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COMPANY SUMMARY

Retail:

The decline in the stock price of **J.C. Penney (JCP- \$23.90)** over the part of several days was a result of a ratings downgrade by a major brokerage firm. The downgrading was based on the premise that the firm will be unable to sell the large Eckerd Drugstores division. In our opinion, management's efforts to dispose of the operation will prove successful, resulting in both an improvement in the balance sheet and a substantial rise in the price/earnings ratio. Moreover, during the next twelve months, we expect profits to grow substantially. In addition, the cash dividend is expected to be increased. The recently announced sale of the firm's relatively small (six-store) operation in Mexico also seems to be a positive development. We continue to recommend purchase of J.C. Penney.

Analyst's Certification: I Alan M. Silverman certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. I do have a long position in J.C Penney.

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