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Letter of Comment No:

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October 21, 2004

Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: File Reference No. 1102-100

**Exposure Draft: Proposed Statement of Financial Accounting Standards –
Share-Based Payment: an amendment of FASB Statements No. 123 and 95**

Dear Ms. Bielstein,

As a result of the decisions reached at the FASB's meeting on October 13, 2004, and as a follow-up to J. C. Penney Company's comment letter dated June 29, 2004 to the above-referenced exposure draft on share-based payments, we respectfully submit our views on the Board's recent decision regarding the extension of the effective date.

The Board's decision to extend the effective date of the proposed statement must of course be based on its perception that, as a result of the major initiatives that companies are currently dealing with to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and to meet accelerated filing requirements, a compelling reason exists that justifies a delay in implementation. We are supportive of the Board's decision to grant an extension of the effective date. However, we disagree with a six-month delay, and urge the Board to reconsider extending the effective date by one year. A delay of less than one year seems like a form over substance solution that, on the surface, appears to help companies, but in reality provides companies no relief at all. It is important to J. C. Penney Company to provide our financial statement users with comparable period over period information. Under the current effective date, we will be forced to adopt the proposed statement early, as of the beginning of 2005, and will lose the flexibility the Board was trying to provide by extending the effective date by six months. As stated in the October 13, 2004 Board meeting handout, the modified prospective application would result in a portion of compensation cost being recorded in the income statement and a portion being disclosed in the footnotes, which seems inconsistent with one of the Board's primary reasons for

mandating the fair value recognition of share-based compensation in companies' income statements-i.e., that footnote disclosure is not a substitute for accounting recognition. In our view, the proposed statement should be applied as of the beginning of a fiscal year, specifically, for fiscal years beginning after December 15, 2005.

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Management of the J.C. Penney Company appreciates the opportunity to express our views and would welcome any additional opportunities to discuss share-based payment accounting with the FASB Staff.

Respectfully,

Robert B. Cavanaugh

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