



Using a Self-Directed BROKERAGE ACCOUNT

SELF-DIRECTED BROKERAGE ACCOUNT

One of the **investment alternatives** that's available to you on March 1, 2008, through the 401(k) Savings Plan* is a **self-directed brokerage account**. Through this account, you may invest in **thousands of different investments** using the money that's already in your 401(k) Savings Plan account.

With a self-directed brokerage 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 are available with no loads, or waived loads, and no transaction fees.**

More **Flexibility**, More **Responsibility**

The core investments that are available through the 401(k) Savings Plan were specifically chosen to give you basic investment choices which let you build a diversified portfolio. They represent a wide range of investment types that have varying degrees of potential risk and return that provide the flexibility you need to meet most investing needs.

When you invest through a self-directed brokerage account, you gain the flexibility to diversify your savings beyond the Plan's core investments. With this added flexibility, however, comes more responsibility. Because you choose your own investments, you assume the risk and responsibility for the investments that you select.

FEATURES OF YOUR SELF-DIRECTED BROKERAGE ACCOUNT

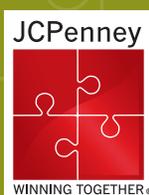
Effective retirement planning means taking control of your investments. The self-directed brokerage account gives you the tools and services you need to do this. These features are made possible through Hewitt Financial Services (HFS) Web site.

Research

Learn about thousands of different investments on the HFS Web site using analysis from many respected research sources including Lipper, S&P, Zachs, Briefing.com and more.

Real-Time Information

Check your account balance and holdings, place trades and monitor the markets through Dow Jones Newswires to stay on top of all the financial news.



* J.C. Penney Corporation Inc. Savings, Profit-Sharing and Stock Ownership Plan, referred to as the 401(k) Savings Plan
** Other fees and expenses regularly charged by the funds will apply. Before investing in any mutual fund, please read its prospectus carefully. To request a prospectus, which includes information about risk considerations, fees, and other expenses, visit the Hewitt Financial Services Web site at www.hewittfs.com or call 1-800-890-3200. NTF funds redeemed or exchanged within six months of the purchase date or deposit date will incur a transaction fee of \$50.00.

How to Open a Self-Directed Brokerage Account

You may open a self-directed brokerage account at any time. To open an account:

- Log on to PowerLine Web site and follow the HFS link to access an application. You may also call a HFS representative at **1-800-890-3200**.
- Complete and submit your application.
- Look for your self-directed brokerage account user ID and password via email within 1-2 business days. You'll be able to transfer money into your self-directed brokerage account within 24 hours of receiving your online user ID and temporary password via email. (If you receive your user ID by 4:00 p.m. Eastern time, you may begin making transfers the next business day.)

How to Transfer Money into Your Self-Directed Brokerage Account

It's easy to transfer money from your 401(k) Savings Plan account into your self-directed brokerage account. Here's how:

- Decide how much money you want to transfer into your self-directed brokerage account. All transfers must be at least \$1,000. A minimum of \$1,000 must remain in the core 401(k) Savings Plan after any transfer.
- Select the 401(k) Savings Plan investment(s) from which the money that you're transferring into your self-directed brokerage account will be deducted. You may transfer money from any of the 401(k) Savings Plan investments into your self-directed brokerage account.
- Use PowerLine Web site to transfer the money into your self-directed brokerage account. The money that you transfer will be put into the Hewitt Money Market fund in your brokerage account.
- Use the HFS Web site (www.hewittfs.com) or automated telephone system, or call a HFS representative at **1-800-890-3200** to invest your transferred money. You may invest in any of the options that are available through the brokerage account on the first business day after you request your transfer online. To verify if funds have been received on the day after the transfer, you must click "Balances."

ACCESSING YOUR SELF-DIRECTED BROKERAGE ACCOUNT

You may access your self-directed brokerage account in two ways:

The Internet—Access the HFS Web site through PowerLine. You can also access the HFS Web site directly at www.hewittfs.com from any computer with Internet access.

By Telephone—Call the automated telephone system 24 hours a day, or a HFS licensed representative at **1-800-890-3200**. Licensed representatives are available from 9 a.m. - 5 p.m. EST Monday-Friday.

TRACKING YOUR BALANCE

When you log on to PowerLine you'll be able to see the total amount of money that's invested in your self-directed brokerage account as of the previous day's market close. To see the actual real-time value of your self-directed brokerage account and track how your account is invested, check your account through the HFS Web site.

After you transfer money from the 401(k) Savings Plan into your brokerage account, your Plan balance will reflect the transfer. However, your self-directed brokerage account balance won't reflect the amount that's being transferred in until the next business day.

Note: The 401(k) Savings Plan customer service representatives at PowerLine can assist you with transferring funds, but will not have access to information about your self-directed brokerage account and cannot answer questions about your account. Call an HFS representative at **1-800-890-3200** to discuss specific questions about your self-directed brokerage account.

How to Transfer Money Back Into Your 401(k) Savings Plan Investments

You may transfer any amount of money from your self-directed brokerage account back into the 401(k) Savings Plan at any time. However, savings must be in the Hewitt Money Market fund before they are eligible for transfer. Here's how the process works:

- First, sell the desired self-directed brokerage account investments.
- The money from the sale will be transferred into the Hewitt Money Market fund in your brokerage account. This process will take between three to five business days, depending on the settlement period of the investments that you sold.
- After the sale is complete, you may transfer money from the Hewitt Money Market fund in your self-directed brokerage account into any of the 401(k) Savings Plan investment options by requesting a transfer through PowerLine.

How to Close Your Self-Directed Brokerage Account

You may close your self-directed brokerage account at any time by selling all the investments within your brokerage account. When all your investment sales have settled, use PowerLine Web site to transfer the

money in your self-directed brokerage account back into the core investments and to close your brokerage account.

Note: Before your self-directed brokerage account is officially closed, additional automatic transfers will be made after your initial request is submitted to close the account. These transfers will move any remaining money in your self-directed brokerage account into your core investment options. Please be aware that if you are requesting a complete distribution from the 401(k) Savings Plan, all assets must be removed from your brokerage account.

Future Contributions

Future contributions must be directed to the 401(k) Savings Plan's core investments. You can't deposit contributions directly into your self-directed brokerage account. However, you may transfer money from your core investments into your self-directed brokerage account at any time.

Fees

You may incur commissions or transaction fees on some securities that you buy or sell through your self-directed brokerage account. A complete list of fees is available on the HFS Web site at www.hewittfs.com or through a representative. As noted on the first page, you may purchase more than 3,000 mutual funds without paying a load or incurring a transaction fee.**

How the Self-Directed Brokerage Account Affects Loans and Withdrawals

If you request a loan or withdrawal from your 401(k) Savings Plan account, the balance in your self-directed brokerage account will be included in the total amount that you may borrow or withdraw. However, you can't access money for loans or withdrawals directly from your self-directed brokerage account. If the amount of money that you want to borrow or withdraw includes some or all of the money which is invested in your brokerage account, you'll need to transfer the appropriate amount back into your 401(k) Savings Plan core investments before you can access it for a loan or withdrawal.

Note: You're required to keep at least \$1,000 in the 401(k) Savings Plan core investments as long as you have money in your self-directed brokerage account. If you request a complete distribution from your 401(k) Savings Plan, all assets must be sold and moved from your brokerage account back into your core investments.

Need More Information?

Visit the HFS Web site at www.hewittfs.com from any computer with Internet access, or call **1-800-890-3200** to access the automated system or speak with an HFS representative.

Other fees and expenses regularly charged by the funds will apply. Before investing in any mutual fund, please read its prospectus carefully. To request a prospectus, which includes information about risk considerations, fees, and other expenses, visit the Hewitt Financial Services Web site at www.hewittfs.com or call **1-800-890-3200. NTF funds redeemed or exchanged within six months of the purchase date or deposit date will incur a transaction fee of \$50.00.

Q: How is my brokerage account protected?

A: HFS is a member of SIPC (Securities Investor Protection Corporation), which protects the securities accounts of its members up to \$500,000, including \$100,000 on claims for cash.

Q: How does HFS ensure the privacy and security of my account?

A: Both online and personal information are protected.

Web Security

The Internet site provides private, secure communications. The confidential account information and transactions are secured (encrypted) with the latest Netscape Secure Commerce Server technology, the best in the industry. Additionally, members are required to access their accounts using one of the latest secure browsers such as Netscape Navigator (version 3.0 or higher) or Microsoft's Internet Explorer (version 3.0 or higher). When a member logs into his or her account, the encrypted (secure) areas can be easily identified by two characteristics. The first is the location (URL). Pages using encryption will have URLs that begin with https:// (instead of http://). The second characteristic is the key icon that appears in the lower left corner of the browser. The key (or lock, for Microsoft Internet Explorer users) will appear whole rather than broken in half.

Our servers also use "cookie" technology to ensure account confidentiality and security, to make it easier for users to navigate through the Internet site, and to enable them to create customized information on the Internet site - based on input they choose, including model portfolios.

Personal Information

HFS collects nonpublic personal information about you from your HFS transactions. You provide this information to us so that we may process your HFS transactions.

Information about your HFS transactions is provided to your financial organization and only to other parties to complete that transaction and to maintain your account as permitted by law. We do not sell information about the users of HFS to anyone.

We restrict access to nonpublic personal information about you to those employees and agents who need to know that information to provide products or services to you. We maintain physical, electronic and procedural safeguards to guard your nonpublic personal information.

Q: How do I transfer money from my 401(k) Savings Plan core investments to my self-directed brokerage account?

A: See the directions on page 2.

Q: Can I earn interest in my self-directed brokerage account?

A: Yes, all idle cash, deposits and investment earnings are swept on a daily basis into the Hewitt Money Market fund.

Note: Money market funds are sold by prospectus only. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible in rare circumstances to lose money by investing in a money market fund.

Q: Can I receive statements electronically?

A: Yes. Electronic statements are available online. You can update your Document Delivery option on the HFS Web site under Confirmations & Statements.

Q: Is there a minimum deposit to open a self-directed brokerage account?

A: The minimum is \$1,000. See page 2 for more information.

Q: How do I close my account?

A: To close a Self-directed brokerage account you must first liquidate the entire account and transfer all savings back to your core 401(k) Savings Plan investments. Sale proceeds will not be available for transfer until the trades settle and the proceeds have swept to the Hewitt Money Market fund. All account transfers to your core 401(k) Savings Plan investments must be initiated through the PowerLine Web site.

Q: How do I update my account information?

A: You can update your address and phone number by calling an HFS Investment Specialist at **1-800-890-3200** or faxing a signed request to HFS at **1-847-554-1444**.

Note: If your mailing address is a Post Office Box, HFS requires a physical address to be on file. Correspondence will not be sent to the physical address. However, Patriot Act and Anti-Money Laundering Rules require HFS to store a physical address for each brokerage account.

You can update your email address or password online by logging into your account and proceeding to Accounts >> Account Profile.

Q: How do I reset my password?

A: Please call an HFS Investment Specialist at **1-800-890-3200** to reset your password.

Q: Can I trade on margin?

A: Margin trading is not allowed in your Plan's self-directed brokerage accounts.

Q: Can I trade options?

A: Options trading is not allowed in your Plan's self-directed brokerage accounts.

Q: What is the minimum amount needed to invest in mutual funds?

A: The minimum to buy a mutual fund is \$1000 unless the fund requires a higher initial investment. Please read the fund prospectus for more information.

Q: What mutual fund companies are available within my self-directed brokerage account?

A: You may access available funds from our Web site by proceeding to Research >> Mutual Fund Center >> FundScan. You may also contact an Investment Specialist at **1-800-890-3200** for a list of available fund families.

Q: What is the No Transaction Fee (NTF) mutual fund program, and how do I find a list of these funds?

A: The No Transaction Fee (NTF) mutual fund program allows you to buy or sell a wide variety of no-load mutual funds with no transaction fees.

You can find a list of these funds by logging into your self-directed brokerage account. Go to Research >> Mutual Fund Center >> FundScan and enter No Transaction Fee (NTF) Funds in the Load/Fee Structure field. You can also contact an Investment Specialist at **1-800-890-3200** to request a list of NTF funds.

Q: Why can't I sell my mutual fund today?

A: Mutual funds cannot be redeemed until settlement-date-plus-one. No-load mutual funds usually settle one day after the purchase date. Loaded funds usually settle three business days after the purchase date.

All orders must be entered prior to the fund's cutoff. Please contact an HFS Investment Specialist at **1-800-890-3200** for more information.

Q: Can I set up systematic investments on mutual funds in my self-directed brokerage account?

A: Systematic mutual fund investments are not available in your Plan's self-directed brokerage accounts.

Q: I do not have a link to my self-directed brokerage account on PowerLine. Whom should I contact?

A: An Investment Specialist will be able to assist you with this information. Call **1-800-890-3200**.

Q: What is a Free Ride restriction?

A: A free ride occurs when a security is bought and sold without having the full amount of settled cash in your Hewitt Money Market to cover the purchase. As per Regulation T of the Federal Reserve Board, a free ride will cause an account to be placed on a 90-day restriction, where sale proceeds may not be used until the trade settles.

Q: What is an unsettled trade liquidation?

A: An unsettled trade liquidation occurs when a purchase is made with unsettled trade proceeds. For example: if you sold a mutual fund that takes 3 days to "settle," you would not have cash to buy another fund during that time. If you bought a second fund before

Frequently Asked Questions

your first sale was final, this trade for purchase of the second fund could be liquidated as an unsettled trade.

Q: How do I liquidate fractional (partial) shares?

A: If you place an order to liquidate all shares of a mutual fund, any fractional shares owned will be liquidated as part of that order.

If you place an order to liquidate all shares of a stock, any fractional shares owned will automatically redeem on the trade's settlement date.