

Associate Discount Program

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Policy Overview

All active JCPenney *Associates* are rewarded with the Associate Discount Program (“the Program”) from their first day on the job. The Program provides discount privileges on certain merchandise purchases and services. It’s a special privilege and a value for you and your family.

Official Plan Name	Common Names of the Program
Associate Discount Program	Associate Discount, Discount Plan, Discount Card, Discount Privilege, Discount

How the Associate Discount Program Works

You may use the Discount Card to purchase certain merchandise and services at a discounted price for your own use and to buy gifts or merchandise to be shared with others, subject to certain limitations and restrictions described later in this document. The discount is taken off the retail price, including any marked-down sale price that is offered to customers for each item. For catalog referral purchases, the discount is taken off the advertised price that would be available to any customer making the identical purchase at the same time.

Procedures - the Associate Discount Program

- For store purchases - when requesting the *Associate* discount, just show your *Associate* discount card, before the sales *Associate* rings up your purchase.
- Your eligible family members will need to present a valid *spouse/dependent* card.
- You or your *dependent* may also be required to show a driver's license or other photo ID for positive identification.
- Catalog – When placing your order by telephone, inform the catalog operator that you are eligible for the *Associate* discount. When picking up your calendar order in person, you may be required to show your discount card.
- jcpenny.com – When prompted on the Order Confirmation page in the “Special Instructions” field, enter “JCPenney Associate”.

You will be given a discount card for yourself and one for each eligible *dependent* during the New Hire process. You must activate your discount card(s) on the Associate Kiosk. Your card(s) will not be valid until you activate them. You must log on the Associate Kiosk, select Associate Self-Service and then select Discount Card Activation and follow the instructions to activate your discount card, and/or your dependent's discount card.

You may use the *Associate* discount to purchase merchandise and services for your own use and to buy gifts and merchandise shared with others. The discount is taken off the retail price, including any marked-down sale price that is offered to store customers for each item. For catalog referral purchases, the discount is taken off the advertised price that would be available to any customer making the identical purchase at the same time. You simply show the proper identification before the sales Associate rings up your purchase.

Eligibility

You

As a JCPenney Associate, you are eligible for the discount from your date of hire until your employment ends. You remain eligible even during approved leaves of absence.

Your Spouse

As long as you are eligible, your *spouse* may also take advantage of your *Associate* discount.

"*Spouse*" includes common-law *spouse* in states that recognize this status; documentation of common-law marriage is required. If you divorce your *spouse*, your *spouse* loses all eligibility for the discount card. If you remarry, your new *spouse* is then eligible as your *dependent*. Also, if you divorce your *spouse*, *children* who are not your *dependents* will lose eligibility for the discount card. If you then remarry, the *children* of your new *spouse* would also be eligible for the discount privilege.



Note: “*Spouse*” does not include Domestic Partner. Domestic Partners are not considered *spouses* under Section 132 of the Internal Revenue Code.

Your Children

Your *Associate* discount privilege also extends to purchases by your unmarried *children* who meet the age and eligibility requirements:

- Who are under age 19;
- Under age 24 if a full-time student; or
- Any age if *incapacitated**.

*Provided the *child* became *incapacitated* before age 19 (or before age 24 if a full-time student). A *dependent* must qualify as a *dependent* for federal income tax purposes and be unable to earn his or her own living due to a mental or physical disability.

Your Incapacitated Child

You must apply to continue participation for your *incapacitated child* who would otherwise lose participation due to age. You must apply to continue participation before the last day of the month preceding the month the *child* turns age 19 (or age 24 if a full-time student).

For an *incapacitated child*, you may continue participation by completing and returning a Continuation of Coverage for Incapacitated Children form. You will receive this form from PowerLine after speaking with a specialist to request the form. Participation for the *incapacitated child* will not continue unless this form is approved. If approved, PowerLine will notify you. If denied, PowerLine will advise you of the denial.

Your Child If a Full-Time Student

You may continue Discount Program participation for a *child* who is a full-time student through the end of the month before he/she is age 24. The definition of “full-time” student is based on the number of hours that the institution in which the *child* is enrolled specifies as the hours required to be considered full-time. The number of hours required varies by institution. You must apply to continue participation before his or her 19th birthday even if the *child* is already participating in the Discount Program.

To continue participation for a *child* between the ages of 18 and 24 who is a full-time student, you must certify annually that the *child* is still a full-time student. You will receive a letter from PowerLine each July advising you of the need for this certification. You can complete this certification through PowerLine’s Web site, through the automated telephone system, or through a PowerLine specialist. Once you have completed the certification process, you will need to request a card for your *child* in the Discount Program. Participation for the *child* between the ages of 18 and 24 and who is a full-time student will be terminated at the end of August if you do not complete the certification process, or on the last day of the month before the *child* turns age 19 or 24, if earlier.

When your *child* is no longer eligible for the discount card, it is your responsibility to deactivate your *child*’s discount card through the Associate Kiosk. Failure to do so may result in you losing your card.

Limitations of the Program and Your Responsibilities

Because the Associate Discount is a benefit of your employment, you should be careful to use it only as intended. No *Associate* has a vested interest in the Program. If you make purchases or allow others to make purchases that violate the Program limitations set forth below, or if you have been rehired and are summarily dismissed from employment or if you commit a criminal act against the *Corporation*, you may permanently lose your discount privilege.

- The discount privilege and identification cards are non-transferable. You may use the discount privilege only to purchase goods for the personal use of yourself, your *spouse*, or your eligible *children*. "Personal use" includes merchandise you purchase to give as a gift or to share with others.
- You cannot use the discount privilege to purchase merchandise that will be resold, used in any business, including but not limited to your own, or for which you receive repayment of any kind.
- The restrictions (e.g., quantity, coupons, etc.) on sale merchandise for customers also apply to you.
- You cannot have a family member ring up your purchases.
- The store or unit manager can limit the days and hours when you may use the discount privilege.
- The *Corporation* may not offer the Program to *Associates* of certain subsidiaries or divisions because of federal tax laws.
- The discount privilege is subject to restrictions imposed by tax laws. By offering the discount, the *Corporation* makes no representation as to federal, state or local tax law outcomes for *Associates* that use the discount privilege, and the *Corporation* shall not be responsible for any particular tax outcome.
- The *Corporation* reserves the right to impute income to any *Associate* in the event that the Internal Revenue Service, other government agency, or court determines that the discount privilege is a taxable benefit.
- The *Corporation* reserves the right to change or end the Program at any time without prior notice to you.
- The discount card provided to you shall remain the property of the *Corporation* and the *Corporation* may require it to be returned at any time.

If you have questions about the privileges and limitations of the Associate Discount Program, talk to your Store/Unit manager, or call PowerLine at 1-888-890-8900.

The Associate Discount Program in Brief

Associate Discount Percentages

Effective October 1, 2006

	Active Associates	All Star & Star Performers
JCPenney Stores Retail Subdivisions	20%	25%
Retail Exceptions		
Entity 47- Furniture (all subs)	10%	15%
Sub 343 – Infant Furniture	10%	15%
Sub 780 – Small Appliances	10%	15%
Sub 864 – Personal Care	10%	15%
Sub 869 – Floor Care	10%	15%
Styling Salon Products and Service	15%	20%
Optical	15%	20%
Portrait Studio	15%	20%
Catalog/Internet (jcpenny.com)	20%	25%
Catalog Exceptions		
Sub 343 – Infant Furniture & Strollers	10%	15%
Sub 775- Decorative Furniture	10%	15%
Sub 780 – Small Appliances	10%	15%
Sub 864 – Personal Care	10%	15%
Sub 869 – Floor Care	10%	15%
Direct Only Subdivisions		
Sub 621– Ready to Assemble Furniture	20%	25%
Sub 627 – Porch & Patio Furniture	10%	15%
Sub 628 – Ready to Finish Furniture	10%	15%
Sub 676 – Video Games	0%	0%
Sub 785 – Kitchen Furniture	10%	15%
Sub 857 – Major Appliances	10%	15%
Entity 50 – Fitness and Exercise	10%	10%
Entity 52 – Electronics & Photo	10%	15%
Catalog Outlet Stores	10%	10%

No discounts are available for:

- Charges for labor, service, installation or delivery, if stated separately;
- Gift cards;
- Optical examination fees; vision care plans; and
- Sephora products purchased through jcpenny.com

Exceptions or discount percentages are subject to change.

JCPenney *Associates* are entitled to a 20% discount on Jewelry Services and Care Plans. *Associates* are also entitled to a 15% discount with respect to purchases of merchandise from the Licensed Departments. Similarly, all persons employed by U.S. Vision (optical) or LifeTouch (portrait studio) located within a Store shall be entitled to the same discount extended to JCPenney *Associates* for merchandise purchased at JCPenney. The same rules and regulations apply.

How to Request Additional and/or Replacement Cards

See the store manager or office *Associate* in your unit if you need additional cards or a replacement card for you or your *dependents*. You will need to activate the card through the Associate Kiosk.

Eligibility for a Gold Discount Card When You Leave/Retire

When you terminate or retire from the *Corporation*, you may be eligible for a Gold Discount Card if your age and years of total *service* (**a minimum of 10 years of service is required**) equal 65 points.

If your employment is terminated due to an approved Unit Closing or Permanent Reduction in Force (as such terms are defined in the Separation Pay Program), you will automatically be provided with up to one year of additional age and/or service credit in order to help you satisfy the 10 years of total service and 65 point requirement to be eligible for the Gold Card (life time discount) privilege.

In addition, you may also be eligible for a Gold Discount Card if you have at least 10 years of total *service* and are *Social Security disabled*.

Gold Card discount privileges are not extended to anyone whose employment ends because of a summary dismissal (or who resigns in lieu of a summary dismissal).

Administrative Information

This section provides administrative details on the Program including *claim* and *appeal* procedures and your rights as a Program *participant*. It also provides information on how and where to contact the administrator of the Program described in this policy.

The Program Sponsor is J. C. Penney Corporation, Inc.

The Program Administrator is the Benefits Administration Committee (*BAC*). The Program Administrator has the discretionary authority to:

- determine all questions of fact including eligibility to participate in the Program;
- interpret the terms of the Program for eligibility, procedural and benefits issues; and
- correct any omissions or errors.

Claims Procedures

You must complete all levels of *claims* and *appeals* in order to pursue a *claim* in court.

To ensure proper handling of any *claim* for eligibility to participate, or failure to receive a discount under the Program your *claim* should be submitted to PowerLine on the Claims Initiation Form. You can request this form by calling PowerLine at 1-888-890-8900 and saying “Associate Discount.”

The Benefit Determination Review Team (“*BDRT*”) at the direction of the *Corporation* will respond to any *claim* related to the Program within 60 days of receipt of the *claim*. The *BDRT* can notify you before the end of the initial 60-day period that an extension is needed to review your *claim*. An extension can be up to 60 days. If your *claim* is denied, the *BDRT* will advise you of the reason for the denial citing the Program provisions found in this booklet and advise of any additional information needed to overturn your denial. The denial will also advise you of the *appeal* rights related to your *claim*.

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

How to File an Appeal

You must complete all levels of *claims* and *appeals* in order to pursue a *claim* in court.

If your *claim* for eligibility or benefits is denied in whole or in part, you may *appeal* in writing to the Benefits Administration Committee (*BAC*) to request a review of your denied *claim*. You must submit your written *appeal* to the *BAC* within 60 days after you receive notice of your denied *claim*. The *BAC* must notify you of its final decision in writing within 60 days after receipt of your written *appeal* or within 120 days when special circumstances require more time

for a fair decision. You will be notified if an extension is needed to complete your *appeal* prior to the end of the initial 60-day period. The decision of the *BAC* is final and binding on you or anyone claiming through you. The denial will cite the plan provisions found in this on-line document on which the decision was based.

If you do not file your *appeal* within the required timeframe, no further action will be taken and you cannot request an *appeal* at a later date.

Where to File a Claim or an Appeal

Discount Program	A <i>claim</i> for Eligibility or Benefits	An <i>appeal</i> of a denied <i>claim</i> for eligibility or benefits
	Send your <i>claim</i> to:	Send your <i>appeal</i> to:
	Benefits Determination Review Team (BDRT)	Benefits Administration Committee (BAC)
	JCPenney	JCPenney Corporation, Inc.
	P O Box 1407	6501 Legacy Drive
	Lincolnshire, IL 60069-1407	Plano, TX 75024-3698
	Benefits Determination Review Team (BDRT)	
	JCPenney	.
	P O Box 1407	6501 Legacy Drive
	Lincolnshire, IL 60069-1407	Plano, TX 75024-3698
	PowerLine 1-888-890-8900	972-431-1000
	8:00 a.m. – 5:00 p.m.	8:00 a.m. – 5:00 p.m.
	Mon-Fri Central Time	Mon-Fri Central Time

Plan Document

This on-line document is the plan document for the Discount Program. Every effort has been made to make this document clear, complete and understandable; however, the Plan Administrator has the final word on interpreting all provisions of the Program. The terms of the Program may only be superseded or amended by a subsequent written document approved by the *BAC* or the Human Resources Committee. The *corporation* maintains the Program even though it is not required to do so by law. Also see **Amendment or Termination** later.

Severable Program Provisions

Each provision of the Discount Program is independent and does not affect the validity of any other provision. If a court or administrative agency finds any provision of the Discount Program to be invalid, illegal, void, or unenforceable, such provision shall be severed, and the remaining provisions of the Discount Program shall remain in full force and effect. In the event a court or administrative agency finds any provision of the Program to be invalid, illegal, void, or unenforceable the *corporation* reserves the right to take any action indicated under the sections titled **Limitations Of The Program And Your Responsibilities** or under **Amendment Or Termination**.

Amendment or Termination

J.C. Penney Corporation, Inc. reserves the right to amend or terminate the Discount Program at any time without prior notice or approval of *Associates, participants, or their representatives*. The *BAC* has the authority to amend the Discount Program if the amendment does not significantly increase the cost of the Program to a participating employer. The Human Resources Committee has the authority to make all other amendments, including termination of the Discount Program. 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 on-line document or any other communication related to the Discount Program creates or should be inferred to create an employment contract.

Participating Employers

J. C. Penney Corporation, Inc.	JCP Procurement L.P.
6501 Legacy Drive Plano, TX 75024-3698	6501 Legacy Drive Plano, TX 75024-3698
JCP Publications Corporation	JCP Logistics L.P.
6501 Legacy Drive Plano, TX 75024-3698	6501 Legacy Drive Plano, TX 75024-3698
JCP Overseas Services, Inc.	JCP Media L.P.
6501 Legacy Drive Plano, TX 75024-3698	6501 Legacy Drive Plano, TX 75024-3698

J. C. Penney Puerto Rico, Inc. J. C. Penney Private Brands, Inc.

6501 Legacy Drive 6501 Legacy Drive
Plano, TX 75024-3698 Plano, TX 75024-3698

JCP ECommerce L.P.

6501 Legacy Drive
Plano, TX 75024-3698

Time for Legal Action

The benefits under the Discount Program are offered under federal law. The Plan document is governed under Texas law. Every right of action by any *participant*, a *participant's representatives*, or a *participant's estate* must be brought against the *Corporation* no later than four years from the date your employment ended, or from receipt of notice of a denied *claim* for eligibility to participate or for benefits by the *Corporation*.

Ordering Scannable Discount Cards - Office Use Only

Order additional quantities of the scannable Associate discount card through E-pro. The number is #005-0838-0102.

Key Terms

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

Associate – a person who was employed by a *participating employer* and paid through a *participating employer's* payroll system. The term *Associate* does not include a person who was classified as an independent contractor by the *participating employer* for purposes of Federal income tax reporting and withholding. The designation of an *Associate* by the *participating employer* is final and not subject to any re-determination by any government agency. The term *Associate* does not include any person who performed services for a *participating employer* as a "leased employee" within the meaning of *Code* section 414(n), or who performed services through an agreement with a leasing organization.

BAC – See *Benefits Administration Committee*.

BDRT – See *Benefits Determination Review Team*.

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

Benefits Determination Review Team (BDRT) – an administrator appointed by J.C. Penney Corporation, Inc. to act as the *claims administrator* for the Discount Card Program.

Children – unmarried person(s) who have the same principal place of abode as the *Associate* for more than one half of the *plan year*, and who do not provide over one half of their own support for the *plan year* and who are related to the *Associate* as:

The *Associate's* natural children and legally adopted children;

Any children placed with the *Associate* for adoption, provided that the *Associate* assumes and retains a legal obligation for total or partial support of such children in anticipation of adoption, and such placement ends upon termination of such legal obligation;

Any children for whom the *Associate* is the foster parent, court-appointed legal guardian, court-appointed legal custodian, or court-appointed managing conservator.

Any children for whom the *Associate's spouse* is the sole foster parent, court-appointed legal guardian, court-appointed legal custodian, or court-appointed managing conservator.

Additionally, the Associate Discount Program, eligibility will end:

The last day of the month before the child's 19th birthday; or

The last day of the month before their 24th birthday if they are a full-time student or;

If *incapacitated*; when the *Associate* or the *spouse* of the *Associate* is no longer eligible

Claim – your request for eligibility to participate or benefits submitted to the *Benefits Determination Review Team*.

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

Corporation – J.C. Penney Corporation, Inc., a Delaware corporation or its successor(s).

Incapacitated – a person who is unable to earn his or her own living meaning (earnings from wages must be less than the poverty threshold income level for a single person living alone as published by the U.S. Department of Commerce Bureau of the Census) because of mental retardation, any other mental handicap (for example severe chronic emotional problems, psychosis, autism or behavior problems secondary to organic brain disorder), or a physical handicap. If a *child*, he or she must have become mentally or physically *disabled* as of the last day of the month before turning age 19 or before age 24 if a full-time student. Also refer to the definition of *incompetent*.

Incompetent – any person who is impaired by reason of:

Mental illness, mental deficiency, physical illness or disability;

Advanced age;

Being legally under age; or

Chronic use of drugs, chronic intoxication or other cause;

To the extent that the person lacks understanding or capacity to make or communicate responsible decisions about his or her person or property.

Participant – a former *Associate* who has satisfied all the eligibility requirements for participation in the Program, or the *spouse*, or eligible *child* of the former *Associate* whose participation has not terminated.

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

Representative – a person the *participant* authorizes in writing to act on the *participant's* behalf. The Program 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.

Service – total years of *service* with the *corporation*, any *participating employer*, or any other company within the *corporation's* control group as defined in the code.

Social Security Disabled – according to the Social Security Administration, 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.

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 (RAC) (administrator for the *corporation's* Income Protection Plans) determines that Social Security Disability benefits would have been payable if you had the necessary age or covered quarters.

Spouse – the individual of the opposite sex to whom an *Associate* is legally married under the laws of the state or territory in which the covered *Associate* is domiciled, as required by law. Domestic Partners and same-gender *spouses* are not considered *spouses* under Federal law.