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December 13, 2003

COMPANY SUMMARY

Retail:

We estimate that the pending sale of the Eckerd drugstore division of **J.C. Penney (JCP \$24.11)** is likely to result in net proceeds to the company of approximately \$5 billion, or around \$18 per share. Debt repayment, combined with the significant operating improvements already accomplished in the department store operation, will result in a substantial rise in Penney's earnings next year. Moreover, accelerated industry-wide growth will also aid progress in both sales and profits. In addition, an increase in the cash dividend is anticipated next year.

We continue to recommend purchase of J.C. Penney stock.

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 the shares of J.C Penney.

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