

J C PENNEY CO INC  
Form PRE 14A  
March 14, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**J. C. Penney Company, Inc.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**PRELIMINARY PROXY STATEMENT**

**SUBJECT TO COMPLETION**

Myron E. Ullman, III

Chairman of the Board

and Chief Executive Officer

March [29], 2011

Dear Stockholders:

On behalf of your Board of Directors and management, I invite you to attend jcpenny's Annual Meeting of Stockholders. The meeting will be held on Friday, May 20, 2011, at 10:00 A.M., local time, at jcpenny's Home Office located at 6501 Legacy Drive, Plano, Texas 75024.

You will find information regarding the matters to be voted on at the meeting in the formal Notice of Meeting and Proxy Statement which are included on the following pages.

We appreciate your continued support of jcpenny.

**Any stockholder having a disability requiring special assistance who would like to attend the Annual Meeting should call the Corporate Secretary of the Company at (972) 431-1000 and reasonable accommodations will be made to meet such stockholder's needs.**

J. C. Penney Company, Inc. P.O. Box 10001 Dallas, TX 75301

Home Office 6501 Legacy Drive Plano, TX 75024-3698

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**J. C. PENNEY COMPANY, INC.**

**6501 Legacy Drive**

**Plano, Texas 75024-3698**

**J. C. PENNEY COMPANY, INC.**

**Notice of 2011 Annual Meeting of Stockholders**

**Date and Time:** Friday, May 20, 2011

10:00 A.M., local time

**Place:** jcpenny Home Office

6501 Legacy Drive

Plano, Texas 75024-3698

- Business:**
1. To elect twelve directors nominated by the Board of Directors for a one-year term as described in the accompanying proxy materials;
  2. To ratify the appointment of KPMG LLP as independent auditor for the fiscal year ending January 28, 2012;
  3. To approve amendments to the Company's Restated Certificate of Incorporation, as amended, and Bylaws, as amended, to eliminate supermajority voting;
  4. To hold an advisory vote on executive compensation;
  5. To hold an advisory vote on the frequency of the advisory vote on executive compensation; and
  6. To consider any other business properly brought before the meeting.

**Record Date:** In order to vote, you must have been a stockholder at the close of business on March 21, 2011.

**Voting By Proxy:** It is important that your shares be represented and voted at the meeting. If you received the proxy materials by mail, you can vote your shares by completing, signing, dating, and returning your completed proxy card, by telephone or over the Internet. If you received the proxy materials over the Internet, a proxy card was not sent to you, and you may vote your shares only by telephone or over the Internet. To vote by telephone or Internet, follow the instructions included in the proxy statement or on the Internet. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the proxy statement.

**Important Notice Regarding the Availability of Proxy Materials for the 2011 Annual Meeting of**

**Stockholders to be held on May 20, 2011.**

**The Notice of Annual Meeting, Proxy Statement, Annual Report on Form 10-K for the fiscal year ended January 29, 2011 and the 2010 Summary Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).**

Janet Dhillon, Secretary

Plano, Texas

March [29], 2011

**YOUR VOTE IS IMPORTANT**

**PLEASE SIGN, DATE, & RETURN YOUR PROXY CARD OR**

**VOTE BY TELEPHONE OR INTERNET**

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**2011 PROXY STATEMENT**

This proxy statement and the accompanying materials are being made available to jcpenny stockholders beginning on or about March [29], 2011. In this proxy statement, you will find information on the matters to be presented at the Annual Meeting and information to assist you in voting your shares.

**ABOUT THE ANNUAL MEETING**

***Who is soliciting my vote?***

jcpenny's Board of Directors is soliciting your vote at the 2011 Annual Meeting of Stockholders.

***What will I be voting on?***

You will be voting on:

- Election of twelve directors nominated by the Board of Directors;
- Ratification of the appointment of KPMG LLP as jcpenny's independent auditor for the fiscal year ending January 28, 2012;
- Approval of amendments to the Company's Restated Certificate of Incorporation, as amended, and Bylaws, as amended, to eliminate supermajority voting;
- Advisory vote on executive compensation;
- Advisory vote on the frequency of the advisory vote on executive compensation; and
- Any other business that may properly come before the meeting.

***What are the Board of Directors' voting recommendations?***

The Board of Directors recommends that you vote your shares For each of the Board's nominees for director, For the ratification of the appointment of KPMG LLP as independent auditor for the fiscal year ending January 28, 2012, For the management proposal to amend the Charter and Bylaws to eliminate supermajority voting provisions, For the approval of our executive compensation in connection with the advisory vote on executive compensation, and For advisory votes on executive compensation to be held every year.

***Who is entitled to vote?***

All stockholders who owned jcpenny common stock at the close of business on the record date, March 21, 2011, are entitled to attend and vote at the Annual Meeting.

***How many votes do I have?***

You will have one vote for every share of jcpenny common stock you owned on the record date.

***How many votes can be cast by all stockholders?***

Each share of jcpenny common stock is entitled to one vote. There is no cumulative voting. On March 21, 2011, jcpenny had [ ] shares of common stock outstanding and entitled to vote.

***How many shares must be present to hold the Annual Meeting?***

A majority of the outstanding shares of jcpenny common stock as of the record date, or [ ] shares, must be present at the Annual Meeting in order to hold the meeting and conduct business. This is called a quorum.



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Shares are counted as present at the Annual Meeting if stockholders are present and vote in person or a proxy card has been properly submitted by or on behalf of stockholders. Abstentions and broker non-votes are counted for purposes of determining the presence of a quorum.

### ***How many votes are required to elect directors and adopt the other proposals?***

You may vote For or Against with respect to the election of directors. Our Bylaws provide that in a non-contested election, each director must be elected by the affirmative vote of the majority of the votes cast with respect to that director's election. Accordingly, abstentions and broker non-votes will have no effect on the election of a director. Any director nominee who is an incumbent director and is not re-elected must promptly tender his or her resignation, and the Board of Directors, excluding the director who tenders his or her resignation, must promptly decide whether to accept or reject the resignation.

Ratification of the appointment of KPMG LLP as jcpenny's independent auditor requires the affirmative vote of a majority of the shares of jcpenny common stock outstanding as of the record date to be approved. If you abstain from voting on this matter, your shares will be counted as present for purposes of establishing a quorum, and the abstention will have the same effect as a vote *against* the proposal. Broker non-votes will also have the same effect as a vote *against* the proposal.

Approval of the management proposal to amend the Charter and the Bylaws requires the affirmative vote of at least 80% of the shares of jcpenny common stock outstanding as of the record date. If you abstain from voting on this matter, your shares will be counted as present for purposes of determining a quorum, and the abstention will have the same effect as a vote *against* the proposal. Broker non-votes will also have the same effect as a vote *against* the proposal.

Approval of our executive compensation in connection with the advisory vote on executive compensation requires the affirmative vote of a majority of the shares of jcpenny common stock outstanding as of the record date. If you abstain from voting on this matter, your shares will be counted as present for purposes of determining a quorum, and the abstention will have the same effect as a vote *against* the proposal. Broker non-votes will also have the same effect as a vote *against* the proposal.

The advisory vote on the frequency of holding the advisory vote on executive compensation will be determined by a plurality vote which means that the frequency option that receives the most affirmative votes of the votes cast is the one that will be deemed approved by the stockholders. Abstentions and broker non-votes will not affect the outcome of this proposal.

### ***Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?***

In accordance with rules adopted by the Securities and Exchange Commission (SEC), rather than mailing a printed copy of our proxy materials to each stockholder of record, we may send some or all of our stockholders a Notice of Internet Availability of Proxy Materials (Notice), which indicates how our stockholders may:

- access their proxy materials and vote their proxies over the Internet;
- make a one-time request to receive a printed set of proxy materials by mail; or
- make a permanent election to receive all of their proxy materials in printed form by mail or electronically by email.

### ***How can I get electronic access to the proxy materials?***

The Notice provides you with instructions regarding how to:

- view our proxy materials for the Annual Meeting over the Internet; and
- instruct us to send our future proxy materials to you electronically by email instead of sending you printed copies by mail.

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Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings of stockholders on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it. The Summary Annual Report and the Form 10-K accompany these proxy materials but are not considered part of the proxy soliciting materials.

### ***How do I vote?***

You can vote either in person at the Annual Meeting or by proxy whether or not you attend the Annual Meeting. To obtain directions to attend the Annual Meeting and vote in person, please call 972-431-1000. You can vote by proxy in three ways:

- by mail If you received your proxy materials by mail, you can vote by mail by using the enclosed proxy card;
- by telephone In the United States and Canada, you can vote by telephone by following the instructions on the Internet or on your proxy card if you received your materials by mail; or
- by Internet You can vote by Internet by following the instructions on the Notice or on your proxy card if you received your materials by mail.

If you vote by proxy, your shares will be voted at the Annual Meeting in the manner you indicate. If you sign your proxy card, but do not specify how you want your shares to be voted, they will be voted as the Board of Directors recommends.

### ***How do I attend the Annual Meeting?***

Admission to the Annual Meeting is limited to jcpenny stockholders or their proxy holders. Each stockholder will be asked to present proof of stock ownership and a valid, government-issued photo identification, such as a driver's license, before being admitted to the Annual Meeting. Proof of stock ownership may consist of the top portion of the proxy card or if shares are held in the name of a broker, bank or other nominee, an account statement or letter from the nominee indicating that the individual beneficially owned shares of jcpenny common stock on March 21, 2011, the record date for the Annual Meeting.

### ***Can I change my vote after I execute my proxy?***

You can revoke a proxy at any time prior to its exercise at the Annual Meeting. You can send in a new proxy card with a later date if you received your proxy materials by mail, or cast a new vote by telephone or Internet, or send a written notice of revocation to jcpenny's Corporate Secretary at the address on the cover page of this proxy statement. If you attend the Annual Meeting and want to vote in person, you can request that any previously submitted proxy not be used.

### ***How do I vote my shares of jcpenny common stock in the Savings Plan?***

If you are a participant in the J. C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan (the Savings Plan), you will receive a separate voting instruction card for the shares allocated to your account in the Savings Plan. This voting instruction card will allow you to instruct State Street Bank and Trust Company, as trustee for the Savings Plan, how to vote your shares. If you do not vote your shares in the Savings Plan, State Street Bank and Trust Company will vote them in the same proportion as those shares for which it has received voting instructions.

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### ***Will my vote be kept confidential?***

Yes. jcpenny's policy is that all proxy or voting instruction cards, ballots, and vote tabulations which identify the vote of an individual stockholder are to be kept secret. Your vote will only be disclosed:

- to allow the independent election inspectors to certify the results of the vote;
- if jcpenny is legally required to disclose your vote or is defending or asserting claims in a lawsuit;
- if there is a proxy contest involving the Company; or
- if you make a written comment on your proxy or voting instruction card or ballot.

### ***Who pays for this proxy solicitation?***

jcpenny does. In addition to soliciting proxies by mail, jcpenny may solicit proxies by telephone, personal contact, and electronic means. No director, officer, or employee of jcpenny will be specially compensated for these activities. jcpenny has hired Georgeson Inc., a proxy solicitation firm, to assist in soliciting proxies for an estimated fee of \$12,000 plus reimbursement for reasonable expenses.

jcpenny will also reimburse brokers, fiduciaries, and custodians for their costs in forwarding proxy materials to beneficial owners of jcpenny common stock.

### ***Could other matters be decided at the Annual Meeting?***

We do not know of any other matters that will be considered at the Annual Meeting. If any matter other than those described in this proxy statement arises at the Annual Meeting, the proxies will be voted at the discretion of the proxy holder.

## **CORPORATE GOVERNANCE**

For more than 100 years, jcpenny has been serving American consumers by building our business on timeless values. That is our history. That is our future. Since James Cash Penney opened his first Golden Rule Store in 1902, our goal has been to serve the public, as nearly as we can, to its complete satisfaction. Building on this heritage, we adopted our WINNING TOGETHER principles, which are set forth on the outside back cover of this proxy statement and include valuing, developing, and rewarding the contributions and talents of all Associates; acting only with the highest ethical standards; achieving excellence in our work, products, and services; and caring about and being involved in our communities. We do this for our customers and our stockholders.

### ***Governing Documents***

The key documents that make up our corporate governance framework are our:

- Corporate Governance Guidelines, including our Standards for the Determination of Director Independence, Lead Independent Director Policy and our Policy on Review and Consideration of Related Person Transactions;
- Restated Certificate of Incorporation, as amended;
- Bylaws, as amended;
- Audit Committee Charter;
- Finance and Planning Committee Charter;
- Corporate Governance Committee Charter;
- Human Resources and Compensation Committee Charter;
- Charter of the Committee of the Whole;
- Statement of Business Ethics; and
- Standards and Procedures for Director Nominations.

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You can access each of these documents on our website at [www.jcpenney.net](http://www.jcpenney.net) by clicking on Investors, then Corporate Governance. You can also obtain a free copy of any of these documents by sending a written request to jcpenney's Corporate Secretary at P.O. Box 10001, Dallas, Texas 75301.

### ***Corporate Governance Guidelines***

This document sets forth the Company's primary principles and policies regarding corporate governance, which are the foundation of our commitment to best practices. You can access our Corporate Governance Guidelines at [www.jcpenney.net](http://www.jcpenney.net). The Guidelines are reviewed annually by the Corporate Governance Committee and the Board. The matters covered by the Guidelines include:

- director responsibilities;
- the size of the Board;
- director independence and minimum qualifications;
- factors to be considered in selecting candidates to serve on the Board;
- the Company's voting standard for the election of directors;
- director retirement;
- director resignations upon change of principal employment or personal circumstances;
- directors' outside directorships and outside audit committee service;
- Board organization, including committees of the Board and the role and responsibilities of the lead independent director;
- policies relating to Board meetings;
- executive sessions for directors;
- ethical principles to be followed by directors;
- policies and procedures for reviewing related person transactions and conflicts of interest;
- policy on recovery of compensation in the event of a financial restatement;
- the Board's access to management and independent advisors;
- stockholders' and other interested parties' communications to non-employee directors;
- director orientation and continuing education;
- prohibition of loans to directors and executive officers;
- stock ownership goals for directors and members of the Company's senior management team;
- management succession and CEO evaluation; and
- annual self-assessments of the Board and each of the Audit, Corporate Governance, Finance and Planning and Human Resources and Compensation Committees.

### ***Board Leadership Structure***

Myron E. Ullman, III currently serves as both Chairman of the Board and Chief Executive Officer (CEO) of the Company. The non-employee, independent directors of the Board have elected Thomas J. Engibous, a non-employee, independent director, to serve as Lead Director pursuant to the Company's Lead Independent Director Policy. Mr. Engibous' term expires at the earlier of the close of the 2012 Annual Meeting of Stockholders or at such time as he ceases to be a director, resigns as Lead Director or is replaced as Lead Director by a majority of the non-employee, independent directors. Specifically, jcpenney's Lead Independent Director Policy provides that the Lead Director will:

- preside over regular executive sessions of the non-employee, independent members of the Board and at meetings of the Board in the absence of, or upon the request of, the Chairman and CEO;
- approve the scheduling of Board meetings as well as the agenda and materials for each Board meeting and executive session of the Board's non-employee, independent directors;
- have the authority to call such other meetings of the non-employee, independent directors as he/she deems necessary;
- serve as a liaison and supplemental channel of communication between the non-employee, independent directors and the Chairman and CEO;

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meet regularly with the Chairman and CEO;  
communicate with stockholders as appropriate; and  
approve and coordinate the retention of advisors and consultants who report directly to the non-employee, independent members of the Board, except as otherwise required by applicable law or New York Stock Exchange (NYSE) listing standards.

The Board believes that the existence of a Lead Director with this scope of responsibilities supports strong corporate governance principles while deriving the benefit of having the Company's CEO also serve as Chairman of the Board. The Board believes that jcpenny's current leadership structure of the combined Chairman/CEO leadership role coupled with a Lead Director enhances the Chairman/CEO's ability to provide insight and direction on important strategic initiatives to both management and independent directors and, at the same time, ensures that the appropriate level of independent oversight is applied to all management decisions.

***Board of Directors Role in Risk Oversight***

The Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and to enhance stockholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks but also understanding what level of risk is appropriate for the company. The involvement of the full Board of Directors in reviewing the Company's business strategy is an integral aspect of its assessment of management's tolerance for risk and also its determination of what constitutes an appropriate level of risk for the Company. In addition to management's discussion of risk with the full Board of Directors throughout the year, the independent directors also discuss risk management during their executive sessions without management present over which the Lead Director presides. The Board's Committees also consider risk appropriate to their respective jurisdictions throughout the year.

***Policies and Procedures with Respect to Related Person Transactions***

The Board of Directors recognizes that related person transactions can present a heightened risk of conflicts of interest. Accordingly, as a general matter, our directors and executive officers are to avoid any activity, interest, or relationship that would create, or might appear to others to create, a conflict with the interests of jcpenny.

Our written Policy on Review and Consideration of Related Person Transactions (Policy) is included as Appendix C to our Corporate Governance Guidelines. For purposes of SEC rules as well as our Policy, a related person transaction is any transaction in which the Company was, is or will be a participant and the amount involved exceeds \$120,000 and in which any related person had, has or will have a direct or indirect material interest. The term related person means (a) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company, (b) any person who is known to be the beneficial owner of more than 5% of any class of the Company's voting securities, and (c) any immediate family member of any of the foregoing persons. We review all relationships and transactions in which the Company and a related person are participants to determine whether such persons have a direct or indirect material interest. To identify potential related person transactions, we request certain information from our directors and executive officers. We then review the information provided for any related person transactions. The Corporate Governance Committee reviews and determines whether to approve or ratify any related person transaction that is required to be disclosed. Any member of the Corporate Governance Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction.

The Board of Directors has considered the following transactions in connection with the Policy:

William A. Ackman is the Founder, Chief Executive Officer and Managing Member of the General Partner of Pershing Square Capital Management, L.P. (Pershing Square), a registered investment adviser. Mr. Ackman is a

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member of our Board of Directors and, together with Pershing Square and its affiliated entities, beneficially owns more than 5% of the Company's common stock. In addition, Mr. Ackman serves as Chairman of the Board of The Howard Hughes Corporation (HHC), a real estate development company in which Mr. Ackman and his affiliated Pershing Square entities have economic exposure to approximately 27.5% of HHC's common stock, including a 13.8% beneficial ownership interest. HHC, through an affiliated entity, is the landlord for one of the Company's leased store locations. During fiscal 2010, the Company made payments under this lease totaling approximately \$242,000. The lease is currently expected to continue through fiscal 2011 and beyond. In fiscal 2011, the Company expects to make payments under the lease of approximately \$231,000 plus any 2011 property taxes assessed and paid indirectly through the landlord. Mr. Ackman does not have any direct or indirect material interest in this lease arrangement.

Steven Roth, who is a member of our Board of Directors, is Chairman of the Board of Vornado Realty Trust (Vornado) and the beneficial owner of approximately 5% of Vornado's outstanding common shares, and is also the Managing General Partner of Interstate Properties (Interstate). In November 2010, Vornado purchased certain land and improvements from the Company at its Springfield Mall location for approximately \$8.3 million. Additionally, the Company, through its subsidiaries, pays rent, common area maintenance fees, utility expenses, and property taxes to Vornado and Interstate, and their affiliated entities, with respect to a number of store locations. During fiscal 2010, such payments totaled approximately \$17.2 million. The leases are currently expected to continue through fiscal 2011 and beyond. In fiscal 2011, the Company expects to make similar payments with respect to such store locations of approximately \$15.7 million, plus any 2011 property taxes assessed and paid indirectly through the landlords. Mr. Roth has no direct or indirect material interest in these transactions.

***Board Independence***

The Board reviews the independence of each non-employee director annually to confirm that the director continues to meet our standards as well as the requirements of the NYSE. No member of the Board will be considered independent unless the Board determines that he or she has no material relationship with the Company that would affect his or her independence and that he or she otherwise satisfies jcpenny's director independence standards as well as all applicable laws, rules and regulations. Our Standards for the Determination of Director Independence are included as Appendix A to our Corporate Governance Guidelines, which can be accessed at [www.jcpenny.net](http://www.jcpenny.net).

The factors the Board considers in determining whether a director is independent include:

- Whether within the preceding three years,
  - the director is or was an employee of jcpenny;
  - a member of the director's immediate family is or was an executive officer of jcpenny;
  - the director or an immediate family member of the director received more than \$120,000 per year in direct compensation from jcpenny (other than compensation for service as a director or pension or other forms of deferred compensation for prior service);
  - the director or an immediate family member of the director was a partner or employee of jcpenny's external auditor and personally worked on jcpenny's audit within that time;
  - the director or an immediate family member of the director is or was employed as an executive officer of another company where any of jcpenny's present executive officers serve on the compensation committee of that company's board of directors;
  - the director or an immediate family member of the director is or was an employee or executive officer of another company that makes payments to, or receives payments from, jcpenny in excess of the greater of \$1,000,000 or 2% of that company's consolidated gross revenues;
- Whether the director or an immediate family member of the director is a current partner of jcpenny's external auditor;
- Whether the director is a current employee of jcpenny's external auditor;

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Whether an immediate family member of the director is a current employee of jcpenny's external auditor and personally works on jcpenny's audit; and

Whether the director serves as an officer, director or trustee of a charitable organization or as a member of that organization's fund-raising entity or committee that received contributions from jcpenny in excess of the greater of \$1,000,000 or 2% of the charity's gross revenues.

The Board has reviewed each director's independence for fiscal 2010. Applying the standards listed above as well as the requirements of the NYSE, the Board has determined that each of the directors, except for Mr. Ullman, the Company's Chairman and CEO, is independent.

### ***Meeting Attendance***

During fiscal 2010, the Board held 13 meetings and committees of the Board held a total of 18 meetings. Each director attended at least 75% of the total number of meetings of the Board and committees on which he or she served. The Board currently has six meetings scheduled for fiscal 2011.

All directors are strongly encouraged to attend the Annual Meeting, but we do not have a formal attendance requirement. In 2010, all twelve of the then-serving members of the Board attended the Annual Meeting.

### ***Executive Sessions***

The non-employee, independent directors meet in executive session with no Company Associates present as a part of each regularly scheduled Board meeting. The Company's Lead Director, Thomas J. Engibous, presides over these sessions.

### ***Communications with the Board of Directors***

Any Company stockholder or other interested party who wishes to communicate with the Board of Directors or with an individual director may direct such communications by telephone to 1-800-527-0063, by facsimile to 972-431-1977, by email to [jcpdirectors@jcpenny.com](mailto:jcpdirectors@jcpenny.com), or by writing to:

#### **Corporate Secretary**

**J. C. Penney Company, Inc.**

**P.O. Box 10001**

**Dallas, TX 75301**

The communication must be clearly addressed to the Board of Directors or to a specific director(s). If a response is desired, the individual should also provide contact information such as name, address and telephone number.

All such communications will be reviewed initially by the Company's Corporate Secretary and entered into a log for tracking purposes. The Board has asked the Corporate Secretary to forward to the appropriate director(s) all correspondence, except for items unrelated to the Board's functions, business solicitations, advertisements, and materials that are profane. The Corporate Secretary prepares a periodic summary report of all such communications for the Corporate Governance Committee of the Board.

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### ***Communications with the Audit Committee***

Complaints and concerns relating to the Company's accounting, internal accounting controls or auditing matters should be communicated to the Audit Committee of the Board of Directors. Any such communication may be made on an anonymous basis and may be reported to the Audit Committee through the Company's Senior Vice President-Audit by calling 1-800-527-0063, by website at [www.jcpjline.com](http://www.jcpjline.com) or by writing to:

#### **Senior Vice President - Audit**

**J. C. Penney Company, Inc.**

**P.O. Box 250335**

**Plano, TX 75025-0335**

All such concerns will be reviewed under the direction of the Audit Committee and oversight by the Senior Vice President-Audit, the General Counsel, or such other persons as the Audit Committee determines to be appropriate. Confidentiality is maintained to the fullest extent possible, consistent with the need to conduct an adequate review. Prompt and appropriate corrective action will be taken when and as deemed appropriate in the judgment of the Audit Committee. The Senior Vice President-Audit will prepare a periodic summary report of all such communications for the Audit Committee.

### ***Board Diversity, Director Qualifications and Process for Nominations***

jcpenny is committed to creating an inclusive work environment where everyone is respected and valued. A workforce that understands jcpenny's diverse customer base helps ensure that the Company's products, services and message are relevant in every community where the Company does business.

The Board's philosophy on diversity mirrors the Company's philosophy. In connection with the selection of nominees for director, the Corporate Governance Committee strives to identify and recruit high-caliber individuals whose diverse talents, perspectives, experiences and backgrounds would preserve and enhance the inclusive environment in which the Board currently functions.

As provided in the Company's Corporate Governance Guidelines, nominees for director, including those directors who are eligible to stand for re-election, are selected based on, among other things, consideration of the following factors:

- character and integrity;
- business and management experience;
- demonstrated competence in dealing with complex problems;
- familiarity with the Company's business;
- diverse talents, backgrounds, and perspectives;
- freedom from conflicts of interest;
- regulatory and stock exchange membership requirements for the Board;
- sufficient time to devote to the affairs of the Company; and
- reputation in the business community.

In considering whether to nominate directors who are eligible to stand for re-election, the Committee also considers the quality of past director service, attendance at Board and committee meetings, compliance with the Company's Corporate Governance Guidelines (including satisfying the expectations for individual directors), as well as input from other Board members concerning the director's performance and independence.

Although the Board retains ultimate responsibility for approving candidates for election, the Corporate Governance Committee conducts the initial screening and evaluation process. In doing so, the Committee considers candidates recommended by directors and the Company's management, as well as any recommendations from Company stockholders. Additionally, the Committee takes into account the Board's



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current composition and the capabilities and attributes of serving Board members, as well as additional capabilities and attributes considered necessary or desirable in light of existing Company needs and the goal of preserving and enhancing Board diversity. The Committee has engaged in the past, and expects to continue to engage, one or more search firms to assist in the identification and recruitment of director candidates.

To recommend a candidate for election to the Board, a stockholder must submit the following information to the Corporate Secretary of the Company at least 90 days in advance of the Annual Meeting:

The stockholder's name and address;

A representation that the stockholder is a holder of record and intends to appear in person or by proxy at the Annual Meeting;

The name and address of the stockholder's nominee for director;

A description of any arrangements or understandings between the stockholder and the director nominee or any other person (naming such person(s)) relating to the election of the nominee to the Board;

The biographical and other information about the nominee that would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; and

The nominee's consent to serve on the Board.

In general, candidates recommended by stockholders will be evaluated under the same process as candidates recommended by existing directors, Company management or third-party search firms. However, the Corporate Governance Committee will additionally seek and consider information concerning the relationship between a stockholder's recommended nominee and the stockholder to determine whether the nominee can effectively represent the interests of all stockholders. Also, except in unusual circumstances, the Committee will not evaluate a stockholder-recommended candidate unless and until the stockholder advises that the potential candidate has indicated a willingness to serve as a director, to comply with the expectations and requirements for Board service and to provide all the information required to conduct an evaluation.

## **BOARD COMMITTEES**

The Board of Directors has five principal standing committees. Committee members consist entirely of non-employee directors and the Board has determined that each of the members of these committees is independent, as defined under our standards of independence and under NYSE listing standards.

### ***Audit Committee***

The Audit Committee's responsibilities include the selection and retention of the independent auditor for the annual audit of the Company's consolidated financial statements and the approval of audit fees and non-audit services and fees paid to the independent auditor. The Committee reviews the independent auditor's strategy and plan, scope, audit results, performance and independence, internal audit reports on the adequacy of internal controls, the Company's ethics program, status of significant legal matters, the scope of the internal auditor's plans and budget and results of its audits, and the effectiveness of the Company's program for correcting audit findings. The Committee also participates in the certification process relating to the filing of certain periodic reports pursuant to the Securities Exchange Act of 1934, as amended (Exchange Act). A copy of the Audit Committee's Charter is available at the Company's website, [www.jcpenny.net](http://www.jcpenny.net). Also available on the Company's website are procedures for the confidential and anonymous reporting of matters relating to questionable accounting, internal accounting controls, or auditing matters.

During fiscal 2010, this Committee held seven meetings. Its current members are Thomas J. Engibous, Leonard H. Roberts, Javier G. Teruel, Mary Beth West, and Kent B. Foster, who serves as its Chair. The Board of Directors has determined that each member of this Committee is financially literate and qualifies as an audit committee financial expert, as those terms are defined by the Exchange Act and the NYSE.

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### ***Corporate Governance Committee***

The Corporate Governance Committee performs the functions of a nominating committee, considers matters of corporate governance and reviews developments in the governance area as they affect relations between the Company and its stockholders. It also develops and recommends to the Board corporate governance principles and practices for the Company and makes recommendations to the Board with respect to the size, composition, organization and responsibilities of the Board and its directors, the qualifications of directors, candidates for election as directors, the compensation of directors, annual independence determinations, and the annual performance self-assessment process by the Board and each of the Audit, Corporate Governance, Finance and Planning, and Human Resources and Compensation Committees. A copy of the Corporate Governance Committee's Charter, the Company's Corporate Governance Guidelines, and Standards and Procedures for Director Nominations are available on the Company's website at [www.jcpenney.net](http://www.jcpenney.net). See Board Diversity, Director Qualifications and Process for Nominations on page 9 for more information on the Corporate Governance Committee's process for identifying and evaluating nominees for director.

During fiscal 2010, this Committee met three times. Its current members are Colleen C. Barrett, M. Anthony Burns, Geraldine B. Laybourne, Burl Osborne, R. Gerald Turner, and Mary Beth West, who serves as its Chair.

### ***Finance and Planning Committee***

The Finance and Planning Committee is responsible for reviewing the Company's financial policies, strategies, and capital structure. A copy of the Finance and Planning Committee's Charter is available on the Company's website at [www.jcpenney.net](http://www.jcpenney.net).

During fiscal 2010, this Committee met one time. Its current members are William A. Ackman, Kent B. Foster, Leonard H. Roberts, Steven Roth, Javier G. Teruel, and Thomas J. Engibous, who serves as its Chair.

### ***Human Resources and Compensation Committee***

The Human Resources and Compensation Committee's responsibilities include reviewing and administering the Company's annual and long-term incentive compensation plans, overseeing the administration and operation of certain of the Company's retirement and welfare plans, taking action or making recommendations with respect to the compensation of executive officers, including making a non-binding recommendation to the Committee of the Whole regarding the CEO's compensation level, and reviewing succession plans for key Company executives, including the CEO. In addition, its responsibilities include reviewing the annual financial and investment performance results of the Company's retirement and welfare plans, including the annual actuarial valuation reports applicable to such plans. A copy of the Human Resources and Compensation Committee's Charter is available on the Company's website at [www.jcpenney.net](http://www.jcpenney.net). See also this Committee's report on page 35. For a discussion of the processes and procedures for determining executive and director compensation and the roles of management and compensation consultants in determining or recommending the amount or form of compensation, see Compensation Discussion and Analysis beginning on page 21 and Director Compensation for Fiscal 2010 beginning on page 55.

During fiscal 2010, this Committee met six times. Its current members are Colleen C. Barrett, M. Anthony Burns, Geraldine B. Laybourne, R. Gerald Turner, and Burl Osborne, who serves as its Chair.

### ***Committee of the Whole***

The Committee of the Whole assists the Board in discharging its responsibilities relating to the setting of performance goals and objectives, the evaluation of performance in light of those goals and objectives, and the setting of compensation for the Company's CEO. A copy of the Committee of the Whole's Charter is available on the Company's website at [www.jcpenney.net](http://www.jcpenney.net). See also Compensation Discussion and Analysis beginning on page 21.

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During fiscal 2010, this Committee met one time. The Committee is composed solely of the independent members of the Board. Its current members are William A. Ackman, Colleen C. Barrett, M. Anthony Burns, Kent B. Foster, Geraldine B. Laybourne, Burl Osborne, Leonard H. Roberts, Steven Roth, Javier G. Teruel, R. Gerald Turner, Mary Beth West, and Thomas J. Engibous, who serves as its Chair.

The mailing address for all of these committees is c/o Corporate Secretary, J. C. Penney Company, Inc., P.O. Box 10001, Dallas, Texas 75301.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The Human Resources and Compensation Committee and Committee of the Whole are each composed entirely of persons who are neither Associates nor former or current officers of the Company. There is not, nor was there during fiscal 2010, any compensation committee interlock or insider participation on the Human Resources and Compensation Committee or the Committee of the Whole.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires jcpenny's directors and officers and persons who beneficially own more than ten percent of a registered class of the Company's equity securities to file initial reports of ownership and reports of changes in ownership with the SEC. The Company assists its directors and officers by monitoring transactions and completing and filing Section 16 reports on their behalf. The Company believes that all Section 16(a) filing requirements were met during fiscal 2010.

**Table of Contents****BENEFICIAL OWNERSHIP OF COMMON STOCK**

The following table shows, as of March 1, 2011, the beneficial ownership of shares of jcpenny common stock by (a) each stockholder known to the Company to beneficially own more than 5% of jcpenny common stock, (b) each present director, all of whom, other than Mr. Burns, are nominees for re-election at the Annual Meeting, (c) the five most highly compensated present executive officers serving during the last fiscal year, and one former executive officer who also is deemed to be a named executive officer, and (d) all present directors and executive officers of the Company as a group. Beneficial ownership means that the individual has or shares voting power or investment power with respect to the shares of common stock or the individual has the right to acquire the shares of common stock within 60 days of March 1, 2011.

Name	Number of shares beneficially owned	Number of shares included in previous column which the individual or group has/have the right to acquire within 60 days of March 1, 2011	Percent of outstanding common stock <sup>(1)</sup>
Pershing Square Capital Management L.P.	39,075,771 <sup>(2)</sup>	4,156,700 <sup>(2)</sup>	16.50%
State Street Corporation	25,157,122 <sup>(3)</sup>		10.63%
Vornado Realty Trust	23,400,000 <sup>(4)</sup>	4,815,990 <sup>(4)</sup>	9.88%
Evercore Trust Company, N.A.	22,985,573 <sup>(5)</sup>		9.71%
J. C. Penney Corporation, Inc. Savings, Profit Sharing and Stock Ownership Plan	15,533,372 <sup>(6)</sup>		6.56%
<b>Directors<sup>(7)</sup></b>			
William A. Ackman <sup>(8)</sup>	39,075,771	4,156,700	16.50%
Colleen C. Barrett	23,123	18,471	*
M. Anthony Burns	44,291	27,271	*
Thomas J. Engibous	55,209	18,471	*
Kent B. Foster	33,347 <sup>(9)</sup>	18,471	*
Geraldine B. Laybourne	7,489	7,489	*
Burl Osborne	29,881	18,471	*
Leonard H. Roberts	41,204	18,471	*
Steven Roth <sup>(10)</sup>	23,400,000	4,815,990	9.88%
Javier G. Teruel	19,155	14,094	*
R. Gerald Turner	41,011 <sup>(11)</sup>	20,071	*
Myron E. Ullman, III	1,228,377	1,022,432	*
Mary Beth West	17,653	17,653	*
<b>Named Executive Officers<sup>(7)(12)</sup></b>			
Robert B. Cavanaugh <sup>(13)</sup>	448,642	423,927	*
Michael P. Dastugue <sup>(14)</sup>	157,127	145,162	*
Janet Dhillon	66,660	66,660	*
Thomas M. Nealon	205,488	181,634	*
Michael T. Theilmann	381,913	350,137	*
All present directors and executive officers as a group <sup>(7)</sup>	64,892,202	10,964,947	27.18%

\* Less than 1%.

(1) Calculated based on Rule 13d-3(d)(i) using the number of outstanding shares of common stock as of March 1, 2011.

(2) Based on information set forth in Amendment No. 3 to Schedule 13D filed jointly on February 25, 2011 by Pershing Square Capital Management L.P., PS Management GP, LLC, Pershing Square GP, LLC and William A. Ackman (together, Pershing Square) reporting the beneficial ownership of sole power to vote or direct the vote and to dispose or direct the disposition of 39,075,771 shares of jcpenny common stock.



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Pershing Square's ownership includes 34,919,071 shares of jcpenny common stock and call options from a third-party to purchase 4,156,700 shares of jcpenny common stock. For purposes of calculating the beneficial ownership percentage, the third-party options are not included in the total number of shares outstanding. The address of Pershing Square is 888 Seventh Avenue, 42nd Floor, New York, New York 10019.

- (3) Based on information set forth in a Schedule 13G filed with the SEC on February 10, 2011 by State Street Corporation reporting shared power to vote or direct the vote and shared power to dispose or direct the disposition of 25,157,122 shares of jcpenny common stock, which includes shares of jcpenny common stock held in trust under the J. C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan (Savings Plan) (see footnotes 5 and 6 below). The Schedule 13G reported that State Street Bank and Trust Company, acting in various fiduciary capacities, has shared power to vote or direct the vote and to dispose or direct the disposition of the shares of jcpenny common stock. The address of State Street Corporation and State Street Bank and Trust Company is State Street Financial Center, One Lincoln Street, Boston, Massachusetts 02111. As noted in footnote 6, State Street Bank and Trust Company serves as trustee for the Savings Plan trust; State Street Bank and Trust Company also provides certain trustee and custodial services for the J. C. Penney Corporation, Inc. Pension Plan (Pension Plan) and serves as a lending bank under the credit facility to which the Company and its wholly owned subsidiary, J. C. Penney Corporation, Inc., are parties.
- (4) Based on information set forth in Amendment No. 4 to Schedule 13D filed jointly on February 25, 2011 by Vornado Realty Trust, Vornado Realty L.P., VNO Fashion LLC and VSPS I L.L.C. (together, Vornado) reporting shared power to vote or direct the vote and to dispose or direct the disposition of 23,400,000 shares of jcpenny common stock. Vornado's beneficial ownership includes 18,584,010 shares of jcpenny common stock and rights from a third-party to purchase 4,815,990 shares of jcpenny common stock at a per share forward price. For purposes of calculating the beneficial ownership percentage, the third-party purchase rights are not included in the total number of shares outstanding. The address of Vornado is 888 Seventh Avenue, New York, New York 10019.
- (5) Based on information set forth in Amendment No. 1 to Schedule 13G filed with the SEC on February 14, 2011 by Evercore Trust Company, N.A. reporting sole power to vote or direct the vote and to dispose or direct the disposition of 6,703,318 shares of jcpenny common stock, representing shares held in trust under the Pension Plan, and shared power to dispose or direct the disposition of 16,282,258 shares of jcpenny common stock, representing shares held in trust under the Savings Plan (see footnotes 3 above and 6 below). Evercore Trust Company, N.A. serves as the named fiduciary and investment manager for the jcpenny common stock fund under the Savings Plan and also serves as the independent investment manager for the shares of jcpenny common stock held in trust under the Pension Plan. The address of Evercore Trust Company, N.A. is 55 East 52nd Street, 36th Floor, New York, New York 10055.
- (6) Shares are reflected as of March 1, 2011; the trust maintained under the Savings Plan holds these shares. The address for the Savings Plan is 6501 Legacy Drive, Plano, Texas 75024. The trustee for the Savings Plan trust is State Street Bank and Trust Company, a wholly owned subsidiary of State Street Corporation (see footnote 3 above), and Evercore Trust Company, N.A. serves as the named fiduciary and investment manager for the jcpenny common stock fund under the Savings Plan (see footnote 5 above).
- (7) Except as set forth in the footnotes below, each person has sole investment and voting power with respect to the common stock beneficially owned by such person. Includes only those stock options that are exercisable or become exercisable within 60 days of March 1, 2011. Does not include restricted stock units that will not vest within 60 days of March 1, 2011.
- (8) By virtue of Mr. Ackman's position as Chief Executive Officer of Pershing Square and managing member of each of PS Management GP, LLC and Pershing Square GP, LLC, Mr. Ackman may be deemed to be the beneficial owner of the shares owned by Pershing Square. Mr. Ackman disclaims any beneficial ownership of any of the securities owned by Pershing Square, except to the extent of any pecuniary interest therein.
- (9) Includes 377 shares of jcpenny common stock with respect to which Mr. Foster shares voting and investment power.



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- (10) By virtue of Mr. Roth's position as a trustee and the Chairman of the Board of Trustees of Vornado, Mr. Roth may be deemed to be the beneficial owner of the shares owned by Vornado. Mr. Roth disclaims any beneficial ownership of any of the securities owned by Vornado.
  
- (11) Includes 1,693 shares of jcpenny common stock that Mr. Turner holds under the Company's Dividend Reinvestment Plan with respect to which he shares voting and investment power.
  
- (12) In addition to Mr. Ullman, who also serves as a director.
  
- (13) Stock ownership for Mr. Cavanaugh reflects direct holdings as of January 11, 2011, the last day on which he served as an executive officer of the Company, along with restricted stock units and options exercisable within 60 days of such date.
  
- (14) Includes 1,000 shares of jcpenny common stock with respect to which Mr. Dastugue shares voting and investment power.



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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

The terms of each of the Company's current directors will expire at the 2011 Annual Meeting. Each of the current directors, other than M. Anthony Burns who will be retiring from the Board of Directors as described below, has been nominated by the Board of Directors to serve as a continuing director for a new one-year term expiring at the 2012 Annual Meeting. Each nominee elected as a director will continue in office until his or her successor has been elected and qualified, or until his or her earlier death, resignation or retirement. We are not aware of any reason why any of these nominees would not accept the nomination. However, if any of the nominees does not accept the nomination, or is otherwise unavailable for election, the persons designated as proxies will vote for any substitute nominee recommended by the Board.

On March 10, 2011, Mr. Burns notified the Board of Directors of his decision to retire from the Board of Directors, effective May 20, 2011, to pursue philanthropic and other personal interests. Accordingly, Mr. Burns will not stand for re-election at the Company's 2011 Annual Meeting of Stockholders. Mr. Burns served as Chairman Emeritus since 2002, Chairman of the Board from 1985 to 2002, Chief Executive Officer from 1983 to 2000, and a Director from 1979 to 2002, of Ryder System, Inc. (a provider of transportation and logistics services), with which he served in positions of increasing importance since 1974, including its President from 1979 to 1999. Mr. Burns also served as Director of The Black & Decker Corporation from 2001 to March 2010 and Stanley Black & Decker, Inc. from March 2010 to May 2010. He currently serves as a Director of Pfizer, Inc. and Huntsman Corporation and as a Life Trustee of the University of Miami. Mr. Burns' extensive executive and board experience in the transportation and supply chain management solutions industry, having served as Chairman and CEO of a publicly-traded transportation and logistics service company serving large, national retailers, among others, has been valuable to the Board. Mr. Burns has also brought to the Board insights and perspectives on human resources and compensation matters, as well as financial expertise, resulting from his service on, including chairmanship of, the compensation and audit committees of the boards of other public companies. In addition, his service on the boards of other publicly-held companies has given him perspectives from other industries that has been valuable in his service on the JCPenney Board.

In determining whether to nominate each of the current directors for another term, the Board considered the factors discussed above in Board Diversity, Director Qualifications and Process for Nominations and concluded that each of the current directors standing for re-election possesses unique talents, backgrounds, perspectives, attributes and skills that will enable each of them to continue to provide valuable insights to Company management and play an important role in helping the Company achieve its long-term goals and objectives. As described below in the experience and qualifications of each of our director nominees, each nominee has achieved an extremely high level of success in his or her career.

*The Board recommends a vote FOR each of the nominees for director.*

*Nominees for Director*

**William A. Ackman, 44 - Director of the Company since February 2011.**

**Business Experience:** Founder, Chief Executive Officer and Managing Member of the General Partner, since 2003, of Pershing Square Capital Management, L.P. a registered investment adviser; Chairman of the Board of The Howard Hughes Corporation, a real estate development company since November 2010; Former Director of General Growth Properties, Inc., a real estate investment trust, from June 2009 to March 2010.

Mr. Ackman's investment, real estate and general business expertise provide him with knowledge in financial investment and strategy that is valuable to the Board and particularly the Finance and Planning Committee. In addition, Mr. Ackman's prior service on the boards of several public companies gives him valuable insight regarding issues of corporate governance and the general operations of public companies.

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**Colleen C. Barrett, 66 - Director of the Company since 2004.**

**Business Experience:** President Emeritus since 2008, President and Director from 2001 to 2008, Chief Operating Officer from 2001 to 2004 and Corporate Secretary from 1978 to 2008 of Southwest Airlines Co., with which she served in positions of increasing importance since 1978, including Executive Vice President-Customers from 1990 to 2001 and Vice President-Administration from 1986 to 1990.

Ms. Barrett has extensive experience in the airline industry, in particular with Southwest Airlines, a company known for providing top customer service. In addition to customer relations, human resources and operations management experience, she has significant leadership, executive and board experience, including insights and perspectives on corporate governance, having served as a Director and in the positions of President, Chief Operating Officer and Corporate Secretary of a publicly-traded company.

**Thomas J. Engibous, 58 - Director of the Company since 1999.**

**Business Experience:** Retired Chairman of the Board, Director from 1996 to 2008 and President and Chief Executive Officer from 1996 to 2004, of Texas Instruments Incorporated (electronics), with which he served in positions of increasing importance since 1976, including as an Executive Vice President from 1993 to 1996; Director of Taiwan Semiconductor Manufacturing Company Limited; Chairman Emeritus of the Board of Catalyst; Member of The Business Council; Member of the National Academy of Engineering.

Mr. Engibous has extensive executive, financial and board experience in the technology industry, including service as Chairman and CEO of a leading publicly-traded technology company. He brings financial expertise to the jcpenny Board, as well as skills and talents from the technology industry to help jcpenny enhance its strategies to connect with and serve customers, capitalize on opportunities in digital retailing and use technology to advance operational efficiency.

**Kent B. Foster, 67 - Director of the Company since 1998.**

**Business Experience:** Retired Chairman of the Board, Director from 2000 to 2007, and Chief Executive Officer from 2000 to 2005, of Ingram Micro Inc. (wholesale distributor of technology); President of GTE Corporation (telecommunications) from 1995 to 1999; Director of GTE Corporation from 1989 to 1999, serving as Vice Chairman of the Board of Directors from 1993 to 1995; President of GTE Telephone Operations Group from 1989 to 1995; Director of Campbell Soup Company from 1996 to 2008; Director of New York Life Insurance Company.

Mr. Foster has extensive executive and board experience in the communications and technology industries. That experience has given him skills and talents that help jcpenny enhance its customer-reach strategies, capitalize on opportunities in digital retailing and use technology to improve its operational efficiency. He also brings to the Board financial expertise resulting from his extensive executive experience and his service on the audit committee of the board of another company.

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**Geraldine B. Laybourne, 63 - Director of the Company since 2009.**

**Business Experience:** Co-Founder (1998) and Chairman and Chief Executive Officer until 2007 of Oxygen Media (cable television network); President of Disney/ABC Cable Networks (cable television network) from 1996 to 1998; President of Nickelodeon (cable television network) from 1989 to 1996, with which she served in positions of increasing importance from 1980 to 1996; Director of Insight Communications Company, Inc. from 2004 to 2010; Director of Move, Inc. from 2006 to 2010; Director of Electronic Arts Inc. and Symantec Corporation; Member of Board of Trustees of Vassar College.

Ms. Laybourne has extensive executive and board experience in the cable television industry, including the founding and leadership of Oxygen Media, a pioneering network that produces content aimed at younger women. She brings extensive multimedia marketing experience, skills and perspectives to help jcpenny connect and communicate with its customers and capitalize on opportunities in digital retailing. She also currently serves on the boards of other publicly-traded companies.

**Burl Osborne, 73 - Director of the Company since 2003.**

**Business Experience:** Interim Chief Executive Officer from July 2009 to July 2010 and Director since 2004 of Freedom Communications, Inc. (media company) (Freedom Communications, Inc. filed for voluntary reorganization under Chapter 11 of the U. S. Bankruptcy Code in September 2009); Retired Chairman of the Board, Director from 1993 to 2007 of The Associated Press; President, Publishing Division from 1995 to 2001 and Director from 1987 to 2002 of Belo Corp.; Publisher from 1991 to 2001 of The Dallas Morning News, with which he served in positions of increasing importance since 1980, including President and Editor from 1986 to 1991; Director of GateHouse Media, Inc.; Retired Trustee and Former Chairman of the Belo Foundation; Former Director and Chairman of the Southern Newspaper Association; Former Director of the Newspaper Association of America; Director of Committee to Protect Journalists.

Mr. Osborne has extensive executive and board experience in major publicly-traded media companies. Along with human resources and operations management experience, he brings to the jcpenny Board skills and perspectives to help the Company reach and communicate with its customers through various media. He also currently serves on the board of another publicly-traded company.

**Leonard H. Roberts, 62 - Director of the Company since 2002.**

**Business Experience:** Retired Chairman and Chief Executive Officer of RadioShack Corporation (consumer electronics), with which he served as Executive Chairman of the Board from 2005 to 2006, Chairman of the Board and Chief Executive Officer from 1999 to 2005, President from 1993 to 2000, and a Director from 1997 to 2006; Chairman and Chief Executive Officer of Shoney's, Inc. (restaurants) from 1990 to 1993; President and Chief Executive Officer of Arby's, Inc. (restaurants) from 1985 to 1990; Director of TXU Corporation from 2005 to 2007; Director of Rent-A-Center, Inc.; Member of Executive Board of Students in Free Enterprise; Director of Tarrant County Safe City Commission; Chairman of the Board of Directors of Texas Health Resources.

Mr. Roberts has extensive executive and board experience in the retail industry, including service as the Chairman and as the CEO of a publicly-traded consumer electronics retailer and CEO positions with two restaurant operators. With this background, he has insights and perspectives on delivering merchandise and services to consumers, which he brings to the jcpenny Board. As a result of his extensive executive experience, he also brings financial expertise to the Board. He also currently serves on the board of another publicly-traded company.



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**Steven Roth, 69 - Director of the Company since February 2011.**

**Business Experience:** Chairman of the Board of Vornado Realty Trust, a real estate investment trust since 1989 with which he has served as Chief Executive Officer from 1989 to 2009 and Chairman of the Executive Committee of the board of directors since 1980; Managing General Partner of Interstate Properties, a real estate company since 1968; Chief Executive Officer of Alexander's, Inc. (Alexander's), a real estate investment trust, since 1995 and Chairman of the Board of Alexander's since 2004.

Mr. Roth's expertise in real estate investment provides the Board and Finance and Planning Committee with additional knowledge of financial investment and strategy. In addition, his managerial experience and service as Chairman of the Board of Vornado has given him insight that is valuable in his service on the jcpenny Board.

**Javier G. Teruel, 60 - Director of the Company since 2008.**

**Business Experience:** Partner of Spectron Desarrollo, SC, an investment management and consulting firm; Retired Vice Chairman (2004 to 2007) of Colgate-Palmolive Company (consumer products), with which he served in positions of increasing importance since 1971, including as Executive Vice President responsible for Asia, Central Europe, Africa and Hill's Pet Nutrition, as Vice President of Body Care in Global Business Development in New York, as President and General Manager of Colgate-Mexico, as President of Colgate-Europe, and as Chief Growth Officer responsible for the company's growth functions; Director of The Pepsi Bottling Group, Inc. from 2007 to 2010; Director of Starbucks Corporation.

Mr. Teruel has extensive executive experience in the consumer products industry. He brings to the jcpenny Board considerable product development, merchandising and marketing skills and perspectives. His broad international experience also provides unique insights relevant to the Company's product sourcing initiatives. Mr. Teruel brings the benefits of service on the boards of other publicly-traded companies to the jcpenny Board, including financial expertise resulting from his service as the chair of the audit committee of one of the boards.

**R. Gerald Turner, 65 - Director of the Company since 1995.**

**Business Experience:** President of Southern Methodist University since 1995; Chancellor of the University of Mississippi from 1984 to 1995; Co-Chairman, Knight Commission on Intercollegiate Athletics since 2005; Director of Kronos Worldwide, Inc., American Beacon Funds and the National Association of Independent Colleges and Universities.

Mr. Turner's extensive career in academia provides the Company with valuable insights and perspectives on communicating with younger customers and Associates. He also brings experience and skills in human resources and management. Mr. Turner's current experience as president of a leading university provides him with perspective into the challenges of managing complex, multi-faceted organizations. In addition, his service on the boards of other publicly-traded companies, including committee service, has given him insights and perspectives on governance and human resources and compensation which benefit the jcpenny Board.

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**Myron E. Ullman, III, 64 - Director of the Company since 2004.**

**Business Experience:** Chairman of the Board and Chief Executive Officer of the Company since 2004; Directeur General, Group Managing Director, LVMH Moët Hennessy Louis Vuitton (luxury goods manufacturer/retailer) from 1999 to 2002; President of LVMH Selective Retail Group from 1998 to 1999; Chairman of the Board and Chief Executive Officer, DFS Group Ltd. from 1995 to 1998; Chairman of the Board and Chief Executive Officer of R. H. Macy & Company, Inc. from 1992 to 1995; Director of Polo Ralph Lauren Corporation from 2004 to 2006; Director of Pzena Investment Management, Inc. from 2007 to 2008; Director of Starbucks Corporation; Director of the Retail Industry Leaders Association; Director, FIRST; Chairman of Mercy Ships International; Vice Chairman, Director of the Federal Reserve Bank of Dallas.

Mr. Ullman has extensive experience in the retail industry, including executive and board experience with major U.S. and international retailers. He also brings insights and perspectives from positions he has held in the technology and real estate industries and the public sector. Mr. Ullman's experiences as Chairman, CEO and President of various entities during his career provide him with insight into the challenges inherent in managing a complex organization and holding members of management accountable for their own performance and the performance of the organization. He also currently serves on the board of another publicly-traded company. In addition, his service on the Federal Reserve Bank of Dallas provides the Board with valuable insights and perspectives on macroeconomic conditions affecting the Company and its customers.

**Mary Beth West, 48 - Director of the Company since 2005.**

**Business Experience:** Executive Vice President and Chief Category and Marketing Officer of Kraft Foods Inc. (branded foods and beverages), with which she has served in positions of increasing importance since 1986, including Executive Vice President and Chief Marketing Officer from 2007 to 2010; Group Vice President and President, Kraft Foods North American Beverage Sector from 2006 to 2007; Group Vice President and President, Kraft Foods North America Grocery Segment from 2004 to 2006; Senior Vice President and General Manager, Meals Division from 2001 to 2004; and Vice President, New Meals Division from 1999 to 2001; Member of the Executive Leadership Council and Foundation.

Ms. West has extensive executive experience in the branded foods and beverages industry, serving currently as the Executive Vice President and Chief Category and Marketing Officer of a publicly-traded food products company. Her experience with the product development, merchandising and marketing functions that support some of the best-known American brands enable her to help jpenney enhance its strategies in these areas and build an emotional connection with customers. Ms. West also brings to the Board financial expertise resulting from her executive experience at Kraft.

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**COMPENSATION DISCUSSION AND ANALYSIS**

***What are the Philosophy and Objectives of our Compensation Program?***

***Philosophy.*** Our compensation philosophy is integrated with jcpenny's core values and business strategy. Our core values were first stated in The Penney Idea, which was adopted in 1913 and which includes the principle that we will reward men and women in our organization through participation in what the business produces. In 2005, we built on this heritage by adopting our WINNING TOGETHER Principles, which are set forth on the outside back cover of this proxy statement and which describe the core values of our Company.

Our Company's business strategy is set forth in our Long Range Plan, which lays out our goals and initiatives in becoming America's shopping destination for discovering great styles at compelling prices. The four key strategies of the Long Range Plan consist of:

- Becoming America's favorite retail destination for apparel, accessories and home fashion;
- Consistently delighting our customers with our merchandise and services;
- Becoming the preferred choice for a retail career; and
- Establishing jcpenny as the growth leader in the retail industry.

Our business decisions, including the design and implementation of our compensation program, are driven by our Long Range Plan and our WINNING TOGETHER Principles.

***Objectives.*** As part of achieving the strategy of becoming the preferred choice for a retail career, we have established two key initiatives:

- Retaining, attracting and developing the best people in retail; and
- Building a WINNING TOGETHER culture by offering a meaningful, challenging and exciting place to work.

Accordingly, our compensation program is structured to retain, attract and develop the best people in retail, and to link compensation to performance, through the following objectives:

- The level of compensation for each position should be competitive based on the skill, knowledge, effort, and responsibility needed to perform the job successfully;
- A substantial portion of compensation should depend on our overall company financial performance; and
- Individual results should be rewarded by recognizing individual performance.

***How Do We Set Executive Compensation?***

***Role of Management and the Human Resources and Compensation Committee.*** The Human Resources and Compensation Committee of the Board of Directors is responsible for establishing and implementing our executive compensation program. Each member of the Committee is independent under the listing standards of the NYSE.

The Committee determines compensation for each executive officer other than the CEO. The CEO's compensation is determined by all of the independent directors of the Board.

Management makes recommendations to the Committee regarding the design and implementation of our executive compensation program. Management works with its outside executive compensation consultant (Mercer LLC) in making recommendations that are consistent with the Company's philosophy and objectives. Mercer does not work for the Committee or the Board of Directors in any capacity.

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As part of the Committee’s deliberations, the CEO makes compensation recommendations for the executive officers other than himself, including the other executives named in the Summary Compensation Table (named executive officers). The recommendations include the CEO’s evaluation of individual performance against previously set individual performance objectives for each of the named executive officers, other than himself. The Committee considers these recommendations in making its determinations.

In evaluating management’s recommendations, the Committee engages an independent consultant (James F. Reda & Associates, LLC, a division of Gallagher Benefit Services) to assist in its deliberations and decision-making. The Committee has sole authority to retain and terminate its consultant and sole authority to approve the fees and other retention terms of the engagement. This independent consultant reports directly to the Committee and neither he nor his firm work for the Company’s management in any capacity.

Market Benchmarking. We compete against a broad array of companies for executive talent. Accordingly, each year we benchmark the competitiveness of our various compensation programs against the compensation programs of selected peer companies.

For 2010, the following companies constituted the peer group for benchmarking purposes:

Amazon.com, Inc.	Lowe’s Companies, Inc.	Staples, Inc.
Best Buy Co., Inc.	Macy’s, Inc.	Target Corp.
Gap, Inc.	Marriott International, Inc.	TJX Companies, Inc. (The)
General Mills, Inc.	Nike, Inc.	Walt Disney Co.
Kimberly-Clark Corp.	Nordstrom, Inc.	YUM! Brands, Inc.
Kohl’s Corp.	Pepsico, Inc.	
Limited Brands, Inc.	Sears Holdings Corp.	

These companies represent a combination of select retail and high brand value companies with median revenues of \$20.2 billion and a median employee count of 137,000. In 2010, jcpenny’s revenues were \$17.8 billion and at fiscal year-end, we had approximately 156,000 employees.

We seek to have target compensation be at or near the 50<sup>th</sup> percentile of compensation for the peer group. The Committee was provided market pay data obtained by Mercer for the peer group. In setting the compensation of each named executive officer, the Committee, with the assistance of James F. Reda, made its own determination as to the relevance of data for the peer group, considering (i) the transferability of managerial skills, (ii) the relevance of the named executive officer’s experience to other potential employers, and (iii) the readiness of the named executive officer to assume a different or more significant role within the Company.

As part of the annual review process, the Committee reviews the companies constituting the peer group. For 2011, the Committee determined that Amazon.com no longer provided an appropriate comparison for compensation benchmarking purposes and should be removed from the peer group.

Internal Pay Relationships. Our compensation philosophy is centered on offering a competitive target compensation package to each of the named executive officers based on the market within which we compete for talent. The Committee, and with respect to the CEO, all of the independent directors, then adjusts pay for each named executive officer based on individual performance. The differences in pay between the named executive officers relative to each other as well as the CEO are based on market differences for the particular job, job responsibilities and scope, and adjustments for individual performance rather than a pre-determined ratio or multiple.

Tax Deductibility. Section 162(m) of the Internal Revenue Code (Code) places a limit of \$1,000,000 on the amount of compensation that we may deduct in any given year with respect to the CEO and certain of our other most highly paid executive officers. There is an exception to the \$1,000,000 limitation for performance-based



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compensation meeting certain requirements. Our stock option awards and performance-based restricted stock unit awards generally are performance-based compensation meeting those requirements and, as such, are typically fully deductible. Our annual base salary, cash incentive compensation, and time-based restricted stock units are generally subject to the Section 162(m) deduction limitations. To maintain flexibility in compensating executive officers in view of the overall objectives of our compensation program, the Human Resources and Compensation Committee has not adopted a policy requiring that all compensation be tax deductible.

**Financial Restatement.** As noted above, one of the objectives of our compensation program is to make a substantial portion of compensation dependent on the Company's overall financial performance. In the event of a financial restatement arising out of the willful actions, including without limitation fraud or intentional misconduct, or the gross negligence of any participant in the Company's compensation plans or programs, including without limitation, cash bonus and stock incentive plans, welfare plans, or deferred compensation plans, it is the Board's policy that the Human Resources and Compensation Committee shall have the authority to determine the appropriate action to take, which may include requiring relinquishment of previously awarded equity-based incentive compensation and/or repayment of previously paid cash compensation to a participant under such plans and programs.

**Relationship of Executive Compensation to Risk.** In connection with fulfilling its responsibilities, the Human Resources and Compensation Committee considers whether the design of the Company's executive compensation program encourages senior executives to engage in excessive risk-taking. The Committee reviews the overall program design, as well as the balance between short-term and long-term compensation, the metrics used to measure performance and the award opportunity under the Company's incentive compensation program, and the implementation of other administrative features designed to mitigate risk such as vesting requirements, stock ownership guidelines, and a claw-back policy as described above. Based on its review, the Committee believes that the Company's executive compensation program is aligned to the interests of stockholders, appropriately rewards pay for performance, and does not promote unnecessary and excessive risk.

### ***What are the Principal Elements of our Compensation Program?***

There are three principal components of our executive compensation program:

- Base salary;
- Annual cash incentive awards; and
- Long-term incentive awards, currently delivered in the form of equity awards.

In keeping with the objectives of the compensation program, the majority of the compensation opportunity for our executive officers is based on performance. For 2010, at a target level of performance and payout, 73% of the CEO's total direct compensation and, on average, 58% of the remaining named executive officers' total direct compensation was at-risk. At a target level of performance, the plans are designed to reward executives with pay that is competitive with the 50<sup>th</sup> percentile of the market. The plans are leveraged in such a way that outstanding performance results in pay that is above the 50<sup>th</sup> percentile of the market and poor performance results in pay that is below the 50<sup>th</sup> percentile. We believe that the combination of annual cash incentive awards and long-term incentive awards strikes the appropriate balance between the near-term focus on Company sales, profitability, and individual performance and the long-term focus on stockholder value creation.

**Base Salary.** We pay base salaries that are competitive based on market data for comparable positions at companies in our peer group. We review base salaries, which are benchmarked against median market data for the position, annually. Once base salary has been fixed, it does not change based on Company performance. Merit increases are intended to reward individual performance consistent with our WINNING TOGETHER Principle of paying for performance. They are also intended to ensure that the individual's base salary remains competitive for the position and level of responsibility. Consistent with the change in the scope of his

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responsibilities following his appointment as Chief Financial Officer, Mr. Dastugue received a base salary increase in January 2011. The Summary Compensation Table presents the named executive officers' actual salaries for 2010.

**Annual Cash Incentive Awards.** Annual cash incentive compensation is determined and paid pursuant to our Management Incentive Compensation Program. This program provides named executive officers as well as other management Associates the opportunity to earn cash awards based on the achievement of specified Company and individual goals for the year. For the named executive officers, in 2010, the program provided that 50% of the award was based on individual performance, 25% was based on Company sales, and 25% was based on Company operating profit, in each case in relation to pre-established goals.

Each component of the award (sales, operating profit, and individual performance) has a separate payout opportunity. The funding pools for the sales and operating profit payouts are determined in accordance with the respective matrices for such components. The total funding pool for the individual component of the award is determined by the CEO for participants who are not executive officers. The Committee determines the funding pool for the individual component for executive officers and the independent directors of the Board determine the funding of the individual component for the CEO.

The program structure provides each participant with a target incentive opportunity. This target is a percentage of the individual's base pay and is based on the range of competitive market data for the position. For 2010, the target incentive opportunities for the named executive officers were: Mr. Ullman, 125%; Messrs. Cavanaugh, Theilmann, and Nealon, 75%; Ms. Dhillon, 60%; and Mr. Dastugue, 51%. Mr. Dastugue's target incentive opportunity represents a pro-rated percentage reflecting his appointment as Chief Financial Officer in January 2011. For the named executive officers other than the CEO, the target incentive opportunity is set by the Human Resources and Compensation Committee based upon its evaluation of the recommendations of the CEO. The target incentive opportunity for the CEO is set by all of the independent directors of the Board.

Performance goals for each component of the award are established at the beginning of the fiscal year. At the end of the fiscal year, a payout factor is calculated for each component. In each case, the factor can range from 0 to 200% of the target incentive opportunity. The payout factor for the individual component is based on the individual's performance measured against the participant's annual performance objectives. Annual performance objectives for the named executive officers other than the CEO vary by individual and include the achievement of strategic, operational and financial goals relating to the individual's function and responsibilities within the organization. Specifically, the 2010 performance objectives for the named executive officers other than the CEO included driving cost-effective enhancements to the Company's technology infrastructure and further developing the Company's digital platform, providing organizational leadership and effective counsel on legal and regulatory matters and matters relating to corporate governance, leading and executing the Company's key financial management initiatives and developing financial strategies to support the Company's Long Range Plan, and streamlining operations and driving operational efficiencies, while maintaining and/or improving high standards for customer service and associate engagement. There is no predetermined weighting for the various objectives considered by the Committee. The payout factors for the Company components are based on the Company's actual results in relation to its goals for sales and operating profit that were set at the beginning of the year. For this purpose operating profit is defined as earnings from continuing operations before interest, income taxes, and real estate and other, net. The payout matrices for the sales and operating profit components are approved by the Committee, and with respect to the CEO, the independent directors of the Board.

The final payout is determined pursuant to the following calculation:

Total Payout = (50% × target incentive opportunity × Individual Payout Factor) + (25% × target incentive opportunity × Company Sales Payout Factor) + (25% × target incentive opportunity × Company Operating Profit Payout Factor).

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Awards, if any, are paid within two and one half months following the end of the year in which they are earned.

Set forth below are the 2010 payout factors for the Company sales and operating profit components of the annual cash incentive award.

	Sales		Operating Profit		Maximum
	Results	Payout	Results	Payout	
	Against		Against		
Plan	Percent	Plan	Percent	Target	
<b>Maximum</b>	<b>104.0%</b>	<b>200.0%</b>	<b>118.0%</b>	<b>200.0%</b>	
	103.5%	187.5%	116.0%	188.9%	
	103.0%	175.0%	114.0%	177.8%	
	102.5%	162.5%	112.0%	166.7%	
	102.0%	150.0%	110.0%	155.6%	
	101.5%	137.5%	108.0%	144.4%	
	101.0%	125.0%	106.0%	133.3%	
	100.5%	112.5%	104.0%	122.2%	
<b>Target</b>	<b>100.0%</b>	<b>100.0%</b>	<b>102.0%</b>	<b>111.1%</b>	
	99.5%	75.0%	<b>100.0%</b>	<b>100.0%</b>	<b>Target</b>
	99.0%	50.0%	98.0%	88.9%	
	98.5%	25.0%	96.0%	77.8%	
<b>Threshold</b>	<b>98.0%</b>	<b>0.0%</b>	94.0%	66.7%	
			92.0%	55.6%	
			90.0%	44.4%	
			88.0%	33.3%	
			86.0%	22.2%	
			84.0%	11.1%	
			<b>82.0%</b>	<b>0.0%</b>	<b>Threshold</b>

Note: The payout percentage is interpolated for points in between those shown on the matrices.

For 2010, the Company Sales Payout Factor was 30.0% and the Company Operating Profit Payout Factor was 116.7%. These payout factors, which together determine half of the total annual cash incentive award, were determined on the basis of the Company missing its sales plan by 1.4% and exceeding its operating profit plan by 3.0%.

For 2010, the Company's performance was:

Measure	Plan (in millions)	Actual (in millions)	% +/- Plan	Weighted Payout Factor
Sales	\$ 18,016	\$ 17,759	(1.4)	30.0%
Operating Profit	\$ 814	\$ 836	3.0	116.7%

The Individual Payout Factor, which determines the other half of the incentive award, was on average 116% for each of the current named executive officers, other than Mr. Ullman, based on their individual performance relative to their respective annual performance objectives.

The payouts for 2010 for each of the named executive officers are reflected in the Summary Compensation Table under the column Non-Equity Incentive Plan Compensation. The range of potential payouts for each of the named executive officers for 2010 is presented in the Grants of Plan-Based Awards table.

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*Long-Term Incentive Awards.* Long-term incentive awards are made under our 2009 Long-Term Incentive Plan. This plan provides equity-based awards to eligible Associates, including the named executive officers, other Company officers, and senior management Associates. Generally, whether an Associate receives an award and the size of the award are a function of the Associate's position, performance, and potential.

For 2010, annual long-term incentive awards included:

- Performance-based restricted stock unit awards;
- Time-based restricted stock unit awards; and
- Non-qualified stock options.

The potential number of long-term incentive awards for each participant was based on a predefined target equity dollar value for the participant. The target equity dollar value for each named executive officer is determined by his or her position, taking into consideration competitive market data for comparable positions at companies in our peer group and the Company's overall equity plan budget for the year.

Consistent with our objective of rewarding individual results, the equity dollar value that a participant receives at grant is based on the participant's performance and future potential. In 2010, the equity dollar value at grant for each participant generally ranged from 0% to 150% of the target equity dollar value based on the participant's individual performance for the previous year. The 2010 equity dollar values for each of the named executive officers were as follows: Mr. Ullman, \$8,000,000; Mr. Dastugue, \$600,000; Mr. Cavanaugh, \$1,500,000; Mr. Theilmann, \$1,425,000; Mr. Nealon, \$1,000,000 and Ms. Dhillon, \$950,000. These values represent a return to a market-competitive level of long-term incentive awards, which had been reduced by one-half in 2009 in view of the difficult economic environment. At the 2010 values, target equity compensation for the named executive officers is at or near the 50<sup>th</sup> percentile for the peer group.

For executive officers other than the CEO, 25% of their equity dollar value was delivered in the form of performance-based restricted stock units, 25% in time-based restricted stock units and 50% in stock options. The Committee believed that this split would best balance the near-term focus on Company profitability, the long-term focus on stockholder value creation, and our compensation objective of retaining and attracting the best people in retail. Mr. Ullman received 60% of his 2010 annual grant in performance-based restricted stock units, 20% in the form of time-based restricted stock units and 20% in non-qualified stock options. The independent directors made the 2010 annual grant to Mr. Ullman to align his interests with the long-term interests of stockholders and to reflect their strong desire to retain Mr. Ullman's services in the future.

*Performance-Based Restricted Stock Units.* Performance-based restricted stock units were granted in March 2010 to reward Company performance (based on earnings per share). The number of performance units granted was a target award which could increase or decrease based on the extent to which the Company achieved the performance measurement established by the Human Resources and Compensation Committee. The performance measurement was set at the beginning of the performance cycle, which was our fiscal year. At the end of the fiscal year, the percent of the target award earned was determined pursuant to a payout matrix that the Committee established.

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The payout matrix sets forth a range of payout percentages relative to the Company's actual results for the fiscal year. For 2010, the performance measurement was earnings per share (defined as diluted per common share income from continuing operations, excluding any unusual and/or extraordinary items identified by the Committee). The payout percentages under the payout matrix ranged from 0 to 200%. For participants to receive 100% of the target award for 2010, the Company had to generate earnings per share of \$1.58 for the fiscal year and to receive the maximum payout of 200% of the target award, the Company had to generate earnings per share of at least \$1.86. To receive any payout for 2010 under this program, the Company had to generate earnings per share of at least \$1.30.

**2010 Performance Unit Award Payout Matrix**

EPS	Payout Percent	
<b>\$1.86</b>	<b>200%</b>	<b>Maximum</b>
\$1.79	175%	
\$1.72	150%	
\$1.65	125%	
<b>\$1.58</b>	<b>100%</b>	<b>Target</b>
\$1.51	76%	
\$1.44	52%	
\$1.36	24%	
<b>\$1.29</b>	<b>0%</b>	<b>Threshold</b>

Note: The payout percentage is interpolated for points in between those shown on the matrices.

Fiscal 2010 earnings per share, as determined by the Committee, was \$1.73, excluding one-time restructuring and debt premium charges, which generated a payout of 154% of the target award.

Once the performance cycle ends, the actual performance units earned are then subject to additional time-based vesting requirements. One-third of the earned award vests on each of the first three anniversaries of the grant date provided that the participant remains continuously employed with the Company during that time. In addition, following the end of the performance cycle, dividend equivalents accrue on any outstanding unvested performance units. Upon vesting, the performance units and related dividend equivalents are paid out in shares of jcpenny common stock.

*Time-based Restricted Stock Units.* For 2010, the Committee, and with respect to the CEO, the independent directors of the Board, added a time-based restricted stock unit component to the long-term incentive program. This change was made to retain key talent due to the cyclical nature of our business while still retaining a direct link to stock price. Each restricted stock unit represents the right to receive one share of our common stock on the vesting date. The units vest annually over a three-year period provided that the participant remains continuously employed with the Company during that time. Since the units have value in all market conditions, they provide a strong retention mechanism. The ultimate value of the award, however, depends on the market value of our common stock on the vesting date so they also align the interests of the participant with stockholders.

*Stock Options.* Stock options are awarded with an exercise price equal to the closing price of jcpenny common stock on the date of grant. Accordingly, stock options have value to the recipient only if the market price of the common stock increases after the date of grant. The stock options generally vest annually over a three-year period provided that the participant remains continuously employed with the Company during that time. They generally expire ten years after the date of grant. The stock option awards are intended to align the participants' interests with those of our stockholders.

For purposes of determining the number of stock options to be granted, we divided 25% of the equity dollar value, and in the case of the CEO, 20% of the equity dollar value, by the fair value of a stock option on the date

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of grant. Fair value is calculated pursuant to a binomial lattice model, which is the same model used for purposes of measuring compensation expense for stock options in the Company’s financial statements.

Additional Awards. The Company may grant additional equity awards to recognize increased responsibilities or special contributions, to attract new hires, to retain Associates or to recognize certain other special circumstances.

For equity awards outstanding for each of the named executive officers as of the end of fiscal 2010, see the Outstanding Equity Awards at Fiscal Year-End table. Actual awards vesting, earned or exercised during the fiscal year are presented in the Option Exercises and Stock Vested table.

Equity Award Grant Policy. The Human Resources and Compensation Committee has adopted a Policy Statement which sets forth its practices regarding the timing of, and approval process for, equity awards.

<b>Grant</b>	<b>Grant Date</b>
Annual Grant	Third full trading date after Committee approval.
Off-cycle grants other than to new hires	Third full trading date following public release of earnings for the fiscal quarter in which the award is approved.
Off-cycle grants for new hires	Third full trading date following the public release of earnings for the later of the fiscal quarter in which (1) the award is approved or (2) the Associate’s employment with the Company begins.

If any grant date noted above will fall on a date on which Company insiders are prohibited from trading in jcpenny common stock, then the grant date for the award will be the first trading date on which Company insiders are no longer subject to such prohibition. The Committee also adheres to the following approval policies in making equity awards to Associates:

- Equity awards to the CEO must be approved by the independent directors of the Board.
- Equity awards to executive officers other than the CEO, including new hires, must be approved by the Committee.
- The aggregate annual grant of equity awards to Associates must be approved by the Committee.
- The authority to approve equity awards to new hires who are not executive officers has been delegated by the Committee to the CEO.
- The authority to approve off-cycle equity awards to Associates who are not executive officers has been delegated by the Committee to the CEO.

Stock Ownership Goals. jcpenny strives to align pay with the long-term interests of stockholders. The Board of Directors has adopted formal stock ownership goals for senior executives of the Company. The stock ownership goals specify that, within a five-year period, executives should hold an amount of Company stock having a value of:

- CEO: five times base salary;
- Executive Vice President: one times base salary;
- Senior Vice President serving on the Executive Board (which is the Company’s senior management leadership team): one times base salary.

In addition to directly owned stock, shares held in Company qualified and non-qualified savings plans and unvested time-based restricted stock units are included in calculating ownership levels. Unexercised stock options do not count toward the ownership goals. The stock ownership goals also provide that at least 50% of the

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net shares acquired upon exercise of stock options or vesting of time-based restricted stock unit awards must be held for a period of at least one year. All of the named executive officers either have met, or are on track to meet, these goals.

Under the Company's Statement of Business Ethics, Associates, including the named executive officers, are prohibited from engaging in options trading or short sales of Company stock.

### ***How was the CEO's Compensation Determined?***

Mr. Ullman, the Company's CEO, does not have an employment contract or an Executive Termination Pay Agreement (discussed in more detail under Potential Payments and Benefits on Termination of Employment). The independent directors of the Board review and evaluate the CEO's performance in relation to the performance objectives set for him at the beginning of the year. The Committee, based on that evaluation as well as market data provided by the Committee's consultant, then makes a recommendation to the other independent directors of the Board regarding the CEO's compensation. All of the independent directors of the Board, including the members of the Committee, then make the final determination regarding the CEO's compensation.

In evaluating Mr. Ullman's 2010 performance, the independent directors of the Board considered the Company's financial results as well as execution of the four key strategies of the Company's Long Range Plan. Specifically, the directors focused on the following achievements for 2010:

### ***Becoming America's favorite retail destination for apparel, accessories and home fashion:***

In 2010, the Company successfully debuted a new marketing campaign entitled "New Look. New Day. Who Knew." designed to invite customers to discover the new, higher level of fashion in the Company's merchandise assortments and to showcase jcpenny as a style destination.

The Company continued to improve its overall customer satisfaction score, ending fiscal 2010 with a three-point improvement over 2009, as measured by the percentage of customers who strongly agreed that they were satisfied with their jcpenny shopping experience.

For the third consecutive year, the Company ranked #1 in customer service among department store retailers in the Annual National Retail Federation Foundation/American Express Customers' Choice Survey, reflecting the Company's commitment to making customer service a key point of differentiation for jcpenny.

### ***Consistently delighting our customers with our merchandise and services:***

The Company successfully executed its merchandising growth initiatives, which included the highly successful launch of Liz Claiborne exclusively at jcpenny, as well as the roll-out of two new exclusive shop-within-a-shop concepts, fast fashion brand MNG by Mango® and modern footwear brand Call it Spring® by The ALDO Group.

The Company continued to roll-out its highly compelling beauty concept, Sephora inside jcpenny, adding 76 locations to bring its total to 231 locations at year-end.

The Company announced plans to launch several new initiatives including two new digital ventures, CLAD, a complete online modern menswear resource, and Gifting Grace, a comprehensive online gifting resource with an extensive assortment of unique and memorable gift items, as well as a new specialty retail concept, The Foundry Big & Tall Supply Co, catering to the men's big and tall customer.

### ***Becoming the preferred choice for a retail career:***

Associate engagement (the extent to which our Associates are enthusiastic and committed to their work as measured in our annual survey) continued to improve, reaching the highest level in the Company's history.





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The Company continued to focus on management development and creation of additional bench strength at all levels of the organization. As a result, key leaders were given significant additional responsibilities and internal promotions enabled appointments of highly talented executives in several senior management positions.

Underscoring the Company's commitment to inclusion and diversity initiatives, Diversity, Inc. named jcpenny to its Top 50 Companies for Diversity list and recognized the Company as the Top Company for Diversity-Management Progress.

***Establishing jcpenny as the growth leader in the retail industry:***

The Company's comparable store sales for fiscal 2010 grew 2.5%, which included four consecutive quarters of comparable store sales growth.

The Company's full year 2010 earnings per share from continuing operations was \$1.59, a 48.6% increase over 2009.

The Company announced a series of strategic actions designed to streamline operations and maximize the Company's long-term growth and profitability. These actions included closing certain underperforming store locations, winding down the Company's catalog and outlet operations, and streamlining the Company's Call Center operations and Custom Decorating business.

As a result of their evaluation, the independent directors determined that Mr. Ullman's 2010 annual cash incentive award should be \$2,562,656 based on the Company's sales and operating profit performance relative to its goals for the year, as well as Mr. Ullman's outstanding performance relative to his individual annual performance objectives. Furthermore, for 2011, the independent directors considered their overall assessment and comparable data from a select group of peer companies and determined that for the coming year, Mr. Ullman's base salary of \$1,500,000 should remain unchanged and his performance-based target cash incentive opportunity should remain unchanged at 125% of his base salary. The directors also determined that Mr. Ullman's long-term incentive opportunity should be \$10,000,000, delivered 48% in the form of performance-based restricted stock units, 16% in the form of time-based restricted stock units and 36% as stock options. The directors felt that this split appropriately aligns Mr. Ullman's interests with the long-term interests of the Company's stockholders.

In making their determinations, the independent directors recognized Mr. Ullman's strong leadership and clear articulation of the Company's vision. In addition, the determinations of the independent directors reflected their strong desire to retain Mr. Ullman's services in the future, as well as his willingness to continue to lead the Company as it emerges from the difficult economic environment.

***What are our Other Compensation Program Elements?***

In addition to the three principal components of our compensation program, we also offer the following to our executive officers:

Retirement benefits;

Health and welfare benefits, including medical and dental benefits, paid time off, and group term life insurance benefits;

Termination arrangements; and

Perquisites.

***Retirement Benefits.*** We provide certain retirement benefits to our Associates that are designed to help us attract and retain the best people in retail. As with the principal components of our compensation program, our retirement benefits are intended to provide an industry competitive level of benefits.

The principal retirement benefits that we currently offer to our Associates are our defined contribution 401(k) plan (Savings Plan) and, for Associates earning more than the IRS compensation limit for qualified plans, our

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non-qualified defined contribution plan (Mirror Savings Plan). Both the Savings Plan and Mirror Savings Plan offer eligible Associates the opportunity to defer a portion of their base salary and annual cash incentive compensation as a means of saving for retirement.

We also maintain certain retirement plans which were created in prior periods in connection with the Company's compensation philosophy and goals at the time. These legacy plans include a tax-qualified defined benefit Pension Plan (Pension Plan) and a nonqualified excess defined benefit plan (Benefit Restoration Plan or BRP), both of which were closed to new Associates effective January 1, 2007. The legacy plans also include a Supplemental Retirement Program (SRP), which has been closed to new Associates since January 1, 1996.

All of the named executive officers other than Ms. Dhillon participate in the Pension Plan and BRP. As of the date of this Proxy Statement, Messrs. Ullman, Dastugue, Theilmann and Cavanaugh are the only named executive officers who are vested in the Pension Plan and BRP. Messrs. Dastugue and Cavanaugh are the only named executive officers eligible to participate in the SRP.

For Associates hired or rehired on or after January 1, 2007, the Savings Plan includes a non-contributory retirement account in which such participants receive a Company contribution in an amount equal to 2% of the participant's annual pay after one year of service. This benefit is provided in lieu of the Pension Plan benefit that was closed to Associates hired or rehired on or after such date. The Mirror Savings Plan has a similar account with respect to compensation in excess of the IRS compensation limit for qualified plans. Participating Associates are fully vested in this Company contribution after three years. Ms. Dhillon is the only named executive officer eligible to participate in this retirement account provision of the Savings Plan and Mirror Savings Plan.

The Pension Plan, BRP and SRP are discussed in more detail in the narrative following the Pension Benefits table. The Mirror Savings Plan is discussed in more detail in the narrative following the Nonqualified Deferred Compensation table.

*Health and Welfare Benefits.* Our executive officers are entitled to participate in active Associate health and welfare benefit plans, including paid time off, medical, dental, group term life insurance, long-term care insurance, and disability insurance, on the same terms and conditions as those made available to Associates generally. The Company also provides a retiree life insurance benefit in which retirees can enroll in group term life insurance at group rates. We provide these benefits as part of a competitive package of health and welfare benefits in an effort to attract and retain the best people in retail.

For eligible Associates hired before January 1, 2002, we also provide retiree medical and dental benefits. Under this program, the Company pays a portion of the premium for post-retirement medical coverage up to age 65. The Company does not pay any portion of the premium for post-retirement dental coverage. Messrs. Dastugue and Cavanaugh are the only named executive officers eligible for retiree medical and dental benefits.

*Termination Arrangements.* We do not have employment agreements with our executive officers; however, in order to attract and retain the best people in retail, we recognize the need to provide protection to our executives in the event of termination of employment without cause or following a change in control of the Company. Accordingly, we have put in place separate arrangements consisting of individual Executive Termination Pay Agreements and a Change in Control Plan to address termination situations not precipitated by the conduct of the executive officer.

The Executive Termination Pay Agreement provides severance benefits to the executive in exchange for the executive's agreement to comply with certain covenants. The benefits payable under the Executive Termination Pay Agreement are not available if the executive receives the benefits under the Change in Control Plan. Mr. Ullman, the Company's CEO, has elected not to enter into an Executive Termination Pay Agreement.

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For executives serving on the Company's Executive Board on or before October 2008, the Company maintains a Change in Control Plan that provides benefits if the executive's employment is involuntarily terminated within two years following a change in control of the Company. The plan also entitles participants to receive a tax gross-up payment in respect of any excise taxes imposed on the benefits payable under the plan. The plan further provides that benefits under the plan may be reduced to keep benefit payments under the threshold that would trigger an excise tax and gross-up payment. All of the named executive officers other than Ms. Dhillon participate in this Change in Control Plan.

In March 2008, the Change in Control Plan was modified to provide that participants would only be eligible for tax gross-up payments in the event a change in control occurred within five years from the date such individual began participating in the plan. After five years of participation, participants will either receive their full benefit under the plan and pay the excise tax themselves or have their benefit reduced so that no excise tax will apply. The Human Resources and Compensation Committee believes that although such gross-ups are valuable, such payments have diminishing utility over time. To be applicable to an existing participant in the Change in Control Plan at the time of the change, however, the participant must have consented to the modification. Participants who did not provide such consent are eligible to receive a tax gross-up payment regardless of when a change in control occurs. The plan also allows any participant to waive his or her right to receive an excise tax gross-up payment under the plan. Mr. Ullman, the Company's CEO, has elected not to receive any excise tax gross-up with respect to benefits payable to him under the Change in Control Plan.

In October 2008, the Board of Directors adopted a policy that the Company will not enter into future severance arrangements that provide for severance benefits in an amount exceeding 2.99 times the sum of base salary and target bonus (the severance benefits limitation) without obtaining stockholder approval. Pursuant to this policy, the Board approved the 2009 Change in Control Plan (2009 Change in Control Plan), which is applicable to Executive Board members appointed after October 2008. The 2009 Change in Control Plan is similar to the Change in Control Plan in all respects except that it does not provide for the payment of excise tax gross-ups and it limits benefits to the severance benefits limitation. Ms. Dhillon, who joined the Company in 2009, participates in the 2009 Change in Control Plan.

For purposes of both the Change in Control Plan and the 2009 Change in Control Plan, a change in control is defined as (i) the acquisition by any person, entity or group of 20% or more of the Company's outstanding common stock, (ii) the replacement of a majority of the Board of Directors, (iii) a reorganization, merger or consolidation, or the sale of all or substantially all of the Company's assets, subject to certain exceptions, or (iv) a complete liquidation or dissolution of the Company. On October 8, 2010, Pershing Square Capital Management, L.P. (Pershing Square) and Vornado Realty Trust (Vornado) disclosed that they had acquired beneficial ownership of 16.5% and 9.9%, respectively, of the Company's then-outstanding common stock and that they intend to consult with each other regarding their respective investments in the Company. They have both stated, however, that they do not have any voting or dispositive power over the other party's shares. On February 9, 2011, William Ackman of Pershing Square and Steven Roth of Vornado were elected to the Company's Board of Directors.

Both the Change in Control Plan and the 2009 Change in Control Plan as well as the Executive Termination Pay Agreement are described in more detail in Potential Payments and Benefits on Termination of Employment.

***Perquisites.*** Other than those that we believe are necessary for security reasons or are related to unforeseeable circumstances, our perquisites focus on promoting physical well-being and providing limited financial counseling services. We provide these benefits to enable our executives to devote their energy and attention to the Company and fulfillment of our Long Range Plan.

For security purposes, the Board of Directors requires the CEO to participate in a Key Associate Protection Program (KAPP), which is intended to safeguard the CEO and members of his immediate family. The KAPP is a

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program approved by the Company's Board of Directors as a result of recommendations contained in an independent, third-party security study.

In fiscal 2010, we provided the following benefits to our executives:

*Home Security.* Under the KAPP, the CEO is required to have a home security system in any residence he maintains, monthly fees and associated expenses of which are paid by the Company. For total compensation purposes, we value these benefits based on the actual charges incurred by the Company for the services provided, which is reflected as compensation to the CEO in the Summary Compensation Table below.

*Company-Leased Car.* The KAPP program also requires that, for security purposes, the CEO use a Company-leased car for business reasons and commuting to and from the office, as well as non-Company business use. With respect to the CEO's personal and commuting use of the Company car and driver in 2010, the cost of the car lease and fuel were imputed as income. As a result of the recommendations contained in the independent, third-party security study, the cost of the drivers was not charged as income for tax purposes. Effective December 8, 2009, the Company ceased providing a tax gross-up on income imputed for personal use of the Company car.

For purposes of determining the aggregate incremental cost to the Company of the personal use of the Company-leased vehicle, we first calculate the personal mileage attributable to the CEO's use as a percentage of the vehicle's overall annual mileage. This percentage is then applied to the annual lease costs of the vehicle and the annual fuel costs of operating the vehicle. The resulting amount is reflected as compensation to the CEO in the Summary Compensation Table below.

*Company Aircraft.* In addition, as part of KAPP, the CEO is required to use Company aircraft for all business and personal travel. Moreover, the CEO has a physical condition that significantly limits his mobility. As a result, use of Company aircraft for business and personal travel increases his effectiveness and flexibility in performing his duties. The Company does not provide a tax gross-up to its executive officers, including the CEO, on income imputed for personal use of Company aircraft.

The Company does not generally make Company aircraft available for non-Company business use by Company Associates, other than to the CEO as required by the KAPP program. However, infrequently, Company aircraft may be used personally by other Company Associates with the approval of the CEO. For example, Company Associates may use the Company aircraft in the event of a family emergency, to accelerate an executive's return from a personal trip to address a business need, or in other appropriate circumstances approved by the CEO.

For total compensation purposes, we calculate the aggregate incremental cost to the Company of personal use of the Company aircraft by determining the incremental nautical miles flown, including any deadhead legs, and multiplying that number by the cost to the Company per nautical mile. A nautical mile is a unit of length used for maritime and aviation purposes. The cost per nautical mile is based on published industry data for each of the airplanes owned and operated by the Company.

The cost per nautical mile excludes fixed costs which do not change based on usage, such as pilots' or other employees' salaries, purchase costs of the aircraft, or non-trip-related hangar expenses. It is derived from the aircraft's variable operating costs, which include:

- Aircraft fuel expenses;
- Supplies and catering;
- Crew travel expenses;
- Landing and parking expenses; and
- Aircraft maintenance and external labor.

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Annual Health Exam and Financial Counseling. In 2010, the named executive officers were eligible to receive the following perquisites:

A taxable allowance of up to \$14,345 for a newly eligible participant or up to \$9,930 for an existing participant, for financial counseling services, which may include tax preparation and estate planning services (the Company may also reimburse travel and other related out of pocket expenses relating to such services); and

An allowance of up to \$3,000 for an annual health exam.

The Company does not provide a tax gross-up on either of these benefits. We value these benefits based on the actual charges incurred by the Company for the services provided, which is reflected as compensation in the Summary Compensation Table below.

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**REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE**

The Human Resources and Compensation Committee of the Board of Directors assists the Board in discharging the Board's responsibilities relating to compensation of the Company's executives, reviews plans and proposals on management succession and major organizational or structural changes, and oversees the administration, financial and investment performance and operation of the Company's retirement and welfare plans. Each member of the Committee is considered independent for purposes of applicable NYSE listing standards as well as the Standards for Determination of Director Independence. You can learn more about the Committee's purpose, responsibilities, composition, and other details by reading the Human Resources and Compensation Committee's charter, which is available online at [www.jcpenney.net](http://www.jcpenney.net).

The Human Resources and Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed the same with management. Based on our review and discussions with management, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for 2010 and the Company's 2011 Proxy Statement. This report is submitted by the following independent directors, who comprise the Human Resources and Compensation Committee:

Burl Osborne, Chair  
Colleen C. Barrett  
M. Anthony Burns

Geraldine B. Laybourne  
R. Gerald Turner

**Table of Contents****SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock		Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup>	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$) <sup>(3)</sup>	All Other Compensation (\$)	Total (\$)
				Awards (\$) <sup>(1)</sup>	Option awards (\$) <sup>(1)</sup>				
Myron E. Ullman, III Chairman and	2010	1,500,000		6,399,990	1,599,999	2,562,656	814,287	237,937 <sup>(4)</sup>	13,114,869
	2009	1,500,000		1,280,757	1,599,997	3,534,375	491,050	382,865	8,789,044
Chief Executive Officer	2008	1,500,000		7,458,506	4,000,003	1,406,250	331,296	537,262	15,233,317
Michael Dastugue Executive Vice President and Chief Financial Officer	2010	401,458		300,012	300,001	300,474	129,676	31,884 <sup>(5)</sup>	1,463,505
Michael T. Theilmann Group Executive	2010	618,750		712,520	712,497	431,914	83,062	53,941 <sup>(6)</sup>	2,612,684
	2009	600,000		0	632,499	848,250	61,944	54,257	2,196,950
Vice President	2008	587,500		632,502	2,195,506	337,500	29,419	24,032	3,806,459
Thomas M. Nealon Group Executive	2010	562,500		499,998	500,002	403,161	60,248	26,095 <sup>(7)</sup>	2,052,004
	2009	525,000		0	375,002	494,813	42,091	17,026	1,453,932
Vice President	2008	518,750		874,961	1,937,994	220,000	21,898	43,744	3,617,347
Janet Dhillon Executive Vice President, General Counsel and Secretary	2010	522,500		474,992	474,998	318,627	0	50,548 <sup>(8)</sup>	1,841,665
	2009	468,750	175,000	400,011	400,001	442,846	0	355,237	2,241,845
Robert B. Cavanaugh Former Executive Vice President and Chief Financial Officer*	2010	711,250		749,998	750,004	464,870	414,828	13,218 <sup>(9)</sup>	3,104,168
	2009	700,000		0	725,000	989,625	1,582,915	19,130	4,016,670
	2008	697,500		725,030	1,346,246	230,000	313,160	38,472	3,350,408

\* Mr. Cavanaugh assumed the position of Special Advisor to the Chief Executive Officer, effective January 11, 2011.

- (1) See Note 12 to the Consolidated Financial Statements of J. C. Penney Company, Inc. and subsidiaries, as included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2011, for a discussion of the assumptions underlying the valuation of stock options. The value of stock awards is based on the market price of J. C. Penney common stock on the date of grant.
- (2) The amounts shown in this column reflect payments made under the Company's Management Incentive Compensation Program.
- (3) The amounts shown in this column for 2010 reflect the aggregate change in the actuarial present value from January 31, 2010 to January 31, 2011 (the pension plan measurement date used for financial statement purposes) of the named executive officer's accumulated benefit under all defined benefit plans in which he or she participates. The Company does not provide above-market or preferential earnings on nonqualified deferred compensation.

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- (4) The amount shown in this column for Mr. Ullman includes Company contributions or allocations to Mr. Ullman's account in the Savings Plan and Mirror Plan for fiscal 2010 of \$7,125 and \$225, respectively. In addition, the amount shown reflects Company matching charitable contributions in the amount of \$10,000 on behalf of Mr. Ullman under the Directors' Matching Fund, which is discussed under Director Compensation for Fiscal 2010. The amount shown further includes the value of the following perquisites received by Mr. Ullman: personal use of corporate aircraft, \$199,681; ground transportation, \$5,509; home security systems, \$5,467; and financial counseling, \$9,930. For a discussion of the valuation of perquisites, see Compensation Discussion and Analysis.
- (5) The amount shown in this column for Mr. Dastugue includes Company contributions or allocations to Mr. Dastugue's accounts in the Savings Plan and Mirror Plan for fiscal 2010 of \$7,744 and \$14,210, respectively. It also includes \$9,930 for financial counseling services received by Mr. Dastugue.



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- (6) The amount shown in this column for Mr. Theilmann includes Company contributions or allocations to Mr. Theilmann's accounts in the Savings Plan and Mirror Savings Plan for fiscal 2010 of \$7,413 and \$36,598, respectively. It also includes \$9,930 for financial counseling services received by Mr. Theilmann.
- (7) The amount shown in this column for Mr. Nealon includes Company contributions or allocations to Mr. Nealon's account in the Savings Plan and Mirror Plan for fiscal 2010 of \$7,475 and \$12,813, respectively. It also includes \$5,807 for financial counseling services received by Mr. Nealon.
- (8) The amount shown in this column for Ms. Dhillon includes Company contributions or allocations to Ms. Dhillon's account in the Savings Plan and Mirror Plan for fiscal 2010 of \$11,075 and \$24,540, respectively. The amount shown also includes \$2,249 for annual health exam services, and \$12,684 for financial counseling services received by Ms. Dhillon.
- (9) The amount shown in this column for Mr. Cavanaugh includes Company contributions or allocations to Mr. Cavanaugh's account in the Savings Plan for fiscal 2010 of \$7,388. The amount shown also includes \$5,830 for financial counseling services received by Mr. Cavanaugh.

The following table sets forth for each of the named executive officers the percentage of total compensation attributable to cash compensation (base salary and annual cash incentive compensation) for fiscal 2010.

Name	% of Total Compensation Attributable to Cash Compensation for 2010
Myron E. Ullman, III	31%
Michael Dastugue	48%
Michael T. Theilmann	40%
Thomas M. Nealon	47%
Janet Dhillon	46%
Robert B. Cavanaugh	38%

**Table of Contents****GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2010**

Name	Grant Date <sup>(1)</sup>	Date of Committee Approval	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(2)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(3)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(4)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(5)</sup>	Exercise or Base Price of Option Awards (\$/share)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(6)</sup>
			Thres-hold (\$)	Target (\$)	Maximum (\$)	Thres-hold (#)	Target (#)	Maximum (#)				
Myron E. Ullman, III	3/16/10	3/11/10				0	156,250	312,500				4,800,000
	3/16/10	3/11/10							52,083			1,599,990
	3/16/10	3/11/10								176,991	30.72	1,599,999
	N/A			0	1,875,000	3,750,000						
Michael Dastugue	3/16/10	3/11/10				0	4,883	9,766				150,006
	3/16/10	3/11/10							4,883			150,006
	3/16/10	3/11/10								33,186	30.72	300,001
	N/A			0	295,771	591,542						
Michael T. Theilmann	3/16/10	3/11/10				0	11,597	23,194				356,260
	3/16/10	3/11/10							11,597			356,260
	3/16/10	3/11/10								78,816	30.72	712,497
	N/A			0	468,750	937,500						
Thomas M. Nealon	3/16/10	3/11/10				0	8,138	16,276				249,999
	3/16/10	3/11/10							8,138			249,999
	3/16/10	3/11/10								55,310	30.72	500,002
	N/A			0	431,250	862,500						
Janet Dhillon	3/16/10	3/11/10				0	7,731	15,462				237,496
	3/16/10	3/11/10							7,731			237,496
	3/16/10	3/11/10								52,544	30.72	474,998
	N/A			0	318,000	636,000						
Robert B. Cavanaugh	3/16/10	3/11/10				0	12,207	24,414				374,999
	3/16/10	3/11/10							12,207			374,999
	3/16/10	3/11/10								82,965	30.72	750,004
	N/A			0	536,250	1,072,500						

- (1) The Human Resources and Compensation Committee of the Board has adopted a policy that the grant date for annual grants of equity awards to Associates shall be the third full trading date following approval of the grant by the Committee.
- (2) Grants of awards under the Company's Management Incentive Compensation Program.
- (3) Grants of awards under the Company's 2009 Long-Term Incentive Plan. Payouts represent the number of performance-based restricted stock units to be received at threshold, target and maximum award levels.
- (4) Grants of time-based restricted stock units under the Company's 2009 Long-Term Incentive Plan.
- (5) Grants of stock options under the Company's 2009 Long-Term Incentive Plan.

- (6) The grant date value is calculated in accordance with applicable FASB guidance.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2010**

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(1)</sup>
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
<b>Myron E. Ullman, III</b>								
2004					90,091 <sup>(2)</sup>	2,909,038		
2006	187,735		60.50	3/21/16				
2007	201,511		78.50	3/13/17				
2008	191,846	95,924	39.78	3/11/18	18,137	585,644	300,000	9,687,000
2009	85,061	170,122	16.09	3/15/19			149,161	4,816,409
2010		176,991	30.72	3/15/20	293,805	9,486,963		
<b>Michael Dastugue</b>								
2004	15,000		31.06	2/28/14				
2005	25,000		44.69	2/27/15				
2006	13,298		60.50	3/21/16				
2007	11,965		78.50	3/13/17				
2008	12,590	6,295	39.78	3/11/18	1,190	38,425		
2008	16,666	8,334	30.88	7/23/18				
2008		25,000	14.38	11/19/18				
2009	13,955	27,911	16.09	3/15/19				
2010		33,186	30.72	3/15/20	12,505	403,786		
<b>Michael T. Theilmann</b>								
2005	70,000		50.28	5/31/15	20,050 <sup>(3)</sup>	647,415		
2006	31,289		60.50	3/21/16				
2007	27,708		78.50	3/13/17	5,239	169,167		
2008	30,336	15,168	39.78	3/11/18	2,868	92,608		
2008	66,666	33,334	30.88	7/23/18				
2008		100,000	14.38	11/19/18				
2009	33,625	67,252	16.09	3/15/19				
2010		78,816	30.72	3/15/20	29,700	959,013		
<b>Thomas M. Nealon</b>								
2007	16,373		78.50	3/13/17				
2008	17,985	8,993	39.78	3/11/18	1,700	54,893		
2008	66,666	33,334	30.88	7/23/18	13,603	439,241		
2008		100,000	14.38	11/19/18				
2009	19,936	39,873	16.09	3/15/19				
2010		55,310	30.72	3/15/20	20,842	672,988		
<b>Janet Dhillon</b>								
2009	21,265	42,531	16.09	3/15/19	15,139 <sup>(4)</sup>	488,838		
2010		52,544	30.72	3/15/20	19,799	639,310		
<b>Robert B. Cavanaugh</b>								
2004	75,000		31.06	2/28/14				
2005	75,000		44.69	2/27/15				
2006	35,982		60.50	3/21/16				
2007	34,005		78.50	3/13/17				
2008	34,772	17,386	39.78	3/11/18	3,287	106,137		

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2008	33,333	16,667	30.88	7/23/18		
2008		25,000	14.38	11/19/18		
2009	38,543	77,087	16.09	3/15/19		
2010		82,965	30.72	3/15/20	31,263	1,009,482

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- (1) Based on the closing market price of jcpenny common stock on January 28, 2011, which was \$32.29.
- (2) Represents award of 80,299 restricted stock units granted to Mr. Ullman on December 1, 2004, which is fully vested but is not payable until six months after termination of employment. Also includes additional restricted stock units attributable to dividend equivalents paid on this award.
- (3) On June 1, 2005, Mr. Theilmann received 17,971 restricted stock units which will vest 50% on June 1, 2015, 25% on June 1, 2020, and 25% on June 1, 2025. The number of units shown includes dividend equivalents paid on this award.
- (4) On May 19, 2009, in connection with her employment with the Company and relinquishment of certain benefits provided by her previous employer, Ms. Dhillon received 14,530 restricted stock units which will vest on May 19, 2012. The number of units shown includes dividend equivalents paid on this award.

**OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2010**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Myron E. Ullman, III	0	0	17,763 <sup>(1)</sup>	542,837 <sup>(2)</sup>
Michael Dastugue	0	0	1,165 <sup>(1)</sup>	35,602 <sup>(2)</sup>
Michael T. Theilmann	0	0	2,808 <sup>(1)</sup> 5,131 <sup>(3)</sup>	85,812 <sup>(2)</sup> 156,803 <sup>(4)</sup>
Thomas M. Nealon	0	0	1,665 <sup>(1)</sup>	50,882 <sup>(2)</sup>
Janet Dhillon	0	0	0	0
Robert B. Cavanaugh	0	0	3,220 <sup>(1)</sup>	98,403 <sup>(2)</sup>

- (1) Represents portion of 2008 time-based restricted stock unit award that vested on March 12, 2010.
- (2) Based on the closing market price of jcpenny common stock on March 12, 2010, which was \$30.56.
- (3) Represents portion of 2007 time-based restricted stock unit award that vested on March 14, 2010.
- (4) Based on the closing market price of jcpenny common stock on March 14, 2010, which was \$30.56.

**Table of Contents****PENSION BENEFITS**

Name	Plan Name	Number of Years Credited Service (#) <sup>(1)</sup>	Present Value of Accumulated Benefit (\$) <sup>(2)(3)</sup>	Payments During Last Fiscal Year (\$)
Myron E. Ullman, III	Pension Plan	5.0833	142,119	0
	Benefit Restoration Plan	5.0833	2,237,391	0
Michael Dastugue	Pension Plan	18.5833	184,502	0
	Benefit Restoration Plan	18.5833	275,065	0
	Supplemental Retirement Program	18.5833	590,007 <sup>(4)</sup>	0
Michael T. Theilmann	Pension Plan	4.5833	46,910	0
	Benefit Restoration Plan	4.5833	167,897	0
Thomas M. Nealon	Pension Plan	3.0833	38,394	0
	Benefit Restoration Plan	3.0833	85,843	0
Janet Dhillon	N/A			
Robert B. Cavanaugh	Pension Plan	31.8333	693,654	0
	Benefit Restoration Plan	31.8333	3,226,731	0
	Supplemental Retirement Program	31.8333	3,185,861 <sup>(4)</sup>	0

- (1) The number of years of credited service shown in the table is used to calculate the present value of the accumulated benefit.
- (2) The lump sum present value of the accumulated benefit was computed based on the January 31, 2011 measurement date used in the Company's financial statements for the fiscal year ended January 29, 2011. The assumptions used in calculating the accumulated benefit obligation are also derived from these financial statements and are incorporated herein by reference. All amounts included in the table are projected amounts based on the earliest date that the named executive officer could receive an unreduced benefit from the applicable plan. Amounts are calculated based on actual service and compensation as of the January 31, 2011 measurement date. Amounts for the BRP and SRP are based on the present value of the five year annual installment option. Amounts for the Pension Plan are based on the present value of the annuity options available under the plan.
- (3) As of the date of this Proxy Statement, Messrs. Ullman, Dastugue, Theilmann and Cavanaugh are the only named executive officers who are vested in the Pension Plan and BRP. Mr. Nealon participates in both the Pension Plan and BRP, however, he has not yet vested in his respective benefits under these plans.
- (4) As of the date of this Proxy Statement Mr. Cavanaugh is the only named executive officer who is vested in the SRP. Mr. Dastugue participates in the SRP, however, he has not yet vested in his benefit under the plan.

**Pension Plan.** The Pension Plan is a tax qualified defined benefit plan intended to provide retirement income to all eligible Associates. To be eligible to participate in the Pension Plan, an Associate must:

- have been hired or rehired before January 1, 2007,
- be employed at least one year,
- have 1,000 hours of service, and
- be at least age 21.

To be vested in a Pension Plan benefit, a participant must be employed for at least five years or attain age 65.

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The normal retirement age under the Pension Plan is age 65. The normal retirement benefit formula in the Pension Plan is equal to:

the average of the participant's highest five consecutive full calendar years of pay (including salary and incentive compensation actually paid during that year), out of the last ten years of service (average final pay) times 0.75%, plus



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0.50% of the participant's average final pay that exceeds the average of the Social Security taxable wage bases in effect for each calendar year during the 35 year period ending on December 31 of the year an Associate reaches the Social Security retirement age, multiplied by

The participant's years of credited service up to 35 years.

Once a participant has at least 25 years of credited service, he or she is eligible for an additional Pension Plan retirement benefit. This additional benefit is equal to 0.25% of his or her average final pay times his or her years of credited service exceeding 25 years, up to a maximum of 10 years.

The above formula computes a benefit intended to be payable for the participant's life. The primary form of benefit for a single participant is a single life annuity and for a married participant is a 50% qualified joint and survivor annuity. Other annuity benefit payment options are also available. A single life annuity provides a greater annual benefit amount paid over a shorter period of time than a 50% qualified joint and survivor annuity. All benefit payment option forms are actuarially equivalent. The Pension Plan does not provide a lump sum payment unless the monthly benefit amount from the Pension Plan is \$100 or less.

Mr. Cavanaugh is the only named executive officer currently eligible for an early retirement benefit under the Pension Plan since he has attained age 55 and has at least 15 years of service. The Pension Plan early retirement benefit is the normal retirement benefit computed above reduced by:

0.3333% for each month between the ages of 65 and 60; and

0.4176% for each month between the ages of 60 and 55,

that the participant begins to receive the early retirement benefit.

**Benefit Restoration Plan.** The BRP is a non-qualified excess defined benefit plan that provides retirement income to eligible Associates whose Pension Plan benefit is limited by Code limits on compensation (\$245,000 for 2010) or maximum annual benefits (\$195,000 for 2010). For 2011, these limits did not change.

The BRP uses the same eligibility, years of credited service, vesting, formula, early retirement reductions and retirement age criteria found in the Pension Plan, but without considering the Code imposed limits on a benefit payable under the Pension Plan. The excess benefit over the Code imposed limits in the Pension Plan is paid from the BRP.

The formula computes an age 65 benefit with payments beginning, for the named executive officers, six months after separation from service. The only form of benefit under the BRP is a five year annual installment option, which is not available under the Pension Plan. The five year installment option produces a higher annual payment than a single life annuity or a qualified joint and survivor annuity, but is actuarially equivalent to such payment forms.

If employment terminates for cause, all BRP benefits are forfeited.

**Supplemental Retirement Program.** For eligible Associates hired on or before December 31, 1995, we maintain an additional non-qualified benefit plan through the Supplemental Retirement Program for Management Profit-Sharing Associates. The SRP was designed to allow eligible management Associates to retire at age 60 with retirement income comparable to the age 65 benefit provided under the Pension Plan and BRP. At the time of the SRP's adoption, management Associates typically retired at age 60. The SRP was closed to new entrants on December 31, 1995. Messrs. Dastugue and Cavanaugh are the only named executive officers eligible for the SRP.

The normal retirement age under the SRP is 60. The SRP calculates the participant's annual retirement income target amount as a percentage of the participant's average final earnings. Average final earnings is the average of

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the Associate's three full or partial years of highest earnings (including salary and incentive compensation earned for such year but paid in the following year), taking into account the year of retirement and the previous nine full calendar years of service. The retirement income target is then offset by:

- Pension Plan benefits,
- BRP benefits,
- One-half of the participant's estimated age 62 Social Security benefit, and

An annuity based on the market value of the participant's Savings Plan and Mirror Savings Plan matching contribution accounts.

After age 60, the SRP benefit decreases as the Associate approaches age 65. The SRP also provides an age 62 Social Security make-up benefit for Associates that retire at or after age 60 but before age 62. If a participant retires at or after age 60 the participant will receive the higher of the benefit amount computed based on the formula for calculating SRP retirement income, or the reduction in the Pension Plan and BRP benefit amounts caused by retirement between age 60 and age 65 under those plans. The SRP also provides an early retirement benefit for Associates between ages 55 and 60 with at least 15 years of service. Mr. Cavanaugh is currently eligible for this benefit.

The SRP formula computes a benefit with payments beginning, for the named executive officers, six months after separation from service. The only form of benefit under the SRP is a five year annual installment option. In addition, if a participant is receiving benefits at the time incentive compensation is paid with respect to the year of retirement, he or she will be entitled to receive a lump sum payment representing the additional benefit due, if any.

The SRP also provides a temporary term life insurance benefit for a participant who retires on or after age 60. Generally, the life insurance coverage amount equals the amount of Company-paid life insurance coverage provided to the participant at the time of retirement. jcpenny pays the premium for this policy.

If employment terminates for cause, all SRP benefits are forfeited.

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<b>Name</b>	<b>Executive Contributions in last FY (\$)<sup>(1)</sup></b>	<b>Registrant Contributions in last FY (\$)</b>	<b>Aggregate Earnings in last FY (\$)<sup>(2)</sup></b>	<b>Aggregate Balance at last FYE (\$)<sup>(3)</sup></b>
Myron E. Ullman, III	7,500	225	47,486	197,872
Michael Dastugue	28,420	14,210	36,902	229,809
Michael T. Theilmann	73,195	36,598	29,442	215,001
Thomas M. Nealon	25,625	12,813	5,755	48,094
Janet Dhillon	23,700	24,540	8,659	77,741
Robert B. Cavanaugh	0	0	11,886	146,207

- (1) The amounts shown are included in the salary and incentive compensation numbers shown in the Summary Compensation Table.
- (2) These amounts are not included in the Summary Compensation Table since they do not constitute above market interest or preferential earnings.
- (3) The balance reported includes named executive officer contributions to the Mirror Savings Plan; these amounts were included in the Summary Compensation Table as salary and incentive compensation in the fiscal year earned. Registrant contributions to the Mirror Savings Plan for 2010 were included in the All Other Compensation column of the Summary Compensation Table.

*Mirror Savings Plan.* The Mirror Savings Plan is a non-qualified defined contribution plan which provides Associates earning more than the Code compensation limit for qualified savings plans (such as the Savings Plan) the opportunity to defer a portion of their base salary and incentive compensation exceeding the compensation limit as a means of saving for retirement. Accordingly, Associates, including named executive officers, earning more than the compensation limit may defer up to 14% of their salary and annual incentive compensation below the Code compensation limit (\$245,000 for 2010 and 2011) and up to 75% of their compensation above the Code compensation limit through the Mirror Savings Plan.

For 2010, the Company match was \$0.50 per dollar deferred up to a maximum of 6% of deferrals on compensation over \$245,000. This matching contribution was credited each pay period. The Company may make additional discretionary matching contributions.

For Company contributions made for Plan Years prior to 2007, participants vest in the jpenney matching contribution and related investment earnings at a rate of 20% per year of service. For Company contributions made for Plan Years 2007 and after, participants become 100% vested in the match after three years of service.

Generally, all unvested Company matching contributions are forfeited when the participant terminates employment. The Mirror Savings Plan provides that all matching contributions are immediately vested and non-forfeitable if a participant terminates employment due to:

- Retirement at age 65,
- Qualifying for permanent and total disability while working for the Company,
- The work unit or type of work the Associate was doing being discontinued (as determined by the Company), or
- Death.

Deferrals and Company matching contributions are credited to the participant's Mirror Savings Plan account and invested according to the participant's investment elections. Earnings on the balance in the participant's Mirror Savings Plan accounts are based on hypothetical investments in the same funds offered under the Savings Plan.



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During the last fiscal year one or more of the named executive officers participating in the Mirror Savings Plan elected to invest their Mirror Savings Plan account balances in the following funds:

<b>Fund</b>	<b>Rate of Return</b>
VFTC Retirement Income II	9.88%
VFTC Target Retirement 2005	10.79%
VFTC Target Retirement 2010	13.52%
VFTC Target Retirement 2015	15.40%
VFTC Target Retirement 2020	16.77%
VFTC Target Retirement 2025	18.03%
VFTC Target Retirement 2030	19.36%
VFTC Target Retirement 2035	20.64%
VFTC Target Retirement 2040	20.80%
VFTC Target Retirement 2045	20.83%
VFTC Target Retirement 2050	20.76%
S&P 500 Index Fund	22.01%
Russell 1000 Growth Fund	24.78%
Russell 1000 Value Fund	21.32%
Russell 2000 Fund	31.17%
EAFE Fund	15.25%
Intermediate Bond Fund	4.61%
Interest Income Fund	4.17%
Penney Common Stock Fund	32.29%

Participants can change their investment elections daily.

Generally, a Mirror Savings Plan participant can only receive a distribution following an unforeseen emergency event (as defined under the Code), a change in control, or termination of employment. The only form of payment under the Mirror Savings Plan is a five year annual installment option. No withdrawals or distributions were taken during the year by any of the named executive officers.

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**POTENTIAL PAYMENTS AND BENEFITS ON TERMINATION OF EMPLOYMENT**

Under our compensation program, described above in Compensation Discussion and Analysis, payments and the provision of benefits can be triggered by the termination of an Associate's employment. These payments and benefits may vary depending on the reason for termination. The reasons for termination that may trigger different payments and benefits may be classified as follows:

- Voluntary Resignation;
- Retirement;
- Death;
- Permanent Disability;
- Involuntary Termination without Cause; or
- Termination for Cause

The characterization of the termination event and the payments and benefits triggered by termination may also vary depending on whether or not the termination follows a change in control of the Company.

***Termination without a Change in Control***

In an effort to retain and attract the best people in retail consistent with our Long Range Plan, the Company offers each of its Executive Board members the right to enter into an Executive Termination Pay Agreement (Termination Pay Agreement) with the Company. The CEO has elected not to enter into a Termination Pay Agreement. The form of the agreement was reviewed by the Human Resources and Compensation Committee and its independent consultant prior to being recommended to the Board for its approval. The Termination Pay Agreement is intended to provide the executive with severance benefits in exchange for the executive's agreement to comply with certain covenants. The benefits payable under these agreements are not available if the executive receives the benefits under the Change in Control Plan or the 2009 Change in Control Plan, which are described later in this section.

The primary purpose of the Termination Pay Agreement is to provide for severance benefits in the event of involuntary termination of the executive's employment without cause. For purposes of the agreement, cause includes:

- An intentional act of fraud, embezzlement, theft, or other material violation of law;
- Intentional damage to the Company's assets;
- Intentional disclosure of confidential information in violation of the Company's policies;
- Material breach of the executive's obligations under the agreement;
- Breach of the executive's duty of loyalty to the Company;
- Failure of the executive to substantially perform the duties of his or her job (other than as a result of physical or mental incapacity); or
- Intentional breach of Company policies or willful misconduct by the executive that is in either case materially injurious to the Company.

Under the Termination Pay Agreements, if an executive is involuntarily terminated without cause, he or she will receive a lump sum payment for services rendered through the termination date, including accrued base salary and pay in respect of earned but unused paid time off.

Conditioned on execution of a release and expiration of the revocation period under the release, but no later than two and one-half months after the year of termination, the executive will also receive:

- A lump sum cash payment equal to annualized base salary plus target annual cash incentive compensation (at 100% of the target incentive opportunity in effect at the time of termination) with respect to a period of (a) 18 months following termination if the executive is an Executive Vice President or higher of the Company, or (b) 12 months following termination if the executive is a Senior Vice President;

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A lump sum cash payment equal to the prorated annual cash incentive compensation for the year of termination at 100% of the executive's target incentive compensation opportunity at the time of termination, less any amount contributed to the Mirror Savings Plan;

A lump sum payment in respect of additional paid time off, if any, under the Company's paid time off policies;

A lump sum payment representing the Company-paid portion of the premium toward medical, dental and life insurance coverages for the applicable severance period (18 months for Executive Vice Presidents and 12 months for Senior Vice Presidents), grossed-up for federal income taxes;

A lump sum payment of \$25,000 toward outplacement and financial counseling services; and  
Immediate vesting of all long-term incentive stock awards and stock options.

In addition to providing severance payments in the event of an involuntary termination without cause, the Termination Pay Agreement also includes certain limited benefits in the event of death or termination due to permanent disability. In such case, the executive will receive a lump sum cash payment as soon as practicable after termination equal to prorated annual incentive compensation for service during the year at 100% of the executive's target incentive compensation opportunity, less any amount contributed to the Mirror Savings Plan. These benefits were included in the form of Termination Pay Agreement to replace similar benefits received by certain Company executives under employment contracts which have been phased out as they have expired or been terminated.

By entering into a Termination Pay Agreement, the executive agrees to the following restrictive covenants:

Obligation not to disclose confidential or proprietary information of the Company, which continues indefinitely following termination of employment;

Obligation to refrain from activities designed to influence or persuade any person not to do business or to reduce its business with the Company, which continues for the applicable severance period following termination of employment;

Obligation to refrain from attempting to influence or persuade any of the Company's employees to leave their employment with the Company and to refrain from directly or indirectly soliciting or hiring employees of the Company, which continues for the applicable severance period following termination of employment; and

Obligation not to undertake work for a competing business, which continues for the applicable severance period following termination of employment.

The noncompetition covenant may be waived by the executive; however, he or she must then forego any severance benefits available under the Termination Pay Agreement. In the event the executive breaches any of the covenants listed above, the Company will not be obligated to make any further payments under the agreement and may seek to recover damages from the executive.

Messrs. Dastugue, Theilmann, and Nealon and Ms. Dhillon have Termination Pay Agreements.

In order to describe the payments and benefits that are triggered for each termination event for each of the Company's named executive officers, we have created a table for each named executive officer other than Mr. Cavanaugh, estimating the payments and benefits that would be paid under each element of our compensation program. The tables assume that the named executive officer's employment terminated on January 29, 2011, which is the last day of the Company's last completed fiscal year.

**Table of Contents****Myron E. Ullman, III (Chairman and CEO) Termination without a Change in Control**

Benefit or Payment	Termination Event				Involuntary Termination without Cause	Termination For Cause
	Voluntary Resignation	Retirement	Death	Permanent Disability		
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Annual Cash Incentive	\$ 2,555,456	\$ 2,555,456	\$ 2,555,456	\$ 2,555,456	\$ 2,555,456	\$ 0
Stock Options	\$ 2,660,842	\$ 2,660,842	\$ 2,660,842	\$ 2,660,842	\$ 2,660,842	\$ 0
Restricted Stock <sup>(1)</sup>	\$ 16,263,663	\$ 16,263,663	\$ 16,263,663	\$ 16,263,663	\$ 16,263,663	\$ 2,909,052
Pension Plan	\$ 140,531	\$ 140,531	\$ 70,057	\$ 162,538	\$ 140,531	\$ 140,531
Benefit Restoration Plan	\$ 2,340,775	\$ 2,340,775	\$ 1,118,432	\$ 2,340,775	\$ 2,340,775	\$ 0
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	\$ 197,872	\$ 197,872	\$ 197,872	\$ 197,872	\$ 197,872	\$ 197,872
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vacation	\$ 43,269	\$ 43,269	\$ 43,269	\$ 43,269	\$ 43,269	\$ 43,269
<b>Total</b>	<b>\$ 24,202,408</b>	<b>\$ 24,202,408</b>	<b>\$ 22,909,591</b>	<b>\$ 24,224,415</b>	<b>\$ 24,202,408</b>	<b>\$ 3,290,724</b>

(1) Includes the value of December 2008 and March 2009 performance-based restricted stock unit awards, assuming total stockholder return for the relevant performance period of 18.4% and 24.2%, respectively.

**Michael Dastugue (CFO) Termination without a Change in Control**

Benefit or Payment	Termination Event				Involuntary Termination without Cause	Termination For Cause
	Voluntary Resignation	Retirement	Death	Permanent Disability		
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 862,500	\$ 0
Annual Cash Incentive	\$ 282,446	\$ 282,446	\$ 405,375	\$ 405,375	\$ 1,052,250	\$ 0
Stock Options	\$ 0	\$ 0	\$ 813,599	\$ 813,599	\$ 1,231,781	\$ 0
Restricted Stock	\$ 0	\$ 0	\$ 151,652	\$ 151,652	\$ 442,256	\$ 0
Pension Plan	\$ 148,847	\$ 148,847	\$ 76,683	\$ 364,950	\$ 148,847	\$ 148,847
Benefit Restoration Plan	\$ 278,756	\$ 278,756	\$ 137,948	\$ 278,756	\$ 278,756	\$ 0
Supplemental Retirement Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Mirror Savings Plan	\$ 239,114	\$ 239,114	\$ 250,884	\$ 250,884	\$ 268,622	\$ 229,809
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,461	\$ 0
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 10,125	\$ 10,125	\$ 25,000	\$ 0
Vacation	\$ 44,231	\$ 44,231	\$ 44,231	\$ 44,231	\$ 44,231	\$ 44,231
<b>Total</b>	<b>\$ 993,394</b>	<b>\$ 993,394</b>	<b>\$ 1,890,497</b>	<b>\$ 2,319,572</b>	<b>\$ 4,379,704</b>	<b>\$ 422,887</b>

**Michael T. Theilmann (Group Executive Vice President) Termination without a Change in Control**

Benefit or Payment	Termination Event				Involuntary Termination without Cause	Termination For Cause
	Voluntary Resignation	Retirement	Death	Permanent Disability		
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 937,500	\$ 0
Annual Cash Incentive	\$ 405,999	\$ 405,999	\$ 440,625	\$ 440,625	\$ 1,143,750	\$ 0
Stock Options	\$ 0	\$ 0	\$ 2,482,727	\$ 2,482,727	\$ 3,689,949	\$ 0
Restricted Stock	\$ 0	\$ 0	\$ 1,102,774	\$ 1,102,774	\$ 1,868,237	\$ 0
Pension Plan	\$ 37,857	\$ 37,857	\$ 19,152	\$ 229,630	\$ 37,857	\$ 37,857
Benefit Restoration Plan	\$ 170,685	\$ 170,685	\$ 81,580	\$ 170,685	\$ 170,685	\$ 0
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	\$ 236,511	\$ 236,511	\$ 239,826	\$ 239,826	\$ 257,189	\$ 215,001
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,890	\$ 0



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Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 10,125	\$ 10,125	\$ 25,000	\$ 0
Vacation	\$ 17,037	\$ 17,037	\$ 17,037	\$ 17,037	\$ 17,037	\$ 17,037
<b>Total</b>	\$ 868,089	\$ 868,089	\$ 4,393,846	\$ 4,693,429	\$ 8,176,094	\$ 269,895

**Table of Contents****Thomas M. Nealon (Group Executive Vice President) Termination without a Change in Control**

Benefit or Payment	Termination Event					
	Voluntary Resignation	Retirement	Death	Permanent Disability	Involuntary Termination without Cause	Termination For Cause
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 862,500	\$ 0
Annual Cash Incentive	\$ 378,971	\$ 378,971	\$ 405,375	\$ 405,375	\$ 1,052,250	\$ 0
Stock Options	\$ 0	\$ 0	\$ 2,056,779	\$ 2,056,779	\$ 2,987,743	\$ 0
Restricted Stock	\$ 0	\$ 0	\$ 667,005	\$ 667,005	\$ 1,167,149	\$ 0
Pension Plan	\$ 0	\$ 0	\$ 0	\$ 222,276	\$ 0	\$ 0
Benefit Restoration Plan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	\$ 66,641	\$ 66,641	\$ 69,169	\$ 69,169	\$ 86,907	\$ 48,094
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,032	\$ 0
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 10,125	\$ 10,125	\$ 25,000	\$ 0
Vacation	\$ 15,675	\$ 15,675	\$ 15,675	\$ 15,675	\$ 15,675	\$ 15,675
<b>Total</b>	\$ 461,287	\$ 461,287	\$ 3,224,128	\$ 3,446,404	\$ 6,224,256	\$ 63,769

**Janet Dhillon (Executive Vice President, General Counsel and Secretary) Termination without a Change in Control**

Benefit or Payment	Termination Event					
	Voluntary Resignation	Retirement	Death	Permanent Disability	Involuntary Termination without Cause	Termination For Cause
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 795,000	\$ 0
Annual Cash Incentive	\$ 299,509	\$ 299,509	\$ 298,920	\$ 298,920	\$ 775,920	\$ 0
Stock Options	\$ 0	\$ 0	\$ 668,997	\$ 668,997	\$ 1,115,989	\$ 0
Restricted Stock	\$ 0	\$ 0	\$ 462,634	\$ 462,634	\$ 1,128,206	\$ 0
Pension Plan	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Restoration Plan	N/A	N/A	N/A	N/A	N/A	N/A
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	\$ 62,478	\$ 62,478	\$ 88,286	\$ 88,286	\$ 106,361	\$ 51,876
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,179	\$ 0
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 10,125	\$ 10,125	\$ 25,000	\$ 0
Vacation	\$ 14,448	\$ 14,448	\$ 14,448	\$ 14,448	\$ 14,448	\$ 14,448
<b>Total</b>	\$ 376,435	\$ 376,435	\$ 1,543,410	\$ 1,543,410	\$ 3,981,103	\$ 66,324

**Change in Control; Termination following a Change in Control**

The Company's Change in Control Plan, which applies to members of the Company's Executive Board appointed prior to October 2008, was adopted in recognition of the degree of consolidation within the retail industry and to enable our executives to focus their efforts on the Company and fulfillment of the Long Range Plan. All of the named executive officers other than Ms. Dhillon participate in this Change in Control Plan. This plan, which was evaluated by the Human Resources and Compensation Committee and its independent consultant prior to being recommended to the Board for approval, provides benefits to the Company's executives if their employment is terminated as a result of an involuntary separation from service by the Company other than for cause within two years of the occurrence of a change in control of the Company. This plan also provides benefits to an executive if the executive terminates employment with the Company for Good Reason. Good Reason consists of:

- A material reduction in the executive's base salary or target annual cash incentive opportunity;
- Involuntary relocation of more than 50 miles;
- A materially adverse change in the executive's duties or responsibilities;
- A material diminution in the budget over which the executive has responsibility;



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A material adverse change in the executive's supervisor's duties or responsibilities, including a change in the supervisor to whom the executive is required to report; or

Failure of the Company to continue a material benefit or a material reduction in the benefits in which the executive participated prior to the occurrence of the change in control, unless replaced by a substantially equivalent benefit.

For an executive to receive benefits under this plan, a Good Reason event with respect to such executive must occur within two years of the occurrence of a change in control of the Company, and if the Good Reason event is not cured by the Company following timely notice of the event by the executive, the executive must terminate employment within two years of the date the Good Reason event occurred.

Notice of a Good Reason event must be provided to the Company within 90 days of the event and the Company must be given a 30-day opportunity to correct the situation without having to pay benefits under the Change in Control Plan.

For purposes of the plan, cause includes the failure of the executive to substantially perform the duties of his or her job, failure of the executive to follow Company policy, engagement by the executive in illegal conduct, or gross misconduct injurious to the Company.

The plan provides a three-tiered benefit structure based on the executive's position and responsibilities within the Company. Tier I participants, which include the CEO and executives reporting directly to the CEO, are entitled to receive cash severance of three times annualized base salary plus target annual cash incentive opportunity (at 100%) at the time of termination. Tier II participants, which include the Company's Executive Vice Presidents who do not report directly to the CEO, are entitled to receive cash severance of 2.5 times base salary plus target annual cash incentive opportunity (at 100%) at the time of termination. The Tier III participants (Senior Vice Presidents who are members of the Company's Executive Board) are entitled to receive cash severance of two times annualized base salary plus target annual cash incentive opportunity (at 100%) at the time of termination.

In addition to the cash severance payments, all participants in the plan are entitled to receive the following at the time of termination:

Accrued base salary and pay in respect of earned but unused paid time off through the date of termination;

Prorated target annual cash incentive compensation for the year of termination (at 100% of the target incentive opportunity at the time of termination) or, if termination occurs on the last day of the fiscal year, the actual annual cash incentive compensation, if greater, less any amount contributed to the Mirror Savings Plan;

A lump sum payment in respect of additional paid time off, if any, under the Company's paid time off policies;

A lump sum payment representing the incremental value of additional years of age and service credited to the executive (equal to the executive's cash severance multiple) with respect to the BRP, SRP, and Mirror Savings Plan, to the extent the executive participates in some or all of these plans;

A lump sum payment representing the Company-financed portion of the premium toward medical, dental and life insurance coverages for the number of years equal to the applicable cash severance multiple for the executive, grossed-up for federal income taxes; and

A lump sum payment of \$25,000 toward outplacement and financial counseling services, and, to the extent applicable and allowable by law, reimbursement of legal fees and expenses incurred in defense of the executive's rights under the plan.

Additionally, participants in the plan are eligible for up to one year of additional age and service credit for purposes of determining retiree eligibility under the Company's medical, dental, life insurance, long term care insurance, and lifetime discount programs. The plan also entitles participants to receive a tax gross-up payment in

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respect of any excise taxes imposed on the benefits payable under the plan. Benefits under the plan may be reduced to keep benefit payments under the threshold that would trigger an excise tax and gross-up payment. Participants who consented to certain modifications to the Change in Control Plan effected in March 2008 are eligible for tax gross-up payments only in the event a change in control occurs within five years from the date they began participating in the plan. After five years of participation, participants will either receive their full benefit under the plan and pay the excise tax themselves or have their benefit reduced so that no excise tax will apply. Participants who did not consent to the modifications to the Change in Control Plan continue to be eligible to receive tax gross-up payments regardless of when a change in control occurs. The plan also allows any participant to waive his or her right to receive an excise tax gross-up payment under the plan. Mr. Ullman has elected not to receive any excise tax gross-up with respect to benefits payable to him under the plan.

The Company also has a 2009 Change in Control Plan, as discussed previously in Compensation Discussion and Analysis. This plan was approved by the Board of Directors pursuant to the Company's policy, adopted in October 2008, that it will not enter into future severance arrangements that provide for severance benefits in an amount exceeding 2.99 times the sum of base salary and target bonus (the severance benefits limitation) without obtaining stockholder approval. The 2009 Change in Control Plan is similar to the Change in Control Plan in all respects except that it does not provide for the payment of excise tax gross-ups and it limits benefits to the severance benefits limitation. Ms. Dhillon, who joined the Company in 2009, participates in the 2009 Change in Control Plan.

In addition to the benefits provided by the Change in Control Plan and the 2009 Change in Control Plan, some of the Company's other plans and programs, such as the Company's equity compensation plans, also include specific benefits payable to Associates in the event of a change in control of the Company. The Company's 2009 Long-Term Incentive Plan provides that vesting of outstanding equity awards is accelerated if the participant's employment is terminated as a result of an involuntary separation from service by the Company other than for Cause within two years of the occurrence of a change in control of the Company. For purposes of this plan, a change of control is defined as (i) the acquisition by a person or group of more than 50% of the total voting power of the Company's common stock, (ii) the acquisition by a person or a group within a twelve-month period of 30% of the total voting power of the Company's common stock or the replacement of a majority of the Board of Directors within a twelve-month period unless approved by a majority of the Board, or (iii) the acquisition by a person or group of 40% or more of the assets of the Company. The plan also provides for vesting acceleration of outstanding awards if the participant terminates employment with the Company for Good Reason within two years of the occurrence of a change in control of the Company. The definition of Good Reason under this plan is the same as the definition under the Change in Control Plan.

The benefits payable under the Change in Control Plan or the 2009 Change in Control Plan are not subject to reduction in the event the executive subsequently finds employment following termination. In order to describe the payments and benefits that are triggered upon a change in control and for each termination event following a change in control, we have created a table for each named executive officer other than Mr. Cavanaugh, estimating the payments and benefits that would be paid under each element of our compensation program. These payments reflect a change of control event or assume that the named executive officer's employment terminated immediately upon a change in control occurring on January 29, 2011, which is the last day of the Company's last completed fiscal year.

**Table of Contents****Myron E. Ullman, III (Chairman and CEO)****Following a Change in Control**

Benefit or Payment	Event						
	Change in Control with No Termination	Voluntary Resignation	Retirement	Death	Permanent Disability	Involuntary Termination without Cause or Termination with Good Reason	Termination for Cause
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,500,000	\$ 0
Annual Cash Incentive	\$ 0	\$ 2,555,456	\$ 2,555,456	\$ 2,555,456	\$ 2,555,456	\$ 8,180,456	\$ 0
Stock Options	\$ 4,133,965	\$ 4,214,843	\$ 4,214,843	\$ 4,214,843	\$ 4,214,843	\$ 4,411,840	\$ 0
Restricted Stock <sup>(1)</sup>	\$ 18,297,106	\$ 21,058,365	\$ 21,058,365	\$ 21,058,365	\$ 21,058,365	\$ 27,784,076	\$ 18,297,106
Pension Plan	\$ 0	\$ 140,531	\$ 140,531	\$ 70,057	\$ 162,538	\$ 140,531	\$ 140,531
Benefit Restoration Plan	\$ 0	\$ 2,340,775	\$ 2,340,775	\$ 1,118,432	\$ 2,340,775	\$ 4,136,859	\$ 0
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	\$ 0	\$ 197,872	\$ 197,872	\$ 197,872	\$ 197,872	\$ 197,872	\$ 197,872
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,516	\$ 0
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 0
Vacation	\$ 0	\$ 43,269	\$ 43,269	\$ 43,269	\$ 43,269	\$ 43,269	\$ 43,269
Excise Tax & Gross-Up (Cutback)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total</b>	\$ 22,431,071	\$ 30,551,111	\$ 30,551,111	\$ 29,258,294	\$ 30,573,118	\$ 49,425,419	\$ 18,678,778

- (1) Includes the value of December 2008 and March 2009 performance-based restricted stock unit awards, assuming total stockholder return for the relevant performance period of 18.4% and 24.2% respectively.

**Michael Dastugue (CFO)**

**Following a Change in Control**

Benefit or Payment	Event						
	Change in Control with No Termination	Voluntary Resignation	Retirement	Death	Permanent Disability	Involuntary Termination without Cause or Termination with Good Reason	Termination for Cause
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,725,000	\$ 0
Annual Cash Incentive	\$ 0	\$ 282,446	\$ 282,446	\$ 405,375	\$ 405,375	\$ 1,699,125	\$ 0
Stock Options	\$ 1,179,679	\$ 1,179,679	\$ 1,179,679	\$ 1,194,844	\$ 1,194,844	\$ 1,231,781	\$ 0
Restricted Stock	\$ 38,441	\$ 38,441	\$ 38,441	\$ 155,975	\$ 155,975	\$ 442,256	\$ 38,441
Pension Plan	\$ 0	\$ 148,847	\$ 148,847	\$ 76,683	\$ 364,950	\$ 148,847	\$ 148,847
Benefit Restoration Plan	\$ 0	\$ 278,756	\$ 278,756	\$ 137,948	\$ 278,756	\$ 833,540	\$ 0
Supplemental Retirement Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 779,194	\$ 0
Mirror Savings Plan	\$ 0	\$ 239,114	\$ 239,114	\$ 250,884	\$ 250,884	\$ 427,209	\$ 229,809
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,922	\$ 0
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 0	\$ 10,125	\$ 10,125	\$ 25,000	\$ 0
Vacation	\$ 0	\$ 44,231	\$ 44,231	\$ 44,231	\$ 44,231	\$ 44,231	\$ 44,231

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Excise Tax & Gross-Up (Cutback)	\$	0	\$	0	\$	0	\$	0	\$	0	\$	2,163,303	\$	0
<b>Total</b>	\$	1,218,120	\$	2,211,514	\$	2,211,514	\$	2,276,065	\$	2,705,140	\$	9,570,408	\$	461,328

**Table of Contents****Michael T. Theilmann (Group Executive Vice President)****Following a Change in Control**

Benefit or Payment	Change in Control with No Termination	Voluntary Resignation	Event				Permanent Disability	Involuntary Termination without Cause or Termination with Good Reason	Termination for Cause
			Retirement	Death	Disability	Disability			
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,875,000	\$ 0	
Annual Cash Incentive	\$ 0	\$ 405,999	\$ 405,999	\$ 440,625	\$ 440,625	\$ 440,625	\$ 1,846,875	\$ 0	
Stock Options	\$ 3,566,207	\$ 3,566,207	\$ 3,566,207	\$ 3,602,223	\$ 3,602,223	\$ 3,602,223	\$ 3,689,949	\$ 0	
Restricted Stock	\$ 909,214	\$ 909,214	\$ 909,214	\$ 1,188,346	\$ 1,188,346	\$ 1,188,346	\$ 1,868,237	\$ 909,214	
Pension Plan	\$ 0	\$ 37,857	\$ 37,857	\$ 19,152	\$ 229,630	\$ 229,630	\$ 37,857	\$ 37,857	
Benefit Restoration Plan	\$ 0	\$ 170,685	\$ 170,685	\$ 81,580	\$ 170,685	\$ 170,685	\$ 345,519	\$ 0	
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mirror Savings Plan	\$ 0	\$ 236,511	\$ 236,511	\$ 239,826	\$ 239,826	\$ 239,826	\$ 433,401	\$ 215,001	
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 57,779	\$ 0	
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 0	\$ 10,125	\$ 10,125	\$ 10,125	\$ 25,000	\$ 0	
Vacation	\$ 0	\$ 17,037	\$ 17,037	\$ 17,037	\$ 17,037	\$ 17,037	\$ 17,037	\$ 17,037	
Excise Tax & Gross-Up (Cutback)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,916,410	\$ 0	
<b>Total</b>	\$ 4,475,421	\$ 5,343,510	\$ 5,343,510	\$ 5,598,914	\$ 5,898,497	\$ 5,898,497	\$ 12,113,064	\$ 1,179,109	

**Thomas M. Nealon (Group Executive Vice President)****Following a Change in Control**

Benefit or Payment	Change in Control with No Termination	Voluntary Resignation	Event				Permanent Disability	Involuntary Termination without Cause or Termination with Good Reason	Termination for Cause
			Retirement	Death	Disability	Disability			
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,725,000	\$ 0	
Annual Cash Incentive	\$ 0	\$ 378,971	\$ 378,971	\$ 405,375	\$ 405,375	\$ 405,375	\$ 1,699,125	\$ 0	
Stock Options	\$ 2,900,906	\$ 2,900,906	\$ 2,900,906	\$ 2,926,180	\$ 2,926,180	\$ 2,926,180	\$ 2,987,743	\$ 0	
Restricted Stock	\$ 494,147	\$ 494,147	\$ 494,147	\$ 690,029	\$ 690,029	\$ 690,029	\$ 1,167,149	\$ 494,147	
Pension Plan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 222,276	\$ 222,276	\$ 0	\$ 0	
Benefit Restoration Plan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 353,276	\$ 0	
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mirror Savings Plan	\$ 0	\$ 66,641	\$ 66,641	\$ 69,169	\$ 69,169	\$ 69,169	\$ 245,494	\$ 48,094	
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,065	\$ 0	
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 0	\$ 10,125	\$ 10,125	\$ 10,125	\$ 25,000	\$ 0	
Vacation	\$ 0	\$ 15,675	\$ 15,675	\$ 15,675	\$ 15,675	\$ 15,675	\$ 15,675	\$ 15,675	
Excise Tax & Gross-Up (Cutback)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,704,861	\$ 0	
<b>Total</b>	\$ 3,395,053	\$ 3,856,340	\$ 3,856,340	\$ 4,116,553	\$ 4,338,829	\$ 4,338,829	\$ 9,977,388	\$ 557,916	



**Table of Contents****Janet Dhillon (Executive Vice President, General Counsel and Secretary)****Following a Change in Control**

Benefit or Payment	Change in Control with No Termination	Voluntary Resignation	Event					Involuntary Termination without Cause or Termination with Good Reason	Termination for Cause
			Retirement	Death	Permanent Disability				
Base Salary	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,590,000	\$ 0	
Annual Cash Incentive	\$ 0	\$ 299,509	\$ 299,509	\$ 298,920	\$ 298,920	\$ 298,920	\$ 1,253,547	\$ 0	
Stock Options	\$ 1,033,495	\$ 1,033,495	\$ 1,033,495	\$ 1,057,505	\$ 1,057,505	\$ 1,057,505	\$ 1,115,989	\$ 0	
Restricted Stock	\$ 0	\$ 0	\$ 0	\$ 462,634	\$ 462,634	\$ 462,634	\$ 1,128,206	\$ 0	
Pension Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Benefit Restoration Plan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mirror Savings Plan	\$ 0	\$ 62,478	\$ 62,478	\$ 88,286	\$ 88,286	\$ 88,286	\$ 213,367	\$ 51,876	
Health and Life Insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,358	\$ 0	
Financial Counseling and Outplacement	\$ 0	\$ 0	\$ 0	\$ 10,125	\$ 10,125	\$ 10,125	\$ 25,000	\$ 0	
Vacation	\$ 0	\$ 14,448	\$ 14,448	\$ 14,448	\$ 14,448	\$ 14,448	\$ 14,448	\$ 14,448	
Excise Tax & Gross-Up (Cutback)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (662,837)	\$ 0	
<b>Total</b>	\$ 1,033,495	\$ 1,409,930	\$ 1,409,930	\$ 1,931,918	\$ 1,931,918	\$ 1,931,918	\$ 4,718,078	\$ 66,324	

**Table of Contents****DIRECTOR COMPENSATION FOR FISCAL 2010**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$( <sup>(1)</sup> )	Option Awards \$( <sup>(4)</sup> )	All Other Compensation \$( <sup>(2)</sup> )	Total (\$)
Colleen C. Barrett	65,000	140,000 <sup>(3)</sup>			205,000
M. Anthony Burns	60,000	140,000 <sup>(4)</sup>	<sup>(4)</sup>		200,000
Maxine K. Clark*	34,375	140,000		10,000	184,375
Thomas J. Engibous	66 <sup>(5)</sup>	229,308 <sup>(5)</sup>			229,374
Kent B. Foster	75,000	140,000 <sup>(6)</sup>		10,000	225,000
Geraldine B. Laybourne	60,000	140,000 <sup>(7)</sup>		10,000	210,000
Burl Osborne	78,750	140,000 <sup>(8)</sup>		4,000	222,750
Leonard H. Roberts	30,021 <sup>(9)</sup>	169,978 <sup>(9)</sup>		10,000	209,999
Javier G. Teruel	27 <sup>(10)</sup>	199,973 <sup>(10)</sup>			200,000
R. Gerald Turner	65,000	140,000 <sup>(11)</sup>	<sup>(11)</sup>	10,000	215,000
Mary Beth West	64,588	140,000 <sup>(12)</sup>		5,000	209,588

\* Ms. Clark resigned from the Board of Directors on August 24, 2010.

- (1) Each non-employee director receives an annual stock grant consisting of a number of restricted stock units having a market value nearest to \$140,000. For 2010, the number of units was determined by dividing \$140,000 by the closing price of jpenney common stock on the date of grant (rounded to the nearest whole unit). The amounts shown in this column include the fair value of the annual stock award for 2010, which was \$26.43. The date of grant of the annual stock grant to non-employee directors is the third trading date following the Company's Annual Meeting of Stockholders.
- (2) Includes the value of Company matching contributions under the Directors' Matching Fund. Under this program, directors may request jpenney to match dollar-for-dollar their personal charitable contributions up to \$10,000 per fiscal year.
- (3) Ms. Barrett had 22,437 stock awards, consisting of 18,355 restricted stock unit awards and 4,082 restricted stock awards, outstanding as of January 29, 2011.
- (4) Mr. Burns had 33,375 stock awards, consisting of 18,355 restricted stock unit awards and 15,020 restricted stock awards, and 8,800 option awards outstanding as of January 29, 2011.
- (5) Mr. Engibous has elected to receive 100 percent of his cash retainers in shares of jpenney common stock. The amount shown in the Stock Awards column includes the fair value of stock received in lieu of cash. Fractional shares are paid out in cash. Mr. Engibous had 30,675 stock awards, consisting of 18,355 restricted stock unit awards and 12,320 restricted stock awards, outstanding as of January 29, 2011.
- (6) Mr. Foster had 30,675 stock awards, consisting of 18,355 restricted stock unit awards and 12,320 restricted stock awards, outstanding as of January 29, 2011.
- (7) Ms. Laybourne had 7,442 restricted stock unit awards outstanding as of January 29, 2011.

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- (8) Mr. Osborne had 26,020 stock awards, consisting of 18,355 restricted stock unit awards and 7,665 restricted stock awards, outstanding as of January 29, 2011.
  
- (9) Mr. Roberts elected to receive 100 percent of his cash retainers in shares of jcpenny common stock for the first six months of fiscal 2010. The amount shown in the Stock Awards column includes the fair value of stock received in lieu of cash. Fractional shares are paid out in cash. Mr. Roberts had 28,114 stock awards, consisting of 18,355 restricted stock unit awards and 9,759 restricted stock awards, outstanding as of January 29, 2011.
  
- (10) Mr. Teruel has elected to receive 100 percent of his cash retainers in shares of jcpenny common stock. The amount shown in the Stock Awards column includes the fair value of stock received in lieu of cash. Fractional shares are paid out in cash. Mr. Teruel had 14,006 restricted stock unit awards outstanding as of January 29, 2011.
  
- (11) Mr. Turner had 31,575 stock awards, consisting of 18,355 restricted stock unit awards and 13,220 restricted stock awards, and 1,600 option awards outstanding as of January 29, 2011.
  
- (12) Ms. West had 17,543 restricted stock unit awards outstanding as of January 29, 2011.

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### ***Cash Retainers and Stock Award***

Directors who are Company Associates do not receive directors' fees. The Corporate Governance Committee has the responsibility for recommending to the Board of the Directors the appropriate compensation for non-employee directors. The Corporate Governance Committee conducts periodic reviews to assure that non-employee directors are being fairly and reasonably compensated in relation to comparable U.S. companies. Non-employee directors receive the following compensation:

- An annual cash retainer of \$60,000;
- An annual award of restricted stock units with a market value at the time of grant of \$140,000;
- An annual cash retainer of \$15,000 for the chair of the Audit Committee;
- An annual cash retainer of \$10,000 for the Chair of the Human Resources and Compensation Committee;
- An annual cash retainer of \$7,500 for the chairs of the Corporate Governance Committee and the Finance and Planning Committee;
- An annual cash retainer of \$15,000 for the Lead Director; and
- An annual cash retainer of \$5,000 for directors who are Representatives under an Indemnification Trust Agreement among the Company, its wholly owned subsidiary, J. C. Penney Corporation, Inc., and JPMorgan Chase Bank, as trustee (currently Directors Barrett, Engibous, Osborne, and Turner).

Director compensation covers the period from June 1 to May 31 of the following year. The cash retainers are payable quarterly. Non-employee directors are reimbursed for expenses incurred for attending any meeting which they attend in their official capacities as directors. Director equity awards are required to be held until the director's service ends.

### ***Election to Receive Common Stock; Deferral***

Directors may elect to receive all or a portion of their cash retainers in jcpenny common stock. As of the end of fiscal 2010, two directors had elected to receive all or part of their cash retainers in jcpenny common stock. A director may also elect to defer payment of all or part of their cash retainers under the terms of a deferred compensation plan for directors. As of the end of fiscal 2010, one director had elected such deferral.

### ***Directors' Charitable Award Program***

The Company's Directors' Charitable Award Program was frozen by the Board in 2000. Four of the current directors participate in the program. The Charitable Award Program is designed to acknowledge the service of directors and to recognize the mutual interest of directors and the Company in supporting worthy charitable and educational institutions. Pursuant to the Charitable Award Program, the Company has purchased joint life insurance policies on groups of directors (in the event of an uneven number of directors, a single life policy was purchased). Each group generally consists of two directors with the Company named as the beneficiary of each joint life policy. With respect to each group, the Company will receive a \$1,000,000 death benefit upon the death of the second director of the group. The Company in turn has informally agreed to donate a total of \$1,000,000 to one or more charitable organizations as recommended by the individual directors. The Company will donate \$500,000 upon the earlier of (i) five years after the date of death of the first director of the group to die or (ii) the death of the second director of the group. The Company will donate an additional \$500,000 upon the death of the second director of the group. Because all charitable deductions accrue solely to the Company, the individual directors derive no financial benefits from this program.

### ***Directors' Matching Fund***

Members of the Board of Directors may be involved with charitable organizations to which they provide support in the form of personal charitable contributions. As with the Charitable Award Program, the Company has established the Directors' Matching Fund to benefit and recognize the mutual interest of directors and the Company in supporting worthy charitable and educational institutions. Under the Directors' Matching Fund, directors may request jcpenny to match dollar-for-dollar their personal charitable contributions up to \$10,000 per fiscal year. All or part of the matching contributions may be allocated to one or several organizations that have been determined to be charitable organizations under Section 501(c)(3) of the Code or that are a political subdivision of the state. Matches may only be made on personal gifts that have been paid within that fiscal year, not pledged.

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### **AUDIT FUNCTION**

#### ***Report of the Audit Committee***

#### **Composition and Qualifications**

The Audit Committee of the Board of Directors (the Audit Committee) is composed of five independent directors and operates under a written charter, in accordance with applicable rules of the SEC and the NYSE. The Corporate Governance Committee and the full Board of Directors considers membership for the Audit Committee annually. The current members of the Audit Committee are Thomas J. Engibous, Leonard H. Roberts, Javier G. Teruel, Mary Beth West and Kent B. Foster, who serves as its Chair. The Board of Directors has determined that each member is financially literate and qualifies as an audit committee financial expert, as those terms are defined by the NYSE and the SEC.

#### **Purpose**

The purpose of the Audit Committee is to assist the Board in monitoring: (i) the Company's accounting and financial reporting processes, including internal control over financial reporting; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independence and qualifications of the Company's independent auditor; and (iv) the performance of the Company's internal auditors and independent auditor.

#### **Responsibilities**

Management is responsible for maintaining adequate internal control over financial reporting and KPMG LLP is responsible for expressing opinions on the conformity of the Company's audited consolidated financial statements with U.S. generally accepted accounting principles and on the effectiveness of the Company's internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee is also solely responsible for the selection and termination of the Company's independent auditor, including the approval of audit fees and non-audit services provided by and fees paid to the independent auditor.

#### **Review of Financial Information**

In this context, the Audit Committee has met and held discussions with management of the Company, who represented to the Audit Committee that the Company's audited consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles. The Audit Committee has reviewed and discussed the audited consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting, and KPMG LLP's evaluation of the Company's internal control over financial reporting with both management and the independent auditor. The Audit Committee also discussed with the independent auditor the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). The Audit Committee has received the written disclosures and the letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and the Audit Committee discussed with the independent auditor its independence. The Audit Committee also participated in the certification process relating to the filing of certain reports pursuant to the Securities Exchange Act of 1934, as amended.

#### **Inclusion of Consolidated Financial Statements in Form 10-K**

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended January 29, 2011 for filing with the SEC.

**Table of Contents****Independent Auditor**

The Audit Committee also recommends that the Company's stockholders ratify KPMG LLP as the Company's independent auditor for the 2011 fiscal year.

**Audit Committee**

Kent B. Foster, Chair  
Thomas J. Engibous

Leonard H. Roberts  
Javier G. Teruel

Mary Beth West

**Audit and Other Fees**

The following table presents fees for professional services rendered by KPMG LLP:

	<b>Fiscal 2009</b>	<b>Fiscal 2010</b>
Audit Fees <sup>(1)</sup>	\$ 3,832,723	\$ 3,865,419
Audit-Related Fees <sup>(2)</sup>	373,200	350,500
<b>Total Audit and Audit-Related Fees</b>	<b>\$ 4,205,923</b>	<b>\$ 4,215,919</b>
Tax Fees <sup>(3)</sup>	\$ 345,548	\$ 434,283
All Other Fees <sup>(4)</sup>	155,000	115,000
<b>Total Fees<sup>(5)</sup></b>	<b>\$ 4,706,471</b>	<b>\$ 4,765,202</b>

- (1) Audit fees include fees for the audits of the Company's annual consolidated financial statements, for professional services rendered for the audits of internal control over financial reporting, for quarterly reviews and for review of SEC filings and other related matters.
- (2) Audit-related fees in both years were for certain employee benefit plan audits and audits of financial statements of a related entity.
- (3) Tax fees consisted of fees for tax consultation and tax compliance services.
- (4) All other fees for Fiscal 2010 include fees for work related to review of the Company's Purchase Card program and fees associated with consideration of International Financial Reporting Standards.
- (5) All fees were pre-approved by the Audit Committee of the Board.

**Audit Committee's Pre-Approval Policies and Procedures**

The Audit Committee must approve any fee for services to be performed by the Company's independent auditor in advance of the service being performed. For proposed projects using the services of the Company's independent auditor that are expected to cost over \$200,000 or 5% of the auditor's fee for the preceding year, whichever is lower, the Audit Committee will be provided information to review and must approve each project prior to commencement of any work. For proposed projects using the services of the Company's independent auditor that are expected to cost \$200,000 or less, or less than 5% of the auditor's fee for the preceding year, whichever is greater, the Audit Committee will be asked to review and approve a maximum amount for certain services, which may include services in any one or more of the following categories:

(a) audit fees; (b) audit-related fees; (c) tax fees; and (d) all other fees for any services allowed to be performed by the independent auditor. If

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additional amounts are needed, the Audit Committee must approve the increased amounts prior to the previously approved maximum being reached and before the work may continue. Approval by the Audit Committee may be made at its regularly scheduled meetings or otherwise, including by telephonic or other electronic communications. The Company will report the status of the various types of approved services and fees, and cumulative amounts paid and owed, to the Audit Committee on a periodic basis as appropriate.

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**PROPOSAL 2**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR**

KPMG LLP, independent certified public accountants, member of the SEC Practice Section of the AICPA Division for CPA firms, and registrant with the Public Company Accounting Oversight Board, has been the auditor of the Company's consolidated financial statements since 1916. Its appointment as the Company's independent auditor for the fiscal year ending January 28, 2012 has been approved by the Audit Committee of the Board. Stockholder ratification of such appointment is requested.

It is anticipated that a representative of KPMG LLP will attend the meeting, will be available to respond to appropriate questions, and will have an opportunity to make a statement should he or she so desire.

*The Board recommends a vote FOR the ratification of the appointment of KPMG LLP.*

**PROPOSAL 3**

**MANAGEMENT PROPOSAL TO AMEND THE COMPANY'S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED AND BYLAWS, AS AMENDED, TO ELIMINATE SUPERMAJORITY VOTING**

**Background**

The Board of Directors, as part of its continuing review of corporate governance matters and in dialogue with stockholders, after careful consideration and upon recommendation by the Corporate Governance Committee, has adopted and now recommends stockholder approval of a proposal to (i) amend subsection (d) of Article Sixth of the Company's Restated Certificate of Incorporation, as amended (Charter), to eliminate the supermajority voting provision therein with respect to the removal of directors and repeal Article III, Section 12 of the Company's Bylaws, as amended (Bylaws), relating to the removal of directors, (ii) amend Article Eighth of the Charter, which addresses stockholders' ability to act by written consent, to eliminate the supermajority voting provision therein with respect to the ability of stockholders to amend such Article, (iii) amend Article Ninth of the Charter to eliminate the supermajority voting provision therein with respect to the ability of stockholders to amend certain sections of the Bylaws and (iv) repeal in its entirety Article Seventh of the Charter, which requires a supermajority vote to approve certain business combinations between the Company and an interested stockholder. A supermajority voting provision is generally one that requires a voting threshold greater than a simple majority.

Supermajority voting provisions are intended to facilitate corporate governance stability by requiring broad stockholder consensus to effect changes. In addition, they provide anti-takeover protection for the Company. For example, Article Seventh of the Charter was intended to protect the Company from potential self-interested actions of large stockholders and to encourage bidders seeking to acquire the Company to negotiate with the Board of Directors. However, many investors and others have begun to view supermajority voting provisions as conflicting with principles of good corporate governance. These investors also assert that supermajority voting provisions cause boards and management to be less responsive to stockholders. While supermajority voting requirements can be beneficial, the Board of Directors nevertheless has determined that there are compelling arguments for eliminating the supermajority voting provisions. Supermajority voting requirements essentially provide veto power to minority stockholders. Moreover, a lower threshold for stockholder votes can increase the ability of stockholders to participate effectively in the Company's corporate governance.

The Board is committed to good corporate governance. The Corporate Governance Committee consulted management and the Company's outside advisors when it considered the various positions for and against supermajority voting provisions. Based upon the analysis and recommendation of the Corporate Governance Committee, the Board has determined that adopting a resolution approving amendments to the Charter and Bylaws to eliminate supermajority voting provisions is in the best interests of the Company and its stockholders.



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Approval of the management proposal to amend the Charter and the Bylaws requires the affirmative vote of at least 80% of the shares of jpenney common stock outstanding as of the record date. If you abstain from voting on this matter, your shares will be counted as present for purposes of determining a quorum and the abstention will have the same effect as a vote against the proposal.

**Amendments to Charter and Bylaws**

The following is a brief description of each of the proposed amendments to the Charter and Bylaws:

1. *Amend Subsection (d) of Article Sixth of the Charter to Provide That Removal of Directors, With or Without Cause, May Be Effected by a Simple Majority Vote of Stockholders and Repeal Article III, Section 12 of the Bylaws Relating to Removal of Directors.*

If the proposal is adopted by the Company's stockholders, subsection (d) of Article Sixth of the Charter (removal of directors) will be amended to provide that any director may be removed from office, with or without cause, by the affirmative vote of a simple majority of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors at a stockholder meeting at which a quorum is present and Article III, Section 12 of the Bylaws (removal of directors) will be repealed.

2. *Amend Article Eighth of the Charter to Provide That Such Article May Be Altered, Amended or Repealed by a Simple Majority Vote of Stockholders.*

Article Eighth of the Charter (prohibition on stockholder action by written consent) currently provides that the vote of at least 80% of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors is required to alter, amend, or repeal, or adopt any provisions inconsistent with such Article. The Company is proposing to amend Article Eighth to delete the supermajority voting requirement in order that any future amendment to such Article would need the affirmative vote of a simple majority of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors at a stockholder meeting at which a quorum is present.

3. *Amend Article Ninth of the Charter To Provide That Bylaws May Be Altered, Amended or Repealed by a Simple Majority Vote of Stockholders and to Provide That Such Article May Be Altered, Amended or Repealed by a Simple Majority Vote of Stockholders.*

Article Ninth of the Charter currently provides that the vote of at least 80% of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors is required to amend Article II, Section 2 (special meetings of stockholders) and Article III, Sections 12 (removal of directors) and 15 (notice of director nominations) of the Bylaws. The Company is proposing to amend Article Ninth to delete the supermajority voting requirement and to allow either (i) the Board of Directors or (ii) stockholders, pursuant to the affirmative vote of a simple majority of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors at a stockholder meeting at which a quorum is present, to amend any provision of the Bylaws.

Article Ninth of the Charter also currently provides that the vote of at least 80% of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors is required to alter, amend, or repeal, or adopt any provision inconsistent with such Article. The Company is proposing to amend Article Ninth to delete the supermajority voting requirement in order that any future amendment to such Article would need the affirmative vote of a simple majority of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors at a stockholder meeting at which a quorum is present.

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4. *Repeal Article Seventh of the Charter in its Entirety.*

Article Seventh of the Charter (stockholder approval of certain business combinations) currently provides that the vote of at least 80% of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors is required to approve certain business combinations with interested stockholders (as defined in the Charter). The Company is proposing to eliminate Article Seventh in its entirety to remove these voting requirements. However, the Company will still be subject to Section 203 of the Delaware General Corporation Law (DGCL) which, under certain circumstances, requires a vote of 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock (excluding stock owned by an interested stockholder) for approval of a business combination with an interested stockholder, each as defined in the DGCL.

Annex A shows the changes to the relevant portions of Articles Sixth, Seventh, Eighth, and Ninth of the Charter and Article III, Section 12 of the Bylaws resulting from the proposed amendments, with deletions indicated by strike-outs and additions indicated by underlining. If approved, this proposal will become effective upon the filing of a Certificate of Amendment to the Restated Certificate of Incorporation, as Amended with the Secretary of State of the State of Delaware. The Company would make such a filing promptly after approval of the proposal at the Annual Meeting.

*The Board recommends a vote FOR the management proposal to amend the Charter and Bylaws to eliminate supermajority voting provisions.*

**PROPOSAL 4**

**ADVISORY VOTE ON COMPENSATION**

**OF OUR NAMED EXECUTIVE OFFICERS**

The Human Resources and Compensation Committee of the Board of Directors is responsible for establishing and implementing our executive compensation program. The Human Resources and Compensation Committee determines compensation for each named executive officer other than the CEO. The CEO's compensation is determined by all of the independent directors of the Board. As described in the Compensation Discussion and Analysis section of this Proxy Statement, we design our compensation program to retain, attract and develop the best people in retail, and to link compensation to performance. Stockholders are encouraged to read the Compensation Discussion and Analysis section for a more detailed discussion of how the Company's compensation program reflects our overall philosophy and objectives.

As required by Section 14A of the Exchange Act and pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we are asking stockholders to vote on the following resolution:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers described in this Proxy Statement in the Compensation Discussion and Analysis section and the tabular disclosure regarding named executive officer compensation together with the accompanying narrative disclosure, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission.

As an advisory vote, this proposal is non-binding. Although the vote is non-binding, the Board of Directors values the opinions of the Company's stockholders and will take into account the outcome of the vote when considering future compensation decisions.

*The Board recommends a vote FOR the approval of the compensation of the named executive officers.*

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**PROPOSAL 5**  
**ADVISORY VOTE ON FREQUENCY OF**  
**STOCKHOLDER VOTE ON COMPENSATION**  
**OF OUR NAMED EXECUTIVE OFFICERS**

As required by Section 14A of the Exchange Act and pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, at least once every six years, we are required to provide stockholders with the opportunity to cast a vote as to how frequently they would like jcpenny to hold an advisory vote on the compensation of our named executive officers (say-on-pay vote). Therefore, we are asking stockholders to vote whether the Company's future say-on-pay votes should be held every year, every other year or once every three years. This vote is advisory and therefore non-binding. Although the vote is non-binding, the Board of Directors values the opinions of the Company's stockholders and will take into account the outcome of the vote when establishing the frequency of future say-on-pay votes.

Your proxy card provides four choices for you to cast your vote: every year, every two years, every three years, or you may abstain. You are not voting to approve or disapprove the Board's recommendation.

*The Board recommends a vote for the frequency of every year for holding jcpenny's future say-on-pay votes.*

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**OTHER BUSINESS MATTERS**

***Stockholder Proxy Proposal Deadline***

Under the rules of the SEC, the date by which proposals of stockholders intended to be presented at the 2012 Annual Meeting of Stockholders must be received by the Company for inclusion in its proxy statement and form of proxy relating to that meeting is November [30], 2011.

***Stockholder Business Annual Meeting***

Stockholders who wish to introduce an item of business at an annual meeting of stockholders may do so in accordance with jcpenny's Bylaw procedures. These procedures provide, generally, that stockholders desiring to bring a proper subject of business before the meeting, must do so by a written notice timely received (not later than 90 days in advance of such meeting) by the Corporate Secretary of the Company. Any notice of intent to introduce an item of business at an annual meeting of stockholders must contain the name and address of the stockholder, and a representation that the stockholder is a holder of record and that the stockholder intends to appear in person or by proxy at the meeting. Notice of an item of business shall include a brief description of the proposed business and any material interest of the stockholder in such business.

The chair of the annual meeting may refuse to allow the transaction of any business not presented in compliance with the foregoing procedures.

***Timing***

It is currently expected that the 2012 Annual Meeting of Stockholders will be held on or about May 18, 2012, in which event any advance notice of nominations for directors and items of business (other than proposals intended to be included in the proxy statement and form of proxy, which as noted above must be received by November [30], 2011) must be given by stockholders and received by the Secretary of the Company by February 18, 2012. The Company does, however, retain the right to change the date of the 2012 Annual Meeting of Stockholders as it, in its sole discretion, may determine. Notice of any change will be furnished to stockholders prior to the expiration of the 90-day advance notice period referred to above. Copies of the Company's Bylaws are available on our website at [www.jcpenny.net](http://www.jcpenny.net) or you may request a copy from the Corporate Secretary of the Company.

Janet Dhillon, Secretary

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**ANNEX A**

**PROPOSED AMENDMENTS TO THE RESTATED CERTIFICATE OF  
INCORPORATION, AS AMENDED, OF J. C. PENNEY COMPANY, INC.**

1. Subsection (d) of Article Sixth of the Restated Certificate of Incorporation, as amended, of the Company would be amended as follows:

(d) Except as otherwise provided for or fixed by or pursuant to the provisions of Article Fourth of this Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, any director may be removed from office, with or without cause, but only by the affirmative vote of at least ~~80%~~ **a majority** of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors (Voting Stock), voting together as a single class (it being understood that for the purposes of this Article Sixth, each share of the Voting Stock shall have the number of votes granted to it in accordance with Article Fourth of this Certificate of Incorporation).

2. Article Seventh of the Restated Certificate of Incorporation, as amended, of the Company would be amended as follows:

~~Seventh: Intentionally Omitted. Section 1. The vote of stockholders of the Company required to approve any Business Combination shall be as set forth in this Article Seventh.~~

~~The term Business Combination, as well as other capitalized terms used in this Article Seventh, shall have the respective meanings ascribed to them in Section 3 of this Article Seventh.~~

~~Irrespective of any affirmative vote required by law or by this Certificate of Incorporation, and except as otherwise expressly provided in Section 2 of this Article Seventh:~~

~~(i) any merger or consolidation of the Company or any Subsidiary with (a) any Interested Stockholder or (b) any other Person (whether or not itself an Interested Stockholder or an Affiliate of an Interested Stockholder) which is, or after such merger or consolidation would be, an Interested Stockholder or an Affiliate of an Interested Stockholder;~~

~~(ii) any sale, lease, exchange, mortgage, pledge, transfer, or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Company or any Subsidiary having an aggregate Fair Market Value of \$100 million or more;~~

~~(iii) any sale, lease, exchange, mortgage, pledge, transfer, or other disposition (in one transaction or a series of transactions) to the Company or any Subsidiary of any assets of any Interested Stockholder or any Affiliate of any Interested Stockholder having an aggregate Fair Market Value of \$100 million or more;~~

~~(iv) any issuance or transfer by the Company or any Subsidiary (in one transaction or a series of transactions) of any securities of the Company or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities, or other property (or a combination thereof) having an aggregate Fair Market Value of \$100 million or more;~~

~~(v) the adoption of any plan or proposal for the liquidation or dissolution of the Company proposed by or on behalf of any Interested Stockholder or any Affiliate of any Interested Stockholder; or~~

~~(vi) any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any merger or consolidation of the Company with any of its Subsidiaries or any other transaction (whether or not~~

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~~with or into or otherwise involving an Interested Stockholder), which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity, or securities convertible into any equity, securities of the Company or any Subsidiary, as the case may be, which is, directly or indirectly, owned by any Interested Stockholder or any Affiliate of any Interested Stockholder,~~

~~shall require the affirmative vote of at least 80% of the combined voting power of the then outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors (Voting Stock), voting together as a single class (it being understood that for the purposes of this Article Seventh, each share of Voting Stock shall have the number of votes granted to it in accordance with Article Fourth of this Certificate of Incorporation). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may otherwise be applicable, by law or in any agreement with any national securities exchange or otherwise.~~

~~**Section 2.** Any Business Combination which meets all the conditions specified in either paragraph A or paragraph B below shall not be subject to the provisions of Section 1 of this Article Seventh and shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation:~~

~~A. the Business Combination shall have been approved by a majority of the Disinterested Directors;~~

~~—or—~~

~~B. all the following conditions with respect to such Business Combination shall have been met:~~

~~(i) the aggregate amount of cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination, shall be at least equal in value to the higher of the following:~~

~~(a) if applicable, the highest per share price (including any brokerage commissions, transfer taxes, soliciting dealers' fees, and option costs) paid by the Interested Stockholder (before or after becoming an Interested Stockholder), or any Affiliate or Associate thereof, in acquiring Beneficial Ownership of any shares of Common Stock (1) within the two year period immediately prior to the first public announcement of the proposal of the Business Combination (Announcement Date) or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; or~~

~~(b) the Fair Market Value per share of Common Stock of the Company (1) on the Announcement Date, or (2) on the date on which the Interested Stockholder became an Interested Stockholder (Determination Date), whichever is higher;~~

~~(ii) the aggregate amount of cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any class or series of outstanding Voting Stock other than Common Stock shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph B(ii) of this Section 2 of Article Seventh shall be required to be met with respect to every class or series, as the case may be, of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of such class or series of Voting Stock):~~

~~(a) if applicable, the highest per share price (including any brokerage commissions, transfer taxes, soliciting dealers' fees, and option costs) paid by the Interested Stockholder (before or after becoming an Interested Stockholder) for any shares of such class or series of Voting Stock acquired by it (1) within the two year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;~~

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~~(b) if applicable, the highest preferential amount per share to which the holders of shares of such class or series, as the case may be, of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company; or~~

~~(c) the Fair Market Value per share of such class or series, as the case may be, of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher;~~

~~(iii) the price determined in accordance with paragraphs B(i) and B(ii) of this Section 2 of Article Seventh shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares, or similar event;~~

~~(iv) the consideration to be received by the holders of a specified class or series of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as that which the Interested Stockholder has previously paid for shares of such class or series of Voting Stock; if the Interested Stockholder had paid for shares of any class or series of Voting Stock with varying forms of consideration, the form of consideration for such class or series of Voting Stock shall, at the option of the Interested Stockholder, be either cash or the form used to acquire the largest number of shares of such class or series of Voting Stock previously acquired by it;~~

~~(v) after such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination:  
(a) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (b) there shall have been (i) no reduction in the annual rate of dividends payable or last paid, as the case may be, on the Common Stock (except as necessary to reflect any subdivision of such Common Stock) except as approved by a majority of the Disinterested Directors and (ii) an increase in the annual rate of dividends last paid on the Common Stock, as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization, or any similar transaction which has the effect of reducing the number of outstanding shares of such Common Stock, unless the failure so to increase such annual rate shall have been approved by a majority of the Disinterested Directors; and (c) such Interested Stockholder shall not have acquired Beneficial Ownership of any additional shares of Voting Stock, except as part of the transaction which resulted in such Interested Stockholder becoming an Interested Stockholder;~~

~~(vi) after such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges, or other financial assistance or any tax credits or other tax advantages provided by, or as a result of its equity position in, the Company, whether in anticipation of or in connection with such Business Combination or otherwise; and~~

~~(vii) a proxy statement or information statement describing the proposed Business Combination (and including the views of the Disinterested Directors, if requested by the Disinterested Directors, and of an independent investment banker, if any, selected by such Disinterested Directors with respect to the proposed Business Combination) and complying with the disclosure and other requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such requirements of such Act, rules, or regulations) shall be mailed at least 30 days prior to the consummation of such Business Combination (whether or not such proxy statement or information statement is required to be mailed pursuant to such Act or subsequent provisions) to stockholders of the Company.~~

**Section 3.** For purposes of this Article Seventh:

A. An Affiliate of, or a Person Affiliated with, a specified Person, shall mean a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

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B. ~~Announcement Date~~ shall have the meaning set forth in paragraph B(i)(a) of Section 2 of this Article Seventh.

C. The term ~~Associate~~ used to indicate a relationship with any Person shall mean (1) any corporation or organization (other than the Company or any Subsidiary), of which such Person is an officer or partner or is, directly or indirectly, the Beneficial Owner of 10% or more of any class of equity securities, (2) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as a trustee or in a similar fiduciary capacity, and (3) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person or who is a director or officer of the Company or any Subsidiary.

D. A Person shall be a ~~Beneficial Owner~~ of any Voting Stock:

(i) which such Person or any of its Affiliates or Associates owns, directly or indirectly;

(ii) which such Person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement, or understanding or upon the exercise of conversion rights, exchange rights, warrants, or options, or otherwise, or (b) the right to vote (whether or not irrevocable) pursuant to any agreement, arrangement, or understanding; or

(iii) which is Beneficially Owned, directly or indirectly, by another Person with which such Person or any of its Affiliates or Associates has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of any shares of Voting Stock,

and any Voting Stock of which a Person shall be the Beneficial Owner shall be ~~Beneficially Owned~~ by, or be under the ~~Beneficial Ownership~~ of, such Person.

E. ~~Business Combination~~ shall mean any transaction which is referred to in any one or more of clauses (i) through (vi) of Section 1 of this Article Seventh.

F. In the event of any Business Combination in which the Company survives, the phrase ~~consideration other than cash to be received~~ as used in paragraphs B(i) and (ii) of Section 2 of this Article Seventh shall include shares of Common Stock and shares of any other class or series of outstanding Voting Stock retained by the holders of such shares, or both.

G. ~~Determination Date~~ shall have the meaning set forth in paragraph B(i)(b) of Section 2 of this Article Seventh.

H. ~~Disinterested Director~~ shall mean any member of the Board of Directors who is not an Affiliate, an Associate, or a nominee of the Interested Stockholder and who was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is not an Affiliate or Associate of the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

I. ~~Fair Market Value~~ shall mean: (i) in the case of stock, the highest closing sale price of a share of such stock during the 30 calendar day period immediately preceding the date in question on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on such Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30 calendar day period immediately preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors.



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~~J. Interested Stockholder~~ shall mean any Person (other than the Company, any Subsidiary, or any employee benefit plan of the Company or any Subsidiary) who or which:

~~(i) is the Beneficial Owner, directly or indirectly, of at least 10% of the Voting Stock;~~

~~(ii) is an Affiliate of the Company and at any time within the two year period immediately prior to the date in question was the Beneficial Owner, directly or indirectly, of at least 10% of the Voting Stock; or~~

~~(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two year period immediately prior to the date in question Beneficially Owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended.~~

~~For purposes of determining whether a person is an Interested Stockholder, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph D of this Section 3, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement, or understanding or upon exercise of conversion rights, warrants, or options, or otherwise.~~

~~K. Person~~ shall mean any individual, firm, trust, partnership, association, corporation, or other entity.

~~L. Subsidiary~~ shall mean any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Company.

~~M. Voting Stock~~ shall have the meaning set forth in Section 1 of this Article Seventh.

~~Section 4.~~ A majority of the Disinterested Directors shall have the power and duty to determine for the purposes of this Article Seventh, on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a Person is an Affiliate or Associate of another, and (D) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Company or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$100 million or more. A majority of the Disinterested Directors shall have the further power to interpret all the terms and provisions of this Article Seventh.

~~Section 5.~~ Nothing contained in this Article Seventh shall be construed to relieve any interested Stockholder from any fiduciary obligation imposed by law.

~~Section 6.~~ Notwithstanding any other provisions of this Certificate of Incorporation or the Bylaws (and notwithstanding the fact that a lesser percentage may otherwise be specified by law, this Certificate of Incorporation, or the Bylaws), the affirmative vote of at least 80% of the Voting Stock, voting together as a single class (it being understood that for the purposes of this Article Seventh, each share of the Voting Stock shall have the number of votes granted to it in accordance with Article Fourth of this Certificate of Incorporation), shall be required to alter, amend, or repeal, or adopt any provisions inconsistent with, this Article Seventh.

3. Article Eighth of the Restated Certificate of Incorporation, as amended, of the Company would be amended as follows:

Eighth: Any action required or permitted to be taken by the holders of the Voting Stock must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Notwithstanding anything contained in this Certificate of Incorporation to the

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contrary, the affirmative vote of at least ~~80% a majority~~ of the combined voting power of the then-outstanding shares of **Voting Stock** ~~all classes and series of stock of the Company entitled to vote generally in the election of directors ( ~~Voting Stock~~ )~~, voting together as a single class (it being understood that for the purposes of this Article Eighth, each share of the Voting Stock shall have the number of votes granted to it in accordance with Article Fourth of this Certificate of Incorporation), shall be required to alter, amend, or repeal, or adopt any provisions inconsistent with, this Article Eighth.

4. Article Ninth of the Restated Certificate of Incorporation, as amended, of the Company would be amended as follows:

Ninth: The Board of Directors shall have the power to make, alter, amend, or repeal, or adopt any provision inconsistent with, the Bylaws (except insofar as the Bylaws adopted by the stockholders shall otherwise provide). Any Bylaws made by the directors under the powers conferred hereby may be altered, amended, or repealed, and any provisions inconsistent therewith may be adopted, by the directors or by ~~the~~ stockholders. ~~Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, Section 2 of Article II, and Sections 12 and 15 of Article III of the Bylaws, all as in effect simultaneously with the effectiveness of this Article, shall not be altered, amended, or repealed, and no provision inconsistent therewith shall be adopted, without the affirmative vote of at least 80% a majority~~ of the combined voting power of the then-outstanding shares of **Voting Stock** ~~all classes and series of stock of the Company entitled to vote generally in the election of directors ( ~~Voting Stock~~ )~~, voting together as a single class (it being understood that for the purposes of this Article Ninth, each share of the Voting Stock shall have the number of votes granted to it in accordance with Article Fourth of this Certificate of Incorporation). Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of at least ~~80% a majority~~ of the Voting Stock, voting together as a single class, shall be required to alter, amend, or repeal, or adopt any provision inconsistent with, this Article Ninth.

**PROPOSED AMENDMENTS TO THE BYLAWS, AS AMENDED,**

**OF J. C. PENNEY COMPANY, INC.**

1. Article III, Section 12 of the Bylaws, as amended, of the Company would be amended as follows:

SECTION 12. ~~**Intentionally Omitted. Removal of Directors.** Any director may be removed, either with or without cause, at any time, by the affirmative vote of at least 80% of the combined voting power of the then outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors, voting together as a single class, at a special meeting of stockholders duly called and held for the purpose or at an annual meeting of stockholders.~~

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**jcpenny**

**WINNING TOGETHER Principles**

**associates. . . .**

*We value, develop, and reward the contributions and talents of all associates.*

**integrity. . . .**

*We act only with the highest ethical standards.*

**performance. . . .**

*We provide coaching and feedback to perform at the highest level.*

**recognition. . . .**

*We celebrate the achievements of others.*

**teamwork. . . .**

*We win together through leadership, collaboration, open and honest communication, and respect.*

**quality. . . .**

*We strive for excellence in our work, products, and services.*

**innovation. . . .**

*We encourage creative thinking and intelligent risk taking.*

**community. . . .**

*We care about and are involved in our communities.*

**we do this for our. . .**

**customers. . . .**

*We build lasting relationships by offering superior service and value.*

**shareholders. . . .**

*We aspire to superior financial performance.*

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**PRELIMINARY PROXY MATERIALS SUBJECT TO COMPLETION**

*J. C. PENNEY COMPANY, INC.*

*6501 LEGACY DRIVE*

*PLANO, TX 75024*

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day prior to the meeting date. Have your proxy/voting instruction card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by J. C. Penney Company, Inc. in mailing proxy materials, you can consent to receive all future notice communications, proxy statements, proxy/voting instruction cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day prior to the meeting date. Have your proxy/voting instruction card in hand when you call and follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy/voting instruction card and return it in the enclosed postage-paid envelope provided or return it to J. C. Penney Company, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**If you vote your proxy by Internet or by telephone,**

**you do NOT need to mail back your proxy card.**

**You can view the Annual Report on Form 10-K,**

**Summary Annual Report and Proxy Statement**

**on the Internet at [www.proxyvote.com](http://www.proxyvote.com).**

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: M32518-P06892 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**J. C. PENNEY COMPANY, INC.**

**Vote on Proposals**

**Directors recommend a vote FOR Proposal**

**1.**

Edgar Filing: J C PENNEY CO INC - Form PRE 14A

1. Election of Directors: Board's nominees for Directors for the term set forth in the Proxy Statement are:	<b>For</b>	<b>Against</b>	<b>Abstain</b>						
<b>Nominees:</b>									
1a. William A. Ackman	..	..	..						
1b. Colleen C. Barrett	..	..	..				<b>For</b>	<b>Against</b>	<b>Abstain</b>
1c. Thomas J. Engibous	..	..	..	1j. R. Gerald Turner	..	..	..	..	..
1d. Kent B. Foster	..	..	..	1k. Mary Beth West	..	..	..	..	..
1e. Geraldine B. Laybourne	..	..	..	1l. Myron E. Ullman, III	..	..	..	..	..
1f. Burl Osborne	..	..	..	<b>Directors recommend a vote FOR Proposals 2, 3 and 4.</b>					
1g. Leonard H. Roberts	..	..	..	2. To ratify the appointment of KPMG LLP as independent auditor for the fiscal year ending January 28, 2012.	..	..	..	..	..
1h. Steven Roth	..	..	..	3. To approve the amendment of the Company's Restated Certificate of Incorporation, as amended, and Bylaws, as amended, to eliminate supermajority voting.	..	..	..	..	..
1i. Javier G. Teruel	..	..	..	4. Advisory vote on executive compensation.	..	..	..	..	..
For address changes and/or comments, please check this box and write them on the back where indicated.	..	..	..	<b>Directors recommend a vote of 1 YEAR for Proposal 5.</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>Abstain</b>	
Please indicate if you plan to attend this meeting.	..	..	..	5. Advisory vote on frequency of holding an advisory vote on executive compensation.	..	..	..	..	..

**Yes No**

**Please Sign and Date**

Please sign your name exactly as stenciled hereon. For a joint account, each joint owner should sign. Persons signing in a representative capacity should indicate their capacity.

Signature [PLEASE SIGN WITHIN BOX]      Date

Signature (Joint Owners)      Date

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*You can now access the J. C. Penney Company, Inc. account online.*

Access the J. C. Penney Company, Inc. stockholder account online via Investor ServiceDirect® (ISD).

Mellon Investor Services LLC (operating with the service name BNY Mellon Shareowner Services), Transfer Agent for J. C. Penney Company, Inc., now makes it easy and convenient to get current information on stockholder accounts.

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form
	Establish/change the PIN

*Visit us on the web at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd)*

q **FOLD AND DETACH HERE** q

M32519-P06892

**J. C. Penney Company, Inc.**

**PROXY/VOTING INSTRUCTION CARD**

**This Proxy is solicited by the Board of Directors**

By properly executing this card on the reverse, or by voting via Internet or telephone, you are authorizing T. J. Engibous, K. B. Foster and M. E. West, or any of them, with power of substitution in each, to represent and vote the stock owned of record which you are entitled to vote at the Annual Meeting of Company Stockholders, to be held at the jcpenny Home Office located at 6501 Legacy Drive, Plano, Texas 75024-3698 on Friday, May 20, 2011, at 10:00 A.M., local time, and at any adjournment or postponement thereof ( Meeting ), upon such business as may come before the Meeting, including the items set forth on the reverse ( Business ).

Board's nominees for Directors for the term set forth in the Proxy Statement are (1a) William A. Ackman, (1b) Colleen C. Barrett, (1c) Thomas J. Engibous, (1d) Kent B. Foster, (1e) Geraldine B. Laybourne, (1f) Burl Osborne, (1g) Leonard H. Roberts, (1h) Steven Roth, (1i) Javier G. Teruel, (1j) R. Gerald Turner, (1k) Mary Beth West, and (1l) Myron E. Ullman, III.

Your vote is important and cannot be recorded by the proxies unless this card is properly executed by you and returned, or unless you vote by Internet or telephone. Therefore, please sign, date, and return this card promptly in the envelope provided, or vote by Internet or telephone. No postage is required if this envelope is mailed in the United States.

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This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR election of all directors, FOR Proposals 2, 3, and 4 and for 1 YEAR for Proposal 5.

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark the corresponding box on the reverse side.)

**(Continued on the reverse side)**



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**PRELIMINARY PROXY MATERIALS SUBJECT TO COMPLETION**

*J. C. PENNEY COMPANY, INC.*

*6501 LEGACY DRIVE*

*PLANO, TX 75024*

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until two days prior to the meeting date. Have your proxy/voting instruction card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by J. C. Penney Company, Inc. in mailing proxy materials, you can consent to receive all future notice communications, proxy statements, proxy/voting instruction cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until two days prior to the meeting date. Have your proxy/voting instruction card in hand when you call and follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy/voting instruction card and return it in the enclosed postage-paid envelope provided or return it to J. C. Penney Company, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**If you vote your proxy by Internet or by telephone,**

**you do NOT need to mail back your proxy card.**

**You can view the Annual Report on Form 10-K,**

**Summary Annual Report and Proxy Statement**

**on the Internet at [www.proxyvote.com](http://www.proxyvote.com).**

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: M32520-Z54858 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**J. C. PENNEY COMPANY, INC.**

**Vote on Proposals**

**Directors recommend a vote FOR Proposal**

**1.**

Edgar Filing: J C PENNEY CO INC - Form PRE 14A

1. Election of Directors: Board's nominees for Directors for the term set forth in the Proxy Statement are:	<b>For</b>	<b>Against</b>	<b>Abstain</b>						
<b>Nominees:</b>									
1a. William A. Ackman	..	..	..						
1b. Colleen C. Barrett	..	..	..				<b>For</b>	<b>Against</b>	<b>Abstain</b>
1c. Thomas J. Engibous	..	..	..	1j. R. Gerald Turner	..	..	..	..	..
1d. Kent B. Foster	..	..	..	1k. Mary Beth West	..	..	..	..	..
1e. Geraldine B. Laybourne	..	..	..	1l. Myron E. Ullman, III	..	..	..	..	..
1f. Burl Osborne	..	..	..	<b>Directors recommend a vote FOR Proposals 2, 3 and 4.</b>					
1g. Leonard H. Roberts	..	..	..	2. To ratify the appointment of KPMG LLP as independent auditor for the fiscal year ending January 28, 2012.	..	..	..	..	..
1h. Steven Roth	..	..	..	3. To approve the amendment of the Company's Restated Certificate of Incorporation, as amended, and Bylaws, as amended, to eliminate supermajority voting.	..	..	..	..	..
1i. Javier G. Teruel	..	..	..						
				4. Advisory vote on executive compensation.	..	..	..	..	..
For address changes and/or comments, please check this box and write them on the back where indicated.	..	..	..	<b>Directors recommend a vote of 1 YEAR for Proposal 5.</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>Abstain</b>	
I elect to direct the voting of undirected shares in the Plan.	..	..	..	5. Advisory vote on frequency of holding an advisory vote on executive compensation.	..	..	..	..	..

**Yes No**

**Please Sign and Date**

Please sign your name exactly as stenciled hereon. For a joint account, each joint owner should sign. Persons signing in a representative capacity should indicate their capacity.

Signature [PLEASE SIGN WITHIN BOX]      Date

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M32521-Z54858

**J. C. Penney Company, Inc.**

**PROXY/VOTING INSTRUCTION CARD**

**Allocated and Undirected Stock**

**This Proxy is solicited by the Board of Directors**

**TO PARTICIPANTS IN THE COMPANY'S SAVINGS, PROFIT-SHARING AND STOCK OWNERSHIP PLAN ( PLAN ):**

By properly executing this card on the reverse, or by voting by Internet or telephone, you are instructing State Street Bank and Trust Company ( Trustee ) to vote on your behalf, in accordance with your instructions, in person or by proxy, shares of Common Stock allocated under the Plan ( Allocated Stock ), represented by the number of equivalent shares shown on the reverse side of this card, and a proportionate number of shares of Common Stock for which no directions are received by the Trustee ( Undirected Stock ), at the Annual Meeting of Company Stockholders, to be held at the jcpenny Home Office located at 6501 Legacy Drive, Plano, Texas 75024-3698 on Friday, May 20, 2011, at 10:00 A.M., local time, and at any adjournment or postponement thereof, upon such business as may come before the meeting, including the items set forth on the reverse. If this proxy/voting instruction card is not received by the Trustee, or if you have not voted by Internet or telephone, by May 18, 2011, the Allocated Stock will be voted in the same proportion as instructions received by the Trustee by that date from the Plan Participants who have returned their proxy/voting instruction cards or voted by Internet or telephone in a timely manner. You acknowledge that in voting the Undirected Stock, you are acting as a named fiduciary under the Employee Retirement Income Security Act of 1974. You may elect not to direct the voting of Undirected Stock by checking the appropriate box on the reverse side of this card.

## Edgar Filing: J C PENNEY CO INC - Form PRE 14A

For your information, a copy of the Board of Directors Proxy Statement for the meeting is enclosed herewith.

Board's nominees for Directors for the term set forth in the Proxy Statement are (1a) William A. Ackman, (1b) Colleen C. Barrett, (1c) Thomas J. Engibous, (1d) Kent B. Foster, (1e) Geraldine B. Laybourne, (1f) Burl Osborne, (1g) Leonard H. Roberts, (1h) Steven Roth, (1i) Javier G. Teruel, (1j) R. Gerald Turner, (1k) Mary Beth West, and (1l) Myron E. Ullman, III.

Your voting instructions are important and cannot be followed by the Trustee unless this card is properly executed by you and received by the Trustee, or unless you vote by Internet or telephone, by May 18, 2011. Therefore, please sign, date and return this card promptly in the envelope provided, or vote via Internet or telephone. No postage is required if this envelope is mailed in the United States.

**This proxy, when properly executed, will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR election of all directors, FOR Proposals 2, 3, and 4 and for 1 YEAR for Proposal 5.**

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark the corresponding box on the reverse side.)

(Continued on the reverse side)