

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No.)*

J.C. Penney Company, Inc.

(Name of Issuer)

Common Stock, par value \$0.50 per share

(Title of Class of Securities)

708160106

(CUSIP Number)

**Joseph Macnow
Executive Vice President - Finance and
Administration and Chief Financial Officer
Vornado Realty Trust
888 Seventh Avenue
New York, New York 10019
(212) 894-7000**

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

With a copy to:

**Daniel S. Sternberg
Neil Whoriskey
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
(212) 225-2000**

September 28, 2010

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box:

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but

shall be subject to all other provisions of the Act (however, see the Notes).



CUSIP No. 708160106

1 Names of Reporting Persons
I.R.S. Identification Nos. of Above Persons (entities only)
Vornado Realty Trust 22-1657560

2 Check the Appropriate Box if a Member of a Group (See Instructions)
(a)
(b)

3 SEC Use Only

4 Source of Funds (See Instructions)
WC

5 Check if Disclosure of Legal Proceeding Is Required Pursuant to Items 2(d) or 2(e)

6 Citizenship or Place of Organization
Maryland

	7	Sole Voting Power	0
	8	Shared Voting Power	3,084,010 (See Items 5 and 6)
Number of Shares Beneficially Owned by Each Reporting Person With	9	Sole Dispositive Power	0
	10	Shared Dispositive Power	3,084,010 (See Items 5 and 6)

11 Aggregate Amount Beneficially Owned by Each Reporting Person
23,400,000 (See Items 5 and 6)

12 Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

13 Percent of Class Represented by Amount in Row (11)
9.9% (See Items 5 and 6)

14 Type of Reporting Person (See Instructions)
HC/OO (real estate investment trust)



CUSIP No. 708160106

1	Names of Reporting Persons I.R.S. Identification Nos. of Above Persons (entities only) Vornado Realty L.P. 13-3925979
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>
3	SEC Use Only
4	Source of Funds (See Instructions) AF
5	Check if Disclosure of Legal Proceeding Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>
6	Citizenship or Place of Organization Delaware
7	Sole Voting Power 0
8	Shared Voting Power 3,084,010 (See Items 5 and 6)
9	Sole Dispositive Power 0
10	Shared Dispositive Power 3,084,010 (See Items 5 and 6)
11	Aggregate Amount Beneficially Owned by Each Reporting Person 23,400,000 (See Items 5 and 6)
12	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input checked="" type="checkbox"/>
13	Percent of Class Represented by Amount in Row (11) 9.9% (See Items 5 and 6)
14	Type of Reporting Person (See Instructions) HC/PN

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

CUSIP No. 708160106

1 Names of Reporting Persons
I.R.S. Identification Nos. of Above Persons (entities only)
VNO Fashion LLC 27-3532027

2 Check the Appropriate Box if a Member of a Group (See Instructions)
(a)
(b)

3 SEC Use Only

4 Source of Funds (See Instructions)
AF

5 Check if Disclosure of Legal Proceeding Is Required Pursuant to Items 2(d) or 2(e)

6 Citizenship or Place of Organization
Delaware

7 Sole Voting Power
0

Number of Shares Beneficially Owned by Each Reporting Person With 8 Shared Voting Power
3,084,010 (See Items 5 and 6)

9 Sole Dispositive Power
0

10 Shared Dispositive Power
3,084,010 (See Items 5 and 6)

11 Aggregate Amount Beneficially Owned by Each Reporting Person
18,584,010 (See Items 5 and 6)

12 Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

13 Percent of Class Represented by Amount in Row (11)
7.9% (See Items 5 and 6)

14 Type of Reporting Person (See Instructions)
OO (limited liability company)



CUSIP No. 708160106

1	Names of Reporting Persons I.R.S. Identification Nos. of Above Persons (entities only) VSPS I LLC 20-2496657
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>
3	SEC Use Only
4	Source of Funds (See Instructions) AF
5	Check if Disclosure of Legal Proceeding Is Required Pursuant to Items 2(d) or 2(e) <input type="checkbox"/>
6	Citizenship or Place of Organization Delaware
7	Sole Voting Power 0
8	Shared Voting Power 0 (See Items 5 and 6)
9	Sole Dispositive Power 0
10	Shared Dispositive Power 0 (See Items 5 and 6)
11	Aggregate Amount Beneficially Owned by Each Reporting Person 4,815,990 (See Items 5 and 6)
12	Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input checked="" type="checkbox"/>
13	Percent of Class Represented by Amount in Row (11) 2% (See Items 5 and 6)
14	Type of Reporting Person (See Instructions) OO (limited liability company)

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

Item 1. Security and Issuer.

This statement relates to the common stock, par value \$0.50 per share ("Common Shares") of J.C. Penney Company, Inc., a Delaware corporation (the "Issuer"). The principal executive offices of the Issuer are located at 6501 Legacy Drive, Plano, Texas 75024-3098.

Item 2. Identity and Background.

(a)-(c) and (f) This statement is being filed by Vornado Realty Trust, a Maryland real estate investment trust ("Vornado"), Vornado Realty L.P., a Delaware limited partnership ("VRLP"), VNO Fashion LLC, a Delaware limited liability company ("Fashion") and VSPS I L.L.C., a Delaware limited liability company ("VSPS", and together with Vornado, VRLP and Fashion, the "Reporting Persons"). The Reporting Persons entered into a joint filing agreement dated October 8, 2010, a copy of which is attached as Exhibit 1.

Vornado is a fully integrated real estate investment trust and VRLP is the operating partnership of Vornado. Vornado serves as the general partner of VRLP and Vornado holds 92.5% of the Class A limited partnership interests of VRLP. VRLP is the sole member of each of Fashion and VSPS.

The business address of each Reporting Person is 888 Seventh Avenue, New York, New York 10019. Additional information about each Trustee and executive officer of Vornado is set forth in Schedule I. All of the persons listed in Schedule I are citizens of the United States of America.

(d) and (e) No Reporting Person, nor to the best knowledge of the Reporting Persons any of the persons listed in Schedule I, has during the last five years (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was, or is, subject to a judgment, decree or final order enjoining future violation of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

On September 28, 2010, Fashion acquired from Société Générale ("SG") over-the-counter American-style call options to purchase 15,500,000 Common Shares (the "Call Options") for an aggregate premium amount of \$199,264,900. See Item 6. All of the funds required to acquire the Call Options were obtained from the capital of Vornado.

From September 29 to October 1, 2010, Fashion acquired an aggregate of 3,084,010 Common Shares in open market purchases for aggregate consideration (excluding commissions) of approximately \$83,043,846. All of the funds required to acquire such shares were obtained from the capital of Vornado.

On October 7, 2010, VSPS and Deutsche Bank AG, London Branch ("DB") entered into a share forward transaction (the "Forward Transaction") relating to 4,815,990 Common Shares. All of the funds required to acquire such shares are expected to be obtained from the capital of Vornado.

Item 4. Purpose of Transaction.

The Reporting Persons believe that the Common Shares are undervalued and are an attractive investment.

The Reporting Persons expect to engage in discussions with management, the board, other stockholders of the Issuer and other relevant parties concerning the business, assets, capitalization, financial condition, operations, governance, management, strategy and future plans of the Issuer, which discussions may include proposing or considering one or more of the actions described in subsections (a) through (j) of Item 4 of Schedule 13D.

The Reporting Persons intend to review their investments in the Issuer on a continuing basis. Depending on various factors, including, without limitation, the Issuer's financial position and strategic direction, actions taken by the board, price levels of Common Shares, other investment opportunities available to the Reporting Persons, market conditions and general economic and industry conditions, the Reporting Persons may take such actions with respect to their investments in the Issuer as they deem appropriate, including, without limitation, purchasing additional Common Shares or other financial instruments

related to the Issuer or selling some or all of their beneficial or economic holdings, engaging in hedging or similar transactions with respect to the securities relating to the Issuer and/or otherwise changing their intention with respect to any and all matters referred to in Item 4 of Schedule 13D.

Except as disclosed herein, none of the Reporting Persons nor, to the best knowledge of the Reporting Persons, any of the persons listed in Schedule I, has any plans or proposals which relate to or which would result in any of the actions specified in Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

(a) and (b) See the rows numbered 7, 8, 9, 10, 11 and 13 on each of the cover pages to this Schedule 13D, which are incorporated in this Item 5 by reference. As of October 8, 2010, the Reporting Persons beneficially owned an aggregate of 23,400,000 Common Shares (which includes Common Shares underlying the Call Options and the Forward Transaction), which, based on 236,443,580 Common Shares outstanding as of September 3, 2010 (according to the Issuer's Quarterly Report on Form 10Q for the quarter ended July 31, 2010), represents approximately 9.9% of the outstanding Common Shares. To the best knowledge of the Reporting Persons, none of the persons listed on Schedule I beneficially own any Common Shares.

Pershing Square Capital Management, L.P. ("Pershing") has filed a Report on Schedule 13D reporting its beneficial ownership of Common Shares. The Reporting Persons and Pershing intend to consult with each other in connection with their respective investments in the Common Shares. See Item 6. The Reporting Persons and Pershing have no agreements or understandings that grant any of the Reporting Persons or Pershing any voting or dispositive power over any of the other's shares or create any limitation on the rights of either the Reporting Persons or Pershing to acquire, dispose of, hold or vote any Common Shares. None of the Reporting Persons possesses any voting or dispositive power, sole or shared, over any of Pershing's Common Shares and each of the Reporting Persons expressly disclaims beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of all of Pershing's Common Shares. Neither the filing of this Schedule 13D nor any of its contents shall be deemed to constitute an admission that the Reporting Persons or any of their respective affiliates is the beneficial owner of any of such Common Shares for purposes of Section 13(d) of the Exchange Act or for any other purpose. The Reporting Persons are responsible for the completeness and accuracy of the information concerning the Reporting Persons contained herein, but are not responsible for the completeness and accuracy of the information concerning Pershing contained herein.

(c) Except as disclosed herein or set forth on Schedule II hereto, during the last sixty (60) days there were no transactions in the Common Stock effected by the Reporting Persons, nor, to the best of their knowledge, any of the persons listed on Schedule I hereto.

(d) No person is known by any Reporting Person to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, any of the Common Shares that may be deemed to be beneficially owned by any Reporting Person.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

The Reporting Persons and Pershing intend to consult in connection with their respective investments in the Common Shares. The Reporting Persons and Pershing consulted with each other in connection with their purchases of Common Shares and Pershing acted as Fashion's agent to execute certain transactions on its behalf, which agency has since been terminated.

Until either the Reporting Persons or Pershing notifies the other that it no longer wishes to do so, the Reporting Persons and Pershing intend to consult with each other on strategic matters relating to the Issuer and their investment in the Common Shares. The Reporting Persons and Pershing have no agreements or understandings, written or otherwise, that grant any of the Reporting Persons or Pershing any voting or dispositive power over any of the other's shares or create any limitation on the rights of either the Reporting Persons or Pershing to acquire, dispose of, hold or vote any Common Shares.

On September 28, 2010, Fashion acquired from SG the Call Options to purchase 15,500,000 Common Shares at the strike price of \$12.2437 for an aggregate premium amount of \$199,264,900. All or a portion of the Call Options may be exercised by Fashion from time to time and may be settled in cash or by delivery of Common Shares at Fashion's election. Fashion may not elect to physically settle any of the Call Options until all required filings and any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 have been made or have expired, as applicable (the "HSR Act Condition").

A copy of the confirmation for the Call Options is attached hereto as Exhibit 2 and incorporated herein by reference. The foregoing summary of the Call Options is qualified in its entirety by reference to the confirmation.

On October 7, 2010, VSPS and DB entered into the Forward Transaction. DB has agreed to sell to VSPS, for settlement no later than October 12, 2012, 4,815,990 Common Shares at a per share forward price determined based on a formula. At any time during the term of the Forward Transaction, VSPS may accelerate settlement of the Forward Transaction, in whole or in part, upon two business days' notice to DB, and DB may accelerate settlement of the Forward Transaction, in whole or in part, upon one year's notice to VSPS. The Forward Transaction may be settled, at the election of VSPS, in cash or, upon satisfaction of the HSR Act Condition, by delivery of Common Shares in exchange for payment by VSPS of the forward price per share. VSPS has agreed with DB that, while the Forward Transaction is outstanding, VSPS and its affiliates will not own or otherwise have economic exposure to more than 9.95% of the Common Shares outstanding at such time.

A copy of the confirmation for the Forward Transaction is attached hereto as Exhibit 3 and incorporated herein by reference. The foregoing summary of the Forward Transaction is qualified in its entirety by reference to the confirmation.

Except for the matters described herein, the Reporting Persons do not have any contract, arrangement, understanding or relationship (legal or otherwise) with any person with respect to the securities of the Issuer.

Item 7. Material to Be Filed as Exhibits.

Exhibit Joint Filing Agreement by and among the Reporting Persons

1.

Exhibit Call Option Confirmation between Fashion and SG

2.

Exhibit Forward Transaction Confirmation between VSPS and DB

3.

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated: October 8, 2010

VORNADO REALTY TRUST

By: /s/ JOSEPH MACNOW
Name: Joseph Macnow
Title: Executive Vice President
Finance and Administration,
Chief Financial Officer

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: /s/ JOSEPH MACNOW
Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration,
Chief Financial Officer

VNO FASHION LLC

By: Vornado Realty L.P.,
Its sole member

By: Vornado Realty Trust,
its general partner

By: /s/ JOSEPH MACNOW
Name: Joseph Macnow
Title: Executive Vice President-
Finance and
Administration,
Chief Financial Officer

VSPS I L.L.C.

By: Vornado Realty L.P.,
Its sole member

By: Vornado Realty Trust,
its general partner

By: /s/ JOSEPH MACNOW
Name: Joseph Macnow
Title: Executive Vice President-
Finance and
Administration,
Chief Financial Officer

SCHEDULE I**Vornado Realty Trust**

The following is a list of the trustees and executive officers of Vornado Realty Trust, their present principal occupation or employment and the name, principal business and address of any organization in which such employment is conducted. The business address of all of the individuals listed below is c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019. All of the individuals listed below are citizens of the United States.

Name	Present Principal Occupation or Employment
Steven Roth (Trustee of Vornado)	Chairman of the Board of Vornado, 888 Seventh Avenue, New York, New York 10019; managing general partner of Interstate Properties (“Interstate”), a partnership engaged in real estate and other investments, c/o Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.
Candace K. Beinecke (Trustee of Vornado)	Chairperson of Hughes Hubbard & Reed LLP, One Battery Park Plaza, New York, New York 10004-1482.
Anthony W. Deering (Trustee of Vornado)	Chairman of Exeter Capital, LLC, 2330 West Joppa Road, Suite 165, Lutherville, Maryland 21093.
Michael D. Fascitelli (Trustee of Vornado)	President and Chief Executive Officer of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.
Robert P. Kogod (Trustee of Vornado)	President of Charles E. Smith Management LLC, a private investment firm, 2345 Crystal Dr. Ste. 1000, Arlington, VA 22202 (11 th Floor).
Michael Lynne (Trustee of Vornado)	Principal of Unique Features, a motion picture company, 888 Seventh Avenue, New York, New York 10019 (Suite 1601).
David M. Mandelbaum (Trustee of Vornado)	Member of the law firm of Mandelbaum & Mandelbaum, P.C., 80 Main Street, West Orange, New Jersey 07052; a general partner of Interstate (see details above).
Ronald G. Targan (Trustee of Vornado)	President of Malt Products Corporation of New Jersey, a producer of malt syrup, 88 Market Street, Saddle Brook, New Jersey 07663.
Richard R. West (Trustee of Vornado)	Dean Emeritus, Leonard N. Stern School of Business, New York University, Henry Kaufman Management Center, 44 West Fourth Street, New York, New York 10012.
Russell B. Wight, Jr. (Trustee of Vornado)	A general partner of Interstate (see details above).
Michael J. DeMarco	Executive Vice President of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.
Michelle Felman	Executive Vice President---Acquisitions of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.
David R. Greenbaum	President of the New York City Office Division of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.
Christopher Kennedy	President of the Merchandise Mart Division of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.
Joseph Macnow	Executive Vice President---Finance and Administration and Chief Financial Officer of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.

Sandeep Mathrani

Executive Vice President---Retail Real Estate of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.

Mitchell N. Schear

President of Charles E. Smith Commercial Realty of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.

Wendy Silverstein

Executive Vice President---Capital Markets of Vornado Realty Trust, 888 Seventh Avenue, New York, New York 10019.

SCHEDULE II**Transactions in Common Shares**

For the period beginning 60 days prior to the date of this statement, the Reporting Persons set forth below effected the following transactions in Common Shares. Unless otherwise indicated, all such transactions were effected in the open market.

Reporting Person	Type of Transaction	Trade Date	Number of Shares	Average Price Per Share
VNO Fashion LLC	Purchase	September 29, 2010	1,434,010	\$26.7854
VNO Fashion LLC	Purchase	September 30, 2010	1,250,000	\$26.9247
VNO Fashion LLC	Purchase	October 1, 2010	400,000	\$27.4436

JOINT FILING AGREEMENT

In accordance with Rule 13d-1(k)(1) promulgated under the Securities Exchange Act of 1934, as amended, the undersigned agree to the joint filing, on behalf of each of them, of a Statement on Schedule 13D (including any and all amendments thereto) with respect to the Common Shares, par value \$0.50, of J.C. Penney Company, Inc. and further agree to the filing of this Agreement as an exhibit thereto. In addition, each party to this Agreement expressly authorizes each other party to this Agreement to file on its behalf any and all amendments to such Statement on Schedule 13D.

Dated: October 8, 2010

VORNADO REALTY TRUST

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow
Title: Executive Vice President
Finance and Administration,
Chief Financial Officer

VORNADO REALTY L.P.

By: Vornado Realty Trust,
its general partner

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration,
Chief Financial Officer

VNO FASHION LLC

By: Vornado Realty L.P.,
Its sole member

By: Vornado Realty Trust,
its general partner

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow
Title: Executive Vice President-
Finance and
Administration,
Chief Financial Officer

VSPS I L.L.C.

By: Vornado Realty L.P.,
Its sole member

By: Vornado Realty Trust,
its general partner

By: /s/ JOSEPH MACNOW

Name: Joseph Macnow
Title: Executive Vice President-
Finance and
Administration,
Chief Financial Officer



SOCIETE GENERALE
Corporate & Investment Banking

To: VNO FASHION LLC
Attention: ROSS MORRISON
Address: 210 ROUTE 4 EAST, PARAMUS, NJ 07652
Fax: _____

From: SOCIÉTÉ GÉNÉRALE (“SG”)
Address: 17 COURS VALMY 92987 PARIS-LA DEFENSE, FRANCE
Date: OCTOBER 7, 2010

Transaction Ref.: _____
Confirmation Ref.: _____

CALL OPTION TRANSACTION

This Call Option Confirmation amends the confirmation with Transaction Reference #5240577 and supersedes any and all previous confirmations in respect of the subject matter set forth herein. The parties have entered into a transaction with the terms and conditions specified below on the Commencement Date specified below (the “**Transaction**”, and this document, the “**Call Option Confirmation**”). This Call Option Confirmation constitutes a “Confirmation” as referred to in the Agreement.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”) are incorporated into this Call Option Confirmation. In the event of any inconsistency between the Equity Definitions or the Agreement and this Call Option Confirmation, this Call Option Confirmation will govern. For purposes of the Equity Definitions, the Transaction shall be a Share Option Transaction.

This Confirmation evidences a complete and binding agreement between you (“**Counterparty**”) and us as to the terms of the Transaction to which this Confirmation relates. This Call Option Confirmation shall supplement, form a part of and be subject to an agreement in the form of the ISDA Master Agreement (Multicurrency-Cross Border) (the “**ISDA Form**”). All provisions contained in the ISDA Form will govern this Confirmation as if we had executed an agreement in such form (but without any Schedule except for (i) the election of Loss and Second Method, the election of the laws of the State of New York as the governing law and USD as the Termination Currency; (ii) the replacement of the word “third” in the last line of Section 5(a)(i) with the word “first”; (iii) the election that “Cross Default” provisions of Section 5(a)(vi) shall apply to Counterparty, with a “Threshold Amount” of USD1 on the Trade Date of the first such Transaction between us and (iv) the incorporation by reference of the Set-Off provision contained in Section 6(f) of the form of ISDA 2002 Master Agreement. In the event of any inconsistency between the provisions of that agreement and this Confirmation, this Confirmation will prevail for the purpose of this Transaction.

1. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Commencement Date: September 28, 2010

Option Type: Call

Option Style: American

Seller: SG

Buyer: Counterparty



Shares: The common stock of J.C. Penny Company Inc. (the “**Issuer**”) (ticker symbol: “JCP”).

Number of Options: 15,500,000

Strike Price: 50.00% of the Observation Period Price (which is \$12.2437).

Observation Period Price: The lesser of (a) the arithmetic average of the VWAP Prices for all Determination Days, and (b) USD25.00 (which is \$24.4873).

Determination Day: Each Scheduled Trading Day during the Observation Period.

Observation Period: The period from, and including, September 13, 2010 to and including September 28, 2010.

VWAP Price: For any Exchange Business Day, the volume-weighted average price per Share, as displayed on Bloomberg Page “JCP UN <Equity> AQR” (or any successor thereto) with respect to the period from 9:30 a.m. to 4:00 p.m. (New York City time) on such Exchange Business Day, as determined by the Calculation Agent, or in the event such price is not so reported for such day for any reason or is manifestly erroneous, as reasonably determined by the Calculation Agent, subject to Cash Dividend below.

Cash Dividend: If any Ex-Dividend Date in respect of a payment, dividend or other distribution by the Issuer to all or substantially all holders of the Shares in the form of solely cash (each, a “**Cash Dividend**”) occurs on any Determination Day, then, for each prior Determination Day for which the Relevant Price of the Shares (determined as if such prior Determination Day were a Valuation Date) was less than or equal to USD25.00, the Calculation Agent shall reduce each such VWAP Price per Share by an amount equal to the cash paid by the Issuer in respect of one Share in the relevant Cash Dividend. The immediately preceding sentence shall apply to successive Cash Dividends. For purposes of this paragraph, “**Ex-Dividend Date**” means the first date on which the Shares trade, regular way, on the Exchange without the right to receive the Dividend (from the Issuer or, if applicable, from the seller of the Shares, in the form of due bills or otherwise, as determined by the Exchange).

Market Disruption Event: Section 6.3(a) of the Equity Definitions is hereby amended by replacing clause (ii) thereof in its entirety with the following: “(ii) an Exchange Disruption, or” and inserting immediately following clause (iii) thereof the following: “; in each case that the Calculation Agent determines is material.”

Section 6.3(d) of the Equity Definitions is hereby amended by deleting the remainder of the provision following the term “Scheduled Closing Time” in the fourth line thereof.

Averaging Date Disruption: Modified Postponement, applied to Determination Days as if such days were Averaging Dates; *provided* that Section 6.7(c)(iii)(A) of the Equity Definitions is hereby modified by inserting the words “the Calculation Agent may determine in its discretion that” after the word “then” in the sixth line thereof. Notwithstanding the foregoing and anything to the contrary in the Equity Definitions, if a Market Disruption Event occurs on any Determination Day, the Calculation Agent may determine that such Determination Day is a Disrupted Day only in part, in which case (i) such day shall be a Determination Day and the Scheduled Trading Day immediately following the date that would otherwise be the last Determination Day shall be an additional Determination Day, (ii) the Calculation Agent shall determine the VWAP Price on the Determination Day that is a partially Disrupted Day on the basis of transactions in the Shares on the Exchange on such Determination Day, taking into account the nature and duration of the relevant Market Disruption Event and (iii) the Calculation Agent shall determine the Observation Period Price using

an appropriately weighted average of VWAP Prices on the Determination Days instead of the arithmetic average. Any Exchange Business Day on which, as of the date hereof, the Exchange is scheduled to close prior to its normal close of trading shall be deemed not to be an Exchange Business Day; if a closure of the Exchange prior to its normal close of trading on any Exchange Business Day is scheduled following the date hereof, then such Exchange Business Day shall be deemed to be a Disrupted Day in full. Section 6.6(a) of the Equity Definitions is hereby amended by replacing the word “shall” in the fifth line thereof with the word “may,” and by deleting clause (i) thereof, and Section 6.7(c)(iii)(A) of the Equity Definitions is hereby amended by replacing the word “shall” in the sixth and eighth line thereof with the word “may.”

Premium: The lesser of (i) the product of (x) 52.50%, (y) the Number of Options and (z) the Observation Period Price and (ii) USD13.125, rounded to the nearest whole cent (which is \$12.8558 per Option).

Premium Payment Date: The third Exchange Business Day immediately following the Commencement Date.

Additional Premium: The product of (x) \$1.6250 and (y) the Number of Options.

Payment of Additional Premium: On the Additional Premium Payment Date, the Buyer shall pay the Seller the Additional Premium.

Additional Premium Payment Date: The first Exchange Business Day immediately following October 7, 2010.

Exchange: New York Stock Exchange

Related Exchange(s): All Exchanges

Scheduled Trading Day: A day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Procedures for Exercise:

Conditions to Physical Settlement: Buyer may not exercise any Options with Physical Settlement under the Transaction until any required filings and any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, relating to the transactions contemplated hereby, as determined by Counterparty, shall have been made or shall have expired or been terminated, as applicable. Any such exercise shall constitute a representation by the Buyer that such filings have been made and any such waiting periods have expired.

Latest Exercise Time: The earlier of (i) 12:00 p.m. (New York City time) and (ii) two hours prior to the close of the Exchange.

Expiration Time: The earlier of (i) 12:00 p.m. (New York City time) and (ii) two hours prior to the close of the Exchange.

Expiration Date: March 27, 2012.

Multiple Exercise: Applicable

Minimum Number of Options: 1

Integral Multiple: 1

Maximum Number of Options: The number of unexercised Options

Automatic Exercise: Applicable (with respect to in-the-money Options only)

Settlement Terms:

Settlement Method: Physical Settlement (unless Cash Settlement is elected by the Counterparty in accordance with the terms hereof); *provided* that, in respect of Physical Settlement, clause (a) of Section 9.4 of the Equity Definitions is hereby amended by adding the words "as soon as practicable, but in any event no later than" before the words "one Settlement Cycle".

Settlement Method Election: Applicable.

Electing Party: Buyer.

Settlement Method Election Date(s): Any Scheduled Trading Day that is no more than 527 calendar days following the Commencement Date.

Cash Settlement Terms:

Cash Settlement: If Cash Settlement is elected, the following terms will apply.

Condition to Cash Settlement: The Buyer represents to the Seller that the Buyer has not been, is not and will not, prior to the Cash Settlement Payment Date, become, an "Affiliate" (as defined under Rule 144 pursuant to the Securities Act of 1933, as amended) of the Issuer. If the Buyer is unable to make such representation, Physical Settlement will apply.

For the avoidance of doubt, the first day on or after which Buyer may elect Cash Settlement is April 1, 2011.

Multiple Exercise: Applicable, as modified herein for Cash Settlement.

Latest Exercise Time: In respect of a Number of Options, 4 p.m. (New York time) on the date that the Buyer elects Cash Settlement in respect of such Number of Options; *provided* that, if the Buyer has not elected Cash Settlement by the date that is 527 calendar days following the Commencement Date, Physical Settlement will be deemed to apply.

Number of Options Exercised:	The Number of Options exercised (or deemed exercised) on one or more Exercise Dates, as communicated by Buyer to Seller by the Latest Exercise Time; <i>provided</i> , however, that the valuation related to such Number of Options exercised will occur during the 15 successive Scheduled Trading Days commencing on (and including) the Scheduled Trading Day immediately following such Exercise Date, as set forth herein (each an “ Averaging Date ”).
Valuation Date:	In respect of a Number of Options, the date that is 15 successive Scheduled Trading Days after the Scheduled Trading Day immediately following the Exercise Date in respect of such Number of Options.
Averaging Date Disruption:	Without modifying other terms with respect to Averaging Date Disruptions set forth above and solely for the purposes of Cash Settlement, Modified Postponement will apply.
Option Cash Settlement Amount:	As set forth in Section 8.2 of the Equity Definitions.
Relevant Price:	For purposes of Section 6.7 of the Equity Definitions, with respect to any Options for which Cash Settlement is elected, the VWAP Price.
Cash Settlement Payment Date:	In respect of a Number of Options and an Exercise Date, three (3) Currency Business Days following the Valuation Date related to such Exercise Date.
Seller’s Agent’s Telephone Number and Contact Details for purpose of Giving Notice:	Jonathan Bensimon 1 (212) 278-5548

Dividends:

Extraordinary Dividend:	Any dividend or distribution on the Shares (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii)(A) or (B) of the Equity Definitions) the Ex-Dividend Date for which occurs during the Dividend Period and the amount or value of which differs from the Ordinary Dividend Amount for such dividend or distribution, as determined by the Calculation Agent.
Ordinary Dividend Amount:	USD0.20 for the first dividend or distribution on the Shares for which the Ex-Dividend Date falls within a regular dividend period of the Issuer, and zero for any subsequent dividend or distribution on the Shares for which the Ex-Dividend Date falls within the same regular dividend period of the Issuer. If no Ex-Dividend Date for a cash dividend occurs within a regular dividend period of the Issuer, the Issuer shall be deemed to have paid an Extraordinary Dividend equal to USD0.00 per Share with an Ex-Dividend Date of the historical ex-dividend date within such period, as determined by the Calculation Agent.

Consequences of an Extraordinary Dividend: If an Extraordinary Dividend occurs, the Calculation Agent shall adjust (i) the Strike Price such that the Strike Price in effect immediately following the occurrence of such Extraordinary Dividend shall be equal to the Strike Price in effect immediately preceding such Extraordinary Dividend *divided by* the Dividend Ratio and (ii) the Number of Options such that the Number of Options in effect immediately following the occurrence of such Extraordinary Dividend shall be equal to the lesser of (a) Number of Options in effect immediately preceding such Extraordinary Dividend *multiplied by* the Dividend Ratio, and (b) 130% of the Number of Options as of the Trade Date (as such Number of Options may be adjusted for any other Extraordinary Event and Potential Adjustment Events); provided that, if clause (b) applies, the Calculation Agent shall make an adjustment to the Transaction that preserves the fair value of the Transaction absent the limit in clause (b). The immediately preceding sentence shall apply to successive Extraordinary Dividends. For the avoidance of doubt, the Strike Price may never be less than zero.

Dividend Period: The period from but excluding the Commencement Date to and including the Expiration Date.

Dividend Ratio: (i) One *plus* (ii) the quotient of (A) the Extraordinary Dividend Amount, *divided by* (B) the difference between (x) the Reference Level *minus* (y) the Extraordinary Dividend Amount.

Extraordinary Dividend Amount: The amount of value of the relevant Extraordinary Dividend, as determined by the Calculation Agent, *minus* the Ordinary Dividend Amount.

Reference Level: The Relevant Price of the Shares on the Exchange Business Day immediately preceding the relevant Ex-Dividend Date (determined as if such Exchange Business Day were a Valuation Date).

Adjustments:

Method of Adjustment: Calculation Agent Adjustment; *provided that*, notwithstanding any provision to the contrary in the Equity Definitions, the adjustments pursuant to Section 11.2(c) thereof in respect of an Extraordinary Dividend shall be as set forth above under "Dividends".

For the avoidance of doubt, upon the occurrence of any event described in the definition of "Potential Adjustment Event" in Section 11.2(e) of the Equity Definitions, the Calculation Agent may, in making an adjustment to this Transaction, take into account: (a) the effect on the Hedging Party and/or its Hedge Position that such Potential Adjustment Event has in light of the Hedging Party's regulatory requirements or limitations and reasonable policies implementing such requirements or limitations (including, but not limited to, by setting a maximum Number of Options or Number of Share to which such options relate); and/or (b) any disadvantage, relative to other holders of Shares, to which the Hedging Party and/or its Hedging Position may be subject as a result of any action of the Counterparty or any group of which the Counterparty may be deemed to be a member or participant.

Extraordinary Events:

Consequences of Merger Events:

Share-for-Share: Modified Calculation Agent Adjustment

Share-for-Other: Modified Calculation Agent Adjustment

Share-for-Combined:	Modified Calculation Agent Adjustment
Composition of Combined Consideration:	Not Applicable
Tender Offer:	Not Applicable
Nationalization, Insolvency or Delisting:	Cancellation and Payment (Calculation Agent Determination). Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (A) inserting into the first line thereof the reference "(1)" after the word "means" and (B) inserting the following words immediately after the words "from transferring them" at the end thereof: "or (2) at SG's option, the occurrence of any of the events specified in Section 5(a)(vii) (1) through (9) of the Agreement with respect to that Issuer."
Additional Disruption Events:	
Change in Law:	Applicable
Failure to Deliver:	Not Applicable
Insolvency Filing:	Applicable
Hedging Disruption:	Applicable; <i>provided that</i> , if a Hedging Disruption affects only part of the hedge that the Hedging Party deems necessary in order to hedge the Hedging Party's risk under this Transaction, only an equivalent portion of the Transaction shall terminate and the remainder of the Transaction shall continue in accordance with its terms; <i>provided, further</i> , that, for the avoidance of doubt, the Hedging Party may not declare a Hedging Disruption for any reason related to the application of Section 16 of the Exchange Act, or any rules promulgated thereunder, or any policies or procedures of the Hedging Party related thereto, to the hedging activities of the Hedging Party.
Increased Cost of Hedging:	Not Applicable
Hedging Party:	SG for all applicable events
Determining Party:	SG for all applicable events
Non-Reliance:	Applicable
Agreements and Acknowledgments Regarding Hedging Activities:	Applicable
Additional Acknowledgments:	Applicable
<i>Rebate Amount:</i>	
Payment of Rebate Amount:	Upon any exercise of the Call Option prior to the First Rebating Date in respect of which Physical Settlement applies, SG will pay to Counterparty the Rebate Amount determined on such Exercise Date.
	Upon any exercise of the Call Option prior to the First Rebating Date in respect of which Cash Settlement applies, SG will pay to Counterparty the Rebate Amount on

the date such Rebate Amount is determined.

First Rebating Date: December 27, 2010

- Rebate Amount:** In respect of a Number of Options, the amount determined on the Exercise Date in respect of such Number of Options equal to the sum of (A) the product of (a) the Remaining Fraction, (b) 0.88%, (c) the Number of Options exercised on such Exercise Date multiplied by the Option Entitlement, (d) two, and (e) the Strike Price, and (B) the product of (a) \$1.20, and (b) Number of Options.
- Remaining Fraction:** In respect of Physical Settlement, on any Exercise Date, the quotient of (a) the number of calendar days remaining between such Exercise Date and the First Rebating Date, and (b) 90.
- In respect of Cash Settlement, on any Exercise Date, the quotient of (a) the difference between (i) the number of calendar days remaining between such Exercise Date and the First Rebating Date, and (ii) eight, and (b) 90.
- Secondary Rebate Amount:*
- Payment of Secondary Rebate Amount:** Upon any exercise of the Call Option on or after the First Rebating Date but prior to the Expiration Date in respect of which Physical Settlement applies, SG will pay to Counterparty the Secondary Rebate Amount determined on such Exercise Date. Upon any exercise of the Call Option on or after the First Rebating Date but prior to the Expiration Date in respect of which Cash Settlement applies, SG will pay to Counterparty the Secondary Rebate Amount on the date such Rebate Amount is determined.
- Secondary Rebate Amount:** In respect of a Number of Options, the amount determined on the Exercise Date in respect of such Number of Options equal to the product of (a) the Secondary Remaining Fraction, (b) \$1.20, and (c) the Number of Options exercised on such Exercise Date multiplied by the Option Entitlement.
- Secondary Remaining Fraction:** In respect of Physical Settlement, on any Exercise Date, the quotient of (a) the number of calendar days remaining between such Exercise Date and the Expiration Date, and (b) 455.
- In respect of Cash Settlement, on any Exercise Date, the quotient of (a) the difference between (i) the number of calendar days remaining between such Exercise Date and the Expiration Date, and (ii) eight, and (b) 455.
- In respect of Cash Settlement, on any Exercise Date, the quotient of (a) the difference between (i) the number of calendar days remaining between such Exercise Date and the Expiration Date, and (ii) eight, and (b) 90.
2. **Calculation Agent:** SG. The Calculation Agent agrees that it shall make all calculations, adjustments and determinations required pursuant to this Transaction in good faith and a commercially reasonable manner, in accordance with Section 1.40 of the Equity Definitions. The Calculation Agent shall provide, upon request of Counterparty, a schedule of all calculations, adjustments and determinations in reasonable detail and in a timely manner.
3. **Collateral:** For purposes of the CSA, there shall be no Independent Amount applicable to SG or Counterparty in respect of the Transaction.
- In respect of Cash Settlement, on any Exercise Date, the quotient of (a) the difference between (i) the number of calendar days remaining between such Exercise Date and the Expiration Date, and (ii) eight, and (b) 455.

4. Address for Notices:

Notice to SG:

Société Générale
Tour Société Générale
17 Cours Valmy
92987 Paris La-Defense cedex
Facsimile No.:
Telephone No.:
Attention:

with a copy to:

Société Générale

c/o SG Americas Securities, LLC
1221 Avenue of the Americas
New York, New York 10020
Facsimile No.:
Telephone No.:
Attention:

Notice to Counterparty: To be Advised.

5. Account Details:

Account for payments to
SG: To be Advised.

Account for delivery of
Shares to Counterparty: To be Advised.

6. Other Provisions:

(a) Additional Representations and Warranties of the Parties.

Each party (each a “Party” and together the “Parties”) hereby represents, acknowledges and warrants to the other Party as of the date hereof, and covenants with the other Party, that:

- (i) It is not entering into the Transaction “on the basis of” (as such phrase is defined in Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) any material non-public information regarding the Shares or the Issuer.
- (ii) It understands and agrees that Counterparty will not be entitled to any voting rights in respect of any Shares prior to delivery by SG of such Shares to Counterparty following an exercise of Options under the Call Option Transaction.
- (iii) It agrees and acknowledges that there are no voting, hedging or settlement arrangements between Counterparty and SG with respect to any Shares or the Issuer, other than the specific terms set forth in this Call Option Confirmation.

- (iv) It is an “eligible contract participant” as such term is defined in Section 1a(12) of the Commodity Exchange Act, as amended.
- (v) It is not and, after giving effect to the transactions contemplated hereby, will not be required to register as an “investment company” under, and as such term is defined in, the Investment Company Act of 1940, as amended.
- (vi) It is, and shall be as of the date of any payment or delivery by it hereunder, solvent and able to pay its debts as they come due, with assets having a fair value greater than liabilities and with capital sufficient to carry on the businesses in which it engages.
- (vii) Without limiting the generality of Section 3(a)(iii) of the Agreement, it is and, after giving effect to the Transaction, will be in compliance with its reporting obligations under Section 16, Section 13(d) and Section 13(g) of the Exchange Act, and it will provide the other Party with a copy of any report filed thereunder in respect of the Transaction promptly upon filing thereof.
- (viii) Without limiting the generality of Section 13.1 of the Equity Definitions, it acknowledges that (A) the other Party is not making any representations or warranties or giving any advice with respect to the legal, regulatory, accounting or tax treatment of the Transaction, and it has consulted with its own legal, regulatory, accounting and tax advisors with respect to the Transaction, (B) none of SG and its affiliates has acted or will act as Counterparty’s fiduciary in any way and none of Counterparty and its affiliates has acted or will act as SG’s fiduciary in any way, and (C) the other Party has no fiduciary duties to it; and it is not relying, has not relied and will not rely upon any communication (written or oral) of it or any of its affiliates. It has made or will make its own independent decision to enter into the Transaction based upon its own judgment and upon advice of such advisors as it deems necessary.
- (ix) Promptly upon becoming aware of any Event of Default or Potential Event of Default where it is or would be the Defaulting Party, it will notify the other Party, specifying the nature of such Event of Default or Potential Event of Default, and will give to the other Party such other information about such Event of Default or Potential Event of Default as the other Party may reasonably require.

(b) Securities Contract.

The parties hereto agree and acknowledge that SG is a “financial institution,” “swap participant” and “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge that (A) this Call Option Transaction will be (i) a “securities contract,” as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “settlement payment” and “transfer” within the meaning of Section 546 of the Bankruptcy Code and any cash, securities or other property provided as performance assurance, credit support or collateral with respect to the Transaction is a “margin payment” and “transfer” within the meaning of Section 546 of the Bankruptcy Code and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is “transfer” within the meaning of Section 546 of the Bankruptcy Code, (B) the rights given to SG hereunder and under the Agreement upon the occurrence of an Event of Default, Termination Event or Extraordinary Event constitute a “contractual right” to cause the liquidation, termination or acceleration of, and to offset or net out termination values, payment amounts and other transfer obligations under or in connection with a “securities contract” and a “swap agreement” and a “contractual right” under a security agreement or arrangement forming a part of or related to a “securities contract” and a “swap agreement” as such terms are used in Sections 555, 560, 561, 362(b)(6) and 362(b)(17) of the Bankruptcy Code, and (C) SG is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 362(o), 546(e), 546(g), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

(c) Private Placement.

Buyer represents and warrants to Seller that (i) it is an “accredited investor” as that term is defined in Regulation D as promulgated under the Securities Act, (ii) it is entering into the Transaction for its own account without a view to the distribution or resale thereof and (iii) it understands that the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act.

(d) Designation by SG.

SG (the “**Designator**”) may designate any of its affiliates (the “**Designee**”) to deliver and otherwise perform its obligations to deliver any Shares in respect of the Transaction, and the Designee may assume such obligations and the obligations of SG under the Transaction with respect to such Shares. Such designation shall not relieve the Designator of any of its obligations hereunder. Notwithstanding the previous sentence, if the Designee shall have performed the obligations of the Designator hereunder, then the Designator shall be discharged of its obligations to Counterparty to the extent of such performance.

(e) Assignment.

The rights and duties under this Call Option Confirmation may not be assigned or transferred by any party hereto without the prior written consent of the other party hereto, such consent not to be unreasonably withheld; *provided* that SG may assign or transfer any of its rights or duties hereunder to any of its affiliates whose obligations and performance is guaranteed by SG pursuant to terms reasonably satisfactory to Counterparty without the prior written consent of Counterparty.

(f) Matters relating to SG and the Agent.

(i) SG is not registered as a broker or dealer under the Exchange Act. Agent has acted solely as agent for SG and Counterparty to the extent required by law in connection with the Transaction and has no obligations, by way of issuance, endorsement, guarantee or otherwise, with respect to the performance of either party under the Transaction. The parties agree to proceed solely against each other, and not against Agent, in seeking enforcement of their rights and obligations with respect to the Transaction, including their rights and obligations with respect to payment of funds and delivery of securities.

(ii) Agent may have been paid a fee by SG in connection with the Transaction. Further details will be furnished upon written request.

(iii) The time of the Transaction will be furnished by Agent upon written request.

(g) Survival of Representations and Warranties. For the avoidance of doubt, the representations and warranties contained or incorporated by reference in this Call Option Confirmation shall survive any settlement or termination of the Transaction.

(h) Miscellaneous.

(i) **Waiver of Right to Trial by Jury. Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Call Option Confirmation, the Agreement or the CSA.** Each party (x) certifies that no representative, agent or attorney of the other party has represented, expressly or otherwise, that such other party would not, in the event of such a suit action or proceeding, seek to enforce the foregoing waiver and (y) acknowledges that it and the other party have been induced to enter into this Call Option Confirmation by, among other things, the mutual waivers and certifications in this Section.

(ii) **THIS CALL OPTION CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO, WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE. EACH PARTY HEREBY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK. THE PARTIES HERETO HEREBY AGREE THAT THE CUSTODIAN’S JURISDICTION, WITHIN THE MEANING OF SECTION 8-110(e) OF THE UCC, INsofar AS IT ACTS AS A SECURITIES INTERMEDIARY HEREUNDER OR IN RESPECT HEREOF, IS**

THE STATE OF NEW YORK.

- (iii) Except as expressly provided herein, neither this Call Option Confirmation nor any other agreement is intended, or shall be construed, to create any rights in any person other than Counterparty, SG and their respective successors and permitted assigns and no other person shall assert any rights as third-party beneficiary hereunder. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and permitted assigns of such party. All the covenants and agreements herein contained by or on behalf of Counterparty and SG shall bind, and inure to the benefit of, their respective successors and permitted assigns whether so expressed or not.
- (iv) Any provision of this Call Option Confirmation may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment by SG and Counterparty, and in the case of a waiver, by the party against whom the waiver is to be effective.
- (v) Counterparty acknowledges and agrees that the Transaction (A) shall not constitute a bank savings account, deposit account or brokerage account transaction, (B) will not be insured by the Federal Deposit Insurance Corporation or any other Federal agency, the Securities Investor Protection Corporation, the Options Clearing Corporation or any other entity, and (C) will not be guaranteed by any depository institution.
- (vi) Recording of Conversations. Each party (A) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with the Transaction, (B) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (C) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any suit, action or proceeding relating to a dispute arising out of or in connection with the Transaction.
- (vii) If the Counterparty is a member of a “group” within the meaning of Section 13(d) of the Exchange Act with Pershing Square, L.P., Pershing Square II, L.P., Pershing Square International, Ltd., and Pershing Square Holdco IIIA, LLC, after members of such “group” acquire directly or indirectly the beneficial ownership of more than five percent of the common stock of the Issuer, the Counterparty shall, within ten days after the acquisition, file with the Securities and Exchange Commission, a joint statement or separate statements containing the information required by Schedule 13D and disclosing that they are members of a “group” within the meaning of Section 13(d) of the Exchange Act. The Counterparty agrees that such filing shall be updated from time to time as required by law.

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Please confirm that the foregoing correctly sets forth the terms of our Transaction to you by signing and returning this Confirmation.

Yours faithfully,

SOCIÉTÉ GÉNÉRALE

By: /s/ Helene Brakha
Name: BRAKHA Helene
Title: Vice President

Confirmed as of the date first written above:

VNO FASHION LLC

By: /s/ Steven Roth

Deutsche Bank



Deutsche Bank AG, London Branch
Winchester house
1 Great Winchester St, London EC2N 2DB
Telephone: 44 20 7545 8000

c/o Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
Telephone: 212-250-5977
Facsimile: 212-797-8826

October 7, 2010

VSPS I LLC (“Counterparty”)
(Notice details provided on Annex A hereto)

Forward Sale Transactions - Our Transaction Reference Number: 598546

Dear Sir / Madam,

This Master Confirmation (the “**Master Confirmation**”) confirms the terms and conditions of Transactions (each, a “**Transaction**”) entered into between Deutsche Bank AG, London Branch (“**Deutsche**”), with Deutsche Bank Securities Inc. as agent, and Counterparty, and together with the terms for each particular Transaction described in Annex B hereto constitutes a “Confirmation” as referred to in the ISDA Master Agreement specified below with respect to each Transaction. The Master Confirmation and the terms of each Transaction as set forth on Annex B together constitute the entire agreement and understanding of the parties with respect to the subject matter and terms of the Transactions and supersede all prior or contemporaneous written and oral communications with respect thereto.

DEUTSCHE BANK AG, LONDON BRANCH IS NOT REGISTERED AS A BROKER OR DEALER UNDER THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. DEUTSCHE BANK SECURITIES INC. (“DBSI”) HAS ACTED SOLELY AS AGENT IN CONNECTION WITH ANY TRANSACTION HEREUNDER AND HAS NO OBLIGATION, BY WAY OF ISSUANCE, ENDORSEMENT, GUARANTEE OR OTHERWISE WITH RESPECT TO THE PERFORMANCE OF EITHER PARTY UNDER SUCH TRANSACTION. AS SUCH, ALL DELIVERY OF FUNDS, ASSETS, NOTICES, DEMANDS AND COMMUNICATIONS OF ANY KIND RELATING TO EACH TRANSACTION HEREUNDER BETWEEN DEUTSCHE AND COUNTERPARTY SHALL BE TRANSMITTED EXCLUSIVELY THROUGH DBSI. DEUTSCHE BANK AG, LONDON BRANCH IS NOT A MEMBER OF THE SECURITIES INVESTOR PROTECTION CORPORATION (SIPC).

Chairman of the Supervisory Board: Clemens Börsig
Management Board: Josef Ackermann (Chairman), Hugo Bänziger, Jürgen Fitschen, Anshuman Jain, Stefan Krause, Hermann-Josef Lamberti, Rainer Neske

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin – Federal Financial Supervising Authority) and regulated by the Financial Services Authority for the conduct of UK business; a member of the London Stock Exchange. Deutsche Bank AG is a joint stock corporation with limited liability incorporated in the Federal Republic of Germany HRB No. 30 000 District Court of Frankfurt am Main; Branch Registration in England and Wales BR000005; Registered address: Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank Group online: <http://www.deutsche-bank.com>

The definitions and provisions contained in the 2006 ISDA Definitions (the “**2006 Definitions**”) and the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”, and together with the 2006 Definitions, the “**Definitions**”), in each case as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Master Confirmation. In the event of any inconsistency between the Definitions and a Confirmation, the terms of the Confirmation will govern. All references to a “Swap Transaction” in the 2006 Definitions shall be deemed a reference to a “Share Forward Transaction” for the purposes of these Transactions. Each Transaction hereunder constitutes a Share Forward Transaction for the purposes of the Equity Definitions.

1. The Master Confirmation and the terms of each Transaction as set forth on Annex B together constitute a “**Confirmation**” as referred to in, and supplements, forms a part of, and is subject to, the ISDA Master Agreement, dated as of March 31, 2005 as amended and supplemented on the date hereof and as may be amended and supplemented from time to time (the “**Agreement**”), between Deutsche and Counterparty. All provisions contained in the Agreement govern each Confirmation except as expressly modified below. The parties agree to be subject to an agreement in the form of the 1994 ISDA Credit Support Annex (Bilateral Form–New York law version), which supplements, forms part of, and is subject to the Agreement, as if they had executed such annex on the Trade Date (the “**Annex**”) with Paragraph 13 of the Annex containing the modifications and elections set forth below.

2. The terms of the Transactions to which this Master Confirmation relates are as follows:

General Terms:

Trade Date:	October 7, 2010
Final Date:	October 9, 2012 (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).
Shares:	The common stock, par value \$0.50, of J.C. Penney Company, Inc. (the “ Issuer ”) (Security Symbol: “JCP”)
Number of Shares:	4,815,990 Shares
Exchange(s):	New York Stock Exchange, or any successor to such exchange or quotation system.
Related Exchange(s):	All Exchanges
Calculation Agent:	Deutsche
Seller:	Deutsche
Buyer:	Counterparty
Prepayment:	Not Applicable
Variable Obligation:	Not Applicable
Forward Price:	On the Trade Date, the Initial Reference Price. On any other given day, the Forward Price as of the Reset Date immediately preceding such day + (the Forward Price as of the Reset Date immediately preceding such day x applicable Accrual Rate x applicable Floating Rate Day Count Fraction)
Initial Reference Price:	USD 28.4104.
Notional Amount:	Number of Shares from time to time x Initial Reference Price
Accrual Rate:	Floating Rate plus Spread

Floating Rate Option: USD-LIBOR-BBA

Floating Rate for the initial Compounding Period: USD-LIBOR-BBA with a Reset Date of the Trade Date

Designated Maturity: One month

Reset Date: The Trade Date and the first Business Day of each month

Spread: As specified on Annex B.

Independent Amount with respect to Counterparty: As specified on Annex B.

Credit Rating: The credit rating of the unsubordinated, unsecured, long-term debt of Vornado Realty L.P., the Credit Support Provider, as published by either Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, or any successor ("S&P") or Moody's Investors Service, Inc., or any successor ("Moody's"). The S&P Credit Rating on the Trade Date is BBB and the Moody's Credit Rating is Baa2.

Floating Rate Day Count Fraction: Actual/360

Compounding: Applicable, as provided in "Forward Price" above.

Business Day: New York and London.

Dividend Payment: With respect to any dividend or distribution on the Shares for which the Record Date occurs during the Dividend Period, Deutsche shall pay such dividend to Counterparty on the Dividend Payment Date; *provided* that (1) for the dividend for which the announced Record Date is October 8, 2010, Deutsche will pay \$650,000; and (2) for any dividend for which the ex dividend date occurs during the Averaging Date period, Deutsche shall pay an amount equal to the dividends paid on such fraction of the Number of Shares equal to the number of Averaging Dates remaining on the date the Shares begin trading ex dividend (including the date on which the Shares begin trading ex dividend) divided by the total number of Averaging Dates.

Dividend Payment Date: In respect of any dividend or distribution on the Shares, the Dividend Receipt Date (or if such day is not a Currency Business Day, the Currency Business Day immediately following such date).

Dividend Receipt Date: The date of receipt of a dividend by holders of record.

Record Date: Each relevant date of determination of holder of record status.

Dividend Amount: The Record Amount x Number of Shares (as such Number of Shares may be reduced by (i) early termination or (ii) the unwind of Shares during the period of Averaging Dates as described in "Dividend Payment" above).

Dividend Period: The period commencing on and including the Clearance System Business Day that is one Settlement Cycle following the Trade Date and ending on but excluding (x) the Cash Settlement Payment Date, if Cash Settlement applies or (y) the Settlement Date, if Physical Settlement applies.

Share Dividend Elections: In the event that a dividend is payable in either cash or property or a combination thereof at the election of a person who would be a holder of record of such Shares, the Dividend Amount shall be determined as if no election were made pursuant to the election default provision set forth in the documents relating to the payment of dividends on the Shares.

Valuation:

Valuation Time: At the 4:00 p.m. close of trading on the Exchange.

Valuation Date: The final Averaging Date

Averaging Dates: As specified on Annex B.

Averaging Date Disruption: Modified Postponement

Settlement Terms:

Settlement Method Election: Applicable; *provided* that it shall be a condition to Counterparty's right to elect Physical Settlement that, at the time of such election, all required filings and any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, have been made or have expired, as applicable (the "HSR Act Condition").

Electing Party: Counterparty.

Settlement Method Election Date: The second (2nd) Scheduled Trading Day prior to the Final Date.

Default Settlement Method: Upon satisfaction of the HSR Act Condition, Physical Settlement; prior to that time, Cash Settlement.

Settlement Currency: USD

Settlement Price: The Relevant Price *minus* \$0.03

Relevant Price: The arithmetic average of the prices calculated on each Averaging Date as the volume weighted average price for all trades in the Shares on the Exchange from 9:30 am New York time until 4:00 pm New York time (calculated using Bloomberg's service or another method reasonably determined in good faith by the Calculation Agent, whose determination shall be final and binding unless it is unreasonable).

Forward Cash Settlement Amount: $(\text{Settlement Price} \times \text{Number of Shares}) - [(\text{Number of Shares} \times \text{Forward Price}) + \text{Breakage Fee, if any}]$. For this purpose, the Forward Price shall be the arithmetic average of the Forward Prices calculated on the date that is one Settlement Cycle following each Averaging Date.

Cash Settlement: If Cash Settlement applies, and:

- (i) the Forward Cash Settlement Amount is a positive number, then Deutsche shall pay to Counterparty the Forward Cash Settlement Amount on the relevant Cash Settlement Payment Date; and
- (ii) the Forward Cash Settlement Amount is a negative number, then Counterparty shall pay to Deutsche the absolute value of the Forward Cash Settlement Amount on the relevant Cash Settlement Payment Date.

Cash Settlement Payment Date: Three (3) Currency Business Days after the Valuation Date.

Physical Settlement: If Physical Settlement applies, on the Settlement Date, Counterparty will pay to Deutsche an amount equal to (i) the Forward Price *multiplied by* the Number of Shares *plus* (ii) the Breakage Fee, if any, and Deutsche will deliver to Counterparty the Number of Shares (rounded down to the nearest whole Share) and pay the Fractional Share Amount, if any.

Settlement Date: If Physical Settlement applies, the date that is one Settlement Cycle following the Final Date.

Share Adjustments:

Method of Adjustment: Calculation Agent Adjustment

Extraordinary Dividend: As determined by the Calculation Agent, (x) any cash dividend or distribution declared on the Shares at a time when the Issuer has not previously declared or paid dividends on such Shares for the prior four quarterly periods; or (y) any "special" cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the Issuer; provided that, in all cases, the related Record Date occurs during the Dividend Period. In the event of an Extraordinary Dividend, the value of the Extraordinary Dividend (as reasonably determined in good faith by the Calculation Agent, whose reasonable determination shall be final and binding) shall be treated as a Dividend Amount handled as described earlier in this Master Confirmation, and the Calculation Agent shall determine whether a corresponding adjustment shall be made pursuant to Section 11.2 (c) of the Equity Definitions.

Spin-Offs: If as a result of any Potential Adjustment Event, existing holders of the Shares of the Issuer receive a distribution or dividend (a "**Spin-off Event**") of shares of common stock or tracking stock other than such Shares ("**Spin-off Shares**"), then the Calculation Agent shall adjust the terms of each Transaction upon the election of Counterparty by either the Basket Method, the Fission Method or the Silo Method.

"**Basket Method**" means, with respect to any Spin-off Event, that the term "Shares" for such Transaction will mean a basket of shares composed of the original Shares and the Spin-off Shares distributed in such Spin-off Event in the relative proportions and number of shares reflecting the relative proportions and number of shares in such Spin-off Event, and such Transaction will become a Share Basket Forward Transaction on such original Shares and the Spin-off Shares with such adjustments as the Calculation Agent deems necessary to preserve terms, including the risk profile, substantially identical to the original Transaction.

"**Fission Method**" means, with respect to any Spin-off Event, that such Transaction shall be split into multiple parts with terms identical to the original Transaction, except that with respect to each such Transaction: the term "Shares" shall refer (without duplication) to one of the original Shares or the Spin-off Shares and the term "Issuer" shall refer to the issuer thereof; the Notional Amount shall be adjusted by the Calculation Agent on the basis of the market values (immediately prior to such Spin-off Event) of the Shares and the Spin-off Shares distributed with respect to each share of the original Shares; the Number of Shares with respect to any part of the Transaction relating to such Spin-off Shares shall be the number of shares of such Spin-off Shares distributed with respect to the original Shares; and such adjustments as the Calculation Agent deems necessary to preserve terms,

including the risk profile, substantially identical to the original Transaction.

“**Silo Method**” means, with respect to any Spin-off Event, that the term “Shares” for such Transaction will mean either the original Shares or the Spin-off Shares at the election of Counterparty with such adjustments as the Calculation Agent deems necessary to preserve terms including the risk profile, substantially identical to the original Transaction; provided, however, that Counterparty shall pay to Deutsche commercially reasonable fees and expenses related to any hedging adjustments Deutsche must make, and provided further that if Deutsche determines that the Silo Method negatively impacts its risk profile, it will notify Counterparty that the Silo Method is not available and Counterparty will only have an option to elect adjustment by the Basket Method or Fission Method.

Notice of Adjustment:

The Calculation Agent shall provide Deutsche and Counterparty with notice of any Calculation Agent Adjustment within three (3) Scheduled Trading Days of the time of the adjustment.

Extraordinary Events:

New Shares:

The definition of "New Shares" in Section 12.1(i) of the Equity Definitions shall apply; provided, however, that:

(a) if the Exchange mentioned therein is located in the United States, the definition of "New Shares" shall be amended by deleting subsection (i) in its entirety and replacing it with the following: "(i) publicly quoted, traded or listed on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors)".

Consequences of Merger Events:

- | | | |
|-----|---------------------|---------------------------------------|
| (a) | Share-for-Share: | Modified Calculation Agent Adjustment |
| (b) | Share-for-Other: | Modified Calculation Agent Adjustment |
| (c) | Share-for-Combined: | Modified Calculation Agent Adjustment |

Tender Offer:

Applicable; provided that Section 12.1(d) of the Equity Definitions shall be modified as follows:
In the third line, the number "10%" shall be deleted and replaced with the number "50%".

Consequences of Tender Offers:

- (a) Share-for-Share: Modified Calculation Agent Adjustment, except that Deutsche will not have a right to terminate the transaction if such Tender Offer occurs prior to the date that is six (6) months after the Trade Date; for the avoidance of doubt, Deutsche as Calculation Agent will retain the right to adjust the terms, including without limitation, the collateral terms in such instance.
- (b) Share-for-Other: Modified Calculation Agent Adjustment, except that Deutsche will not have a right to terminate the transaction if such Tender Offer occurs prior to the date that is six (6) months after the Trade Date; for the avoidance of doubt, Deutsche as Calculation Agent will retain the right to adjust the terms, including without limitation, the collateral terms in such instance.
- (c) Share-for-Combined: Modified Calculation Agent Adjustment, except that Deutsche will not have a right to terminate the transaction if such Tender Offer occurs prior to the date that is six (6) months after the Trade Date; for the avoidance of doubt, Deutsche as Calculation Agent will retain the right to adjust the terms, including without limitation, the collateral terms in such instance.

Additional Tender Offer Terms:

Deutsche and Counterparty each acknowledges that if, during the term of any Transaction, (i) the Shares that are the subject of the Transactions are, or become, the subject of a Tender Offer and (ii) either party hereto owns a hedge with respect to such Shares and elects to participate in such Tender Offer, then, notwithstanding anything set forth to the contrary herein or in the Equity Definitions, that Transaction may not be terminated during the period from and including the Tender Offer Expiration Date (as defined below) up to but excluding the Tender Offer Date. For the purpose hereof, the following term shall have the meaning indicated below:
“**Tender Offer Expiration Date**” shall mean the last business day on which a theoretical holder of the Shares may elect to tender its Shares pursuant to such Tender Offer, as provided in the documents related to such Tender Offer (subject to any extensions as provided pursuant to the documents related to such Tender Offer).

- Composition of Combined Consideration: Inapplicable
- Nationalisation, Insolvency or Delisting: Cancellation and Payment
- Additional Disruption Events:**
- Change in Law: As specified in Annex B.
- Insolvency Filing: Applicable

Determining Party: Deutsche

Additional Termination Events:

Credit Downgrade: As specified in Annex B.

Optional Early Termination: Deutsche may upon 364 calendar days' prior notice (or such earlier time as the parties may agree) to Counterparty, and Counterparty may upon one (1) Scheduled Trading Day's prior notice (or such earlier time as the parties may agree) to Deutsche, terminate each Transaction, or any Transaction, or any portion of any Transaction by designating any Scheduled Trading Day as the "**Optional Early Termination Final Date**" for such Transaction or portion thereof. If the Counterparty gives notice of election of an Optional Early Termination, Counterparty will simultaneously be required to give notice of settlement method. For the avoidance of doubt, if such right is exercised pursuant to the terms hereof, with respect to any Transaction or that portion of any Transaction that is terminated, (1) the Optional Early Termination Final Date shall be deemed to be the Valuation Date (subject to Disrupted Day provisions, if applicable), (2) the Optional Early Termination Settlement Date (as defined below) shall be deemed to be the Cash Settlement Payment Date or Settlement Date, as applicable, (3) the Settlement Price shall be calculated in accordance with "Settlement Terms" above as if the Optional Early Termination Final Date were the Final Date, and (4) the Calculation Agent shall make the calculations described under "Valuation" and "Settlement Terms" above with respect to all or a portion of the Transaction being terminated, as applicable, and the remainder of the Transaction shall continue in accordance with its terms.

Optional Early Termination Settlement Date:

One (1) Clearance System Business Day following the Optional Early Termination Final Date, in the case of Physical Settlement, or three (3) Currency Business Days following the Valuation Date, in the case of Cash Settlement.

Consequences of Early Termination, Extraordinary Events, Additional Disruption Events, or Additional Termination Events:

Settlement: Notwithstanding anything else in the Equity Definitions or the Agreement, upon the occurrence of a Termination Event, an Extraordinary Event, an Additional Disruption Event or an Additional Termination Event (other than an Optional Early Termination), with respect to any Transaction or portion of a Transaction, then with respect to that Transaction or portion of the Transaction that is terminated, (1) the Final Date shall be deemed to have occurred on the date that is thirty (30) Exchange Business Days from the date of such occurrence (provided, however, that (a) the parties may agree to modify such date and (b) with respect to a Termination Event, Additional Termination Event or Additional Disruption Event, Deutsche may elect to shorten such period by up to 25 Exchange Business Days, with

Counterparty's consent, or lengthen such period by up to 10 Exchange Business Days, without Counterparty's consent), (2) the parties shall settle the Transaction or portion of the Transaction that is terminated as if the provisions of the Equity Definitions and "Valuation" and "Settlement Terms" above were applicable on such deemed Final Date, using the deemed Final Date to calculate the deemed Cash Settlement Payment Date or Settlement Date, (3) the Settlement Price shall be calculated in accordance with "Settlement Terms" above as if the deemed Final Date were the Final Date (except if the Shares are not listed or quoted on the Exchange or a Related Exchange or in the event of termination due to Nationalization or Insolvency, the Settlement Price shall be calculated by reference to an objective measure as determined by the Calculation Agent), and (4) the Calculation Agent shall make the calculations described under "Valuation" and "Settlement Terms" above with respect to all or a portion of the Transaction being terminated, as applicable, and the remainder of the Transaction shall continue in accordance with its terms.

Breakage Fee: As specified in Annex B.

Assignment:

Section 7 of the Agreement is hereby modified as follows:

(a) Deutsche may assign this Master Confirmation and each Transaction hereunder to any of its affiliates whose credit rating is equal to or greater than that of Deutsche as of the Trade Date, with Counterparty's consent, which consent shall not be unreasonably withheld or delayed; and

(b) Counterparty may assign any Transaction under this Master Agreement to (collectively, the "Assignees") (i) any of its affiliates, with Deutsche's written consent, which shall be deemed given except if Deutsche determines in its reasonable discretion within 15 Scheduled Trading Days of notice (or such shorter period of time as the parties agree) of a requested assignment that such assignment creates a regulatory or legal issue which cannot be resolved using reasonable means, or (ii) to any other party, with Deutsche's written consent, which shall not be unreasonably withheld or delayed, in each case effective (the "Transfer Date") upon delivery to Deutsche of (a) an executed acceptance and assumption by the assignee (a "Assumption") of the transferred obligations of Counterparty under the assigned Transaction (the "Transferred Obligations") and (b) an executed guarantee (the "Guarantee") of Vornado Realty L.P., the Credit Support Provider, of the Transferred Obligations in the form designated by Deutsche; provided that Counterparty may, without delivering an executed Guarantee, assign any Transaction under this Master Agreement to any party if the Assignee has unsubordinated, unsecured long-term debt credit ratings from both S&P and Moody's that are equal to or higher than the Credit Rating of Vornado Realty L.P., the Credit Support Provider, on the Trade Date, as determined by Deutsche in its reasonable discretion, subject to the Assignee's compliance with Deutsche's account opening and know-your-client procedures. On the Transfer Date, (a) Counterparty shall be released from all obligations and liabilities arising under the Transferred Obligations and (b) the Transferred Obligations shall cease to be Transactions under this Agreement and shall be deemed to be Transactions under the Master Agreement between Assignee and Deutsche; provided that, if at such time Assignee and Deutsche have not entered into a Master Agreement, Assignee and Deutsche shall be deemed to have entered into a form of ISDA Master Agreement without any Schedule attached thereto.

Representations:

Non-Reliance: Applicable

Agreement and Acknowledgments Regarding Applicable Hedging Activities:

Additional Acknowledgments: Applicable

Miscellaneous:

The parties hereto intend as follows: (A) Deutsche and any Collateral Custodian is a “financial institution” within the meaning of Section 101(22) of the United States Bankruptcy Code (the “**Bankruptcy Code**”) and, in the case of any Collateral Custodian, is acting as agent or custodian for Deutsche in connection with each Transaction; (B) each Transaction is a “securities contract” as such term is defined in Section 741(7) of the Bankruptcy Code, qualifying for protection under Section 555 of the Bankruptcy Code and a “swap agreement”, as such term is defined in Section 101(53B) of the Bankruptcy Code; (C) any cash, securities or other property provided as performance assurance, credit support or collateral with respect to each Transaction constitute “margin payments” as defined in Section 741(5) of the Bankruptcy Code and “transfers” as defined in Section 101(54) of the Bankruptcy Code under a “swap agreement;” and (D) all payments for, under or in connection with each Transaction at settlement or early termination of all or any portion of a Transaction constitute “settlement payments” as defined in Section 741(8) of the Bankruptcy Code under a “securities contract” and “transfers” as defined in Section 101(54) of the Bankruptcy Code under a “swap agreement.”

Mutual Representations. Each of Deutsche and Counterparty represents and warrants to the other party that:

- **Total Exposure.** If the total exposure to the Issuer under all of the Transactions under the Master Confirmation shall be greater than 9.95% of Shares outstanding at any time, each party agrees to terminate a Transaction or portion of a Transaction such that the total exposure to the Issuer under all of the Transactions under the Master Confirmation shall be equal to or less than 9.95% of Shares outstanding at that time;
- **Confidentiality.** The Transactions under the Master Confirmation and the terms and conditions contained therein shall not be disclosed by Deutsche to any person or entity (other than on a confidential basis to its employees, accountants, attorneys or its other advisors, and then only on a confidential, “need to know” basis and in connection with the Transactions). Notwithstanding anything provided herein or in the Agreement, and notwithstanding any express or implied claims of exclusivity or proprietary rights, the parties (and each of their employees, representatives or other agents) are authorized (A) to disclose to any and all persons, beginning immediately upon commencement of their discussions and without limitation of any kind, the tax treatment and tax structure of Transactions, and all materials of any kind (including opinions or other tax analyses) that are provided by either party to the other relating to such tax treatment and tax structure and (B) to make such other public disclosures of the Transactions and the terms and conditions thereof (1) as required by judicial or administrative proceeding, (2) as required by law or regulation, (3) at the request of a bank or other regulatory agency or in connection with an examination by bank examiners or other regulatory authorities, or (4) at the express direction of any other authorized government agency;
- **Commodity Exchange Act.** It is an “eligible contract participant” within the meaning of the U.S. Commodity Exchange Act, as amended (the “CEA”), each of the Transactions under the Master Confirmation has been subject to individual negotiation by the parties, and no Transaction under the Master Confirmation has been executed or traded on a “trading facility” as defined in the CEA;

- **Regulatory Compliance.** As of the Trade Date, it has made, and at all times during any Transaction under the Master Confirmation will timely make, all of its material regulatory filings and it has complied, and at all times during any such Transaction will comply, in connection with any such Transaction and all related or contemporaneous sales and purchases of Shares, with the applicable provisions of the under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), the Exchange Act, and the rules and regulations thereunder;
- **Employee Retirement Income Security Act of 1974, as amended (“ERISA”).** The assets used in the Transactions under the Master Confirmation (1) are not assets of any “plan” (as such term is defined in Section 4975 of the Internal Revenue Code (the “**Code**”)) subject to Section 4975 of the Code or any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) subject to Title I of ERISA, and (2) do not constitute “plan assets” within the meaning of Department of Labor Regulation Sec. 2510.3-101, 29 CFR Sec. 2510-3-101; and
- Each party shall promptly provide notice to the other party upon obtaining knowledge of the occurrence of any event that would constitute an Event of Default or a Potential Event of Default with respect to the party.

Counterparty Representations, Acknowledgements and Agreements. Counterparty represents, warrants, acknowledges and agrees with Deutsche that:

- (i) Counterparty is not as of each Trade Date, and will not be after giving effect to the Transactions contemplated hereby, insolvent;
- (ii) Counterparty will disclose the Transactions under cover of a Schedule 13D filed with the Securities and Exchange Commission within the filing deadline for disclosing the transaction under rules governing that form;
- (iii) Counterparty has (and will at all times during these Transactions have) the capacity and authority to invest directly in the Shares underlying these Transactions, and has not entered into these Transactions with the intent of avoiding any regulatory filings;
- (iv) As of each Trade Date, either (1) Counterparty is not in possession of any material non-public information regarding the Issuer of the Shares underlying these Transactions, or (2) Counterparty has met the conditions of Rule 10b5-1(c) of the Securities Exchange Act of 1934, as amended, with respect to the Issuer of the Shares underlying these Transactions;
- (v) Counterparty will not seek to terminate via cash settlement, amend or otherwise modify any Transaction unless (1) Counterparty is not in possession of any material non-public information regarding the relevant Issuer, or (2) Counterparty has met the conditions of Rule 10b5-1(c) in taking such action;
- (vi) As of the initial Trade Date, Counterparty and its affiliates have an economic interest in approximately 18,584,010 Shares (excluding any Transactions hereunder). Following the initial Trade Date, Counterparty agrees that neither it nor its affiliates will acquire an economic interest in any additional Shares or enter into structures of any type (other than Transactions with Deutsche or its affiliates under this Master Confirmation or otherwise) that result or would result in Counterparty or its affiliates gaining economic exposure in excess of 9.95% of the total Shares outstanding; and
- (vii) Counterparty will promptly notify Deutsche upon satisfaction of the HSR Act Condition and will certify as to the satisfaction of such HSR Act Condition at any time it elects Physical Settlement.

Governing law: The law of the State of New York.

Modifications to Paragraph 13 of the Credit Support Annex:

Paragraph 13. Elections and Variables.

(a) **Security Interest for "Obligations".** The term "**Obligations**" as used herein means any and all present and future obligations of Deutsche or Counterparty to the other under or in connection with each Transaction under the Agreement.

(b) **Credit Support Obligations.**

(i) **Delivery Amount, Return Amount and Credit Support Amount.**

(A) "**Delivery Amount**" has the meaning specified in Paragraph 3(a).

(B) "**Return Amount**" has the meaning specified in Paragraph 3(b).

(C) "**Credit Support Amount**" has the meaning specified in the last paragraph of Paragraph 3.

(ii) **Eligible Collateral.** The following items will qualify as "**Eligible Collateral**" for the party specified:

		Deutsche	Counterparty	Valuation Percentage
(A)	Cash	[X]	[X]	100%
(B)	negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of less than one year	[X]	[X]	99%
(C)	negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of 1-10 years	[]	[]	97%
(D)	negotiable debt obligations issued by the U.S. Treasury Department having a remaining maturity of more than 10 years	[]	[]	95%
(E)	single-class mortgage participation certificates ("FHLMC Certificates") in book-entry form backed by single-family residential mortgage loans, the full and timely payment of interest at the applicable certificate rate and the ultimate collection of principal of which are guaranteed by the Federal Home Loan Mortgage Corporation (excluding Real Estate Mortgage Investment Conduit ("REMIC") or other multi-class pass-through certificates, collateralized mortgage obligations, pass-through certificates backed by adjustable rate mortgages, securities paying interest or principal only and similar derivative securities);	[]	[]	90%

(F)	single-class mortgage pass-through certificates (“FNMA Certificates”) in book-entry form backed by single-family residential mortgage loans, the full and timely payment of interest at the applicable certificate rate and ultimate collection of principal of which are guaranteed by the Federal National Mortgage Association (excluding REMIC or other multi-class pass-through certificates, pass-through certificates backed by adjustable rate mortgages collateralized mortgage obligations, securities paying interest or principal only and similar derivative securities);	[]	[]	90%
(G)	single-class fully modified pass-through certificates (“GNMA Certificates”) in book-entry form backed by single-family residential mortgage loans, the full and timely payment of principal and interest of which is guaranteed by the Government National Mortgage Association (excluding REMIC or other multi-class pass-through certificates, collateralized mortgage obligations, pass-through certificates backed by adjustable rate mortgages, securities paying interest or principal only and similar derivatives securities).	[]	[]	90%
(H)	Such other collateral as Deutsche and Counterparty may agree.	[X]	[X]	As may be agreed.

(iii) **Other Eligible Support.** The following items will qualify as “**Other Eligible Support**” for the party specified: Not Applicable.

(iv) **Thresholds.**

(A) “**Independent Amount**” means with respect to Deutsche: Zero

“**Independent Amount**” means with respect to Counterparty for each Transaction under this Agreement: as specified in the applicable Confirmation.

(B) “**Threshold**” means with respect to Deutsche: Inapplicable

“**Threshold**” means with respect to Counterparty: Zero

(C) “**Minimum Transfer Amount**” means with respect to Deutsche: the lesser of \$10,000,000 and 2.5% of the Notional Amount (as such amount may be reduced upon early termination or settlement).

“**Minimum Transfer Amount**” means with respect to Counterparty: the lesser of \$10,000,000 and 2.5% of the Notional Amount (as such amount may be reduced upon

early termination or settlement); *provided, however*, that the Minimum Transfer Amount for Counterparty shall be \$0 upon the occurrence and during the continuance of an Event of Default, Potential Event of Default, Termination Event, Additional Termination Event (other than an Optional Early Termination) or Specified Condition with respect to Counterparty.

(D) **Rounding.** The Delivery Amount and the Return Amount will be rounded up and down respectively to the nearest integral multiple of **\$50,000**.

(c) **Valuation and Timing.**

(i) **“Valuation Agent”** means: Deutsche.

(ii) **“Valuation Date”** means: each Local Business Day.

(iii) **“Valuation Time”** means: the close of business on the Local Business Day before the Valuation Date or date of calculation, as applicable; *provided* that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) **“Notification Time”** means 1:00 p.m., New York time, on a Local Business Day.

(d) **Conditions Precedent and Secured Party’s Rights and Remedies.** Each Termination Event specified below with respect to a party will be a **“Specified Condition”** for that party (the specified party being the Affected Party if a Termination Event or Additional Termination Event occurs with respect to that party).

	Deutsche	Counterparty
Illegality	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tax Event	<input type="checkbox"/>	<input type="checkbox"/>
Tax Event Upon Merger	<input type="checkbox"/>	<input type="checkbox"/>
Credit Event Upon Merger	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Additional Termination Event	<input type="checkbox"/>	<input type="checkbox"/>

(e) **Substitution.**

(i) **“Substitution Date”** has the meaning specified in Paragraph 4(d)(ii).

(ii) **Consent.** If specified here as applicable, then the Pledgor must obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d): Inapplicable

(f) **Dispute Resolution.**

(i) **“Resolution Time”** means 1:00 p.m., New York time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 5.

(ii) **Value.** For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows: as set forth for other purposes in Paragraph 12.

(iii) **Alternative.** The provisions of Paragraph 5 will apply, except to the following extent: (A) pending the resolution of a dispute, Transfer of the undisputed Value of Eligible Credit Support or Posted Credit Support involved in the relevant demand will be due as provided in Paragraph 5 if the demand is given by the Notification Time, but will be due on the second Local Business Day

after the demand if the demand is given after the Notification Time; and (B) the Disputing Party need not comply with the provisions of Paragraph 5(II)(2) if the amount to be Transferred does not exceed the Disputing Party's Minimum Transfer Amount.

(g) ***Holding and Using Posted Collateral.***

(i) ***Eligibility to Hold Posted Collateral; Custodians.*** Deutsche and its Custodian will be entitled to hold Posted Collateral pursuant to Paragraph 6(b); *provided* that the following conditions applicable to it are satisfied:

(A) Deutsche is not a Defaulting Party.

(B) Posted Collateral consisting of certificated securities must be held in New York.

Initially, the **Custodian** for Deutsche is: Deutsche Bank Securities Inc.

(h) ***Distributions and Interest Amount.***

(i) ***Interest Rate.*** The "**Interest Rate**" will be with respect to Eligible Collateral in the form of Cash, for any day, the rate opposite the caption "Federal Funds (Effective)" for such day as published for such day in Federal Reserve Publication H.15(519) or any successor publication as published by the Board of Governors of the Federal Reserve System.

(ii) ***Transfer of Interest Amount.*** The Transfer of the Interest Amount will be made on the first Local Business Day of each calendar month and on any Local Business Day that Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).

(iii) ***Alternative to Interest Amount.*** The provisions of Paragraph 6(d)(ii) will apply.

(i) ***Other Eligible Support and Other Posted Support.***

(i) "**Value**" with respect to Other Eligible Support and Other Posted Support means: Inapplicable.

(ii) "**Transfer**" with respect to Other Eligible Support and Other Posted Support means: Inapplicable.

(j) ***Demands and Notices.*** All demands, specifications and notices hereunder will be made pursuant to the Notices Section of the Agreement, unless otherwise specified here:

Deutsche: Deutsche Bank AG, London Branch
c/o Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005

Attention: Andrew Yaeger and Paul Stowell

Telephone: (212) 250-2717

Electronic Mail: Andrew.Yaeger@db.com and Paul.Stowell@db.com

With a copy to: Sunil Hariani (same address)

Telephone: (212) 250-6340

Electronic Mail: Sunil.Hariani@db.com

(k) ***Addresses for Transfers.***

Deutsche: See Payments to Deutsche under Section 3 below.

Counterparty: [To be advised]

(l) ***Agreement as to Single Secured Party and Pledgor.*** Deutsche and Counterparty agree that, notwithstanding anything to the contrary in the recital to the Annex, Paragraph 1(b) or Paragraph 2 of the Annex or the definitions in Paragraph 12 of the Annex, (a) the term "*Secured Party*" as used in the Annex means only Deutsche, (b) the term "*Pledgor*" as used in the Annex means only Counterparty, and (c) only Counterparty makes the pledge and grant in Paragraph 2 of the Annex, the acknowledgment in the final sentence of Paragraph 8(a) of the Annex and the representations in Paragraph 9 of the Annex.

3. **Account Details:**

Payments to Deutsche:

Payments to Counterparty: [To be advised]

4. **Offices:** The Office of Deutsche for the Transaction is London

THIS MESSAGE WILL BE THE ONLY FORM OF CONFIRMATION DISPATCHED BY US. PLEASE EXECUTE AND RETURN IT VIA EMAIL TO THE CONTACT PROVIDED FOR NOTICES ABOVE . IF YOU WISH TO EXCHANGE HARD COPY FORMS OF THESE CONFIRMATIONS PLEASE CONTACT US.

Please confirm that the foregoing correctly sets forth the terms of our agreement by sending to us a letter or telex substantially similar to this facsimile, which letter or telex sets forth the material terms of each Transaction to which each of these Confirmations relate and indicates your agreement to those terms. Deutsche will make the times of execution of these Transactions available upon request.

Deutsche is regulated by the Financial Services Authority.

We are very pleased to have concluded these Transactions with you.

Kind regards,

DEUTSCHE BANK AG, LONDON BRANCH

By: /s/ Sunil Hariani
Name: Sunil Hariani
Title: Managing Director

By: /s/ Michael Sanderson
Name: Michael Sanderson
Title: Managing Director
DEUTSCHE BANK SECURITIES INC.
acting solely as Agent in connection with this Transaction

By: /s/ Sunil Hariani
Name: Sunil Hariani
Title: Managing Director

By: /s/ Michael Sanderson
Name: Michael Sanderson
Title: Managing Director

Confirmed and Acknowledged as of the date first above written:

VSPS I LLC

By: /s/ JOSEPH MACNOW
Name: Joseph Macnow
Title: Executive Vice President-
Finance and Administration,
Chief Financial Officer

List of Counterparty Persons Who Are to Receive Notices

**Vornado Realty Trust
888 Seventh Avenue, 44th Floor
New York, NY 10019
212-894-7000**

Name	Telephone	Fax	Email
Joseph Macnow	201-587-7402	201-843-2198	jmacnow@vno.com
Ross Morrison	201-587-7405	201-845-5056	rmorrison@vno.com
Wendy Silverstein	212-894-7015	212-894-7073	wsilverstein@vno.com
Alan Rice	212-894-7050	212-894-7996	arice@vno.com
Mike DeMarco	212-894-7009	212-894-7996	mdemarco@vno.com

Spread:	80 basis points <i>per annum</i>
Independent Amount with respect to Counterparty:	On the Trade Date, Independent Amount with respect to Counterparty shall be 7.5% of the Notional Amount; provided, however, that if the Credit Rating (as defined in the Master Confirmation) is reduced one level from the Credit Rating as of the Trade Date, the Independent Amount with respect to Counterparty shall be increased to 15% of the Notional Amount.
Averaging Dates:	The seven (7) Exchange Business Days immediately following and including the Final Date, or such other period as the parties may agree. For the avoidance of doubt, Deutsche may extend the Averaging Date period and thereby postpone the Cash Settlement Payment Date to the extent deemed necessary, upon the advice of counsel, to comply with Rule 144 under the Securities Act in disposing of any Hedge Position due to any status by Counterparty as an affiliate of the Issuer.
Change in Law:	Applicable, except that (1) the definition of Change in Law shall be amended by adding the following language in the fifth line after “authority),” and before “a party”: “or (C) due to an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights, or (D) due to the Issuer subjecting holders of the Shares to differential treatment with regard to payment of dividends or distributions,” and (2) if only subsection (Y) of the definition is applicable, the sole remedy for Deutsche shall be a Price Adjustment as determined by Deutsche in a commercially reasonable manner.
Credit Downgrade:	Counterparty shall exercise its Optional Early Termination right in whole if the Credit Rating is reduced two levels or more from the Credit Rating on the Trade Date or if the five (5) year par Credit Default Swap spread exceeds 4.50% at any time after the Trade Date. To the extent Counterparty has not satisfied the HSR Act Condition by the six-month anniversary of Trade Date or it is otherwise commercially unreasonable to physically settle at that time, instead of exercising its Optional Early Termination right immediately, Counterparty can elect to increase the Independent Amount to 30% of Notional Amount and exercise its Optional Early Termination right in whole immediately after the six-month anniversary of Trade Date or when it ceases to be commercially unreasonable to physically settle, as applicable.
Breakage Fee:	If the entire Transaction is terminating at once, an amount equal to: (i) \$1,000,000 – (ii) (Notional Amount on the Trade Date x 0.55% x Floating Rate Day Count Fraction from and including the Trade Date through but excluding the Cash Settlement Payment Date or Settlement Date, as applicable); <i>provided</i> that, if the amount is a negative number, the Breakage Fee will be zero (0). If the Transaction terminates in multiple stages, the Breakage Fee shall be zero until the entire remainder of the Transaction is being terminated, and, in the case of such remainder, clause (ii) shall be the aggregate of such calculation for each portion of the Notional Amount that has been or is being terminated and the relevant Floating Rate Day Count Fraction.