Retirement 2025 Trust I** | Market risk: Moderate | Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2023 and 2027.                                                                 | 51% Total Stock Market Index Fund  
22% Total International Stock Index Fund  
27% Total Bond Market II Index Fund |
| **Target Retirement 2030 Trust I** | Market risk: Moderate | Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2028 and 2032.                                                                 | 56% Total Stock Market Index Fund  
24% Total International Stock Index Fund  
20% Total Bond Market II Index Fund |
<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Risk</th>
<th>Objective</th>
<th>Underlying Vanguard Funds</th>
</tr>
</thead>
</table>
| **Target Retirement 2035 Trust I** | Market risk: Moderate to High  
Inflation risk: Low | Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2033 and 2037. | 62% Total Stock Market Index Fund  
26% Total International Stock Index Fund  
12% Total Bond Market II Index Fund |
| **Target Retirement 2040 Trust I** | Market risk: Moderate to High  
Inflation risk: Low | Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2038 and 2042. | 63% Total Stock Market Index Fund  
27% Total International Stock Index Fund  
10% Total Bond Market II Index Fund |
| **Target Retirement 2045 Trust I** | Market risk: Moderate to High  
Inflation risk: Low | Seeks current income and capital appreciation by investing in five Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2043 and 2047. | 63% Total Stock Market Index Fund  
27% Total International Stock Index Fund  
10% Total Bond Market II Index Fund |
| **Target Retirement 2050 Trust I** | Market risk: Moderate to High  
Inflation risk: Low | Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2048 and 2052. | 63% Total Stock Market Index Fund  
27% Total International Stock Index Fund  
10% Total Bond Market II Index Fund |
| **Target Retirement 2055 Trust I** | Market risk: Moderate to High  
Inflation risk: Low | Seeks current income and capital appreciation by investing in several Vanguard funds. As the retirement date approaches, the trust's asset allocation will become more conservative. The trust is designed for investors planning to retire between 2053 and 2058. | 63% Total Stock Market Index Fund  
27% Total International Stock Index Fund  
10% Total Bond Market II Index Fund |
These investment trusts are not mutual funds, but invest in a mix of Vanguard mutual funds. They are collective trusts available only to tax-qualified plans and their eligible Participants.

**Tier 2**

Tier 2 is comprised of the eight funds listed below. These funds allow Participants to create their own mix of the different investment types.

### jcpenney Stock

For details about your rights regarding investments in Company stock, see "Your Rights Concerning Employer Securities" under the **Resale Restrictions** section.

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Risk</th>
<th>Objective</th>
<th>Underlying Vanguard Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Fund Managed by State Street Global Advisors</td>
<td>Market: Moderate to High&lt;br&gt;Inflation: Low</td>
<td>Closely match the rate of return of the S&amp;P 500 Index.</td>
<td>U.S. common stock of the S&amp;P 500 Index (composed of 500 large cap stocks)</td>
</tr>
<tr>
<td>Russell 1000 Growth Fund Managed by State Street Global Advisors</td>
<td>Market: Moderate to High&lt;br&gt;Inflation: Low</td>
<td>Closely match the rate of return of the Russell 1000 Growth Index.</td>
<td>U.S. common stocks of the Russell 1000 Growth Index (composed of 600 large cap growth stocks)</td>
</tr>
<tr>
<td>Russell 1000 Value Fund Managed by State Street Global Advisors</td>
<td>Market: Moderate to High&lt;br&gt;Inflation: Low</td>
<td>Closely match the rate of return of the Russell 1000 Value Index.</td>
<td>U.S. common stocks of the Russell 1000 Value Index (composed of 650 large cap value stocks)</td>
</tr>
<tr>
<td>Fund Name</td>
<td>Risk</td>
<td>Objective</td>
<td>Fund Investments Include...</td>
</tr>
<tr>
<td>-----------</td>
<td>------</td>
<td>-----------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Advisors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EAFE Fund</strong> Managed by State Street Global Advisors</td>
<td>Market: High</td>
<td>Closely match the rate of return of the EAFE Index.</td>
<td>Non-U.S. common stocks of the Morgan Stanley EAFE Index (composed of 1,000 stocks in 21 countries outside North and South America)</td>
</tr>
<tr>
<td><strong>Intermediate Bond Fund Managed by State Street Global Advisors</strong></td>
<td>Market: Low</td>
<td>Closely match the Barclays Capital Intermediate Government/Credit Bond Index.</td>
<td>State Street Global Advisors Intermediate Bond Fund (composed of high-quality bonds with an average credit rating of AA to BBB by Standard &amp; Poors with maturities of 1 to 9.9 years)</td>
</tr>
<tr>
<td><strong>Interest Income Fund Managed by T. Rowe Price Stable Asset Management</strong></td>
<td>Market: Low</td>
<td>Generate a modest rate of return while preserving the value of your investment.</td>
<td>Fixed income instruments, such as contracts issued by insurance companies, banks and other financial institutions, and contracts supported by high-quality bonds such as U.S. government agency borrowings, asset-backed securities, corporate debt, guaranteed investment contracts (GIC) and structured investment contracts (SIC)</td>
</tr>
<tr>
<td><strong>Penney Common Stock Fund (stock portion managed by Evercore Trust Company, N.A.; daily cash liquidity portion managed by State Street Bank and Trust Company within liquidity target determined by Evercore Trust Company, N.A.)</strong></td>
<td>Market: Very High</td>
<td>Give Participants an opportunity for ownership in the Company and for participation in the investment performance of Penney Common Stock.</td>
<td>Shares of Penney Common Stock and cash (the return of the fund may not be identical to that of Penney Common Stock due to the cash investment)</td>
</tr>
</tbody>
</table>
Benchmarks

S&P 500 — A weighted average index composed of approximately 500 large capitalization stocks representing about 75% of the market value of publicly traded U.S. stocks and non-U.S. companies whose stocks trade in the U.S. that provides exposure to broad market investments.

Russell 1000 Growth Index — A weighted average index composed of approximately 600 large capitalization stocks representing about 45% of the market value of publicly traded U.S. stocks that provides exposure to growth investments.

Russell 1000 Value Index — A weighted average index composed of approximately 650 large capitalization stocks representing about 45% of the market value of publicly traded U.S. stocks that provides exposure to value investments.

Russell 2000 Index — A weighted average index composed of approximately 2,000 small capitalization stocks representing about 8% of the market value of publicly traded U.S. stocks that provides exposure to broad market investments.

EAFE Index — The Morgan Stanley Capital International Europe, Australia, Far East Index (EAFE) is composed of approximately 1,000 stocks listed on stock exchanges in 21 major countries outside of North and South America and represents 85% of the market value of publicly traded stocks in Europe, Australia and the Far East. The index provides broad exposure and Diversification within the non-U.S. stock market.

Barclays Capital U.S. Intermediate Government/Credit Bond Index — The Barclays Capital Intermediate Government/Credit Bond Index is composed of bonds issued by the U.S. government, U.S. government agencies, and U.S. corporations. All the bonds in the index are rated BBB- to AAA by Standard & Poor's. The index is composed of bonds with maturities between one and 9.9 years.

- Insider trading restrictions apply to the sale and/or transfer of Company stock. See the “Insider Trading Policy” under the Resale Restrictions section.
- Do you know your rights regarding investments in Company stock? Do you understand the importance of diversifying your savings? See “Your Rights Concerning Employer Securities” under the Resale Restrictions section for complete details.

Unit of Participation

When you invest in one of the funds offered under Tier 1 or 2 in the 401(k) Savings Plan, you are buying a "unit of participation" in the fund itself, not the underlying investments. Each unit of participation bears a portion of the fund's gains, losses, income and expenses. The value of a unit of participation changes daily based on the market price of the assets (Dividends, interest and securities sold but not yet settled) in the fund, minus liabilities (plan expenses and securities bought but not yet settled).

The number of units of participation you have in an investment fund increases based on your Deposits and other transactions such as loan repayments and transfers into that fund. The number of units decreases based on transactions that reduce the cash in that fund, such as loans, transfers out of the fund or withdrawals.
Your actual investment results will depend on how your selected investment fund performs and fees you are charged.

**Tier 3**

*Self-Directed Brokerage Account*

Tier 3 is a self-directed brokerage account. Through this account, you may invest in thousands of different investments using the money deposited in your 401(k) Savings Plan account.

With a self-directed brokerage account, you'll have access to nearly 300 mutual fund families, more than 10,000 publicly traded companies, fixed-income investment families such as U.S. government securities, CDs and more. In addition, more than 3,000 of the mutual funds from which you may choose are available with no loads, or waived loads and no transaction fees. There are certain securities in which you cannot invest through your Self-Directed Brokerage Window, including Company stock and the mutual funds that are offered in your 401(k) Savings Plan. If you do not feel comfortable actively managing a portfolio of individual securities, you may find that the plan's standard investment options may be more appropriate for you.

A Self-Directed Brokerage Window is not for everyone. If you're a sophisticated investor who is willing to take on potentially additional risk, and you're prepared to assume the responsibility of more closely monitoring this portion of your portfolio, it could be ideal for you. However, if you do not feel comfortable actively managing a portfolio beyond those offered by the plan's standard investment options, then a self-directed brokerage window may not be appropriate for you. Remember it's always your responsibility to ensure that the options you select agree with your goals for retirement savings.

In order to invest in the Self-Directed Brokerage Window, you must set up an account and transfer assets from Tier 1 and/or Tier 2 into the window. You must transfer in increments of $1,000, and you must leave at least $1,000 invested in Tier 1 and/or Tier 2.

For more information about brokerage accounts call PowerLine at 1-888-890-8900.

**Additional Points to Consider**

- The Interest Income Fund is invested in contracts with insurance companies, banks and other financial institutions that pay a stated rate of return, so that the fund's rate of return tends to vary less than for stocks and bonds. Investments in this fund are affected by the financial stability of the GIC contract issuers, the performance of the underlying SIC assets and the ability of the SIC provider to make required payments.

- Combining U.S. and non-U.S. stocks provides broad exposure to the world's stock markets. Including non-U.S. stocks also reduces peaks and valleys of changes in investment value, because international markets may change independently of U.S. markets.

- With an investment in Penney Common Stock Fund, you have the potential rewards and risks of investing in a single stock. As a stockholder, the return on your investment depends on the Company's performance. Similar to investing a single company stock within the Self-Directed Brokerage Window, this fund has the highest market risk of all funds in the 401(k) Savings Plan.
because it is not a diversified investment - it invests only in one company's stock. Single investment returns can swing widely up or down.

- Dividends on the Penney Common Stock Fund in your 401(k) Savings Plan account will automatically be reinvested in the Penney Common Stock Fund unless you elect to receive them in cash. For more details on Dividends and Dividend elections, see the discussion in the jcpenney Common Stock Fund Information section.

- If you don't know how to mix the different types of investments and want a fund that automatically lowers your risk as you get closer to retirement, consider choosing the Target Retirement Trust from Tier 1 that is closest to your retirement date.

Plan Expenses

The reasonable costs of operating the 401(k) Savings Plan and investment management fees are currently charged to Participants' accounts, but the actual amount charged may vary from year to year. The types of expenses for the 401(k) Savings Plan include, but are not limited to, third-party administrators' fees, Participant statements, Participant communications materials, trustee and custody fees, and investment management fees. Administrative expenses incurred with respect to the 401(k) Savings Plan generally will be allocated to each Participant in the same ratio that the value of each Participant's total account balance bears to the total value of all account balances. However, investment management fees that are incurred only with respect to a particular investment fund will be allocated, in proportion to account balances in such investment fund, to those Participant accounts utilizing the specific investment management services. For self-directed brokerage window expenses, see the "Tier 3 Investments" discussion in this section.

Generally, each February you will receive an insert that includes the estimated Participant cost for administration expenses and investment management fees, and also reflects the estimated Participant cost per $1,000 invested.

Tier 1 and Tier 2 Funds

Operating and administrative expenses — such as the fees of the trustee and administrative service providers — are paid from Participants' accounts. In general, the assets of each investment fund are charged the same percentage. Each Participant's account is reduced by the same percentage, regardless of the size of the account or the investment fund(s) chosen.

Although the fees of Evercore Trust Company, N.A., the Independent Fiduciary for the Penney Common Stock Fund are paid by the Company, investment management fees (including brokerage commissions) are paid from the assets of the related investment fund. The investment management fee percentage is different for each investment fund.

401(k) Savings Plan expenses are subtracted from the daily rate of return earned by each investment fund, based on the estimated percentage of the fees. For this reason, the amount of fund expenses charged to your account is not tracked by the Plan Administrator and does not appear as a separate charge on your account statement.

If you invest in more than one fund, the total percentage of expenses charged against your account will be a blended rate for your investments. For example:
**Example One:** Assume that you had $10,000 invested in the Penney Common Stock Fund and $5,000 in the Interest Income Fund for the entire year, and the expenses for those funds were as follows:

<table>
<thead>
<tr>
<th>Funds</th>
<th>Total Administrative and Operating Expenses</th>
<th>Investment Management Fees</th>
<th>Total Annual Fee Percentage</th>
<th>Estimated Annual Participant Cost per $1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income Fund</td>
<td>0.187%</td>
<td>0.052%</td>
<td>0.239%</td>
<td>$2.39</td>
</tr>
<tr>
<td>Penney Common Stock Fund</td>
<td>0.187%</td>
<td>0.015%</td>
<td>0.202%</td>
<td>$2.02</td>
</tr>
</tbody>
</table>

Your estimated annual cost on these funds would be:

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>Fee %</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penney Common Stock Fund</td>
<td>0.202%</td>
<td>$20.20</td>
</tr>
<tr>
<td>Interest Income Fund</td>
<td>0.239%</td>
<td>$11.95</td>
</tr>
<tr>
<td>Combined Rate ($32.15 ÷ $15,000)</td>
<td>0.214%</td>
<td>$32.15*</td>
</tr>
</tbody>
</table>

*Since the expenses are charged daily, your actual annual cost will depend on the amount you have invested in each fund on a daily basis.

**Example Two:** Assume that you had $100,000 invested in the Target Retirement 2020 Trust II and $25,000 in the Interest Income Fund for the entire year, and the expenses for those investments were as follows:

<table>
<thead>
<tr>
<th>Funds</th>
<th>Total Administrative and Operating Expenses</th>
<th>Investment Management Fees</th>
<th>Total Annual Fee Percentage</th>
<th>Estimated Annual Participant Cost per $1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Retirement Trust I</td>
<td>0.187%</td>
<td>0.083%</td>
<td>0.270%</td>
<td>$2.70</td>
</tr>
<tr>
<td>Interest Income Fund</td>
<td>0.187%</td>
<td>0.052%</td>
<td>0.239%</td>
<td>$2.39</td>
</tr>
</tbody>
</table>
Your estimated annual cost on these investments would be:

<table>
<thead>
<tr>
<th>Investment Fund</th>
<th>Fee %</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Retirement 2010 Trust I</td>
<td>0.270%</td>
<td>$270.00</td>
</tr>
<tr>
<td>Interest Income Fund</td>
<td>0.239%</td>
<td>$59.75</td>
</tr>
<tr>
<td>Combined Rate ($329.75 ÷ $125,000)</td>
<td>0.263%</td>
<td>$329.75*</td>
</tr>
</tbody>
</table>

*Since the expenses are charged daily, your actual annual cost will depend on the amount you have invested in each fund on a daily basis.

**Tier 3 Investments**

Investment management expenses for individual investments in the Self-Directed Brokerage Window are charged directly to each investment, and will be determined by your investment choices. The charge for administrative and operating expenses will be based on your entire plan balance and is deducted from your plan assets that are not invested in the Brokerage Window.

**How Your Account Is Valued**

The value of your account is determined each day that the stock market is open. You may check your account value at any time by logging on to PowerLine from the Team Member Kiosk or [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/).

**Fund Valuation**

The fund's trustee determines the value of each fund (except the Interest Income Fund) by totaling the market value of the underlying investments, cash and receivables (for Dividends, interest and securities sold but not yet settled) minus liabilities (costs for securities bought but not yet settled and plan expenses).

In the Interest Income Fund, the market value will normally be the book value of the GICs and SICs, including receivables for accrued interest after 401(k) Savings Plan expenses have been subtracted.

Each Participant owns a share of the value of each fund based on:

- When they invested in the fund, and
- How much money they have invested in the fund.

**Penney Common Stock Fund Valuation**

When you invest in the Penney Common Stock Fund, you buy "units of participation" in the fund, not individual shares of Penney Common Stock. The value of a unit of participation changes daily based on the market price of Penney Common Stock, and the fund's gains, losses, income and expenses. The unit value is also affected by the price at which stock is bought or sold by the fund for reinvestment of Dividends and for transfers, loans, withdrawals and distributions from Participants' accounts.
The following example shows how the value of a unit of participation is determined.

**Example:** Assume that on January 1, the assets of the Penney Common Stock Fund total $500 million. The fund is made up of 16 million shares of Penney Common Stock at a market price of $30 per share (16 million shares x $30 per share = $480 million) plus $20 million in cash. There are one million units of participation in the fund. Therefore, the value of each unit of participation on January 1 is $500 ($500 million ÷ one million units).

Assume you have 60 units of participation in the fund. If you log on to PowerLine from the Team Member Kiosk or [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/) to find out your account balance, you will be told that your balance in the Penney Common Stock Fund is $30,000 (60 units x $500 value per unit) and that you have 1,000 Equivalent Shares ($30,000 ÷ $30 per share). This does not mean you have 1,000 actual shares in your account — you have $30,000 in value, which is the equivalent of 1,000 shares when the market price is $30 per share.

If the market price of Penney Common Stock increases to $35 per share, the value of the fund will increase to $580,000,000 (16 million shares x $35 per share + $20 million cash). Each unit of participation in the fund will be worth $580 ($580,000,000 ÷ one million units). The value of your 60 units of participation will increase to $34,800 ($34,800 ÷ $35 per share) when the market price is $35 per share, compared to 1,000 Equivalent Shares when the market price was $30 per share.

**Managing Your Account**

**Financial Advice**

If you want help making investment decisions, you can work with Aon Hewitt Financial Advisors. Aon Hewitt Financial Advisors works with its sub-advisor Financial Engines to provide advisory services. Both are independent, registered investment advisors that do not sell investments or receive commissions for the funds they recommend.

**401(k) Savings Plan offers two services from Financial Engines Advisors L.L.C.**

1. **You Can Get Online Advice** — This service offers advice if you're actively managing your own account, but need a little help. Log on for a personal forecast to see how much your investments may be worth when you retire. You can also get specific advice about which investments to choose and how much to invest in each one. You can test the impact of different contributions, risk levels and retirement goals, or see how other investments may affect your retirement strategy.

   Online Advice is available for you to use. The cost for this service is an administrative expense charge to all Participants as described under **Plan Expenses**. Log on to PowerLine from the Team Member Kiosk (or log on to [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/)) and click the link to "Get Advice."

2. **Aon Hewitt Financial Advisors Will Manage Your Investments** — For an Added Fee, the **Professional Management Program** offers financial professionals to manage your savings for you. The funds in your plan are analyzed and a personal mix designed for you is created based on your unique goals. They handle all fund transfers to put your investment strategy into action and manage your account over time to help keep you on track. You can speak with an Investment Advisor whenever you have questions, or if you want to tailor management of your account even more by notifying an Investment Advisor of your other investments. The annual program fee
equals 0.35% of your Managed Account balance up to $100,000. If your Managed Account
balance is greater than $100,000 and up to and including $250,000, then the annual Program fee
for the first $100,000 is 0.35%, and for the next $150,000 is 0.25%.

If your Managed Account balance is greater than $250,000, then the annual program fee for the
first $100,000 is 0.35%, for the next $150,000 is 0.25%, and for any additional assets over
$250,000 is 0.10%. The fee is taken directly from your 401(k) Savings Plan account, so there are
no bills to pay and no change in your take-home Pay. To learn more, visit
http://www.aonhewittadvisors.com/forjcpenney or call PowerLine at 1-888-890-8900 and select the
option to speak with an Investment Advisor. All advisory services are provided by Aon Hewitt
Financial Advisors, LLC a federally registered investment advisor and wholly owned subsidiary of
Hewitt Associates LLC. Neither Aon Hewitt Financial Advisors nor Financial Engines guarantee
future results.

Keeping Track of Your Account

You may check the value of your account at any time by logging on to PowerLine from the Team Member
Kiosk or http://www.jcpenneypowerline.com/.

In addition, you will receive an account statement once a quarter. You may log on to PowerLine from the
Team Member Kiosk or http://www.jcpenneypowerline.com/, or call PowerLine at any time to request an
account statement. For the applicable period, the statement will show:

- Your beginning and ending balances;
- Your before-tax, after-tax and rollover Deposits;
- Any Matching Contributions;
- Any rollover Deposits;
- Investment gains (or losses);
- Transfers among investment funds;
- Withdrawals;
- Loans; and
- Loan repayments.

If you believe any information on your statement is not correct, you must write to PowerLine within
60 days (see the Administrative Information section for the address). If you do not report errors within
60 days, you may lose the right to have corrections made to your account.

You can closely manage your 401(k) Savings Plan account and get help making your investment choices
by using an online tool provided by Aon Hewitt Financial Advisors in partnership with Financial Engines.
With the tool, you can see examples of different investment options. You can also determine if your
current contribution rate is enough to meet your retirement goals. You can access the online advice tool
on PowerLine from the Team Member Kiosk or www.jcpenneypowerline.com.
Changing Your Investment Election

You can change the amount you deposit and how your Deposits are invested at any time. You can simply log onto PowerLine from the Team Member Kiosk or www.jcpenneypowerline.com.

Transfers Among Investments

Once each day, you may transfer (in any whole percentage) the value of all or part of your Deposits and Company Contributions in the 401(k) Savings Plan from one investment fund to another.

Transaction Limits

Note: The trustee, in its discretion or as directed by an investment manager, may limit the daily volume of its purchases or sales of securities, and as a result, may limit the 401(k) Savings Plan's transactions in any or all of the 401(k) Savings Plan's investment options. The trustee may not complete 401(k) Savings Plan transactions on a particular day for a number of reasons, including, but not limited to, suspension of trading in an asset important to one of the investment options, insufficient liquidity within any investment option to process transactions, or a major market disruption. As a result, there may be a delay in accepting and/or executing a Participant's transactions for one or more days.

Historical Fund Performance

Historical fund performance and risk levels are not guarantees, and not necessarily an indication of future returns. Neither the Company nor the 401(k) Savings Plan guarantees investment results, and neither the plan trustee, the Plan Administrator, nor the Company recommends one investment fund over another.

You will receive an insert showing the latest historical fund performance with this summary. You will also receive historical fund performance with your year-end Participant statement.

jcpenney Common Stock Fund Information

Fund Purpose and Fiduciary Oversight

The purpose of the Penney Common Stock Fund is to provide Team Members with an opportunity to invest in Penney Common Stock. In view of this goal, the Penney Common Stock Fund is intended to be a permanent feature of the plan and is invested exclusively in Penney Common Stock (except for cash or cash equivalent investments required to facilitate Participant transactions into and out of the Penney Common Stock Fund).

In December 2009, the Corporation named an independent third party, Evercore Trust Company, N.A. ("Independent Fiduciary"), as the named fiduciary and investment manager for the Penney Common Stock Fund. In certain limited circumstances, the Independent Fiduciary will have the sole authority to impose changes in this fund, which may include limiting or restricting the fund to sell its shares and hold the proceeds in cash. Any decisions made by the Independent Fiduciary relating to the Penney Common Stock Fund are based solely on publicly available information, its independent judgment and on the terms of the plan. The Independent Fiduciary is obligated to act only in the interests of plan Participants.

Dividends on jcpenney Stock

As a Participant, you can earn Dividends on the shares of Penney Common Stock in the plan by electing to invest some or all of your Deposits and Company Contributions in the Penney Common Stock Fund. If
you invest in the Penney Common Stock Fund and elect to have Dividends reinvested, any Dividends will be credited to your account once each calendar quarter. To be eligible for a quarterly Dividend, you must be invested in the Penney Common Stock Fund when the stock market closes on the day before the Ex-Dividend Date.

The payment of Penney Common Stock Dividends and the amount of the Dividend are subject to change at any time by the Company’s Board of Directors. Dividends credited to the Penney Common Stock Fund in your account during the year are paid out to you in cash once a year or reinvested in the Penney Common Stock Fund, based on your election, as described under

Making Your Payout Election

You can elect to have the Dividends on your Penney Common Stock in the 401(k) Savings Plan paid to you or reinvested in the Penney Common Stock Fund. You may then transfer any reinvested Dividends to other investment funds in the 401(k) Savings Plan. If you elect to have dividends paid to you, the Dividends will be distributed to you in cash not later than 90 days after the close of the Plan Year in which the Dividends are paid to the plan.

To make your election, log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/. You can also call PowerLine at 1-888-890-8900.

Failure to Make Your Payout Election

If you fail to make an election as to whether you want the Dividends paid in cash or reinvested, you will be deemed to have elected to have the Dividends reinvested in the plan.

Changing Your Payout Election

You can change your Dividend election at any time, but that payment election will apply only to future Dividend payments. The Dividend election deadline for Penney Common Stock is 12:00 a.m. (midnight) Central time on the day before the Ex-Dividend Date. The Dividend payment election you have on file as of the deadline will determine how your Dividend is paid. You cannot make any changes to your payment election on the Ex-Dividend Date. Dividends you leave invested in your account will not be eligible for payout on any later Dividend payout date.

To change your Dividend election, log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/. You can also call PowerLine at 1-888-890-8900.

Here are some rules you should know about the Dividend payout:

- Quarterly Dividends will be paid out or reinvested in accordance with your election.
- Your current Dividend payment election on file applies to all future Dividends until you change your election.
- If you elect to have your Dividends paid to you in cash, you are electing to have your Dividends held in a temporary clearing account and any investment earnings will be applied towards total expenses of the plan.

Your Dividend Payout Amount

Before you decide about your Dividend payout, you may want to estimate your Dividend amount. To find out the amount of Dividends added to your account in the current year, log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/.
If you were a 401(k) Savings Plan Participant in the prior year, your statement can also help you estimate your Dividend amount for the current year. Of course, it will not reflect any investment changes you have made since the statement was issued or changes by the Board in the Dividend amount.

To avoid missing important information about your jcpenney benefits, you should update your address as soon as possible if it changes. If you are an active Team Member, you are responsible for reporting all address changes to the Company. If you are a former Team Member, you must contact PowerLine to update your address. You can reach PowerLine by logging on to http://www.jcpenneypowerline.com/.

### Receiving Cash Dividends

If your payout is made in cash, it will be deposited directly into your bank account if:

- You are an active Team Member currently receiving direct Deposit of your paycheck, or
- You are a former Team Member with an account balance in the 401(k) Savings Plan and you are receiving direct Deposit of another jcpenney retirement benefit.

If you do not have direct Deposit information on file with the Company, a check will be mailed to your home address on record. Be sure to keep your address up to date with the Company.

- If you are an active Team Member, you must use the Team Member Kiosk to update your address.
- If you are a former Team Member, you can log on to http://www.jcpenneypowerline.com/ to update your address. You may also call PowerLine at 1-888-890-8900.

### To Set Up Dividend Payout Direct Deposits

- If you are an active Team Member, you must set up direct Deposit by logging on to the Team Member Kiosk.
- If you are a former Team Member, log on to http://www.jcpenneypowerline.com/ or call PowerLine at 1-888-890-8900.

### When Your Employment Ends

#### If You Leave Your Account in the 401(k) Savings Plan — Dividends on any amount invested in the Penney Common Stock Fund in your account will either be paid directly to you in cash on the Dividend payout date or left invested in your account, depending on your Dividend payout election on the day before the ex-Dividend date.

#### If You Take Your Account Out of the 401(k) Savings Plan — Your account will be paid to you in different ways based on when you take a distribution from the 401(k) Saving Plan.

#### If you take a distribution of your account before the annual Dividend payout date and if you elected to have your Dividends paid in cash — You will receive two separate distributions. You would receive one distribution of your vested account balance and a second distribution representing your Dividend amount.
If you elected to have your Dividends reinvested — You will receive your Dividends along with the vested balance of your account all in one distribution.

If you take a distribution of your account after the annual Dividend payout date, you will receive the vested balance of your account, and your Dividend payout election will have no effect on your distribution.

**Dividend Income for Tax Purposes**

Dividend amounts are treated as taxable income when they are paid directly to you. This means that any cash Dividend payment you receive will increase your total taxable income for the year. However, the Company does not withhold income taxes on Dividend payouts. You may wish to adjust your payroll withholding on Form W-4 to avoid IRS penalties for underpayment of income tax.

For any calendar year in which you receive a cash Dividend payout from the 401(k) Savings Plan, you will receive a Form 1099-DIV for use in preparing your income tax return(s) for the year.

**How Dividends Are Applied to Your Account**

To be eligible for Dividends, you must have units of participation in the Penney Common Stock Fund on the Ex-Dividend Date.

**Example:** Let's say the Company declares a quarterly Dividend of $.20 per share and there are 19.6 million shares in the fund. The fund receives $3.92 million:

\[(19.6 \text{ million shares} \times .20 \text{ per share}) \text{ from the Company for the quarterly Dividend.}\]

The Dividend amount you earn is based on the proportion of your units of participation to the total units of participation in the fund when the stock market opens on the Ex-Dividend Date.*

**How Dividends Are Calculated**

\[
\frac{\text{Your Units of Participation}}{\text{Total Units of Participation}} \times \text{Total Dividend Amount} = \text{Your Dividend Amount}
\]

**Example:** Assume you have 60 units of participation, and there are a total of one million units of participation in the fund, here's how your Dividend amount is calculated:

\[
60 \div 1,000,000 \times \$3,920,000 = \$235.20
\]

Your Dividend amount of $235.20 is added to your account.

**Sale of Shares**

In the event of a tender offer for shares of Penney Common Stock, you may instruct the trustee whether to tender the shares subject to the offer credited to your account under the 401(k) Savings Plan. If you instruct the trustee to tender shares that are subject to a tender offer, the trustee will do so.
Resale Restrictions

There are no restrictions on the resale of shares of Penney Common Stock distributed under the 401(k) Savings Plan, except in the case of any person who may be considered an "affiliate" of the Company, as defined in Rule 405 of the Securities Act. These individuals are not permitted to sell or offer to sell such shares of Penney Common Stock unless they are registered under the Securities Act or sold subject to the resale limitations of Rule 144 under the Securities Act or subject to another exemption from registration available under this Rule.

Generally, for these purposes, an affiliate of the Company is any person who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the Company. Among others, the directors, executive officers and principal stockholders of the Company may be considered "affiliates."

Securities Information

Insider Trading Policy

As an active Team Member, you may know of significant Company developments before they are announced to the public. If you have such inside (non-public) information about the Company, you and anyone you share the information with should not buy or sell Penney Common Stock (including changing amounts in the Penney Common Stock Fund) until the information has been made public. Trading on inside information can result in substantial civil and criminal penalties and is a violation of the jcpenney Statement of Business Ethics.

Your Rights Concerning Employer Securities

This notice informs you of your rights under federal law concerning investments in employer securities (the Penney Common Stock Fund). Because you may now or in the future have investments in Company stock under the 401(k) Savings Plan through the Penney Common Stock Fund, you should take the time to read this notice carefully.

You may elect to move any portion of your account that is invested in Company stock from that investment into other investment alternatives under the plan. This right extends to all of the Company stock held under the plan. The plan allows you to transfer the Company's contribution in the jcpenney Common Stock Fund on the very next day after being credited to your account. You have the right to move any portion of your account that is invested in Company stock. Also, the Company Contribution is invested in accordance with your investment election. However, there are times when there are permissible restrictions on transfers for certain Team Members who may be subject to the "Insider Trading Policy" or other requirements of the Securities and Exchange Commission. You may contact PowerLine for specific information regarding this right, including how to make this election. In deciding whether to exercise this right, you will want to give careful consideration to the information below that describes the importance of Diversification. All of the investment options under the plan are available to you if you decide to diversify out of Company stock.

The Importance of Diversifying Your Retirement Savings

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security,
to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although Diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk. Therefore, you should carefully consider the rights described in this notice and how these rights affect the amount of money that you invest in Company stock through the plan.

It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the plan to help ensure that your retirement savings will meet your retirement goals.

For More Information

If you have any questions about your rights under this law or the plan, contact PowerLine.

Purchases and Sales

The trustee will decide when and from what source it will buy shares of Penney Common Stock for the 401(k) Savings Plan. Purchases are made at the fair market value on the date of purchase.

If the 401(k) Savings Plan buys Penney Common Stock on the open market, then brokerage commissions and other fees incurred will be included as part of the cost of the transaction.

Voting Rights as a Stockholder

The shares of Penney Common Stock represented by the units of participation in your account give you voting rights. As a Company stockholder, you will receive an annual report as well as a proxy statement whenever stockholders are asked to vote. You have the right to direct the plan trustee on the voting of shares held in your account.

Confidentiality

Information regarding shares of Penney Common Stock in your account and your voting instructions are subject to confidentiality requirements imposed by the Plan Administrator on Company management and those who provide services to the 401(k) Savings Plan.

Additional Fund Information

You may call PowerLine at 1-888-890-8900 to request that the information listed below be sent to your home address:

- Descriptions of any annual operating expenses that reduce the rate of return and the total amount of these expenses expressed as a percentage of average net assets
- Copies of any prospectuses, financial statements, reports or other materials related to the investment funds that have been provided to the Plan Administrator
- A list of the assets in each investment fund and their value (or percentage of that fund)
The past and current investment performance of each investment fund, net of expenses, and

The value of your account in the 401(k) Savings Plan.
Loans and Withdrawals While Working

Loans and Withdrawals While Working Overview

The 401(k) Savings Plan is designed as a long-term savings program, but you may be able to take a loan or withdraw money from the plan while you are still an active Team Member. This section explains in detail the availability of loans and withdrawals, the rules regarding loans and withdrawals and how to apply for a loan or withdrawal.

Because of the special tax advantages of before-tax Deposits, you are only allowed to withdraw them during employment if you have a severe financial hardship or after you reach age 59½. You cannot withdraw any amount exceeding the lesser of the amount of before-tax Deposits minus the amount of before-tax Deposits made in the current Plan Year or the current market value of the before-tax Deposits.

Loans

401(k) Savings Plan loans give you access to your retirement savings without taking a taxable withdrawal. You may borrow from your before-tax, rollover and after-tax Deposits only while you are an active Participant in the 401(k) Savings Plan and you are receiving current Pay. You cannot take a loan to purchase Company stock.

Loan Amount

You may have up to two loans outstanding at a time from the 401(k) Savings Plan. You will not receive a second loan if payment on your first loan is not current. If you already have two loans and need a new one, you must pay off an existing loan before you can take out a new loan. As soon as your final payment is posted, you may request a new loan.

The minimum loan amount is $500. The maximum loan amount is the lesser of:

- The value of your before-tax, rollover and after-tax Deposits in your Personal Account on the valuation date
- 50% of your total vested account value in your Personal and Company Accounts on the valuation date, or
- $50,000 minus the highest aggregate outstanding loan balance of any other loans you owed to the 401(k) Savings Plan during the previous 12 months.

In determining the amount available for a loan, the eligible amount for loan will not include the vested or unvested portions of the Retirement Account Contributions or the earnings thereon.

For loans approved on or after July 1, 2010 the loan amount will be taken from the investments in your account in the same proportion that they are invested in your account.
Your loan is taken first from your before-tax Deposits, then from any rollover Deposits and last from any after-tax Deposits.

Can I borrow money from my account?
You may borrow from your before-tax, rollover and after-tax Deposits only while you are an active Participant in the 401(k) Savings Plan and you are receiving Pay.

If the loan you request is more than what is available in your account, the maximum available amount will be loaned to you. Also, the Plan Administrator has the right to limit your loan to the amount you can afford to repay through payroll deduction.

Note: The balance in your self-directed brokerage account will be included in the total amount that you may borrow or withdraw. However, you can't access money for loans or withdrawals directly from your self-directed brokerage account. If the amount of money that you want to borrow or withdraw includes money which is invested in your brokerage account, you'll need to transfer the appropriate amount back into Tier 1 or Tier 2 before you can access it for a loan or withdrawal.

Applying for a Loan
To request a loan, log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/. Your check and loan agreement will be mailed to your home generally within seven to ten business days. Your loan check can also be direct deposited to your account.

Loan Interest Rate
The loan interest rate is set on the 15th of each month for loans taken in the next calendar month. If the 15th of the month falls on a weekend or holiday, the rate will be set on the next business day. The rate for loans from the 401(k) Savings Plan is the prime rate plus 1%. The prime rate used will be the rate published in The Wall Street Journal. The interest rate for the term of your loan is the 401(k) Savings Plan rate in effect on the day you log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/ and complete your loan request.

Repaying Your Loan
Loan payments are made through after-tax payroll deductions. You may choose a repayment period as short as 12 months or as long as 54 months. You repay the loan amount plus interest into your own account. Your loan payments are reinvested in your accounts based on your investment elections in effect at the time of payment. Each loan payment to the 401(k) Savings Plan from your payroll check is valued to determine the actual amount that is deposited into your account. Under the 401(k) Savings Plan, your loan payment is valued on the business day prior to your payroll check date. Your payments will restore the savings used for your loan in this way — first your before-tax Deposits are reimbursed, next your rollover Deposits are restored and finally your after-tax Deposits are repaid.

You may repay the total outstanding balance of your loan early without penalty. To find out the payoff amount of your loan and the payoff procedures, log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/. If the amount of delinquent loan payments totals an amount equal to three normal monthly repayment amounts, your loan goes into default and the balance becomes payable in full. The unpaid loan amount is treated as a distribution of taxable income from the 401(k) Savings Plan — except for any after-tax Deposits it includes. If you are behind on loan payments or your loan is in default, you cannot take out another loan until your payments are current or your defaulted loan has been
repaid. You will be issued a Form 1099-R by the 401(k) Savings Plan for the year in which the loan is defaulted.

Please allow three weeks following the payoff process date for check handling and administrative processing. After three weeks, you may request a new loan from your account.

**If Your Employment Ends**

If your employment ends, you must pay your loan in full within 45 days after your employment ends. If you do not repay the loan within 45 days, the unpaid balance will be offset against the remaining assets in your account. In addition, it will be treated as a distribution and the taxable portion of your remaining loan is reported to the IRS as income for the year in which your loan is defaulted.

However, if you first became a Participant in the 401(k) Savings Plan on or before September 1, 2010, and your employment ends because your work unit or the type of work you do has been discontinued, as determined by the Company, you may be allowed to continue your loan repayments. You will receive information from PowerLine on how to request continued repayments if this affects you. If you first become a Participant after September 1, 2010, you must pay your loan in full within 45 days after your employment ends because your work unit or the type of work you do has been discontinued. If you do not repay the loan within 45 days, the unpaid balance will be offset against the remaining assets in your account. In addition, it will be treated as a distribution and the taxable portion of your remaining loan is reported to the IRS as income for the year in which your loan is defaulted.

If you die before your loan is repaid, the taxable portion of your loan will be taxable to your estate.

**While on a Leave of Absence**

**Military Leaves**

If you have an outstanding loan or loans, PowerLine automatically sends loan repayment coupons after they are notified of your Active Duty Military Leave effective date.

Effective December 19, 2003, all Team Members called to active duty will receive a 6% interest rate on loans incurred prior to their active duty status and any excess interest will be forgiven if the Team Members provide written notice to PowerLine and a copy of their military orders calling them to active duty. In addition, any defaulted loan amount or deemed distribution will not include any interest over a 6% interest rate.

**Disaster Leaves**

If you have an outstanding loan or loans, PowerLine automatically sends loan repayment coupons after they are notified you are on an unpaid Leave of Absence.

Effective as of June 1, 2008, and unless otherwise requested by you, your 401(k) Savings Plan loan repayments will be suspended for up to 12 months during a Leave of Absence caused by the closing of a unit for at least 30 days as a result of a disaster (as determined by the Company). To qualify for this suspension, your Leave of Absence also must be either without pay or at a rate of pay (after income and employment tax withholding) that is less than the amount of the loan installment.

Even though you will not have to make payments during this time, this suspension does not change the end date of your loan agreement terms. After returning to active employment, you must still repay the loan (including interest that accrues during the Leave of Absence) in full by the end of the loan term specified in the loan agreement to avoid a default and loan discharge. Upon resuming active employment, repayment can be done by (1) reamortizing the loan so that you would have a higher loan repayment amount through the rest of the original loan term or (2) paying off the loan in full. PowerLine automatically
will reamortize your loan as described above in item (1). If you want to repay the loan in full, you will need to contact PowerLine.

Other Leaves

During a Leave of Absence, you must continue your loan payments. If you are on an unpaid Leave of Absence, you will receive payment coupons from PowerLine showing the amount and date on which each payment is due.

Withdrawals While a Team Member

You may be able to take a withdrawal from your Personal Account while you are still employed by the Company or a Participating Employer.

Amount of Withdrawal

The minimum amount you may withdraw from your account is:

- $100; or
- Your available vested withdrawal amount, if less than $100.

If you first become a Participant in the 401(k) Savings Plan before February 25, 2010, you may choose which investments in your account the withdrawal amount is taken from. If you make no election, the withdrawal amount will be taken from the investments in your account in the same proportion that they are invested in your account. If you first become a Participant in the 401(k) Savings Plan on or after February 25, 2010, the withdrawal amount will be taken from the investments in your account in the same proportion that they are invested in your account.

You cannot withdraw Deposits in the same calendar year they are made.

After-Tax and Rollover Deposits

You may withdraw from your Personal Account after-tax Deposits, rollover Deposits and the earnings from those Deposits at any time. The most you may withdraw is the current market value of your after-tax and rollover Deposits on the date your account is valued, not including your after-tax Deposits made during the current calendar year.

The tax laws make a distinction between a withdrawal of the after-tax Deposits made before 1987 and those made during or after 1987. Withdrawals of after-tax Deposits made during or after 1987 will be treated as partly your Deposits and partly earnings. The portion considered earnings is taxable as ordinary income and may be subject to a 10% early withdrawal penalty tax, depending on your age and the reason for the withdrawal. For more information, see the Tax Information section.

Can I withdraw money from my account?

You may be able to take a withdrawal from your Personal Account while you are employed by the Company. The most you may withdraw is the current market value of your after-tax and rollover Deposits on the date your account is valued minus the after-tax Deposits made in the current year. For more information about withdrawing money from your account, contact PowerLine.
**Before-Tax Deposits**

Because of the special tax advantages of before-tax Deposits, the government allows you to withdraw them during employment only if you have an immediate and heavy financial need (as described under the **Hardship** section) or after you reach age 59½.

**Hardship**

The maximum amount you may withdraw cannot exceed the lesser of the amount of your before-tax Deposits minus the amount of your before-tax Deposits made in the current Plan Year or the current market value of your before-tax Deposits.

The IRS has specific rules about financial hardship withdrawals. You must provide acceptable proof that you have a severe financial hardship before your withdrawal can be approved. To qualify for a financial hardship withdrawal under IRS rules, you must:

- Need the money for an immediate and heavy financial need of you, your Spouse or any dependent,
- Have no other funds available to you, your Spouse or your minor children to meet this need, and
- Withdraw only enough money necessary to meet this need.

Financial hardship withdrawals are allowed to:

- Purchase your primary home (not including mortgage payments),
- Prevent eviction from or foreclosure on your primary home,
- Pay higher-education tuition and room and board for the next 12 months for you, your Spouse, your dependent children, or your primary Beneficiary,
- Pay tax deductible medical expenses for you, your Spouse, your dependent children, or your primary Beneficiary (if not paid by insurance),
- Pay for funeral expenses for a family member, or
- Pay expenses related to repair or damage to your primary home.

**After Age 59½**

When you reach age 59½, you may withdraw the current market value of your before-tax Deposits minus before-tax Deposits made in the current calendar year. Subject to 401(k) Savings Plan limits, your withdrawal amounts are taken first from your after-tax Deposits, then from your rollover Deposits and last from your before-tax Deposits. However, you may be able to change this sequence in certain situations. For more information regarding changing the sequence of your withdrawal, talk to a PowerLine specialist by calling 1-888-890-8900.
After Age 70½

If your employment has not ended when you reach age 70½, you may withdraw some or all of the value of your account, including the value of your after-tax, before-tax and rollover Deposits, as well as the value of Company Matching Contributions and Retirement Account Contributions.

Applying for a Withdrawal

Log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com to request a withdrawal. In most cases, withdrawal requests — except for financial hardship withdrawals — can be processed through the website or by telephone. If you apply for a financial hardship withdrawal, you will first receive application papers. You must return the completed hardship application papers to PowerLine within 90 days. If your financial hardship withdrawal is approved, a check will be direct deposited to your banking institution or mailed to your home generally within seven to ten business days after your request has been approved. Your withdrawal request cannot be canceled after the valuation date.

Form of Payment

Generally, withdrawals are paid in cash. But you may choose to receive all or part of your withdrawal — except a financial hardship withdrawal — in shares of Penney Common Stock Fund. However, if you first become a Participant in the 401(k) Savings Plan on or after February 25, 2010, the normal form of distribution will be cash unless you elect to receive your benefits invested in the Penney Common Stock Fund in Penney Stock. If you want your withdrawal in stock, you must call PowerLine at 1-888-890-8900 and speak with a PowerLine specialist or visit the PowerLine website for further instructions.
How Benefits Are Paid

You can receive your vested account balance any time after you leave the Company or a Participating Employer. In certain cases, your account will be paid automatically to you or your Beneficiary.

Please allow three weeks following the date your employment ends to allow for any trailing payroll activity and administrative processing before a payment from your account can be processed.

Your account can remain in the 401(k) Savings Plan when your employment ends only if your total vested account value (including Dividends and outstanding loans) is more than $5,000.

For distributions commencing on or after July 1, 2010, if your account value is $5,000 or less at the time of the distribution, you will automatically receive a mandatory lump-sum cash distribution of your vested account balance less any federal income tax withholding. If you do not elect to receive such a mandatory distribution directly or have the distribution paid in a direct rollover to an eligible retirement plan selected by you and you are under age 65, then the distribution will be automatically paid in a direct rollover to an Individual Retirement Arrangement (IRA) with Millennium Trust Company.

IRA Provider Contact Information:
Millennium Trust Company
820 Jorie Blvd. Suite 420
Oak Brook, IL 60523
877.682.4727 (representatives are available Monday through Friday from 8:00 a.m. to 4:30 p.m. Central time)
http://www.mtrustcompany.com/

The mandatory distribution will be invested by the provider in an investment product designed to preserve principal and provide a reasonable rate of return and liquidity. The fees and expenses related to the IRA will be borne by you. In no event will the IRA provider charge fees and expenses that exceed fees and expenses charged by the provider for other comparable IRAs established for reasons other than the receipt of automatic rollover distributions.

You will be a plan Participant until you have received all your vested benefits under the plan, even if you no longer work at the Company. If your account remains invested in the 401(k) Savings Plan after you leave the Company, you:

- Will receive quarterly account statements.
- May request a statement at any time by logging on to http://www.jcpennypowerline.com/.
- Cannot make new Deposits or take a loan.
- Have the same rights as active Team Members to make transfers among the investment funds and select your investment funds.

- Can continue to receive cash payment of Dividends based on your units of participation in the Penney Common Stock Fund unless you elect to leave them reinvested in your plan account.

### Deferral of Payments

When your employment ends, if your vested account balance (including Dividends and outstanding loans) is more than $5,000, your balance will remain invested in the 401(k) Savings Plan until you take action. You can request a distribution or a rollover by logging on to [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/).

### When Your Account Is Valued

After the New York Stock Exchange ("the stock market") closes each day, the value of your account is calculated ("valued") to determine the balances reported through PowerLine and on your account statement.

Any time you make a transfer of investments or request a payment from the 401(k) Savings Plan, the date used to determine the value of that transaction depends on when your completed request is received and why the payment is being made. If you complete your transaction before the stock market closes, the transaction is valued after the market closes on the same day. If you complete your transaction after the stock market closes, your transaction is valued at the end of the next day the stock market is open. Generally, the stock market closes at 3 p.m. Central time, Monday through Friday.

<table>
<thead>
<tr>
<th>When You...</th>
<th>Your Transaction Is Valued...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make a transfer or take a loan, distribution or withdrawal (except a financial hardship withdrawal) from the plan</td>
<td>After the stock market closes on the day you complete your transaction, if your transaction is completed before the stock market closes. If your transaction is completed after the stock market closes, your transaction is valued at the end of the next day that the stock market is open.</td>
</tr>
<tr>
<td>Receive your Dividend payout once each year</td>
<td>When the stock market closes on the Friday which is on or after November 15.</td>
</tr>
<tr>
<td>Take a financial hardship withdrawal</td>
<td>When your properly completed hardship withdrawal forms are processed by PowerLine.</td>
</tr>
<tr>
<td>Leave the Company and request monthly payment of at least $100 (available only to fully vested Team Members who have terminated employment)</td>
<td>On the 20th of the month (or next day on which the stock market is open).</td>
</tr>
<tr>
<td>Leave the Company and your vested account value</td>
<td>Approximately 45 days from the statement date</td>
</tr>
</tbody>
</table>
When You... | Your Transaction Is Valued...
---|---
is less than or equal to $5,000 | shown on your automatic payment notice.
Receive a minimum distribution payment when you reach age 70½ and are no longer working for the Company | Generally about three weeks before December 31.
Die | When PowerLine processes the distribution request after receiving all required documentation.

Requesting a Distribution

You may ask for payment of your account any time after your employment ends by logging on [http://www.jcpenneypowerline.com/](http://www.jcpenneypowerline.com/).

Before you take a distribution, you will receive a Payment Rights Notice describing your payment options, your deferral rights, your rollover rights and important tax information about your payment.

**Payment Right Notice**

By law, the Company must provide a Payment Rights Notice no more than 180 days before a payment eligible for rollover is made to you. The notice explains your payment options, your deferral rights, your rollover rights and important tax information about your 401(k) Savings Plan payment. When you request a withdrawal or distribution eligible for rollover, if you have not received a Payment Rights Notice within the past 180 days, one will be sent to you immediately if you call PowerLine. The notice is also available online. You don’t have to wait to receive the notice in the mail.

**Payment Options**

Your payment options depend on whether you are 100% vested in the value of your Company Contributions when your employment ends.

If you are 100% vested, you may choose to receive your account balance as one or any combination of the following:

- A lump-sum distribution
- Partial withdrawals of your account at any time, or
- Repetitive monthly payments of at least $100.

If you are not 100% vested, your only payment option is a lump-sum distribution.
Lump-Sum Distribution

If you request a single payment of the value of your account, you will be paid in cash or in shares of Penney Common Stock, or a combination of both cash and Penney Common Stock, as described below under Form of Payment. Please see information regarding rollovers under Transfers to Another Plan or IRA below.

Repetitive Monthly Payments

If your employment ends and you are fully vested in your total account balance, you may choose to receive monthly payments of at least $100 from your account. You may cancel or change the amount of your monthly payment at any time.

Form of Payment

Generally, if you first become a Participant in the 401(k) Savings Plan before February 25, 2010, distributions are paid in cash unless you choose to receive all or part of your distribution in shares of Penney Common Stock. However, if you first become a Participant in the 401(k) Savings Plan on or after February 25, 2010, the normal form of distribution will be cash unless you elect to receive your benefits invested in the Penney Common Stock Fund in Penney Common Stock. If you want your distribution in stock, you must call PowerLine at 1-888-890-8900 and speak with a PowerLine specialist.

Timing of Payment

There will be a time delay between the date your employment ends and the date you receive any cash payment or requested shares of Penney Common Stock. Your account is valued when your payment request is processed.

The 401(k) Savings Plan does not pay interest for any period after your account is valued. If you request payment in shares of Penney Common Stock and the stock value decreases during these times, you do not owe the difference to the 401(k) Savings Plan. And, if the value of the stock increases, neither the 401(k) Savings Plan nor the Company owes you the difference. You will always receive the number of shares you are eligible to receive as of the date your account is valued.

Transfers to Another Plan or IRA

You may transfer ("roll over") the payment to either an IRA (an individual retirement account or individual retirement annuity), Roth IRA, an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. A rollover allows you to avoid paying current income tax and any penalty tax on the amount you transfer. You will need to provide certain information about your IRA, Roth IRA, or other plan to complete the transfer.

Transfers of 401(k) Savings Plan investments into either an IRA (an individual retirement account or individual retirement annuity), Roth IRA, an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) may be made either by logging on to PowerLine or http://www.jcpenneypowerline.com/, or by calling PowerLine from the Team Member Kiosk at 1-888-890-8900 and speaking with a specialist. Written rollover requests and/or forms will not be accepted.

If You Cannot Be Located

After you leave the Company, it is your responsibility to notify PowerLine if your address changes — either by logging on to http://www.jcpenneypowerline.com/ or by calling PowerLine at 1-888-890-8900. If we make a payment to you and the check is returned to PowerLine, your distribution amount will be transferred to a special account. This account does not pay interest or receive investment earnings. If you have not contacted the Plan Administrator and you cannot be located within a reasonable time, your benefit will then be transferred to the Forfeiture Account. If you contact the plan later, you will be entitled to immediate payment of the amount previously distributed to you.
Updating Your Address
To avoid missing important information about your jcpenney benefits, you should update your address as soon as possible if it changes. If you are an active Team Member, you are responsible for reporting all address changes to the Company. If you are a former Team Member you must contact PowerLine to update your address. You can reach PowerLine by logging on to http://www.jcpenneypowerline.com/.

If You Are Rehired
If you are rehired before a lump-sum distribution is processed, the distribution will not be made. If you are receiving periodic payments from the 401(k) Savings Plan, your payments will stop. When your employment ends again, you must log on to http://www.jcpenneypowerline.com/ or call PowerLine at 1-888-890-8900 to receive further payment of your account.

Naming a Beneficiary
If you are married, your Spouse is automatically your sole Beneficiary. If you choose a Beneficiary other than your Spouse, a notary must witness your Spouse signing the spousal consent section of the jcpenney 401(k) Savings Plan Beneficiary Authorization Form that you'll receive after you name your Beneficiary(ies) either through PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/ or by speaking with a PowerLine specialist.

If you are not married, you must name a Beneficiary. If you marry after you join the 401(k) Savings Plan, your Spouse automatically becomes your sole Beneficiary instead of the person you previously named.

If your Beneficiary is not your Spouse, the value of your account will automatically be paid to your Beneficiary as a lump-sum distribution as soon as administratively possible after your death.

If you haven't named aBeneficiary at the time of your death or if no Beneficiary survives you, your account value will be paid as follows, depending on your marital status:

- If you're married, your account value will be paid to your Spouse.
- If you're single, your account value will be paid to the personal representative of your estate.

Changing Your Beneficiary
You may change your Beneficiary at any time, according to the rules on spousal consent described above. To request a Beneficiary Authorization Form log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/.

Death Benefits
If you die and your Beneficiary is not your Spouse, the value of your account will automatically be paid to your Beneficiary as a lump-sum distribution.

If you first became a Participant in the plan prior to September 1, 2010, and your Beneficiary is your Spouse, your Spouse may elect one of the forms of payment available to you. Your Spouse also may
elect for distributions to begin at any time, but not later than the date you would have attained age 70½. However, if the amount payable to your Spouse is $5,000 or less, such amount will be paid to your Spouse in one lump sum as soon as practicable after the Plan Administrator receives notification and proof of your death. If you first become a Participant on or after September 1, 2010, and die before receiving benefits, your Spouse will receive your benefits in a lump sum as soon as practicable after the Plan Administrator receives the notification and proof of your death.

If you die while performing "qualified military service" (as defined in the Code) the benefits that would have been provided you (other than benefit accruals relating to the period of military service) under the plan had you resumed employment and then terminated employment on account of death will be payable to your beneficiary. This means that you will be fully vested in your Company Contributions.

If you die before receiving all of your account, your remaining vested account balance will be paid to your Beneficiary. See the Naming a Beneficiary section.

Overpayments

If any information used to calculate your payment or distribution is not correct, your account will be adjusted to the proper amount when the error is discovered. You will be required to return any overpayment to the 401(k) Savings Plan, or your future payments from the 401(k) Savings Plan may be reduced to make up for the overpayment.

Benefit Cannot Be Assigned

Your benefit under the 401(k) Savings Plan belongs to you (or your Beneficiary) and generally may not be sold, assigned, transferred, pledged or garnished, except under a Qualified Domestic Relations Order (QDRO) or an enforceable tax levy by the Internal Revenue Service; or to the extent permitted by the Code certain judgment or settlements providing for the offset of all or part of your benefit under the 401(k) Savings Plan.

If a QDRO sets aside a portion of your benefit for payment to your ex-Spouse or your children, send the order to the jcpenney Qualified Order Team. If the domestic relations order is determined to be qualified by the plan’s domestic relations order administrator, you will be notified in writing and you will have no further right to that portion of your pension. If you would like to receive a free copy of the policy and procedures for the submission and approval of a domestic relations order, contact the jcpenney Qualified Order Team at the address shown under “Important Contacts” in the Plan Information section.

If the amount payable to an Alternate Payee under a QDRO is $5,000 or less, such amount will be paid in one lump sum as soon as possible after qualification of the order. If the amount exceeds $5,000 and you first became a Participant prior to July 1, 2010, it may be paid as soon as possible if the QDRO so provides and your ex-Spouse consents. Otherwise, it may not be payable before the earliest of (i) your termination of employment, (ii) the time such amount could be withdrawn under the plan, or (iii) your attainment of age 50. If you first become a Participant on or after July 1, 2010, the amount payable to the Alternate Payee will be paid in one lump sum as soon as practical following qualification of the order.
Qualified Domestic Relations Orders (QDRO)

As soon as you learn of any court order that may require you to provide retirement benefits for your former Spouse, you should call PowerLine at 1-888-890-8900 and request to be transfer to the jcpenney Qualified Order Team. The jcpenney Qualified Order Team will provide you with a free copy of the policy and procedures for the submission and approval of a QDRO.

jcpenney Qualified Order Team
Post Office Box 1433
Lincolnshire, IL 60069-1433
Phone: 888-890-8900
Fax: 847-883-9313
E-mail: qocenter@hewitt.com
Website: www.qocenter.com
Tax Information

Tax Information Overview

This section describes how some federal tax laws affect you and your 401(k) Savings Plan benefit. It does not cover every situation that could affect you. These descriptions are based on current law, so changes in the law or its interpretation may affect the tax considerations described. Additional rules may apply if you have participated in the qualified retirement plan of another employer.

You should consult with a tax advisor familiar with your personal situation before you make any decisions that may affect your taxes. PowerLine representatives cannot give tax advice. The Company does not guarantee or promise any specific tax outcome.

Your Situation
Federal, state and local tax laws are complex and may change from time to time. Therefore, you are strongly encouraged to consult with a qualified tax advisor familiar with your personal situation.

The 401(k) Savings Plan is intended to qualify for special tax treatment under Sections 401(a), 401(k), 401(m) and 4975(e)(7) of the Internal Revenue Code ("the Code"), and the related trust is intended to be exempt from federal income tax under Section 501(a) of the Code. The Internal Revenue Service has determined that the 401(k) Savings Plan and the related trust qualify under those sections of the Code. If the 401(k) Savings Plan continues to be qualified, current tax considerations include, but may not be limited to, those described in this section.

General Tax Considerations

Your before-tax Deposits, any rollover Deposits, Company Contributions and income (including Dividends) earned by the investment funds are not taxable to you (or your Beneficiary) until the amounts are actually paid to you or your Beneficiary. Your after-tax Deposits are included in your taxable Pay during the year you make after-tax Deposits to the 401(k) Savings Plan. The Company is allowed a tax deduction for its contributions to the plan, and for Dividends paid from the plan directly to Participants or Dividends reinvested in the plan based in either case on the election of Participants.
Taxes on Distributions

Lump-Sum Distributions
A lump-sum distribution is the payment, within one taxable year of your total account balance under the 401(k) Savings Plan after you reach age 59½, or because you die or your employment ends. Generally, you will have to pay tax (either as ordinary income or under the special averaging rules described below) on the amount you receive from the 401(k) Savings Plan that is more than the total of:

- Your after-tax Deposits, plus
- Any net unrealized appreciation in the Penney Common Stock you receive.

As an alternative, you may defer tax on a lump-sum distribution by making a rollover as described below. Any taxable amount you receive that is eligible for rollover is subject to mandatory 20% federal income tax withholding. The tax withheld will be no greater than the amount of cash you choose to receive.

For Team Members employed in Puerto Rico, the tax laws of Puerto Rico also require withholding on lump-sum distributions.

Special Averaging Treatment
Depending on your circumstances, your distribution may be eligible for special income averaging treatment under current tax laws. For more information, consult your tax advisor.

Non-Lump-Sum Distributions
A withdrawal or distribution that does not qualify as a lump-sum distribution generally will be taxed as ordinary income. If you made after-tax Deposits, a portion of each payment will be treated as a return of your after-tax Deposits and will be excluded from your taxable income. Also, any net unrealized appreciation in the value of distributed Penney Common Stock purchased with your after-tax Deposits will be excluded from your taxable income.

Minimum Annual Distributions
If your employment has ended, you must begin receiving a "minimum annual distribution" from the 401(k) Savings Plan no later than April 1 of the year after the calendar year in which you turned age 70½ and each December thereafter. The Plan Administrator has determined that your first payment from the 401(k) Savings Plan will be in December of the year in which you reach 70½ unless circumstances beyond the Plan Administrator's control would result in a later payment.

If you do not elect a withholding rate (which may be zero), the taxable portion of a minimum distribution is subject to 10% federal income tax withholding. Minimum distributions are not eligible for rollover into an IRA, Roth IRA or other qualified retirement plan.

By law, the minimum annual distribution is a payment that is based on paying out the full value of your account during your life expectancy. Your annual payment will be based on the joint life expectancy of you and your Spouse, if you are married and your Spouse is your primary Beneficiary. If you are not married, your annual payment will be based on your life expectancy.
Direct Rollovers

The tax results described earlier will not apply to any amounts you elect to "roll over" to either an IRA (an individual retirement account or individual retirement annuity), Roth IRA, an employer plan (a tax-qualified retirement plan, a section 403(b) plan, or a governmental section 457(b) plan). In general, any distribution will be eligible for direct rollover except for:

- Minimum distributions required when you reach age 70½ and your employment has ended
- Distributions paid at least annually over (1) your life expectancy, (2) the joint life expectancies of you and a Beneficiary or (3) a period of at least 10 years
- Financial hardship withdrawals
- Defaulted loans treated as taxable distributions, and
- Dividends paid directly to you separate from your 401(k) Savings Plan distribution.

After-tax Deposits are eligible for rollover if the institution or qualified plan where you are doing the rollover will accept after-tax Deposits. Additionally, the portion of your distribution that represents earnings on your after-tax Deposits is eligible for rollover.

Any amounts that are rolled over will not be currently taxable. If only part of your distribution is rolled over, the part of the distribution that is not rolled over is considered ordinary income and will not be eligible for special averaging treatment.

Before-tax amounts rolled over to an IRA will be taxed as ordinary income when distributed from the IRA and will not be eligible for special averaging treatment or, with respect to Penney Common Stock, for special treatment as net unrealized appreciation. A rollover to a qualified plan may preserve the eligibility for special averaging treatment upon distribution. Amounts rolled over to an IRA may be eligible for later rollover to a qualified plan (which may preserve your eligibility for special averaging treatment) if you set up a separate IRA to hold only your direct rollover from the 401(k) Savings Plan and any other qualified savings.

Your surviving Spouse or Beneficiary may elect, subject to certain restrictions and limitations, to roll over to an IRA or Roth IRA all or a part of a lump-sum distribution he or she receives on account of your death.

Direct Rollover or Trustee-to-Trustee Transfer

If you instruct PowerLine to transfer your distribution directly to either an IRA (an individual retirement account or individual retirement annuity), Roth IRA, an employer plan (a tax-qualified retirement plan, a section 403(b) plan, or a governmental section 457(b) plan) the mandatory 20% income tax withholding does not apply.

Indirect Rollover or 60-Day Rollover

You will be subject to mandatory 20% federal income tax withholding on any amount eligible for rollover that you receive from the 401(k) Savings Plan, but the tax withheld will be no greater than the amount of cash you choose to receive. However, current income tax can be deferred on any amount you roll over to either an IRA (an individual retirement account or individual retirement annuity), Roth IRA, an employer plan (a tax-qualified retirement plan, a section 403(b) plan, or a governmental section 457(b) plan) within 60 days after you receive the distribution. If you roll over only the 80% you actually receive, you will be
taxed on the 20% that was withheld. You can still decide to roll over up to 100% of your eligible rollover amount by replacing the 20% withheld with cash from other sources. But even if you make up the withheld amount and roll over 100% of the distribution amount, the 20% already withheld cannot be immediately refunded. Instead, it is treated the same as the federal income taxes withheld on your wages.

**Dividend Payouts**

Dividends are not taxed until they are paid out of the 401(k) Savings Plan. You will be required to pay ordinary income tax on any cash Dividend payout from the 401(k) Savings Plan. These Dividends are not considered a "distribution" from the 401(k) Savings Plan for tax purposes, and therefore do not qualify for special tax treatment or rollover. There will be no federal or state tax withholding deducted from your Dividend payment. You are responsible for payment of the taxes when you file your tax return.

**Financial Hardship Withdrawals**

Generally, any before-tax amounts you receive as a financial hardship withdrawal are taxed as ordinary income and are subject to 10% tax withholding (unless you elect some other rate of withholding, or zero withholding). You will also pay a 10% non-deductible penalty tax unless you qualify for an exception (see the **Penalty Tax** section).

**Loans**

Loans are generally not taxable, unless your employment ends and you do not pay off your loan or your loan is defaulted. The interest you pay on a loan is not tax deductible.

**Saver’s Credit**

The saver's credit is an income tax credit that is available to eligible taxpayers who contribute up to $2,000 (as may be changed from time to time by law) to a retirement plan such as the 401(k) Savings Plan or to an IRA.

The saver's credit is a nonrefundable income tax credit for certain taxpayers with modified adjusted gross income that does not exceed $56,500 if married filing jointly ($28,250 if filing "single" or $42,375 if filing as "head of household") as indexed. It is equal to a specified percentage of certain employee Deposits made to a qualified employer-sponsored retirement plan or of certain individual or spousal contributions to an IRA.

The amount of any credit eligible contribution is reduced by any taxable distributions received by the Team Member or Spouse during the "testing period." You should consult with your personal tax advisor for more information on the saver's credit or to find out if you are eligible.
Net Unrealized Appreciation

If you own Penney Common Stock that has grown in value from its original cost, you may want to consider this strategy for the distribution of the Penney Common Stock from the 401(k) Savings Plan. When shares of Penney Common Stock are distributed, any increase in value between the cost of the shares to the 401(k) Savings Plan and the market value at distribution is net unrealized appreciation ("NUA"). In a lump-sum distribution, NUA is not taxable at the time of distribution. In a non-lump-sum distribution, NUA on Penney Common Stock purchased with after-tax Deposits is not taxable at the time of distribution, but NUA on shares bought with before-tax Deposits, rollover Deposits or Company Contributions will be taxable at the time of distribution.

When you sell or exchange the Penney Common Stock, any gain, up to the amount of the NUA not taxed when the shares were distributed, will be taxed as a long-term capital gain. If the value of the shares increases further after you receive them, the excess will be treated as a long-term or short-term capital gain depending upon how long you hold the shares. As an alternative to excluding NUA, you may make an election on your income tax return to include NUA in the taxable amount. Making this election could possibly, but not necessarily, result in less tax, depending on factors such as how high the long-term capital rate is relative to your effective income tax rate after averaging, and how long you would otherwise defer applying tax on the NUA by not selling the stock. The IRS may take the position that any partial distribution received after leaving the Company prevents a later distribution of Penny Common Stock from qualifying as a lump-sum distribution. Because NUA is a complex issue, you may wish to consult your tax advisor about it.

State and Local Taxes

The tax treatment of a distribution under state and local tax laws (including the laws of Puerto Rico) may differ from federal tax treatment. It is possible that certain tax elections available under federal law may have adverse state and local tax considerations. Also, at present, at least one state and certain localities tax a Participant's before-tax Deposits when contributed.

Penalty Tax

A 10% non-deductible penalty tax applies to early distributions and withdrawals from the 401(k) Savings Plan. You must pay the penalty tax on your income tax return for the year in which the distribution or withdrawal is made. This tax is in addition to any other income taxes payable on a distribution or withdrawal.

The 10% penalty tax will generally not apply to:

- A distribution caused by your (1) Separation from Service at or after age 55, (2) disability or (3) death.
- A withdrawal of your eligible Deposits after you reach age 59½.
- A withdrawal of your Company Matching Contributions after you reach age 70½
- A distribution or withdrawal to pay for medical expenses allowable as a tax deduction
- A distribution of Dividends on Penney Common Stock
- Amounts distributed to pay an IRS levy
- Periodic payments you receive over your life expectancy or the combined life expectancies of you and your designated Beneficiary, if the payments begin after you Separate from Service
- Amounts rolled over to either an IRA (an individual retirement account or individual retirement annuity), Roth IRA, an employer plan (a tax-qualified retirement, a section 403(b) plan, or a governmental section 457(b) plan) within 60 days, or
- Amounts distributed under a QDRO to an Alternate Payee.
## Administrative Information

### Plan Information

<table>
<thead>
<tr>
<th>Official Name</th>
<th>J. C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan I.D. Number</td>
<td>003</td>
</tr>
<tr>
<td>Type of Plan</td>
<td>Tax-qualified defined contribution 401(k) and profit-sharing plan, and with respect to benefits held in the Penney Common Stock Fund, an employee stock ownership plan</td>
</tr>
<tr>
<td>Plan Tax I.D. Number</td>
<td>13-5583779</td>
</tr>
<tr>
<td>Plan Year</td>
<td>January 1 to December 31</td>
</tr>
</tbody>
</table>

Because Participant accounts are maintained under the 401(k) Savings Plan, the 401(k) Savings Plan is not insured by the Pension Benefit Guaranty Corporation ("PBGC").

### Plan Trustee

State Street Bank and Trust Company  
State Street Financial Center  
One Lincoln Street  
Boston, Massachusetts 02111

The Human Resources Committee appoints the trustee(s) of the 401(k) Savings Plan.

The principal duties of a trustee are:

- Receive from the Company all contributions (and Participant Deposits under the 401(k) Savings Plan);
- Invest these contributions according to investment directions;
- Hold these contributions and investment earnings in trust for Participants;
- Make payments and distributions out of those assets; and
- Vote all shares of Penney Common Stock in accordance with instructions received from Participants.

**Important Contacts**

<table>
<thead>
<tr>
<th>Role</th>
<th>Contact</th>
<th>Responsibilities</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Questions</strong></td>
<td>PowerLine</td>
<td>Responds to Team Member inquiries</td>
<td>PowerLine jcpenney Benefits Resource Center 100 Half Day Road Lincolnshire, IL 60069-1458 1-888-890-8900</td>
</tr>
</tbody>
</table>
| **Plan Sponsor**              | J. C. Penney Corporation, Inc. | - Maintains the plan  
<pre><code>                              |                                                                           | J. C. Penney Corporation, Inc. 6501 Legacy Drive Plano, TX 75024-3698 1-972-431-1000 |
</code></pre>
<p>|                               | Employer Identification Number | - Determines contributions and authority to discontinue contributions to the plan  |                                                                         |
|                               | (EIN): 13-5583779              | - Appoints independent fiduciary for the Penney Common Stock Fund                |                                                                         |
|                               |                                | - Makes or delegates authority to make amendments related to the Penney Common Stock Fund |                                                                         |
| <strong>Plan Administrator</strong>        | Benefits Administration Committee (BAC) | - Named fiduciary for the administration, operation, and the payment of all benefits to Participants or their beneficiaries | Attn: Secretary J. C. Penney Corporation, Inc. 6501 Legacy Drive Plano, TX 75024-3698 1-972-431-1000 |</p>
<table>
<thead>
<tr>
<th>Role</th>
<th>Contact</th>
<th>Responsibilities</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims Administrator</td>
<td>Benefit Determination Review Team (BDRT)</td>
<td>Makes final decisions on Appeals filed under the plan's Claims and Review Procedures&lt;br&gt;Oversees reporting and disclosure requirements for the plan under ERISA</td>
<td>jcpenney&lt;br&gt;BDRT&lt;br&gt;P.O. Box 1407&lt;br&gt;Lincolnshire, IL 60069-1407&lt;br&gt;PowerLine: 1-888-890-8900&lt;br&gt;8 a.m. – 5 p.m., Monday — Friday, Central time</td>
</tr>
<tr>
<td>Agent for Service of Legal Process</td>
<td>CT Corporation System</td>
<td>Third party plan administrator&lt;br&gt;Acts as designee of BAC&lt;br&gt;Reviews and responds to eligibility claims and claims for benefits under the plan&lt;br&gt;Makes final decisions regarding claims</td>
<td>CT Corporation System&lt;br&gt;350 N. St. Paul Street&lt;br&gt;Suite 2900&lt;br&gt;Dallas, TX 75201</td>
</tr>
<tr>
<td>Independent Fiduciary for Penney Common Stock Fund</td>
<td>Evercore Trust Company, N.A.</td>
<td>Fiduciary oversight of the Penney Common Stock Fund with the sole authority to impose changes in the fund</td>
<td>Evercore Trust Company, N.A.&lt;br&gt;1099 New York Avenue, N.W.&lt;br&gt;Washington, DC 20001&lt;br&gt;1-202-471-3500</td>
</tr>
<tr>
<td>Role</td>
<td>Contact</td>
<td>Responsibilities</td>
<td>Address</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| **Investment Fiduciary**    | Benefit Plans Investment Committee (BPIC) | - Named fiduciary for control and management of the assets of the plan (except for Penney Common Stock Fund, and Participants' self-directed investments)  
- Establishing and implements overall investment objectives, policies relating to investment and reinvestment of plan assets (other than the Penney Common Stock Fund)  
- Appoints investment managers (other than for the Penney Common Stock Fund), custodians and plan trustee  
- Selects investment funds other than the Penney Common Stock Fund | Attn: Benefit Plans Investment Committee  
J. C. Penney Corporation, Inc.  
6501 Legacy Drive  
Plano, TX 75024-1000  
1-972-431-1000 |
| **Appoint BAC and BPIC**    | Human Resources Committee       | - Plan settler except for limited appointment authority  
- Appoints the BAC and BPIC members  
- Approves Company's overall | Attn: Human Resources Committee  
J. C. Penney Corporation, Inc.  
6501 Legacy Drive  
Plano, TX 75024-3698  
1-972-431-1000 |
<table>
<thead>
<tr>
<th>Role</th>
<th>Contact</th>
<th>Responsibilities</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>benefit strategy for the plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Approves modifications or amendments to the plan, not</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>delegated to the BAC or</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>reserved to the Human</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Resources and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compensation Committee</td>
<td></td>
</tr>
<tr>
<td>Divorce Decrees</td>
<td>jcpenny Qualified Order Team</td>
<td>Determines if a court order is a Qualified Domestic Relations Order (QDRO)</td>
<td>jcpenny Qualified Order Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Post Office Box 1433</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lincolnshire, IL 60069-1433</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phone: 888-890-8900</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fax: 847-883-9313</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>E-mail: <a href="mailto:gocenter@hewitt.com">gocenter@hewitt.com</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Website: <a href="http://www.qocenter.com">www.qocenter.com</a></td>
</tr>
</tbody>
</table>

### Participating Employers

For questions, contact the Plan Sponsor at the address above.

<table>
<thead>
<tr>
<th>Participating Employers</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CLAD, Inc.</td>
<td>JCP Overseas Services, Inc.</td>
<td>J.C. Penney Life Insurance Company</td>
<td>(until June 18, 2001)</td>
</tr>
<tr>
<td>(from and after January 1, 2011)</td>
<td>(from and after July 1, 1996, and until January 30, 2010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eckerd Corporation</td>
<td>JCP Publications Corp.</td>
<td>J.C. Penney National Bank</td>
<td>(from and after August 1, 1994, and until December 17, 1997)</td>
</tr>
<tr>
<td>EDC Drug Stores, Inc.</td>
<td>JCP Procurement, Inc.</td>
<td>J.C. Penney Private Brands, Inc.</td>
<td>(from and after January 1, 2000)</td>
</tr>
<tr>
<td>(formerly Kerr Drug Stores, Inc.)</td>
<td>(formerly JCP Procurement L.P.)</td>
<td>(from and after February 1, 1999)</td>
<td></td>
</tr>
<tr>
<td>(from and after February 10, 1995, and until July 31, 2004)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fay's Incorporated</td>
<td>JCP Receivables, Inc.</td>
<td>J.C. Penney Purchasing Corporation</td>
<td>(from and after January 1, 2011)</td>
</tr>
<tr>
<td>Company Name</td>
<td>From and After Date</td>
<td>To and Until Date</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>-----------------------------------------</td>
<td>----------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Genovese Drug Stores, Inc.</td>
<td>January 1, 2000 and until July 31, 2004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifting Grace, Inc.</td>
<td>January 1, 2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>jcpenny Card Bank, National Association</td>
<td>December 17, 1997 and September 30, 2000</td>
<td>January 1, 2000 and until October 22, 2002</td>
<td></td>
</tr>
<tr>
<td>Insurance Consultants, Inc.</td>
<td>April 1, 1999 and until June 18, 2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>jcpenny Portfolio, Inc.</td>
<td>January 1, 1995 and dissolved July 18, 1995</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JCP ECommerce L.P.</td>
<td>December 24, 2000 and until February 2, 2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JCP Internet Commerce Solutions, Inc.</td>
<td>February 1, 1999 and until May 25, 2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>J.C. Penney Casualty Insurance Company</td>
<td>June 18, 2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JCP Logistics, Inc. (formerly JCP Logistics L.P.)</td>
<td>February 1, 1999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>J.C. Penney Corporation, Inc. (excluding the Amanda Fielding division)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JCP Media, Inc. (formerly JCP Media L.P.)</td>
<td>February 1, 1999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>J.C. Penney Funding Corporation</td>
<td>March 31, 2009</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Plan Amendment

The Human Resources Committee approves modifications or amendments to the Pension Plan, whenever it may deem advisable or appropriate, that do not substantially increase the Plan's administrative, investment or operating costs to the Company, and that would not be considered ministerial or technical modifications or amendments. A substantial increase in the Plan costs would include an increase in the Plan's administrative, investment or operating expenses, for the prior Plan Year, by more than 10% of the approved budget amount. The Human Resources and Compensation Committee of the Board of Directors of the parent Company (J. C. Penney Company, Inc.) has the right to amend the 401(k) Savings Plan, whenever it may deem advisable or appropriate and to the extent the amendment would substantially increase the 401(k) Savings Plan costs, as set forth herein.

Any amendment related to the Penney Common Stock Fund or the appointment of the Independent Fiduciary for the Penney Common Stock Fund shall be made by the Human Resources and Compensation Committee. The Benefits Administration Committee approves and implements ministerial or technical modifications or amendments to the Plan that are mandated by the Internal Revenue Service, the Department of Labor, the Pension Benefits Guaranty Corporation, or such other governmental agency that is responsible for the compliance, administration, operation, oversight and enforcement of actions related to the 401(k) Savings Plan. Amendments can be made by written resolution without prior notice to, or approval by, 401(k) Savings Plan Participants. Amendments may become effective before, on or after the date by the authorized Committees.

Severability of Plan Provisions

Each 401(k) Savings Plan provision is independent and does not affect the validity of any other 401(k) Savings Plan provision. If any provision is found to be invalid or unenforceable, the remaining 401(k) Savings Plan provisions remain fully effective.

Plan Termination

Although the Company expects to continue the 401(k) Savings Plan, the Human Resources and Compensation Committee of the Board of Directors of the Company or J. C. Penney Company, Inc. or the Human Resources Committee of the Company, has the right to terminate the 401(k) Savings Plan, in whole or in part, and/or to complete discontinue the Company's contributions to the 401(k) Savings Plan, at any time and for any reason. The 401(k) Savings Plan may be terminated by written resolution contained in the minutes of the Board of Directors taking such action.

Any company participating in the 401(k) Savings Plan also has the right to discontinue its participation in the 401(k) Savings Plan for its Team Members.

If the 401(k) Savings Plan is terminated, or all Company Contributions are permanently discontinued, the account balance of affected Participants will become fully vested and cannot be forfeited. No termination or amendment of the 401(k) Savings Plan (except a court-ordered amendment) may affect any unpaid portion of any Company Matching Contribution for any prior year or deprive you of any benefits under the 401(k) Savings Plan to which you would otherwise be entitled.
Protection of 401(k) Savings Plan Assets

The assets of the 401(k) Savings Plan are held in a separate trust set up exclusively to pay 401(k) Savings Plan benefits and reasonable administrative expenses. All benefits are paid from the trust. The assets of the 401(k) Savings Plan are separate from the Company's assets and cannot be claimed by its creditors. Independent trustees and auditors monitor the trust funds to be sure the funds are properly managed.

No Right of Employment

Nothing contained in this SPD, or in the provisions of the 401(k) Savings Plan, creates or should be inferred to create an employment contract.

Plan Conversions

A "blackout" period or conversion period may result because of actions such as a merger of another defined contribution plan into the 401(k) Savings Plan, a transfer of assets from another defined contribution plan into the 401(k) Savings Plan, or a change in record keeper. During any "blackout" period or conversion period, the 401(k) Savings Plan Administrator or its delegate may temporarily suspend, in whole or in part, certain provisions of the 401(k) Savings Plan, which may include, but are not limited to, your right to (a) change your Deposit election, (b) change your investment election, (c) transfer amounts among investment options or (d) borrow or withdraw or obtain a distribution from your accounts. However, the Plan Administrator or its delegate will have no authority to suspend any transaction with respect to the Penney Common Stock Fund, other than a temporary suspension related to a conversion, change in record keeper, or similar administrative or ministerial purpose.

Transferring Between Companies

If you transfer to a company owned by J.C. Penney Corporation, Inc. that has not adopted the 401(k) Savings Plan (a "non-participating employer"), you remain a plan Participant and you continue to earn Vesting Service. See the Vesting section. However, you may not make Deposits to the 401(k) Savings Plan, get Company Contributions or take a final distribution of your benefits under the 401(k) Savings Plan.

If you transfer from a company owned by J.C. Penney Corporation, Inc. that has not adopted the 401(k) Savings Plan, your Hours of Service and Service with that Company count toward your eligibility and vesting under the 401(k) Savings Plan.

Your ERISA Rights

The 401(k) Savings Plan is intended to constitute a plan described in Section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA) and the regulations thereunder. This means that the 401(k) Savings Plan offers a range of investment funds and the opportunity to make your own investment decisions. You have been provided information on these investment funds (including investment objectives and risk/return characteristics). As a result, fiduciaries of the 401(k) Savings Plan generally are not liable for any losses resulting from your investment decisions. As a Participant in the 401(k) Savings Plan...
Plan you are entitled to certain rights and protections under ERISA. ERISA provides that all 401(k) Savings Plan Participants shall be entitled to:

**Receive Information About Your Plan and Benefits**

Examine, without charge, at the Plan Administrator's office and other specified locations, such as worksites, all documents governing the 401(k) Savings Plan, including insurance contracts and a copy of the latest annual report (Form 5500 Series) filed by the 401(k) Savings Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the 401(k) Savings Plan, including insurance contracts and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The administrator may make a reasonable charge for the copies.

Receive a summary of the 401(k) Savings Plan's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report.

Receive a benefit statement showing your total benefits and the non-forfeitable benefits, if any, which have accrued, or the earliest date on which benefits will become non-forfeitable. The Plan Administrator is required to furnish you with a statement at least once each calendar quarter.

**Prudent Actions by Plan Fiduciaries**

In addition to creating rights for 401(k) Savings Plan Participants ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your 401(k) Savings Plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other 401(k) Savings Plan Participants and Beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a plan benefit or exercising your rights under ERISA.

**Enforce Your Rights**

If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the 401(k) Savings Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court after you complete the claims and appeals process. In addition, if you disagree with the 401(k) Savings Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in federal court. If it should happen that plan fiduciaries misuse the 401(k) Savings Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.
Assistance With Your Questions

If you have any questions about your 401(k) Savings Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration at 1-866-444-3272.

Claims and Appeals

Filing a Claim

You must complete all levels of claims and Appeals provided in this summary before you can pursue an ERISA claim in court.

How to File a Claim

Your claim for benefits should be submitted on the Claim Initiation Form. You can request this form by calling PowerLine at 1-888-890-8900.

The Benefit Determination Review Team (BDRT) will respond to any claim for benefits or eligibility within 60 days of receipt of the claim (or within 120 days when special circumstances require more time for a fair decision). The BDRT will notify you before the end of the initial 60-day period if an extension is needed to review your claim. An extension can be up to 60 days.

If your claim is denied, the BDRT will:

- Cite the 401(k) Savings Plan provision on which the denial is based
- Advise you of any additional information you need to provide
- Advise you of the appeal rights related to your claim, and
- Advise you of your right to file suit under ERISA if your Appeal is denied.

Filing an Appeal

Only you, your representative, your Beneficiary or your estate’s representative (if you have died) have the right to submit an Appeal for you. You may appeal in writing to the BAC or a person designated by the BAC to request a review of your denied claim for benefits or eligibility to participate in the 401(k) Savings Plan. You must file your Appeal within 60 days from the date you receive notice of the denial of your claim. If you do not request an Appeal of a denied claim within 60 days after you receive notice of your denied claim, no further action will be taken and you cannot request an Appeal at a later date.

You may request, in writing, copies of all documents, records and other information relevant to your claim free of charge. You may also request that your identity be withheld when your Appeal is presented.
As part of your right to appeal, you must:

- Send your written request for a review of your denied 401(k) Savings Plan claim to the BAC at the address for the Plan Administrator (see "Important Contacts" in the Plan Information section);
- Give your name, Social Security number, unit number, location and the plan name;
- Discuss all of the reasons for your request for review and list any facts that support your request; and
- Provide any additional information you believe will be helpful in reviewing your Appeal.

The decision of the BAC is final and binding. A denial will:

- Explain the specific reasons for the denial;
- Name the plan provisions on which the decision was based;
- Notify you of your right to have reasonable access to, and copies of, all documents, records and other information relevant to your claim, upon your request and free of charge; and
- Notify you of your right to file suit under ERISA.

The BAC must give you its final decision in writing within 60 days after receiving your written Appeal or within 120 days when special circumstances require more time for a fair decision. You will be notified if an extension is needed.
The J.C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan as amended from time to time.

**Alternate Payee**
An Alternate Payee can be a Spouse, former Spouse, child or other dependent of a Participant.

**Appeal**
A proceeding initiated by you, your representative, your Beneficiary, or your estate’s representative to have a denied claim for eligibility to participate or for benefits, reviewed by the Benefits Administration Committee.

**Beneficiary**
Any person, persons or entity designated by a Participant to receive any benefits payable in the event of the Participant's death.

**Benefits Administration Committee (BAC)**
The Plan Administrator and named fiduciary for the review of denied benefit claims. Responsible for the day-to-day administration of the plan and administration of all benefit payments to Participants or their Beneficiaries.

**Break in Service**
Occurs as of the Participant's Separation from Service if he or she is not reemployed by the Company, an Affiliate or a Participating Employer within one year after a Separation from Service.

**Code**
The Internal Revenue Code of 1986, as amended from time to time.

**Company**
J.C. Penney Corporation, Inc., a Delaware company.

**Company Account**
The account established and maintained for each investment fund and in which are reflected all Company contributions allocated to Participants investing in such funds, together with all assets attributable thereto.

**Deposits**
The amount of your paycheck that you elect to contribute to the 401(k) Savings Plan trust, including both before-tax and after-tax deposits.

**Diversification**
The practice of limiting risk by investing in a variety of assets of different types or in different industries.

**Dividend**
A payment made to the shareholders of a company from the company's profits.
Entry Date
For purposes of participation, your Entry Date is the first day of each calendar week immediately concurrent with or after the effective date of your enrollment.

Equivalent Shares
The dollar value of your investment in the Penney Common Stock Fund is expressed in "Equivalent Shares." This represents the number of shares of Penney Common Stock you could buy at the current market price.

ERISA
The Employee Retirement Income Security Act of 1974, as amended from time to time.

Ex-Dividend Date
The day immediately following the day in each calendar quarter that a shareholder must own Penney Common Stock in order to receive the quarterly Dividend.

Five-Year Break in Service
A Break in Service consisting of at least five consecutive one-year Breaks in Service.

Hour of Service
Each hour for which you are paid or entitled to be paid — including vacation time, Illness Recovery Time, overtime, holidays and jury duty — as well as approved Leaves of Absence or layoff. If you are not paid on an hourly basis, you are credited with 45 Hours of Service per week.

Independent Fiduciary
Evercore Trust Company, N.A., or such other fiduciary appointed as such from time to time by the Board of Directors of the Company. The Independent Fiduciary shall be the sole "investment manager" and "named fiduciary" as those terms are defined in ERISA with respect to the management and disposition of the Penney Common Stock Fund.

Individual Retirement Arrangement (IRA)
A personal savings plan which allows you to set aside money for retirement, while offering you tax advantages.

Leave of Absence
Any approved paid or unpaid period of time during which a Participant is not working for the Company or a Participating Employer.

Matching Contributions
Company contributions in an amount equal to 50% of your Deposits not in excess of 6% of your Pay (as limited by the Code) for a pay period. This amount does not include catch-up contributions.

Participant
Any person who is at least age 21 and employed by a Participating Employer is eligible to participate in the 401(k) Savings Plan.

Participating Employer
The Company and any affiliate or subsidiary that has elected to adopt the 401(k) Savings Plan and has not discontinued or revoked its participation in the 401(k) Savings Plan.
Pay
Your regular salary or wages, including commissions, overtime, cash incentives, but not including items such as non-cash prizes, relocation payments, income from stock options and awards, etc. For purposes of figuring your Deposits and Company Matching Contributions, deferrals to a non-qualified plan are not included as Pay.

Personal Account
The account established and maintained for each investment fund and in which are reflected all Deposits made by or on behalf of Participants investing in such funds, together with all assets attributable thereto.

Plan Year
The 12-month period beginning on January 1 and ending on December 31.

QDRO
See Qualified Domestic Relations Order.

Qualified Domestic Relations Order (QDRO)
A final court judgment, decree or order that creates the existence of an Alternate Payee's right to receive all or a portion of the benefits payable with respect to a Participant under the 401(k) Savings Plan.

Representative
A person you authorize in writing to act on your behalf. The 401(k) Savings Plan recognizes a legally valid power of attorney or a court order giving a person authority to take an act on a Team Member's behalf.

Roth Individual Retirement Arrangement (IRA)
A personal savings plan which allows you to set aside money for retirement, while allowing the savings to grow tax free.

Separation from Service
The earlier of (a) the date a Team Member dies, retires, quits, or is discharged (including on account of Total and Permanent Disability) or (b) the first anniversary of the date a Team Member commences an absence (with or without Pay) for any reason other than retirement, quit, discharge or death.

Service or Vesting Service
Your total period of employment with the Company and its subsidiaries, including approved Leaves of Absence, certain service in the U.S. Armed Forces, and any period after your employment ends, so long as you are rehired within 365 days.

Spouse
The individual of the opposite gender to whom a Participant or former Participant is legally married within the federal law.

Team Member
A person who is employed by the Company or a Participating Employer and paid through the Company's or a Participating Employer's U.S. payroll system. The term Team Member does not include a person who is classified as an independent contractor (whether or not this is consistent with IRS classification or judicial determination) by the Company or a Participating Employer for purposes of federal income tax reporting and withholding. The term Team Member does not include a person who performs services for the Company or a Participating Employer as a "leased employee" within the meaning of Internal Revenue Code section 414(n), or who performs services through an agreement with a leasing organization.
Important Resources

Accessing Account Information

You can access account information via PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/ and through an automated telephone system, 24 hours a day, seven days a week (except Sundays from 12:01 a.m. to noon Central time). Access to PowerLine and your chance to make changes cannot be assured in times of high usage, equipment failure, phone network outages or other technical difficulties or unexpected events or circumstances. It is important that you not wait until the "last minute" to attempt time-sensitive transactions.

Access Your Benefits on the Internet

PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/ are normally available 24 hours a day, Monday through Saturday and after 12:00 p.m. Central time on Sunday. When you log on to the PowerLine website or http://www.jcpenneypowerline.com/ you can:

- Get information about the enrollment process
- Get a better understanding of 401(k) Savings Plan provisions
- Enroll in the 401(k) Savings Plan or make changes to your Deposit or investment elections
- Get access to investment education and advice
- Complete a transfer among investment funds, or
- Request a loan, withdrawal or distribution.

Call PowerLine

If you do not have access to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/, call PowerLine at 1-888-890-8900 and follow the prompts. Using a cordless telephone or cell phone can cause the system to misread the password/PIN.

Note: If you are calling from outside the United States, the telephone number is 1-847-883-0584. This is not a toll-free number.

Remember your user ID and password and keep them in a safe place. The next time you call PowerLine you will use your new user ID and current password.

Updating Your Address

To avoid missing important information about your jcpenney benefits, you should update your address as soon as possible if it changes. If you are an active Team Member, you are responsible for reporting all address changes to the Company. If you are a former Team Member you must contact PowerLine to update your address. You can reach PowerLine by logging on to http://www.jcpenneypowerline.com/.
Where to Get More Information
Most information that you’ll need is in this summary. See the Left Navigation Bar to find what you need or log on to PowerLine from the Team Member Kiosk or http://www.jcpenneypowerline.com/ or call PowerLine at 1-888-890-8900. PowerLine specialists are available between 8:00 a.m. and 8:00 p.m. Central time, Monday through Friday.