

[Execution Version]

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CREDIT AGREEMENT
dated as of June 20, 2014

among

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

The Lenders Party Hereto,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Revolving Agent and Swingline Lender

BANK OF AMERICA, N.A.,
as Term Agent

WELLS FARGO BANK, NATIONAL ASSOCIATION and BANK OF AMERICA, N.A.,
as Co-Collateral Agents

and

WELLS FARGO BANK, NATIONAL ASSOCIATION, as LC Agent

BANK OF AMERICA, N.A.
WELLS FARGO SECURITIES LLC
J.P. MORGAN SECURITIES LLC
BARCLAYS BANK PLC
GOLDMAN SACHS BANK USA
as Term Joint Bookrunners and Term Joint Lead Arrangers

WELLS FARGO BANK, NATIONAL ASSOCIATION
BANK OF AMERICA, N.A.
J.P. MORGAN SECURITIES LLC
BARCLAYS BANK PLC
GOLDMAN SACHS BANK USA
HSBC BANK USA, N.A.
CIT FINANCE LLC
CITIZENS BANK, NATIONAL ASSOCIATION
REGIONS BUSINESS CAPITAL, A DIVISION OF REGIONS BANK
as Revolving Joint Bookrunners and Revolving Joint Lead Arrangers

BANK OF AMERICA, N.A.
as Syndication Agent

and

J.P. MORGAN SECURITIES LLC,
BARCLAYS BANK PLC
GOLDMAN SACHS BANK USA
HSBC BANK USA, N.A.
CIT FINANCE LLC
CITIZENS BANK, NATIONAL ASSOCIATION
REGIONS BANK
as Joint Documentation Agents

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CREDIT AGREEMENT dated as of June 20, 2014 (the “Agreement”), among J. C. PENNEY COMPANY, INC. (“Holdings”), J. C. PENNEY CORPORATION, INC. (“Parent Borrower”), J. C. PENNEY PURCHASING CORPORATION (“Purchasing”), the lenders listed on the signature pages hereof or pursuant to any joinder hereto or through an assignment as Revolving Lenders or Term Lenders, as applicable (collectively, the “Lenders”), WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (in such capacity, “Administrative Agent”) and Revolving Agent (in such capacity, “Revolving Agent”), BANK OF AMERICA, N.A., as Term Agent (in such capacity, “Term Agent”), WELLS FARGO BANK, NATIONAL ASSOCIATION and BANK OF AMERICA, N.A., as co-collateral agents (collectively, in such capacity, the “Co-Collateral Agents”), WELLS FARGO BANK, NATIONAL ASSOCIATION, as LC Agent (in such capacity, “LC Agent”), BANK OF AMERICA, N.A., WELLS FARGO SECURITIES LLC, J.P. MORGAN SECURITIES LLC, BARCLAYS BANK PLC, and GOLDMAN SACHS BANK USA, as Term Joint

Bookrunners and Term Joint Lead Arrangers (collectively “Term Lead Arrangers”),WELLS FARGO BANK, NATIONAL ASSOCIATION, BANK OF AMERICA, N.A., J.P. MORGAN SECURITIES LLC, BARCLAYS BANK PLC, GOLDMAN SACHS BANK USA, HSBC BANK USA, N.A., CIT FINANCE LLC, CITIZENS BANK, NATIONAL ASSOCIATION, and REGIONS BUSINESS CAPITAL, A DIVISION OF REGIONS BANK, as Revolving Joint Bookrunners and Revolving Joint Lead Arrangers (collectively “Revolving Lead Arrangers”, and together with Term Lead Arrangers, collectively, “Lead Arrangers”), BANK OF AMERICA, N.A., as Syndication Agent (in such capacity, “Syndication Agent”), and J.P. MORGAN SECURITIES LLC, BARCLAYS BANK PLC, GOLDMAN SACHS BANK USA, HSBC BANK USA, N.A., CIT FINANCE LLC, CITIZENS BANK, NATIONAL ASSOCIATION, and REGIONS BANK, as Joint Documentation Agents (in such capacity, “Joint Documentation Agents”).

WITNESSETH:

WHEREAS, Holdings, Parent Borrower and Purchasing have requested that Agent and Lenders enter into financing arrangements with Borrowers pursuant to which Lenders may make loans and provide other financial accommodations to Borrowers; and

WHEREAS, each Lender is willing to agree (severally and not jointly) to make such loans and provide such financial accommodations to Borrowers on the terms and conditions set forth herein and Administrative Agent, Term Agent, Revolving Agent and LC Agent are willing to act in such capacities on the terms and conditions set forth herein and the other Loan Documents;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agree as follows:

ARTICLE I Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“ABL Priority Collateral” has the meaning assigned to it in the Existing Intercreditor Agreement.

“ABR”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

“Account Debtor” means any Person obligated on an Account.

“Account Parties” means the Parent Borrower and Purchasing.

“Accounts” means “accounts” as defined in the UCC, and also means Payment Intangibles and any right to payment of a monetary obligation, whether or not earned by performance, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered or (c) arising out of the use of a credit, debit or charge card or information contained on or for use with the card. The term “Account” does not include (i) rights to payment evidenced by chattel paper or an instrument, (ii) commercial tort claims, (iii) deposit accounts, (iv) investment property, (v) letter-of-credit rights or letters of credit, or (vi) rights to payment for money or funds advanced

other than Payment Intangibles and any rights arising out of the use of a credit, debit or charge card or information contained on or for use with the card.

“Acquisition” means, with respect to any Person (a) an investment in, or a purchase of a Controlling interest in, the Equity Interests of any other Person, (b) a purchase or other acquisition of all or substantially all of the assets or properties of, another Person or of any business unit or division of another Person, or (c) any merger or consolidation of such Person with any other Person or other transaction or series of transactions resulting in the acquisition of all or substantially all of the assets, or a Controlling interest in the Equity Interests, of any Person, in each case in any transaction or group of transactions which are part of a common plan.

“Additional Costs” has the meaning assigned to such term in Section 2.14(c).

“Additional Grantor” means any Subsidiary of the Parent Borrower that is designated by the Parent Borrower, with the prior written consent of the Administrative Agent, to become a party to the Collateral Agreement for the purpose of granting a security interest in such Subsidiary’s inventory; provided that the Parent Borrower shall cause the Collateral and Guarantee Requirement to be satisfied with respect to such Subsidiary immediately upon such Subsidiary becoming an Additional Grantor.

“Additional Term Loans” has the meaning assigned to such term in Section 2.22.

“Adjusted Excess Availability” means, at any time, the sum of (a) the amount equal to (i) the Revolving Credit Line Cap minus (ii) the total Revolving Credit Exposures outstanding at such time, plus (b) the amount of Qualified Cash at such time (not to exceed \$125,000,000).

“Adjusted LIBO Rate” means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate; provided, that, notwithstanding the foregoing, for purposes of the Term Loans and Obligations arising in respect thereof, in no event shall the Adjusted LIBO Rate at any time be deemed to be less than 1.00% per annum.

“Administrative Agent” means Wells Fargo Bank, National Association, in its capacity as administrative agent for the Lenders hereunder.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agents” means Administrative Agent, Co-Collateral Agents, LC Agent, Revolving Agent and Term Agent, each in such capacity.

“Agreement” has the meaning set forth in the preamble hereto.

“All-in Yield” means, as to any Indebtedness, the effective interest rate with respect thereto as reasonably determined by Term Agent consistent with generally accepted financial practices, taking into account the interest rate, margin, original issue discount, upfront fees and “eurodollar rate floors” or “base rate floors”; provided that (i) original issue discount and upfront fees shall be equated to interest rate assuming a four-year life to maturity of such Indebtedness and (ii) (A) customary arrangement, structuring, underwriting, amendment, commitment or similar fees paid solely to the applicable

arrangers or agents (or their respective affiliates) with respect to such Indebtedness, (B) fees that are not paid generally to the lenders providing such Indebtedness, and (C) fluctuations in the LIBO Rate shall be excluded.

“Alternate Base Rate” means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the Prime Rate, and (c) the Adjusted LIBO Rate plus 1.00%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Rate or the Adjusted LIBO Rate, respectively.

“Amortization Reserve” means, on any date, a Reserve equal to the excess, if any, of (a) the aggregate amount of all payments of principal in respect of Permitted First-Lien Indebtedness and Permitted Second-Lien Indebtedness scheduled to be paid within 90 days after such date over (b) \$20,000,000.

“Applicable Commitment Fee Percentage” means 0.375% per annum.

“Applicable Lending Office” means, for each Issuing Bank or Lender, the office or branch of such Issuing Bank or Lender (or an affiliate of such Issuing Bank or Lender) designated in an Administrative Questionnaire delivered by such Issuing Bank or Lender to the Administrative Agent or such other office or branch of such Issuing Bank or Lender as such Issuing Bank or Lender may, from time to time, in accordance with the terms of this Agreement, specify to the Administrative Agent, the Borrowers and the Account Parties as the office or branch by which its Letters of Credit, Loans or Commitments, as applicable, are to be made and maintained.

“Applicable Percentage” means, with respect to any Lender, at any time, the fraction, expressed as a percentage, (a) the numerator of which, in the case of a Revolving Lender, is the Revolving Commitment of such Revolving Lender and in the case of a Term Lender, is the then outstanding principal amount of the Term Loans owing to such Term Lender and (b) the denominator of which is the sum of (i) the Revolving Maximum Credit plus (ii) the aggregate principal amount of the Term Loans then outstanding; provided that when a Defaulting Lender shall exist, “Applicable Percentage” shall mean such percentage disregarding any Defaulting Lender’s Revolving Commitment. If the Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments.

“Applicable Revolving Loan Margin” means, as of any date of determination and with respect to ABR Revolving Loans or Eurodollar Revolving Loans, as applicable, the applicable margin set forth in the following table that corresponds to the Quarterly Average Excess Availability of Borrowers for the most recently completed fiscal quarter of Borrowers; provided, that, (i) for the period from the Closing Date through and including the last day of the second full fiscal quarter of Borrowers after the Closing

Date, the Applicable Revolving Loan Margin shall be set at Level II, (ii) the Applicable Revolving Loan Margin will be adjusted and effective as of the first day of each fiscal quarter of Borrowers thereafter based on the below grid and shall remain in effect until adjusted thereafter as of the first day of the next fiscal quarter, and (iii) if any Borrowing Base Certificate is at any time restated or otherwise revised (including as a result of a field examination) or if the information set forth in any Borrowing Base Certificates otherwise proves to be false or incorrect such that the Applicable Revolving Loan Margin would have been higher than was otherwise in effect during any period, without constituting a waiver of any Default or Event of Default arising as a result thereof, interest due under this Agreement shall be immediately recalculated at such higher rate for any applicable periods and shall be due and payable on demand:

<u>Level</u>	Quarterly Average	Applicable Eurodollar Rate	<u>Applicable ABR Margin</u>

	Excess <u>Availability</u>	<u>Margin</u>	
I	Equal to or greater than 66.67% of the Revolving Commitments	2.50%	1.50%
II	Greater than or equal to 33.33% of the Revolving Commitments but less than 66.67% of the Revolving Commitments	2.75%	1.75%
III	Less than 33.33% of the Revolving Commitments	3.00%	2.00%

“Applicable Revolving Percentage” means, with respect to any Revolving Lender, at any time, the fraction expressed as a percentage, (a) the numerator of which is the Revolving Commitment of such Revolving Lender and (b) the denominator of which is the total Revolving Commitments; provided that when a Defaulting Lender shall exist, “Applicable Revolving Percentage” shall mean such percentage disregarding any Defaulting Lender’s Revolving Commitment. If the Revolving Commitments have terminated or expired, the Applicable Revolving Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments.

“Applicable Term Loan Margin” means (a) with respect to any outstanding portion of the Term Loans that are Eurodollar Loans, 4.00% per annum, and (b) with respect to any outstanding portion of the Term Loans that are ABR Loans, 3.00% per annum.

“Applicable Term Percentage” means, with respect to any Term Lender, at any time, the fraction expressed as a percentage, (a) the numerator of which is the principal amount of the Term Loans then owing to such Lender and (b) the denominator of which is the aggregate principal amount of the Term Loans then outstanding.

“Approved Revolving Fund” means any Fund that is administered or managed by (a) a Revolving Lender, (b) an Affiliate of a Revolving Lender, (c) an entity or an Affiliate of an entity that administers or manages a Revolving Lender that is an Approved Fund or (d) an advisor under common control with such Revolving Lender, Affiliate or advisor, as applicable.

“Approved Term Fund” means any Fund that is administered or managed by (a) a Term Lender, (b) an Affiliate of a Term Lender, (c) an entity or an Affiliate of an entity that administers or

manages a Term Lender that is an Approved Fund or (d) an advisor under common control with such Term Lender, Affiliate or advisor, as applicable.

“Asset Sale” means a sale, lease or sub-lease (as lessor or sublessor), sale and leaseback, assignment, conveyance, exclusive license (as licensor or sublicense), transfer or other disposition to, or any exchange of property with, any Person (including the voluntary termination of a lease or other contract for consideration), in one transaction or a series of transactions, of all or any part of Holdings’ or any of its Subsidiaries’ businesses, assets or properties of any kind, whether real, personal, or mixed and whether tangible or intangible, whether now owned or hereafter acquired, leased or licensed, including the Equity Interests of any of Holdings’ Subsidiaries, other than (i) inventory (or other assets) sold, leased or licensed out in the ordinary course of business (excluding any such sales, leases or licenses out by operations or divisions discontinued or to be discontinued), (ii) any disposition (which for purposes of this definition shall have the meaning assigned thereto in Section 6.7 of the Existing Term Loan Agreement as in effect on the date hereof) permitted by Section 6.7 of the Existing Term Loan Agreement as in effect on the date hereof of or with respect to assets (A) not constituting Collateral