J C PENNEY CO INC
Form DEF 14A
March 28, 2012
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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 x

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))

x 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):

x 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:

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¨ 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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March 30, 2012

Dear Stockholders,

On behalf of your Board of Directors, I want to take this opportunity to invite you to attend our 2012 Annual Meeting of Stockholders where we will be asking you to vote on and to support important issues for our Company. The meeting will be held on Friday, May 18, 2012, at 10:00 A.M., local time, at jcpenney s Home Office, located at 6501 Legacy Drive, Plano, Texas 75024. Whether or not you attend the Annual Meeting, it is important that your shares be represented. We urge you to vote your shares via the toll-free telephone number, over the Internet, or by mail, as provided in the enclosed materials.

I would also like to take this opportunity to highlight the transformation underway at our Company. Ron Johnson became our new CEO on November 1, 2011 and has been re-imagining the department store experience to transform jcpenney into America s favorite store. He has recruited a team of high-caliber executives, including Michael Francis (President), Mike Kramer (Chief Operating Officer) and Dan Walker (Chief Talent Officer), who bring with them years of senior executive experience at other public consumer-focused companies. On January 25-26, 2012, this team unveiled a blueprint for jcpenney s transformation that includes our new pricing strategy called Fair and Square, which is guided by the core values established by our Company s founder, James Cash Penney. This blueprint is designed to enable customers to once again shop on their terms, in sync with the rhythm of their lives.

We also thank Mike Ullman, who retired from jcpenney on January 27, 2012 after serving as Chairman and CEO from 2004 through October 2011. Mike laid the groundwork for the changes now underway at jcpenney and we appreciate his years of exceptional service to the Company. His role in the Company s succession planning process and his tenure as Executive Chairman of the Board from November 1 until his retirement facilitated a seamless management transition.

As part of the management transition, your Board made the decision to separate the Chairman and CEO roles. I was honored to be selected by your directors to assume the Chairman role, effective January 28, 2012.

As you review these materials, please note the importance that your Board places on instilling a pay-for-performance culture at jcpenney. Long-term equity awards are a key component of our compensation philosophy. Through the use of stock awards, the compensation arrangements for our new senior executives are designed to align their interests directly with those of all stockholders. A substantial portion of the new executives equity grants does not begin to vest until 2015, which focuses their efforts on increasing stockholder value over the long term.

Further, as a demonstration of his confidence in jcpenney s long-term potential, Ron Johnson made a personal investment of $50 million in the Company through the purchase of a 7 $^{1}/2$ year warrant for shares of jcpenney common stock.

Thank you again for your support. We are excited about the important work underway at jcpenney and are optimistic about the prospects for our Company. We are confident that we have the leadership in place to drive long-term stockholder value, and we look forward to seeing you on May 18.

Thomas J. Engibous

Chairman of the Board

jcpenney

6501 Legacy Drive

Plano, TX 75024

jcp.com

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J. C. PENNEY COMPANY, INC.

6501 Legacy Drive

Plano, Texas 75024-3698

J. C. PENNEY COMPANY, INC.

Notice of 2012 Annual Meeting of Stockholders

Date and Time:	Friday, May 18, 2012 10:00 A.M., local time
Place:	jcpenney 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 February 2, 2013; 3. To approve the adoption of the J. C. Penney Company, Inc. 2012 Long-Term Incentive Plan, which has been adopted by the Board of Directors, subject to stockholder approval; 4. To approve the adoption of the J. C. Penney Corporation, Inc. Management Incentive Compensation Program, which has been adopted by the Board of Directors; 5. To hold an 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 19, 2012.
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 2012 Annual Meeting of

Stockholders to be held on May 18, 2012.

The Notice of Annual Meeting, Proxy Statement, Annual Report on Form 10-K for the fiscal year ended January 28, 2012 and the 2011 Summary Annual Report are available at www.proxyvote.com.

Janet Dhillon, Secretary

Plano, Texas

March 30, 2012

YOUR VOTE IS IMPORTANT

PLEASE SIGN, DATE, & RETURN YOUR PROXY CARD OR

VOTE BY TELEPHONE OR INTERNET

PROXY STATEMENT

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2012 PROXY STATEMENT

This proxy statement and the accompanying materials are being made available to jcpenney stockholders beginning on or about March 30, 2012. 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?

jcpenney s Board of Directors is soliciting your vote at the 2012 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 jcpenney s independent auditor for the fiscal year ending February 2, 2013;
- Approval of the 2012 Long-Term Incentive Plan;
- Approval of the Management Incentive Compensation Program;
- 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 February 2, 2013, For the approval of the 2012 Long-Term Incentive Plan, For the approval of the Management Incentive Compensation Program, and For the approval of our executive compensation in connection with the advisory vote on executive compensation.

Who is entitled to vote?

All stockholders who owned jcpenney common stock at the close of business on the record date, March 19, 2012, 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 jcpenney common stock you owned on the record date.

How many votes can be cast by all stockholders?

Each share of jcpenney common stock is entitled to one vote. There is no cumulative voting. On March 19, 2012, jcpenney had 218,299,029 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 jcpenney common stock as of the record date, or 109,149,515 shares, must be present at the Annual Meeting in order to hold the meeting and conduct business. This is called a quorum.

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.

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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 jcpenney s independent auditor requires the affirmative vote of a majority of the shares of jcpenney common stock present in person or by proxy that are entitled to vote on such matter. 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 2012 Long-Term Incentive Plan, the Management Incentive Compensation Program and our executive compensation in connection with the advisory vote on executive compensation require the affirmative vote of a majority of the shares of jcpenney common stock present in person or by proxy that are entitled to vote on such matter. If you abstain from voting on any of these matters, 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 are not entitled to be cast for these matters and accordingly will have no effect on the approval of any of these matters.

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.

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 jcpenney 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 jcpenney common stock on March 19, 2012, 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 jcpenney 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 jcpenney 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.

Will my vote be kept confidential?

Yes. jcpenney 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 jcpenney 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.

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Who pays for this proxy solicitation?

jcpenney does. In addition to soliciting proxies by mail, jcpenney may solicit proxies by telephone, personal contact, and electronic means. No director, officer, or employee of jcpenney will be specially compensated for these activities. jcpenney 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.

jcpenney will also reimburse brokers, fiduciaries, and custodians for their costs in forwarding proxy materials to beneficial owners of jcpenney 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

Over 110 years ago, James Cash Penney founded his company on the principle of treating customers the way he wanted to be treated himself: fair and square. Today, J. C. Penney Company, Inc. s corporate governance principles reflect the highest ethical standards rooted in its rich heritage as we seek to achieve excellence in our work, products, and services 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.

You can access each of these documents on our website at www.jcpenney.net or www.jcpenney.com 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 or www.jcpenney.com. 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;
- claw-back 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

Effective January 28, 2012, the Board of Directors elected Thomas J. Engibous, a non-employee, independent director, to serve as the Company s first Non-Executive Chairman of the Board. Mr. Engibous previously served as Lead Director pursuant to the Company s Lead Independent Director Policy. The duties of the Non-Executive Chairman of the Board include:

- presiding over all meetings of the Board and regular executive sessions of the non-employee, independent members of the Board;
- approving 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;
- calling and presiding over meetings of the non-employee, independent directors;
- meeting regularly with the CEO and serving as a liaison and channel of communication between the non-employee, independent directors and the CEO; and
- presiding over all meetings of stockholders and communicating with stockholders as appropriate.

The Company s leadership structure previously consisted of a combined Chairman/CEO leadership role coupled with a Lead Director. The Board of Directors, as part of its continuing review of corporate governance matters, decided to separate the Chairman and CEO roles and elect a Non-Executive Chairman of the Board after careful consideration and upon recommendation by the Corporate Governance Committee. The Board believes that jcpenney s current leadership structure enhances the Board s ability to ensure 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

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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 Non-Executive Chairman 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 jcpenney.

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 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 28.9% of HHC s common stock, including a 14.5% beneficial ownership interest. HHC, through an affiliated entity, is the landlord for one of the Company s leased store locations. During fiscal 2011, the Company made payments under this lease totaling approximately $248,000. The lease is currently expected to continue through fiscal 2012 and beyond. In fiscal 2012, the Company expects to make payments under the lease of approximately $235,000 plus any 2012 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). 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 2011, such payments totaled approximately $17.3 million. The leases are currently expected to continue through fiscal 2012 and beyond. In fiscal 2012, the Company expects to make similar payments with respect to such store locations of approximately $14.4 million, plus any 2012 property taxes assessed and paid indirectly through the landlords. Mr. Roth has no direct or indirect material interest in these transactions.

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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 jcpenney 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.jcpenney.net or www.jcpenney.com.

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 jcpenney;
  - a member of the director s immediate family is or was an executive officer of jcpenney;
  - the director or an immediate family member of the director received more than $120,000 per year in direct compensation from jcpenney (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 jcpenney s external auditor and personally worked on jcpenney 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 jcpenney 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, jcpenney 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 jcpenney s external auditor;
- Whether the director is a current employee of jcpenney s external auditor;
- Whether an immediate family member of the director is a current employee of jcpenney s external auditor and personally works on jcpenney 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 jcpenney 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 2012. 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. Johnson, is independent.

Meeting Attendance

During fiscal 2011, the Board held 16 meetings and committees of the Board held a total of 29 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 2012.

All directors are strongly encouraged to attend the Annual Meeting, but we do not have a formal attendance requirement. In 2011, eleven of the thirteen 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 Non-Executive Chairman of the Board, Thomas J. Engibous, presides over these sessions.

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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@jcpenney.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.

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 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

jcpenney is committed to creating an inclusive work environment where everyone is respected and valued. A workforce that understands jcpenney 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.

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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 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 at www.jcpenney.net or www.jcpenney.com. 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 2011, 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.

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 or www.jcpenney.com. See Board Diversity, Director Qualifications and Process for Nominations on page 8 for more information on the Corporate Governance Committee s process for identifying and evaluating nominees for director.

During fiscal 2011, this Committee met four times. Its current members are Colleen C. Barrett, Geraldine B. Laybourne, Burl Osborne, Steven Roth, 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 or www.jcpenney.com.

During fiscal 2011, this Committee met six times. 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.

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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 or www.jcpenney.com. See also this Committee s report on page 34. 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 2011 beginning on page 52.

During fiscal 2011, this Committee met nine times. Its current members are William A. Ackman, Colleen C. Barrett, 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 or www.jcpenney.com. See also Compensation Discussion and Analysis beginning on page 21.

During fiscal 2011, this Committee met three times. The Committee is composed solely of the independent members of the Board. Its current members are William A. Ackman, Colleen C. Barrett, 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 2011, 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 jcpenney 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 2011.

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BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table shows, as of March 1, 2012, the beneficial ownership of shares of jcpenney common stock by (a) each stockholder known to the Company to beneficially own more than 5% of jcpenney common stock, (b) each present director, all of whom are nominees for re-election at the Annual Meeting, and two former directors who resigned from the Board on May 20, 2011 and January 27, 2012, respectively, (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, 2012.

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, 2012	Percent of outstanding common stock[1]
Pershing Square Capital Management L.P.	39,075,771[2]		17.98%
Vornado Realty Trust	23,400,000[3]	4,815,990[3]	10.77%
State Street Corporation	20,379,728[4]		9.38%
Evercore Trust Company, N.A.	14,639,712[5]		6.74%
J. C. Penney Corporation, Inc. Savings, Profit-Sharing and Stock Ownership Plan	13,753,698[6]		6.33%
Directors[7]			
William A. Ackman[8]	39,075,771		17.98%
Colleen C. Barrett	27,914	23,155	*
M. Anthony Burns[9]	44,387	27,367	*
Thomas J. Engibous	63,935	23,155	*
Kent B. Foster	38,782[10]	23,155	*
Ronald B. Johnson[11]	8,149,872	7,256,894	3.62%
Geraldine B. Laybourne	11,919	11,919	*
Burl Osborne	34,565	23,155	*
Leonard H. Roberts	48,059	23,155	*
Steven Roth[12]	23,400,000	4,815,990	10.77%
Javier G. Teruel	25,258	18,677	*
R. Gerald Turner	46,111[13]	24,755	*
Myron E. Ullman, III[14]	2,044,554	307,573	*
Mary Beth West	22,318	22,318	*
Named Executive Officers[7][15]			
Michael P. Dastugue[16]	238,572	223,601	*
Michael R. Francis			*
Michael W. Kramer			*
Daniel E. Walker			*
All present directors and executive officers as a group[7][17][18]	71,373,839	12,656,597	31.70%

* 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, 2012.

(2) Based on information set forth in Amendment No. 5 to Schedule 13D filed jointly with the SEC on September 23, 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

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jcpenney common stock and information set forth in the Form 4 filed with the SEC on January 24, 2012 by Pershing Square. The address of Pershing Square is 888 Seventh Avenue, 42nd Floor, New York, New York 10019.

(3) Based on information set forth in Amendment No. 4 to Schedule 13D filed jointly with the SEC on September 19, 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 jcpenney common stock. Vornado s beneficial ownership includes 18,584,010 shares of jcpenney common stock and rights from a third party to purchase 4,815,990 shares of jcpenney 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.

(4) Based on information set forth in a Schedule 13G filed with the SEC on February 13, 2012 by State Street Corporation reporting shared power to vote or direct the vote and to dispose or direct the disposition of 20,379,728 shares of jcpenney common stock, which includes shares of jcpenney 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 20,379,728 shares of jcpenney 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 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.

(5) Based on information set forth in Amendment No. 2 to Schedule 13G filed with the SEC on February 13, 2012 by Evercore Trust Company, N.A. reporting shared power to vote or direct the vote and to dispose or direct the disposition of 14,639,712 shares of jcpenney common stock, representing shares held in trust under the Savings Plan (see footnotes 4 above and 6 below). Evercore Trust Company, N.A. serves as the named fiduciary and investment manager for the jcpenney common stock fund under the Savings 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, 2012; 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 4 above), and Evercore Trust Company, N.A. serves as the named fiduciary and investment manager for the jcpenney 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, 2012. Does not include restricted stock units that will not vest within 60 days of March 1, 2012.

(8) By virtue of William A. Ackman s position as Chief Executive Officer of Pershing Square Capital 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) Stock ownership for Mr. Burns reflects direct holdings as of May 20, 2011, the last day on which he served as a director of the Company, along with restricted stock units and options exercisable within 60 days of such date.

(10) Includes 377 shares of jcpenney common stock with respect to which Mr. Foster shares voting and investment power.

(11) Stock ownership for Mr. Johnson reflects his ownership of a warrant that he purchased prior to his employment with the Company. The warrant entitles him to acquire 7,256,894 shares of jcpenney common

stock and is exercisable after June 13, 2017; however, the warrant is immediately exercisable and transferable upon the termination of Mr. Johnson s employment with the Company for any reason or immediately prior to the effective date of a change of control of the Company.

(12) By virtue of Steven Roth s position as a trustee and the Chairman of the Board of Trustees of Vornado Realty Trust (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.

(13) Includes 1,732 shares of jcpenney common stock that Mr. Turner holds under the Company s Dividend Reinvestment Plan with respect to which he shares voting and investment power.

(14) Stock ownership for Mr. Ullman reflects direct holdings as of January 27, 2012, the last day on which he served as an Executive Chairman of the Company, along with restricted stock units and options exercisable within 60 days of such date.

(15) In addition to Messrs. Johnson and Ullman, who also served as directors during fiscal year 2011.

(16) Includes 1,000 shares of jcpenney common stock with respect to which Mr. Dastugue shares voting and investment power.

(17) Excludes shares of Mr. Ullman, who no longer serves as an executive officer or director of the Company.

(18) Excludes shares of Mr. Burns, who no longer serves as a director of the Company.

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EQUITY COMPENSATION PLAN(S) INFORMATION

The following table shows the number of options and other awards outstanding as of January 28, 2012 under the J. C. Penney Company, Inc. 2009 Long-Term Incentive Plan (2009 Plan) and subsequent plans, as well as the number of shares remaining available for grant under the 2009 Plan.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	17,235,766[(1)]	$ 38[(2)]	8,064,514[(3)]
Equity compensation plans not approved by security holders[(4)]	2,255,847[(4)]	$	
Total	19,491,613	$ 38[(2)]	8,064,514

(1) Includes 2,568,639 restricted stock units.

(2) Represents the weighted-average exercise price of outstanding stock options only and the weighted-average remaining term is 5.4 years.

(3) At the May 15, 2009 Annual Meeting of Stockholders, our stockholders approved the 2009 Plan, which reserved an aggregate of 13.1 million shares of common stock for issuance to associates and non-employee directors. No shares remain available for future issuance from prior plans.

(4) On November 16, 2011, the Company made an inducement equity award of 1,000,000 restricted stock units to our President, Michael R. Francis, which vests one-third on November 16, 2015, November 16, 2016 and November 16, 2017. On November 16, 2011, the Company made an inducement equity award of 373,483 restricted stock units to our Chief Talent Officer, Daniel E. Walker, which vests one-third on November 16, 2015, November 16, 2016 and November 16, 2017. On December 5, 2011, the Company made an inducement equity award of 119,332 restricted stock units to our Chief Operating Officer, Michael W. Kramer, which vests one-third on December 5, 2012, December 5, 2013 and December 5, 2014 and an inducement equity award of 750,000 restricted stock units to Mr. Kramer, which vests one-third on December 5, 2015, December 5, 2016 and December 5, 2017. Total includes 13,032 shares of potential dividend equivalents.

On March 13, 2012, the Company made an annual grant of stock options and restricted stock unit awards covering 2,557,518 shares of common stock under the 2009 Plan.

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PROPOSAL 1

ELECTION OF DIRECTORS

The terms of each of the Company s current directors will expire at the 2012 Annual Meeting. Each of the current directors has been nominated by the Board of Directors to serve as a continuing director for a new one-year term expiring at the 2013 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.

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 Company does not have a mandatory retirement age for directors. There is no family relationship between any director or executive officer of the Company.

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

Nominees for Director

William A. Ackman, 45 - 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. Member of the Board of Dean s Advisors of Harvard Business School, the Board of Advisors of the Center for Jewish History and a Trustee of the Pershing Square Foundation.

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.

Colleen C. Barrett, 67 - 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. (airline), 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. Member of the Board of Trustees of Becker College.

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.

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Thomas J. Engibous, 59 - Chairman of the Board since January 2012, 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; Honorary Trustee of the Southwestern Medical Foundation.

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 jcpenney Board, as well as skills and talents from the technology industry to help jcpenney 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, 68 - 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 jcpenney 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 prior service on the audit committee of the board of another company.

Ronald B. Johnson, 53 - Director of the Company since 2011.

Business Experience: Chief Executive Officer of the Company since November 2011; Senior Vice President, Retail for Apple, Inc. (technology) from 2000 to 2011; Senior Vice President of Merchandising of Target Corporation, where he served in positions of increasing importance from 1985 to 2000; Member of the Board of Directors for Stanford Hospital and Clinics and Board of Trustees of Stanford University.

Mr. Johnson has extensive experience in the retail industry, including executive experience with major U. S. retailers. He also brings insights and perspectives from positions he has held in the technology industry including his leadership in the development of Apple s retail strategy. He brings retail experience, skills and perspective to help jcpenney connect and communicate with its customers and capitalize on opportunities in retailing.

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Geraldine B. Laybourne, 64 - 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; Chairman of the Board of Directors of Alloy, Inc.; 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 jcpenney connect and communicate with its customers and capitalize on opportunities in digital retailing. She also has served on the boards of several publicly-traded companies.

Burl Osborne, 74 - 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 jcpenney Board skills and perspectives to help the Company reach and communicate with its customers through various media. He also has served on the boards of other publicly-traded companies.

Leonard H. Roberts, 63 - 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; Former 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 jcpenney 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.

Steven Roth, 70 - 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. (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 jcpenney Board.

Javier G. Teruel, 61 - 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; Director of Nielsen Company B.V.

Mr. Teruel has extensive executive experience in the consumer products industry. He brings to the jcpenney 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 jcpenney Board, including financial expertise resulting from his service as the chair of the audit committee of one of the boards.

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R. Gerald Turner, 66 - Director of the Company since 1995.

Business Experience: President of Southern Methodist University (education) 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; Director of Methodist Hospital Foundation and the Salvation Army of Dallas.

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 jcpenney Board.

Mary Beth West, 49 - 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 jcpenney 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

The compensation philosophy of jcpenney springs from the core principle on which the Company was founded: treat everyone fair and square. This was enshrined in the Company 110 years ago by founder James Cash Penney, who believed others should be treated the way he himself hoped to be treated. This principle endures today as the cornerstone of the Company s strategy to transform jcpenney into America s favorite store.

Executive Summary

Fiscal 2011 marked a year of tremendous change for the Company as we embarked on the process of transforming jcpenney to become America s favorite store. We believe that talent is critical to a people-intensive business such as retailing; thus, in 2011 we focused on attracting high-caliber, experienced senior executive officers as we re-imagine the department store experience.

For the fiscal year ended January 28, 2012, our named executive officers consisted of:

Name	Title	Commencement of Position
Ronald B. Johnson	Chief Executive Officer	November 1, 2011
Michael R. Francis	President	October 4, 2011
Michael W. Kramer	Chief Operating Officer	December 5, 2011
Daniel E. Walker	Chief Talent Officer	November 16, 2011
Michael P. Dastugue	Executive Vice President and Chief Financial Officer	January 11, 2011
Myron E. Ullman, III	Former Chairman and Chief Executive Officer	

As we transitioned to a new Chief Executive Officer (CEO) and appointed several new senior executive officers, we focused on delivering competitive compensation packages that emphasize the long-term, and consequently performance dependent, nature of their commitment to the Company.

Our transformative year began with our June 14, 2011 announcement that Ronald B. Johnson would become our next CEO on November 1, 2011 and would join our Board of Directors on August 1, 2011. A 25-year veteran of the retail industry, Mr. Johnson has a long and successful track record of delivering year-over-year growth for multi-billion dollar companies and was responsible for leading Apple Inc. s retail strategy and launching and leading the Design Initiative at Target Corporation. As a demonstration of his confidence in jcpenney s long-term potential, Mr. Johnson requested and made a personal investment of $50 million in jcpenney through the purchase of a 7 1/2 year warrant for shares of common stock of jcpenney. The warrant cannot be sold or hedged until June 2017.

To facilitate the transition to a new CEO, we entered into a transition services agreement on August 22, 2011 with Myron E. Ullman, III, pursuant to which he became Executive Chairman of the Board of the Company on November 1, 2011 until his retirement on January 27, 2012. As discussed below, Mr. Ullman received transition services compensation in return for his providing services in connection with the transition of his duties and responsibilities as CEO to Mr. Johnson and for agreeing to be subject to certain restrictive covenants for an 18-month period following his retirement from jcpenney.

In connection with our strategy to re-imagine the department store experience and to transform jcpenney into America s favorite store, Mr. Johnson identified several experienced retail executives that he believed would be instrumental in building jcpenney s future.

On October 4, 2011, Michael R. Francis joined the Company as President with responsibility for leading all marketing and merchandising functions. Mr. Francis began his 25-year merchandising and marketing career with Marshall Field s and worked with Mr. Johnson at Target Corporation, which he helped fashion into the nation s leading upscale discount store.

On November 14, 2011, we announced that Michael W. Kramer would become our Chief Operating Officer (COO) and have responsibility for finance, investor relations, corporate strategy, planning and allocation, supply chain, property management and information technology. Mr. Kramer has nearly 20 years of executive leadership experience and a track record of building highly innovative organizations focused on emerging consumer trends and markets, including Kellwood Company, Abercrombie & Fitch and Apple, where he worked with Mr. Johnson as chief financial officer of Apple retail.

On November 14, 2011, we also announced that Daniel E. Walker would become our Chief Talent Officer and be responsible for all human resources functions for jcpenney. Mr. Walker has nearly four decades of human resources experience and was the architect of organizational structure and the driver in delivering exceptional, world class talent that enabled major growth and transformation at companies, including Gap and Apple.

How Do We Set Executive Compensation?

Role of Management and the Human Resources and Compensation Committee. The Human Resources and Compensation Committee (the Committee) of the Board of Directors (the Board) 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.

As part of the Committee s deliberations, the CEO makes compensation recommendations for the executive officers other than himself, which include the CEO s evaluation of individual performance against previously set individual performance objectives. The Committee considers these recommendations in making its determinations.

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 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.

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 or Mercer) 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.

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 2011, the following companies constituted the peer group for benchmarking purposes:

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.	
Lowe s Companies, Inc.	Staples, Inc.	

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These companies represent a combination of select retail and high value brand companies with median revenues of $21.4 billion and a median employee count of 143,000. In 2011, jcpenney s revenues were $17.3 billion and at fiscal year-end, we had approximately 159,000 employees.

We generally seek to have target compensation for our named executive officers be at or near the 50th percentile of compensation for comparable positions within the peer group. To reflect our focus on attracting high-caliber talent as we began our transformation to become America s favorite store, we provided target compensation to our newly appointed named executive officers at or near the 75th percentile of compensation for comparable positions within the peer group. To the extent that a comparable position did not exist, we used positions of comparable rank within the top 5 named executive officers for the peer group. In setting the compensation of each named executive officer, the Committee, and with respect to Mr. Johnson, the independent directors of the Board, with the assistance of Mr. Reda, made its own determination as to the relevance of data for the peer group, considering (i) the individual circumstances of the senior executive officers, including the valuation of current compensation and equity awards and (ii) the market range of the compensation components for similarly situated executives in the peer group.

As part of the annual review process, the Committee reviews the companies constituting the peer group. For 2012, the Committee determined that Bed Bath & Beyond Inc. and Ross Stores, Inc. should be added to the peer group.

2011 Say-on-Pay Vote. A majority of the Company s stockholders (72% of votes cast) approved its 2010 executive compensation at the 2011 annual meeting in the first say-on-pay vote and approved voting on say-on-pay annually. The Committee recognizes that market practices on executive compensation policies continue to evolve. In recognition of this evolution, the Committee continues to evaluate and make changes to programs to ensure the Company has the appropriate compensation programs in place to most effectively link pay-for-performance, to create stockholder value over the long-term, and to be consistent with good governance practices. In 2011, the Committee focused on attracting experienced senior executives to lead the Company s transformation and considered the results of its say-on-pay vote along with executive compensation trends and comparable compensation data in making its executive compensation decisions.

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 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, 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 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 and time-based restricted stock units are generally subject to the Section 162(m) deduction limitations. Although cash incentive compensation awards under our Management Incentive Compensation Program are performance-based, they have not historically been tax deductible since we have not sought stockholder approval for this program. If stockholders approve this program at the 2012 Annual Meeting, performance-based cash incentive compensation awards may be tax deductible in the future. To maintain flexibility in compensating executive officers in view of the overall objectives of our compensation program, the Committee has not adopted a policy requiring that all compensation be tax deductible. In that regard, during fiscal 2011, the independent directors of the Board approved an inducement equity award for our new CEO and the Committee approved inducement equity and cash awards for our new President, COO and Chief Talent Officer that are not deductible to the Company. In each case, these awards were made to attract these highly sought-after executives to join the Company.

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Claw-Back Policy. 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 Committee shall have the authority to determine the appropriate action to take, which may include requiring relinquishment (claw-back) 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 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 Compensation Elements for Our Named Executive Officers?

Ronald B. Johnson. Mr. Johnson s offer letter, dated June 14, 2011, provided for the following:

- Base salary of $1,500,000
- Participation in our Management Incentive Compensation Program, with a target bonus equal to 125% of base salary, with a maximum bonus equal to 250% of base salary (prorated for 2011)
- An inducement equity award of 1,660,578 restricted stock units (RSUs) granted on November 1, 2011
  - RSUs vested on January 27, 2012 and were payable in shares of jcpenney s common stock
  - RSUs replaced a portion of the value of equity awards granted by Mr. Johnson s former employer that were scheduled to vest in early 2012 (the portion replaced was less than two-thirds)
- Participation in our 2011 Change in Control Plan (discussed in more detail under Potential Payments and Benefits on Termination of Employment)
- Participation in certain perquisites and benefits as an executive officer of the Company (discussed in more detail under What Are Our Other Compensation Program Elements?)

Michael R. Francis. Mr. Francis s offer letter, dated October 3, 2011, provided for the following:

- Base salary of $1,200,000
- Participation in our Management Incentive Compensation Program, with a target bonus equal to 100% of base salary, with a maximum bonus equal to 200% of base salary (prorated for 2011)
- An inducement equity award of 1,000,000 RSUs granted on November 16, 2011
  - One-third of the RSUs will vest on November 16, 2015, November 16, 2016 and November 16, 2017 as long as Mr. Francis remains continuously employed by us
  - RSUs will pro rata vest if Mr. Francis is terminated by us without cause prior to vesting
  - RSUs will fully vest if, within two years of a change in control, his employment is terminated other than for cause or if he terminates his employment for good reason
- A sign-on cash bonus of $12,000,000
  - Mr. Francis must reimburse us for a prorated portion of the bonus if he voluntarily terminates his employment for any reason other than death or disability or if we terminate his employment for cause prior to October 4, 2012
- Participation in our 2011 Change in Control Plan
- Participation in certain perquisites and benefits as an executive officer of the Company

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Michael W. Kramer. Mr. Kramer s offer letter, dated November 13, 2011, provided for the following:

- Base salary of $1,000,000
- Participation in our Management Incentive Compensation Program, with a target bonus equal to 90% of base salary, with a maximum bonus equal to 180% of base salary (prorated for 2011)
- An inducement equity award of 750,000 RSUs granted on December 5, 2011
  - One-third of the RSUs will vest on December 5, 2015, December 5, 2016 and December 5, 2017 as long as Mr. Kramer remains continuously employed by us
  - RSUs will pro rata vest if Mr. Kramer is terminated by us without cause prior to vesting
  - RSUs will fully vest if, within two years of a change in control, his employment is terminated other than for cause or if he terminates his employment for good reason
- A sign-on cash bonus of $4,000,000
  - Mr. Kramer must reimburse us for a prorated portion of the bonus if he voluntarily terminates his employment for any reason other than death or disability or if we terminate his employment for cause prior to December 5, 2012
- A sign-on inducement equity award of 119,332 RSUs granted on December 5, 2011
  - One-third of the RSUs will vest on December 5, 2012, December 5, 2013 and December 5, 2014 as long as Mr. Kramer remains continuously employed by us
  - RSUs will fully vest if his employment with us is terminated as a result of his death or disability, if we terminate his employment other than for cause or if he terminates his employment with us for good reason within two years of a change in control
- Participation in our 2011 Change in Control Plan
- Participation in certain perquisites and benefits as an executive officer of the Company

Daniel E. Walker. Mr. Walker s offer letter, dated November 13, 2011, provided for the following:

- Base salary of $700,000
- Participation in our Management Incentive Compensation Program, with a target bonus equal to 75% of base salary, with a maximum bonus equal to 150% of base salary (prorated for 2011)
- An inducement equity award of 373,483 RSUs granted on November 16, 2011
  - One-third of the RSUs will vest on November 16, 2015, November 16, 2016 and November 16, 2017 so long as Mr. Walker remains continuously employed by us
  - RSUs will pro rata vest if Mr. Walker is terminated by us without cause prior to vesting
  - RSUs will fully vest if, within two years of a change in control, his employment is terminated other than for cause or if he terminates his employment for good reason
- A sign-on cash bonus of $8,000,000
  - Mr. Walker must reimburse us for a prorated portion of the bonus if he voluntarily terminates his employment for any reason other than death or disability or if we terminate his employment for cause prior to November 16, 2012
- Participation in our 2011 Change in Control Plan
- Participation in certain perquisites and benefits as an executive officer of the Company

Myron E. Ullman, III. In connection with the transition of his duties and responsibilities as Chief Executive Officer to Mr. Johnson and his agreement to abide by certain restrictive covenants for an 18-month period following his retirement date (including confidentiality, nonsolicitation of employees, noninterference with business relations and noncompetition), Mr. Ullman and the Company entered into a Transition Services Agreement, dated August 22, 2011, that provided for the following:

- An equity grant of 155,618 RSUs on November 16, 2011
  - RSUs vested on January 26, 2012 and were payable in shares on January 27, 2012
- A one-time cash payment equal to $10,100,000 on January 27, 2012
- Payment of 2011 cash incentive compensation at target

- Accelerated vesting of all outstanding, unvested RSUs on January 27, 2012
- A one-time cash payment equal to $4,750,066 on January 27, 2012 equal to the fair value of all outstanding stock options that would otherwise have been forfeited upon Mr. Ullman s retirement from the Company

Michael P. Dastugue. On January 11, 2011, Mr. Dastugue was elected Executive Vice President and Chief Financial Officer of the Company. His fiscal 2011 compensation included a base salary of $575,000, a target incentive opportunity under our Management Incentive Compensation Program equal to 75% of base salary and an equity award under our 2009 Long-Term Incentive Program having a market value of $1,250,000 on the date of grant.

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

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 annually. Once base salary has been fixed, it does not change based on Company performance. Merit increases are intended to reward individual performance and are also intended to ensure that the individual s base salary remains competitive for the position and level of responsibility. None of our named executive officers received merit increases in 2011. The Summary Compensation Table presents the named executive officers actual salaries for 2011, which for Messrs. Johnson, Francis, Kramer and Walker represents the amounts received from their respective commencement dates through the last day of the Company s fiscal year.

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 2011, 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 2011, the target incentive opportunities for the named executive officers were: Messrs. Johnson and Ullman, 125%; Mr. Francis, 100%; Mr. Kramer, 90%; and Messrs. Dastugue and Walker, 75%. The target incentive opportunities for Messrs. Johnson, Francis, Kramer and Walker were pro-rated to reflect their applicable

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employment period with the Company during fiscal year 2011. For the named executive officers other than the CEO, the target incentive opportunity is set by the Human Resources and Compensation Committee. 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 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, real estate and other, net, and restructuring and management transition charges. 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).

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 2011 payout factors for the Company sales and operating profit components of the annual cash incentive award.

	Sales		Operating Profit		
	Results Against Plan	**Payout Percent**	**Results Against Plan**	**Payout Percent**	
Maximum	**104.0%**	**200.0%**	**115.0%**	**200.0%**	**Maximum**
	103.5%	187.5%	112.0%	180.0%	
	103.0%	175.0%	109.0%	160.0%	
	102.5%	162.5%	106.0%	140.0%	
	102.0%	150.0%	103.0%	120.0%	
	101.5%	137.5%	**100.0%**	**100.0%**	**Target**
	101.0%	125.0%	98.0%	90.0%	
	100.5%	112.5%	96.0%	80.0%	
Target	**100.0%**	**100.0%**	94.0%	70.0%	
	99.5%	87.5%	92.0%	60.0%	
	99.0%	75.0%	90.0%	50.0%	
	98.5%	62.5%	88.0%	40.0%	
	98.0%	50.0%	86.0%	30.0%	
	97.5%	37.5%	84.0%	20.0%	
	97.0%	25.0%	82.0%	10.0%	
	96.5%	12.5%	**80.0%**	**0.0%**	**Threshold**
Threshold	**96.0%**	**0.0%**			

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

For 2011, the Company s performance was:

Measure	**Plan (in millions)**	**Actual (in millions)**	**% +/- Plan**
Sales	$ 18,146	$ 17,260	(4.9)
Operating Profit	$ 1,108	$ 470	(57.6)

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In view of the Company s transformation efforts as well as the challenging economic environment for 2011, the Committee, and with respect to the CEO, the independent directors of the Board, determined that the Company Sales Payout Factor and the Company Operating Profit Payout Factor would each have a floor of 50% and that the Individual Payout pool would be set at 50%. The average Individual Payout Factor was 45% for the current named executive officers, other than Mr. Ullman.

The payouts for 2011 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 2011 is presented in the Grants of Plan-Based Awards table.

Long-Term Incentive Awards. Long-term incentive awards are generally 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 2011, 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 is determined by 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 2011, 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 2011 equity dollar values for Messrs. Ullman and Dastugue were $10,000,000 and $1,250,000, respectively (Messrs. Johnson, Francis, Kramer and Walker were not employed by the Company at the time of the 2011 annual grant). At the 2011 values, target equity compensation for the named executive officers who received the grants was at or near the 50^{th} percentile for the peer group.

For executive officers other than Mr. Ullman, 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 48% of his 2011 annual grant in performance-based restricted stock units, 16% in the form of time-based restricted stock units and 36% in non-qualified stock options.

On August 17, 2011, the Committee approved a supplemental grant of approximately 645,000 restricted stock units to retain selected management Associates during the Company s transformation efforts. The awards were granted on November 16, 2011 pursuant to the Committee s equity award grant policy for off-cycle grants. This supplemental grant, which fully vests eighteen months after the grant date, covered 17 Associates. Mr. Dastugue was the only named executive officer to receive an award.

Performance-Based Restricted Stock Units. Performance-based restricted stock units were granted in March 2011 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

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fiscal year, the percent of the target award earned was determined pursuant to a payout matrix that the Committee established.

The payout matrix sets forth a range of payout percentages relative to the Company s actual results for the fiscal year. For 2011, 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 2011, the Company had to generate earnings per share of $2.17 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 $2.50. To receive any payout for 2011 under this program, the Company had to generate earnings per share of at least $1.74.

Fiscal 2011 earnings per share for purposes of the performance-based restricted stock unit awards were $(0.64), which generated a zero payout.

Time-based Restricted Stock Units. Time-based restricted stock units are granted to retain key talent in view of the cyclicality 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 typically 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 jcpenney 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 50% of the equity dollar value, and in the case of Mr. Ullman, 36% of the equity dollar value, by the fair value of a stock option on the date 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.

For equity awards outstanding for each of the named executive officers as of the end of fiscal 2011, 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. In certain cases, the Committee may waive such policy.

Grant	Grant Date
Annual Grant	Third full trading date after Committee approval.
Off-cycle grants other than to new hires	Third full trading date following the 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 jcpenney 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. jcpenney 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: ten times base salary;
- President, COO, Chief Talent Officer, General Counsel: five times base salary;
- Executive Vice President: three times base salary;
- Senior Vice President: 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. 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.

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 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.

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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.

Messrs. Ullman and Dastugue are the only named executive officers who participate in the Pension Plan and BRP. They are both fully vested in their benefits under these plans. Mr. Dastugue is the only named executive officer who is eligible to participate in the SRP, however, he has not yet vested in his benefit under the program.

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. Messrs. Johnson, Francis, Kramer and Walker are 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. Mr. Dastugue is the only named executive officer 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 top retail talent, 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 restrictive 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. Johnson, the Company s current CEO, has elected not to enter into an Executive Termination Pay Agreement.

For executives serving 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. Mr. Dastugue participates in this Change in Control Plan.

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In October 2008, the Board of Directors adopted a policy that the Company will not enter into future severance arrangements that provide for certain 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.

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.

In January 2011, the Board of Directors approved the 2011 Change in Control Plan (2011 Change in Control Plan), which is applicable to executives appointed after January 2011. The 2011 Change in Control Plan is similar to the 2009 Change in Control Plan in all respects except that a change in control is defined as (i) the acquisition by any person, entity or group of 30% 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. Messrs. Johnson, Francis, Kramer and Walker, who each joined the Company in 2011, participate in the 2011 Change in Control Plan.

The Change in Control Plan, the 2009 Change in Control Plan, the 2011 Change in Control Plan and 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.

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

In fiscal 2011, we provided the following benefits to our executives:

Home Security. Under the KAPP, the CEO maintains a home security system in his primary residence, monthly fees and associated expenses of which are payable 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. During 2011, the KAPP required that Mr. Ullman 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

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Mr. Ullman s personal and commuting use of the Company car and driver in 2011, 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 driver was not charged as income for tax purposes. The Company does not provide a tax gross-up on income imputed for personal use of a Company car.

For purposes of determining the aggregate incremental cost to the Company of the personal use of the Company-leased vehicle, we first calculated the personal mileage attributable to Mr. Ullman s use as a percentage of the vehicle s overall annual mileage. This percentage was 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 Mr. Ullman in the Summary Compensation Table below.

Company Aircraft. The KAPP program recommends that the CEO use Company aircraft for business and personal travel.

The Company does not generally make Company aircraft available for non-Company business use by Company Associates, other than to the CEO as recommended by the KAPP program. However, Company aircraft may occasionally be used personally by other Company Associates with prior approval. 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.

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.

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.

Annual Health Exam and Financial Counseling. In 2011, the named executive officers were eligible to receive the following perquisites:

- A taxable allowance of up to $14,630 for a newly eligible participant or up to $10,125 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 or www.jcpenney.com.

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 2011 and the Company s 2012 Proxy Statement. This report is submitted by the following independent directors, who comprise the Human Resources and Compensation Committee:

Burl Osborne, Chair
William A. Ackman
Colleen C. Barrett
Geraldine B. Laybourne
R. Gerald Turner

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)	Total ($)
Ronald B. Johnson Chief Executive Officer*	2011	375,000		52,656,928	0	236,302	0	13,275(4)	53,281,505
Michael P. Dastugue Executive Vice President and Chief Financial Officer	2011	575,000		2,424,993	625,005	161,719	493,499	23,451(5)	4,303,667
	2010	401,458		300,012	300,001	300,474	129,676	31,884	1,463,505
Michael R. Francis President*	2011	395,000	12,000,000	32,130,000	0	197,260	0	0	44,722,260
Michael W. Kramer Chief Operating Officer*	2011	159,091	4,000,000	29,140,009	0	71,507	0	0	33,370,607
Daniel E. Walker Chief Talent Officer*	2011	145,833	8,000,000	12,000,009	0	55,377	0	0	20,201,219
Myron E. Ullman, III Former Chairman and CEO*	2011	1,489,583		11,400,007	3,600,006	1,875,000	857,205	15,339,521(6)	34,561,322
	2010	1,500,000		6,399,990	1,599,999	2,562,656	814,287	237,937	13,114,869
	2009	1,500,000		1,280,757	1,599,997	3,534,375	491,050	382,865	8,789,044

* Mr. Johnson became Chief Executive Officer on November 1, 2011. Mr. Francis became President on October 4, 2011. Mr. Kramer became Chief Operating Officer on December 5, 2011. Mr. Walker became Chief Talent Officer on November 16, 2011. Mr. Ullman retired from the Company on January 27, 2012.

(1) See Note 14 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 28, 2012, for a discussion of the assumptions underlying the valuation of stock options. The value of stock awards is based on the market price of jcpenney 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. The amounts for Messrs. Johnson, Francis, Kramer and Walker were prorated based on the executive s actual period of service during the fiscal year.

(3) The amounts shown in this column for 2011 reflect the aggregate change in the actuarial present value from January 31, 2011 to January 31, 2012 (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 participates. The Company does not provide above-market or preferential earnings on nonqualified deferred compensation.

(4) The amount shown in this column for Mr. Johnson includes Company contributions or allocations to Mr. Johnson s account in the Mirror Savings Plan for fiscal 2011 of $90. The amount shown also includes $13,185 for personal use of corporate aircraft. 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 account in the Savings Plan and Mirror Savings Plan for fiscal 2011 of $7,481 and $5,845, respectively. It also includes $10,125 for financial counseling services received by Mr. Dastugue.

(6) 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 Savings Plan for fiscal 2011 of $6,909 and $44,775, 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 2011. The amount shown further includes the following payments under the Transition Services Agreement: $10,100,000 transition services payment, $4,750,066 for the fair value of all outstanding stock options that would otherwise have been forfeited, and $43,269 for accrued but unpaid vacation. In addition, the amounts shown include the value of the following perquisites received by Mr. Ullman: personal use of corporate aircraft, $362,682; ground transportation, $8,208; home security systems, $487; annual health exam services, $3,000; and financial counseling, $10,125.

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GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2011

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Future Payouts Under Equity Incentive Plan Awards[3]						
Name	**Grant Date**[1]	**Date of Committee Approval**	**Thres-hold ($)**	**Target ($)**	**Maximum ($)**	**Thres-hold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)**[4]	**All Other Option Awards: Number of Securities Underlying Options (#)**[5]	**Exercise or Base Price of Option Awards ($/share)**	**Grant Date Fair Value of Stock and Option Awards ($)**[6]
Ronald B. Johnson	11/1/2011	6/14/2011							1,660,578			52,656,928
	N/A		0	472,603	945,206							
Michael P. Dastugue	3/15/2011	3/10/2011				0	8,543	17,086				312,503
	3/15/2011								8,543			312,503
	3/15/2011									54,825	36.58	625,005
	11/16/2011	08/17/2011							56,022			1,799,987
	N/A		0	431,250	862,500							
Michael R. Francis	11/16/2011	09/30/2011		394,520	789,041				1,000,000			32,130,000
	N/A		0									
Michael W. Kramer	12/5/2011	11/11/2011							750,000			25,140,000
	12/5/2011								119,332			4,000,009
	N/A		0	143,014	286,027							
Daniel E. Walker	11/16/2011	11/11/2011							373,483			12,000,009
	N/A		0	110,753	221,507							
Myron E. Ullman, III	3/15/2011	3/10/2011				0	131,219	262,438				4,799,991
	3/15/2011								43,740			1,600,009
	3/15/2011									140,351	36.58	1,600,001
	3/15/2011									175,439	36.58	2,000,005
	11/16/2011	08/17/2011							155,618			5,000,006
	N/A		0	1,875,000	3,750,000							

(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. Messrs. Johnson, Francis, Kramer and Walker were not Associates at the time of the 2011 annual grant.

(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) Inducement grants made to Messrs. Johnson, Francis, Kramer and Walker in connection with their commencement of employment. Grants of time-based restricted stock units to Messrs. Dastugue and Ullman made 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.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2011

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Ronald B. Johnson						
2011	0	0	N/A	N/A	0	0
Michael P. Dastugue						
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	18,885		39.78	3/11/18		
2008	25,000		30.88	7/23/18		
2008	25,000		14.38	11/19/18		
2009	27,910	13,956	16.09	3/15/19		
2010	11,062	22,124	30.72	3/15/20	8,511(2)	352,526
2011		54,825	36.58	3/14/21	65,045(3)	2,694,164
Michael R. Francis						
2011	0	0	N/A	N/A	1,005,810(4)	41,660,650
Michael W. Kramer						
2011	0	0	N/A	N/A	754,357(5)	31,245,467
2011					120,025(6)	4,971,436
Daniel E. Walker						
2011	0	0	N/A	N/A	375,653(7)	15,559,547
Myron E. Ullman, III						
2006	187,735		60.50	3/21/16		
2007	201,511		78.50	1/27/17		
2008	287,770		39.78	1/27/17		
2009	243,774		16.09	1/27/17		
2010	110,135		30.72	1/27/17		
2011	50,903		36.58	1/27/17		
2011	40,722		36.58	1/27/17		

(1) Based on the closing market price of jcpenney common stock on January 27, 2012, which was $41.42.

(2) Represents a portion of an award of 7,611 performance-based restricted stock units granted to Mr. Dastugue on March 16, 2010, and a portion of an award of 5,078 time-based restricted stock units granted to Mr. Dastugue on March 16, 2010, which each vests one-third on March 16, 2011, March 16, 2012 and March 16, 2013. The number of units shown includes dividend equivalents paid on this award.

(3) Represents an award of 56,022 time-based restricted stock units granted to Mr. Dastugue on November 16, 2011, which vests on May 16, 2013 and a portion of an award of 8,698 time-based restricted stock units granted to Mr. Dastugue on March 15, 2011, which vests one-third on March 15, 2012, March 15, 2013 and March 15, 2014. The number of units shown includes dividend equivalents paid on this award.

(4) Represents an award of 1,000,000 time-based restricted stock units granted to Mr. Francis on November 16, 2011, which vests one-third on November 16, 2015, November 16, 2016 and November 16, 2017. The number of units shown includes dividend equivalents paid on this award.

(5) Represents an award of 750,000 time-based restricted stock units granted to Mr. Kramer on December 5, 2011, which vests one-third on December 5, 2015, December 5, 2016 and December 5, 2017. The number of units shown includes dividend equivalents paid on this award.

(6) Represents an award of 119,332 time-based restricted stock units granted to Mr. Kramer on December 5, 2011, which vests one-third on December 5, 2012, December 5, 2013 and December 5, 2014. The number of units shown includes dividend equivalents paid on this award.

(7) Represents an award of 373,483 time-based restricted stock units granted to Mr. Walker on November 16, 2011, which vests one-third on November 16, 2015, November 16, 2016 and November 16, 2017. The number of units shown includes dividend equivalents paid on this award.

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OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2011

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Ronald B. Johnson	0	0	1,670,226(1)	69,180,761(2)
Michael P. Dastugue	0	0	1,197(3) 1,671(5) 2,506(7)	45,091(4) 60,407(6) 90,592(6)
Michael R. Francis	0	0	0	0
Michael W. Kramer	0	0	0	0
Daniel E. Walker	0	0	0	0
Myron E. Ullman, III	0	0	18,251(3) 17,838(5) 80,208(7) 335,185(8) 156,522(10) 131,219(12)(18) 163,334(13)(18) 44,535(14)(18) 36,325(15)(18) 149,161(16)(18) 92,306(17)(18)	687,515(4) 644,844(6) 2,899,519(6) 10,923,679(9) 6,373,576(11) 5,435,091(2) 6,765,294(2) 1,844,640(2) 1,504,582(2) 6,178,249(2) 3,823,315(2)

(1) Represents 2011 time-based restricted stock award that vested on January 27, 2012.

(2) Based on the closing market price of jcpenney common stock on January 27, 2012 which was $41.42.

(3) Represents portion of 2008 time-based restricted stock award that vested on March 11, 2011.

(4) Based on the closing market price of jcpenney common stock on March 11, 2011 which was $37.67.

(5) Represents portion of 2010 time-based restricted stock award that vested on March 16, 2011.

(6) Based on the closing market price of jcpenney common stock on March 16, 2011 which was $36.15.

(7) Represents portion of 2010 performance-based restricted stock award that vested on March 16, 2011.

(8) Represents 2008 performance-based restricted stock award that vested on December 15, 2011.

(9) Based on the closing market price of jcpenney common stock on December 15, 2011 which was $32.59.

(10) Represents 2011 time-based restricted stock award that vested on January 26, 2012.

(11) Based on the closing market price of jcpenney common stock on January 26, 2012 which was $40.72.

(12) Represents 2011 performance-based restricted stock award that vested on January 27, 2012.

(13) Represents 2010 performance-based restricted stock award that vested on January 27, 2012.

(14) Represents 2011 time-based restricted stock award that vested on January 27, 2012.

(15) Represents 2010 time-based restricted stock award that vested on January 27, 2012.

(16) Represents 2009 performance-based restricted stock award that vested on January 27, 2012.

(17) Represents 2004 time-based restricted stock award that vested on January 27, 2012.

(18) Based on the grant notice for such award, the underlying shares will be distributed following the earlier of (1) six months following the date of the individual s retirement, (2) the date of the individual s death or (3) the applicable vesting date provided in the grant notice.

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PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)[1]	Present Value of Accumulated Benefit ($)[2][3]	Payments During Last Fiscal Year ($)
Ronald B. Johnson	N/A			
Michael P. Dastugue	Pension Plan	19.5833	259,329	0
	Benefit Restoration Plan	19.5833	452,524	0
	Supplemental Retirement Program	19.5833	831,219[4]	0
Michael R. Francis	N/A			
Michael W. Kramer	N/A			
Daniel E. Walker	N/A			
Myron E. Ullman, III	Pension Plan	6.0833	195,408	0
	Benefit Restoration Plan	6.0833	3,041,307	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, 2012 measurement date used in the Company s financial statements for the fiscal year ended January 28, 2012. 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, 2012 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 and Dastugue are the only named executive officers who are vested in the Pension Plan and BRP.

(4) As of the date of this Proxy Statement Mr. Dastugue is the only named executive officer who 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
- 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.

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 2011 and $250,000 for 2012) or maximum annual benefits ($195,000 for 2011 and $200,000 for 2012).

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. Mr. Dastugue is the only named executive officer 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 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.

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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. None of the named executive officers 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. jcpenney pays the premium for this policy.

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

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NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL 2011

Name	Executive Contributions in last FY ($)(1)	Registrant Contributions in last FY ($)	Aggregate Earnings in last FY ($)(2)	Aggregate Balance at last FYE ($)(3)
Ronald B. Johnson	7,500	0	90	7,590
Michael P. Dastugue	11,691	5,845	(1,258)	246,087
Michael R. Francis	10,000	0	52	10,052
Michael W. Kramer	0	0	0	0
Daniel E. Walker	0	0	0	0
Myron E. Ullman, III	82,500	44,775	96,297	421,444

(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 2011 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 2011 and $250,000 for 2012) and up to 75% of their compensation above the Code compensation limit through the Mirror Savings Plan.

For 2011, 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 jcpenney 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. 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, 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 2011 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.

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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;
- 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. Francis, Kramer, Walker and Dastugue 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. Ullman, 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 28, 2012, which is the last day of the Company s last completed fiscal year.

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Ronald B. Johnson (CEO) Termination without a Change in Control[1]

	Termination Event					
Benefit or Payment	**Voluntary Resignation**	**Retirement**	**Death**	**Permanent Disability**	**Involuntary Termination without Cause**	**Termination For Cause**
Base Salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Annual Cash Incentive[2]	$ 214,624	$ 214,624	$ 214,624	$ 214,624	$ 214,624	$ 0
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted Stock	$ 0	$ 0	$ 0	$ 0	$ 0	$ 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[3]	$ 21,768	$ 21,768	$ 21,768	$ 21,768	$ 21,768	$ 7,590
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Vacation[4]	$ 14,423	$ 14,423	$ 14,423	$ 14,423	$ 14,423	$ 14,423
Total	$ 250,815	$ 250,815	$ 250,815	$ 250,815	$ 250,815	$ 22,013

(1) Mr. Johnson is entitled to the benefits described in the table in the event of a termination without a change in control. In addition, Mr. Johnson holds a warrant that he purchased prior to his employment with the Company that entitles him to acquire 7,256,894 shares of jcpenney common stock. The warrant has an exercise price of $29.92 per share, subject to customary adjustments. The warrant has a term of 7 $^{1}/2$ years and is exercisable after June 13, 2017; however, the warrant is immediately exercisable and transferable upon the termination of Mr. Johnson s employment with the Company for any reason.

(2) Payable under the terms of the Management Incentive Compensation Program.

(3) Payable under the terms of the Mirror Savings Plan.

(4) Payable under the terms of the Company s vacation policy.

Michael P. Dastugue (Executive Vice President and CFO) Termination without a Change in Control

	Termination Event					
Benefit or Payment	**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	$ 149,594	$ 149,594	$ 419,125	$ 419,125	$ 1,066,000	$ 0
Stock Options	$ 0	$ 0	$ 2,438,401	$ 2,438,401	$ 2,806,780	$ 0
Restricted Stock	$ 0	$ 0	$ 570,829	$ 570,829	$ 3,046,748	$ 0
Pension Plan	$ 196,638	$ 196,638	$ 101,721	$ 484,989	$ 196,638	$ 196,638
Benefit Restoration Plan	$ 344,539	$ 344,539	$ 169,888	$ 344,539	$ 344,539	$ 0
Supplemental Retirement Program	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Mirror Savings Plan	$ 246,087	$ 246,087	$ 246,087	$ 246,087	$ 246,087	$ 246,087
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 26,718	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 10,000	$ 10,000	$ 25,000	$ 0
Vacation	$ 44,231	$ 44,231	$ 47,917	$ 47,917	$ 47,917	$ 44,231

Total	$ 981,090	$ 981,090	$ 4,003,968	$ 4,561,887	$ 8,668,927	$ 486,956

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Michael R. Francis (President) Termination without a Change in Control

	Termination Event					
Benefit or Payment	**Voluntary Resignation**	**Retirement**	**Death**	**Permanent Disability**	**Involuntary Termination without Cause**	**Termination For Cause**
Base Salary	$ 0	$ 0	$ 0	$ 0	$ 1,800,000	$ 0
Annual Cash Incentive[(1)]	$ 155,445	$ 155,445	$ 303,390	$ 303,390	$ 2,103,390	$ 0
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted Stock	$ 0	$ 0	$ 1,387,425	$ 1,387,425	$ 1,387,425	$ 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	$ 42,867	$ 42,867	$ 92,182	$ 92,182	$ 92,182	$ 10,052
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 14,500	$ 14,500	$ 25,000	$ 0
Vacation	$ 23,077	$ 23,077	$ 23,077	$ 23,077	$ 23,077	$ 23,077
Total	$ 221,389	$ 221,389	$ 1,820,574	$ 1,820,574	$ 5,431,074	$ 33,129

(1) Under the Termination Pay Agreement, Annual Cash Incentive payable on Death or Permanent Disability is prorated based on the executive s actual period of service during the fiscal year. Total Annual Cash Incentive at target was $1,200,000.

Michael W. Kramer (COO) Termination without a Change in Control

	Termination Event					
Benefit or Payment	**Voluntary Resignation**	**Retirement**	**Death**	**Permanent Disability**	**Involuntary Termination without Cause**	**Termination For Cause**
Base Salary	$ 0	$ 0	$ 0	$ 0	$ 1,500,000	$ 0
Annual Cash Incentive[(1)]	$ 71,507	$ 71,507	$ 143,014	$ 143,014	$ 1,493,013	$ 0
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted Stock	$ 0	$ 0	$ 5,741,185	$ 5,741,185	$ 5,741,185	$ 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	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 14,500	$ 14,500	$ 25,000	$ 0
Vacation	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total	$ 71,507	$ 71,507	$ 5,898,699	$ 5,898,699	$ 8,759,198	$ 0

(1) Under the Termination Pay Agreement, Annual Cash Incentive payable on Death or Permanent Disability is prorated based on the executive s actual period of service during the fiscal year. Total Annual Cash Incentive at target was $900,000.

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Daniel E. Walker (Chief Talent Officer) Termination without a Change in Control

	Termination Event					
Benefit or Payment	Voluntary Resignation	Retirement	Death	Permanent Disability	Involuntary Termination without Cause	Termination For Cause
Base Salary	$ 0	$ 0	$ 0	$ 0	$ 1,050,000	$ 0
Annual Cash Incentive(1)	$ 55,377	$ 55,377	$ 110,753	$ 110,753	$ 898,253	$ 0
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted Stock	$ 0	$ 0	$ 518,180	$ 518,180	$ 518,180	$ 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	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 14,500	$ 14,500	$ 25,000	$ 0
Vacation	$ 6,731	$ 6,731	$ 6,731	$ 6,731	$ 6,731	$ 6,731
Total	$ 62,108	$ 62,108	$ 650,164	$ 650,164	$ 2,498,164	$ 6,731

(1) Under the Termination Pay Agreement, Annual Cash Incentive payable on Death or Permanent Disability is prorated based on the executive s actual period of service during the fiscal year. Total Annual Cash Incentive at target was $525,000.

Change in Control; Termination following a Change in Control

The Company s executive officers participate in the change in control plan in effect upon their commencement of employment. Messrs. Johnson, Francis, Kramer and Walker participate in the change in control plan approved in January 2011(2011 Change in Control Plan) and Mr. Dastugue participates in a prior plan.

The 2011 Change in Control Plan 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. The 2011 Change in Control Plan also provides benefits to an executive if the executive terminates employment with the Company for Good Reason following a change of control. 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;
- 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 the 2011 Change in Control 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.

Change in control is defined as (i) the acquisition by any person, entity or group of 30% 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.

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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 2011 Change in Control Plan.

For purposes of the 2011 Change in Control 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 2011 Change in Control 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 2.99 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 2011 Change in Control 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 2011 Change in Control 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.

Mr. Dastugue participates in a prior change in control plan, which is substantially similar to the 2011 Change in Control Plan. This plan entitles him to receive cash severance of three times annualized base salary plus target annual cash incentive opportunity (at 100%) at the time of termination and also entitles him to receive a tax gross-up payment in respect of any excise taxes imposed on the benefits payable under the plan. Subsequent change of control plans did not provide for the payment of excise tax gross-ups and limited benefits to 2.99 times the sum of base salary and target bonus without obtaining stockholder approval.

In addition to the benefits provided by the 2011 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 2011 Change in Control Plan.

The benefits payable under a 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. Ullman, 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 28, 2012, which is the last day of the Company s last completed fiscal year.

Ronald B. Johnson (CEO)

Following a Change in Control(1)

	Event						
Benefit or Payment	**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	$ 214,624	$ 214,624	$ 214,624	$ 214,624	$ 5,839,624	$ 0
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted Stock	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Pension Plan	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
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	$ 0	$ 21,768	$ 21,768	$ 21,768	$ 21,768	$ 21,768	$ 7,590
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 0	$ 0	$ 0	$ 25,000	$ 0
Vacation	$ 0	$ 14,423	$ 14,423	$ 14,423	$ 14,423	$ 14,423	$ 14,423
Excise Tax & Gross-Up (Cutback)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total	$ 0	$ 250,815	$ 250,815	$ 250,815	$ 250,815	$ 10,400,815	$ 22,013

(1) Mr. Johnson is entitled to the benefits described in the table in the event of a termination following a change in control. In addition, Mr. Johnson holds a warrant that he purchased prior to his employment with the Company that entitles him to acquire 7,256,894 shares of jcpenney common stock. The warrant has an exercise price of $29.92 per share, subject to customary adjustments. The warrant has a term of 7 1/2 years and is exercisable after June 13, 2017; however, the warrant is exercisable and transferable immediately prior to the effective date of a change of control. For purposes of the warrant, 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 sale of all or substantially all of the Company s assets, or (iii) the replacement of a majority of the Board of Directors unless approved by a majority of the Board.

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Michael P. Dastugue (Executive Vice President and CFO)

Following a Change in Control

Benefit or Payment	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	$ 149,594	$ 149,594	$ 419,125	$ 419,125	$ 1,712,875	$ 0
Stock Options	$ 2,186,337	$ 2,186,337	$ 2,186,337	$ 2,484,856	$ 2,484,856	$ 2,806,780	$ 0
Restricted Stock	$ 0	$ 0	$ 0	$ 570,829	$ 570,829	$ 3,046,748	$ 0
Pension Plan	$ 0	$ 196,638	$ 196,638	$ 101,721	$ 484,989	$ 196,638	$ 196,638
Benefit Restoration Plan	$ 0	$ 344,539	$ 344,539	$ 169,888	$ 344,539	$ 871,476	$ 0
Supplemental Retirement Program	$ 0	$ 0	$ 0	$ 0	$ 0	$ 816,567	$ 0
Mirror Savings Plan	$ 0	$ 246,087	$ 246,087	$ 246,087	$ 246,087	$ 246,087	$ 246,087
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 53,436	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 0	$ 10,000	$ 10,000	$ 25,000	$ 0
Vacation	$ 0	$ 44,231	$ 44,231	$ 47,917	$ 47,917	$ 47,917	$ 44,231
Excise Tax & Gross-Up (Cutback)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,261,767	$ 0
Total	$ 2,186,337	$ 3,167,426	$ 3,167,426	$ 4,050,423	$ 4,608,343	$ 13,810,291	$ 486,956

Michael R. Francis (President)

Following a Change in Control

Benefit or Payment	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	$ 3,600,000	$ 0
Annual Cash Incentive	$ 0	$ 155,445	$ 155,445	$ 303,390	$ 303,390	$ 3,903,390	$ 0
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted Stock	$ 0	$ 0	$ 0	$ 1,387,425	$ 1,387,425	$ 41,660,674	$ 0
Pension Plan	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
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	$ 0	$ 42,867	$ 42,867	$ 92,182	$ 92,182	$ 92,182	$ 10,052
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 0	$ 14,500	$ 14,500	$ 25,000	$ 0
Vacation	$ 0	$ 23,077	$ 23,077	$ 23,077	$ 23,077	$ 23,077	$ 23,077
Excise Tax & Gross-Up (Cutback)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total	$ 0	$ 221,389	$ 221,389	$ 1,820,574	$ 1,820,574	$ 49,304,323	$ 33,129

Michael W. Kramer (COO)

Following a Change in Control

Benefit or Payment	Change in Control with No Termination	Voluntary Resignation	Retirement	Death	Permanent Disability	Involuntary Termination without Cause or Termination with Good Reason	Termination for Cause
	Event						
Base Salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,000,000	$ 0
Annual Cash Incentive	$ 0	$ 71,507	$ 71,507	$ 143,014	$ 143,014	$ 2,843,014	$ 0
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted Stock	$ 0	$ 0	$ 0	$ 5,741,185	$ 5,741,185	$ 36,216,957	$ 0
Pension Plan	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
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Health and Life Insurance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Financial Counseling and Outplacement	$ 0	$ 0	$ 0	$ 14,500	$ 14,500	$ 25,000	$ 0
Vacation	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Excise Tax & Gross-Up (Cutback)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total	$ 0	$ 71,507	$ 71,507	$ 5,898,699	$ 5,898,699	$ 42,084,971	$ 0

Daniel E. Walker (Chief Talent Officer)

Following a Change in Control

Benefit or Payment	Change in Control with No Termination	Voluntary Resignation	Retirement	Death	Permanent Disability	Involuntary Termination without Cause or Termination with Good Reason	Termination for Cause
	Event						
Base Salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,100,000	$ 0
Annual Cash Incentive	$ 0	$ 55,377	$ 55,377	$ 110,753	$ 110,753	$ 1,685,753	$ 0
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted Stock	$ 0	$ 0	$ 0	$ 518,180	$ 518,180	$ 15,559,553	$ 0
Pension Plan	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
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A		