

## 401(k) Annual Fee Disclosure Statement:

This statement applies to both the J. C. Penney Corporation, Inc. Savings, Profit Sharing and Stock Ownership Plan and the J. C. Penney Corporation, Inc. Safe Harbor 401(k) Savings Plan (Plan effective date is 01/01/2017). Both Plans are collectively referred to as “the 401(k) Plan” or “the Plan” throughout the remainder of this document.

### Important Information About Your Investment Options, Fees, and Other Expenses

The JCPenney 401(k) Plan is a great way to build savings for your future. Through the 401(k) Plan you get:

- The convenience of **automatic savings** through payroll deductions and the opportunity for **tax advantages** through before-tax contributions
- **Contributions from JCPenney** that match a portion of your before-tax, Roth, or after-tax contributions
- A **flexible, comprehensive investment line-up** that is monitored by the Plan’s Benefit Plans Investment Committee (the “Investment Committee”) and includes investment options that are only available to large, institutional investors

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You’ll want to make sure you are taking full advantage of the 401(k) Plan by choosing a contribution rate and investments to meet your long-term retirement needs. Use the tools available on the Plan’s website, [www.jcpenneypowerline.com](http://www.jcpenneypowerline.com), to explore how your contribution and investment decisions impact your long-term savings goals.

Review this statement to learn more about fees and expenses, the Plan’s investment options, and where to go for more information or to take action. To learn more about the Plan, please see the Summary Plan Description available on the Plan’s website.

## 1. About Fees and Expenses

As with other investments, many fees and expenses for the 401(k) Plan are paid by investors; in this case, participants in the Plan. There are several types of fees:

- Some fees are **asset-based fees**. You won’t see these fees directly because they are charged directly to the Plan investment options and are reflected as a reduction in the earnings for the particular Plan investment option. These fees are shown in Section 3 of this statement. Asset-based fees are used to pay for investment management fees and also may be used to pay for administrative fees or services to the Plan such as trustee, legal, accounting, recordkeeping, and participant services, as well as other expenses relating to the maintenance of the Plan or Plan funds.
- You may also have **individual fees** that result in a separate fee being charged to your account due to activity you have requested (See Sections 2 and 3 of this statement to learn about individual fees that may apply to your account.)
- When you decide to invest in any of the funds in the 401(k) Plan, there are no upfront sales loads or charges. If you choose to invest in the Plan’s self-directed brokerage window, however, these fees may apply.

## 2. The Plan's Investment Options

As a participant in the 401(k) Plan, you are responsible for investing your account in one or any combination of the Plan's investment options. Section 3 provides more specific information about the investment options, which include:

- **Target Retirement Date Funds, Core Funds, and Company Stock**, which primarily provide you with investments that have returns that can change as the market goes up and down.
- In addition, the Plan offers you a **Self-Directed Brokerage Window**, which provides access to a marketplace of retail investment options. The self-directed brokerage window is designed for participants who have a strong knowledge of the investment marketplace, want greater flexibility to create a more customized portfolio, and have the ability, time and desire to personally research and evaluate different investments. The platform is provided through Hewitt Financial Services, a broker-dealer subsidiary of Hewitt Associates LLC and member FINRA/SIPC.

**Note:** The Plan's Investment Committee does not review the investments available through the self-directed brokerage window. You are solely responsible for your investments in the self-directed brokerage window based on information available to all investors in these retail investments, such as the fund prospectus, which you access online through the self-directed brokerage window website at [www.hewittfs.com](http://www.hewittfs.com) or by contacting **PowerLine at 1-888-890-8900**.

The individual fees applicable to the self-directed brokerage window are paid from your Target Retirement Date Funds and/or Core Funds (see box on this page). You can obtain a fee schedule of applicable trading fees and commissions online at [www.hewittfs.com](http://www.hewittfs.com) or by contacting **PowerLine at 1-888-890-8900**.

You may change your investment elections on a prospective basis as often as you like.

### Choosing Your Investment Strategy

Ultimately, how you invest should depend on your age, lifestyle, accumulated wealth, years to retirement, and comfort level with risk. This statement only provides some information about your investment choices like fees, expenses, and historical returns. Your decisions should be based on the full picture, taking into account your individual situation, not just the information in this statement.

- **To Learn More About the Investment Options.** This document includes important information to help you compare the investment options. To learn more about the investment funds offered and fees that apply to these funds, visit the 401(k) Plan website. You can find fund facts, fund performance, and other fund information. You can also receive more information about the funds, including paper copies of information that is provided online, by calling PowerLine at **1-888-890-8900**. Representatives are available from 8:00 a.m. to 8:00 p.m., Central Time, Monday through Friday.

#### Individual Fees in the 401(k) Savings Plan

- **Self-directed brokerage window fees:** If you maintain a self-directed brokerage window account within the Plan, you will be charged a monthly fee of approximately 0.187% of your self-directed brokerage account assets. This fee is deducted from other assets you have in the Plan rather than directly from your self-directed brokerage window account. Depending upon the activity you request, you may also pay additional trading fees and commissions within your self-directed brokerage window account.

- **Professional Management program fees:** If you sign up for the Professional Management program offered by Aon Hewitt Financial Advisors (AFA), you will be charged a fee that is based on the size of your account:

- Up to the first \$100,000: 0.35% of assets
- The next \$100,001 to \$250,000: 0.25% of assets
- \$250,001 or more: 0.10% of assets

The fee is calculated based on the average amount of assets under management for the calendar quarter, and is debited from your account at the start of the following quarter.

Learn more about applicable fees on the Plan's website.

For more information about this statement, you may contact PowerLine at **1-888-890-8900** or the Plan administrator:

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

- **To Enroll or Make Changes to Your Investments.** You can enroll in the 401(k) Plan or make changes to your investments at any time by logging on to the Plan's website. Once you have logged on you can:
  - **Enroll**—go to Savings and Retirement > Start Saving Now
  - **Change your current investment mix or your investment elections for future contributions**—go to Savings and Retirement > Investments > Change Investments and follow the instructions on the website.
- To help you create an investment strategy, JCPenney has designated Aon Hewitt Financial Advisors (AFA), an independent Registered Investment Advisor, to provide fiduciary investment services to Plan participants. An **Online Advice** tool can help you fine-tune your investing strategy, and the **Professional Management** program offers personalized portfolio management from professional investment advisors. Fees apply for the Professional Management program; see the **Individual Fees in the 401(k) Plan** box in Section 2. Note, AFA has hired Financial Engines Advisors L.L.C. (FEA) to provide sub-advisory services. AFA is a federally registered investment advisor. FEA is a federally registered investment advisor and is an independent company that is not affiliated with AFA. Neither AFA nor FEA guarantees future results.

If you are unable to log on to the website you may also enroll or change investment options by calling PowerLine at **1-888-890-8900**. Representatives are available from 8:00 a.m. to 8:00 p.m., Central Time, Monday through Friday.

**Voting Rights for Certain Investments**

As a participant in the 401(k) Savings Plan, you can direct the manner in which the Trustee will vote the JCPenney Common Stock Shares credited to your JCPenney 401(k) Plan account. The Trustee votes your shares in accordance with the voting instructions received from you. If you do not vote your shares, they will be voted in

### 3. Investment-Related Information (Model Comparative Chart)

This section has two parts. Part A consists of performance information for Plan investment options, showing you how well the investments have performed in the past. Part B lists the fees and expenses you will pay if you invest in an option.

#### Part A. Performance Information

**Table 1** shows how the Plan's Target Retirement Date Funds and Core Funds have performed over time and allows you to compare them with an appropriate benchmark for the same time periods. Past performance does not guarantee how an investment option will perform in the future. Your investment in these options could lose money. Information about an option's principal risks is available on the Plan's website at [www.jcpennypowerline.com](http://www.jcpennypowerline.com).

| <b>Table 1— Investment Options Performance</b>  |                               |         |         |                 |           |        |       |                 |
|---|-------------------------------|---------|---------|-----------------|-----------|--------|-------|-----------------|
| Name/<br>Type of Option   | Average Annual Total Return * |         |         |                 | Benchmark |        |       |                 |
|   | 1yr.                          | 5yr.    | 10yr.   | Since Inception | 1yr.      | 5yr.   | 10yr. | Since Inception |
| <b>Target Date Funds</b>  |                               |         |         |                 |           |        |       |                 |
| Vanguard Target Income Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>  | 3.21%                         | 4.90%   | 5.35%   | 5.15%           | 3.42%     | 5.13%  | 5.50% | 5.30%           |
| Vanguard Target Retirement 2010 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | 2.83%                         | 5.44%   | 5.33%   | 5.33%           | 3.08%     | 5.67%  | 5.46% | 5.46%           |
| Vanguard Target Retirement 2015 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | 1.96%                         | 6.08%   | 5.54%   | 5.90%           | 2.13%     | 6.32%  | 5.65% | 6.00%           |
| Vanguard Target Retirement 2020 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | 1.40%                         | 6.58%   | 5.61%   | 5.61%           | 1.58%     | 6.93%  | 5.85% | 5.85%           |
| Vanguard Target Retirement 2025 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | 0.78%                         | 6.86%   | 5.62%   | 6.18%           | 0.90%     | 7.20%  | 5.84% | 6.37%           |
| Vanguard Target Retirement 2030 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | 0.05%                         | 7.11%   | 5.56%   | 5.56%           | 0.19%     | 7.46%  | 5.81% | 5.81%           |
| Vanguard Target Retirement 2035 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | -0.65%                        | 7.35%   | 5.64%   | 6.57%           | -0.56%    | 7.70%  | 5.86% | 6.78%           |
| Vanguard Target Retirement 2040 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | -1.47%                        | 7.49%   | 5.73%   | 5.73%           | -1.29%    | 7.86%  | 5.96% | 5.96%           |
| Vanguard Target Retirement 2045 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | -1.54%                        | 7.48%   | 5.71%   | 6.86%           | -1.35%    | 7.84%  | 5.95% | 7.08%           |
| Vanguard Target Retirement 2050 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | -1.60%                        | 7.49%   | 5.74%   | 5.74%           | -1.35%    | 7.84%  | 5.95% | 5.95%           |
| Vanguard Target Retirement 2055 Trust I<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                       | -1.62%                        | 7.50%   | N/A     | 6.65%           | -1.35%    | 7.84%  | N/A   | 6.97%           |
| <b>Core Funds</b>   |                               |         |         |                 |           |        |       |                 |
| <b>Equity Funds</b>   |                               |         |         |                 |           |        |       |                 |
| S&P 500 Index Fund<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>  | 3.81%                         | 11.90%  | 7.26%   | 8.95%           | 3.99%     | 12.10% | 7.42% | 9.01%           |
| Russell 1000 Growth Fund<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>  | 2.84%                         | 12.13%  | 8.55%   | 7.97%           | 3.02%     | 12.35% | 8.78% | 8.08%           |
| Russell 1000 Value Fund<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>   | 2.70%                         | 11.14%  | 5.97%   | 9.74%           | 2.86%     | 11.35% | 6.13% | 9.82%           |
| Russell 2000 Fund<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>   | -6.61%                        | 8.38%   | 6.20%   | 9.01%           | -6.73%    | 8.35%  | 6.20% | 9.13%           |
| EAFE Fund (Fund is active through 12/14/16)<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>                                   | -9.40%                        | 1.89%   | 1.68%   | 4.69%           | -10.16%   | 1.68%  | 1.58% | 4.82%           |
| International Fund (Fund is active as of 12/15/16 and replaces the EAFE Fund)<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a> | N/A                           | N/A     | N/A     | N/A             | -9.80%    | 0.60%  | 2.30% | N/A             |
| JCPenney Common Stock Fund<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>  | 5.36%                         | -23.35% | -17.19% | -1.57%          | 3.99%     | 12.10% | 7.42% | 9.76%           |
| <b>Bond Funds</b>   |                               |         |         |                 |           |        |       |                 |
| Intermediate Bond Fund<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>  | 4.22%                         | 2.71%   | 4.33%   | 5.30%           | 4.33%     | 2.90%  | 4.48% | 5.35%           |
| <b>Other</b>  |                               |         |         |                 |           |        |       |                 |
| Interest Income Fund<br><a href="http://www.jcpennypowerline.com">www.jcpennypowerline.com</a>  | 2.08%                         | 2.63%   | 3.48%   | 5.40%           | 1.76%     | 1.95%  | 2.93% | 5.10%           |

\* The average annual total return figures are provided net of investment management fees and administrative costs.

## Part B. Fee and Expense Information

**Table 2** shows fee and expense information for the investment options listed in Table 1. Table 2 shows the Total Annual Operating Expenses of the options in Table 1. Total Annual Operating Expenses are expenses that reduce the rate of return of the investment option. Table 2 also shows Shareholder-Type Fees. These fees are in addition to Total Annual Operating Expenses.

| <b>Table 2—Fees and Expenses</b>  |  |             |  |
|---|--|-------------|--|
| Name/<br>Type of Option   | Total Annual Operating Expenses <sup>1</sup> |             | Shareholder-Type Fees and Investment Restrictions <sup>2</sup>   |
|   | As a %                                       | Per \$1,000 |  |
| <b>Target Date Funds</b>  |  |             |  |
| Vanguard Target Income Trust I  | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2010 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2015 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2020 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2025 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2030 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2035 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2040 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2045 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2050 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| Vanguard Target Retirement 2055 Trust I                                       | 0.27%  | \$2.69      | N/A  |
| <b>Core Funds</b>   |  |             |  |
| <b>Equity Funds</b>   |  |             |  |
| S&P 500 Index Fund  | 0.21%  | \$2.09      | N/A  |
| Russell 1000 Growth Fund  | 0.24%  | \$2.39      | N/A  |
| Russell 1000 Value Fund   | 0.24%  | \$2.39      | N/A  |
| Russell 2000 Fund   | 0.24%  | \$2.39      | N/A  |
| EAFE Fund (Fund is active through 12/14/16)                                   | 0.26%  | \$2.59      | N/A  |
| International Fund (Fund is active as of 12/15/16 and replaces the EAFE Fund) | 0.26%  | \$2.59      | N/A  |
| JCPenney Common Stock Fund  | 0.22%  | \$2.19      | N/A  |
| <b>Bond Funds</b>   |  |             |  |
| Intermediate Bond Fund  | 0.24%  | \$2.39      | N/A  |
| <b>Other</b>  |  |             |  |
| Interest Income Fund  | 0.47%  | \$4.75      | You cannot transfer money directly from the Interest Income fund into the self-directed brokerage account. You must first transfer money into another investment option for at least 90 days before it is moved into the Self-Directed Brokerage Account (SDBA). |

<sup>1</sup> Total asset-based fees are investment management fees plus other Plan-specific costs charged to the investment fund to cover investment management services, Plan administration and other Plan costs.

<sup>2</sup> Shareholder-Type Fees and Investment Restrictions outlines any fees paid directly from your investment in this option (e.g., sales charges, redemption fees, account fees, purchase fees, transfer or withdrawal fees, etc.) and any restrictions (e.g., equity wash, purchase block, etc.) on trading that might exist for a specific investment option.

The cumulative effect of fees and expenses can substantially reduce the growth of your account. Visit the Department of Labor's website for an example showing the long-term effect of fees and expenses at [http://www.dol.gov/ebsa/publications/401k\\_employee.html](http://www.dol.gov/ebsa/publications/401k_employee.html). Fees and expenses are only some of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

To see more definitions related to investments, go to the Plan's website. You will find additional definitions at Savings & Retirement > Financial Education > Beginning Your Plan.

[www.jcpenneypowerline.com](http://www.jcpenneypowerline.com)

## 4. Terms You Should Know

Here are a few key terms and concepts to help you understand the information described in this statement.

**Administrative fees:** Fees paid to the record keeper to cover expense for things like keeping data on participants, communication materials, Internet services, and assisting participants with transactions; fees paid to a trustee to manage some operations of the Plan including trading and holding assets; plus fees paid for legal and accounting services.

**Asset-based fees:** Fees that are charged as a percent of holdings in an investment to cover investment management fees plus any asset-based administrative service fees. Asset-based fees are also referred to as the expense ratio, or, more technically, the fund's total annual operating expenses.

**Benchmark:** A benchmark is typically a market index that tracks general market performance of similar types of investments. For instance, the S&P 500 Index is commonly used as a benchmark for large-cap stocks.

**Bond fund:** An investment fund that invests primarily in bonds and other debt instruments. Bonds are issued by various entities, including governments (federal, state, local) or corporations. Bond funds may also be invested in debt instruments such as mortgage-backed securities.

**Core funds:** Each of these funds represents a single asset class. A combination of Core Funds is needed to have a diversified portfolio that will provide the most optimal long-term investment experience.

**Designated Investment Advisor:** This is the individual or organization that manages investments for individuals who choose to participate in the Professional Management program. In this case, it's Aon Hewitt Financial Advisors.

**Equity fund:** An investment option that invests primarily in corporate stocks.

**Individual fees:** These fees apply to your account and generally depend on transactions in your account, like participating in the self-directed brokerage window or the managed account program.

**Investment management fees:** Fees paid to the investment manager for selecting and managing the investments in an investment option. These fees may also include costs such as advertising and promotion, administration, and other related services.

**JCPenney Common Stock Fund:** An investment fund that invests exclusively in Penney Common Stock (except for cash or cash equivalent investments required to facilitate Participant transactions into and out of the Penney Common Stock Fund). When you invest in the Penney Common Stock Fund, you buy "units of participation" in the fund, not individual shares of Penney Common Stock.

**Professional Management program:** You have the option to sign up for managed account services where the designated investment advisor will manage your investment mix for you. If you choose this service, the fees described in the **Individual Fees in the 401(k) Plan** box in Section 2 will apply.

**Self-Directed Brokerage Account:** Through this account, you may invest in thousands of different investments using the money deposited in your 401(k) Plan account. You'll have access to nearly 300 mutual fund families, more than 10,000 publicly traded companies, fixed-income investment families such as U.S. government securities, CDs and more. In addition, more than 3,000 of the mutual funds from which you may choose are available with no loads, or waived loads and no transaction fees.

**Target date funds:** These funds are premixed, diversified investment strategies that are designed to be a single investment solution. They have a mix of underlying investments that are generally appropriate for a given retirement date.

### How Asset-Based Fees Work

Let's assume your current account balance is \$30,000, and you've invested in three funds as shown below. Here's an estimate of what you might pay annually in total expenses.

| Investment                              | Balance  | Asset Based Fees |               |
|---|----------|------------------|---------------|
|   |          | As % of Assets   | Dollar Amount |
| Vanguard Target Retirement 2020 Trust I | \$10,000 | 0.27%            | \$26.90       |
| S&P 500 Index Fund                      | \$17,000 | 0.21%            | \$35.70       |
| International Fund                      | \$ 3,000 | 0.26%            | \$7.80        |
| Total                                   | \$30,000 | -                | \$70.40       |

Because asset-based fee expenses are accumulated daily, your actual cost will vary as your account value changes.