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Penney CEO's Pay Package Could Reach \$11.4 Million

By **KAREN TALLEY**

J.C. Penney Co.'s chief executive will receive a pay package worth at least \$4.7 million this year and it could more than double to \$11.4 million if the department store chain tops earnings expectations.

Myron Ullman, who also serves as chairman of J.C. Penney, is set to receive \$1.5 million in base salary, plus \$1.6 million each of stock options and stock grants that vest over time as his pay in 2010, according to a filing with the Securities and Exchange Commission.

If the retailer significantly tops its own and Wall Street's earnings projections, the package would be valued at \$11.4 million.

The figure is based on Mr. Ullman's initial \$4.7 million and incentive awards of 125% of his base salary and stock valued at \$9.6 million.

J.C. Penney would have to come in with very strong earnings of at least \$1.86 a share for Mr. Ullman to receive this package.

The performance-based pay package also shows that Mr. Ullman will receive compensation valued at nearly \$9.5 million if J.C. Penney can produce \$1.58 a share in annual earnings. Anything over \$1.58 a share sets in motion increases up to the \$11.4 million cap at \$1.86 a share.

As of now, J.C. Penney is saying it sees around \$1.55 in earnings per share for the current fiscal year.

Analysts have been upping their own estimates based on promise they see in the retailer and now project fiscal 2010 earnings of \$1.54 a share, according to Thomson Reuters.

J.C. Penney has had performance-based compensation for its executives since at least the 1980s.

Mr. Ullman joined the company in 2004 and has had the same base salary of \$1.5 million. But the yardstick for receiving incentive compensations has varied. Last year, it was based on J.C. Penney's stock reaching certain levels after being buffeted by the recession to a closing low of \$14.18 on March 9, 2009. The stock closed Friday at \$31.42.

This year, it is about earnings, which would be aided by stronger sales. "Our focus is driving top-line growth," Mr. Ullman said on Feb. 19 when the retailer posted full-year and fourth-quarter results and said it expects same-store sales to begin showing growth this fiscal year.

The kind of performance and incentive compensation package that has been set up for Mr. Ullman is common for retail executives.

"It's been this way for decades," said Eugene Fram, emeritus professor of marketing at Rochester Institute of Technology's E. Philip Saunders College of Business. "It's an incentive for those managing to be as creative as they can be and take prudent risk, which is what the retail industry is about."

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