



My Time Off (MTO) Policy

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MTO POLICY OVERVIEW

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

The MTO Policy was effective January 1, 2004, for all new and rehired *Associates*, and any *Associate* who loses eligibility after December 31, 2003, under the Paid Time Off (PTO) Policy. This Policy is amended as of December 31, 2008.

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

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



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

ELIGIBILITY FOR MTO - NEWLY ELIGIBLE

Management-You become eligible and receive your first deposit on the first day of the third month of employment. The month in which you are hired counts as your first month of employment, even if you are hired on the last day of the month.

Example: If you are hired on October 31, you will be eligible and receive your first MTO deposit on December 1.

Full-Time Non-Management –You become eligible and receive your first deposit on your *Benefits Eligible* effective date. You must qualify each year for MTO deposits.

Part-Time Non-Management-You become eligible and receive your first deposit on the first day of the month following 12 months of employment if you average 25 or more hours during the first 48 weeks of employment. You must qualify each year for MTO deposits.

Example: If you are hired on October 30, you will be eligible and receive your first MTO deposit on November 1 of the following year, provided you averaged 25 hours or more per week in the 48-week period beginning October 30.

ELIGIBILITY FOR MTO - ANNUAL RECLASSIFICATION

Each year in July *Benefits Eligible* status is determined using a 52-week look back (ending on the last Saturday in June). This will determine your MTO deposits, if any, for the following calendar year.

- You will receive MTO deposits as a full-time Associate if your weekly average is 35 hours or more.
- You will receive MTO deposits as a part-time Associate if your weekly average is 25-34.9 hours per week.
- You will not receive MTO deposits if your weekly average is less than 25 hours per week.

Please see the following page for MTO CALCULATION details.

MTO CALCULATION

MTO is calculated based on your average week, job classification, and service months. The table below shows the factors for the calculation of MTO.

MTO Weeks Factor Table			
	Management	Non-Management Full-Time (BE)	Non-Management Part-Time (Not BE)
MTO Service Months	Weeks Per Year	Weeks Per Year	Weeks Per Year
Less than 12 months	2.6	2.6	2.6
12 - 35 months	2.6	3	2.6
36 - 59 months	3	3.6	2.8
60 - 179 months	4	4.8	3.4
180 - 299 months	5	5.8	4
300 + months	6	6.8	4.6

MTO Calculation

Average Week x MTO Weeks Factor = Annual MTO hours

Annual MTO hours / 12 = Monthly MTO hours deposit

For example: A part-time (not *Benefits Eligible*) non-management Associate with 36 MTO Service Months and an Average Week of 33 hours

Annual MTO hours = 33 hours x 2.8 = 92.4 Annual MTO hours

92.4 Annual MTO hours / 12= 7.7 hours/month

WHEN MTO HOURS ARE EARNED

The *corporation* determines your potential “Monthly MTO Hours Deposit” when you first become eligible and then annually thereafter. If you are *actively at work* on the first day of each month, you will receive a deposit of MTO hours that you can earn during that month. The hours are advanced to you and are available for your immediate use as soon as they are deposited into your account.

WHEN YOU MUST USE YOUR MTO 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** MTO 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 MTO 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 MTO HOURS ARE PAID

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

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

Pay Rate* × (times) your *average week* or *average day* = (equals) MTO *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.
- MTO hours do not count toward “hours worked” for calculating overtime *pay*.

WHEN YOUR EMPLOYMENT ENDS

- Any MTO hours remaining in your MTO account will be paid to you when your employment ends using your *pay rate* in effect on the date your employment ends.
- **MTO hours may not be used to extend your employment with the *corporation*.**
 - MTO 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).

ADDED MTO - 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* will be added to your MTO 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 MTO BALANCE

MTO hours used will be updated each *pay* period. MTO 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 MTO Hours – As you request time off, hours used will reduce your available MTO hours.

UNUSED MTO IN YOUR ACCOUNT ON DECEMBER 31st

You will lose any unused MTO hours that remain in your account in excess of your MTO Maximum Carryover. This includes any additional hours deposited for working on an observed holiday. Where required by law, any unused MTO hours in excess of your MTO 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 MTO Maximum Carryover. Your MTO Maximum Carryover amount is based on your *MTO Service Months* as of the end of the current *year*. The MTO Maximum Carryover is based on the table below.

MTO Maximum Carryover		
MTO Service Months - as of 12/31 of the current year	Non-Management Associates	Management Associates
Less than 36 months	One Average Week	One Average Week
36 - 59 months	40 hours	One Average Week
60 - 179 months	50 hours	One Average Week
180 - 299 months	60 hours	One Average Week
300 + months	70 hours	One Average Week

See the following page for exceptions to the Maximum Carryover.

Exceptions to Maximum Carryover

- Any unused MTO hours in excess of the MTO 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 MTO hours that exceed the MTO Maximum Carryover will automatically be paid to you in January of the following year.
- All unused MTO 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** (and say “Leave, Illness or Injury” when prompted) or contact your store or unit. PowerLine is available Monday – Friday between 8 am and 8 pm Central.

MANAGING YOUR MTO ACCOUNT



It is your responsibility to verify your MTO Account. To access your MTO 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.jcpenney.net and selecting “Associate Information.”

*If you disagree with the hours recorded, call PowerLine at **1-888-890-8900** (Say “Other Questions” 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). PowerLine is available Monday – Friday between 8 am and 8 pm Central. You may file a claim for reconsideration as explained in the section titled, **Claims and Appeals**.*

Accessing Your MTO Account

To access your MTO account, click on the PTO/MTO Balances link from 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 MTO 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 MTO 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 MTO 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 MTO 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 You Should Call PowerLine

Call PowerLine at **1-888-890-8900** (and say “Other Questions” when prompted) if you want to:

- Ask questions about your MTO Account, or
- Get a better understanding of the MTO Policy.

PowerLine is available Monday – Friday between 8 am and 8 pm Central.

CHANGES THAT AFFECT YOUR BENEFITS

Paid Time Off vs. Unpaid Time Off

You **may elect** to use any MTO 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, except as noted in the chart below, **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
- Observed Holidays Policy, and
- Incidental Time Off Policy.

If you have no time off with *pay*, you must call PowerLine (say "Leave, Illness or Injury" when you hear the menu of options) at **1-888-890-8900** to request a *Leave of Absence*. If your leave is approved you will not lose *Benefits Eligible* status. PowerLine is available Monday – Friday between 8 am and 8 pm Central.

Unpaid Time Off

Keep in mind any unpaid time off could affect your *Benefits Eligible* status, and your monthly MTO hours calculation including your *average day* and *average week*.

How a Leave of Absence Affects your MTO

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

Type of Leave	Must I use any remaining MTO before my leave begins?	Do I receive monthly MTO deposits during my Leave of Absence?	What happens to my unused MTO as of December 31 of the current calendar year?
Workers' Compensation or State Disability <i>Leave of Absence</i>	You may, but are not required to , use all of your remaining MTO before you begin your unpaid <i>Leave of Absence</i> .	Yes, for up to the first 6 months of leave	You may use any MTO remaining in your account including any MTO deposited during your <i>Leave of Absence</i> when you return to work. Any unused MTO 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 .

<i>Military Leave</i>	You may, but are not required to , use all of your remaining MTO before you begin your unpaid military leave	Yes, for up to the first 6 months of leave	<p>You may use any MTO remaining in your account including any MTO deposited during your <i>Leave of Absence</i> when you return to work.</p> <p>All unused MTO 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 1-888-890-8900 (say “Leave, Illness or Injury” when prompted) or contact your store or unit Office Associate.</p> <p>You may not receive any <i>MTO service months</i> 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.</p> <p>If you terminate your employment, see the section titled, When Your Employment Ends.</p>
<i>All other Leaves of Absence (including FMLA leave)</i>	Yes*	No	<p>You may use any MTO remaining in your account including any MTO deposited during your <i>Leave of Absence</i> when you return to work.</p> <p>Any unused MTO 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>

*Associates in Vermont and Wisconsin may elect to be placed on an unpaid *FMLA Leave* without being required to use MTO. For Associates in California, after two weeks of a *leave of absence* to care for a family member with a serious health condition the Associate may be placed on an unpaid *leave of absence*, including, but not limited to, an unpaid *FMLA leave*, without being required to use MTO if the Associate is approved for benefits under the California Paid Family Leave law.

When Your Job Classification Changes

Your MTO 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 the January 1 after your transfer is effective if you meet the MTO eligibility requirement.

Transfer to Puerto Rico

You will remain in MTO for the current year. Since *Associates* employed in Puerto Rico are not eligible for benefits under the MTO 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.

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 MTO Policy for any hours you worked.

Overpayment of Time Off Benefits

Any MTO hours used in excess of any MTO hours earned and deposited are considered an overpayment. Where allowed by law, the *corporation* will recoup these amounts through payroll deductions. If the *corporation* cannot recoup these amounts through payroll deduction, you have 30 days to repay the full amount of the overpayment to the *corporation* by money order, certified or cashiers check, or cash.

The *corporation* may also recover overpayments by:

- Reducing your current or future PTO/MTO hours deposits
- Suspending or reducing future Texas Worker Injury Plan (TWIP), Illness Recovery Time, or Incidental Time Off (Jury/Witness Duty, Emergency Time, Bereavement/Funeral Pay, Observed Holiday, and Military Training Duty) benefits until the overpayment has been repaid in full
- Taking any appropriate collection activity available including any legal action needed, and
- Placing a lien, unless prohibited by law, in the amount of the overpayment on the proceeds of any Other Income that you may be eligible to receive whether payable as a periodic or lump sum payment.

No interest will be charged on the amount of any overpayment or duplication of benefits and, unless required by law, no interest will be paid on any underpayment of benefits or on any benefit payments which have been delayed for any reason.



It is your responsibility to verify your MTO Account. To access your MTO 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 “Other Questions” when you hear the menu of options.) within 60 days of the date your account is updated. PowerLine is available Monday – Friday between 8 am and 8 pm Central. 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 titled, **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 MTO 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 MTO Policy
- You do not agree with the amount of MTO hours deposited
- You use any MTO 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* should file the written *claim* with the Benefit Determination Review Team (BDRT). Your claim must be submitted in writing or by completing the Claim Initiation Form. Call PowerLine at **1-888-890-8900** to request a Claim Initiation Form. Send your letter or Claim Initiation Form to the BDRT at:

JCPenny-Benefit Determination Review Team
P. O. Box 1407
Lincolnshire, IL 60069-1407



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

Claims Procedures

Once the BDRT receives your *claim*, the BDRT has 60 days to make a determination. You will be notified in writing of the 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 BDRT 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 MTO 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 MTO 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 *italic* type are defined in the Key Terms section.

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 MTO Policy.

Benefits Eligible – you generally become *Benefits Eligible* on the first day of the fifth month of employment if you are hired on or before the 15th of the month or in the 6th month of employment if you are hired on or after the 16th of the month if:

- You are a *non-management* or hourly *management Associate* and you averaged 35 hours or more per week in the first 8 weeks of employment, or
- You are a salaried *management Associate*, and you were regularly scheduled to work an average of 35 hours or more per week in the first 8 weeks of employment.

Each July, benefits eligibility 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 next year. However, if you do not average 35 hours per week during this 52-week period, you will lose *Benefits Eligible* status effective December 31, unless otherwise required by law.

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 professional 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 the 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.

Leave of Absence- A period of paid or unpaid time away from work for a medical, personal or a military reason.

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.

MTO Service Month – A month when you are an active *Associate* beginning January 1, 2004, including any *benefits eligible service months* as of December 31, 2003 plus any reinstated *MTO Service Months* granted to *Associates* rehired within one year of termination plus any months granted to certain *management Associates* due to prior full-time professional work experience that occurs after the age of 25.

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 MTO 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.

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.

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 MTO 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 MTO Policy. The terms of the MTO 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 MTO Policy even though it is not required to do so by law. Also see AMENDMENT OR TERMINATION later in this section. The MTO Policy is governed under Texas law.

Severable Plan Provisions

Each provision of the MTO Policy is independent and does not affect the validity of any other provision. If a court or administrative agency finds any provision of the MTO Policy to be invalid, illegal, void, or unenforceable, such provision shall be severed, and the remaining provisions of the MTO 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 MTO Policy at any time without prior notice or approval of *Associates*, participants, or their representatives. The BAC has the authority to amend the MTO Policy if the amendment does not significantly increase the cost of the MTO Policy to a participating employer. The Human Resources Committee has the authority to make all other amendments, including termination of the MTO 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 MTO Policy creates or should be inferred to create an employment contract.

Time Limit for Legal Action

The MTO Policy is governed under Texas law. Every right of action by any participant, a participant's representative, or a participant's estate must be brought against the *corporation* no later than four (4) years from the date the *Associate's* employment ended, or from receipt of notice of a denied claim for eligibility to participate or for benefits.

Updated December 31, 2008