SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the 13 and 26 week periods ended July 27, 2002

Commission file number 1-15274

J. C. PENNEY COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	26-0037077
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6501 Legacy Drive, Plano, Texas	75024 - 3698
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (972) 431-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

267,932,276 shares of Common Stock of 50 cents par value, as of August 30, 2002.

PART I - FINANCIAL INFORMATION

Item 1 - Unaudited Financial Statements

Consolidated Statements of Operations
($ in millions, except per share data)

	13 weeks ended		26 weeks ended	
	July 27, 2002	July 28, 2001	July 27, 2002	July 28, 2001
Retail sales, net	$ 7,198	$ 7,211	$ 14,926	$14,733
Costs and expenses				
Cost of goods sold	5,063	5,174	10,438	10,462

Selling, general and administrative expenses	2,040	1,990	4,136	4,035
Other unallocated	7	11	15	(6)
Net interest expense	92	94	194	192
Acquisition amortization	7	21	17	56
Restructuring and other, net	(2)	7	-	12
Total costs and expenses	7,207	7,297	14,800	14,751
(Loss)/income from continuing operations before income taxes	(9)	(86)	126	(18)
Income taxes	(3)	(33)	46	(6)
(Loss)/income from continuing operations	(6)	(53)	80	(12)
(Loss) on sale of discontinued operations, net of income tax	-	(16)	-	(16)
Net (loss)/income	$ (6)	$ (69)	$ 80	$ (28)
Less: preferred stock dividends	(7)	(7)	(14)	(15)
Net (loss)/income applicable to common stockholders	$ (13)	$ (76)	$ 66	$ (43)
(Loss)/earnings per share from continuing operations:				
Basic	$ (0.05)	$ (0.23)	$ 0.25	$ (0.10)
Diluted	$ (0.05)	$ (0.23)	$ 0.24	$ (0.10)
(Loss)/earnings per share:				
Basic	$ (0.05)	$ (0.29)	$ 0.25	$ (0.16)
Diluted	$ (0.05)	$ (0.29)	$ 0.24	$ (0.16)

</table>
The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Consolidated Balance Sheets
($ in millions)
<table>

<c>	<c> July 27, 2002	<c> July 28, 2001	<c> Jan. 26, 2002
ASSETS			
Current assets			
Cash and short-term investments (including restricted balances of $121, $245 and $115)	$ 2,004	$ 1,696	$ 2,840
Receivables (net of bad debt reserves of $15, $32 and $27)	697	737	698
Merchandise inventory (net of LIFO reserves of $401, $368 and $377)	5,002	5,413	4,930
Prepaid expenses	252	175	209
Total current assets	7,955	8,021	8,677
Property and equipment (net of accumulated depreciation of $3,575, $3,137 and $3,328)	4,889	4,964	4,989

Goodwill	2,312	2,358	2,321
Intangible assets (net of accumulated amortization of $285, $285 and $304)	513	550	527
Other assets	1,540	1,484	1,534
Total assets	$17,209	$ 17,377	$ 18,048

</table>

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Consolidated Balance Sheets
($ in millions except per share data)
<table>

<c>	<c> July 27, 2002	<c> July 28, 2001	<c> Jan. 26, 2002
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses	$ 3,500	$ 3,503	$ 3,465
Short-term debt	17	21	15
Current maturities of long-term debt	14	907	920
Deferred taxes	88	141	99
Total current liabilities	3,619	4,572	4,499
Long-term debt	5,172	4,545	5,179
Deferred taxes	1,256	1,127	1,231
Other liabilities	999	1,045	1,010
Total liabilities	11,046	11,289	11,919
Stockholders' equity			
Capital stock			
Preferred stock, no par value and stated value of $600 per share: authorized, 25 million shares; issued and outstanding, 0.6, 0.6, 0.6 million shares of Series B ESOP convertible preferred	345	380	363
Common stock, par value $0.50: authorized, 1,250 million shares; issued and outstanding 268, 263 and 264 million shares	3,400	3,311	3,324
Total capital stock	3,745	3,691	3,687
Deferred stock compensation	9	-	6
Reinvested earnings at beginning of year	2,573	2,636	2,636
Net income/(loss)	80	(28)	98
Common stock dividends declared	(66)	(65)	(128)

Preferred stock dividends	(14)	(15)	(33)
Reinvested earnings at end of period	2,573	2,528	2,573
Accumulated other comprehensive (loss)	(164)	(131)	(137)
Total stockholders' equity	6,163	6,088	6,129
Total liabilities and stockholders' equity	$ 17,209	$ 17,377	$ 18,048

</table>

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Consolidated Statements of Cash Flows
($ in millions)

<table>

	26 weeks ended	
	July 27, 2002	July 28, 2001
Cash flows from operating activities		
Income/(loss) from continuing operations	$ 80	$ (12)
Non-cash adjustments to reconcile net income to net cash provided by operating activities:		
Restructuring, asset impairments and other	26	8
Depreciation and amortization	324	362
Real estate (gain)	-	(26)
Pension expense/(income)	4	(28)
Deferred stock compensation	3	-
Deferred taxes	14	24
Change in cash from:		
Receivables	1	(44)
Sale of drugstore receivables	-	200
Inventory	(72)	(144)
Other assets	(49)	29
Accounts payable	302	(162)
Current income taxes payable	(19)	102
Other liabilities	(166)	(246)
	448	63
Cash flows from investing activities		
Capital expenditures	(286)	(316)
Proceeds from sale of discontinued operations	-	1,305
	(286)	989
Cash flows from financing activities		
Change in short-term debt	2	21
Proceeds from equipment financing	9	-
Payment of long-term debt, including capital leases	(929)	(252)
Common stock issued, net	18	17
Preferred stock redemption	(18)	(19)
Dividends paid, common	(80)	(80)

	(998)	(313)
Cash received from discontinued operations	-	13
Net (decrease)/increase in cash and short-term investments	(836)	752
Cash and short-term investments at beginning of year	2,840	944
Cash and short-term investments at end of period	$ 2,004	$ 1,696

</table>

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements.

Notes to the Unaudited Interim Consolidated Financial Statements

1) Summary of Significant Accounting Policies

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended January 26, 2002 (the "2001 10-K"). The accompanying unaudited interim consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 2001 10-K.

The accompanying interim consolidated financial statements are unaudited but, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation. Because of the seasonal nature of the retail business, operating results for the six-month periods are not necessarily indicative of the results that may be expected for the entire year.

Certain reclassifications have been made to prior year amounts to conform to the current period presentation.

As disclosed in the Company's 2001 10-K, effective January 27, 2002, J. C. Penney Company, Inc. changed its corporate structure to a holding company format. As part of this structure, J. C. Penney Company, Inc. changed its name to J. C. Penney Corporation, Inc. (JCP) and became a wholly owned subsidiary of a newly formed affiliated holding company (Holding Company). The new holding company assumed the name J. C. Penney Company, Inc. The Holding Company has no direct subsidiaries other than JCP, nor does it have any independent assets or operations. All outstanding shares of common and preferred stock were automatically converted into the identical number of and type of shares in the new holding company. Stockholders' ownership interests in the business did not change as a result of the new structure. Shares of the Company remain publicly traded under the same symbol (JCP) on the New York Stock Exchange. The Holding Company is a co-obligor (or guarantor, as appropriate) regarding the payment of principal and interest on JCP's outstanding debt securities. The guarantee by the Holding Company of certain of JCP's outstanding debt is full and unconditional. The Holding Company and its consolidated subsidiaries, including JCP, are collectively referred to in this quarterly report as "Company" or "JCPenney," unless indicated otherwise.

Implementation of New Accounting Standards

Adoption of SFAS No. 142

Effective January 27, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". Upon adoption, the Company ceased amortization of goodwill and indefinite-lived

intangible assets, primarily the Eckerd trade name. These assets are now subject to an impairment test on an annual basis, or when there is reason to believe that their values have been diminished or impaired. Additionally, a transitional impairment test is required as of the adoption date. These impairment tests are performed on each business of the Company where goodwill is recorded. The net carrying value of goodwill and the Eckerd trade name, as of January 26, 2002 was $2,643 million. The Company completed the transitional impairment test on the Eckerd trade name in the first quarter of 2002 and the transitional goodwill impairment test in the second quarter of 2002 and determined that there is no evidence of impairment. The fair value of the Company's identified reporting

units was estimated using the expected present value of corresponding future cash flows and market values of comparable businesses where available. Other intangible assets with estimable useful lives will continue to be amortized over that period.

The following table sets forth the condensed consolidated pro forma results of operations for the 13-week and 26-week periods ended July 27, 2002 and July 28, 2001 as if Statement 142 had been in effect for all periods presented:

<table>

($ in millions except EPS)	13 weeks ended		26 weeks ended	
	July 27, 2002	July 28, 2001	July 27, 2002	July 28, 2001
Reported net (loss)/income	$ (6)	$ (69)	$ 80	$ (28)
Goodwill and trade name amortization	-	12	-	33
Adjusted net (loss)/income	$ (6)	$ (57)	$ 80	$ 5
Earnings per share (EPS) - basic:				
Reported net (loss)/income	$(0.05)	$ (0.29)	$ 0.25	$(0.16)
Goodwill and trade name amortization	-	0.05	-	0.12
Adjusted net (loss)/income	$(0.05)	$ (0.24)	$ 0.25	$(0.04)
Earnings per share (EPS) - diluted:				
Reported net (loss)/income	$(0.05)	$ (0.29)	$ 0.24	$(0.16)
Goodwill and trade name amortization	-	0.05	-	0.12
Adjusted net (loss)/income	$(0.05)	$ (0.24)	$ 0.24	$(0.04)

</table>

Intangible assets consisted of the following:

<table>

($ in millions)	July 27, 2002	July 28, 2001	Jan. 26, 2002
Amortized intangible assets:			
-			
Prescription files	$ 271	$ 242	$ 258
Less accumulated amortization	137	104	121
Prescription files, net	134	138	137
Favorable lease rights	205	204	204
Less accumulated amortization	148	121	136
Favorable lease rights, net	57	83	68

Software	-	20	-
Less accumulated amortization	-	18	-
Software, net	-	2	-
Carrying amount of amortized intangible assets	191	223	205
Unamortized intangible assets			
Eckerd trade name(1)	322	327	322
Total carrying amount	$ 513	$ 550	$ 527

</table>

(1) Eckerd trade name is net of accumulated amortization of $42 million and $47 million for the second quarter 2001 and year end 2001.

The following table provides amortization expense for the periods presented. Amortization expense related to major business acquisitions is reported as acquisition amortization on the consolidated statements of operations. The remaining amount of amortization expense is included in selling, general and administrative (SG&A) expenses.

<table>

($ in millions)	13 weeks ended		26 weeks ended	
	July 27, 2002	July 28, 2001	July 27, 2002	July 28, 2001
Major business acquisitions(1)	$ 7	$ 21	$ 17	$ 56
Other acquisitions	5	5	11	10
Total for amortized intangible assets	$ 12	$ 26	$ 28	$ 66

</table>

(1) Includes amortization expense of $13 million and $35 million related to goodwill and trade name for the second quarter and first half of 2001, respectively, before the adoption of SFAS No. 142. Major business acquisitions include Eckerd Corporation acquired in early 1997, Lojas Renner S.A. acquired in January 1999 and Genovese Drug Stores, Inc. acquired in March 1999.

Amortization expense for the amortized intangible assets reflected above is expected to be approximately $63 million, $61 million, $29 million, $20 million and $12 million for fiscal years 2002, 2003, 2004, 2005 and 2006, respectively. Of these amounts, amortization related to major business acquisitions is expected to be approximately $42 million, $40 million, $9 million, $6 million and $1 million for fiscal years 2002, 2003, 2004, 2005 and 2006 respectively.

The carrying amount of goodwill was $2,321 million at the beginning of 2002 and decreased to $2,312 million at July 27, 2002, due to currency translation adjustments. At July 27, 2002, the total carrying amount of goodwill consisted of $43 million for the Department Store and Catalog segment and $2,269 million for the Eckerd Drugstore segment.

Adoption of SFAS No. 144

In October 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which

establishes a single accounting model to be used for the impairment or disposal of long-lived assets and broadens the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of", and the accounting and reporting provisions of Accounting Principles Board (APB) Opinion No. 30 for the disposal of a segment of a business, as previously defined. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company's adoption of SFAS No. 144, effective January 27, 2002, did not have a material impact on its financial statements.

Adoption of SFAS No. 145

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Statement 145 rescinds Statement 4, "Reporting Gains and Losses from Extinguishment of Debt - an amendment of APB Opinion No. 30", which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income

tax effect. As a result, the criteria set forth by APB Opinion 30 will now be used to classify those gains and losses. Statement 145 also amends Statement 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The Company adopted SFAS No. 145 in the second quarter 2002 concurrent with the initial closing of notes tendered in the Company's debt exchange. Accordingly, the loss on the exchange of approximately $0.5 million was recorded as net interest expense in income from continuing operations and is more fully discussed in Note 11.

Effect of New Accounting Standard Not Yet Adopted

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This Statement requires that costs associated with exit or disposal activities be recorded at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. This Statement is effective for exit or disposal activities initiated after December 31, 2002, with earlier application encouraged. Implementation of SFAS No. 146 will result in a change in the timing of recording costs associated with exit or disposal activities. Such costs will be recorded in later periods than under the current rules.

2) Earnings per Share

Basic earnings per share (EPS) is computed by dividing income applicable to common stockholders by the average number of common shares outstanding for the period. Except when the effect would be anti-dilutive, the diluted EPS calculation includes the impact of restricted stock awards and shares that could be issued under outstanding stock options as well as common shares that would result from the conversion of convertible debentures and convertible preferred stock. In addition, the related interest on convertible debentures (net of tax) and preferred stock dividends (net of tax) are added back to income, since these would not be paid if the debentures or preferred stock were converted to common stock. The computation of basic and diluted earnings per share follows:

<table>
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(In millions, except per share data)	13 weeks ended		26 weeks ended	
	July 27,	July 28,	July 27,	July 28,

	2002	2001	2002	2001
(Loss)/earnings applicable to common stockholders:				
(Loss)/income from continuing operations	$ (6)	$ (53)	$ 80	$ (12)
Less: preferred stock dividends, net of tax	(7)	(7)	(14)	(15)
(Loss)/income from continuing operations applicable to common stockholders(1)	(13)	(60)	66	(27)
(Loss) on sale of discontinued operations	-	(16)	-	(16)
Net (loss)/income applicable to common stockholders(2)	$ (13)	$ (76)	$ 66	$ (43)
Shares:				
Average shares outstanding (basic shares)	268	263	267	263
Dilutive effect of stock options and restricted stock	-	-	3	-
Average shares used for diluted EPS	268	263	270	263
(Loss)/earnings per share from continuing operations:				
Basic	$(0.05)	$(0.23)	$ 0.25	$(0.10)
Diluted	$(0.05)	$(0.23)	$ 0.24	$(0.10)
(Loss)/earnings per share:				
Basic	$(0.05)	$(0.29)	$ 0.25	$(0.16)
Diluted	$(0.05)	$(0.29)	$ 0.24	$(0.16)

</table>

(1) (Loss)/income from continuing operations applicable to common stockholders is the same for purposes of calculating basic and diluted EPS.

(2) Net(loss)/income applicable to common stockholders is the same for purposes of calculating basic and diluted EPS.

Certain potential common stock was excluded from the above calculations because the effect would be anti-dilutive. Because of the loss from continuing operations for the second quarters of both years, as well as the first half of 2001, all stock options and restricted stock units were excluded from the calculations in those periods. Options to purchase 23 million and 18 million shares of common stock were outstanding at July 27, 2002 and July 28, 2001, respectively, at prices ranging from $9 to $71. Restricted stock units convertible into 1.5 and 1.3 million shares of common stock were outstanding at July 27, 2002 and July 28, 2001, respectively. For the first half of 2002, options to purchase 9 million shares of common stock at prices ranging from $22 to $71 were excluded from the EPS calculation because their exercise prices were higher than the average stock price. Preferred stock convertible into 11.5 and 12.7 million common shares at July 27, 2002 and July 28, 2001, respectively, was excluded from the calculation of EPS for the 13 and 26 weeks ended the same dates. The 2002 second quarter and first half EPS calculations also exclude $650 million notes convertible into 22.8 million common shares. These notes were issued in October 2001.

3) Cash and Restricted Short-Term Investment Balances

Restricted short-term investment balances of $121 million, $245 million and $115 million as of July 27, 2002, July 28, 2001 and January 26, 2002, respectively, were included in the total short-term investment balances of $2,004 million, $1,696 million and $2,840 million for the same periods. Restricted balances are pledged as collateral for import letters of credit not included in the bank credit facility and for a portion of casualty insurance program liabilities. Cash and short-term investments on the consolidated balance sheet include $5 million, $5 million and $6 million of cash as of July 27, 2002, July 28, 2001 and January 26, 2002, respectively.

4) Supplemental Cash Flow Information

	26 weeks ended	
($ in millions)	July 27, 2002	July 28, 2001
Interest paid	$ 230	$ 213
Interest received	23	21
Income taxes paid/(received)	43	(146)

Non-cash transactions:

- During the second quarter 2002, the Company exchanged certain notes and debentures with a net carrying amount of $206 million for new notes recorded at a fair value of $205 million.

- The Company issued 2.9 million shares of Company common stock in March 2002 to fund its fiscal 2001 contribution to the savings plan.

5) Eckerd Managed Care Receivable Securitization

As disclosed in the Company's 2001 10-K, Eckerd sells, on a continuous basis, substantially all of its managed care receivables to ECR Receivables, Inc., a subsidiary of Eckerd, which then sells to a third party an undivided interest in all eligible receivables while retaining a subordinated interest in a portion of the receivables. A three-year revolving receivables purchase facility agreement was entered into in May 2001. As of July 27, 2002, securitized managed care receivables totaled $319 million, of which the subordinated retained interest was $119 million. Losses and expenses related to receivables sold under this agreement were approximately $1 million and $2 million in the second quarter and first half of 2002, respectively.

6) Restructuring and Other, Net

During the second quarter of 2002, the Company recorded a $2 million net credit comprised of $1 million of imputed interest expense associated with discounting lease obligations, $1 million of downward adjustments to restructuring reserves and a $2 million gain on the disposal of assets. During the first quarter of 2002, the Company recorded a $2 million charge for interest on lease obligations.

During the second quarter of 2001, the Company recorded a $7 million charge related to JCPenney unit closings ($13 million), severance benefits paid to certain members of management ($1 million) and downward adjustments to Eckerd reserves ($7 million). In the first quarter of 2001, the Company recorded a $5 million charge related to JCPenney unit closings ($2 million), severance benefits for certain members of senior management ($2 million) and Eckerd asset impairments ($1 million).

7) Restructuring Reserves

At July 27, 2002, the consolidated balance sheet included $148 million of reserves related to restructuring activities compared to $174 million at January 26, 2002. These reserves were initially established in 1996, 1997, 2000 and the first half of 2001 in connection with store closing programs and other restructuring activities. The remaining reserves are related primarily to future lease obligations for both department stores and drugstores that have closed. Costs are being charged against the reserves as incurred.

Reserves are periodically reviewed for adequacy and are adjusted as appropriate. During the first half of 2002, cash payments related to the reserves were $28 million ($24 million related to lease payments, $3 million for contract cancellations and $1 million for severance benefits paid to employees of units included in the 2001 store closing program). Reserves were increased $3 million in the first half of 2002 for interest on future lease obligations and adjusted downward $1 million based on favorable experience. Cash payments related to these reserves are expected to approximate $53 million in 2002 with most of the remainder to be paid out by the end of 2005.

8) Comprehensive (Loss)/Income and Accumulated Other Comprehensive (Loss)

Comprehensive (Loss)/Income
($ in millions)

	13 weeks ended		26 weeks ended	
	July 27, 2002	July 28, 2001	July 27, 2002	July 28, 2001
Net (loss)/income	$ (6)	$ (69)	$ 80	$ (28)
Other comprehensive (loss)/income				
Foreign currency translation adjustments	(29)	(20)	(31)	(29)
Non-qualified plan minimum liability adjustment	-	-	-	(41)
Net unrealized changes in investment securities	(3)	7	4	9
	(32)	(13)	(27)	(61)
Total comprehensive (loss)/income	$(38)	$ (82)	$ 53	$ (89)

Accumulated Other Comprehensive (Loss)
($ in millions)

	July 27, 2002	July 28, 2001	Jan. 26, 2002
Foreign currency translation adjustments	$ (131)	$(102)	$(100)
Non-qualified plan minimum liability adjustment	(51)	(41)	(51)
Net unrealized changes in investment securities	18	12	14
Accumulated other comprehensive (loss)	$ (164)	$(131)	$(137)

Net unrealized changes in investment securities are shown net of deferred taxes of $10 million, $7 million and $8 million as of July 27, 2002, July 28, 2001 and January 26, 2002, respectively. The non-qualified plan minimum liability is shown net of deferred tax asset of $33 million, $27 million, and $33 million as of July 27, 2002, July 28, 2001 and January 26, 2002, respectively. A deferred tax asset has not been established for foreign currency translation adjustments.

9) New Bank Credit Agreement

On May 31, 2002, JCP and J. C. Penney Company, Inc. entered into a three-year, $1.5 billion revolving bank line of credit (new credit facility) with a syndicate of banks with JPMorgan Chase Bank as administrative agent. The new credit facility replaces a $1.5 billion facility that was scheduled to expire on November 21, 2002 and a $630 million letter of credit facility. The new credit facility may be used for general corporate purposes, including the issuance of letters of credit. No cash borrowings, other than the issuance of trade and stand-by letters of credit, which totaled $323 million as of the end of the second quarter of 2002, have been made under either the new or previous credit facilities.

The new credit facility contains the following terms:

- Indebtedness incurred by JCP under the new credit facility is collateralized by all eligible domestic department store and catalog inventory, as defined in the new credit facility agreement, which can be released as performance improvements are achieved and ratings by the rating agencies improve.

- Pricing is tiered based on the corporate credit ratings for JCP by Moody's and Standard and Poor's.

- Obligations under the new credit facility are guaranteed by the Holding Company and JCP Real Estate Holdings, Inc., which is a wholly owned subsidiary of JCP.

- A financial performance covenant, which consists of a maximum ratio of total debt to consolidated EBITDA (as defined in the new credit agreement) as measured on a trailing four quarters basis. In addition, the amount of outstanding indebtedness under the agreement will be subject to a limitation based on the value of collateral to total indebtedness, as defined in the new credit facility agreement.

At July 27, 2002, the Company was in compliance with all financial covenants of the new credit agreement.

10) Equipment Financing

Effective May 31, 2002, JCP entered into a loan agreement with Lombard US Equipment Finance Corporation to finance the purchase of equipment for certain of the store support centers (SSC's). Under the agreement, JCP may borrow up to a total of $36 million in increments of at least $3 million. Loans made under the agreement are secured by the equipment being purchased. On June 27, 2002, JCP borrowed approximately $9 million under this agreement. This note, which matures July 1, 2007, bears interest at 7.33% per year and is payable in monthly installments. JCP has the right to prepay the principal balance on the loan during the loan term, subject to a prepayment penalty of 1% to 5% of the prepaid amount.

On August 28, 2002, JCP borrowed an additional $9 million under the agreement. This note, which has similar terms to the first note, matures September 1, 2007 and bears interest at 6.55% per year.

11) Debt Exchange

On June 26, 2002, JCP offered to exchange in a private placement:

- For each $1,000 principal amount of outstanding 6.125% Notes Due 2003, $1,015.15 principal amount of new 9.0% Notes Due 2012 (New Notes);

- For each $1,000 principal amount of 7.375% Notes Due 2004, $1,010.10 principal amount of New Notes; and

- For each $1,000 principal amount of 6.9% Debentures Due 2026, $1,015.15 principal amount of New Notes (collectively, the old notes).

Concurrent with the exchange offer, JCP solicited consents to amend the indentures governing the old notes from holders of old notes to whom JCP made the offer. JCP offered consent payments of $10 per $1,000 principal amount tendered to holders who validly tendered their notes and delivered their consents within the established timeframe.

On July 25, 2002, JCP announced the extension of the exchange offer to August 7, 2002 and the acceptance for settlement of notes tendered through July 24, 2002. On July 26, 2002, JCP issued New Notes with an aggregate principal amount of approximately $209 million and a fair value of approximately $205 million in connection with the approximately $206 million of old notes tendered through July 24, 2002. The Company paid total consent fees of approximately $2 million for such tendered notes. In accordance with SFAS No. 145, which the Company adopted in the second quarter of 2002, the loss of approximately $0.5 million on the July 26, 2002 exchange was recorded in interest expense and was included in income from continuing operations.

On August 9, 2002, the Company completed the debt exchange offer, resulting in a total amount of new bonds issued in the exchange of $230.2 million. Approximately $79.4 million principal amount of 6.125% Notes Due 2003, approximately $67.0 million of 7.375% Notes Due 2004 and approximately $80.8 million of 6.9% Debentures Due 2026 were tendered in response to the exchange offer. The Company paid consent fees of $0.2 million in connection with the old notes tendered in connection with the August 9, 2002 issuance. A gain of approximately $0.1 million will be recorded in interest expense in the third quarter of 2002. No amendments were made to the indentures governing the old notes.

12) Segment Reporting

The Company operates in two business segments: Department Stores and Catalog (including internet) and Eckerd Drugstores. Other items are shown in the following table for purposes of reconciling to total Company amounts.

<table>

<c>	<c>	<c>	<c>	<c>
Business Segment Information				
($ in millions)				
	Dept. Stores & Catalog	Eckerd Drugstores	Other Unallocated	Total Company
2nd Quarter - 2002				
Retail sales, net	$ 3,623	$ 3,575	$ -	$ 7,198
Segment operating profit	22	73	-	95
Net interest expense			(92)	(92)
Other unallocated			(7)	(7)
Acquisition amortization			(7)	(7)
Restructuring and other, net			2	2
Pre-tax loss from continuing operations				(9)
Depreciation and amortization expense	94	60	7	161

First Half - 2002				
Retail sales, net	7,629	7,297	-	14,926
Segment operating profit	179	173	-	352
Net interest expense			(194)	(194)
Other unallocated			(15)	(15)
Acquisition amortization			(17)	(17)
Restructuring and other, net			-	-
Pre-tax income from continuing operations				126
Depreciation and amortization expense	186	121	17	324
Total assets	$ 10,465	$ 6,628	$ 116	$ 17,209
2nd Quarter - 2001				
Retail sales, net	$ 3,855	$ 3,356	$ -	$ 7,211
Segment operating profit	11	36	-	47
Net interest expense			(94)	(94)
Other unallocated			(11)	(11)
Acquisition amortization			(21)	(21)
Restructuring and other, net			(7)	(7)
Pre-tax loss from continuing operations				(86)
Depreciation and amortization expense	95	54	21	170
First Half - 2001				
Retail sales, net	7,917	6,816	-	14,733
Segment operating profit	144	92	-	236
Net interest expense			(192)	(192)
Other unallocated			6	6
Acquisition amortization			(56)	(56)
Restructuring and other, net			(12)	(12)
Pre-tax loss from continuing operations				(18)
Depreciation and amortization expense	196	110	56	362
Total assets	$ 10,515	$ 6,735	$ 127	$ 17,377

</table>

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

As disclosed in the Company's 2001 10-K, effective January 27, 2002, J. C. Penney Company, Inc. changed its corporate structure to a holding company format. As part of this structure, J. C. Penney Company, Inc. changed its name to J. C. Penney Corporation, Inc. (JCP) and became a wholly owned subsidiary of a newly formed affiliated holding company (Holding Company). The new holding company assumed the name J. C. Penney Company, Inc. The Holding Company has no direct subsidiaries other than JCP, nor does it have any independent assets or operations. All outstanding shares of common and preferred stock were automatically converted into the identical number of and type of shares in the new holding company. Stockholders' ownership interests in the business did not change as a result of the new structure. Shares of the Company remain publicly traded under the same symbol (JCP) on the New York Stock Exchange. The Holding Company is a co-obligor (or guarantor, as appropriate) regarding the payment of principal and interest on JCP's outstanding debt securities. The guarantee by the Holding Company of certain of JCP's outstanding debt is full and unconditional. The Holding Company and its consolidated subsidiaries, including JCP, are collectively referred to in this report as "Company" or "JCPenney," unless indicated otherwise.

Consolidated Results of Operations

<table>
<c> <c> <c> <c> <c>

($ in millions)

	13 weeks ended		26 weeks ended	
	July 27, 2002	July 28, 2001	July 27, 2002	July 28, 2001
Segment operating profit				
Department Stores and Catalog	$ 22	$ 11	$ 179	$ 144
Eckerd Drugstores	73	36	173	92
Total segments	95	47	352	236
Other unallocated	(7)	(11)	(15)	6
Net interest expense	(92)	(94)	(194)	(192)
Acquisition amortization	(7)	(21)	(17)	(56)
Restructuring and other, net	2	(7)	-	(12)
(Loss)/income from continuing operations before income taxes	(9)	(86)	126	(18)
Income taxes	(3)	(33)	46	(6)
(Loss)/income from continuing operations	$ (6)	$ (53)	$ 80	$ (12)

</table>

For the second quarter ended July 27, 2002, the Company reported a loss from continuing operations of $6 million, or $0.05 per share, compared to a loss of $53 million, or $0.23 per share for the comparable 2001 period. For the 26 weeks ended July 27, 2002, income from continuing operations was $80 million, or $0.24 per share, compared to a loss of $12 million, or $0.10 per share, for the comparable 2001 period. Certain non-comparable items affected results for these periods. These items are defined and discussed on the following pages.

The following table reconciles pre-tax (loss)/income from continuing operations before the effects of non-comparable items to pre-tax (loss)/income from continuing operations as reported in accordance with generally accepted accounting principles (GAAP). All references to earnings per share (EPS) are on a diluted basis.

<table>
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($ in millions, except EPS)	13 weeks ended		26 weeks ended	
	July 27, 2002		July 27, 2002	
	Pre-tax $	EPS	Pre-tax $	EPS
(Loss)/income from continuing operations before the effects of non-comparable items	$ (11)	$(0.05)	$ 126	$0.24
Restructuring and other, net	2		-	
GAAP (loss)/income from continuing operations	$ (9)	$(0.05)	$ 126	$0.24

	13 weeks ended		26 weeks ended	
($ in millions, except EPS)	July 28, 2001		July 28, 2001	
	Pre-tax $	EPS	Pre-tax $	EPS
(Loss) from continuing operations before the effects of				

non-comparable items	$ (74)	$ (0.20)	$ (15)	$(0.09)
Restructuring and other, net	(7)		(12)	
Other non-comparable items:				
Eckerd pension curtailment gain(1)	11		11	
Information technology transition costs(1)	(5)		(5)	
Centralized merchandising process costs (ACT)(2)	(13)		(25)	
Real estate gains(2)	2		28	
Total restructuring and other non-comparable items	(12)	(0.03)	(3)	(0.01)
GAAP (loss) from continuing operations	$ (86)	$ (0.23)	$ (18)	$(0.10)

</table>

(1) Reported as a component of Eckerd Drugstore SG&A expenses.

(2) Reported as a component of other unallocated.

The Company considers non-comparable items to be significant charges or credits that occur infrequently and are not reflective of normal operating performance, including any subsequent adjustments. Examples of non-comparable items would include significant real estate transactions that are not part of the Company's core business, costs related to centralizing merchandising and other processes and costs related to significant acquisitions. The financial impacts of these transactions complicate comparisons of ongoing operating results and therefore require discussion to clarify results and trends in the Company's operations for multiple years.

Second quarter 2002 included a non-comparable $2 million credit recorded as restructuring and other, net, composed of $1 million of imputed interest expense associated with discounting lease obligations offset by a $2 million gain on the disposal of assets and $1 million of downward adjustments to reserves for future lease obligations. The non-comparable net charge of $12 million, or $0.03 per share, in the second quarter of 2001 included a $7 million charge recorded as restructuring and other, net, an $11 million curtailment gain for the Eckerd pension plan, $5 million of information technology transition costs, $13 million of Accelerating Change Together (ACT) initiative expenses and $2 million of real estate gains.

In the first quarter of 2002, a non-comparable $2 million charge was recorded for interest on lease obligations. Non-comparable items in the first quarter of 2001 included a $5 million charge related to restructuring, as well as $26 million of real estate gains and $12 million of ACT initiative expenses.

The pre-tax loss from continuing operations before the effects of non-comparable items for second quarter 2002 was $11 million, or $0.05 per share, compared to a pre-tax loss of $74 million, or $0.20 per share for the comparable 2001 period. Pre-tax income from continuing operations before the effects of non-comparable items for the 26 weeks ending July 27, 2002 was $126 million, or $0.24 per share, compared to a loss of $15 million, or $0.09 per share, for the comparable 2001 period. Both operating segments contributed to the improved second quarter results through higher gross margins and expense management initiatives. EPS also includes an increase of $0.05 and $0.12 per share for the 13 weeks and 26 weeks ended July 27, 2002, respectively, from the elimination of amortization of goodwill and the Eckerd trade name in compliance with the new accounting standard as discussed in Note 1. This increase to EPS was partially offset by a decrease of $0.03 and $0.06 per share for the 13 weeks and 26 weeks ended July 27, 2002, respectively, from lower non-cash pension income as previously disclosed in the 2001 10-K.

Segment Operating Results

Department Stores and Catalog
- ----------

<table>
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($ in millions)

	13 weeks ended		26 weeks ended	
	July 27, 2002	July 28, 2001	July 27, 2002	July 28, 2001
Retail sales	$ 3,623	$ 3,855	$ 7,629	$ 7,917
FIFO/LIFO gross margin	1,307	1,279	2,821	2,740
SG&A expenses	(1,285)	(1,268)	(2,642)	(2,596)
Segment operating profit	$ 22	$ 11	$ 179	$ 144
Sales percent (decrease)/increase:				
Comparable stores(1)	-2.4%	2.3%	2.5%	1.7%
Total department stores	-2.7%	-0.3%	1.2%	-0.4%
Catalog	-21.4%	-23.3%	-23.3%	-17.3%
Ratios as a percent of sales:				
FIFO/LIFO gross margin	36.1%	33.2%	37.0%	34.6%
SG&A expenses	35.5%	32.9%	34.6%	32.8%
Segment operating profit	0.6%	0.3%	2.4%	1.8%

</table>

(1) Comparable store sales include the sales of stores after having been opened for 12 consecutive months. Stores become comparable on the first day of the 13th month.

Segment operating profit doubled to $22 million in the second quarter this year from last year's $11 million. Improved gross margin, benefiting from the centralized merchandising process and Catalog inventory management, contributed to the increase.

Comparable department store sales declined 2.4%. Total department store sales decreased 2.7% for the quarter. Sales declined primarily as a result of lower than planned inventory levels, particularly in key merchandise categories. This resulted from stronger than anticipated sales in the first quarter, especially during the 100th year anniversary promotion. Inventories going into the third quarter are generally on plan. Sales for the second quarter increased

in home and fine jewelry compared to last year. Sales gains in the home division continue to be led by our expanded housewares department, bed and bath and window coverings. Apparel sales in general declined, but gains were recorded in certain categories, including men's sportswear and tailored clothing, misses career sportswear and boys' apparel. Catalog sales decreased 21.4% compared to last year primarily as a result of softer demand and the Company's change to require payment at the time of order placement. In addition, both the circulation quantities and number of sale/value and specialty catalogs were reduced from last year. Total internet sales, which are reported as a component of catalog sales, increased to $62 million from $57 million last year.

Gross margin for the quarter increased 290 basis points as a percentage of sales. Margin improvement was the result of better merchandise offerings and continued benefits from the centralized merchandising model. Benefits include more timely selection of merchandise, better supplier support from planning stages through sale of the merchandise and more efficient delivery of merchandise to individual stores. Also contributing to the improvement in margins was substantially lower levels of catalog liquidation merchandise.

Selling, general and administrative (SG&A) expenses were well managed, and increased only 1.3% from last year's second quarter despite planned increases in advertising, pension expense and transition costs for the new store support center (SSC) distribution network. The new SSC network for department stores is

an integral part of the Company's centralization efforts. By the end of the second quarter, five centers were in operation, providing coverage for over 400 stores. The efficiencies of the new SSC network will not be fully realized until the implementation of all 13 SSCs. Expenses for the quarter benefited from salary savings in stores, principally from the transition to centralized checkouts and store receiving, centralized management of store general expenses and lower catalog expenses.

Segment operating profit for the six months ended July 27, 2002 improved 24.3% to $179 million from $144 million last year. Sales for comparable department stores increased 2.5% while catalog sales declined 23.3% compared with last year's levels. Gross margin for the 26 weeks increased 240 basis points as a percent of sales, primarily as a result of the benefits from the centralized buying process and changes in catalog payment policies and improved inventory management leading to lower liquidation costs. SG&A expenses increased only 1.8% from last year despite planned increases in advertising, pension expense and transition costs for the new distribution network.

The Company is now in the second year of a five-year turnaround program for department stores. Management has taken steps to ensure financial flexibility as plans are executed to centralize the merchandising and logistics networks, improve merchandise offerings and enhance systems to provide better inventory data and more visibility into merchandise selling patterns. The profitability of department stores is impacted by the customers' response to the merchandise offerings as well as competitive conditions in the retail industry, the effects of the current economic climate and consumer confidence.

<table>
<c> <c> <c> <c> <c>
Eckerd Drugstores
- ----------
($ in millions)

	13 weeks ended		26 weeks ended	
	July 27, 2002	July 28, 2001	July 27, 2002	July 28, 2001
Retail sales	$3,575	$3,356	$7,297	$6,816
FIFO gross margin	837	772	1,691	1,560
LIFO charge	(9)	(14)	(24)	(29)
LIFO gross margin	828	758	1,667	1,531
SG&A expenses	(755)	(722)	(1,494)	(1,439)
Segment operating profit	$ 73	$ 36	$ 173	$ 92
Sales percent increase:				
Comparable stores(1)	6.1%	8.2%	6.9%	8.7%
Total sales	6.5%	7.1%	7.1%	5.4%
Ratios as a percent of sales:				
FIFO gross margin	23.4%	23.0%	23.2%	22.9%
LIFO gross margin	23.2%	22.6%	22.9%	22.5%
SG&A expenses	21.1%	21.5%	20.5%	21.1%
Segment operating profit	2.1%	1.1%	2.4%	1.4%
Ratios as a percent of sales, before the effects of non-comparable items:				
FIFO gross margin	23.4%	23.0%	23.2%	22.9%
LIFO gross margin	23.2%	22.6%	22.9%	22.5%
SG&A expenses	21.1%	21.7%	20.5%	21.2%
Segment operating profit	2.1%	.9%	2.4%	1.3%

(1) Comparable store sales include the sales of stores after having been opened for at least one full year. Comparable store sales include the sales for relocated stores.
</table>
The following discussion compares this year's results to 2001 results before the

effects of the non-comparable $6 million net credit that reduced SG&A expenses in the second quarter of 2001.

Eckerd's segment operating profit more than doubled to $73 million in this year's second quarter compared to $30 million in the same period last year, an increase of 120 basis points to 2.1% of sales. Sales growth, gross margin improvement and the leveraging of SG&A expenses all contributed to the increase in operating profit.

Comparable store sales increased by 6.1% for the quarter, with pharmacy sales increasing 8.6% and general merchandise sales increasing 1.4%. Pharmacy sales, as a percent of total drugstore sales, for the second quarter were 68.5%, versus 67.1% for the second quarter of 2001. Pharmacy sales growth continued to benefit from Eckerd's ability to attract and retain managed care customers and favorable industry trends. These trends include an aging American population and the increased use of pharmaceuticals as the first line of defense for healthcare. Sales to customers covered by third party programs have continued to increase as a percent of total pharmacy sales. Third party pharmacy sales for the second quarter of 2002 were 92.6% of total pharmacy sales, versus 91.3% in the second quarter of 2001. Total pharmacy sales were negatively impacted by approximately 180 basis points due to recent generic drug introductions, which are being substituted for higher priced brand named drugs. Generic drug introductions, while they have a negative effect on sales, have a positive impact on margins. General merchandise sales reflect continued increases as a result of lower, more competitive pricing, improved promotional marketing and the new store format,

<page>

which has been rolled out to approximately 1,200 drugstores, or approximately 45% of the total drugstore base. General merchandise sales gains were strongest in household products, beverages, baby and hygiene products, cosmetics and fragrances and vitamins.

Gross margin for the quarter increased 60 basis points as a percent of sales compared to last year, and includes LIFO charges of $9 million in 2002 and $14 million 2001. The increase in gross margin was primarily from a shift to more generic drug sales. Slightly offsetting this increase was a higher proportion of lower-margin third party pharmacy sales. Gross margin also benefited due to better shrinkage rates and improved buying practices.

As a percent of sales, SG&A expenses for the quarter improved 60 basis points over last year. SG&A expenses continued to be well controlled and reflect the benefit of cost savings initiatives.

Segment operating profit for the first half of 2002 more than doubled to $173 million compared to $86 million for the first half of 2001. Comparable store sales increased 6.9%, with pharmacy sales increasing 9.2% and general merchandise sales increasing 2.5% compared to the same period last year. Gross margin in the first half of 2002 improved 40 basis points as a percent of sales compared to the same period last year, principally from expanded generic drug sales. SG&A expenses improved 70 basis points as a percent of sales, reflecting the results of cost saving initiatives such as the in-sourcing of data processing, salary savings from streamlining back office and distribution operations, efficiencies obtained from the reconfigured drugstore formats and the leverage generated from higher sales.

The Company is in the second year of a three-year turnaround program for the Eckerd drugstore business. The second quarter 2002 performance confirms management's belief that Eckerd is on track to meet such financial objectives. The successful continuation of the Eckerd turnaround is dependent on Eckerd's ability to successfully attract customers through various marketing and merchandising programs, secure suitable new drugstore locations at favorable lease terms, attract and retain qualified pharmacists and maintain favorable reimbursement rates from managed care organizations, governmental and other third party payors.

Other Unallocated
- ----------

Other unallocated consists of real estate activities, investment transactions,

and other items that are related to corporate initiatives or activities, which are not allocated to an operating segment. Other unallocated expenses for the second quarter of 2002 consist primarily of $7 million of asset impairments on certain underperforming department stores, $3 million of real estate gains and a $2 million loss from third party fulfillment activities. Second quarter 2001 results included $13 million of ACT initiative expenses, a $6 million gain on the sale of real estate and a $3 million loss from third party fulfillment activities.

Net Interest Expense
- ---

Interest charges for the second quarter declined by $2 million compared to second quarter 2001, primarily as a result of the decrease in average long-term debt outstanding, resulting from payments of long-term debt.

Acquisition Amortization
- ---

Acquisition amortization decreased $14 million and $39 million in the second quarter and first half of 2002, respectively, compared to last year. The decrease was primarily the result of the Company's adoption of SFAS No. 142, "Goodwill and Other Intangible Assets", which eliminated the amortization relating to goodwill and the Eckerd trade name.

Income Taxes
- ---

The Company's overall effective income tax rate was 36.5% for the second quarter of 2002 compared with 38.9% for the same period last year. The decrease is due to recent changes to the tax law related to the deductibility of dividends paid to the Company's savings plan. Additionally, the tax rate was higher in the second quarter of 2001 due to a higher percentage of non-deductible permanent book/tax differences, principally goodwill, relative to income. The overall effective income tax rates for six months ended July 27, 2002 and July 28, 2001 were 36.5% and 34.0%, respectively.

Financial Condition
- ---

As of July 27, 2002, consolidated merchandise inventories on the first-in, first-out (FIFO) basis were $5,403 million compared to $5,781 million at July 28, 2001 and $5,307 million at January 26, 2002. The 6.5% decline compared to last year's second quarter reflects lower inventories in Department Stores and Catalog. Inventory turns continued to show improvement for the Department Store and Catalog segment. Inventories for Department Stores and Catalog totaled $3,100 million and $3,430 million at July 27, 2002 and July 28, 2001, respectively. On a comparable store basis, department store inventories are approximately 2.5% lower than last year's levels. The current inventory levels are back on plan with certain key "Back-to-School" categories, specifically juniors', young men's, girls' and boys' apparel, at higher levels than last year. Eckerd Drugstore inventories on a FIFO basis totaled $2,303 million compared with $2,351 million last year. On a comparable store basis, drugstore inventories were approximately 4.7% lower than last year's levels. Inventory turns continued to show improvement for Eckerd Drugstores. Inventory levels of slow-moving merchandise have been reduced, and levels of high-velocity merchandise are sufficient to maintain an in-stock position.

The current cost of consolidated inventories exceeded the LIFO basis amount

carried on the balance sheet by approximately $401 million at July 27, 2002, $377 million at January 26, 2002, and $368 million at July 28, 2001.

Liquidity and Capital Resources
- ------------------------------

After paying $920 million of maturing debt in the first half of the year, which represents all of the maturities of long-term debt for the year, the Company's liquidity remains strong with approximately $2.0 billion in cash and short-term investments as of July 27, 2002. Of the total $2 billion in cash and short-term investments, approximately $121 million of short-term investments were pledged as collateral for import letters of credit not included in the bank credit facility and for a portion of casualty program liabilities. Cash flow from operating activities for the first half of 2002 was $448 million compared to $63 million in the comparable period of 2001. This increase is due to improved earnings and lower inventory levels net of accounts payable.

The Company has completed two transactions that were part of its long-term financing strategy, and which should enhance the Company's overall liquidity and financial flexibility. First, in May 2002, JCP and J.C. Penney Company, Inc. executed a $1.5 billion revolving credit agreement, which replaced the expiring $1.5 billion bank revolving credit facility and $630 million letter of credit facility. Indebtedness incurred under the new credit facility is collateralized by all eligible domestic department store and catalog inventory, as defined in the new credit facility agreement. This new credit facility will provide JCP with an additional source of liquidity for working capital needs and letter of credit support. No borrowings, other than the issuance of trade and stand-by letters of credit, which totaled $323 million as of the end of the second quarter 2002, have been made under either the new or previous credit facilities. The Company was in compliance with all financial covenants of the new credit agreement at July 27, 2002.

Second, in August 2002, the Company completed a debt exchange in which approximately $230.2 million of new 9.0% Notes Due 2012 were issued to certain bondholders in exchange for $227.2 million of three existing debt issues. Bondholders exchanged $79.4 million of JCP's 6.125% Notes Due 2003, $67.0 million of its 7.375% Notes Due 2004 and $80.8 million of its 6.9% Debentures Due 2026. This transaction effectively extends the maturity on amounts represented by the exchanged notes, which will strengthen the Company's liquidity as the turnaround of the Department Store and Catalog and Eckerd drugstore businesses continues to be executed. The debt exchange is discussed further in Note 11.

For the remainder of 2002, management believes that cash flow generated from operations, combined with the short-term investment position, will be adequate to fund cash requirements for capital expenditures, working capital and dividend payments and therefore, no external funding will be required.

Operating cash flows may be impacted by many factors, including the competitive conditions in the retail industry, and the effects of the current economic conditions and consumer confidence. Based on the nature of the Company's businesses, management considers the above factors to be normal business risks. The Company has not identified any circumstances that would likely impair the Company's ability to maintain its planned level of operations, capital expenditures and dividends in the foreseeable future.

Capital expenditures were $286 million through the first half of 2002 compared with $316 million for the comparable 2001 period. These were primarily for new and relocated Eckerd drugstores and the continued remodeling and reconfiguration of existing Eckerd drugstores, as well as the rollout of centralized checkouts in JCPenney department stores, department store support centers and investments in technology to support the new centralized merchandising model. Planned capital expenditures for the year remain at between $800 and $900 million, split evenly between the Department Stores and Catalog and Eckerd business segments.

A quarterly dividend of $0.125 per share on the Company's outstanding common stock was paid on August 1, 2002 to stockholders of record on July 10, 2002. A semi-annual preferred dividend of $23.70 per share on the Company's outstanding preferred stock was paid on July 1, 2002 to the savings plan, which holds the preferred stock.

Seasonality
- ----------

The Company's business depends to a great extent on the last quarter of the year. Historically, sales for that period have averaged approximately one-third of annual sales and comprise a significant portion of the Company's annual profits. Accordingly, the results of operations for the 13 and 26 weeks ended July 27, 2002 are not necessarily indicative of the results for the entire year.

Item 3 - Quantitative and Qualitative Disclosure About Market Risk.

The Company is exposed to market risks in the normal course of business due to changes in interest rates and changes in currency exchange rates. The Company's market risks related to interest rates at July 27, 2002 are similar to those disclosed in the Company's Form 10-K for the year ended January 26, 2002, and Form 10-Q for the 13 weeks ended April 27, 2002. For the 13 and 26 weeks ended July 27, 2002 the other comprehensive loss on foreign currency translation was $29 and $31 million. Due to the relatively small size of foreign operations, management believes that its exposure to market risk associated with foreign currencies would not have a material impact on its financial condition or results of operations.

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, which reflect the Company's current views of future events and financial performance, involve known and unknown risks and uncertainties that may cause the Company's actual results to be materially different from planned or expected results. Those risks and uncertainties include, but are not limited to, competition, consumer demand, seasonality, economic conditions, and government activity. Investors should take such risks into account when making investment decisions.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings.

The Company has no material legal proceedings pending against it.

Item 6 - Exhibits and Reports on Form 8-K.

(a) Exhibits

The following documents are filed as exhibits to this report:

4 Second Supplemental Indenture dated as of July 26, 2002, among the Company, JCP and U. S. Bank National Association, Trustee (formerly Bank of America National Trust and Savings Association) to Indenture dated as of April 1, 1994.

10(a)June 1, 2002 Amendment to Supplemental Retirement Program For Management Profit-Sharing Associates of JCP.

10(b)June 1, 2002 Amendment to JCP Separation Allowance Program For Profit-Sharing Management Associates.

10(c)May 31, 2002 Amendment to JCP Supplemental Term Life Insurance Plan For Management Profit-Sharing Associates.

10(d) June 1, 2002 Amendment to JCP Benefit Restoration Plan.

10(e)June 1, 2002 Amendment to JCP Management Incentive Compensation Plan.

10(f)June 1, 2002 Amendments to JCP Mirror Savings Plans I, II and III.

10(g)Employment Agreement dated as of June 1, 2002 between JCP and R.B. Cavanaugh.

10(h)Employment Agreement dated as of June 1, 2002 between JCP and S.F. Raish.

10(i)Eckerd Corporation Key Management Bonus Program dated February 1, 1999, as amended and restated through February 1, 2002.

10(j)May 31, 2002 Amendment to Eckerd Corporation Executive Supplemental Plan.

10(k)July 15, 2002 Amendment to Eckerd Corporation Supplemental Retirement Program.

(b) Reports on Form 8-K

The Company filed the following reports on Form 8-K during the period covered in this report:

- Current Report on Form 8-K dated May 31, 2002 (Item 5 - Other Events and Regulation FD Disclosure; Item 7 - Exhibits)

- Current Report on Form 8-K dated June 26, 2002 (Item 5 - Other Events and Regulation FD Disclosure)

- Current Report on Form 8-K dated June 26, 2002 (Item 5 - Other Events and Regulation FD Disclosure; Item 7 - Financial Statements and Exhibits)

- Current Report on Form 8-K dated July 10, 2002 (Item 5 - Other Events and Regulation FD Disclosure)

- Current Report on Form 8-K dated July 11, 2002 (Item 5 - Other Events and Regulation FD Disclosure; Item 7 - Financial Statements and Exhibits)

- Current Report on Form 8-K dated July 25, 2002 (Item 5 - Other Events and Regulation FD Disclosure; Item 7- Financial Statements and Exhibits)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J. C. PENNEY COMPANY, INC.

By /S/ Robert B. Cavanaugh

Robert B. Cavanaugh
Executive Vice President and
Chief Financial Officer

Date: September 6, 2002

CERTIFICATIONS
- ---

I, Allen Questrom, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. C. Penney Company, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: September 6, 2002.

/s/ Allen Questrom

Allen Questrom
Chairman and Chief Executive Officer
J. C. Penney Company, Inc.

CERTIFICATIONS

I, Robert B. Cavanaugh, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. C. Penney Company, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by

this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: September 6, 2002.

/s/ Robert B. Cavanaugh

Robert B. Cavanaugh
Executive Vice President and
Chief Financial Officer
J. C. Penney Company, Inc.

Exhibit 4

SECOND SUPPLEMENTAL INDENTURE

to
INDENTURE
Dated as of April 1, 1994, as amended and supplemented

among

J. C. PENNEY CORPORATION, INC.
(formerly J. C. Penney Company, Inc.),

as Issuer,

J. C. PENNEY COMPANY, INC.,

as Co-Obligor,

and

U.S. BANK NATIONAL ASSOCIATION
(formerly Bank of America National Trust and Savings Association),

as Trustee

Dated as of July 26, 2002

SECOND SUPPLEMENTAL INDENTURE (this "Second Supplemental Indenture"), dated as of July 26, 2002, among J. C. Penney Corporation, Inc. (formerly J. C. Penney Company, Inc.), a Delaware corporation, as issuer (the "Company"), J. C. Penney Company, Inc., a Delaware corporation, as co-obligor (the "Co-Obligor"), and U.S. Bank National Association (formerly Bank of America National Trust and Savings Association), a corporation organized and existing as a national banking association under the laws of the United States of America, as trustee (the "Trustee").

RECITALS

The Company and the Trustee have executed and delivered an Indenture dated as of April 1, 1994 (the "Base Indenture" and, as amended and supplemented, the "Indenture"), providing for the issuance from time to time of the Company's Securities.

Section 10.01(6) of the Base Indenture provides that the Company and the Trustee may at any time and from time to time enter into one or more indentures supplemental to the Indenture to establish, among other things, the form and terms of Securities of any series as permitted by Section 2.01 of the Base Indenture.

The Company has authorized the issuance of a series of Securities designated as the Company's 9.000% Notes Due 2012 (the "Notes") in the aggregate principal amount of up to $810,731,000, and the Co-Obligor has agreed to become co-obligor therefor, in each case on the terms set forth herein.

All things necessary to make this Second Supplemental Indenture a valid agreement of the Company and the Co-Obligor, in accordance with the terms of the Base Indenture and the terms of this second Supplemental Indenture, have been done.

NOW, THEREFORE, for and in consideration of the premises and the acquisition of the Notes by the Holders thereof in exchange for certain securities of the Company currently held by such Holders, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the Holders of the Notes:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. Definitions. For all purposes of this Second Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) a term defined in the Base Indenture has the same meaning when used in this Second Supplemental Indenture;

(b) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Second Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision; and

(c) for all purposes of this Second Supplemental Indenture, except as expressly provided or the context otherwise requires:

"Add On Notes" means the Notes originally issued after the Issue Date pursuant to Section 2.09, as specified in the relevant Supplemental Indenture, including any replacement Notes and any Exchange Notes issued in exchange therefore in accordance with the Indenture; provided that no such supplement indenture shall be required in connection with the issuance on August 9, 2002 of $20,816,000 principal amount of Add on Notes.

"Base Indenture" has the meaning assigned to it in the Recitals hereto.

"Certificated Security" means any Note issued in fully-registered certificated form (other than a Global Security), which shall be substantially in the form of Annex A, with appropriate legends as specified in Annex A.

"Company" has the meaning assigned to it in the Recitals hereto.

"Co-Obligor" has the meaning assigned to it in the Recitals hereto.

"Distribution Compliance Period" means, in respect of any Regulation S Global Security, the 40 consecutive days beginning on and including the later of (a) the day on which any Notes represented thereby are offered to persons other than distributors (as defined in Regulation S under the Securities Act) pursuant to Regulation S and (b) the issue date for such Notes.

"DTC" means The Depository Trust Company, its nominees and their respective successors and assigns.

"Exchange Act" means the Securities Exchange Act of 1934, as amended or any successor statute or statutes thereto.

"Exchange Notes" means Notes issued in a Registered Exchange Offer in exchange for a like principal amount of Notes originally issued pursuant to an exemption from registration under the Securities Act, and replacement Notes issued therefor in accordance with the Indenture.

"IAI" means an institutional "accredited investor," as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, other than a QIB.

"IAI Security" means a Certificated Security that is a Restricted Note held by an IAI.

"Indenture" has the meaning assigned to it in the Recitals hereto.

"Issue Date" means July 26, 2002.

"Issue Date Notes" means the $209,387,000 aggregate principal amount of Notes originally issued on the Issue Date, and any replacement Notes and Exchange Notes issued therefor in accordance with the Indenture.

"Non-U.S. Person" means a person who is not a U.S. person, as defined in Regulation S.

"Note" has the meaning assigned to it in the Recitals hereto.

"Note Custodian" means the custodian with respect to any Global Security appointed by Company, or any successor Person thereto, and shall initially be the Trustee.

"Private Placement Legend" has the meaning assigned to it in Section 2.07(b) of this Second Supplemental Indenture.

"Registered Exchange Offer" means an exchange offer by the Company registered under the Securities Act pursuant to which Notes originally issued pursuant to an exemption from registration under the Securities Act are exchanged for Notes of like principal amount not bearing the Private Placement Legend.

"Registration Rights Agreement" means the Registration Rights Agreement among the Company, the Co-Obligor, Salomon Smith Barney Inc., Fleet Securities, Inc. and Wachovia Securities, Inc. dated the date hereof.

"Registration Statement" means an effective shelf registration statement under the Securities Act that registers the resale by Holders (and beneficial owners) of Notes (or beneficial interests therein) originally issued pursuant to an exemption from registration under the Securities Act.

"Regulation S" means Regulation S under the Securities Act or any successor regulation.

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"Regulation S Global Security" has the meaning assigned to it in Section 2.04(f) of this Second Supplemental Indenture.

"Resale Restriction Termination Date" means, (i) for any Restricted Note (or beneficial interest therein) other than a Regulation S Global Security, two years (or such other period as is specified in Rule 144(k)) from the Issue Date or, if any Add On Notes that are Restricted Notes have been issued after the Issue Date and before the Resale Restriction Termination Date for any Restricted Notes issued on the Issue Date, from the original issue date of such Add On Notes and (ii) for any Regulation S Global Security, the conclusion of the Distribution Compliance Period.

"Restricted Note" means any Issue Date Note (or beneficial interest therein) or any Add On Note (or beneficial interest therein) not originally issued and sold pursuant to an effective registration statement under the Securities Act other than any Exchange Note, until such time as:

(a) such Issue Date Note (or beneficial interest therein) or Add On Note (or beneficial interest therein) has been transferred pursuant to a Registration Statement;

(b) the Resale Restriction Termination Date therefor has passed; or

(c) the Private Placement Legend therefor has otherwise been removed pursuant to Section 2.08(e) of this Second Supplemental Indenture or, in the case of a beneficial interest in a Global Security, such beneficial interest has been exchanged for an interest in a Global Security not bearing a Private Placement Legend.

"Rule 144" means Rule 144 under the Securities Act (or any successor rule).

"Rule 144A" means Rule 144A under the Securities Act (or any successor rule).

"Rule 144A Global Security" has the meaning assigned to it in Section 2.04(e) of this Second Supplemental Indenture.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Securities Act" means the Securities Act of 1933, as amended.

"Trustee" has the meaning assigned to it in the Recitals hereto.

SECTION 1.02. Relationship to Base Indenture. This Second Supplemental Indenture shall be construed in connection with and as part of the Base Indenture. Should any provision of this Second Supplemental Indenture limit, qualify or conflict with another provision of the Base Indenture, such provision of this Supplemental Indenture shall control. The changes, modifications and supplements to the Indenture effected by this Second Supplemental Indenture shall only be applicable with respect to, and govern the terms of, the Notes and shall not apply to any other Securities that may be issued under the Base Indenture unless a supplemental indenture
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with respect to such other Securities specifically incorporates such changes, modifications and supplements.

SECTION 1.03. Governing Law. This Second Supplemental Indenture and the Notes shall be construed in accordance with and governed by the internal laws (and not the law of conflicts) of the state of New York applicable to agreements made or instruments entered into and, in each case, performed in said state.

SECTION 1.04. Counterparts. This Second Supplemental Indenture may be executed in any number of counterparts and by telecopier, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

ARTICLE TWO

THE NOTES

SECTION 2.01. Issuance of the Notes. There is hereby created under the Indenture a Series of Securities, the Notes, known and designated as the "9.000% Notes Due 2012" of the Company. The aggregate principal amount of the Notes that may be authenticated and delivered under this Second Supplemental Indenture is limited to no more than $810,731,000 (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 2.06, 2.07, 2.08, 4.08 or 10.06 of the Base Indenture or Section 2.08 of this Second Supplemental Indenture and except for Notes which, pursuant to Section 2.05 of the Base Indenture, are deemed never to have been authenticated and delivered hereunder).

SECTION 2.02. Form of Notes. The Notes shall be substantially in the form provided in Exhibit A hereto, with such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange upon which the Notes may at any time be listed, or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of such Notes. Except as otherwise expressly permitted in the Indenture, all Notes shall be identical in all respects. Notwithstanding any differences among them, all Notes issued under the Indenture shall vote and consent together on all matters as one class.

SECTION 2.03. Denominations. The Notes will be issued in fully-registered form without coupons, and only in denominations of integral multiples of $1,000.

SECTION 2.04. Terms. (a) The maturity date for payment of principal of the Notes shall be August 1, 2012 and the Notes shall bear interest at the rate of 9.000% per annum, accruing from July 26, 2002 and payable on Interest Payment Dates of February 1 and August 1 of each year, commencing February 1, 2003, to the persons in whose names the Notes are registered on the corresponding Regular Record Date, which shall be January 15 or July 15 (whether or not a business day), as the case may be, next preceding such Interest Payment Date. Any "Additional Interest" payable under the Registration Rights Agreement, as such term is defined therein, shall be distributed upon the same terms as the interest on the Notes provided for hereunder.
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(b) The Notes are not redeemable at the option of the Company prior to maturity and are not entitled to the benefit of any sinking fund.

(c) The Notes will be defeasible pursuant to Section 14.02 and Section 14.03 of the Base Indenture.

(d) Principal of, premium, if any, and interest on the Notes will be payable and the Notes may be presented for exchange at the office or agency of the Company maintained for such purpose (which will initially be at the institutional trust services office of the Paying Agent located at 450 West 33rd St., New York, NY 10001); provided that the Company may, at its option make any payment of interest by check mailed to the address of the person entitled thereto as it appears in the Security Register. For Notes that are represented by Global Notes, the interest payable on the Notes will be paid to the Depository for the Notes (which shall be DTC or such other depositary institution that is a clearing agency registered under the Exchange Act as is hereinafter appointed by the Company as Depository for the Notes), the nominee of the Depository, or its registered assigns as the registered owner of such Global Notes, by wire transfer of immediately available funds on each applicable Interest Payment Date. No service charge will be made for any transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

(e) Notes originally offered and sold to QIBs in reliance on Rule 144A will be issued in the form of a Global Security (a "Rule 144A Global Security").

(f) Notes originally offered and sold outside the United States of America to Non-U.S. Persons in reliance on Regulation S will be issued in the form of a Global Security (a "Regulation S Global Security").

(g) Each Note originally offered and sold to an IAI that is not a QIB and not in reliance on Regulation S will be issued in the form of an IAI Security. Upon such issuance, the Security Registrar shall register such IAI Security in the name of the beneficial owner or owners of such note (or the nominee of such beneficial owner or owners) and deliver the certificates for such IAI Securities to the respective beneficial owner or owners.

SECTION 2.05. The Co-Obligor.

(a) The Co-Obligor hereby expressly agrees to become a co-obligor on the Notes liable for the due and punctual payment of the principal of, premium (if any) and interest (if any) on the Notes.

(b) The Co-Obligor and the Company as co-obligors shall be jointly and severally liable for the due and punctual payment of the principal of, premium (if any) and interest (if any) on the Notes.
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(c) Notwithstanding the agreement of the Co-Obligor to become liable for the due and punctual payment of the principal of, premium (if any) and interest (if any) on the Notes, the Company remains fully liable for all of its obligations under the Indenture and has not been released from any liabilities or obligations hereunder.

SECTION 2.06. Global Security Provisions.

(a) Each Global Security initially shall: (i) be registered in the name of DTC or the nominee of DTC and (ii) be delivered to the Note Custodian. Any Global Security may be represented by more than one certificate. The aggregate principal amount of each Global Security may from time to time be increased or decreased by adjustments made on the records of the Note Custodian, as provided in this Second Supplemental Indenture.

(b) Certificated Securities shall be issued to all owners of beneficial interests in a Global Security in exchange for such interests if:

(i) DTC notifies the Company that it is unwilling or unable to continue as Depository for the Notes or if at any time DTC ceases to be a clearing agency registered under the Exchange Act; or

(ii) the Company in its sole discretion determines that the Notes shall be exchangeable for definitive Notes in registered form and notifies the Trustee thereof.

If the Notes are exchangeable pursuant to the preceding sentence, they shall be exchangeable for definitive Notes registered in such names as such Depository shall direct, bearing interest at the same rate, having the same date of issuance, redemption provisions, Stated Maturity and other terms and of denominations aggregating a like amount.

(c) In connection with the exchange of a portion of a Certificated Security for a beneficial interest in a Global Security, the Trustee shall cancel such Certificated Security, and the Company shall execute, and the Trustee or Authenticating Agent shall authenticate and deliver to the exchanging Holder, a new Certificated Security representing the principal amount not so exchanged.

SECTION 2.07. Legends.

(a) Each Global Security shall bear the legend specified therefor in Annex A on the face thereof.

(b) Each Restricted Note shall bear the private placement legend specified therefor in Annex A on the face thereof (together with, if applicable, the legend specified in paragraph (c) of this Section 2.07, the "Private Placement Legend").

(c) Each Certificated Security that is a Restricted Note shall bear the legend specified therefor in Annex A on the face thereof.
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SECTION 2.08. Transfer and Exchange.

(a) If (1) the owner of a beneficial interest in a Rule 144A Global Security that is a Restricted Note wishes to transfer such interest (or portion thereof) to a Non-U.S. Person pursuant to Regulation S and (2) such Non-U.S. Person wishes to hold its interest in the Notes through a beneficial interest in the Regulation S Global Security, (x) upon receipt by the Note Custodian and Security Registrar of:

(A) instructions from the Holder of the Rule 144A Global Security directing the Note Custodian and Security Registrar to credit or cause to be credited a beneficial interest in the Regulation S Global Security equal to the principal amount of the beneficial interest in the Rule 144A Global Security to be transferred, and

(B) a certificate in the form of Annex D from the transferor,

and (y) subject to the rules and procedures of the Depository, the Note Custodian and Security Registrar shall increase the Regulation S Global Security and decrease the Rule 144A Global Security by such amount in accordance with the foregoing.

(b) If the owner of an interest in a Regulation S Global Security wishes to transfer such interest (or any portion thereof) prior to the expiration of the Distribution Compliance Period therefor to a QIB pursuant to Rule 144A, (x) upon receipt by the Note Custodian and Security Registrar of:

(A) instructions from the Holder of the Regulation S Global Security directing the Note Custodian and Security Registrar to credit or cause to be credited a beneficial interest in the Rule 144A Global Security equal to the principal amount of the beneficial interest in the Regulation S Global Security to be transferred, and

(B) a certificate in the form of Annex B duly executed by the transferor,

and (y) in accordance with the rules and procedures of the Depository, the Note Custodian and Security Registrar shall increase the Rule 144A Global Security and decrease the Regulation S Global Security by such amount in accordance with the foregoing.

(c) The following provisions shall apply with respect to any proposed transfer of an IAI Security (or portion thereof) :

(i) If the Holder of an IAI Security wishes to transfer such IAI Security (or a portion thereof) to a QIB pursuant to Rule 144A, (x) upon receipt by the Note Custodian and Security Registrar of:

(A) such IAI Security, duly endorsed as provided herein,
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(B) instructions from such Holder directing the Note Custodian and

Security Registrar to credit or cause to be credited a beneficial interest in the Rule 144A Global Security equal to the principal amount (or portion thereof) of such IAI Security to be transferred, and, if the entire principal amount of such IAI Security is not being transferred to issue one or more IAI Securities to the transferor IAI in an amount equal to the principal amount not transferred, and

(C) a certificate in the form of Annex B duly executed by the transferor,

and (y) subject to the rules and procedures of the Depository, the Note Custodian and Security Registrar shall:

(1) cancel the IAI Security delivered to it,

(2) increase the Rule 144A Global Security in accordance with the foregoing, and

(3) if applicable, issue to the IAI transferor one or more IAI Securities in accordance with the foregoing;

(ii) If the Holder of an IAI Security wishes to transfer such IAI Security (or any portion thereof) to an IAI, the Security Registrar or Authenticating Agent shall authenticate and deliver IAI Securities to the appropriate IAI(s) upon receipt by the Security Registrar of:

(A) such IAI Security, duly endorsed as provided herein,

(B) instructions from such Holder directing the Security Registrar to issue one or more IAI Securities in the amounts specified to the transferee IAI and, if the entire principal amount of such IAI Security is not being transferred, the transferor IAI in an amount equal to the principal amount not transferred, and

(C) a certificate in the form of Annex C duly executed by the transferee.

(iii) If (1) the Holder of an IAI Security wishes to transfer such IAI Security (or a portion thereof) to a Non-U.S. Person pursuant to Regulation S and (2) such Non-U.S. Person wishes to hold its interest in the Notes through a beneficial interest in the Regulation S Global Security, (x) upon receipt by the Note Custodian and the Security Registrar of:

(A) such IAI Security, duly endorsed as provided herein,

(B) instructions from the Holder of such IAI Security directing the Security Registrar to credit or cause to be credited a beneficial interest in the Regulation S Global Security equal to the principal amount of the IAI Security (or

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portion thereof) to be transferred, and, if the entire principal amount of such IAI Security is not being transferred to issue one or more IAI Securities to the transferor IAI in an amount equal to the principal amount not transferred, and

(C) a certificate in the form of Annex D from the transferor,

and (y) subject to the rules and procedures of the Depository, the Note Custodian and the Security Registrar shall:

(1) cancel the IAI Security delivered to it,

(2) increase the Regulation S Global Security for such amount in accordance with the foregoing, and

(3) if applicable, issue to the IAI transferor one or more IAI Securities in accordance with the foregoing.

(d) Other Transfers. Any transfer of Restricted Notes not described above (other than a transfer of a beneficial interest in a Global Security that does not involve an exchange of such interest for a Certificated Security or a beneficial interest in another Global Security, which must be effected in accordance with applicable law and the rules and procedures of the Depository,

but is not subject to any procedure required by this Second Supplemental Indenture) shall be made only upon receipt by the Security Registrar of such opinions of counsel, certificates and/or other information reasonably required by and satisfactory to the Security Registrar in order to ensure compliance with the Securities Act or in accordance with paragraph (e) of this Section 2.08.

(e) Use and Removal of Private Placement Legends. Upon the transfer, exchange or replacement of Notes (or beneficial interests in a Global Security) not bearing a Private Placement Legend, the Note Custodian and the Security Registrar shall exchange such Notes (or beneficial interests) for beneficial interests in a Global Security (or Certificated Securities if they have been issued pursuant to Section 2.04(g) of this Second Supplemental Indenture) that does not bear a Private Placement Legend. Upon the transfer, exchange or replacement of Notes (or beneficial interests in a Global Security) bearing a Private Placement Legend, the Note Custodian and Security Registrar shall deliver only Notes (or beneficial interests in a Global Security) that bear a Private Placement Legend unless:

(i) such Notes (or beneficial interests) are exchanged in a Registered Exchange Offer;

(ii) such Notes (or beneficial interests) are transferred pursuant to a Registration Statement;

(iii) such Notes (or beneficial interests) are transferred pursuant to Rule 144 upon delivery to the Security Registrar of a certificate of the transferor in the form of Annex E and an Opinion of Counsel reasonably satisfactory to the Security Registrar;

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(iv) such Notes (or beneficial interests) are transferred, replaced or exchanged after the Resale Restriction Termination Date therefor; or

(v) in connection with such transfer, exchange or replacement the Security Registrar shall have received an Opinion of Counsel and other evidence reasonably satisfactory to it to the effect that neither such Private Placement Legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

The Private Placement Legend on any Note shall be removed at the request of the Holder on or after the Resale Restriction Termination Date therefor. The Holder of a Global Security may exchange an interest therein for an equivalent interest in a Global Security not bearing a Private Placement Legend upon transfer of such interest pursuant to any of clauses (i) through (v) of this paragraph (e).

(f) Consolidation of Global Securities and Exchange of Certificated Securities for Beneficial Interests in Global Securities.

(i) If a Global Security not bearing a Private Placement Legend is Outstanding at the time of a Registered Exchange Offer, any interests in a Global Security exchanged in such Registered Exchange Offer shall be exchanged for interests in such Outstanding Global Security. The Company shall deliver to the trustee an Officers' Certificate promptly upon effectiveness, withdrawal or suspension of any Registration Statement.

(ii) Upon the transfer or exchange (including pursuant to a Registered Exchange Offer) of any Certificated Security for which a Private Placement Legend would not be required pursuant to Section 2.08(e) of this Second Supplemental Indenture following such transfer or exchange, such Certificated Security shall be exchanged for an interest in a Global Security not bearing a Private Placement Legend and, if no such Global Security is Outstanding at such time, the Company shall execute and upon Company Order the Trustee or Authenticating Agent shall authenticate a Global Security not bearing a Private Placement Legend.

(iii) Nothing in the Indenture shall provide for the consolidation of any Notes with any other Notes to the extent that they constitute, as determined pursuant to an Opinion of Counsel,

different classes of securities for U.S. federal income tax purposes.

(g) Retention of Documents. The Security Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Article Two. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Security Registrar.

SECTION 2.09. Add On Notes. The Company may, from time to time, subject to compliance with any other applicable provisions of the Indenture, without the consent of the
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Holders, create and issue Add On Notes having terms and conditions set forth in Exhibit A identical to those of the other Outstanding Notes, except that such Add On Notes:

(a) may have a different issue date from other Outstanding Securities;

(b) may have terms specified herein making appropriate adjustments to this Article Two and Exhibit A (and related definitions) applicable to such Add On Notes in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws) and any registration rights or similar agreement applicable to such Add On Notes, which are not adverse in any material respect to the Holder of any Outstanding Securities (other than such Add On Notes).

ARTICLE THREE

SUPPLEMENTAL INDENTURES

SECTION 3.01 Supplemental Indentures without Consent of Securityholders. The Base Indenture is hereby further amended (with respect only to the Notes) by adding thereto the following Subsections to be appended to Section 10.01 of the Base Indenture:

"(9) to provide for the issuance of the Exchange Notes, which will have terms substantially identical to the other Outstanding Notes (as defined in the Second Supplemental Indenture) except for the requirement of a Private Placement Legend and related transfer restrictions applicable to the Outstanding Notes under the Securities Act and the Indenture and as to the applicability of any "Additional Interest" payable under the Registration Rights Agreement, as such term is defined therein, and which will be treated, together with any other Outstanding Notes, as a single issue of securities; or

(10) to provide for the issuance of Add On Notes as permitted by Section 2.09 of the Second Supplemental Indenture, which will have terms substantially identical to the other Outstanding Notes except as specified in that Section 2.09, and which will be treated, together with any other Outstanding Notes, as a single issue of securities."

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, all as of the date first written above.

J. C. PENNEY CORPORATION, INC.,
as Issuer

/s/ Jeffrey J. Vawrinek
Attest: ----------
Name: Jeffrey J. Vawrinek
Title: Associate General Counsel and Assistant Secretary

/s/ Michael P. Dastugue
By:----------
Name: Michael P. Dastugue
Title: Vice President and Treasurer

J. C. PENNEY COMPANY, INC.,
as Co-Obligor

/s/ Jeffrey J. Vawrinek
Attest: ----------
Name: Jeffrey J. Vawrinek
Title: Assistant Secretary

/s/ Robert B. Cavanaugh
By: ----------
Name: Robert B. Cavanaugh
Title: Executive Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

/s/ William W. MacMillan
Attest:----------
Name: William W. MacMillan
Title: Vice President

/s/ Seth Dodson
By:----------
Name: Seth Dodson
Title: Assistant Vice President

FORM OF NOTE

[Include the following legend for Global Securities only:

"THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY OR A NOMINEE OF THE DEPOSITORY. THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES HEREINAFTER DESCRIBED AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF."]

[Include the following legend on all Notes that are Restricted Notes:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION."
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[Include the following legend on all Certificated Securities that are Restricted Notes:

"IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE SECURITY REGISTRAR SUCH OPINIONS OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE IN FORM REASONABLY SATISFACTORY TO IT AS PROVIDED FOR IN THE INDENTURE TO CONFIRM THAT THE TRANSFER COMPLIED WITH THE FOREGOING RESTRICTIONS AS PROVIDED FOR IN THE INDENTURE."]

[Include the following legend on all Notes that are issued with more than de minimis original issue discount:

FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND THE RULES AND REGULATIONS THEREUNDER, THIS SECURITY IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT; FOR EACH $1,000 PRINCIPAL AMOUNT AT MATURITY OF THIS SECURITY, (1) THE ISSUE PRICE IS _____; (2) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT IS _____; (3) THE ISSUE DATE IS JULY 26, 2002; AND (4) THE YIELD TO MATURITY (COMPOUNDED SEMI-ANNUALLY) IS _____%.]

[FORM OF FACE OF NOTE]

J. C. PENNEY CORPORATION, INC.
J. C. PENNEY COMPANY, INC.

9.000% Notes Due 2012

Principal Amount $_____

[if the Note is a Global Security include the following two lines:
as revised by the Schedule of Increases and
Decreases in Global Security attached hereto]

No. [___] [CUSIP] [ISIN] No. _____

J. C. PENNEY CORPORATION, INC. and J. C. PENNEY COMPANY, INC., each a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company" and the "Co-Obligor," respectively, which terms include any successor corporation under the Indenture hereinafter referred to), for value received, hereby promise to pay to _____ or registered assigns, the principal sum [indicated on Schedule A hereof]* [of_____ Dollars]** on August 1, 2012 and to pay interest thereon

* Applicable to Global Securities only.

from July 26, 2002 or from the most recent Interest Payment Date to which interest has been paid or duly provided for semi-annually on each Interest Payment Date, which shall be February 1 and August 1 of each year, commencing February 1, 2003, at the rate of 9.00% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Regular Record Date for such interest, which shall be January 15 or July 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any interest not punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may be paid by the Company using any procedure permitted under Section 2.09 of the Base Indenture.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if fully set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof or Authenticating Agent under the Indenture by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

** Applicable to Certificated Securities only.

IN WITNESS WHEREOF, J. C. Penney Corporation, Inc. and J. C. Penney Company, Inc. have caused this Note to be duly executed under their corporate seals.

Dated: _____

J. C. PENNEY CORPORATION, INC.

By:_____
Name:
Title:

Attest:_____
Name:
Title:

J. C. PENNEY COMPANY, INC.

By:_____
Name:
Title:

Attest:_____
Name:
Title:

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION
This is one of the Securities of the series
designated therein referred to in the
within-mentioned Indenture.

JPMORGAN CHASE BANK

By:

Authorized Officer

[FORM OF REVERSE OF NOTE]

J. C. PENNEY CORPORATION, INC.
J. C. PENNEY COMPANY, INC.

9.000% Senior Notes Due 2012

This note is one of a duly authorized issue of Securities of the Company (herein called the "Notes"), issued under an Indenture dated as of April 1, 1994 (the "Base Indenture") between J. C. Penney Corporation, Inc. (formerly J. C. Penney Company, Inc.), a Delaware corporation, as issuer (the "Company") and U.S. Bank National Association (formerly Bank of America National Trust and Savings Association), a corporation organized and existing as a national banking association under the laws of the United States of America, as trustee (the "Trustee"), as supplemented by the Second Supplemental Indenture, dated as of July 26, 2002, among the Company, J. C. Penney Company, Inc., a Delaware corporation, as co-obligor (the "Co-Obligor"), and the Trustee (the Base Indenture, as amended and supplemented, being referred to herein as the "Indenture"). Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes, and of the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the series of Securities designated on the face hereof, limited in aggregate principal amount to no more than $810,731,000. Terms defined in the Indenture have the same meaning when used in this Note.

The Notes are subject to the conditions set forth in the Indenture and without the consent of the Holders, the Company may issue Add On Notes. All Notes will be treated as a single class of securities under the Indenture.

Principal of, premium, if any, and interest on the Notes will be payable and the Notes may be presented for exchange at the office or agency of the Company maintained for such purpose (which will initially be at the corporate

trust office of the Paying Agent located at 450 West 33rd St., New York, NY 10001); provided that the Company may, at its option make any payment of interest by check mailed to the address of the person entitled thereto as it appears in the Security Register. For Notes that are represented by Global Notes, the interest payable on the Notes will be paid to the Depository (initially the Depository Trust Company), the nominee of the Depository, or its registered assigns as the registered owner of such Global Notes, by wire transfer of immediately available funds on each applicable Interest Payment Date. No service charge will be made for any transfer of exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Notes will not be redeemable prior to maturity.

The Notes will not be entitled to any sinking fund.
<page>

If an Event of Default, as defined in the Indenture, with respect to the Notes shall occur, and be continuing, the principal of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the Co-Obligor and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than 66 2/3% in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company and the Co-Obligor with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

Sections 14.02 and 14.03 of the Base Indenture contain provisions for defeasance at any time of (a) the entire indebtedness on this Note and (b) certain restrictive covenants, upon compliance by the Company with certain conditions set forth therein, which provisions apply to this Note.

Upon due presentment for registration of transfer of this Note at the office or agency to be maintained for that purpose in the Borough of Manhattan, New York City, a new Note or Notes in authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange herefor, as provided in the Indenture and subject to the limitations provided therein and to the limitations described below, without charge except for any tax or other governmental charge imposed in connection therewith.

A Holder may transfer or exchange Notes in accordance with the Indenture. The Security Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company and the Co-Obligor, which is absolute and unconditional, to pay the principal of, premium (if any) and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed, except that in the event the Company deposits money and/or U.S. Government Obligations as provided in Section 14.02 of the Base Indenture, such payments will be made as described therein.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's Social Security or Tax I.D. Number)

and irrevocably appoint the above-named party as agent to transfer this Note on the books of the Company. The agent may substitute another to act for the agent.

Date: ---------- Your Signature: ----------

Signature Guarantee: ----------
(Signature must be guaranteed)

- ----------

Sign exactly as your name appears on the other side of this Note.

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to SEC Rule 17Ad-15.

[TO BE ATTACHED TO GLOBAL SECURITIES ONLY]

SCHEDULE A

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The initial principal amount at maturity of this Global Security shall be $.

The following increases or decreases in this Global Security have been made:

<table>

<c>	<c>	<c>	<c>	<c>
Date of Exchange	Amount of decrease in Principal Amount of this Global Security	Amount of increase in Principal Amount of this Global Security following such decrease or increase	Principal amount of this Global Security	Signature of authorized signatory of Trustee or Note Custodian

</table>

FORM OF TRANSFER CERTIFICATE FOR TRANSFER TO QIB

[Date]

U.S. Bank National Association
950 17th Street, Suite 650
Denver, CO 80202

Re: J. C. Penney Corporation, Inc.
and J. C. Penney Company, Inc.
9.000% Notes Due 2012 (the "Notes")

Ladies and Gentlemen:

Reference is hereby made to the Indenture dated as of April 1, 1994 (the "Base Indenture") between J. C. Penney Corporation, Inc. (formerly J. C. Penney Company, Inc.), a Delaware corporation, as issuer (the "Company") and U.S. Bank

National Association (formerly Bank of America National Trust and Savings Association), a corporation organized and existing as a national banking association under the laws of the United States of America, as trustee (the "Trustee"), as supplemented by the Second Supplemental Indenture, dated as of July 26, 2002, among the Company, J. C. Penney Company, Inc., a Delaware corporation, as co-obligor (the "Co-Obligor"), and the Trustee (the Base Indenture, as amended and supplemented, being referred to herein as the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to $_____ aggregate principal amount of Notes [in the case of a transfer of an interest in a Regulation S Global Security: which represents an interest in a Regulation S Global Security beneficially owned by] [in the case of a transfer of an IAI Security: which are held in the name of] the undersigned (the "Transferor") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in the Rule 144A Global Security.

In connection with such request, and with respect to such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with Rule 144A under the Securities Act of 1933, as amended ("Rule 144A"), to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.
<page>

You, the Company and the Co-Obligor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By:_____

Authorized Signature

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION WITH TRANSFERS TO INSTITUTIONAL ACCREDITED INVESTORS

[Date]

U.S. Bank National Association
U.S. Bank National Association
950 17th Street, Suite 650
Denver, CO 80202

Re: J. C. Penney Corporation, Inc.
and J. C. Penney Company, Inc.
9.000% Notes Due 2012 (the "Notes")

Ladies and Gentlemen:

Reference is hereby made to the Indenture dated as of April 1, 1994 (the "Base Indenture") between J. C. Penney Corporation, Inc. (formerly J. C. Penney Company, Inc.), a Delaware corporation, as issuer (the "Company") and U.S. Bank National Association (formerly Bank of America National Trust and Savings Association), a corporation organized and existing as a national banking association under the laws of the United States of America, as trustee (the "Trustee"), as supplemented by the Second Supplemental Indenture, dated as of July 26, 2002, among the Company, J. C. Penney Company, Inc., a Delaware corporation, as co-obligor (the "Co-Obligor"), and the Trustee (the Base

Indenture, as amended and supplemented, being referred to herein as the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This certificate is delivered to request a transfer of US $_____ principal amount of the Notes (the "Transferred Notes") to the undersigned (the "Transferee").

Upon transfer, the Transferred Notes should be registered in the name of the new owner as follows:

Name: _____ [If applicable, add: as nominee for the Transferee]

Address: _____

Taxpayer ID Number: _____

The undersigned represents and warrants to you that:

1. We understand that the Notes are not being registered under the Securities Act of 1933, as amended (the "Act"), and are being sold to us in a transaction that is exempt from the registration requirements of the Act.
<page>
2. We acknowledge that: (a) neither the Company nor any person acting on behalf of the Company has made any representation to us with respect to the Company or the offer or sale of any Notes; and (b) any information we desire concerning the Company and the Notes or any other matter relevant to our decision to purchase the Notes has been made available to us.

3. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Notes, and we are (or any account for which we are purchasing under paragraph 4 below is) an institutional "accredited investor" (within the meaning of Rule 501(a) (1), (2), (3) or (7) of Regulation D under the Act) able to bear the economic risk of investment in the Notes.

4. We are acquiring the Notes for our own account (or for accounts as to which we exercise sole investment discretion and have authority to make, and do make, the statements contained in this letter) and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of our property will at all times be and remain within our control.

5. We understand that (a) the Notes will be in registered form only and that any certificates delivered to us in respect of the Notes will bear a legend substantially to the following effect:

> "These Securities have not been registered under the Securities Act of 1933. Further offers or sales of these Securities are subject to certain restrictions, as set forth in the Offering Memorandum dated June 26, 2002 relating to these Securities."

and (b) the Company has agreed to reissue such certificates without the foregoing legend only in the event of a disposition of the Notes in accordance with the provisions of paragraph 6 (provided, in the case of a disposition of the Notes in accordance with paragraph 6(f) below, that the legal opinion referred to in such paragraph so permits), or at our request at such time as we would be permitted to dispose of them in accordance with paragraph 6(a) below.

6. We agree that in the event that at some future time we wish to dispose of any of the Notes, we will not do so unless such disposition is made in accordance with any applicable securities laws of any state of the United States and:

(a) the Notes are sold in compliance with Rule 144(k) under the Act; or

(b) the Notes are sold in compliance with Rule 144A under the Act; or

(c) the Notes are sold in compliance with Rule 904 of Regulation S under the Act; or

(d) the Notes are sold pursuant to an effective registration statement

under the Act; or
<page>

(e) the Notes are sold to the Company; or

(f) the Notes are disposed of in any other transaction that does not require registration under the Act, and we theretofore have furnished to the Company or its designee an opinion of counsel experienced in securities law matters to such effect or such other documentation as the Company or its designee may reasonably request.

You, the Company and the Co-Obligor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

Very truly yours,

[Name of Transferee]

By:_____
Authorized Signature

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION WITH TRANSFERS PURSUANT TO REGULATION S

[Date]

U.S. Bank National Association
U.S. Bank National Association
950 17th Street, Suite 650
Denver, CO 80202

Re: J. C. Penney Corporation, Inc.
and J. C. Penney Company, Inc.
9.000% Notes Due 2012 (the "Notes")

Ladies and Gentlemen:

Reference is hereby made to the Indenture dated as of April 1, 1994 (the "Base Indenture") between J. C. Penney Corporation, Inc. (formerly J. C. Penney Company, Inc.), a Delaware corporation, as issuer (the "Company") and U.S. Bank National Association (formerly Bank of America National Trust and Savings Association), a corporation organized and existing as a national banking association under the laws of the United States of America, as trustee (the "Trustee"), as supplemented by the Second Supplemental Indenture, dated as of July 26, 2002, among the Company, J. C. Penney Company, Inc., a Delaware corporation, as co-obligor (the "Co-Obligor"), and the Trustee (the Base Indenture, as amended and supplemented, being referred to herein as the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of $_____ aggregate principal amount of Notes [in the case of a transfer of an interest in a 144A Global Security: , which represent an interest in a 144A Global Security beneficially owned by] [in the case of a transfer of an IAI Security: held in the name of] the undersigned ("Transferor"), we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(a) the offer of the Notes was not made to a person in the United States;

(b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our

behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

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(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(e) we are the beneficial owner of the principal amount of Notes being transferred.

In addition, if the sale is made during a Distribution Compliance Period and the provisions of Rule 904(b)(1) or Rule 904(b)(2) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 904(b)(1) or Rule 904(b)(2), as the case may be.

You, the Company and the Co-Obligor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this letter have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By:_____

Authorized Signature

FORM OF RULE 144 CERTIFICATION

[Date]

U.S. Bank National Association
U.S. Bank National Association
950 17th Street, Suite 650
Denver, CO 80202

Re: J. C. Penney Corporation, Inc.
and J. C. Penney Company, Inc.
9.000% Notes Due 2012 (the "Notes")

Ladies and Gentlemen:

Reference is hereby made to the Indenture dated as of April 1, 1994 (the "Base Indenture") between J. C. Penney Corporation, Inc. (formerly J. C. Penney Company, Inc.), a Delaware corporation, as issuer (the "Company") and U.S. Bank National Association (formerly Bank of America National Trust and Savings Association), a corporation organized and existing as a national banking association under the laws of the United States of America, as trustee (the "Trustee"), as supplemented by the Second Supplemental Indenture, dated as of July 26, 2002, among the Company, J. C. Penney Company, Inc., a Delaware corporation, as co-obligor (the "Co-Obligor"), and the Trustee (the Base Indenture, as amended and supplemented, being referred to herein as the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of $_____ aggregate principal amount of Notes [in the case of a transfer of an interest in a 144A Global Security: , which represent an interest in a 144A Global Security beneficially owned by] [in the case of a transfer of an IAI Security: held in the name of] the undersigned ("Transferor"), we confirm that such sale has been effected pursuant to and in accordance with Rule 144 under the Securities Act.

You, the Company and the Co-Obligor are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By:_____

Authorized Signature

Exhibit 10 (a)

EXHIBIT 4

AMENDMENT TO
SUPPLEMENTAL RETIREMENT PROGRAM FOR
MANAGAMENT PROFIT-SHARING ASSOCIATES OF
J. C. PENNEY CORPORATION, INC.

The definitions in Article II entitled Board of Directors and Human Resources and Compensation Committee are amended effective April 30, 2002 to read as follows:

Board of Directors: Board of Directors of the Parent Company.

Human Resources and Compensation Committee: The Human Resources and Compensation Committee of the Board of Directors of the Parent Company.

Exhibit 10 (b)

EXHIBIT 6

AMENDMENT NO. 3 TO
J. C. PENNEY CORPORATION, INC.
1999 SEPARATION ALLOWANCE PROGRAM FOR
PROFIT-SHARING MANAGEMENT ASSOCIATES

1. Paragraph (f) of the definition of Change of Control is amended effective April 30, 2002 to read as follows:

(f) the Board of Directors of the Parent Company adopts a resolution to the effect that, for the purposes of this Program, a Change of Control has occurred.

2. The definition of Subsidiary is amended effective April 30, 2002 to read as follows:

Subsidiary shall mean any corporation that is owned, in whole or in part, by the Parent Company and is a participating employer in the J. C. Penney Corporation, Inc. Pension Plan, unless the Company's Human Resources Committee, prior to a Change of Control, determines that any such corporation shall not be a Subsidiary under the Program.

3. Section 5.01 and 5.02 are amended effective April 30, 2002 to add the word "Parent" immediately before the word "Company" in each place it appears.

Exhibit 10 (c)

AMENDMENT NUMBER ONE TO THE
J. C. PENNEY COMPANY, INC.
SUPPLEMENTAL TERM LIFE INSURANCE PLAN
FOR MANAGEMENT PROFIT-SHARING ASSOCIATES

WHEREAS, effective January 1, 2002, J. C. Penney Company, Inc, (the "Company") adopted an amended and restated J. C. Penney Company, Inc. Supplemental Term Life Insurance Plan for Management Profit-Sharing Associates ("Plan"); and

WHEREAS, the Company desires to amend the Plan; and

WHEREAS, the Company is empowered to amend the Plan pursuant to Plan Section 8.1; and

RESOLVED, that pursuant to Plan Section 8.2, the Plan is hereby amended,

effective as of January 1, 2002 (except as otherwise provided below), as follows:

3. The words "J. C. Penney Company, Inc. Supplemental Term Life Insurance Plan for Management Profit-Sharing Associates" on the cover and in sections 1.1 and 2.14 are hereby deleted and the following is inserted in lieu thereof effective January 27, 2002:

J. C. Penney Corporation, Inc. Supplemental Term Life Insurance Plan for Management Profit-Sharing Associates

4. Section 6.6 is hereby amended by adding the following new sentence at the end thereof:

Provided however, that any third party expenses incurred either (a) to set-up or administer a custodial account or trust to hold the proceeds of the Insurer's demutualization, or (b) to set-up, communicate with Participants or administer a premium holiday under the Plan, where such premium holiday results from the demutualization of the Insurer, may, at the Company's discretion, be paid from the proceeds resulting from the sale of the Insurer's stock received as part of the demutualization of the Insurer and any cash or earnings thereon held in the custodial account or trust.

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RESOLVED FURTHER, that the officers of the Company and its counsel be, and they hereby are, authorized to take all such further actions and to execute and deliver all such further instruments and documents including, but not limited to, any required amendments related to the Plan's qualification under the Internal Revenue Code of 1986, as amended, as shall in their judgment be necessary, proper, or advisable in order to fully carry out the intent and to effectuate the purposes of the foregoing resolutions and each of them.

Exhibit 10 (d)

EXHIBIT 3

AMENDMENTS
TO
J.C. PENNEY CORPORATION, INC.
BENEFIT RESTORATION PLAN

1. The definition of "Board of Directors" in Article II of the J.C. Penney Corporation, Inc. Benefit Restoration Plan ("Benefit Restoration Plan") is amended in its entirety to read as follows:

Board of Directors: Board of Directors of the Parent Company.

2. The definition of the "Human Resources and Compensation Committee" in Article II of the Benefit Restoration Plan (Definitions) is amended in its entirety to read as follows:

Human Resources and Compensation Committee: The Human Resources and Compensation Committee of the Board of Directors of the Parent Company.

3. The definition of "Participating Employer" in Article II of the Benefit Restoration Plan (Definitions) is amended in its entirety to read as follows:

Participating Employer: The Company and any other Controlled Group Member or organizational unit of the Company or of a Controlled Group Member which is designated as a Participating Employer under the Plan by the Human Resources Committee or the Board of Directors of the Company; provided, however, that if any such designation would substantially increase the cost of the Plan to the Company, such designation shall be subject to the sole discretion of the Board of Directors of the Parent Company.

4. The first paragraph of Paragraph 1 of Article VIII (Amendment and Termination) is amended in its entirety to read as follows:

(1) Amendment and Termination: The Human Resources and Compensation Committee or the Board of Directors of the Company may amend or modify the Plan at any time, without prior notice; provided, however, that any such amendment or modification which would substantially increase the cost of the Plan to the Company shall require approval of the Board of Directors of the Parent Company. The Board of Directors of the Parent Company or the Company may suspend, discontinue, or terminate the Plan at any time without prior notice or approval.

5. The third paragraph of Paragraph (1) of Article VIII of the Benefit Restoration Plan (Amendment and Termination) is amended in its entirety to read as follows:

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Each amendment to the Plan by the Human Resources and Compensation Committee or the Board of Directors of the Parent Company or the Company will be made only pursuant to unanimous written consent or by majority vote at a meeting. Upon such action by the Human Resources and Compensation Committee or the Board of Directors of the Parent Company or the Company, the Plan will be deemed amended as of the date specified as the effective date by such action or in the instrument of amendment. The effective date of any amendment may be before, on, or after the date of such action of the Human Resources and Compensation Committee or the Board of Directors of the Parent Company or the Company.

6. Paragraph (2) of Article VIII (Rights of Associates) is amended in its entirety to read as follows:

(2) Rights of Associates: Neither the establishment of the Plan nor any action thereafter taken by the Company, the Parent Company, or any Controlled Group Member or by the Benefits Administration Committee shall be construed as giving to any Associate any vested right to a benefit from the Plan or a right to be retained in employment or any specific position or level of employment with the Company or any Controlled Group Member. Moreover, no Associate shall have any right or claim to any benefits under this Plan if the Associate is summarily discharged, as defined by the Company (including resignation in lieu thereof) unless the Benefits Administration Committee, in its discretion, determines that such Associate shall be eligible for such benefits notwithstanding such summary discharge.

7. Paragraph (4) of Article VIII of the Benefit Restoration Plan (Liability) is amended in its entirety to read as follows:

(4) Liability: Neither the Board of Directors (including any committees thereof) of the Parent Company, the Company, or of any Participating Employer nor any member of the Benefits Administration Committee or the Human Resources Committee nor any person to whom any of them may delegate any duty or power in connection with administering the Plan shall be personally liable for any action or failure to act with respect to the Plan.

Exhibit 10 (e)

EXHIBIT 7

AMENDMENTS TO
J. C. PENNEY CORPORATION, INC.
1989 MANAGEMENT INCENTIVE
COMPENSATION PROGRAM

1. Section 1 of the J. C. Penney Corporation, Inc. 1989 Management Incentive Compensation Program ("Program") is amended to add the following as a new paragraph:

"Parent Company" means J. C. Penney Company, Inc. a Delaware corporation, and any successor corporation.

2. Section 2 of the Program is amended by adding "of the Parent Company" after the words "Board of Directors" in line 2 of the second paragraph.

3. Section 3 of the Program is amended on line 6 by deleting "J. C. Penney Company, Inc." and inserting "the Parent Company".

4. Section 4 of the Program is amended (1) by adding "of the Parent Company" after the words "Board of Directors" in line 1 and (2) by deleting "J. C. Penney Company, Inc." on line 2 and inserting "the Parent Company" in each case in the third paragraph thereof.

5. Section 6 of the Program is amended by adding the words "of Directors of the Parent Company" after the word "Board" on line 5 of the second paragraph and line 1 of the third paragraph.

6. Section 7 of the Program is amended by adding the words "of the Parent Company" after the words "Board of Directors" on line 1.

Exhibit 10 (f)

EXHIBIT 5

AMENDMENT TO
J. C. PENNEY CORPORATION, INC.
MIRROR SAVINGS PLAN I, II, AND III

1. The definition of Human Resources and Compensation Committee is amended effective April 30, 2002 to read as follows:

Human Resources and Compensation Committee: The Human Resources and Compensation Committee of the Board of Directors of the Parent Company.

2. Paragraph (f) of Section 7.08 is amended effective April 30, 2002 to read as follows:

(f) the Board of Directors of the Parent Company adopts a resolution to the effect that, for the purposes of this Plan, a Change of Control has occurred.

3. Section 8.02 is amended effective April 30, 2002 to read as follows:

8.02 Plan Termination

The Board of Directors of the Parent Company may terminate or discontinue the Plan at any time. If the Plan is terminated, it shall be on such terms and conditions as the Board of Directors of the Parent Company shall deem appropriate.

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Exhibit 10 (i)

ECKERD CORPORATION

KEY MANAGEMENT BONUS PLAN

Adopted effective February 1, 1999

Amended and Restated February 1, 2002

ECKERD CORPORATION

KEY MANAGEMENT BONUS PLAN

1. Purpose. The Key Management Bonus Plan (KMBP) is intended to focus the attention of plan participants on financial factors critical to Eckerd Corporation's (the "Company") success. Through a carefully tailored combination of company-wide, regional, district, departmental and personal goals, each individual participant is encouraged to concentrate effort in those areas which most affect the Company's bottom line. The KMBP rewards participants for their contribution to the achievement of the Company's established financial and operating goals.

The Company is committed to a "pay for performance" philosophy. Therefore, compensation programs are designed to reward achievement of financial results. The KMBP is a pivotal component of a manager's total compensation, which includes base pay and benefits. It represents a significant corporate investment in its participants as key players on the Company's management team.

2. Administration. The KMBP shall be administered by the Board of Directors of the Company ("Board"). The Board may delegate the administration of the KMBP to the Human Resources and Investment Committee of the Board of Directors or such other committee as the Board may designate from time to time (the "Committee"). The Board of Directors or the Committee may, from time to time, establish such rules and regulations for carrying out the KMBP as they may deem necessary or desirable. The Board of Directors or the Committee shall decide all questions of fact arising in the application of the KMBP and shall interpret and construe the provisions of the KMBP and of any other documents relating to it or a bonus award
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hereunder and any such decision, interpretation or construction shall be conclusive and binding upon all persons.

3. Effective Date Of Plan. The KMBP became effective as of February 1, 1999, and was amended and restated effective as of February 1, 2002, in each case upon approval by the Board of Directors.

4. Eligibility. The executive officers eligible to participate in the KMBP and their participation percentages are established by the Board. Other positions eligible to participate in the KMBP are established by the Board, the Committee, or the Company's Senior Management. The Board or the Committee decides the level of the participant's participation.

To be a "qualified participant" in the KMBP, an individual must be in a KMBP position on or before the first Monday in November of the applicable fiscal year, remain in a KMBP position for at least 90 days, have a performance rating of Meets Expectations or Competent Performance (Level 3) or better for the applicable fiscal year, and be actively working for the Company on the last day of the bonus period. Associates with a performance rating of Improvement Needed or less (i.e., Level 4 or 5) for the bonus period or who are on active written counseling at the time of transfer from a KMBP eligible position to a non-KMBP eligible position for performance reasons during the bonus period are not eligible to receive a bonus. If a participant holds a KMBP position for less than a full fiscal year, the participant's KMBP payment will be prorated according to the number of weeks the participant has served in a KMBP position during the applicable fiscal year. If a participant serves in more than one KMBP position in the course of the year, the bonus will be calculated for each position separately and prorated for the number of weeks in that position.

5. Bonus Period. The bonus period coincides with the Company's fiscal year.

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6. Performance Measures. Eligible participants will receive a goal sheet each fiscal year showing their individual performance measures which may include, among others, sales and EBIT (earnings before interest and taxes). The KMBP will generate a payment factor based upon the percent or dollar difference between actual and planned results for established criteria.

7. Bonus Calculation. The bonus is designed to have multiple targeted

steps, each step has an associated target EBIT and Sales goal with a corresponding payment factor. The program allows for a 100% KMBP percentage payment when the payment factor equals 1.00. The program has a minimum payment factor of zero (0) and a maximum payment factor of two (2). The calculation of the KMBP bonus utilizes a straight line interpolation for results that fall between any two payment factors. The amount of the bonus is calculated by multiplying the eligible participant's base salary that was paid during the year by the applicable KMBP percentage and the payment factor. The applicable KMBP percentage is based upon the participant's position level and title as approved by the Board of Directors or Committee, as provided under Section 4.

8. Bonus Payment. KMBP bonuses are paid in cash within 90 days after the end of the fiscal year. At the time of receipt of written notice of a participant's bonus award, each participant shall arrange with the Company for the payment of the amount of any taxes required to be collected or withheld as a result of the payment of the KMBP bonus.

9. Participants On Leave Of Absence. Qualified participants who go on a documented military leave or a Company approved and documented Family and Medical Leave Act, medical or maternity leave of absence during the bonus period will be eligible for a prorated bonus with credit given for the first six weeks of the leave (or longer if required by applicable
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federal or state laws) and with no credit given for the remaining amount of time on leave of absence. Qualified participants who go on any other Company approved leave of absence during the bonus period will be eligible for a prorated bonus with no credit given for the amount of time on leave of absence. This bonus will be paid only when the participant returns to work directly from such a leave. If an eligible participant goes on an approved leave of absence after the end of the bonus period but before the bonus is paid, the participant shall receive the full amount of bonus due. The bonus payment will be made within 90 days after the end of the fiscal year.

10. Termination Of Employment.

a. Voluntary Terminations. A qualified participant who voluntarily terminates employment with the Company before the end of the bonus period forfeits all rights to any payment under the KMBP. Participants who have informed the Company of their decision to leave the Company must be physically on the job on the last day of the bonus period to receive payment for that period. Participants who have notified the Company of their desire to terminate employment and who choose to take vacation prior to the end of the bonus period will not be deemed to have completed the bonus period and will not be eligible for payout under the KMBP. Participants who voluntarily terminate employment after the end of the bonus period but before the bonus is paid are eligible to receive the bonus payment for that period.

b. Involuntary Terminations. A qualified participant who is involuntarily terminated before the bonus is paid for the applicable bonus period forfeits all rights to any payment under the KMBP, provided, however, a qualified participant whose employment terminates prior to the end of the bonus period due to one of the following reasons will receive a prorated bonus award: retirement at or after age 60, if you were a participant in the J.C. Penney Corporation, Inc. Pension Plan or the Eckerd Corporation Pension Plan (or any predecessor plan
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of either of them); retirement at age 55 or later with at least 15 years of "service"; permanent and total disability; death; permanent reduction in force; approved unit closing; or if otherwise required by law. "Service" for retirement purposes means your total period of employment with J.C. Penney Corporation, Inc. and its subsidiaries, including approved leaves of absence, certain service in the U.S. Armed Forces, periods when you are credited with Social Security Disability service and any period after your employment with the Company ends, so long as you are rehired within 365 days.

11. Termination and Amendment of the Bonus Plan. The KMBP represents compensation in addition to normal salary for eligible participants. The Company reserves the right to amend the KMBP, including the right to make changes in the KMBP's provisions, payouts, and eligibility, and also reserves the right to

discontinue or terminate the KMBP at any time.

12. Oral Representations. The KMBP governs, controls and supersedes any and all representations, either oral or written, made by any employee or agent or other representative of the Company or any participating employer, and no other agreements, statements, or assertion relating to the subject matter of this Plan shall be valid or enforceable.

13. Severability. If any provision of the KMBP, including instruments incorporated by reference, shall be held illegal, invalid or disqualifying for any reason, including, but not limited to, any inconsistency in the text of the KMBP with applicable law or regulation, said illegality, invalidity, or inconsistency shall not affect the remaining provisions of the KMBP, such illegal, invalid, disqualifying or inconsistent provision shall be fully severed from the contents of the KMBP, and the KMBP shall be contrued and enforced as if such illegal, invalid, disqualifying, or inconsistent provision had not been included in the KMBP.
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14. Governing Law. The KMBP will be construed and enforced according to the laws of the State of Florida, without giving effect to the conflict of laws principles thereof. Every right of action must be brought no later than four years after the date the action accrues.
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Exhibit 10 (j)

Exhibit "A"

Amendment To Eckerd Corporation Executive Supplemental Plan

RESOLVED that the Eckerd Corporation Executive Supplement Plan be, and it hereby is, approved effective March 21, 2002 in the form submitted to the Board of Directors; and

RESOLVED that the officers of the Corporation and its counsel be, and they hereby are, authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of the Corporation, and under its corporate seal or otherwise, and to pay all such expenses, as shall be in their judgement be necessary, proper, or advisable in order fully to carry out the intent and effectuate the purposes of the foregoing resolution.

Exhibit 10 (k)

EXHIBIT "A"

Amendment To Eckerd Corporation Supplemental Retirement Program

RESOLVED that the Amended and Restated Eckerd Corporation Supplemental Retirement Program (formerly know as the Supplemental Retirement Program for Management Profit-Sharing Associates of Thrift Drug, Inc.) be, and it hereby is, approved effective March 21, 2002 in the form submitted to the Board of Directors; and

RESOLVED that the officers of the Corporation and its counsel be, and they hereby are, authorized to take all such further actions and to execute and deliver all such further instruments and documents, in the name and on behalf of the Corporation, and under its corporate seal or otherwise, and to pay all such expenses, as shall be in their judgement be necessary, proper, or advisable in order fully to carry out the intent and effectuate the purposes of the foregoing resolution.

Exhibit 10 (h)

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), made in the City of Plano and the State of Texas, dated as of , 2002, between J. C. Penney Corporation, Inc., a Delaware corporation ---------- (hereinafter called the "the Employer"), and Stephen F. Raish (hereinafter called the "the Employee").

WHEREAS, the Employer desires to ensure that it retains the Employee's management and executive services by directly engaging Employee as its Chief Information Officer;

WHEREAS, in order to induce the Employee to continue to serve in such positions, the Employer desires to provide the Employee with compensation and other benefits on the terms and conditions set forth in this Agreement; and

WHEREAS, the Employee is willing to accept such employment and perform services for the Employer, on the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the promises and of the mutual covenants herein contained, it as agreed as follows:

1. Employment, Position and Duties.

1.1 The Employer agrees to continue to employ the Employee and the Employee hereby agrees to continue to undertake employment upon the terms and conditions herein set forth.

1.2 During the Term (as hereafter defined), the Employee will serve as Chief Information Officer, or such other position as may be assigned by the Employer's Chief Executive Officer, and shall perform such duties consistent with such position as are determined and directed by the Chief Executive Officer. The Employee shall devote his full working time, attention and ability to the business of the Employer, including, if applicable, its subsidiaries and/or affiliates to which the Employee may have been assigned responsibilities; provided, however, that it shall not be a violation of this Agreement for the Employee to (i) devote reasonable periods of time to charitable and community activities and, with the approval of the Employer, industry or professional activities, and (ii) manage personal business interests and investments, subject to Section 8, so long as such activities do not materially interfere with the performance of the Employee's responsibilities under this Agreement.

1.3 Unless otherwise agreed by the Employer and the Employee, throughout the term of this Agreement, the Employee's principal offices shall be located in Plano, Texas. The Employee shall undertake normal business travel on behalf of the Employer, the reasonable expenses of which shall be paid by the Employer pursuant to Section 4.

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2. Term of Employment.

2.1 Initial Term. The Employee's employment under this Agreement ("Term") shall commence on May 1, 2002 (the "Start Date") and, subject to the provisions of this Agreement, shall terminate (the "Termination Date") on the earlier of (i) the third anniversary of the Start Date (the "Initial Term") or (ii) termination of the Employee's employment pursuant to Section 6.

2.2 Renewal Term. This Agreement shall expire automatically at the end of the Initial Term, unless extended as provided in this Section 2.2. Within 60 days after the second anniversary of the Initial Term or any Renewal Term (as defined below), Employer shall notify Employee regarding (i) whether the Agreement shall be extended and (ii) the terms and conditions, if any, for such extension. Any such additional extension period ("Renewal Term") shall be deemed to be part of the Term for purposes of this Agreement. If the Employer and the Employee have not entered into a written agreement to extend this Agreement within 45 days after such notice, then at the Employer's election the Employer may release the Employee from his duties during the remaining

Term of the Agreement in accordance with and subject to the conditions in Sections 6.4 and 7.3. If Employee is not so released and completes the then remaining Term of the Agreement, Employee shall become employed at-will upon the expiration of such Term as provided for in Section 2.3. Nothing in this Section 2.2 shall be deemed to grant a right of continued employment to the Employee upon expiration of the Initial Term or any Renewal Term.

2.3 Post-Term At-Will Employment. If (i) this Agreement is not terminated pursuant to Section 6, and (ii) neither party has otherwise terminated the Employee's employment, upon expiration of the Term (including any Renewal Term), this Agreement shall expire and the Employee shall become employed at-will and may be terminated from employment at any time, without notice or cause. In the event this Agreement expires and the Employee becomes employed at-will, the Employee shall not be entitled to any severance or other termination compensation or benefits under this Agreement, and the Employee's employment shall be subject to those policies and procedures that the Employer may adopt and change in its discretion from time to time. Nothing in this Section 2.3 shall be deemed to grant a right of continued employment to the Employee upon expiration of the Term, and the Employer may terminate the Employee's employment upon expiration of the Term without any further notice and financial obligation to the Employee under Section 7.

3. Compensation

3.1 Salary. In consideration of the services of the Employee during the Term, the Employer shall pay the Employee salary at an annualized rate of $335,000.00 ("Base Salary") (less applicable withholding for taxes and authorized deductions) in accordance with the Employer's usual payroll policies. The Employee's Base Salary shall be reviewed at least annually with the first review date being the

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March following the Start Date. Base Salary may be adjusted by action of the appropriate committee of the Employer's Board of Directors or its delegate, and may be increased without the necessity of written amendment pursuant to Section 10.8.

3.2 Annual Incentive Compensation. The Employee shall be eligible to participate in the 1989 Management Incentive Compensation Program (the "Comp Plan"), as set out in Exhibit A hereto.

3.3 Grand Total Earnings. The Employee's "Grand Total Earnings" shall mean an amount equal to Base Salary plus annual incentive under the Comp Plan at $1.00 per unit.

4. Expenses. During the Term the Employee shall be allowed reimbursement of reasonable expenses necessary for the performance of Employee's duties in accordance with the policies of the Employer.

5. Employee Benefits.

5.1 Benefits. During the Term, the Employee shall be entitled to the benefits generally provided or made available to senior employees of the Employer, including group medical insurance benefits (subject in each case, however, to (i) eligibility and (ii) modification or elimination in accordance with the Employer's standard policies as in effect from time to time).

5.2 Vacation and Paid Leave. The Employee will be eligible for five (5) weeks of vacation each calendar year.

6. Termination of Employment Prior to Expiration of Term.

6.1 Death. In the event of the Employee's death during the Term, the Employee's employment shall terminate, and the Employer shall pay or provide to the Employee's beneficiaries or estate, as appropriate, as soon as practicable after the Employee's death, the amounts and

benefits provided for in Section 7.1.

6.2 Permanent Disability. If the Employee becomes totally and permanently disabled (as defined in the Employer's Long-Term Disability Plan) during the Term ("Permanent Disability"), the Employer may terminate the Employee's employment on written notice thereof in accordance with Section 10.5, and the Employer shall provide to the Employee the amounts and benefits provided for in Section 7.1.

6.3 Termination by the Employer for Cause. During the Term the Employer may terminate the Employee's employment for "Cause." For purposes of this Agreement, the Employer will have "Cause" to terminate the Employee's employment upon a finding that (a) the Employee has been convicted by a court

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of competent jurisdiction of the commission of a felony, or has pleaded guilty or no contest to a felony charge, (b) the Employee has committed a serious breach of the Employer's Statement of Business Ethics, (c) the Employee materially breached any of the Employee's covenants set forth in Section 8 or (d) the Employee has materially breached the Employee's duties and obligations under this Agreement; provided, however, that termination for Cause based on clause (d) shall not be effective unless the Employee shall have received written notice from the Chief Executive Officer in accordance with Section 10.5 (which notice shall include a description of the reasons and circumstances giving rise to such notice) not less than 30 days prior to the Employee's termination and the Employee has failed after receipt of such notice to satisfactorily discharge the Employee's duties.

6.4 Termination by the Employer without Cause. During the Term the Employer may terminate the Employee's employment without Cause. "Without Cause" shall mean for any reason other than death, Permanent Disability or Cause, as provided for in Sections 6.1, 6.2 and 6.3. The Employee's employment may be terminated by the Employer without Cause by delivery to the Employee of notice of termination in accordance with Section 10.5 not less than 30 days prior to termination.

6.5 Termination by the Employee for Good Reason. During the Term, the Employee may terminate his employment, without the Employer's consent, for Good Reason. Good Reason shall mean (a) the Employer has breached any material provision of this Agreement and within 30 days after written notice thereof from the Employee in accordance with Section 10.5, the Employer fails to cure such breach; or (b) a successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Employer fails to assume liability under the Agreement in accordance with Section 10.2.

6.6 Termination by the Employee without Good Reason. During the term, the Employee may voluntarily terminate his employment upon 30 days' written notice (the "Notice Period") to the Employer in accordance with Section 10.5. The Employer may in its sole discretion elect to release the Employee from his duties prior to the expiration of the Notice Period, and pay Base Salary to the Employee for the remaining Notice Period. The Employer's election to release the Employee from his duties during the Notice Period shall not be deemed to be a constructive discharge of the Employee or termination without Cause, nor shall such release from duties accelerate the Employee's Termination Date or reduce the total time period during which the Employee must comply with the covenants contained in Section 8.

7. Termination Payments and Benefits.

7.1 Death or Permanent Disability. In the event of the death or Permanent Disability of the Employee, as soon as practicable, the Employer shall pay any (i) accrued

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and unpaid Base Salary and vacation to which the Employee was entitled

as of the date of death or determination of Permanent Disability (collectively, the "Compensation Payments") and (ii) the target bonus (at $1.00 per unit) for the Comp Plan for the fiscal year in which the date of death or the determination of Permanent Disability occurs, prorated for the actual period of service for that fiscal year (the "Prorated Bonus"). The payment of any death benefits or disability benefits under any employee benefit or compensation plan that is maintained by the Employer for the Employee's benefit shall be governed by the terms of such plan.

7.2 Termination by the Employer for Cause; Termination by the Employee without Good Reason. In the event of the termination of the Employee by the Employer for Cause or by the Employee without Good Reason, the Employer shall pay the Compensation Payments to the Employee as soon as practicable or within the period required by law, and the Employee shall be entitled to no other compensation, except as otherwise due to the Employee under applicable law. The Employee shall not be entitled to the payment of any bonuses for any portion of the fiscal year in which such termination occurs.

7.3 Termination by the Employer without Cause; Termination by the Employee with Good Reason.

(i) Form and Amount. In the event of the termination of the Employee by the Employer without Cause or by the Employee with Good Reason, the Employer shall pay the Compensation Payments to the Employee as soon as practicable or within the period required by law. In addition, conditioned upon receipt of the Employee's written release of claims in such form as may be required by the Employer, the Employer shall pay or provide to the Employee (a) as severance pay, an aggregate amount equal to Grand Total Earnings, multiplied by the result obtained by dividing (x) the balance of the Term, measured in days, by (y) 365, with such aggregate amount to be paid in equal installments on the usual payroll dates for the balance of the Term; (b) for 12 months following termination, outplacement services by a firm selected by the Employee at the expense of the Employer, in an amount up to $30,000.00, and (c) for 24 months following termination (the "Continuation Period") the continuation of group medical insurance benefits except as offset by benefits paid or provided by other sources as set forth in Section 7.6, or as prohibited by law. For purposes of determining the period of continuation coverage to which the Employee or any of the Employee's dependents is entitled under section 4980B of the Internal Revenue Code of 1986, as amended, (or any successor provision thereto), the Employee shall be deemed to have remained employed until the end of the Continuation Period.

(ii) Maintenance of Benefits. During the Continuation Period, the Employer shall use its best efforts to maintain its group medical insurance benefits in

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full force and effect for the continued benefit of the Employee or shall arrange to make available to the Employee group medical benefits substantially similar to those that the Employee would otherwise have been entitled to receive if the Employee's employment had not been terminated. Such benefits shall be provided on the same terms and conditions (including the Employee contributions toward the premium payments) under which the Employee was entitled to participate immediately prior to the Employee's termination.

(iii)Forfeiture. Notwithstanding the foregoing provisions of this Section 7, any right of the Employee to receive termination payments and benefits under Section 7 shall be forfeited to the extent of any amounts payable or benefits to be provided after a material breach of any covenant set forth in Section 8.

7.4 Non-Eligibility For Other Company Separation Pay Benefits. The Employee shall not be eligible for any payments under any severance program (excluding the 1999 Separation Allowance Program) offered by the Company.

7.5 Employer's Right of Offset. If the Employee is at any time indebted to the Employer, or otherwise obligated to pay money to the Employer for any reason, the Employer, at its election, may offset amounts otherwise payable to the Employee under this Agreement, including, but without limitation, Base Salary and incentive compensation payments, against any such indebtedness or amounts due from the Employee to the Employer, to the extent permitted by law.

7.6 Mitigation. In the event of the termination of the Employee by the Employer without Cause, or by the Employee with Good Reason, the Employee shall not be required to mitigate damages by seeking other employment or otherwise as a condition to receiving termination payments or benefits under this Agreement. No amounts earned by the Employee after the Employee's termination by the Employer without Cause or by the Employee with Good Reason, whether from self-employment, as a common law employee, or otherwise, shall reduce the amount of any payment or benefit under any provision of this Agreement. Notwithstanding the foregoing, the Employee's coverage under the Employer's group medical insurance as provided in Section 7.3(i) shall terminate as soon as the Employee becomes covered under any group medical plan made available by another employer. The Employee shall report to the Employer any such coverage actually received by the Employee.

7.7 Resignations. Except to the extent requested by the Employer, upon any termination of the Employee's employment with the Employer, the Employee shall immediately resign all positions and directorships with the Employer and each of its subsidiaries and affiliates.

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8. Covenants and Representations of the Employee.

8.1 Confidentiality. During the Term, and in consideration for the Employee's agreement to enter into this Agreement, the Employer agrees that it will disclose to the Employee its confidential or proprietary information and trade secrets (together, the "Proprietary Information") to the extent necessary for the Employee to carry out his obligations under this Agreement. The Employee hereby covenants and agrees that the Employee shall not, without the prior written consent of the Employer, during the Term or at any time thereafter disclose to any person not employed by the Employer, or use in connection with engaging in competition with the Employer, any Proprietary Information of the Employer.

(i) It is expressly understood and agreed that the Employer's Proprietary Information is all nonpublic information relating to the Employer's business, including but not limited to information, plans and strategies regarding suppliers, pricing, marketing, customers, hiring and terminations, employee performance and evaluations, internal reviews and investigations, short term and long range plans, acquisitions and divestitures, advertising, information systems, sales objectives and performance, as well as any other nonpublic information, the nondisclosure of which may provide a competitive or economic advantage to the Employer. Proprietary Information shall not be deemed to have become public for purposes of this Agreement where it has been disclosed or made public by or through anyone acting in violation of a contractual, ethical, or legal responsibility to maintain its confidentiality.

(ii) In the event the Employee receives a subpoena, court order or other summons that may require the Employee to disclose Proprietary Information, on pain of civil or criminal penalty, the Employee will promptly give notice of the subpoena or summons pursuant to Section 10.5 and provide the Employer an opportunity to appear at the Employer's expense and challenge the disclosure of its Proprietary Information, and the Employee shall provide reasonable cooperation to the Employer for purposes of affording the Employer the opportunity to prevent the disclosure of the Employer's Proprietary Information.

8.2 Nonsolicitation of Employees. The Employee hereby covenants and agrees that during the Term and for two years thereafter, the

Employee shall not, without the prior written consent of the Employer, on the Employee's own behalf or on the behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any of the employees of the Employer (or any of its subsidiaries or affiliates) to give up his or her employment with the Employer (or any of its subsidiaries or affiliates), and the Employee shall not directly or indirectly solicit or hire employees of the Employer (or any of its subsidiaries or affiliates) for employment with any other employer.

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8.3 Noninterference with Business Relations. The Employee hereby covenants and agrees that during the Term and for two years thereafter, the Employee shall not, without the prior written consent of the Employer, on the Employee's own behalf or on the behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any person, firm or company to cease doing business with, reduce its business with, or decline to commence a business relationship with, the Employer (or any of its subsidiaries or affiliates).

8.4 Noncompetition. It is recognized by the Employee and the Employer that the Employee's duties hereunder will require the receipt and creation of Proprietary Information, as defined in Section 8.1. The Proprietary Information has been and will continue to be developed by the Employer and its subsidiaries and affiliates at substantial cost and constitutes valuable and unique property of the Employer. The Employee further acknowledges that due to the nature of the Employee's position, the Employee will have access to Proprietary Information affecting plans and operations in every location in which the Employer (and its subsidiaries and affiliates) does business or plans to do business throughout the world, and the Employee's decisions and recommendations on behalf of the Employer may affect its operations throughout the world. Accordingly, the Employee acknowledges that the foregoing makes it reasonably necessary for the protection of the Employer's business interests that the Employee not compete with the Employer or any of its subsidiaries or affiliates during the Term and for a reasonable and limited period thereafter, as provided below.

(i) The Employee covenants that during the Term of this Agreement and for a period of one year following the later of either a termination of employment pursuant to Section 6 or a termination of at-will employment following expiration of the Term, the Employee will not undertake work for a Competing Business, as defined in Section 8.4(ii). For purposes of this covenant, "undertake work for" shall include performing services, whether paid or unpaid, in any capacity, including as an officer, director, owner, consultant, employee, agent or representative, where such services involve the performance of similar duties or oversight responsibilities as those performed by the Employee during the 18-month period preceding the Employee's termination from the Employer for any reason.

(ii) As used in this Agreement, the term "Competing Business" shall mean any business that, at the time of the determination:

(A) operates (1) any retail department store, specialty store, general merchandise store, or drug store; (2) any retail catalog, telemarketing, or direct mail business; (3) any Internet-based or other electronic retailing business; (4) any other retail business that sells goods, merchandise, or services of the types sold by the Employer, including its divisions, affiliates, and licensees; or

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(5) any business that provides buying office or sourcing services to any business of the types referred to in this Section

8.4(ii)(A);

(B) conducts any business of the types referred to in Section 8.4(ii)(A) in the United States or another country in which the Employer, including its divisions, affiliates, and licensees, conducts a similar business; and

(C) from any business(es) of the types referred to in Section 8.4(ii)(A), had aggregate net sales or revenues of $500,000,000 in the fiscal year preceding the determination or is reasonably expected to have aggregate net sales or revenues of $500,000,000 in either the current fiscal year or the next following fiscal year.

(iii)Notwithstanding the foregoing, in the case of a termination of the Employee by the Employer without Cause or by the Employee with Good Reason, the above referenced definition of "Competing Business" in Section 8.4(ii) may be modified with approval of the Chief Executive Officer.

8.5 Injunctive Relief. If the Employee shall breach the covenants contained in this Section 8, the Employer shall have no further obligation to make any payment to the Employee pursuant to this Agreement and may recover from the Employee all such damages as it may be entitled to at law or in equity. In addition, the Employee acknowledges that any such breach is likely to result in immediate and irreparable harm to the Employer for which money damages are likely to be inadequate. Accordingly, the Employee consents to injunctive and other appropriate equitable relief without the necessity of bond in excess of $500.00 (five hundred dollars) upon the institution of proceedings therefor by the Employer in order to protect the Employer's rights hereunder.

8.6 Representations of the Employee. The Employee represents and warrants to the Employer that:

(i) (a) There are no restrictions, agreements or understandings whatsoever to which the Employee is a party that would prevent or make unlawful the Employee's execution of this Agreement or the Employee's employment under this Agreement, or that is or would be inconsistent, or in conflict with this Agreement or the Employee's employment under this Agreement, or would prevent, limit or impair in any way the performance by the Employee of the obligations under this Agreement; and (b) the Employee has disclosed to the Employer all restraints, confidentiality commitments or other employment restrictions that the Employee has with any other employer, person or entity.

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(ii) Upon and after the Employee's termination or cessation of employment with the Employer, including any post-Term at-will employment, and until such time as no obligations of the Employee to the Employer hereunder exist, the Employee: (a) shall provide a complete copy of this Agreement to any prospective employer or other person, entity or association in a Competing Business with whom or which the Employee proposes to be employed, affiliated, engaged, associated or to establish any business or remunerative relationship prior to the commencement thereof, provided that Employee shall first cause the compensation amounts hereunder to be deleted or not disclosed; and (b) shall notify the Employer of the name and address of any such person, entity or association prior to the Employee's employment, affiliation, engagement, association or the establishment of any business or remunerative relationship.

9. Survival. The expiration or termination of the Term shall not impair the rights or obligations of any party hereto that accrue hereunder prior to such expiration or termination, except to the extent specifically stated herein. In addition to the foregoing, the Employee's covenants and

warranties contained in Section 8, and the parties' agreements under Section 10 shall survive the expiration of this Agreement and the termination of the Employee's employment, including any post-Term at-will employment.

10. Miscellaneous Provisions.

10.1 Dispute Resolution. Any dispute between the parties under this Agreement shall be resolved (except as provided below) through informal arbitration by an arbitrator selected under the rules of the American Arbitration Association for arbitration of employment disputes (located in the city in which the Employer's principal executive offices are based) and the arbitration shall be conducted in that location under the rules of said Association. Each party shall be entitled to present evidence and argument to the arbitrator. The arbitrator shall have the right only to interpret and apply the provisions of this Agreement and may not change any of its provisions, except as expressly provided in Section 10.4 and only in the event Employer has not brought an action in a court of competent jurisdiction to enforce the covenants in Section 8. The arbitrator shall permit reasonable pre-hearing discovery of facts, to the extent necessary to establish a claim or a defense to a claim, subject to supervision by the arbitrator. The determination of the arbitrator shall be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. The arbitrator shall give written notice to the parties stating the arbitrator's determination, and shall furnish to each party a signed copy of such determination. The expenses of arbitration shall be borne equally by the Employer and the Employee or as the arbitrator equitably determines consistent with the application of state or federal law; provided, however, that the Employee's share of such expenses shall not exceed the maximum permitted by law. Any arbitration or action pursuant to this Section 10.1 shall be governed by and construed in accordance with the substantive laws of the State of Texas and,

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where applicable, federal law, without giving effect to the principles of conflict of laws of such State. The mandatory arbitration provisions of this Section 10.1 shall supersede in their entirety the J. C. Penney Alternative, a dispute resolution program generally applicable to employment terminations.

Notwithstanding the foregoing, the Employer shall not be required to seek or participate in arbitration regarding any actual or threatened breach of the Employee's covenants in Section 8, but may pursue its remedies, including injunctive relief, for such breach in a court of competent jurisdiction in the city in which the Employer's principal executive offices are based, or in the sole discretion of the Employer, in a court of competent jurisdiction where the Employee has committed or is threatening to commit a breach of the Employee's covenants, and no arbitrator may make any ruling inconsistent with the findings or rulings of such court.

10.2 Binding on Successors; Assignment. This Agreement shall be binding upon and inure to the benefit of the Employee, the Employer and each of their respective successors, assigns, personal and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable; provided however, that neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by the Employee (except by will or by operation of the laws of intestate succession) or by the Employer except that the Employer may assign this Agreement to any successor (whether by merger, purchase or otherwise) to all or substantially all of the stock, assets or businesses of the Employer, if such successor expressly agrees to assume the obligations of the Employer hereunder.

10.3 Governing Law. This Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive law of the State of Texas and federal law, without regard to conflicts of law principles, except as expressly provided herein. In the event the Employer exercises its discretion under Section 10.1 to bring an

action to enforce the covenants contained in Section 8 in a court of competent jurisdiction where the Employee has breached or threatened to breach such covenants, and in no other event, the parties agree that the court may apply the law of the jurisdiction in which such action is pending in order to enforce the covenants to the fullest extent permissible.

10.4 Severability. Any provision of this Agreement that is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective, to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal or unenforceable in any other jurisdiction. If any covenant in Section 8 should be deemed invalid, illegal or unenforceable because its time, geographical area, or restricted activity, is considered excessive, such covenant shall be modified to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

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10.5 Notices. For all purposes of this Agreement, all communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service, addressed to the Employer at its principal executive office and to the Employee at the Employee's principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.

10.6 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

10.7 Entire Agreement. The terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to the Employee's employment by the Employer and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceedings to vary the terms of this Agreement.

10.8 Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, approved by the Employer and signed by the Employee and the Employer. Failure on the part of either party to complain of any action or omission, breach or default on the part of the other party, no matter how long the same may continue, shall never be deemed to be a waiver of any rights or remedies hereunder, at law or in equity. The Employee or the Employer may waive compliance by the other party with any provision of this Agreement that such other party was or is obligated to comply with or perform only through an executed writing; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure.

10.9 No Inconsistent Actions. The parties hereto shall not voluntarily undertake or fail to undertake any action or course of action that is inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

10.10Headings and Section References. The headings used in this Agreement are intended for convenience or reference only and shall not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. All section references are to sections of this Agreement, unless otherwise noted.

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10.11Beneficiaries. The Employee shall be entitled to select (and change,

to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Employee's death, and may change such election, in either case by giving the Employer written notice thereof in accordance with Section 10.5. In the event of the Employee's death or a judicial determination of the Employee's incompetence, reference in this Agreement to the "Employee" shall be deemed, where appropriate, to the Employee's beneficiary, estate or other legal representative.

10.12 Withholding. The Employer shall be entitled to withhold from payment any amount of withholding required by law.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

J. C. PENNEY CORPORATION, INC.

By: /s/ Allen Questrom

Name: Allen Questrom
Title:

EMPLOYEE

/s/ Stephen F. Raish

Stephen F. Raish

EXHIBIT A

1989 Management Incentive Compensation

Comp Plan

Employee's annual target incentive units shall be 50% of Base Salary unless changed by the Human Resources and Compensation Committee.

The performance measures for the Comp Plan shall be determined by the Human Resources and Compensation Committee to include the following measures for the Total Company

Sales
Operating Profit

Performance against plan for these measures produces a unit value that is multiplied by the target incentive units to produce an annual award. The minimum unit value under this Plan shall be 0% and the maximum shall be 200%.

Exhibit 10 (g)

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), made in the City of Plano and the State of Texas, dated as of ---------- , 2002, between J. C. Penney Corporation, Inc., a Delaware corporation (hereinafter called the "the Employer"), and Robert B. Cavanaugh (hereinafter called the "the Employee").

WHEREAS, the Employer desires to ensure that it retains the Employee's management and executive services by directly engaging Employee as its Chief Financial Officer;

WHEREAS, in order to induce the Employee to continue to serve in such positions, the Employer desires to provide the Employee with compensation and other benefits on the terms and conditions set forth in this Agreement; and

WHEREAS, the Employee is willing to accept such employment and perform services for the Employer, on the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the promises and of the mutual covenants herein contained, it as agreed as follows:

1. Employment, Position and Duties.

1.1 The Employer agrees to continue to employ the Employee and the Employee hereby agrees to continue to undertake employment upon the terms and conditions herein set forth.

1.2 During the Term (as hereafter defined), the Employee will serve as Chief Financial Officer, or such other position as may be assigned by the Employer's Chief Executive Officer, and shall perform such duties consistent with such position as are determined and directed by the Chief Executive Officer. The Employee shall devote his full working time, attention and ability to the business of the Employer, including, if applicable, its subsidiaries and/or affiliates to which the Employee may have been assigned responsibilities; provided, however, that it shall not be a violation of this Agreement for the Employee to (i) devote reasonable periods of time to charitable and community activities and, with the approval of the Employer, industry or professional activities, and (ii) manage personal business interests and investments, subject to Section 8, so long as such activities do not materially interfere with the performance of the Employee's responsibilities under this Agreement.

1.3 Unless otherwise agreed by the Employer and the Employee, throughout the term of this Agreement, the Employee's principal offices shall be located in Plano, Texas. The Employee shall undertake normal business travel on behalf of the Employer, the reasonable expenses of which shall be paid by the Employer pursuant to Section 4.

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2. Term of Employment.

2.1 Initial Term. The Employee's employment under this Agreement ("Term") shall commence on May 1, 2002 (the "Start Date") and, subject to the provisions of this Agreement, shall terminate (the "Termination Date") on the earlier of (i) the third anniversary of the Start Date (the "Initial Term") or (ii) termination of the Employee's employment pursuant to Section 6.

2.2 Renewal Term. This Agreement shall expire automatically at the end of the Initial Term, unless extended as provided in this Section 2.2. Within 60 days after the second anniversary of the Initial Term or any Renewal Term (as defined below), Employer shall notify Employee regarding (i) whether the Agreement shall be extended and (ii) the terms and conditions, if any, for such extension. Any such additional extension period ("Renewal Term") shall be deemed to be part of the Term for purposes of this Agreement. If the Employer and the Employee have not entered into a written agreement to extend this Agreement within 45 days after such notice, then at the Employer's election the

Employer may release the Employee from his duties during the remaining Term of the Agreement in accordance with and subject to the conditions in Sections 6.4 and 7.3. If Employee is not so released and completes the then remaining Term of the Agreement, Employee shall become employed at-will upon the expiration of such Term as provided for in Section 2.3. Nothing in this Section 2.2 shall be deemed to grant a right of continued employment to the Employee upon expiration of the Initial Term or any Renewal Term.

2.3 Post-Term At-Will Employment. If (i) this Agreement is not terminated pursuant to Section 6, and (ii) neither party has otherwise terminated the Employee's employment, upon expiration of the Term (including any Renewal Term), this Agreement shall expire and the Employee shall become employed at-will and may be terminated from employment at any time, without notice or cause. In the event this Agreement expires and the Employee becomes employed at-will, the Employee shall not be entitled to any severance or other termination compensation or benefits under this Agreement, and the Employee's employment shall be subject to those policies and procedures that the Employer may adopt and change in its discretion from time to time. Nothing in this Section 2.3 shall be deemed to grant a right of continued employment to the Employee upon expiration of the Term, and the Employer may terminate the Employee's employment upon expiration of the Term without any further notice and financial obligation to the Employee under Section 7.

3. Compensation

3.1 Salary. In consideration of the services of the Employee during the Term, the Employer shall pay the Employee salary at an annualized rate of $500,000.00 ("Base Salary") (less applicable withholding for taxes and authorized deductions) in accordance with the Employer's usual payroll policies. The Employee's Base Salary shall be reviewed at least annually with the first review date being the

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Marchfollowing the Start Date. Base Salary may be adjusted by action of the appropriate committee of the Employer's Board of Directors or its delegate, and may be increased without the necessity of written amendment pursuant to Section 10.8.

3.2 Annual Incentive Compensation. The Employee shall be eligible to participate in the 1989 Management Incentive Compensation Program (the "Comp Plan"), as set out in Exhibit A hereto.

3.3 Grand Total Earnings. The Employee's "Grand Total Earnings" shall mean an amount equal to Base Salary plus annual incentive under the Comp Plan at $1.00 per unit.

4. Expenses.

During the Term the Employee shall be allowed reimbursement of reasonable expenses necessary for the performance of Employee's duties in accordance with the policies of the Employer.

5. Employee Benefits.

5.1 Benefits. During the Term, the Employee shall be entitled to the benefits generally provided or made available to senior employees of the Employer, including group medical insurance benefits (subject in each case, however, to (i) eligibility and (ii) modification or elimination in accordance with the Employer's standard policies as in effect from time to time).

5.2 Vacation and Paid Leave. The Employee will be eligible for five (5) weeks of vacation each calendar year.

6. Termination of Employment Prior to Expiration of Term.

6.1 Death. In the event of the Employee's death during the Term, the

Employee's employment shall terminate, and the Employer shall pay or provide to the Employee's beneficiaries or estate, as appropriate, as soon as practicable after the Employee's death, the amounts and benefits provided for in Section 7.1.

6.2 Permanent Disability. If the Employee becomes totally and permanently disabled (as defined in the Employer's Long-Term Disability Plan) during the Term ("Permanent Disability"), the Employer may terminate the Employee's employment on written notice thereof in accordance with Section 10.5, and the Employer shall provide to the Employee the amounts and benefits provided for in Section 7.1.

6.3 Termination by the Employer for Cause. During the Term the Employer may terminate the Employee's employment for "Cause." For purposes of this Agreement, the Employer will have "Cause" to terminate the Employee's employment upon a finding that (a) the Employee has been convicted by a court

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of competent jurisdiction of the commission of a felony, or has pleaded guilty or no contest to a felony charge, (b) the Employee has committed a serious breach of the Employer's Statement of Business Ethics, (c) the Employee materially breached any of the Employee's covenants set forth in Section 8 or (d) the Employee has materially breached the Employee's duties and obligations under this Agreement; provided, however, that termination for Cause based on clause (d) shall not be effective unless the Employee shall have received written notice from the Chief Executive Officer in accordance with Section 10.5 (which notice shall include a description of the reasons and circumstances giving rise to such notice) not less than 30 days prior to the Employee's termination and the Employee has failed after receipt of such notice to satisfactorily discharge the Employee's duties.

6.4 Termination by the Employer without Cause. During the Term the Employer may terminate the Employee's employment without Cause. "Without Cause" shall mean for any reason other than death, Permanent Disability or Cause, as provided for in Sections 6.1, 6.2 and 6.3. The Employee's employment may be terminated by the Employer without Cause by delivery to the Employee of notice of termination in accordance with Section 10.5 not less than 30 days prior to termination.

6.5 Termination by the Employee for Good Reason. During the Term, the Employee may terminate his employment, without the Employer's consent, for Good Reason. Good Reason shall mean (a) the Employer has breached any material provision of this Agreement and within 30 days after written notice thereof from the Employee in accordance with Section 10.5, the Employer fails to cure such breach; or (b) a successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Employer fails to assume liability under the Agreement in accordance with Section 10.2.

6.6 Termination by the Employee without Good Reason. During the term, the Employee may voluntarily terminate his employment upon 30 days' written notice (the "Notice Period") to the Employer in accordance with Section 10.5. The Employer may in its sole discretion elect to release the Employee from his duties prior to the expiration of the Notice Period, and pay Base Salary to the Employee for the remaining Notice Period. The Employer's election to release the Employee from his duties during the Notice Period shall not be deemed to be a constructive discharge of the Employee or termination without Cause, nor shall such release from duties accelerate the Employee's Termination Date or reduce the total time period during which the Employee must comply with the covenants contained in Section 8.

7. Termination Payments and Benefits.

7.1 Death or Permanent Disability. In the event of the death or Permanent Disability of the Employee, as soon as practicable, the Employer shall pay any (i) accrued

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and unpaid Base Salary and vacation to which the Employee was entitled as of the date of death or determination of Permanent Disability

(collectively, the "Compensation Payments") and (ii) the target bonus (at $1.00 per unit) for the Comp Plan for the fiscal year in which the date of death or the determination of Permanent Disability occurs, prorated for the actual period of service for that fiscal year (the "Prorated Bonus"). The payment of any death benefits or disability benefits under any employee benefit or compensation plan that is maintained by the Employer for the Employee's benefit shall be governed by the terms of such plan.

7.2 Termination by the Employer for Cause; Termination by the Employee without Good Reason. In the event of the termination of the Employee by the Employer for Cause or by the Employee without Good Reason, the Employer shall pay the Compensation Payments to the Employee as soon as practicable or within the period required by law, and the Employee shall be entitled to no other compensation, except as otherwise due to the Employee under applicable law. The Employee shall not be entitled to the payment of any bonuses for any portion of the fiscal year in which such termination occurs.

7.3 Termination by the Employer without Cause; Termination by the Employee with Good Reason.

(i) Form and Amount. In the event of the termination of the Employee by the Employer without Cause or by the Employee with Good Reason, the Employer shall pay the Compensation Payments to the Employee as soon as practicable or within the period required by law. In addition, conditioned upon receipt of the Employee's written release of claims in such form as may be required by the Employer, the Employer shall pay or provide to the Employee (a) as severance pay, an aggregate amount equal to Grand Total Earnings, multiplied by the result obtained by dividing (x) the balance of the Term, measured in days, by (y) 365, with such aggregate amount to be paid in equal installments on the usual payroll dates for the balance of the Term; (b) for 12 months following termination, outplacement services by a firm selected by the Employee at the expense of the Employer, in an amount up to $30,000.00, and (c) for 24 months following termination (the "Continuation Period") the continuation of group medical insurance benefits except as offset by benefits paid or provided by other sources as set forth in Section 7.6, or as prohibited by law. For purposes of determining the period of continuation coverage to which the Employee or any of the Employee's dependents is entitled under section 4980B of the Internal Revenue Code of 1986, as amended, (or any successor provision thereto), the Employee shall be deemed to have remained employed until the end of the Continuation Period.

(ii) Maintenance of Benefits. During the Continuation Period, the Employer shall use its best efforts to maintain its group medical insurance benefits in

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full force and effect for the continued benefit of the Employee or shall arrange to make available to the Employee group medical benefits substantially similar to those that the Employee would otherwise have been entitled to receive if the Employee's employment had not been terminated. Such benefits shall be provided on the same terms and conditions (including the Employee contributions toward the premium payments) under which the Employee was entitled to participate immediately prior to the Employee's termination.

(iii) Forfeiture. Notwithstanding the foregoing provisions of this Section 7, any right of the Employee to receive termination payments and benefits under Section 7 shall be forfeited to the extent of any amounts payable or benefits to be provided after a material breach of any covenant set forth in Section 8.

7.4 Non-Eligibility For Other Company Separation Pay. The Employee shall not be eligible for any payments under any severance program (excluding the 1999 Separation Allowance Program) offered by the Employer.

7.5 Employer's Right of Offset. If the Employee is at any time indebted to

the Employer, or otherwise obligated to pay money to the Employer for any reason, the Employer, at its election, may offset amounts otherwise payable to the Employee under this Agreement, including, but without limitation, Base Salary and incentive compensation payments, against any such indebtedness or amounts due from the Employee to the Employer, to the extent permitted by law.

7.6 Mitigation. In the event of the termination of the Employee by the Employer without Cause, or by the Employee with Good Reason, the Employee shall not be required to mitigate damages by seeking other employment or otherwise as a condition to receiving termination payments or benefits under this Agreement. No amounts earned by the Employee after the Employee's termination by the Employer without Cause or by the Employee with Good Reason, whether from self-employment, as a common law employee, or otherwise, shall reduce the amount of any payment or benefit under any provision of this Agreement. Notwithstanding the foregoing, the Employee's coverage under the Employer's group medical insurance as provided in Section 7.3(i) shall terminate as soon as the Employee becomes covered under any group medical plan made available by another employer. The Employee shall report to the Employer any such coverage actually received by the Employee.

7.7 Resignations. Except to the extent requested by the Employer, upon any termination of the Employee's employment with the Employer, the Employee shall immediately resign all positions and directorships with the Employer and each of its subsidiaries and affiliates.

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8. Covenants and Representations of the Employee.

8.1 Confidentiality. During the Term, and in consideration for the Employee's agreement to enter into this Agreement, the Employer agrees that it will disclose to the Employee its confidential or proprietary information and trade secrets (together, the "Proprietary Information") to the extent necessary for the Employee to carry out his obligations under this Agreement. The Employee hereby covenants and agrees that the Employee shall not, without the prior written consent of the Employer, during the Term or at any time thereafter disclose to any person not employed by the Employer, or use in connection with engaging in competition with the Employer, any Proprietary Information of the Employer.

(i) It is expressly understood and agreed that the Employer's Proprietary Information is all nonpublic information relating to the Employer's business, including but not limited to information, plans and strategies regarding suppliers, pricing, marketing, customers, hiring and terminations, employee performance and evaluations, internal reviews and investigations, short term and long range plans, acquisitions and divestitures, advertising, information systems, sales objectives and performance, as well as any other nonpublic information, the nondisclosure of which may provide a competitive or economic advantage to the Employer. Proprietary Information shall not be deemed to have become public for purposes of this Agreement where it has been disclosed or made public by or through anyone acting in violation of a contractual, ethical, or legal responsibility to maintain its confidentiality.

(ii) In the event the Employee receives a subpoena, court order or other summons that may require the Employee to disclose Proprietary Information, on pain of civil or criminal penalty, the Employee will promptly give notice of the subpoena or summons pursuant to Section 10.5 and provide the Employer an opportunity to appear at the Employer's expense and challenge the disclosure of its Proprietary Information, and the Employee shall provide reasonable cooperation to the Employer for purposes of affording the Employer the opportunity to prevent the disclosure of the Employer's Proprietary Information.

8.2 Nonsolicitation of Employees. The Employee hereby covenants and agrees that during the Term and for two years thereafter, the Employee shall not, without the prior written consent of the Employer, on the

Employee's own behalf or on the behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any of the employees of the Employer (or any of its subsidiaries or affiliates) to give up his or her employment with the Employer (or any of its subsidiaries or affiliates), and the Employee shall not directly or indirectly solicit or hire employees of the Employer (or any of its subsidiaries or affiliates) for employment with any other employer.

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8.3 Noninterference with Business Relations. The Employee hereby covenants and agrees that during the Term and for two years thereafter, the Employee shall not, without the prior written consent of the Employer, on the Employee's own behalf or on the behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any person, firm or company to cease doing business with, reduce its business with, or decline to commence a business relationship with, the Employer (or any of its subsidiaries or affiliates).

8.4 Noncompetition. It is recognized by the Employee and the Employer that the Employee's duties hereunder will require the receipt and creation of Proprietary Information, as defined in Section 8.1. The Proprietary Information has been and will continue to be developed by the Employer and its subsidiaries and affiliates at substantial cost and constitutes valuable and unique property of the Employer. The Employee further acknowledges that due to the nature of the Employee's position, the Employee will have access to Proprietary Information affecting plans and operations in every location in which the Employer (and its subsidiaries and affiliates) does business or plans to do business throughout the world, and the Employee's decisions and recommendations on behalf of the Employer may affect its operations throughout the world. Accordingly, the Employee acknowledges that the foregoing makes it reasonably necessary for the protection of the Employer's business interests that the Employee not compete with the Employer or any of its subsidiaries or affiliates during the Term and for a reasonable and limited period thereafter, as provided below.

(i) The Employee covenants that during the Term of this Agreement and for a period of one year following the later of either a termination of employment pursuant to Section 6 or a termination of at-will employment following expiration of the Term, the Employee will not undertake work for a Competing Business, as defined in Section 8.4(ii). For purposes of this covenant, "undertake work for" shall include performing services, whether paid or unpaid, in any capacity, including as an officer, director, owner, consultant, employee, agent or representative, where such services involve the performance of similar duties or oversight responsibilities as those performed by the Employee during the 18-month period preceding the Employee's termination from the Employer for any reason.

(ii) As used in this Agreement, the term "Competing Business" shall mean any business that, at the time of the determination:

(A) operates (1) any retail department store, specialty store, general merchandise store, or drug store; (2) any retail catalog, telemarketing, or direct mail business; (3) any Internet-based or other electronic retailing business; (4) any other retail business that sells goods, merchandise, or services of the types sold by the Employer, including its divisions, affiliates, and licensees; or

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(5) any business that provides buying office or sourcing services to any business of the types referred to in this Section 8.4(ii)(A);

(B) conducts any business of the types referred to in Section 8.4(ii)(A) in the United States or another country in which the Employer, including its divisions, affiliates, and licensees, conducts a similar business; and

(C) from any business(es) of the types referred to in Section 8.4(ii)(A), had aggregate net sales or revenues of

$500,000,000 in the fiscal year preceding the determination or is reasonably expected to have aggregate net sales or revenues of $500,000,000 in either the current fiscal year or the next following fiscal year.

(iii)Notwithstanding the foregoing, in the case of a termination of the Employee by the Employer without Cause or by the Employee with Good Reason, the above referenced definition of "Competing Business" in Section 8.4(ii) may be modified with approval of the Chief Executive Officer.

8.5 Injunctive Relief. If the Employee shall breach the covenants contained in this Section 8, the Employer shall have no further obligation to make any payment to the Employee pursuant to this Agreement and may recover from the Employee all such damages as it may be entitled to at law or in equity. In addition, the Employee acknowledges that any such breach is likely to result in immediate and irreparable harm to the Employer for which money damages are likely to be inadequate. Accordingly, the Employee consents to injunctive and other appropriate equitable relief without the necessity of bond in excess of $500.00 (five hundred dollars) upon the institution of proceedings therefor by the Employer in order to protect the Employer's rights hereunder.

8.6 Representations of the Employee. The Employee represents and warrants to the Employer that:

(i) (a) There are no restrictions, agreements or understandings whatsoever to which the Employee is a party that would prevent or make unlawful the Employee's execution of this Agreement or the Employee's employment under this Agreement, or that is or would be inconsistent, or in conflict with this Agreement or the Employee's employment under this Agreement, or would prevent, limit or impair in any way the performance by the Employee of the obligations under this Agreement; and (b) the Employee has disclosed to the Employer all restraints, confidentiality commitments or other employment restrictions that the Employee has with any other employer, person or entity.

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(ii) Upon and after the Employee's termination or cessation of employment with the Employer, including any post-Term at-will employment, and until such time as no obligations of the Employee to the Employer hereunder exist, the Employee: (a) shall provide a complete copy of this Agreement to any prospective employer or other person, entity or association in a Competing Business with whom or which the Employee proposes to be employed, affiliated, engaged, associated or to establish any business or remunerative relationship prior to the commencement thereof, provided that Employee shall first cause the compensation amounts hereunder to be deleted or not disclosed; and (b) shall notify the Employer of the name and address of any such person, entity or association prior to the Employee's employment, affiliation, engagement, association or the establishment of any business or remunerative relationship.

9. Survival. The expiration or termination of the Term shall not impair the rights or obligations of any party hereto that accrue hereunder prior to such expiration or termination, except to the extent specifically stated herein. In addition to the foregoing, the Employee's covenants and warranties contained in Section 8, and the parties' agreements under Section 10 shall survive the expiration of this Agreement and the termination of the Employee's employment, including any post-Term at-will employment.

10. Miscellaneous Provisions.

10.1 Dispute Resolution. Any dispute between the parties under this Agreement shall be resolved (except as provided below) through informal arbitration by an arbitrator selected under the rules of the American Arbitration Association for arbitration of employment disputes (located in the city in which the Employer's principal

executive offices are based) and the arbitration shall be conducted in that location under the rules of said Association. Each party shall be entitled to present evidence and argument to the arbitrator. The arbitrator shall have the right only to interpret and apply the provisions of this Agreement and may not change any of its provisions, except as expressly provided in Section 10.4 and only in the event Employer has not brought an action in a court of competent jurisdiction to enforce the covenants in Section 8. The arbitrator shall permit reasonable pre-hearing discovery of facts, to the extent necessary to establish a claim or a defense to a claim, subject to supervision by the arbitrator. The determination of the arbitrator shall be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. The arbitrator shall give written notice to the parties stating the arbitrator's determination, and shall furnish to each party a signed copy of such determination. The expenses of arbitration shall be borne equally by the Employer and the Employee or as the arbitrator equitably determines consistent with the application of state or federal law; provided, however, that the Employee's share of such expenses shall not exceed the maximum permitted by law. Any arbitration or action pursuant to this Section 10.1 shall be governed by and construed in accordance with the substantive laws of the State of Texas and,

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where applicable, federal law, without giving effect to the principles of conflict of laws of such State. The mandatory arbitration provisions of this Section 10.1 shall supersede in their entirety the J. C. Penney Alternative, a dispute resolution program generally applicable to employment terminations.

Notwithstanding the foregoing, the Employer shall not be required to seek or participate in arbitration regarding any actual or threatened breach of the Employee's covenants in Section 8, but may pursue its remedies, including injunctive relief, for such breach in a court of competent jurisdiction in the city in which the Employer's principal executive offices are based, or in the sole discretion of the Employer, in a court of competent jurisdiction where the Employee has committed or is threatening to commit a breach of the Employee's covenants, and no arbitrator may make any ruling inconsistent with the findings or rulings of such court.

10.2 Binding on Successors; Assignment. This Agreement shall be binding upon and inure to the benefit of the Employee, the Employer and each of their respective successors, assigns, personal and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable; provided however, that neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by the Employee (except by will or by operation of the laws of intestate succession) or by the Employer except that the Employer may assign this Agreement to any successor (whether by merger, purchase or otherwise) to all or substantially all of the stock, assets or businesses of the Employer, if such successor expressly agrees to assume the obligations of the Employer hereunder.

10.3 Governing Law. This Agreement shall be governed, construed, interpreted, and enforced in accordance with the substantive law of the State of Texas and federal law, without regard to conflicts of law principles, except as expressly provided herein. In the event the Employer exercises its discretion under Section 10.1 to bring an action to enforce the covenants contained in Section 8 in a court of competent jurisdiction where the Employee has breached or threatened to breach such covenants, and in no other event, the parties agree that the court may apply the law of the jurisdiction in which such action is pending in order to enforce the covenants to the fullest extent permissible.

10.4 Severability. Any provision of this Agreement that is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective, to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal or

unenforceable in any other jurisdiction. If any covenant in Section 8 should be deemed invalid, illegal or unenforceable because its time, geographical area, or restricted activity, is considered excessive, such covenant shall be modified to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

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10.5 Notices. For all purposes of this Agreement, all communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service, addressed to the Employer at its principal executive office and to the Employee at the Employee's principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of change of address shall be effective only upon receipt.

10.6 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

10.7 Entire Agreement. The terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to the Employee's employment by the Employer and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceedings to vary the terms of this Agreement.

10.8 Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, approved by the Employer and signed by the Employee and the Employer. Failure on the part of either party to complain of any action or omission, breach or default on the part of the other party, no matter how long the same may continue, shall never be deemed to be a waiver of any rights or remedies hereunder, at law or in equity. The Employee or the Employer may waive compliance by the other party with any provision of this Agreement that such other party was or is obligated to comply with or perform only through an executed writing; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure.

10.9 No Inconsistent Actions. The parties hereto shall not voluntarily undertake or fail to undertake any action or course of action that is inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

10.10Headings and Section References. The headings used in this Agreement are intended for convenience or reference only and shall not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. All section references are to sections of this Agreement, unless otherwise noted.

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10.11Beneficiaries. The Employee shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Employee's death, and may change such election, in either case by giving the Employer written notice thereof in accordance with Section 10.5. In the event of the Employee's death or a judicial determination of the Employee's incompetence, reference in this Agreement to the "Employee" shall be deemed, where appropriate, to the Employee's beneficiary, estate or other legal representative.

10.12Withholding. The Employer shall be entitled to withhold from payment any amount of withholding required by law.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the

date and year first above written.

J. C. PENNEY CORPORATION, INC.

By: /s/ Allen Questrom

Name: Allen Questrom
Title:

EMPLOYEE

/s/ Robert B. Cavanaugh

Robert B. Cavanaugh

EXHIBIT A

1989 Management Incentive Compensation

Comp Plan

Employee's annual target incentive units shall be 50% of Base Salary unless changed by the Human Resources and Compensation Committee.

The performance measures for the Comp Plan shall be determined by the Human Resources and Compensation Committee to include the following measures for the Total Company

Sales
Operating Profit

Performance against plan for these measures produces a unit value that is multiplied by the target incentive units to produce an annual award. The minimum unit value under this Plan shall be 0% and the maximum shall be 200%.