JCPenney

WINNING TOGETHER®

Important Notice of Changes to the JCPenney Health and Welfare Benefit Plans

This document is a summary of material modifications effective January 1, 2009, to Your Retiree Benefits Book 1, effective January 1, 2008. Please keep this document with your copy of Your Retiree Benefits Book 1. JCPenney reserves the right to terminate or amend any benefit plan or program at any time.

Effective January 1, 2009, the following sections of Your Retiree Benefits Book 1, Health and Welfare are amended to read as follows:

Eligibility and Enrollment

Page 5, Medical and/or Dental, replace the section with:

If you were hired or rehired before January 1, 2002, you are eligible for Medical and/or Dental coverage as a retired Associate if, on the date your employment ends (unless due to a summary dismissal or resignation in lieu thereof):

- You are at least age 55,
- You are under age 65 (for Medical coverage only),
- You are a Benefits Eligible Associate and a participant in Medical and/or Dental, as applicable, or if not a participant can provide proof of other creditable coverage from the time your employment ended until you request coverage under Medical and/or Dental,
- You have completed at least 10 years of total service, with five consecutive years immediately before your employment ends, and
- Your age plus your years of total years of service is equal to 80 or more (unless you are disabled).

You and/or your spouse/DP will not be able to enroll for Medical coverage if you or your spouse/DP is over age 65. When you and your covered spouse/DP have both turned age 65, your children will lose coverage.

Alternatively, you may choose to continue coverage under COBRA rather than immediately enrolling in Medical and/or Dental as a Retiree. However, if you or your dependents elect COBRA continuation coverage, you will not be able to enroll in Medical and/or Dental as a Retiree at any later date.

All Associates hired on or after January 1, 2002, will no longer qualify for coverage under Medical and/or Dental as a retired Associate unless eligible when first retired.

Page 6, Dependent Eligibility, child definition, replace the first paragraph with:

- **Child** – (Medical and/or Dental only) Your or your spouse/DP's unmarried child that is younger than you and lives with you at least six months during the year and provides less than one-half of their own support who is also:
    - Under age 19,
    - From age 19 to the month before he or she turns age 24, if a full-time student at an accredited school, or
    - Incapable of self-support and incapacitated before age 19 (or age 24 if a full-time student).

Page 10, Filing a Claim for Eligibility or Enrollment, Benefits Eligible Options, replace the first sentence with:

You should file a written claim (include name, Associate ID number or last four digits of your Social Security Number, Unit Number, reason for claim and option involved) for eligibility or enrollment with the Benefit Determination Review Team (BDRT) as soon as possible.

MEDICAL

Page 15, Medical, replace the Plan Options and Administration box with:

Plan Options and Administration
For most participants, the medical coverage is administered by either CIGNA or UnitedHealthcare (UHC), depending on where you live, and prescription drug coverage is administered by Express Scripts, Inc. CIGNA and UHC are the claims administrators and named fiduciaries or benefit claims processing for the CDHP, PPO and OOA options. Express Scripts, Inc. is the claims administrator for all prescription drug claims and MCMC is the named fiduciary for prescription drug claims. You may contact CIGNA or UHC for more information, to request a copy of option information at no charge (including covered charges, limitations and exclusions, and claims and appeals procedures) or with questions regarding how a specific benefit works.

Page 17, Medical, in the HIA box and everywhere else Matria or Matria Healthcare, Inc. appears, replace the reference with "Alere."

Page 18, Medical, Participation, Eligibility, replace the child definition with:

- **Child** – Your or your spouse/DP's unmarried child(ren) under the age of 19, if a full-time student under the age of 24, or any age if incapacitated before age 19 (age 24 if a full-time student). Children include natural-born, legally adopted, placed for adoption, foster child(ren) or court-appointed ward(s) that live with you at least six months of the year, are younger than you and do not provide more than one-half of their own support.

Page 20, Medical, When Coverage Begins, replace the section with:

After you enroll, coverage is effective on:

- The first day of the month after your retirement date,
- The Annual Enrollment effective date, or
- The first day of the month in which your Qualified Change in Status or special enrollment right, such as marriage or birth of a child, etc., is effective. (For more information about special enrollment rights, see the *Legal Notices* section.)

Pages 21 - 22, Medical, Changing Your Coverage, revise the table as follows:

Become disabled	Coverage ends on the last day of the month in which your employment ends, unless you and/or your dependents continue coverage under COBRA. If you were hired or rehired before January 1, 2002, and you are determined to be Social Security Disabled, you are eligible for Medical and/or Dental coverage, if on the date your employment ends: • Your disability that began while you were employed by the Company is that same disability that qualifies you for Social Security Disability benefits, • You are under age 65, • You are a Benefits Eligible Associate and a participant in Medical or can provide proof of other creditable coverage from the time your employment ends until you request coverage under Medical, and • You have completed at least 10 years of total service, with five consecutive years immediately before your employment ends.
Retire	Coverage ends on the last day of the month in which your employment ends, unless you are terminated due to a reason constituting summary dismissal or resignation in lieu of a summary dismissal. You and/or your dependents may continue coverage under COBRA. If you elect COBRA continuation coverage you will not be able to enroll in a Medical option as a retired Associate at a later date. Alternatively, if you were hired or rehired before January 1, 2002, you are eligible for Medical and/or Dental coverage, if on the date your employment ends: • You are between ages 55 and 65 • You are a Benefits Eligible Associate and a participant in a Medical option or can provide proof of other creditable coverage from the time your employment ends until you request coverage under Medical, and • You have completed at least 10 years of total service, with five consecutive years immediately before your employment ends, and • Your age plus years of total service is equal to 80 or more. Request a copy of *Your Retiree Benefits Book 1* from PowerLine for additional information.
Are rehired and regain Benefits Eligible status	You must drop Retiree or Disabled Associate coverage and re-enroll in active coverage. When you again retire you will be eligible for a retiree Medical option if you are under age 65 on the date your employment ends, unless you are terminated due to a reason constituting summary dismissal or resignation in lieu of a summary dismissal.
Are employed by another employer and become eligible for coverage	You must drop COBRA coverage. If you were enrolled in Retiree or Disabled Associate coverage, you may drop Medical and/or Dental coverage. If you drop coverage, you may later re-enroll for Retiree coverage, if eligible, by providing proof of continuous creditable coverage from the date you dropped coverage until the date you re-enroll.

Have a child who dies	You must call to drop child coverage unless you have other children covered.
Experience the death of your spouse/DP	You must call to drop coverage for your spouse/DP. You and your children may continue coverage or enroll with proof of continuous creditable coverage as long as they remain eligible and continue the required premium payments.
Die	If you were covered as a Retiree, your spouse/DP and children may enroll in or continue coverage as long as they remain eligible and continue the required premium payments. If your surviving spouse/DP is an active Benefits Eligible Associate and covered under the Retiree plan, he or she must enroll as an active Associate to continue coverage, along with any covered children. If your surviving spouse/DP loses coverage, he or she may re-enroll as your surviving spouse/DP. Dependent children can be covered only if your surviving spouse/DP is covered under the plan. If you have no surviving spouse/DP or your spouse/DP does not enroll for coverage as a surviving spouse/DP, your eligible children may continue their coverage under COBRA. Your surviving spouse/DP may continue coverage if he or she remarries or forms a partnership, but may not enroll a new spouse/DP or new children. Your surviving spouse/DP and any eligible children must show proof of continuous coverage from the date of your retirement through the date of your death under: ▪ The JCPenney Medical option, or ▪ Other continuous creditable coverage. If your surviving spouse/DP and children don't elect coverage within 60 days of your death, they can't enroll in the plan later.

Page 23, Medical, Continuing Coverage, replace the first sentence with:

You may be able to continue your benefits coverage for you and/or your eligible dependents under certain circumstances. See "Changing Your Coverage" on page 21 and the *Legal Notices* section for further information.

Pages 23 - 24, Medical, How the Plan Works, Preventive Care Allowance, add the following at the end of the section:

Who determines what services are considered as Preventive Care?

It's based on guidelines from the U.S. Preventive Services Task Force (USPSTF). If the USPSTF's guidelines change, your preventive care benefits may also change.

So what's covered?

The plan will pay benefits for the following covered health services and some other preventive care services for which your physician documents a need – based on your family or medical history.

See the following pages for details.

Preventive Care Services For Kids (through age 18)

- Well-baby and Well-child visits
- These are periodic visits depending on age as recommended by your physician and include (but are not limited to):
- Immunizations based on age, such as:
- Diphtheria, tetanus and acellular pertussis (DTAP)
- Haemophilus influenzae b (Hib)
- Hepatitis A & B
- Human Papilloma Virus (HPV): girls and women ages 9-26
- Influenza: annually between 6-59 months
- Measles-mumps-rubella (MMR)
- Meningococcal (MCV4)
- Pneumococcal conjugate (PCV) (pneumonia)
- Poliovirus (IPV)
- Rotavirus
- Vericella (chickenpox)

Additional tests and evaluations associated with the wellness check-up:

- Blood Pressure check
- Cholesterol testing for those at risk
- Hearing and vision tests performed during the wellness exam
- Height and weight
- Hemoglobin or hematocrit (blood tests): once a year for females after their period begins

Preventive Care Services for Adults (after age 18)

- Well-man and Well-woman visits
- These are periodic visits depending on age as recommended by your physician and include (but are not limited to):
- Immunizations based on age, such as:
- Hepatitis A and B (HBV): for those at risk
- Human Papilloma Virus (HPV): for girls and women ages 9-26
- Influenza: ages 19-49, as your physician advises (ages 50+ annually)
- Pneumonia: once for those ages 65+ (or younger for those with risk factors)
- Rubella (German Measles): women of childbearing age if not immune
- Tetanus-diphtheria (Td): every 10 years (or TdaP as indicated)
- Varicella (chicken pox: if no evidence of prior immunization or chickenpox)
- Zoster: ages 60+

Additional tests and evaluations associated with the wellness check-up:

- Blood Pressure check
- Breast/Pelvic exams
- Rectal exams
- Cholesterol testing:
- Men ages 35+, every 5 years
- Women ages 45+, every 5 years
- Diabetes screening: ages 45+, or if a history of risk factors, every 3 years
- Mole check
- Throid Hormone Test for women (every 5 years over 50)
- Hearing test (every 3 years)
- Testicular exam (annually for men ages 20-50)
- EKG's and Stress Tests: as recommended by your physician

Page 24, Medical, How the Plan Works, Preventive Screenings, add the following at the end of the section:

Below is a list of the screenings that are covered under your plans preventive screening benefit. Be sure to ask your physician to use the correct screening code for the service rendered to have the claim paid appropriately.

- Prostate Cancer Screening: Men age 50 and older, PSA, once every year (or at any age if risk factors are present)
- Chlamydia Screening: Age 25 and under for sexually active females
- Osteoporosis Screening (Bone Density Scan): Women age 65 and older (age 60 if risk factors are present); typically this is a once/lifetime screening
- Breast Cancer Screening: Age 40 (or earlier if risk factors are present) by mammography once every year
- Cervical Cancer Screening (Pap Smear): Ages 20-60 once every 1-3 years, over 60 once every 3 years
- Colorectal Cancer Screening: Age 50 and older, routinely (or at any age if risk factors are present)
- Colonoscopy every 10 years; OR
- Sigmoidoscopy every 5 year; OR
- Fecal occult blood annually; OR
- Barium enema every 5 years

Diagnostic Screenings
The following screenings are considered diagnostic because they are based on symptoms, illness or injury, so they will not be covered under your preventive screening benefit even if your physician orders them because of family or personal health history. Instead, they will be covered under your regular plan so you may have to pay a copay and/or deductible/coinsurance, depending on which Medical Plan option you chose (CDHP or PPO). *List is not all inclusive; contact your plan carrier at the number on your ID card with questions.*

- MRA
- MRI
- CT Scan
- PET
- X-Ray
- Ultrasound
- Hearing Screening (unless performed under preventive care for children under 18 during a wellness check-up)
- Biopsy

Page 26, Medical, in the section Filing a Claim for Eligibility, replace any reference to Matria or Matria Healthcare, Inc. with "Alere."

Pages 32-37, Medical, Comparing Your Options, revise the chart as follows:

Plan Feature	CDHP Option	PPO Option	OOA Option	MOFD Option
Cost Sharing				
Annual Deductible Amount you must pay before the plan covers a portion of your healthcare expenses. HRA and HIA amounts count toward this deductible!	▪ Individual: $2,500 ▪ Family: $5,000	In-Network: ▪ Individual:$750 ▪ Family: $1,500 Out-of-Network: ▪ Individual: $1,500	▪ Individual: $750 ▪ Family: $1,500	▪ Individual: $380 ▪ Family: N/A

		▪ Family: $3,000		
Out-of-Pocket Maximum Once you reach these maximums, JCPenney pays 100% of all of your eligible healthcare expenses up to the lifetime maximum. Your deductible applies to the out-of-pocket maximum. HRA and HIA amounts count toward your deductible and out-of-pocket maximum.	▪ Individual: $5,000 ▪ Family: $10,000	In-Network: ▪ Individual: $4,000 ▪ Family: $8,000 Out-of-Network: ▪ Individual: $6,000 Family: $12,000	▪ Individual: $4,000 ▪ Family: $8,000	▪ Individual: $3,400 ▪ Family: $6,800
Coinsurance Percentage of your healthcare expenses JCPenney pays after you meet your deductible. You will pay less if you use in-network providers (20%) rather than out-of-network providers (40%)	▪ In-Network: 80% ▪ Out-of-Network: 60%	▪ In-Network: 80% ▪ Out-of-Network: 60%	Plan pays: 80%	Plan pays: 80%
Prescription Drugs (through Express Scripts)				
Retail (up to a 30 day supply)				
	You pay:	**You pay:**	**▪ You pay:**	***You* pay:**
Generic	▪ 20% copay ▪ $10 minimum** ▪ $100 maximum	▪ 20% copay ▪ $10 minimum** ▪ $100 maximum	▪ 20% copay ▪ $10 minimum** ▪ $100 maximum	▪ 20% copay ▪ $10 minimum** ▪ $100 maximum
Formulary Brand	▪ 30% copay ▪ $25 minimum** ▪ $100 maximum	▪ 30% copay ▪ $25 minimum** ▪ $100 maximum	▪ 30% copay ▪ $25 minimum** ▪ $100 maximum	▪ 30% copay ▪ $20 minimum** ▪ $100 maximum
Non-Formulary Brand	▪ 40% copay ▪ $50 minimum** ▪ $200 maximum	▪ 40% copay ▪ $50 minimum** ▪ $200 maximum	▪ 40% copay ▪ $50 minimum** ▪ $200 maximum	▪ 40% copay ▪ $35 minimum** ▪ $100 maximum
Mail Order (up to a 90-day supply)				
Generic	▪ 20% copay ▪ $25 minimum** ▪ $200 maximum	▪ 20% copay ▪ $25 minimum** ▪ $200 maximum	▪ 20% copay ▪ $25 minimum** ▪ $200 maximum	▪ 20% copay ▪ $20 minimum** ▪ $200 maximum
Formulary Brand	▪ 30% copay ▪ $50 minimum** ▪ $200 maximum	▪ 30% copay ▪ $50 minimum** ▪ $200 maximum	▪ 30% copay ▪ $50 minimum** ▪ $200 maximum	▪ 30% copay ▪ $50 minimum** ▪ $200 maximum
Non-Formulary Brand	▪ 40% copay ▪ $100 minimum** ▪ $400 maximum	▪ 40% copay ▪ $100 minimum** ▪ $400 maximum	▪ 40% copay ▪ $100 minimum** ▪ $400 maximum	▪ 40% copay ▪ $80 minimum** ▪ $200 maximum

**Or actual cost if actual cost is less.

All Out-of Network, Out-of-Area (OOA) and (MFOD) payments by the Plan described in the table will be the specified percentage of Reasonable and Customary charges.

Page 39, Medical, CDHP, Annual Deductible, revise the table and example as follows:

CDHP Annual Deductible	
Retiree Only	$2,500
Retiree + Spouse/DP or Children	$5,000
Retiree + Family	$5,000

Example: If you have Retiree Only coverage and completed your PHA during Annual Enrollment, then you have $500 in your HRA and $350 in your HIA. That's $850 that is applied toward your $2,500 deductible — so you only have to pay $1,650 out of pocket before reaching your annual deductible.

Page 40, Medical, CDHP, Out-of-Pocket Maximum, revise the table as noted:

CDHP Annual OOPM	
Retiree Only	$5,000
Retiree + Family	$10,000

Page 41, Medical, PPO, Annual Deductible, revise the table as noted:

PPO Annual Deductibles	In-Network	Out-of-Network
Individual	$750	$1,500
Family	$1,500	$3,000

Page 41, Medical, PPO, Out-of-Pocket Maximum, revise the table as noted:

PPO Annual OOPM		
Retiree Only	$4,000	$6,000
Retiree + Family	$8,000	$12,000

Page 42, Medical, OOA, Annual Deductible, revise the table as noted:

OOA Annual Deductibles	
Individual	$750
Family	$1,500

Page 43, Medical, OOA, Out-of-Pocket Maximum, revise the table as noted:

OOA Annual OOPM	
Individual	$4,000
Family	$8,000

Page 46, Medical, Prescription Drug Program, In-Network, replace the table with:

Type of Prescription Drug	Express Scripts Network Pharmacies (up to 30-day supply), You Pay:	Express Scripts Home Delivery Mail Order (up to 90-day supply), You Pay:
Generic	▪ 20% copay ▪ $10 minimum* ▪ $100 maximum	▪ 20% copay ▪ $25 minimum* ▪ $200 maximum
Formulary Blend	▪ 30% copay ▪ $25 minimum* ▪ $100 maximum	▪ 30% copay ▪ $50 minimum* ▪ $200 maximum
Non-Formulary Brand	▪ 40% copay ▪ $50 minimum* ▪ $200 maximum	▪ $40% copay ▪ $100 minimum* ▪ $400 maximum

* Or actual cost if actual cost is less.

Page 46, Medical, Prescription Drug Program, before Key Terms, insert the following:

Note
To find a network pharmacy in your area, contact Express Scripts at 1-800-791-8919 or log onto www.express-scripts.com and click on Pharmacy Locator. This service is available free of charge.

Page 48, Medical, Prescription Drug Program, at the end of the Prior Authorization section add the following:

The following lists describe drugs not covered, drugs that require prior authorization and drugs which have quantity level limitations as of January 1, 2009.

Drugs Not Covered	Drugs That Require Prior Authorization
Allergens	Anticoagulants #Rx>3/180
Anabolic Steroids	Crinone
Blood Glucose Monitors and Kits	Enbrel
Compound Rx	Forteo
Contraceptive - Implants	Growth Promoting Agents
Contraceptive Devices	Humira
Contraceptives - Emergency	Inhaled Insulin
Depigmentation Agents	Kineret
Diagnostic, Test, Imaging	Legend Smoking Cessation
Fertility Regulators	Lupron Age<46
Fluoride Products	Nutritional Supplements
Hair growth agents	Orencia
Immune Globulin	Osteoarthritis Agents
Impotence – Injectable	Provigil
Impotence – Oral	Prozac Weekly 90mg

Impotence - Yohimbine	Sarafem
Injectable Cosmetics	Strattera
IUDs	Symlin – Byetta
Legend Homeopathic Drugs	Sympathomimetic Amines
Legend Multivitamins	Thalomide
Legend Supplemental Vitamins	Tretinoins Age>25
Myobloc	Weight Management Agents
NSA/NSA w/decongestant	Wellbutrin SR 150 mg
Ostomy Supplies	Wellbutrin XL
Over-the-Counter products	
Photo-aged skin products	Celebrex- must try 2 generic NSAIDs first before Celebrex
PPIs & H2RAs not covered	
Serums, toxoids, vaccines	
Swabs	

Quantity Level Limits

- Limitations are based on FDA guidelines and package instructions.
- A Participant's physician may call for a prior authorization and try to obtain approval for a greater quantity.

Category	Retail Limit	Mail Limit	PA Available after Limit
Actonel 35mg	4 tabs/30 days	12 tabs/90 days	No
Ambien 5mg, 10mg	14 tabs/30 days (combined limit)	42 Tabs/90 days	Yes
Amerge 1mg, 2.5mg	1mg 18 tabs/30 days 2.5mg 9 tabs/30 days	54 tabs/90 days 27 tabs/90 days	Yes
Axert 6.25mg , 12.5mg	6 tabs/30 days	18 tabs/90 days	Yes
Enbrel	8 vials/30 days	24 vials/90 days	No
Fosamax 35mg, 70mg	4 tabs/30 days	12 tabs/90 days	No
Frova 1.5mg	12 tabs/30 days	36 tabs/90 days	Yes
Humira	2 injections/30 days	6 injections/90 days	No
Imitrex 100mg	9 tabs/30 days	27 tabs/90 days	Yes
Imitrex 25mg, 50mg	18 tabs/30 days	54 tabs/90 days	Yes
Imitrex Inj Kits	6 kits(12 injections)/30 days	18 kits (36 injections)/90 days	Yes
Imitrex Nasal Spray 5mg, 20mg	2 pack (12 units)/30 days	6 packs (36 units)/90 days	Yes
Kineret	28 injections/month	84 injections/3 months	No
Lotronex 1mg	60 tabs/30 days	180 tabs/90 days	No
Lunesta	14 tabs/30 days	42 tabs/90 days	Yes
Lotronex 1mg	60 tabs/30 days	180 tabs/90 days	No
Maxalt, Maxalt MLT	12 tabs/30 days	36 Tabs/90 days	Yes
Migranal Nasal Spray	2 kits (8 units) /30 days	6 kits (24 units)/ 90 days	Yes
Prozac Weekly	4 caps/30 days	12 caps/90 days	No

Relenza	1 disk haler per calendar year	1 disk haler per calendar year	Yes
Relpax 20mg	12 tabs/30 days	36 tabs/90 days	Yes
Relpax 40mg	6 tabs/30 days	18 tabs/90 days	Yes
Rozerem	14 tabs/30 days	42 tabs/90 days	Yes
Sonatas 5mg, 10 mg	14 caps/30 days (combined limit)	42 caps/90 days	Yes
Stadol NS	2 units/30 days	6 units/90 days	Yes
Tamiflu	10 caps per calendar year	10 caps per calendar year	Yes
Toradol 20mg Tab	20 tabs/30 days	20 tabs/30 days	No
Xyrem	3 bottles/30 days	9 bottles/90 days	No
Toradol 20mg Tab	20 tabs/30 days	20 tabs/30 days	No
Zelnorm 2mg, 6mg	60 tabs/30 days (combined limit)	180 tabs/90 days	No
Zomig 2.5mg	12 tabs/30 days	36 tabs/90 days	Yes
Zomig 5mg	6 tabs/30 days	18 tabs/90 days	Yes
Zomig Nasal Spray	3 boxes (18 units)/30 days	9 boxes (54 units)/90 days	Yes

Dental

Page 59, Participation, Eligibility, replace the Child definition with:

Child – Your or your spouse/DP's unmarried child(ren) under the age of 19, if a full-time student under the age of 24, or any age if incapacitated before age 19 (age 24 if a full-time student). Children include natural born, legally adopted, placed for adoption, foster child(ren) or court-appointed ward(s) that live with you at least six months of the year, are younger than you and do not provide more than one half of their own support.

Page 66, Dental, How the Plan Works, Eligible Expenses, revise as follows:

DMO option: preventive, basic, major, as well as orthodontia.

Term Life

Page 71, Term Life Insurance, Eligibility, replace the section with:

You may continue Associate-Paid Term Life Insurance Coverage as a Retiree if on the date your employment ends:

- You are between ages 55 and 70,
- You are enrolled in Associate-Paid Life Insurance,
- You have at least 10 years of total service, with five consecutive years immediately before you retire, and
- Your age plus years of total service is equal to 80 or more.

Retiree coverage is limited to one times your final AEB.

Eligible dependents include:

- **Spouse** – The individual to whom you are legally married under the laws of your home state, except during periods while your spouse is on active military duty.
- **Domestic Partner (DP**) – A same-gender civil union member or registered domestic partner under the laws of your home state, or a same-gender individual who has lived with you in a committed relationship for at least 12 months and meets the other requirements listed in the Company's domestic partner online certificate, except during periods while your DP is on active military duty.

See the *Eligibility and Enrollment* section for more information.

Page 71, Term Life Insurance, before "When Coverage Begins" add the following:

Term Life Benefits Not Covered

Benefits will not be paid for losses resulting from suicide within two years from the date Life Insurance takes effect and the premium paid by the Retiree during the two year period will be refunded to either the Retiree or the Beneficiary, as appropriate.

Benefits will also not be paid for losses resulting from suicide within two years from the date of an increase in the Coverage Amount, the Coverage Amount in effect on the day preceding the increase will be paid as the benefit. Any premium paid by the Retiree for the increased Coverage Amount will be returned to the Retiree or the Beneficiary, as appropriate.

Benefits will also be denied within the first two years if any statement made in a required EOGH or other statement is found to be incorrect.

If an insured's age is misstated the correct age will be used to determine if insurance is in effect, and, as appropriate, will adjust the benefit amount paid and/or the premiums.

Administrative Information

Page 84, J.C. Penney Health and Welfare Plan, Basic Facts, replace with:

J. C. Penney Health and Welfare Plan

Basic Facts

Official Plan Name	J.C. Penney Corporation, Inc., Health and Welfare Benefit Plan
Plan Sponsor's Employer Identification Number	13-5583779
Plan Identification Number	501
Plan Year	January 1 - December 31

Page 87, Administrative Information, J.C. Penney VEBA Life and Disability Plan, Plan Trustees, replace with:

Plan Trustees

The following Associates act as trustees for the Life and Disability Benefit Plan trust:

- R. B. Cavanaugh – Executive Vice President and Chief Financial Officer
- M. W. Taxter – Executive Vice President, Director of J.C. Penney Stores
- M. T. Theilmann – Executive Vice President, Chief Human Resources and Administration Officer

All trustees may be reached by writing to the trustee at the following address:
J.C. Penney Corporation, Inc.
6501 Legacy Drive
Plano, Texas 75024-3698

Page 88, Administrative Information, Health and Welfare Plan, replace the first three paragraphs with:

The plan is sponsored by J.C. Penney Corporation, Inc. ("Company") and is an employer-sponsored, health and welfare employee benefit plan governed under ERISA. The plan offers fully insured Long Term Care, Aetna DMO, Humana HMO (Puerto Rico only) insurances, and self-insured Medical and Dental benefits.

The plan also offers certain non-ERISA benefits such as The Hawaii Medical and Dental Plan.

Some benefits are insured through contracts with insurance companies. The insurance companies are the named fiduciaries for fully-insured options; they administer claims and appeals and are solely responsible for providing benefits under these plans. Eligibility to participate in the Retiree options offered under the plan is determined by a third-party administrator on behalf of the plan administrator. See the *Eligibility and Enrollment* section for further information on the eligibility and enrollment administrators.

Page 89, Administrative Information, Participating Employers, remove the Original Arizona Jeans Company as a Participating Employer.

Page 99, Legal Notices, Special Enrollment Rights, revise to include the following, additional special enrollment right:

Legal Notices

Effective April 1, 2009, you and your eligible dependents did not enroll in the above plans when first eligible because you had creditable coverage under Medicaid or a State Children's Health Insurance Program (SCHIP) and you and your dependents become eligible for premium assistance to assist you with paying the cost of enrolling in one or more of the above plans.

Page 102, Legal Notices, Continuing Your Coverage under COBRA, add the following after the second paragraph and before the table:

COBRA Subsidy under the American Recovery and Reinvestment Act
Effective March 1, 2009, if you experience a qualifying event that is an involuntary termination of your employment during the period that began September 1, 2008 and ends December 31, 2009, other than for gross misconduct, the American Recovery and Reinvestment Act of 2009 (ARRA) may, in some cases, reduce the COBRA premium you have to pay. If you qualify for the premium reduction, you need only pay 35 percent of the COBRA premium otherwise due the plan. This premium reduction is available for up to nine months. If your COBRA continuation coverage lasts for more than nine months, you will have to pay the full amount to continue your COBRA coverage. If you are eligible for the COBRA subsidy under ARRA, you will receive additional communication from PowerLine or the ABC Service Center.

Page 108, Legal Notices, Non-Creditable Prescription Drug Coverage Notice, replace the section with:

Non-Creditable Prescription Drug Coverage Notice

Please read this notice carefully and keep it where you can find it. This notice has information about your current prescription drug coverage with J.C. Penney Corporation, Inc., and about your options under Medicare's prescription drug coverage. This information can help you decide whether or not you want to join a Medicare drug plan. Information about where you can get help to make decisions about your prescription drug coverage is at the end of this notice.

There are three important things you need to know about your current coverage and Medicare's prescription drug coverage:

1. Medicare prescription drug coverage became available in 2006 to everyone with Medicare. You can get this coverage if you join a Medicare Prescription Drug Plan or join a Medicare Advantage Plan (like an HMO or PPO) that offers prescription drug coverage. All Medicare drug plans provide at least a standard level of coverage set by Medicare. Some plans may also offer more coverage for a higher monthly premium.

2. J.C. Penney Corporation, Inc. has determined that the prescription drug coverage offered by the Medical Option for Disableds (if you are Medicare-eligible) is, on average for all plan participants, NOT expected to pay out as much as standard Medicare prescription drug coverage pays. Therefore, your coverage is considered Non-Creditable Coverage. This is important, because most likely, you will get more help with your drug costs if you join a Medicare drug plan, than if you only have prescription drug coverage from the Medical Option for Disableds. This is also important because it may mean that you may pay a higher premium (a penalty) if you do not join a Medicare drug plan when you first become eligible.

3. You can keep your coverage from the Medical Option for Disableds (if you are Medicare-eligible). However, because your coverage is non-creditable, you have a decision to make about Medicare prescription drug coverage that may affect how much you pay for that coverage, depending on if and when you join a drug plan. Read this notice carefully; it explains your options.

When Can You Join A Medicare Drug Plan?

You can join a Medicare drug plan when you first become eligible for Medicare and each year from November 15 through December 31. At the time you lose creditable prescription drug coverage under the Medical Option for Disableds, you are also eligible for a two month Special Enrollment Period (SEP) to join a Medicare drug plan.

When Will You Pay A Higher Premium (Penalty) To Join A Medicare Drug Plan?

Since the coverage under the Medical Option for Disableds (if you are Medicare eligible) is not creditable, depending on how long you go without creditable prescription drug coverage, you may pay a penalty to join a Medicare drug plan. Starting with the end of the last month that you were first eligible to join a Medicare drug plan but didn't join, if you go 63 continuous days or longer without prescription drug coverage that's creditable, your monthly premium may go up by at least one percent of the base beneficiary premium per month for every month that you did not have that coverage. For example, if you go 19 months without coverage, your premium may consistently be at least 19 percent higher than the Medicare base beneficiary

premium. You may have to pay this higher premium (penalty) as long as you have Medicare prescription drug coverage. In addition, you may have to wait until the following November to join.

What Happens To Your Current Coverage If You Decide to Join A Medicare Drug Plan?

If you decide to join a Medicare drug plan, your current Medical Option for Disableds coverage will not be affected, except that your prescription drug coverage will coordinate with Medicare Part D.

If you do decide to join a Medicare drug plan and drop your current Medical Option for Disableds coverage, be aware that you and your dependents will not be able to get this coverage back.

For More Information About This Notice Or Your Current Prescription Drug Coverage

Please contact PowerLine for further information.

PowerLine
JCPenney Benefits Center
100 Half Day Road
Lincolnshire, IL 60069
1-888-890-8900

Note: You'll get this notice each year. You will also get it before the next period you can join a Medicare drug plan and if this coverage through the Health and Welfare Benefit Plan changes. You also may request a copy of this notice at any time.

For More Information About Your Options Under Medicare Prescription Drug Coverage

More detailed information about Medicare plans that offer prescription drug coverage is in the "Medicare & You" handbook. You'll get a copy of the handbook in the mail every year from Medicare. You may also be contacted directly by Medicare drug plans. For more information about Medicare prescription drug coverage:

- Visit www.medicare.gov.
- Call your State Health Insurance Assistance Program (see the inside back cover of your copy of the "Medicare & You" handbook for their telephone number) for personalized help.
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

If you have limited income and resources, extra help paying for Medicare prescription drug coverage is available. For information about this extra help, visit Social Security on the web at www.socialsecurity.gov, or call them at 1-800-772-1213 (TTY 1-800-325-0778).

Pages 109 - 115, Legal Notices, Health Plans Privacy Notice, replace all references to Matria or Matria Healthcare, Inc. with "Alere."

Page 113, Legal Notices, Health Plans Privacy Notice, replace the last sentence of the second-to-last paragraph under the heading "Your Individual Rights" with:

To request a copy of a particular Business Associate's privacy notice, if applicable, you should contact the Business Associate directly at the appropriate address included under "Complaints and Communications."

Page 115, Legal Notices, Health Plans Privacy Notice, revise the table under the heading "Complaints and Communications" to add the following:

Enrolled in the Additional Benefit Choices Medical (Starbridge) or Dental Option	CIGNA	CIGNA Privacy Office P.O. Box 5400 Scranton, PA 18505	1-800-560-1379
Enrolled in the Additional Benefit Choices Vision Option	EYEMED	EyeMed Vision Care, Attn: Privacy Officer P.O. Box 3104 Mason, OH 45050-7111	1-888-594-9834

This document is a summary of material modifications effective January 1, 2009 to Your Retiree Benefits Book 1, effective January 1, 2008. Please keep this document with your copy of Your Retiree Benefits Book 1. JCPenney reserves the right to terminate or amend any benefit plan or program at any time.