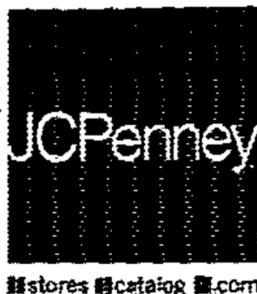


it's all inside:



Letter of Comment No: /0
File Reference: FSP123R-B
Date Received:

September 29, 2005

Lawrence W. Smith
Director, TA&I – FSP
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: Comments on Proposed FSP No. FAS 123(R) -b

Dear Mr. Smith:

We commend the FASB for taking a pragmatic approach in the proposed FASB Staff Position No. FAS 123(R)-b, "Practical Exception to the Application of Grant Date as Defined in FASB Statement No. 123(R)."

Under J. C. Penney's stock award program, the Human Resources and Compensation Committee of our Board of Directors (HRC Committee) makes annual grants to selected associate participants. Our practice has been consistent for many years, so associates have familiarity with the process and the key plan terms, including an expectation of the size of grant based on their position levels, and an awareness of the timing of the HRC Committee approval. The terms of the grant are not negotiable. Approval by the HRC Committee creates a binding obligation of the Company as awards cannot be rescinded subsequent to HRC Committee approval. Accordingly, we believe that a "mutual understanding" of the key terms of the grant is sufficiently established at the HRC Committee approval date.

We agree with the two criteria set forth in the proposed FSP FAS 123(R)-b that, in order to meet the presumption that a mutual understanding has been reached at the HRC Committee approval date, (1) recipients cannot have the ability to further negotiate the terms of equity grants and (2) communication to recipients must take place within a relatively short period of time. As noted above, at J. C. Penney, our associates do not have the ability to negotiate the terms of equity grants. The number of shares and other key terms do not change once the grant has been approved by the HRC Committee. Thus, notification to associates represents communication only, and not the commencement of a negotiation process. Additionally, since the exercise price of stock options cannot be less than 100 percent of the fair market value of JCPenney stock on the date of grant, associates only begin to benefit from, or be adversely affected by, changes in the Company's stock price subsequent to the date of HRC Committee approval. Specific grant notices are sent out to each associate participant within a few weeks after HRC Committee approval.

We strongly support the proposed FASB Staff Position No. FAS 123 (R)-b and appreciate the opportunity to share our thoughts on this important issue.

Respectfully,

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