POWERLINE JCPenney | benefits

Your 401(k) Update

This Notice provides you with important information regarding your account balance in the **J.C. Penney Corporation, Inc. Savings, Profit Sharing, and Stock Ownership Plan** or the **J.C. Penney Corporation, Inc. Safe Harbor 401(k) Savings Plan (**collectively referred to as the **"401(k) Savings Plan"**or the "**Plan").**

Account Information You may access your total account balance, your vested account balance, and the value of each of your investments by visiting the PowerLine website.

You may also generate and print an account statement on the site or view/print quarterly statements found in your secure PowerLine mailbox.

You can access PowerLine one of three ways:

1. Log on from work via the Kiosk.
2. Log on from home via the Kiosk@Home by visiting www.jcpassociates.com
3. If you are a retired associate, you can log in from home by visiting www.jcpenneypowerline.com.

Be sure to review your information carefully. You should report any discrepancies to PowerLine within three months.

Transfers and Transfer Restrictions The 401(k) Savings Plan permits you to make daily transfers. Transfer requests processed before 3:00 p.m. CT (or market close, if earlier) will be valued based on the price at the close of the stock market.

Transfer requests received after the stock market has closed will be valued at the close of the next day the market is open.

If your completed request is delayed for any reason, it will process as soon as administratively possible. The Plan may also, on occasion, limit the ability of identified insiders to sell or purchase company securities as required under securities laws.

Remember, when you terminate employment, it may take three weeks to process a distribution.

Notice of Your Rights Concerning Employer Securities Federal law provides specific rights concerning investments in employer securities (company stock). Because you may now or in the future have investments in company stock under the 401(k) Savings Plan, you should take the time to read this notice carefully.

Your Rights Concerning Employer Securities
The 401(k) Savings Plan allows you to elect to move any portion of your account that is invested in company stock from that investment into other investment alternatives under the Plan. This right extends to all of the company stock held under the Plan. In deciding whether to exercise this right, you will want to give careful consideration to the information below that describes the importance of diversification.

All of the investment options under the Plan are available to you if you decide to diversify out of company stock.

The Importance of Diversifying Your Retirement Savings
To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk. Therefore, you should carefully consider the rights described in this notice and how these rights affect the amount of money that you invest in company stock through the Plan.

It is also important to periodically review your investment portfolio, your investment objectives, and the investment options under the Plan to help ensure that your retirement savings will meet your retirement goals. For more information about individual investing and portfolio diversification, visit the Department of Labor's Web site at www.dol.gov/ebsa/investing.html.

Fee Information The Plan charges administrative fees (shown as separate account fees) and individual fees (based on specific account activity) as shown on your account statement and the PowerLine web site. To learn more about specific fee information, access the Annual Fee Disclosure Statement posted on PowerLine by selecting the Savings & Retirement tab, then select Plan information, select Plan information again and then under the Savings Benefits section select Annual Fee Disclosure Statement.

Paper Copy You have the right to request and receive, free of charge, a paper copy of your account statement. You may request a paper copy by calling PowerLine at 1-888-890-8900 or on PowerLine you can choose the Savings & Retirement tab and then select Forms and Material which will then allow you to request an Account Statement.

Payment Information

Federal Withholding on Payments Not Eligible for Rollover

The taxable portion of your payment that isn't eligible for rollover is subject to federal income tax withholding unless you elect not to have withholding apply. Withholding on the taxable portion of a payment that is eligible for rollover is described in the Payments Rights Notice Summary sections below.

Keep in mind:

- At the time you elect a payment you can choose not to have federal withholding apply to the taxable portion of your payment that isn't eligible for rollover. You also may change your withholding status on periodic payments as often as you'd like.
- If the payment is a periodic payment (calculated installment, required minimum distribution, etc.), withholding will be taken according to the wage withholding tables as if you were married, claiming 3 allowances, unless you choose otherwise.
- If the payment is a nonperiodic payment (e.g., hardship withdrawal, fixed installment, etc.) withholding will be taken at a flat 10% rate.

Note: If you choose not to have withholding apply, or if you don't have enough federal income tax withheld, you may be responsible for the payment of estimated tax. You also may have to pay a tax penalty if the taxes you pay through withholding and estimated taxes are not enough.

Payment Rights Notice Summary for Non-Roth Account Payments

Federal law requires that you receive information about the rights you have before you take a distribution from the 401(k) Savings Plan (the Plan). This is a summary of your payment rights. You may view and print the full text of the Payment Rights Notice by accessing the PowerLine Web site or receive a paper copy free of charge by calling PowerLine.

You have 30 days from the date you receive this summary to consider your payment rights before you receive a payment. If you'd like to receive a payment within the 30-day period, you may waive your right to a 30-day notice.

Right to Delay Your Payment

You may be able to delay the commencement of your Plan benefits until a date not later than April 1st of the calendar year following the calendar year in which you separate from service or attain age 70-1/2, whichever is later. By choosing to take a payment before then, you're giving up your right to continue to invest the payment amount in the Plan on a tax-deferred basis. Also, fees and expenses on investments outside of the Plan may be different and you may not be able to access the same investment options on similar terms. If you choose to delay your payment, you may continue to invest in any of the available investment options under the Plan.

Payment Options Available Under the Plan

You may be eligible for various types of payments of your Plan benefit, depending on the situation. Before you take a payment you will want to consider these options. Whether you're eligible for a particular payment option may depend on your employment status and/or your account balance. For instance, some types of payment are available for specific reasons while you're employed. Other options are only available after your employment ends.

Payment Options While Employed by JCPenney	Payment Options After Separation from Service at JCPenney
Nonhardship Withdrawal	Partial Distribution
Hardship Withdrawal	Lump-Sum Distribution
	Fixed Installments

You can get a full description of the payment options by accessing the PowerLine Web site or calling PowerLine. This information is also available in the 401(k) Savings Plan Summary Plan Description (SPD) which is available on Powerline in the Benefits Library.

Rollover Eligible Distributions from Your Non-Roth Account

The following information applies to payments from the portion of your account that is not part of your Plan Roth Account. If you're receiving a payment that is eligible to be rolled over into an IRA or other employer plan and you don't roll it over, you'll receive only 80% of your payment amount because 20% will be withheld and sent to the IRS to apply toward your tax liability. If you're not 59-1/2 the 10% early distribution tax also will apply, unless the payment meets an exception.

There are two ways to do a rollover:

- Direct Rollover. You may roll over a distribution directly into an IRA or another employer plan. (You cannot roll over a distribution to a designated Roth account in another employer's plan.) If you choose a direct rollover your payment will not be taxed in the current year and no income tax will be withheld. Also, your payment will be payable directly to the IRA or other employer plan, or the designated Roth account in the Plan. The taxable portion of your payment will be taxed later when it's distributed from the IRA or other employer plan.
- 60-Day Rollover. You may have a payment made to you and then deposit all or part of the payment amount into an IRA or another employer plan within 60 days of the date of the payment. Only 80% of the taxable portion of your payment will be paid to you, because 20% of the payment will be withheld and sent to the IRS to apply towards your tax liability. If you're not 59-1/2 the 10% early distributions tax also will apply, unless there is an exception. If you make a 60-day rollover of the entire amount of your payment, you'll have to use other funds to roll over the amount withheld.

If you roll over the taxable portion of your payment into a Roth IRA or into the Plan's designated Roth account, the taxable portion of the payment will be taxed, but the additional 10% tax on early distributions before 59-1/2 will not apply as long as later payments meet the requirements for a Roth qualified distribution. Later payments of amounts rolled over to a Roth IRA or into the Plan's designated Roth account will not be taxed (including earnings) if the later payment meets the requirements for a Roth qualified distribution.

This summary covers only the principle notice requirements. If you want more detailed information you should review the full Payments Rights Notice. Also, if one of the following descriptions applies to you, some rules may be applied differently and you may want to review the full Payment Rights Notice.

- Your payment includes after-tax contributions that aren't taxable
- Your payment includes employer stock
- You had an unpaid loan at the time of your payment
- You're an eligible public safety officer
- You're a beneficiary
- You're an alternate payee under a qualified domestic relations order
- You're a nonresident alien

Payment Rights Notice Summary for Roth Account Payments

Federal law requires that you receive specific information about the rights you have before you take a distribution from your Roth account in the 401(k) Savings Plan (the Plan) that is eligible to be rolled over into an IRA or designated Roth account in an employer plan. Many of your rights relating to your Roth account are the same as payments from non-Roth accounts. Please review the **Right to Delay Your Payment** and **Payment Options Available Under the Plan** sections of the **Payment Rights Notice Summary for Non-Roth Account Payments**, above. The rollover rules and tax impact of a Roth payment are different and that's summarized in this notice.

This is only a summary of your Roth account payment rights. You may view and print the full text of the Payment Rights Notice by accessing the PowerLine Web site or receive a free paper copy by calling PowerLine.

You have 30 days from the date you receive this summary to consider your payment rights before you receive a payment. If you'd like to receive a payment within the 30-day period, you may waive your right to a 30-day notice.

Rollover Eligible Distributions from Your Roth Account

If you're receiving a payment that's eligible to be rolled over into a Roth IRA or a designated Roth account in another employer plan, then the after-tax contributions from your Roth account will not be taxed. The earnings in your Roth account will be taxable if the distribution you receive is not a "qualified distribution." If your earnings are taxed and you receive the payment before you're 59-1/2 you will also have to pay an additional 10% early distribution tax penalty, unless an exception applies. The earnings will not be taxable if you roll your Roth payment into a designated Roth account of another employer plan or into a Roth IRA.

A payment is considered to be a "qualified distribution" from a Roth account if it's paid:

1. After you're age 59-1/2 (or after your death or disability) and
2. After you have a designated Roth account in the Plan for at least five years
   a. Five years is counted from January 1 of the year you first make a Roth contribution to the Plan
   b. If you rolled over amounts to your Roth account from a designated Roth account of another employer plan, the 5-year period will include the period of your Roth contributions in the other employer plan.

There are two ways to do a rollover.

- Direct Rollover. You may roll over a Roth distribution directly into a Roth IRA or into the designated Roth account of another employer plan.
- 60-Day Rollover. You may have a qualified distribution made to you and then deposit all or part of the payment amount into a Roth IRA within 60 days of the date of the payment. If your payment is not a qualified distribution, only the taxable earnings may be rolled over into a designated Roth account of another employer plan. If your payment is not a qualified distribution and you don't do a direct rollover of the taxable earnings portion of the payment, you'll receive only 80% of the taxable portion because 20% will be withheld and sent to the IRS to apply toward your tax liability. If you're not 59-1/2 the 10% early distributions tax also will apply, unless the payment meets an exception. If you make a 60-day rollover of the entire amount of your payment, you'll have to use other funds to roll over the amount withheld.

For More Information If you need additional information about any of these topics, access the PowerLine website. On the website you can:

- Change your contribution rate, investment fund choices or transfer balances
- Monitor your investment performance
- Request a withdrawal
- Change your beneficiaries
- Review the full text of the Payment Rights Notice
- You can also call PowerLine toll free at 1-888-890-8900. The automated telephone system is available 24 hours a day, Monday through Saturday, and after 12 noon (Central time) on Sunday. PowerLine specialists are available between 8 a.m. and 8 p.m. (Central time), Monday through Friday.