

# FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended May 1, 2004

Commission file number 1-4947-1

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transitional period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. \_\_\_\_\_

**J. C. PENNEY FUNDING CORPORATION**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**51-0101524**  
(I.R.S. Employer  
Identification No.)

**6501 Legacy Drive, Plano, Texas 75024 – 3698**  
(Address of principal executive offices)  
(Zip Code)

**(972) 431-1000**  
(Registrant's telephone number, including area code)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

500,000 shares of Common Stock of \$100 par value, as of May 1, 2004.

**THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H (1) (a) AND (b) OF  
FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.**

## PART I - FINANCIAL INFORMATION

### Item 1 – Unaudited Financial Statements

The following interim financial information of J. C. Penney Funding Corporation ("Funding"), a wholly owned subsidiary of J. C. Penney Corporation, Inc. ("JCPenney"), is unaudited; however, in the opinion of Funding, it includes all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation. The financial information should be read in conjunction with the audited financial statements included in Funding's Annual Report on Form 10-K for the 53 weeks ended January 31, 2004.

#### Statements of Income and Reinvested Earnings (Dollars in millions) (Unaudited)

	<u>13 weeks ended</u>	
	<u>May 1, 2004</u>	<u>Apr. 26, 2003</u>
Interest income from JCPenney	\$ -	\$ -
Interest expense	<u>-</u>	<u>-</u>
Income before income taxes	-	-
Income taxes	<u>-</u>	<u>-</u>
Net income	-	-
Reinvested earnings at beginning of period	<u>1,093</u>	<u>1,093</u>
Reinvested earnings at end of period	<u>\$1,093</u>	<u>\$1,093</u>

*The accompanying notes are an integral part of these unaudited Interim Financial Statements.*

Balance Sheets  
(Dollars in millions) (Unaudited)

	May 1, <u>2004</u>	Apr. 26, <u>2003</u>	Jan. 31, <u>2004</u>
ASSETS			
Loans to JCPenney	\$1,238	\$1,238	\$1,238
LIABILITIES AND EQUITY HELD BY JCPENNEY			
Liabilities	\$ -	\$ -	\$ -
Equity held by JCPenney:			
Common stock (including contributed capital), par value \$100 per share:			
Authorized, 750,000 shares			
Issued and outstanding, 500,000 shares	\$145	\$145	\$145
Reinvested earnings	<u>\$1,093</u>	<u>\$1,093</u>	<u>\$1,093</u>
Total equity held by JCPenney	<u>\$1,238</u>	<u>\$1,238</u>	<u>\$1,238</u>
Total liabilities and equity held by JCPenney	<u>\$1,238</u>	<u>\$1,238</u>	<u>\$1,238</u>

*The accompanying notes are an integral part of these unaudited Interim Financial Statements.*

Consolidated Statements of Cash Flows  
(Dollars in millions) (Unaudited)

	<u>13 weeks ended</u>	
	May 1, <u>2004</u>	Apr. 26, <u>2003</u>
Operating Activities	\$ -	\$ -
Financing Activities	<u>-</u>	<u>-</u>
Increase in cash	-	-
Cash at beginning of year	<u>-</u>	<u>-</u>
Cash at end of first quarter	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these unaudited Interim Financial Statements.*

## Notes to the Unaudited Interim Financial Statements

### 1) Background

Historically, Funding has provided short-term financing for JCPenney. Principally, Funding issued commercial paper to finance JCPenney's working capital needs. In 2001, JCPenney sold the assets of J. C. Penney Direct Marketing Services, Inc. to an unrelated third party. The result of this transaction coupled with JCPenney's other sources of liquidity eliminated the need for Funding to issue commercial paper for short-term borrowing requirements. Therefore, Funding has not produced any revenue or income. In addition, with Funding's current credit ratings, it is assumed that Funding would have little or no current access to commercial paper borrowing.

## **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Funding derives earnings on loans to JCPenney under the terms of the Loan Agreement, which provides for unsecured loans to be made by Funding to JCPenney. Additionally, in order to maintain Funding's income at defined coverage ratios, Funding's income is supplemented by charges to JCPenney. The income of Funding is designed to cover Funding's fixed charges (interest expense) at a coverage ratio mutually agreed upon by Funding and JCPenney. The earnings to fixed charges coverage ratio has historically been at least one and one-half times.

When applicable, Funding from time to time issues commercial paper through Credit Suisse First Boston Corporation, J.P. Morgan Securities Inc., Merrill Lynch Money Markets Inc., and Morgan Stanley Dean Witter to corporate and institutional investors in the domestic market. The commercial paper is guaranteed by JCPenney on a subordinated basis. No commercial paper has been issued or outstanding since 2000. The commercial paper program is rated "Not Prime" by Moody's Investors Service, Inc. and "B" by Fitch Ratings. Standard & Poor's Rating Services does not rate the program.

Funding had no short-term debt outstanding as of May 1, 2004, nor as of April 26, 2003.

## **ITEM 4. Controls and Procedures**

Based on their evaluation of Funding's disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this Quarterly Report on Form 10-Q, Funding's principal executive officer and principal financial officer have concluded that the design and operation of Funding's disclosure controls and procedures are effective for the purpose of ensuring that material information required to be in this Quarterly Report is made known to them by others on a timely basis. There have not been any changes in Funding's internal control over financial reporting that occurred during Funding's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, Funding's internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 6. Exhibits and Reports on Form 8-K.

#### (a) Exhibits

31.1 Certification by Michael P. Dastugue pursuant to 15 U. S. C. 78m (a) or 78o (d), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by William J. Alcorn pursuant to 15 U. S. C. 78m (a) or 78o (d), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Michael P. Dastugue pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by William J. Alcorn pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

#### (b) Reports on Form 8-K

None.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J. C. PENNEY FUNDING CORPORATION

By: /s/William J. Alcorn  
W. J. Alcorn  
Vice President and Controller  
(Principal Accounting Officer)

Date: June 9, 2004



CERTIFICATIONS

I, Michael P. Dastugue, Chairman of the Board, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. C. Penney Funding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) [Intentionally omitted]
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2004.

/s/ Michael P. Dastugue  
Michael P. Dastugue  
Chairman of the Board  
J. C. Penney Funding Corporation

CERTIFICATIONS

I, William J. Alcorn, Vice President and Controller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. C. Penney Funding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) [Intentionally omitted]
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2004.

/s/ William J. Alcorn  
William J. Alcorn  
Vice President and Controller  
J. C. Penney Funding Corporation

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of J. C. Penney Funding Corporation (the “Company”) on Form 10-Q for the period ending May 1, 2004 (the “Report”), I, Michael P. Dastugue, Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATED this 9th day of June 2004.

/s/ Michael P. Dastugue  
Michael P. Dastugue  
Chairman of the Board  
J. C. Penney Funding Corporation

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of J. C. Penney Funding Corporation (the “Company”) on Form 10-Q for the period ending May 1, 2004 (the “Report”), I, William J. Alcorn, Vice President and Controller of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATED this 9th day of June 2004.

/s/ William J. Alcorn  
William J. Alcorn  
Vice President and Controller  
J. C. Penney Funding Corporation