

agreement. The rights agreement also provided that a committee of our independent directors would review the rights agreement at least every three years and, if they deemed it appropriate, might recommend to the Board of Directors a modification or termination of the rights agreement. The Board of Directors determined to allow the rights agreement to expire by its terms on March 26, 2009. Accordingly, no preferred stock purchase rights currently exist.

12) Accumulated Other Comprehensive (Loss)/Income

	2008			2007		
	Pre-Tax Amount	Deferred Tax (Liability)/ Asset	Net of Tax Amount	Pre-Tax Amount	Deferred Tax (Liability)/ Asset	Net of Tax Amount
<i>(\$ in millions)</i>						
Net unrealized gains on real estate investments	\$ 23	\$ (8)	\$ 15	\$ 179	\$ (64)	\$ 115
Net actuarial(loss)/gain and prior service (cost)/credit – pension and postretirement plans ⁽¹⁾	(2,339)	910	(1,429)	153	(60)	93
Accumulated other comprehensive (loss)/income	<u>\$ (2,316)</u>	<u>\$ 902</u>	<u>\$ (1,414)</u>	<u>\$ 332</u>	<u>\$ (124)</u>	<u>\$ 208</u>

(1) See Note 15 for breakdowns of the pre-tax actuarial (loss)/gain and prior service (cost)/credit balances.

13) Stock-Based Compensation

The J. C. Penney Company, Inc. 2005 Equity Compensation Plan (2005 Plan) was approved by our stockholders in May 2005 and provides to employees (associates) grants of options to purchase JCPenney common stock, restricted and non-restricted stock awards (shares and units) and stock appreciation rights. In addition, our 2005 Plan provides for grants of restricted and non-restricted stock awards (shares and units) and stock options to our non-employee members of the Board of Directors. As of January 31, 2009, 8.7 million shares of stock were available for future grant under the 2005 Plan. Of these, 2.1 million were available for grant as stock awards. We are putting forth a new equity compensation plan for stockholder approval at our May 2009 Annual Meeting of Stockholders. If the new plan is approved, as of its May 15, 2009 effective date, no new equity awards will be made under our 2005 Plan.

Associate stock options and restricted stock awards typically vest over periods ranging from one to three years. Since 2007, the exercise price of stock options and the market value of restricted stock awards are determined based on the closing market price of our common stock on the date of grant. Prior to 2007, the price under the 2005 Plan was set at the opening market price of JCPenney common stock on the date of grant. The 2005 Plan does not permit awarding stock options below grant-date market value nor does it allow any repricing subsequent to the date of grant. Associate stock options have a maximum term of 10 years.

Over the past three years, our stock option and restricted stock award grants have averaged about 1.6% of total outstanding stock. We issue new shares upon the exercise of stock options, granting of restricted shares and vesting of restricted stock units.