

Paid Time Off (PTO) Policy

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PTO POLICY OVERVIEW

Paid Time Off (PTO) is a paid time off benefit that provides you with pay for time off during hours you are scheduled to work. PTO hours are available for use as soon as they are earned and deposited into your PTO account.

You must be *benefits eligible* as of December 31, 2003 and remain *benefits eligible* in order to remain eligible for benefits under the PTO Policy (PTO Eligible). This Policy is amended as of January 1, 2007.

Key terms indicated by *italic* type are defined in the **Key Terms** section.

Although at the present time the *corporation* expects to continue the Paid Time Off Policy, the Paid Time Off Policy can be amended or terminated at any time, with or without prior notice or approval by *you* or anyone claiming benefits through *you*.



Special Note for Associates Employed in Puerto Rico – Please see the online Puerto Rico Paid Time Off Policy.

ELIGIBILITY FOR PTO - ANNUAL RECLASSIFICATION


You must be *benefits eligible* as of December 31, 2003 and remain *benefits eligible* in order to remain eligible for PTO benefits.

Each year in July *benefits eligible* Status is determined using a 52-week look back (ending on the last Saturday in June). If you average 35 hours or more per week, you will remain eligible for PTO during the next calendar year. This will determine your PTO deposit, if any, for the following calendar year.

LOSS OF PTO ELIGIBILITY

You lose PTO eligible status on the day you lose *benefits eligible* status. Once you lose PTO eligible status:

- You may continue to use any unused hours remaining in your PTO Accounts (Vacation and Other PTO) and any unused PTO hours as of December 31 are subject to the end of the *year* rules described in the **Unused PTO in Your Account on December 31** section of this policy;
- You no longer receive Other PTO deposits;
- You no longer accrue *benefits eligible service months* for PTO purposes; and
- You will be granted Vacation hours for the final time on the following January 1 as long as you are actively employed on January 1.

 notes	<i>You do not regain PTO eligible status even if you later regain benefits eligible status.</i>
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PTO CALCULATION

PTO is made up of:

- **Vacation Hours** that are deposited on January 1 and
- **Other PTO Hours** that are deposited over the first nine months of the *year* (January-September)

Please see the following page for PTO CALCULATION details.

PTO Weeks Factor Table			
	Vacation	Other PTO*	
	Management & Non-Management	Non-Management	Management
Benefits Eligible Service Months	Weeks Factor	Weeks Factor	Weeks Factor
36 - 59 months	2	1.6	1.0
60 - 179 months	3	1.8	1.0
180 - 299 months	4	1.8	1.0
300 + months	5	1.8	1.0

Vacation Calculation
Average Week x Vacation Weeks Factor = Annual Vacation granted on January 1

Other PTO Calculation
Average Week x Other PTO Weeks Factor = Annual Other PTO Hours
Annual Other PTO Hours / 9 = Monthly Other PTO deposits*

*Monthly Other PTO is deposited at a rate of approximately 1/9th per month from January 1 through September 1 if you are active on the first day of each calendar month.

WHEN PTO HOURS ARE EARNED

If you were PTO Eligible any month during the prior *year* and actively employed on December 31, the *corporation* will grant you Vacation hours on January 1 if you are still actively employed on January 1.

Your Other PTO Hours will be deposited at a rate of approximately 1/9th per month from January 1 through September 1 of the current *year* if you are active on the first day of each calendar month.

The hours are available for your immediate use as soon as they are deposited into your account.

WHEN YOU MUST USE YOUR PTO HOURS

In most cases, the *corporation* requires you to use all of your available paid time off prior to requesting any unpaid time off.

You **must use** PTO hours for absences such as:

- Vacation;
- Caring for a family member;
- Non-catastrophic mishaps such as car trouble or non-injury traffic accidents;

- The birth or adoption of your child;
- A waiting period prior to receiving payment of any state disability benefits;
- Attending to personal business; or
- An illness or injury not covered under any other state or *corporation* provided benefit plan or program, including returning to work on reduced hours.

You **may not** use PTO hours to:

- Supplement your *pay* or hours for time you did not take off work; or
- Increase your hours in order to gain or maintain eligibility for any *corporation* provided benefit plan or program.

HOW PTO HOURS ARE PAID

PTO hours are paid, based on your *average week* or *average day*, at 100% of your *pay rate* on the date you use available PTO hours.

PTO hours are paid in your regular paycheck. PTO *pay* is calculated as follows:

Pay Rate* × (times) your *average week* or *average day* = (equals) PTO *Pay

- In no event will you receive more than 100% of your *pay*, as applicable, from all sources combined except for jury duty and witness duty or except where required by law for the same hours not worked.
- PTO hours do not count toward “hours worked” for calculating overtime *pay*.

WHEN YOUR EMPLOYMENT ENDS

- **PTO hours may not be used to extend your employment with the *corporation*.**
 - PTO may not be used during the last two weeks of a resignation notice period unless approved in advance by your manager.
 - If you resign without giving at least two weeks advance notice to the *corporation*, any scheduled time off during the last two weeks of your employment are cancelled.
 - If you schedule and take time off and then resign without returning to work, your resignation is effective on your last day worked prior to taking time off (paid or unpaid).

PTO Account balances will be paid as follows:

- **Vacation Account** – Unused hours remaining in your account will be paid to you when your employment ends for any reason.
- **Other PTO Account** – Unused hours remaining in your account will be cancelled when your employment ends for any reason.

Where required by state law, you will receive a cash payment for any unused hours remaining in your account.

Special Bonus

You will receive payment of a special bonus if you were PTO Eligible during the *year* your employment ends due to:

- *Retirement;*
- *Permanent and total disability;*
- *Reduction in force;*
- *Unit closing;*
- *Death; or*
- *Your employment ends for any reason on the last day of the year.*

If you receive any *Vacation pay* not provided under the PTO Policy due to legal requirements, the additional *Vacation hours* will be used to offset any *Special Bonus hours*.

The amount you receive is based on the following calculation.

Special Bonus Factor	
Total Benefits Eligible Service Months While PTO Eligible	Bonus Factor
1-59	2
60-179	3
180-299	4
300+	5
Special Bonus Hours = Bonus Factor x average week x Prorated Factor* *Prorated Factor = Number of months you were PTO Eligible in the <i>year</i> of your termination divided by 12 months.	

ADDED PTO - WORKING ON AN OBSERVED HOLIDAY

If you are eligible for *pay* under the Observed Holiday Policy and work on an observed holiday, hours equal to your *average day* during the month the holiday occurs will be added to your PTO Account after you are paid for the observed holiday, regardless of the number of hours you actually worked on the observed holiday. See the Observed Holiday Policy for more information.

HOW HOURS USED AFFECT YOUR PTO BALANCE

PTO hours used will be updated each pay period. PTO hours used in the current pay period that have not been paid or updated must be considered when requesting time off.

Associates who have both PTO and MTO Hours - As you request time off, hours used will first reduce your unused PTO hours before reducing any available MTO hours.

Associates who only have PTO Hours – As you request time off, hours used will reduce your available PTO hours.

UNUSED PTO IN YOUR ACCOUNT ON DECEMBER 31ST

You will lose any unused PTO hours that remain in your account in excess of your PTO Maximum Carryover. This includes any additional hours deposited for working on an observed holiday. Where required by law, any unused PTO hours in excess of your PTO Maximum Carryover will automatically be paid to you in January of the following *year*.

Active *Associates* on December 31, including those receiving benefits under the Illness Recovery Time Policy and *Associates* on a *leave of absence* will automatically carry over unused hours to the next *year* up to their PTO Maximum Carryover. Your PTO Maximum Carryover amount is based on your *PTO Service Months* as of December 31 of the current year. The PTO Maximum Carryover is based on the table below.


PTO Maximum Carryover		
	Non-Management Associates	Management Associates
Unused Vacation Account Hours	One Average Week	No Carryover
Unused Other PTO Account Hours	No Carryover	No Carryover

Exceptions to Maximum Carryover

- Any unused PTO hours in excess of the PTO Maximum Carryover will automatically be cashed out in January of the following year, if required by state law. For purposes of any end of year cash out, your *pay rate* as of the December 31st prior to the January cash out will be used or, if you are a commissioned *Associate* with a *benefit pay rate*, your *benefit pay rate* in effect on the last Saturday of the previous calendar *year* will be used.
- Your combined total of unused PTO and available MTO hours cannot exceed the MTO Maximum Carryover allowed per *year* unless you are on a *military leave*. Where required by law, any unused PTO and available PTO hours that exceed the PTO Maximum Carryover will automatically be paid to you in January of the following year.
- All unused PTO Account hours remaining in your account(s) on December 31 of the *year* your *military leave* began will automatically be carried over each *year* until you request a cash out, return to work, or your employment ends. To request a cash out form, call PowerLine at 1-888-890-8900 (say “Leave of Absence” when prompted) or contact your store or unit.

See the following page for information on managing your PTO account.

MANAGING YOUR PTO ACCOUNT

	<p><i>It is your responsibility to verify your PTO Account.</i> To access your PTO account at work, log on to the Associate Kiosk, select Your Benefits Homepage, click on “PTO/MTO Balance and Hours Information.” At home, you can access the AssociateKiosk@Home by going to www.jcpenny.net and selecting “Associate Information.”</p> <p><i>If you disagree with the hours recorded, call PowerLine at 1-888-890-8900 (Say “Paid Time Off” when you hear the menu of options.) within 60 days of the date your account is updated. If you do not, no adjustments will be made to your account (unless otherwise required by applicable law). You may file a claim for reconsideration as explained in the section entitled, Claims and Appeals.</i></p>
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Accessing Your PTO Account

To access your PTO account, click on the PTO/MTO Balances link from PowerLine-Your Benefits Homepage on the Associate Kiosk.

REQUESTING TIME OFF

Our business depends on having enough staff on hand to serve our customers and to keep support operations running smoothly. Advance scheduling of all time off is critical!

Request time off (paid or unpaid) as soon as you can, because it may not be possible to grant all requests due to peak seasons and a large number of requests to take time off during the same period.

Scheduled vs. unscheduled time off – All time off is considered either “scheduled” or “unscheduled”, regardless of whether the time off is paid or unpaid.

- You are expected to schedule and get approval for all time off in advance, where possible.
- You should request scheduled time off with as much advance notice as possible. To meet operating and staffing needs, your store or unit may require a minimum notice period before certain time-off requests will be approved.
- **If you have access to the “Scheduling Function” you are required to use this function to request and receive approval for scheduled time off.**
- If you are scheduled and unable to report to work, call your store or unit as soon as possible – before your scheduled reporting time. Speak to your manager or the person designated to take the call at your workplace. Call your store or unit each day you are absent as required. **It is your responsibility to keep your store or unit informed as to your ability or inability to work.**
- Make sure you understand your store’s or unit’s policy regarding excessive short-term absences.
- Unscheduled and unapproved time off, other than absences that qualify under *FMLA leave*, Workers’ Compensation, state disability, or *military leaves*, will continue to be counted for attendance evaluation reasons.
- Requests for discretionary time off will not be approved during certain peak seasons based on your store’s or unit’s staffing needs. See your manager for any “black out periods” that apply to your store or unit.

Full and Partial Day Absences

In most cases, you are required to use all your available paid time off prior to requesting any unpaid time off.

Non-Management Associates

- **Full day absences** – Hours equal to your *average day* will automatically be deducted from your PTO Account balance (unless otherwise required by law such as in the case of a Workers' Compensation, state disability, or *military leave*).
- **Partial day absences** – You may elect to use PTO hours in less than full-day increments, as long as your store or unit has the flexibility to schedule hours off. See your store or unit manager regarding absences of less than one full day. Hours equal to the difference between your scheduled hours and hours you worked that day will determine the amount of PTO hours you are paid for a partial day absence.

Management Associates

- **Full day absences** – Hours equal to your *average day* will automatically be deducted from your PTO Account balance (unless otherwise required by law such as in the case of a Workers' Compensation, state disability, or *military leave*).
- **Partial day absences** – See your store or unit manager regarding absences of less than one full day.

When Should You Call PowerLine?

Call PowerLine at 1-888-890-8900 (and say "Paid Time Off" when prompted) if you want to:

- Ask questions about your PTO Account; or
- Get a better understanding of the PTO Policy

CHANGES THAT AFFECT YOUR BENEFITS

Paid Time Off vs. Unpaid Time Off

You **may elect** to use any PTO hours during a *military leave* or the waiting period before state Workers' Compensation benefits begin for work-related illnesses or injuries.

For all other absences, **you are required** to use any available paid time off prior to any unpaid time off. This includes absences not payable under any of the *corporations'* other benefit plans or programs such as:

- Paid Time Off Policy;
- My Time Off Policy;
- Illness Recovery Time Policy;
- Workers' Compensation Supplement Policy (*Management Associates* only);
- Observed Holiday Policy; and
- Incidental Time Off policy.

If you have no time off with *pay*, you must call PowerLine (say "Leave of Absence" when you hear the menu of options) at 1-888-890-8900 to request a *leave of absence*. If your *leave of absence* is approved you will not lose *benefits eligible* status.

Unpaid Time Off

Keep in mind any unpaid time off could affect your *benefits eligible* status, and your monthly PTO hours calculation including your *average day* and *average week*.

How a Leave of Absence Affects your PTO

While on any type of leave of absence, you continue to earn *PTO service months*. The chart below shows the effect your *leave of absence* has on your PTO benefits.

Type of Leave	Must I use any remaining PTO before my leave begins?	Do I receive monthly deposits of Other PTO hours during my leave of absence?	What happens to my unused PTO as of December 31 of the current calendar year?
Workers' Compensation or State Disability Leave of Absence	You may, but are not required to , use all of your remaining PTO before you begin your unpaid <i>leave of absence</i> .	Yes	You may use any PTO remaining in your account including any PTO deposited during your <i>leave of absence</i> when you return to work. Any unused PTO hours on December 31 are subject to the end of the <i>year</i> rules. If you terminate your employment, see the section titled, "When Your Employment Ends"
Military Leave	You may, but are not required to , use all of your remaining PTO before you begin your unpaid military leave	Yes	You may use any PTO remaining in your account, including any PTO deposited during your <i>leave of absence</i> , when you return to work. All unused PTO hours in your account(s) on December 31 will automatically be carried over each <i>year</i> until you request a cash out, return to work, or your employment ends. To request a cash out form call PowerLine at 1-888-8900 (say "Leave of Absence" when prompted) or contact your store or unit Office Associate. You may not receive any <i>benefits eligible</i> Service Months that would have accrued during the time period of your <i>military leave</i> if you do not return to work within the time period that reemployment rights are guaranteed by law. If you terminate your employment, see the section, When Your Employment Ends .

All other Leaves of Absence (including FMLA leave)	Yes	No	<p>You may use any PTO remaining in your account, including any PTO deposited during your <i>leave of absence</i>, when you return to work.</p> <p>Any unused PTO hours on December 31 are subject to the end of the <i>year</i> rules.</p> <p>If you terminate your employment, see the section titled, When Your Employment Ends.</p>
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When Your Job Classification Changes

Your PTO Account hours will not be adjusted until the following January 1 unless your job reclassification was the result of a corporation-wide job reclassification.

When you Transfer

Transfer from Puerto Rico

You will remain in the Puerto Rico PTO Policy for the remainder of the calendar year.

If you were not *benefits eligible* as of December 31, 2003, your *benefits eligible service months* will be converted into *MTO Service Months*. You will be eligible for benefits under the MTO Policy for the January 1 after your transfer is effective.

If you were *benefits eligible* as of December 31, 2003, you will be in PTO the following January 1 if you meet the PTO eligibility requirement.

Transfer to Puerto Rico

You will remain in PTO for the current year. Since *Associates* employed in Puerto Rico are not eligible for benefits under the PTO Policy, you will be under the Puerto Rico PTO Policy beginning the January 1 after your transfer. See your store or unit manager for details regarding your paid time off benefits.

Unit Transfers

Any PTO Account hours in your account at the time of transfer will remain available for your use at the new location.

IMPORTANT INFORMATION

Duplication of Benefits

You may not receive paid time off benefits and any state income replacement benefits (Workers' Compensation, Texas Worker injury Plan or State Disability) and *pay* under the *corporation's* paid time off policies for the same hours not worked.



You may not receive pay under the PTO Policy for any hours you worked.

Overpayment of Time Off Benefits

Any PTO hours used in excess of any PTO hours earned and deposited are considered an overpayment. You must immediately reimburse the *corporation* for this overpayment. If you do not voluntarily reimburse the *corporation* (by money order, certified or cashiers check, or cash), the *corporation* may reduce your future PTO/PTO hour deposits, or where permitted by law, collect this overpayment through payroll deductions.



It is your responsibility to verify your PTO Account. To access your PTO account at work, log on to the Associate Kiosk, select Your Benefits Homepage and click on “PTO/MTO Balance and Hours Information.” At home, you can access the AssociateKiosk@Home by going to www.jcpenny.net and selecting “Associate Information.”

*If you disagree with the hours recorded, call PowerLine at 1-888-890-8900 (Say “Paid Time Off” when you hear the menu of options.) within 60 days of the date your account is updated. If you do not, no adjustments will be made to your account (unless otherwise required by applicable law). You may file a claim for reconsideration as explained in the section entitled, **Claims and Appeals**.*

CLAIMS AND APPEALS

How to File a Claim

If you believe you have been improperly denied eligibility to participate or should have received more paid time off or *pay*, or that you have otherwise been treated unfairly under the PTO Policy, you, your *spouse*, or your estate’s *representative* may file a *claim* within 60 days of the date:

- You are not eligible for the PTO Policy;
- You do not agree with the amount of PTO hours deposited;
- You use any PTO hours;
- You should have received an hours adjustment (e.g. hours adjustment for working on an observed holiday);
- You receive pay for time off work and you don’t agree with the amount paid; or
- The events giving rise to your *claim* occurred.

You, your *spouse*, or your estate’s *representative* may file a *claim* by writing to the Benefits Division at the following address:

Benefits Division
J. C. Penney Corporation, Inc.
6501 Legacy Drive
Plano, TX 75024-3698



If you don't file a claim within 60 days, no changes will be made to your account.

Claims Procedures

Once the Benefits Division receives your *claim*, the Benefits Division has 60 days to make a determination. You will be notified in writing of the Benefits Division final decision within 60 days after your *claim* is received, or within 120 days when special circumstances require more time for a fair decision. You will be notified before the 60th day if an extension or supporting documentation is necessary to complete your *claim*. This extension can be up to 60 days.

You then have 45 days within which to provide the information requested or needed for the Benefits Division to make a determination. If the requested information is not provided in a timely manner, your *claim* will be denied. The denial will cite the provisions found in this policy on which the decision was based, advise you of any document or information reviewed in making a determination, and provide you with information on any voluntary *appeal* rights.

If you do not request an *appeal* within 60 days after receiving notice of your denial, no further action will be taken and you cannot request an *appeal* at a later date.

How to File an Appeal

If you still believe you have been improperly denied eligibility to participate or should have received more paid time off or *pay*, or that you have otherwise been treated unfairly under the PTO Policy, you, your *spouse* or your estate's *representative* may *appeal* the decision by filing an *appeal* within 60 days of the date you receive notice of your *claim* denial.

You, your *spouse* or your estate's *representative* may *appeal* in writing to the *Benefits Administration Committee (BAC)* to request a review of your denied *claim*. To file an *appeal* write to the BAC at the following address:

Benefits Administration Committee
J. C. Penney Corporation, Inc.
6501 Legacy Drive
Plano, TX 75024-3698

You must file your *appeal* within 60 days from the date you receive notice of the denial of your *claim*.


You may ask the *BAC* to review any relevant documents. As part of your right to *appeal*, you must provide:

- The policy name;
- Your name, Social Security Number or Employee ID, store or unit number, and location;
- The reason you believe your *claim* should have been treated differently or was improperly denied, including references to the appropriate provisions of this PTO Policy, and any facts that support your position; and
- Any additional information you believe will be helpful in reviewing your *appeal* (attach any supporting documentation).

In preparing your *appeal*, you may request to review any pertinent documents.

You will be notified in writing of the *BAC*'s final decision within 60 days after your *appeal* is received, or within 120 days when special circumstances require more time for a fair decision. You will be notified before the 60th day if an extension or supporting documentation is necessary to complete your appeal. The denial will cite the provisions found in this policy on which the decision was based, advise you of any document or information reviewed in making a determination, and provide you with information on any voluntary *appeal* rights.

The decision of the *BAC* is final and binding on you or anyone claiming through you.

	Key terms indicated by <i>italic</i> type are defined in the Key Terms section.
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KEY TERMS

These key terms have the following meanings when used throughout this Policy. The terms appear in *italic* text when used.

Actively at Work-You are considered actively at work if you are performing your regular job duties at your usual place of work or traveling on Company business. You will be considered actively at work on a non-scheduled workday if you were actively at work the day before.

Appeal – a proceeding by you, your *spouse*, or your estate's *representative* to have a denied *claim* for benefits or eligibility for participation reviewed by the *Benefits Administration Committee*.

Approved Absence – an unpaid excused absence approved by the store or unit manager that is scheduled to last 28 consecutive calendar days or less.

Associate (You, your, and yours) - a person who is employed by the *corporation*, and paid through the *corporation's* payroll system. The term *Associate* does not include a person covered by a collective bargaining agreement that does not expressly provide for participation in the Policy, provided the representative of the person with whom the collective bargaining agreement is executed has an opportunity to bargain in good faith concerning Policy benefits. The term *Associate* also does not include a person who is classified as an independent contractor by the *corporation* for purposes of Federal income tax reporting and withholding. The designation of an *Associate* by the *corporation* is final and not subject to re-determination by any government agency. The term *Associate* does not include any person who performs services for the *corporation* as a "leased employee" within the meaning of *Code* section 414(n), or who performs services through an agreement with a leasing organization.

Average Day and Average Week – the number of hours you are paid for each day or each week of paid time off in the current *year*.

BAC – see *Benefits Administration Committee*.

Benefits Administration Committee (BAC) – a committee appointed by J.C. Penney Corporation, Inc. to act as the plan administrator for the PTO Policy.

Benefits Eligible – Each July, *benefits eligible* status for the following year will be determined by using a 12-month look-back at the hours you worked. As long as you average at least 35 hours per week for the 12-month period, you will be eligible for full-time benefits for the entire following year.

Benefits Eligible Service Month(s) – a month during which you are *benefits eligible* or the total number of months that you have been *benefits eligible* including any reinstated or credited *benefits eligible service*

months granted to rehired *Associates* or any months granted to certain *management associates* due to prior work experience that occurs after the age of 25.

Benefit Pay Rate – for commissioned sales *Associates*, your rate of *pay*, which includes your average commissions for the past calendar *year*. Your *benefit pay rate* on the last Saturday of the calendar *year* is used to determine the amount of any PTO/MTO cash out (where required by law) paid in January of the following *year*.

Claim – your request for eligibility or benefits submitted to the Benefits Division.

Code – the Internal Revenue Code of 1986, as amended and the regulations that apply under the *Code*.

Corporation – J.C. Penney Corporation, Inc. any subsidiary or affiliate of J.C. Penney Corporation, Inc. which is designated as participating by the Human Resources Committee and excludes any division of J.C. Penney Corporation, Inc. or a subsidiary or affiliate that is designated by the Human Resources Committee as ineligible to participate.

FMLA Leave – a *leave of absence* under the Family and Medical Leave Act of 1993, as amended and the regulations that apply under that Act or any state law that provides a better benefit.

Management Associate – salaried and certain hourly paid *Associates* who are classified as *management Associates* in accordance with the *corporation's* human resources policies.

Military Leave – a period of time while an individual is off work due to active duty military service, medical disaster recovery assistance and certain military training duty for persons in the National Guard or reserves during which an individual is guaranteed benefits and re-employment rights under federal and/or state laws.

Non-Management Associate – an *Associate* who is not classified as a *management Associate* as defined under the *corporation's* human resources policies.

Pay or Pay Rate – the value of an hour of work, as determined by the *corporation's* human resources policies is:

- **Hourly-paid Associates** – your regular hourly rate. Your *pay rate* may also include *pay* premiums.
- **Commissioned Associates** – your *benefit pay rate*.
- **Salaried Associates** – your annual base salary converted to an hourly rate. For full-time *salaried Associates*, your annual base salary generally is divided by 2,080 hours. For part-time *salaried Associates*, an hourly rate is determined under the *corporation's* human resources policies.

Your *pay rate* may also include any *pay* premium such as a shift premium. The premium rate must be in effect the week you use the PTO hours. For purposes of any end of year cash out (where required by law) to be paid in January of the following year, the premium rate as of the December 31st prior to the January cash out will be used.

Permanent and Total Disability-you are unable to engage in any substantial gainful activity due to any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of at least 12 months as determined by the Social Security Administration.

If you are not eligible for Social Security Disability benefits solely because of age or insufficient quarters of coverage under the Social Security Act, you will be disabled if the Recovery Assistance Center determines that Social Security Disability benefits would have been payable if you had the necessary age or covered quarters.

Qualified Unit Closing- means the complete or partial discontinuance of business at a store or other business unit of a Participating Employer, provided the Associate being involuntarily terminated was employed at the store or other business unit.

Reduction in Force-means that a job position(s) is eliminated affecting one or more Associates in that position(s) or an Associate is involuntarily separated from service for business reasons other than a job position elimination.

Representative – a person the participant authorizes in writing to act on his/her behalf. The Policy (s) will also recognize a legally valid power of attorney or a court order giving a person authority to take an act on a participant’s behalf.

Retirement-for purposes of the Paid Time off Plan is defined as:

Early Retirement

- Age 55 or later with 15 year of service (as defined below); or
- Age 60 or later if you were a participant in the J.C. Penney Corporation, Inc. Pension Plan (Pension Plan) prior to January 1, 1989 (regardless of your years of service, as defined below); or

Normal Retirement

- Age 65 or later and satisfied the eligibility requirements to become a participant in the Pension Plan.

For *retirement* purposes, “service” means your total period of employment with J.C. Penney Corporation, Inc. and its subsidiaries, including *leaves of absences*, certain service in the U.S. Armed Forces, periods when you are credited with Social Security Disability service and any period after your employment with the *corporation* ends, so long as you are rehired within 365 days.

Spouse – the individual to whom an *Associate* is legally married under the laws of the State (as defined in section 3(10) of *ERISA*) in which the *Associate* is domiciled, or if the *Associate* is domiciled outside the States, under the laws of the State of Texas. Spouse does not include a same gender partner unless otherwise required by State law.

Standard Hours – the hours per week that you are currently hired to work.

Year – a 12-month period, beginning on January 1 and ending on December 31

ADMINISTRATIVE INFORMATION

Plan Document

This policy statement is the plan document for the PTO Policy. Every effort has been made to make this document clear, complete and understandable; however, the Administrator, the Benefits Administration Committee (BAC), has the final word on interpreting all provisions of the PTO Policy. The terms of the PTO Policy may only be superseded or amended by a subsequent written document approved by the BAC or the Human Resources Committee of J.C. Penney Corporation, Inc. The corporation maintains the PTO Policy even though it is not required to do so by law. Also see AMENDMENT OR TERMINATION later in this section. The PTO Policy is governed under Texas law.

Severable Plan Provisions

Each provision of the PTO Policy is independent and does not affect the validity of any other provision. If a court or administrative agency finds any provision of the PTO Policy to be invalid, illegal, void, or unenforceable, such provision shall be severed, and the remaining provisions of the PTO Policy shall remain in full force and effect. The corporation reserves the right to take any action indicated under the section titled AMENDMENT OR TERMINATION.

Amendment or Termination

J.C. Penney Corporation, Inc. reserves the right to amend, temporarily discontinue, or terminate the PTO Policy at any time without prior notice or approval of Associates, participants, or their representatives. The BAC has the authority to amend the PTO Policy if the amendment does not significantly increase the cost of the PTO Policy to a participating employer. The Human Resources Committee has the authority to make all other amendments, including termination of the PTO Policy. The authority of the BAC and the Human Resources Committee must be exercised pursuant to action by unanimous written consent or by majority vote at a meeting.

No Right to Employment

Nothing contained in this document or any other communication related to the PTO Policy creates or should be inferred to create an employment contract.

Updated 1/30/07