

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended February 1, 2003

OR

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

For the Transition period from _____ to _____

Commission File Number 1-6049

TARGET CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-0215170
(I.R.S. Employer
Identification No.)

1000 Nicollet Mall, Minneapolis, Minnesota
(Address of principal executive offices)

55403
(Zip Code)

Registrant's telephone number, including area code: 612/304-6073

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$.0833 per share	New York Stock Exchange Pacific Exchange
Preferred Share Purchase Rights	New York Stock Exchange Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

Aggregate market value of the voting stock held by non-affiliates of the Registrant on August 3, 2002 was \$28,093,733,818, based on the closing price of \$31.00 per share of Common Stock as reported on the New York Stock Exchange—Composite Index. (Excluded from this figure is the voting stock held by Registrant's Directors and Executive Officers.)

Indicate the number of shares outstanding of each of Registrant's classes of Common Stock, as of the latest practicable date. April 1, 2003:
910,601,217 shares of Common Stock, par value \$.0833.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of Registrant's 2002 Annual Report to Shareholders are incorporated into Parts I, II and IV.
2. Portions of Registrant's Proxy Statement dated April 14, 2003 are incorporated into Part III. (The Report of the Compensation Committee, the Report of the Audit Committee and the stock performance graph contained in the Registrant's Proxy Statement are expressly not incorporated by reference in this Form 10-K.)

PART I

Item 1. Business.

The first paragraph of Fourth Quarter Results, Page 19; Analysis of Financial Condition, Page 20-21; Performance Objectives, Page 21-23; Credit Card Operations, Page 22; first textual paragraph of Summary of Accounting Policies—Organization, Page 28; Business Segment Comparisons, excluding years 1997-1999, Page 35; Quarterly Results (Unaudited), Page 36; the information relating to store locations on Pages 16 and 23, and the information relating to total stores on Page 37, excluding years 1997-1999, of Registrant's 2002 Annual Report to Shareholders are incorporated herein by reference. The Registrant was incorporated in Minnesota in 1902. At the end of fiscal 2002, Registrant employed approximately 306,000 people, including 245,000 at Target Stores, 33,000 at Mervyn's and 26,000 at Marshall Field's.

Competition

The Registrant's retail merchandising business is conducted under highly competitive conditions in the discount, middle market and department store retail segments. Its stores compete with national and local department, specialty, off-price, discount, grocery and drug store chains, independent retail stores and Internet and catalog businesses which handle similar lines of merchandise. The Registrant also competes with other companies for new store sites.

The Registrant believes the principal methods of competing in its industry include brand recognition, customer service, store location, differentiated offerings, value, quality, fashion, price, advertising, depth of selection and credit availability. The Registrant is a leader in community involvement programs and believes that it is in a strong competitive position with regard to these competitive factors.

Available Information

The Registrant's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge at www.target.com as soon as reasonably practicable after we file such material with, or furnish it to, the SEC.

Item 2. Properties.

Leases, Page 32; Owned and Leased Store Locations, Page 32, and the list of store locations on Pages 16 and 23 of Registrant's 2002 Annual Report to Shareholders are incorporated herein by reference.

Item 3. Legal Proceedings.

Commitments and Contingencies, Page 30, of Registrant's 2002 Annual Report to Shareholders is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders.

Not Applicable.

Item X. Executive Officers of the Registrant.

The executive officers of the Registrant as of April 1, 2003 and their positions and ages, are as follows:

Name	Title	Age
Robert J. Ulrich	Chairman of the Board, Chief Executive Officer, Chairman of the Executive Committee and Director of Registrant; Chairman and Chief Executive Officer of Target Stores (a division of Registrant)	59
Linda L. Ahlers	President of Marshall Field's (a division of Registrant)	52
Todd V. Blackwell	Executive Vice President, Human Resources and Assets Protection of Registrant and of The Associated Merchandising Corporation (a subsidiary of Registrant)	41
Bart Butzer	Executive Vice President of Target Stores	46

Michael R. Francis	Executive Vice President, Marketing of Registrant	40
John D. Griffith	Senior Vice President, Property Development of Registrant	41
James T. Hale	Executive Vice President, General Counsel and Corporate Secretary of Registrant	62
Diane L. Neal	President of Mervyn's	46
Luis A. Padilla	Executive Vice President, Merchandising of Marshall Field's	48
Douglas A. Scovanner	Executive Vice President and Chief Financial Officer of Registrant	47
Paul L. Singer	Senior Vice President, Technology Services and Chief Information Officer of Registrant	49
Gregg W. Steinhafel	President of Target Stores	48
Gerald L. Storch	Vice Chairman of Registrant	46
Ertugrul Tuzcu	Executive Vice President, Store Operations of Marshall Field's	50

Each officer is elected by and serves at the pleasure of the Board of Directors. There is no family relationship between any of the officers named nor is there any arrangement or understanding pursuant to which any person was selected as an officer. The period of service of each officer in the positions listed and other business experience as of April 1, 2003 is set forth below.

Robert J. Ulrich Chairman of the Board, Chief Executive Officer, Chairman of the Executive Committee and Director of Registrant since April 1994. Chairman and Chief Executive Officer of Target Stores since October 1987.

Linda L. Ahlers President of Marshall Field's since March 1996 and Executive Vice President, Merchandising of Marshall Field's from August 1995 to March 1996.

Todd V. Blackwell Executive Vice President, Human Resources and Assets Protection of Registrant and of The Associated Merchandising Corporation since February 2003. Senior Vice President, Human Resources of Registrant from September 2000 to February 2003. Senior Vice President, Stores of Mervyn's from December 1998 to September 2000 and Regional Vice President, Stores of Mervyn's from August 1995 to December 1998.

Bart Butzer Executive Vice President of Target Stores since April 2001. President of Mervyn's from March 1997 to April 2001. Regional Senior Vice President of Target Stores from October 1991 to March 1997.

Michael R. Francis Executive Vice President, Marketing of Registrant since February 2003. Senior Vice President, Marketing of Registrant from January 2001 to February 2003. Senior Vice President, Marketing and Visual Merchandising of Marshall Field's from April 1996 to January 2001 and Senior Vice President, Marketing of Marshall Field's from January 1995 to April 1996.

John D. Griffith Senior Vice President, Property Development of Registrant since February 2000 and Vice President, Construction of Registrant from January 1999 to February 2000. Vice President, Office Development at Ryan Companies US, Inc., a real estate development company, from 1995 to 1998.

James T. Hale Executive Vice President, General Counsel and Corporate Secretary of Registrant since March 2000 and Senior Vice President, General Counsel and Corporate Secretary of Registrant from March 1981 to March 2000.

Diane L. Neal President of Mervyn's since April 2001, Divisional Merchandise Manager of Target Stores from February 2001 to April 2001, Director, Merchandise Planning of Target Stores from March 1999 to February 2001, and Director, Sourcing for The Associated Merchandising Corporation, a subsidiary of Registrant, from April 1997 to March 1999.

Luis A. Padilla Executive Vice President, Merchandising of Marshall Field's since July 2001 and Senior Vice President, Merchandising, Softlines of Target Stores from July 1994 to July 2001.

Douglas A. Scovanner Executive Vice President and Chief Financial Officer of Registrant since February 2000 and Senior Vice President and Chief Financial Officer of Registrant from June 1994 to February 2000.

Paul L. Singer Senior Vice President, Technology Services and Chief Information Officer of Registrant since April 2000, Senior Vice President, Information Services of Registrant from February 1999 to April 2000 and Vice President, Information Services of Registrant from October 1993 to February 1999.

Gregg W. Steinhafel President of Target Stores since August 1999 and Executive Vice President of Target Stores from July 1994 to August 1999.

Gerald L. Storch Vice Chairman of Registrant since January 2001, President, Financial Services and New Businesses of Registrant from May 1998 to January 2001, President, Credit and Senior Vice President, Strategic Business Development of Registrant from May 1997 to May 1998 and Senior Vice President of Registrant from April 1993 to May 1997.

Ertugrul Tuzcu Executive Vice President, Store Operations of Marshall Field's since March 1996. Senior Vice President of Marshall Field's from August 1995 to March 1996.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

Item 6. Selected Financial Data.

The data on years 1998-2002 in the Summary Financial and Operating Data, excluding 1997 and Other Data, Page 37, of Registrant's 2002 Annual Report to Shareholders is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis, Pages 17-23, and the last textual paragraph of Pension and Postretirement Health Care Benefits, Page 34, of Registrant's 2002 Annual Report to Shareholders are incorporated herein by reference.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk.

The Registrant's operations are not currently subject to market risks of a material nature for interest rates, foreign currency rates, commodity prices or other market price risks.

Item 8. Financial Statements and Supplementary Data.

Pages 24-36, excluding years 1997-1999 on Page 35, and the Report of Independent Auditors, Page 38, of Registrant's 2002 Annual Report to Shareholders are incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not Applicable.

PART III

Certain information required by Part III is incorporated by reference from Registrant's definitive Proxy Statement dated April 14, 2003. Except for those portions specifically incorporated in this Form 10-K by reference to Registrant's Proxy Statement, no other portions of the Proxy Statement are deemed to be filed as part of this Form 10-K.

Item 10. Directors and Executive Officers of the Registrant.

Election of Directors, Pages 5-11, and Section 16(a) Beneficial Ownership Reporting Compliance, Page 25, of Registrant's Proxy Statement dated April 14, 2003, are incorporated herein by reference. See also Item X of Part I hereof.

Item 11. Executive Compensation.

Executive Compensation, Pages 13-19, and Director Compensation, Page 9, of Registrant's Proxy Statement dated April 14, 2003, are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	34,786,533(1)\$	25.73	24,091,318
Equity compensation plans not approved by security holders	0	—	0
Total	34,786,533	\$ 25.73	24,091,318

(1)

This amount does not include 552,056 Performance Shares granted in 2003 and currently outstanding under Registrant's Long-Term Incentive Plan of 1999. Performance shares do not have an exercise price because their value is dependent upon the achievement by the Registrant of certain performance goals over a period of time. Performance shares may be paid in Common Stock or cash, at the discretion of Registrant's Compensation Committee.

Largest Owners of Registrant's Shares, Page 12, and Share Ownership of Directors and Officers, Pages 11-12, of Registrant's Proxy Statement dated April 14, 2003, are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Not Applicable.

Item 14. Controls and Procedures.

Within the 90 days prior to the filing date of this report, the Registrant conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of Registrant's disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon that evaluation, Registrant's chief executive officer and chief financial officer concluded that Registrant's disclosure controls and procedures are effective. Disclosure controls and procedures are defined by Rules 13a-14(c) and 15d-14(c) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the Securities and Exchange Commission (SEC) under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in Registrant's internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation date.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

a) **Financial Statements**

Consolidated Results of Operations for the Years Ended February 1, 2003, February 2, 2002 and February 3, 2001.

Consolidated Statements of Financial Position at February 1, 2003 and February 2, 2002.

Consolidated Statements of Cash Flows for the Years Ended February 1, 2003, February 2, 2002 and February 3, 2001.

Consolidated Statements of Shareholders' Investment for the Years Ended February 1, 2003, February 2, 2002 and February 3, 2001.

Notes to Consolidated Financial Statements on Pages 28-36, excluding years 1997-99 on Page 35, of Registrant's 2002 Annual Report to Shareholders.

Report of Independent Auditors on Page 38 of Registrant's 2002 Annual Report to Shareholders.

The Registrant, through its special purpose subsidiary, Target Receivables Corporation ("TRC"), entered into a securitization transaction under which it transfers, on an ongoing basis, substantially all of its credit card receivables to a trust. Separate financial information is filed for TRC in its separate Annual Report on Form 10-K.

Financial Statement Schedule

For the Years Ended February 1, 2003, February 2, 2002 and February 3, 2001.

II—Valuation and Qualifying Accounts.

Other schedules have not been included either because they are not applicable or because the information is included elsewhere in this Report.

b) **Reports on Form 8-K**

Form 8-K filed on December 10, 2002, providing the certification required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Form 8-K filed on January 9, 2003, providing the news release relating to Registrant's December sales results.

c) **Exhibits**

- (3)A. Restated Articles of Incorporation (as amended January 9, 2002) (1)
- B. By-Laws (as amended through November 11, 1998) (2)
- (4)A. Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, as amended (3)
- B. Amended and Restated Rights Agreement, dated as of August 5, 2002, between the Registrant and Mellon Investor Services LLC, as Rights Agent (4)
- C. Registrant agrees to furnish to the Commission on request copies of instruments with respect to long-term debt.

- (10)A. * Executive Short-Term Incentive Plan (as amended March 13, 2002) (5)
- B. * Director Stock Option Plan of 1995 (6)
- C. * Supplemental Pension Plan I (7)
- D. * Executive Long-Term Incentive Plan of 1981 (as amended and restated January 13, 1999) (8)

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- E. * Supplemental Pension Plan II (7)
 - F. * Supplemental Pension Plan III (7)
 - G. * Deferred Compensation Plan Senior Management Group
 - H. * Deferred Compensation Plan Directors
 - I. * Income Continuance Policy Statement (as amended through January 13, 1999) (9)
 - J. * SMG Income Continuance Policy Statement (as amended through January 13, 1999) (10)
 - K. * SMG Executive Deferred Compensation Plan (11)
 - L. * Director Deferred Compensation Plan (12)
 - M. * Long-Term Incentive Plan of 1999
 - N. * Executive Excess Long-Term Disability Plan (13)
- (12) Statements re: Computations of Ratios
 - (13) 2002 Annual Report to Shareholders (only those portions specifically incorporated by reference herein shall be deemed filed with the Commission)
 - (21) List of Subsidiaries
 - (23) Consent of Independent Auditors
 - (24) Powers of Attorney
- (99)A. Registrant's Form 11-K Report for the year ended December 31, 2002
 - B. Registrant's Proxy Statement dated April 14, 2003 (only those portions specifically incorporated by reference herein shall be deemed filed with the Commission) (14)
 - C. Cautionary Statements Relating to Forward-Looking Information
 - D. Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Copies of exhibits will be furnished upon written request and payment of Registrant's reasonable expenses in furnishing the exhibits.

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- * Management contract or compensation plan or arrangement required to be filed as an exhibit to this Form 10-K.
- (1) Incorporated by reference to Exhibit (3)A to the Registrant's Form 10-K Report for the year ended February 2, 2002.
 - (2) Incorporated by reference to Exhibit (3)(ii) to Registrant's Form 10-Q Report for the quarter ended October 31, 1998.
 - (3) Incorporated by reference to Exhibit A to Exhibit 1 to Registrant's Registration Statement on Form 8-A dated September 19, 2001.
 - (4) Incorporated by reference to Exhibit (4)A to Registrant's Form 10-Q for the quarter ended August 3, 2002.
 - (5) Incorporated by reference to Exhibit (10)A to the Registrant's Form 10-K Report for the year ended February 2, 2002.
 - (6) Incorporated by reference to Exhibit B to the Registrant's Proxy Statement dated April 19, 1995.
 - (7) Incorporated by reference to Exhibit (10)G to the Registrant's Form 10-Q Report for the quarter ended November 2, 2002.
 - (8) Incorporated by reference to Exhibit (10)F to the Registrant's Form 10-K Report for the year ended January 30, 1999.
 - (9) Incorporated by reference to Exhibit (10)K to the Registrant's Form 10-K Report for the year ended January 30, 1999.
 - (10) Incorporated by reference to Exhibit (10)L to the Registrant's Form 10-K Report for the year ended January 30, 1999.
 - (11) Incorporated by reference to Exhibit (10)F to the Registrant's Form 10-Q for the quarter ended November 2, 2002.
 - (12) Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8 filed on December 21, 2001.
 - (13) Incorporated by reference to Exhibit (10)O to the Registrant's Form 10-K Report for the year ended February 3, 2001.
 - (14) Incorporated by reference to Registrant's Proxy Statement dated April 14, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

TARGET CORPORATION

By: _____ /s/ DOUGLAS A. SCOVANNER

Douglas A. Scovanner
Executive Vice President, Chief
Financial Officer and Chief Accounting Officer

Dated: April 14, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ BOB ULRICH

Robert J. Ulrich
Chairman of the Board and Chief Executive Officer

Dated: April 14, 2003

Dated: April 14, 2003

/s/ DOUGLAS A. SCOVANNER

ROXANNE S. AUSTIN
CALVIN DARDEN
ROGER A. ENRICO
WILLIAM W. GEORGE
ELIZABETH HOFFMAN
MICHELE J. HOOPER
JAMES A. JOHNSON
RICHARD M. KOVACEVICH
ANNE M. MULCAHY

STEPHEN W. SANGER
WARREN R. STALEY
GEORGE W. TAMKE
SOLOMON D. TRUJILLO
ROBERT J. ULRICH

Directors

Douglas A. Scovanner, by signing his name hereto, does hereby sign this document pursuant to powers of attorney duly executed by the Directors named, filed with the Securities and Exchange Commission on behalf of such Directors, all in the capacities and on the date stated.

By: /s/ DOUGLAS A. SCOVANNER

Douglas A. Scovanner
Attorney-in-Fact

Dated: April 14, 2003

Certifications

I, Robert J. Ulrich, certify that:

1. I have reviewed this annual report on Form 10-K of Target Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures 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 annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2003

/s/ ROBERT J. ULRICH

I, Douglas A. Scovanner, certify that:

1. I have reviewed this annual report on Form 10-K of Target Corporation;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures 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 annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2003

/s/ DOUGLAS A. SCOVANNER

Douglas A. Scovanner
 Executive Vice President and Chief
 Financial Officer

TARGET CORPORATION
Schedule II - Valuation and Qualifying Accounts
Fiscal Years 2002, 2001 and 2000

(Millions of Dollars)

Column A	Column B	Column C	Column D	Column E
Description	Balance at beginning of Period	Additions charged to cost, expenses, revenues	Deductions	Balance at end of period
Accounts receivable reserves:				
2002	\$ 261	\$ 460	(\$322)	\$ 399
2001(a)	\$ 0	\$ 352	(\$91)	\$ 261
2000	—	—	—	—

- (a) Concurrent with our August 22, 2001 issuance of receivable backed securities, SFAS No. 140 (which replaced SFAS No. 125 in its entirety) became the guidance applicable to our receivable-backed securities transactions. As described in detail in the Notes to Consolidated Financial Statements on page 29 of Registrant's Annual Report to Shareholders, this transaction and the application of SFAS No. 140 resulted in a number of accounting changes including the reclassification of the owned receivable-backed securities to accounts receivable at fair value.

EXHIBIT INDEX

Exhibit	Description	Manner of Filing
(3)A.	Restated Articles of Incorporation (as amended January 9, 2002)	Incorporated by Reference
(3)B.	By-Laws (as amended through November 11, 1998)	Incorporated by Reference
(4)A.	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, as amended	Incorporated by Reference
(4)B.	Amended and Restated Rights Agreement, dated as of August 5, 2002 between the Registrant and Mellon Investor Services LLC., as Rights Agent	Incorporated by Reference
(10)A.	Executive Short-Term Incentive Plan (as amended March 13, 2002)	Incorporated by Reference
(10)B.	Director Stock Option Plan of 1995	Incorporated by Reference
(10)C.	Supplemental Pension Plan I	Incorporated by Reference
(10)D.	Executive Long-Term Incentive Plan of 1981 (as amended and restated January 13, 1999)	Incorporated by Reference
(10)E.	Supplemental Pension Plan II	Incorporated by Reference
(10)F.	Supplemental Pension Plan III	Incorporated by Reference
(10)G.	Deferred Compensation Plan Senior Management Group	Filed Electronically
(10)H.	Deferred Compensation Plan Directors	Filed Electronically
(10)I.	Income Continuance Policy Statement (as amended through January 13, 1999)	Incorporated by Reference
(10)J.	SMG Income Continuance Policy Statement (as amended through January 13, 1999)	Incorporated by Reference
(10)K.	SMG Executive Deferred Compensation Plan	Incorporated by Reference
(10)L.	Director Deferred Compensation Plan	Incorporated by Reference
(10)M.	Long-Term Incentive Plan of 1999	Filed Electronically
(10)N.	Executive Excess Long-Term Disability Plan	Incorporated by Reference
(12)	Statements re: Computations of Ratios	Filed Electronically
(13)	2002 Annual Report to Shareholders	Filed Electronically
(21)	List of Subsidiaries	Filed Electronically
(23)	Consent of Independent Auditors	Filed Electronically
(24)	Powers of Attorney	Filed Electronically
(99)A.	Registrant's Form 11-K Report for the year ended December 31, 2002	Filed Electronically
(99)B.	Registrant's Proxy Statement dated April 14, 2003	Incorporated by Reference
(99)C.	Cautionary Statements Relating to Forward-Looking Information	Filed Electronically
(99)D.	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Electronically

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TARGET CORPORATION
DEFERRED COMPENSATION PLAN
SENIOR MANAGEMENT GROUP

ARTICLE 1
PURPOSE

The purpose of this Deferred Compensation Plan (the "Plan") is to provide a means whereby Target Corporation (the "Company") may afford financial security to a select group of employees who are in the Senior Management Group of the Company and its subsidiaries and who have rendered and continue to render valuable services to the Company or its subsidiaries and who make an important contribution towards the Company's continued growth and success, by providing for additional future compensation so that such employees may be retained and their productive efforts encouraged.

ARTICLE 2
DEFINITIONS AND CERTAIN PROVISIONS

Active Status. "Active Status" means the Participant is currently employed by the Company or has terminated employment under Normal or Early Retirement or under other conditions described in Section 5.2 and has not yet begun to receive payments from the Plan associated with a particular Deferral Account.

Beneficiary. "Beneficiary" means the person or persons designated as such in accordance with Article 6.

Benefit Deferral Period. "Benefit Deferral Period" means that period of one (1) or four (4) Plan Years as determined pursuant to Article 4 over which a Participant defers a portion of such Participant's Earnings.

Committee. "Committee" means the plan administration committee appointed to administer the Plan pursuant to Article 3.

Cumulative Deferral Amount. "Cumulative Deferral Amount" means the total cumulative amount by which a Participant's Earnings must be reduced over the period prescribed in Section 4.1. If for a Plan Year a Matching Allocation for an Employee who is a member of the Senior Management Group of the Company pursuant to the Target Corporation Supplemental Retirement, Savings and Employee Stock Ownership Plan ("SRSP") cannot be made because the Before Tax Deposits or After Tax Deposits elected by the Employee are reduced to comply with the provisions of the SRSP, "Cumulative Deferral Amount" also includes the amount of the Matching Allocation that cannot be made.

Declared Rate. "Declared Rate" means with respect to any Plan Year the applicable rate announced in advance by the Committee for such Plan Year. Under no circumstances shall the minimum rate be less than twelve percent (12%) per annum and the maximum rate shall not exceed twenty percent (20%) per annum. The rate to be announced, subject to the minimum and maximum percentages referenced above, shall be a calculated rate using the following formula:

Moody's Corporate Bond Yield Average – Monthly Average Corporates as published by Moody's Investors Service, Inc. or its successor (or if said index is no longer available, its successor index, or if no successor index exists, such other index as selected by the Committee as most closely replicates the measure produced by said Moody index) for the month of June for the year preceding the subject Plan Year to which the Declared Rate shall apply, said rate of return to be rounded to the nearest .10% of said reported rate, to which percentage rate shall be added six (6) percentage points (e.g. an index of 7.16% rounded to 7.20% plus 6% equals a 13.2% "Declared Rate"). Provided however, if any tax or insurance change shall occur which in the reasoned judgment of the Committee shall have an ongoing adverse economic effect on the underlying COLI financing assumptions related to the Plan, then the Committee may adjust said Declared Rate to reflect such adverse economic impact but in no event below the twelve percent (12%) minimum referenced in the first paragraph hereof.

Deferral Account. "Deferral Account" means the account maintained on the books of account of the Company pursuant to Section 4.4.

Early Retirement. "Early Retirement" means the termination of a Participant's employment with the Employer for a reason other than death on or after the date the Participant attains age 55.

Earnings. "Earnings" means the base pay and incentive pay paid to a Participant by the Company or a subsidiary, excluding car and other allowances and other cash and non-cash compensation.

Eligible Employee. "Eligible Employee" means each Employee in the Senior Management Group of the Company who executes an Enrollment Agreement to participate in the Plan.

Employee. "Employee" means any person employed by the Employer on a regular full-time salaried basis, including officers of the Employer.

Employer. "Employer" means the Company and any of its wholly owned subsidiaries.

Enrollment Agreement. "Enrollment Agreement" means the written agreement entered into by the Employer and an Eligible Employee pursuant to which the Eligible Employee becomes a Participant in the Plan. In the sole discretion of the Company, authorization forms filed by any Participant by which the Participant makes the elections provided for by this Plan may be treated as a completed and fully executed Enrollment Agreement for all purposes under the Plan.

Normal Retirement. "Normal Retirement" means the termination of a Participant's employment with the Employer for reasons other than death on or after the date the Participant attains age 65.

Participant. "Participant" means an Eligible Employee who has filed a completed and executed Enrollment Agreement or authorization form with the Committee and is participating in the Plan in accordance with the provisions of Article 4. "Participant" also means an Employee who is a member of the Senior Management Group of the Company who has a Cumulative Deferral Amount based on Matching Allocation that could not be made to the SRSP.

Pay Status. "Pay Status" means that the Participant has terminated employment with the Company and has begun to receive payments from the Plan associated with a particular Deferral Account.

Plan Year. "Plan Year" means the calendar year beginning January 1 and ending December 31.

ARTICLE 3 ADMINISTRATION OF THE PLAN

A Committee shall be appointed by the Chief Executive Officer of the Company to administer the Plan and to establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. The Committee shall have discretionary authority to determine eligibility for benefits and to construe the terms of the Plan. Interpretations of the Plan by the Committee shall be conclusive. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter which relates solely to such member's interest in the Plan as a Participant.

ARTICLE 4 PARTICIPATION

4.1 Election to Participate. Any Employee who is a member of the Senior Management Group of the Company may enroll in the Plan by filing a completed and fully executed Enrollment Agreement or authorization form with the Committee. Pursuant to said Enrollment Agreement or authorization form, the Employee shall irrevocably designate a dollar amount by which the aggregate Earnings of such Participant would be reduced over one (1) or four (4) Plan Years next following the execution of the Enrollment Agreement (the "Benefit Deferral Period"), provided, however, that:

(a) Minimum Deferral. The reduction for any Plan Year shall not be less than Five Thousand Dollars (\$5,000.00)

(b) Reduction in Earnings.

(i) In General. Except as otherwise provided in this Section 4.1, the Earnings of the Participant for each of the Plan Years in the Benefit Deferral Period shall be reduced by the amount specified in the Enrollment Agreement (including any authorization form) applicable to such Plan Year.

(ii) Accelerated Reduction. A Participant may elect in a written notice with the consent of the Committee to increase the amount of the reduction of Earnings otherwise provided for by Section 4.1(b)(i) for any of the Plan Years remaining in the Benefit Deferral Period, provided, however, that any such increase in the reduction of Earnings for any remaining Plan Years in the Benefit Deferral Period shall not increase the Cumulative Deferral Amount, but shall act to shorten the length of the Benefit Deferral Period.

(c) Maximum Reduction in Earnings. A Participant may not elect a Cumulative Deferral Amount or an increase in reduction of Earnings pursuant to Section 4.1(b)(ii), or any combination of the two, that would cause the aggregate total reduction in Earnings in any Plan Year to exceed twenty-five percent (25%) of the base pay and one hundred percent (100%) of the incentive pay payable during such Plan Year up to a total of \$250,000 per year plus the amount of any payout made pursuant to Section 5.4, or such greater percent of base pay and/or incentive pay or greater total amount as the Committee may permit in its sole discretion. In the event that a Participant elects a Cumulative Deferral Amount or increase in reduction of Earnings that would violate the limitation described in this paragraph (c), the election shall be valid except that the Cumulative Deferral Amount or increase in reduction of Earnings so elected shall automatically be reduced to comply with such limitation, whichever is most appropriate in the sole discretion of the Committee.

4.2 Deferral Accounts. The Committee shall establish and maintain a separate Deferral Account for each Participant. The amount by which a Participant's Earnings are reduced pursuant to Section 4.1 shall be credited by the Employer to the Participant's Deferral Account on the fifteenth (15th) day of the month in which such Earnings would otherwise have been paid. The Participant's Deferral Account shall be credited with the annual SRSP lost Matching Allocation on January 15 following the year of the lost Matching Allocation. Such Deferral Account shall be debited by the amount of any payments made by the Employer to the Participant or the Participant's Beneficiary pursuant to this Plan.

(a) Normal and Early Retirement Interest. Each Deferral Account of a Participant who attains Normal or Early Retirement shall be deemed to bear interest, in accordance with Appendix A, Section 1, from the date such Deferral Account was established through the date of commencement of payment of the Normal or Early Retirement Benefit at a rate equal to the Declared Rate which is announced by the Committee for each Plan Year. Following the date of commencement of payment of the Normal or Early Retirement Benefit, a Participant's Deferral Account shall be deemed to bear interest on the balance of such Deferral Account in accordance with Appendix A, Section 2.

(b) Other Interest. In the case of any termination of a Participant's employment with the Employer other than by Normal or Early Retirement or upon the Participant's termination of enrollment in this Plan pursuant to Section 5.2(b), the Participant's Deferral Account shall be deemed to bear interest from the date such Deferral Account was established through the date of the earlier of termination of employment or termination of enrollment in this Plan on the balance in such Deferral Account in accordance with Appendix A, Section 1, except that the interest rate used to calculate interest earned in the Deferral Account shall be ten percent (10%) per annum, provided, however, that if more than five (5) years have elapsed since the first day of the Benefit Deferral Period, the Participant's Deferral Account shall be deemed to bear interest from the date such Deferral Account was established through the date of the earlier of termination of employment or termination of enrollment in this Plan on the balance in such Deferral Account at a rate equal to the Declared Rate which is announced by the Committee for each Plan Year, in accordance with Appendix A, Section 1. Following the earlier of the date of commencement of payment of the Termination Benefit or the date of termination of enrollment in this Plan, a Participant's Deferral Account shall be deemed to bear interest on the balance in such Deferral Account in accordance with Appendix A, Section 1, if the Participant is in Active Status with respect to the Deferral Account or in accordance with Appendix A, Section 2, if the Participant is in Pay Status with respect to the Deferral Account. However, in either case the interest rate used to calculate interest earned in the Deferral Account shall be twelve percent (12%) per annum. Notwithstanding anything contained herein to the contrary, if a Participant has begun receiving benefits under this plan and the calculation of future benefits, using the method of calculation set forth on Appendix A causes a reduction in benefits, the future payments shall be made in accordance with the method used at the time of the Participant's initial payment.

4.3 Rollover Deferred Compensation Account. In its sole discretion, the Committee may permit a Participant to make a special rollover election to transfer any amounts which were previously deferred under the Company's existing deferred compensation plans to this Plan.

In such event, the Committee shall establish and maintain a separate Rollover Deferral Account for each Participant who makes a rollover transfer to this Plan. Such Rollover Deferral Account shall be deemed to bear interest at the same rate and subject to the same conditions as other Deferral Accounts pursuant to Section 4.2. Each Participant who makes a rollover transfer to a Rollover Deferral Account shall be treated for purposes of determining benefits under the Plan as having a separate Cumulative Deferral Amount and Deferral Account which shall initially be in the amount of the rollover transfer. A Participant who makes a rollover transfer shall be deemed to waive all rights under the Company's existing deferred compensation plans from which rollover transfers are made with

respect to the amounts transferred to this Plan, including the right to make elections regarding the time or manner of payment as permitted thereunder. Rollover transfers shall be subject to the minimum deferral amount set forth in Section 4.1(a), but shall not be subject to any maximum deferral limitation.

4.4 Valuation of Accounts. The value of a Deferral Account as of any date shall equal the amounts theretofore credited to such account less any payments debited to such account plus the interest deemed to be earned on such account in accordance with Section 4.2. Interest shall be credited in accordance with Appendix A.

4.5 Statement of Accounts. The Committee shall submit to each Participant, within one hundred twenty (120) days after the close of each Plan Year, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in his Deferral Account.

ARTICLE 5 BENEFITS

5.1 Normal or Early Retirement. Upon Normal or Early Retirement, the payment of benefits shall commence on the first day of the month following retirement, or following such later date which the Participant elected in his Enrollment Agreement (including any authorization form). A Participant may elect in his Enrollment Agreement (including any authorization form) to have payments commence from one (1) to ten (10) years following retirement, but not later than age 65 (or five (5) years after the first day of the Benefit Deferral Period, if later).

(a) Single Participant. In the case of a Participant who is single when payments commence, the Employer shall make periodic payments to the Participant in an amount in accordance with Appendix A, Section 2.B., for the life of the Participant, but not less than fifteen (15) years. The payments shall be the actuarial equivalent of the aggregate of the Participant's Deferral Account at the time payments commence and the interest that will accrue on the unpaid balance in such Deferral Account during the payment period pursuant to Section 4.2(a). The payment amount will be redetermined annually to reflect the changes in the Declared Rate.

(b) Married Participant. In the case of a Participant who is married when payments commence, the Employer shall make actuarially reduced payments in accordance with Appendix A, Section 2.B., to the Participant for his life and thereafter, if the Participant is survived by a spouse who was married to the Participant when Normal or Early Retirement Benefit payments commenced, shall continue to make payments to the Participant's spouse for his life, with payments to be made for an aggregate period of not less than fifteen (15) years. The payments shall be the actuarial equivalent of the payments which would be made to the Participant pursuant to Section 5.1(a) if he were single. The monthly amount of payments will be redetermined annually to reflect changes in the Declared Rate.

5.2 Termination Benefit.

(a) Terminations of Employment. If a Participant shall cease to be an Employee for any reason other than death or Normal or Early Retirement or Certain Terminations of Employment under Section 5.2(b), the Employer shall pay to the Participant in one lump sum an amount (the "Termination Benefit") equal to the value of the Deferral Account as of the date of payment and such Participant shall be entitled to no further benefits under this Plan, provided, however, at the sole discretion of the Committee, no lump sum shall be payable and, instead, the Employer shall pay to the Participant the balance of the Deferral Account over a four (4) year period in accordance with Appendix A, Section 2.C. Upon termination of employment the Participant shall immediately cease to be eligible for any benefits under the Plan other than the Termination Benefit. No other benefit shall be payable to either the Participant or any Beneficiary of such Participant.

(b) Certain Terminations of Employment. If a Participant shall cease to be an Employee for any reason other than death or Normal or Early Retirement and shall be at least age 50, have worked for the Company for at least 10 years and has received an ICP Contract under the Company's Income Continuance Policy that is signed by Participant and Company and not rescinded, the payment of benefits shall commence on the first day of the month following termination, or following such later date which the Participant elected in his Enrollment Agreement (including any authorization form). A Participant may elect in his Enrollment Agreement (including any authorization form) to have payments commence from one (1) to ten (10) years following retirement, but not later than age 65 (or five (5) years after the first day of the Benefit Deferral Period, if later).

(i) Single Participant. In the case of a Participant who is single when payments commence, the Employer shall make periodic payments to the Participant in an amount in accordance with Appendix A, Section 2.B for the life of the Participant, but not less than fifteen (15) years. The payments shall be the actuarial equivalent of the aggregate of the Participant's Deferral Account at the time payments commence and the interest that will accrue on the unpaid balance in such Deferral Account during the payment period pursuant to Section 4.2(a). The amount of payments will be redetermined annually to reflect changes in the Declared Rate.

(ii) Married Participant. In the case of a Participant who is married when payments commence, the Employer shall make actuarially reduced payments in accordance with Appendix A, Section 2.B, to the Participant for his life and thereafter, if the Participant is survived by a spouse who was married to the Participant when Normal or Early Retirement Benefit payments commenced, shall continue to make pay period payments to the Participant's spouse for his life, with payments to be made for an aggregate period of not less than fifteen (15) years. The payments shall be the actuarial equivalent of the payments which would be made to the Participant pursuant to Section 5.1(a) if he were single. The monthly amount of payments will be redetermined annually to reflect changes in the Declared Rate.

(c) Termination of Enrollment in Plan. With the written consent of the Committee, a Participant may terminate his enrollment in the Plan by filing with the Committee a written request to terminate enrollment. The Committee will consent to the termination of a Participant's enrollment in the Plan in the event of an unforeseeable financial emergency of the Participant. An unforeseeable financial emergency shall mean an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal or other such unforeseeable occurrence. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. Upon termination of enrollment, no further reductions shall be made in the Participant's Earnings pursuant to his Enrollment Agreement, and the Participant shall immediately cease to be eligible for any benefits under the Plan other than the Termination Benefit. No other benefit shall be payable to either the Participant or any Beneficiary of such Participant. In its sole discretion, the Committee may pay the Termination Benefit on a date earlier than the Participant's termination of employment with the Employer, in which event the Termination Benefit shall be calculated as if the Participant had terminated employment with the Employer on the date of such payment. Following termination of enrollment in the Plan, a Participant's Deferral Account shall be deemed to bear interest on the balance in such Deferral Account in accordance with Appendix A, Section 1, except that the interest rate used to calculate interest earned in the Deferral Account shall be twelve percent (12%) per annum.

5.3 Lump Sum Election. Other provisions of Section 5.1 and Section 5.2 notwithstanding, if a Participant in his Enrollment Agreement (including any authorization form) has elected a lump sum payment to be made after his retirement, the amount of his Deferral Account (including interest) for the Benefit

Deferral Period covered by that Agreement shall be paid to the Participant in a lump sum at the time specified in that Agreement.

5.4 Early Payment Option. The Employer shall pay to the Participant, if he is an Employee of the Company, the amount by which the Participant's Earnings were reduced in any Plan Year pursuant to Section 4.1 during the eighth (8th) year following the Plan Year ("Early Payment"), provided that such amount has not previously been paid out under other provisions of the Plan. Such Early Payment shall not include any interest credited to the Participant's Deferral Account pursuant to Section 4.2. Notwithstanding any other provisions of this Plan, the Participant may elect prior to the beginning of any year in which such an Early Payment will be made to him to reduce his Earnings during the year in which such Early Payment is made by an amount equal to the Early Payment. An Early Payment shall not result in any change in the Survivor Benefits payable pursuant to Section 5.5, other than as a result of the reduction in the Participant's Cumulative Deferral Account and Deferral Account balance by the amount of the Early Payment.

5.5 Survivor Benefits.

(a) If a Participant dies while employed with an Employer prior to Early or Normal Retirement, the Employer will pay to the Participant's Beneficiary an annual benefit for the greater of:

- (i) ten (10) years, or
- (ii) until the Participant would otherwise have attained age 65,

equal to fifty percent (50%) of the Cumulative Deferral Amount. However, if the Committee determines that a distribution of the Participant's Deferral Account would produce a greater benefit, such Deferral Account balance shall be paid to the Participant's Beneficiary in equal annual installments in accordance with Appendix A, Section 2.C.2, but over the period specified above.

(b) If a Participant dies after Early or Normal Retirement, but prior to commencement of payment of any Early or Normal Retirement Benefit under the Plan, the Employer will pay to the Participant's Beneficiary the benefit that such Participant would have received had the Participant retired on the day prior to such Participant's death, provided, however, that if the present value of the benefit described in this Section 5.5(b) is less than the present value of the benefit described in Section 5.5(a), using in each case twelve percent (12%) as the discount factor, then the Beneficiary described in this Section 5.5(b) shall receive the benefit described in Section 5.5(a) and not the benefit described in this Section 5.5(b).

(c) If a Participant (who was unmarried at the commencement of the payment of any Early or Normal Retirement Benefit, or whose spouse who was married to the Participant at the time of commencement of payment of any Early or Normal Retirement Benefit predeceases the Participant) dies after the commencement of the payment of any Early or Normal Retirement Benefit, the Employer will pay to the Participant's Beneficiary the remaining installments of any such benefit for the balance of the fifteen (15) years minimum payment period. If a spouse who was married to the Participant at the time of commencement of payment of the Early or Normal Retirement Benefit survives beyond such fifteen (15) years minimum payment period, payments shall continue to be made to the spouse until the spouse's death. If the spouse who was married to the Participant at the time of commencement of payment of the Early or Normal Retirement Benefit survives the Participant, but does not survive past the fifteen (15) years minimum payment period, the Employer will pay to the Participant's Beneficiary the remaining installments of any such benefit for the balance of the fifteen (15) years minimum payment period. In computing any benefits to be paid following the Participant's death pursuant to this paragraph (c), the Participant's Deferral Account shall be deemed to bear interest following the Participant's death on the balance in such Deferral Account annually in accordance with Appendix A, Section 2.B.

(d) If a Participant, who does not receive a lump sum Termination Benefit, dies prior to the time he has received the four (4) annual payments referred to in Section 5.2(a), the remaining payments for such 4 year-period shall be paid to the Participant's Beneficiary.

(e) Notwithstanding other provisions of the Plan, if the Beneficiary is not a spouse, the present value of the installment payments as described in Section 5.2(a), shall be paid as soon as administratively feasible after the death of the Participant. The interest rate used to compute the present value shall be the average of the Declared Rate for the Plan Year in which the Participant dies and twelve percent (12%).

(f) Solely for purposes of this Section 5.5, a Participant who has a Certain Termination of Employment as defined in Section 5.2(b) shall be deemed to have had an Early Retirement and the benefit payable under Section 5.2(b) shall be deemed to be an Early Retirement Benefit.

5.6 Small Benefit. In the event that the Committee determines in its sole discretion that the amount of any benefit is too small to make it administratively convenient to pay such benefit over time, the Committee may pay the benefit in the form of a lump sum equal to the value of the Deferral Account at the time of the distribution, notwithstanding any provision of this Article 5 to the contrary.

5.7 Withholding. To the extent required by the law in effect at the time payments are made, the Employer shall withhold from payments made hereunder the minimum taxes required to be withheld by the federal or any state or local government.

5.8 Lump Sum Payout Option. Notwithstanding any other provisions of the Plan, at any time after retirement, but not later than ten (10) years after retirement of the Participant, a Participant or a Beneficiary of a deceased Participant may elect to receive an immediate lump sum payment of 50% or 100% of the balance of his Deferral Account, reduced by a penalty, which shall be forfeited to the Company, equal to eight percent (8%) of the amount of his Deferral Account he elected to receive, in lieu of payments in accordance with the form previously elected by the Participant, or provided elsewhere in this Plan. Such election, if not 100%, may be made only twice. If less than 100% of his Deferral Account is paid out, the remainder of his Deferral Account will be paid in accordance with the form previously elected by the Participant, or provided elsewhere in this Plan. However, the penalty shall not apply if the Committee determines, based on advice of counsel or a final determination by the Internal Revenue Service or any court of competent jurisdiction, that by reason of the foregoing provision any Participant or Beneficiary has recognized or will recognize gross income for federal income tax purposes under this Plan in advance of payment to him of Plan benefits. The Company shall notify all Participants (and Beneficiaries of deceased Participants) of any such determination. Whenever any such determination is made, the Company shall refund all penalties which were imposed hereunder on account of making lump sum payments at any time during or after the first year to which such determination applies (i.e., the first year when gross income is recognized for federal income tax purposes). Interest shall be paid on any such refunds at ten percent (10%) for each Plan Year, compounded annually. The Committee may also reduce or eliminate the penalty if it determines that this action will not cause any Participant or Beneficiary to recognize gross income for federal income tax purposes under this Plan in advance of payment to him of Plan benefits.

Each Participant shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of the Participant's death prior to complete distribution to the Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a form prescribed by the Committee.

The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed. Any finalized divorce or marriage (other than a common law marriage) of a Participant subsequent to the date of filing of a Beneficiary designation form shall revoke such designation unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse had previously been designated as Beneficiary. The spouse of a married Participant domiciled in a community property jurisdiction shall join in any designation of Beneficiary or Beneficiaries other than the spouse.

If a Participant fails to designate a Beneficiary as provided above, or if his Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Committee shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 7 AMENDMENT AND TERMINATION OF PLAN

7.1 Amendment. The Board of Directors of the Company may at any time amend the Plan, in whole or in part for any reason, including but not limited to tax, accounting or insurance changes, a result of which may be to terminate the Plan for future deferrals (excluding from such power to terminate future deferrals those future deferrals provided for in Section 5.4 Early Payout Option); provided, however, that no amendment shall be effective to decrease the benefits, nature or timing thereof payable under the Plan to any Participant with respect to deferrals made (and benefits thereafter accruing) prior to the date of such amendment. Written notice of any amendment shall be given each Participant then participating in the Plan. Notwithstanding the above, the Board authorizes the Committee to amend the Plan to make any other amendments to this Plan deemed necessary or desirable by the Committee for the operation and administration of this Plan provided such amendment does not have a material financial impact on DHC. Such changes will be considered an Amendment to this Plan and shall be effective without further action by the Board. Written notice of any amendment shall be given to each Participant then participating in the Plan.

7.2 Automatic Termination of Plan. The Plan shall terminate only under the following circumstances. The Plan shall automatically terminate upon (a) a determination by the Company that a final decision of a court of competent jurisdiction or the U. S. Department of Labor holding that the Plan is not maintained "primarily for the purpose of providing deferred compensation for a select group of management or highly-compensated employees," and therefore is subject to Parts 2, 3 and 4 of Title I of ERISA, would require that the Plan be funded and would result in immediate taxation to Participants of their vested Plan benefits, or (b) a determination by the Company that a final decision of a court of competent jurisdiction has declared that the Participants under the Plan are in constructive receipt under the Internal Revenue Code of their vested Plan benefits.

7.3 Payments Upon Automatic Termination. Upon any Plan termination under Section 7.2, the Participants will be deemed to have terminated their enrollment under the Plan as of the date of such termination. The Employer will pay all Participants the value of each Participant's Deferral Accounts in a lump sum, determined as if each Participant had a Termination of Employment on the date of such termination of the Plan as provided under Section 5.2(a) hereof.

7.4 Payments Upon Change of Control. Notwithstanding any provision of this Plan to the contrary, if a "Change of Control" as defined in the Target Corporation Deferred Compensation Trust Agreement (as it may be amended from time to time) occurs and results in funding of the trust established under that Agreement, each Participant (or Beneficiary of a deceased Participant) will be paid the entire value at that time of his or her Deferral Accounts in a lump sum, determined as if the Participant had a Termination of Employment as provided under Section 5.2(a) on the date the Change of Control occurs (except that the provisions of Section 5.2(a) allowing payment over a period not to exceed 48 months shall not apply). However, this section shall not apply, and no amounts shall be payable to Participants or Beneficiaries under this section, in the event the assets of said trust are returned to the Participating Employers pursuant to the Trust Agreement because no Change of Control actually occurred.

ARTICLE 8 MISCELLANEOUS

8.1 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interests in any specific property or assets of Employer, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by Employer ("Policies"). Such Policies or other assets of Employer shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of Employer under this Plan. Any and all of Employer's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of Employer. Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of Employer to pay money in the future.

8.2 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.3 Employment Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Employee any right to be retained in the employ of the Employer.

8.4 Protective Provisions. Each Participant shall cooperate with the Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Employer may deem necessary and taking such other relevant action as may be requested by the Employer. If a Participant refuses so to cooperate, the Employer shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative reductions in Earnings theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the later of (a) the date of adoption of this Plan or (b) the first day of the first Plan Year of such Participant's participation in the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits will be payable hereunder to such Participant or his Beneficiary, other than payment to such Participant of the cumulative reductions in Earnings theretofore made pursuant to this Plan, provided, that in the Employer's sole discretion, benefits may be payable in an amount reduced to compensate the Employer for any loss, cost, damage or expense suffered or incurred by the Employer as a result in any way of such misstatement or nondisclosure.

8.5 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine or feminine as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

8.6 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

8.7 Validity. In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

8.8 Notice. Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Employer, directed to the attention of the President of the Employer. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

8.9 Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of Minnesota as applied to contracts executed and to be wholly performed in such state.

APPENDIX A

Section 1

Participant Deferral Account Interest Crediting While in Active Status Assuming No Further Deferrals

A. A Participant shall receive interest credited monthly equal to the Participant's beginning-of-year (BOY) Deferral Account balance times the Declared Rate divided by twelve:

Interest crediting occurs up to the day the Participant begins to receive annuity payments from the Plan.

Example of interest credited calculation

BOY Deferral Account balance at 1/1/99	= \$500,000.00
Declared Rate	= 13.7%
Declared Rate divided by 12	= 13.7%/12 = 1.1417%
Credited interest for each month of 1999	= \$500,000 × .011417 = \$5,708.50

B. A participant's Deferral Account balance shall be increased each month by taking the beginning-of-month (BOM) balance plus interest credited for the month to equal the end-of-month (EOM) balance.

BOM balance + monthly interest credited = EOM balance

Example of monthly account growth

BOM balance at 1/1/99	= \$500,000.00
Monthly crediting dollars for 1998	= \$5,708.50
EOM at 1/31/99	= \$500,000.00 + 5,708.50 = \$505,708.50
EOM at 2/28/99	= \$505,708.50 + 5,708.50 = \$511,417.00

Section 2:

Interest Crediting, Deferral Account Balances, and Payments While in Pay Status

A. Definition of Variables for Participant Payment Calculation

- "n" = number of payments expected to be made to a Participant and spouse. The number of expected payments shall be determined by: (1) The ages of the Participant and spouse at the time annuity payments first begin. (2) The number of years that the Participant and spouse are expected to live, as determined by an actuarially-based mortality table selected by the Committee. (3) The frequency of payments made to the Participant. This frequency shall be determined by the payroll procedures of the Company's operating division responsible for administering the Participant's payments.

Example of number of expected payments (assuming payments to begin on 10/1/99)

Frequency of payments	= monthly
Participant age on 10/1/99	= 50 yrs. old
Spouse age on 10/1/99	= 48 yrs. old
Participant's and spouse's joint expected remaining lives	= 476 months
"n" for 10/1/99	= 476
"n" for 1/1/00	= 473
"n" for 1/1/01	= 461

- "i" = interest rate per payment period such that when compounded over the entire year equals the Declared Rate.

"i" shall be expressed either as a weekly or monthly interest rate, depending on the frequency of annuity payments made by the operating division administering the Participant's payments. If weekly, "i" is the interest rate that, when compounded over 52 periods, will equal the Declared Rate. If monthly, "i" is the interest rate that, when compounded over 12 periods, will equal the Declared Rate.

Example of weekly and monthly interest rates

Declared Rate = 13.7%
Weekly "i" = $(1.137)^{1/52} = .002472$ or .2472%
Monthly "i" = $(1.137)^{1/12} = .010757$ or 1.0757%

3. The beginning-of-period balance (BOP balance) is the Participant's Deferral Account balance at any time before credited interest has been added for the period and payments have been subtracted for the period.

End-of-period balance (EOP balance) is the Participant's Deferral Account balance at any point in time after credited interest has been added for the period and payments have been subtracted for the period.

Example of EOP balance calculation

$$\text{EOP balance} = \text{BOP balance} + \text{interest crediting} - \text{payment}$$

B. Payments

1. Calculation of payments

At the beginning of each year (or at the beginning of a month when a Participant's Deferral Account is first transferred from active status to payment status), a payment shall be calculated for each Participant who has a Deferral Account that is in the payment status. The periodicity of payments shall depend on the payroll procedures of the operating division administering the Participant's payments. The amount of the payment shall be effective for that calendar year (or portion of the calendar year).

The calculation of the payment amount is based on the present value of an annuity formula. Specifically, the payment is given by:

$$\text{Payment} = \frac{i}{1 - \frac{1}{(1+i)^n}} \times \text{BOP}$$

Example of a calculation with monthly payments

n = 476 months
 Monthly i = 1.0757%
 BOP balance = \$500,000.00
 Payment = \$5,411.73

Example of a calculation with weekly payments

n = 2,070 weeks
 Weekly i = 0.2472%
 BOP balance = \$500,000.00
 Payment = \$1,243.50

2. Interest Crediting for Payments

Interest crediting shall be calculated every payment period, with the interest amount equal to the beginning-of-period Deferral Account balance times the periodic interest rate

Example of interest crediting calculation (assuming monthly payments and a 13.7% Declared Rate)

BOP balance = \$500,000.00
 Monthly i = 1.0757%
 Interest crediting = \$500,000.00 × .010757 = \$5,378.50

3. Amortization of Participant Deferral Account Balances

Participant Deferral Account balances shall be amortized over the remaining number of expected payment periods by adding to the beginning-of-period balance the interest credits earned during the period less the payment made for the period to produce an end-of-period Deferral Account balance.

Example of Deferral Account balance amortization (assuming monthly payments and a 13.7% Declared Rate)

BOP balance = \$500,000.00
 Monthly i = 1.0757%
 Interest crediting = \$5,378.50
 Payment = \$5,411.73
 EOP balance = \$500,000.00 + \$5,378.50 - \$5,411.73 = \$499,966.77

C. Installment Termination Payments

1. At the Company's discretion, if a participant terminates employment with the Company prior to Normal or Early Retirement, as described in Article 5, Section 5.2(a), a participant's balance may be paid out over a four (4) year installment period (one payment a year) instead of as an immediate lump sum payment.
- 2.

The four equal annual installment payments are determined by using the present value of an annuity formula referenced in Section 2.B.1. of this Appendix. The interest rate used in calculating the four payments shall be 12%.

Example of a four-year annual installment payout of a Deferral Account balance

$n = 4$

Annual $i = 12\%$

BOP balance = \$500,000.00

Annual installment payments = \$164,617.22

TARGET CORPORATION
DEFERRED COMPENSATION PLAN
DIRECTORS

ARTICLE 1
PURPOSE

The purpose of this Deferred Compensation Plan (the "Plan") is to provide a means whereby Target Corporation (the "Company") may afford additional financial security to directors of the Company and its subsidiaries who have rendered and continue to render valuable services to the Company or its subsidiaries and who make an important contribution towards the Company's continued growth and success by providing for additional future compensation so that such directors may be retained and their productive efforts encouraged.

ARTICLE 2
DEFINITIONS AND CERTAIN PROVISIONS

Beneficiary. "Beneficiary" means the person or persons designated as such in accordance with Article 6.

Benefit Deferral Period. "Benefit Deferral Period" means that period of one (1) or four (4) Plan Years as determined pursuant to Article 4 over which a Participant defers a portion of such Participant's Earnings.

Committee. "Committee" means the plan administration committee appointed to administer the Plan pursuant to Article 3.

Cumulative Deferral Amount. "Cumulative Deferral Amount" means the total cumulative amount by which a Participant's Earnings must be reduced over the period prescribed in Section 4.1.

Declared Rate. "Declared Rate" means with respect to any Plan Year the applicable rate announced in advance by the Committee for such Plan Year. Under no circumstances shall the minimum rate be less than twelve percent (12%) per annum and the maximum rate shall not exceed twenty percent (20%) per annum. The rate to be announced, subject to the minimum and maximum percentages referenced above, shall be a calculated rate using the following formula:

Moody's Corporate Bond Yield Average – Monthly Average Corporates as published by Moody's Investors Service, Inc. or its successor (or if said index is no longer available, its successor index, or if no successor index exists, such other index as selected by the Committee as most closely replicates the measure produced by said Moody index) for the month of June for the year preceding the subject Plan Year to which the Declared Rate shall apply, said rate of return to be rounded to the nearest .10% of said reported rate, to which percentage rate shall be added six (6) percentage points (e.g. an index of 7.16% rounded to 7.20% plus 6% equals a 13.2% "Declared Rate"). Provided however, if any tax or insurance change shall occur which in the reasoned judgment of the Committee shall have an ongoing adverse economic effect on the underlying COLI financing assumptions related to the Plan, then the Committee may adjust said Declared Rate to reflect such adverse economic impact but in no event below the twelve percent (12%) minimum referenced in the first paragraph hereof.

RESOLVED FURTHER that "Article 7 Amendment and Termination of Plan" be amended in its entirety to read as follows:

Deferral Account. "Deferral Account" means the account maintained on the books of account of the Company pursuant to Section 4.4.

Director. "Director" means any director of the Company or a subsidiary.

Earnings. "Earnings" means the total fees paid to a Participant for service on the Board of Directors (or any committee thereof) of the Company or a subsidiary.

Employer. "Employer" means the Company and any of its wholly owned subsidiaries.

Enrollment Agreement. "Enrollment Agreement" means the written agreement entered into by the Employer and a Director pursuant to which the Director becomes a Participant in the Plan. In the sole discretion of the Company, authorization forms filed by any Participant by which the Participant makes the elections provided for by this Plan may be treated as a completed and fully executed Enrollment Agreement for all purposes under the Plan.

Participant. "Participant" means a Director who has filed a completed and executed Enrollment Agreement or authorization form with the Committee and is participating in the Plan in accordance with the provisions of Article 4.

Plan Year. "Plan Year" means the fiscal year beginning February 1 and ending January 31.

Retirement. "Retirement" means termination of service as a Director for any reason whatsoever, whether voluntarily or involuntarily, except death.

ARTICLE 3
ADMINISTRATION OF THE PLAN

A Committee shall be appointed by the Chief Executive Officer of the Company to administer the Plan and to establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. The Committee shall have discretionary authority to determine eligibility for benefits and to construe the terms of the Plan. Interpretations of the Plan by the Committee shall be conclusive. Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter which relates solely to such member's interest in the Plan as a Participant.

ARTICLE 4
PARTICIPATION

4.1 Election to Participate. Any Director may enroll in the Plan by filing a completed and fully executed Enrollment Agreement or authorization form with the Committee. Pursuant to said Enrollment Agreement or authorization form, the Director shall irrevocably designate a dollar amount (the "Cumulative Deferral Amount") by which the aggregate Earnings of such Participant would be reduced over one (1) or four (4) Plan Years next following the execution of the Enrollment Agreement (the "Benefit Deferral Period"), provided, however, that:

(a) Minimum Deferral. The reduction for any Plan Year shall not be less than Five Thousand Dollars (\$5,000.00).

(b) Reduction in Earnings.

(i) In General. Except as otherwise provided in this Section 4.1, the Earnings of the Participant for each of the Plan Years in the Benefit Deferral Period shall be reduced by the amount specified in the Enrollment Agreement (including any authorization form) applicable to such Plan Year.

(ii) Accelerated Reduction. A Participant may elect in a written notice with the consent of the Committee to increase the amount of the reduction of Earnings otherwise provided for by Section 4.1(b) (i) for any of the Plan Years remaining in the Benefit Deferral Period, provided, however, that any such increase in the reduction of Earnings for any remaining Plan Years in the Benefit Deferral Period shall not increase the Cumulative Deferral Amount, but shall act to shorten the length of the Benefit Deferral Period.

(c) Maximum Reduction in Earnings. A Participant may not elect a Cumulative Deferral Amount or an increase in reduction of Earnings pursuant to Section 4.1(b) (ii), or any combination of the two, that would cause the aggregate total reduction in Earnings in any Plan Year to exceed one hundred percent (100%) of the Earnings payable during such Plan Year. In the event that a Participant elects a Cumulative Deferral Amount or increase in reduction of Earnings that would violate the limitation described in this paragraph (c), the election shall be valid except that the Cumulative Deferral Amount or increase in reduction of Earnings so elected shall automatically be reduced to comply with such limitation, whichever is most appropriate in the sole discretion of the Committee.

4.2 Deferral Accounts. The Committee shall establish and maintain a separate Deferral Account for each Participant. The amount by which a Participant's Earnings are reduced pursuant to Section 4.1 shall be credited by the Employer to the Participant's Deferral Account on the fifteenth (15th) day of the month in which such Earnings would otherwise have been paid. Such Deferral Account shall be debited by the amount of any payments made by the Employer to the Participant or the Participant's Beneficiary pursuant to this Plan.

(a) Interest. Each Deferral Account of a Participant shall be deemed to bear interest from the date such Deferral Account was established through the date of commencement of payment of the Retirement Benefit at a rate equal to the Declared Rate which is announced by the Committee for each Plan Year, compounded annually, on the balance from month-to-month in such Deferral Account. Following the date of commencement of payment of the Retirement Benefit, a Participant's Deferral Account shall be deemed to bear interest on the balance in such Deferral Account from month to month at a rate equal to Declared Rate, compounded annually.

4.3 Rollover Deferred Compensation Account. In its sole discretion, the Committee may permit any Participant to make a special rollover election to transfer any amounts which were previously deferred under any existing deferred compensation plans of the Company to this Plan.

In such event, the Committee shall establish and maintain a separate Rollover Deferral Account for each Participant who makes a rollover transfer to this Plan. Such Rollover Deferral Account shall be deemed to bear interest at the same rate and subject to the same conditions as other Deferral Accounts pursuant to Section 4.2. Each Participant who makes a rollover transfer to a Rollover Deferral Account shall be treated for purposes of determining benefits under the Plan as having a separate Cumulative Deferral Amount which shall initially be in the amount of the rollover transfer. A Participant who makes a rollover transfer shall be deemed to waive all rights under the Company's existing deferred compensation plans from which rollover transfers are made with respect to the amounts transferred to this Plan, including the right to make elections regarding the time or manner of payment as permitted thereunder. Rollover transfers shall be subject to the minimum deferral amount set forth in Section 4.1(a), but shall not be subject to any maximum deferral limitation.

4.4 Valuation of Accounts. The value of a Deferral Account as of any date shall equal the amounts theretofore credited to such account less any payments debited to such account plus the interest deemed to be earned on such account in accordance with Section 4.2. Interest shall be credited monthly on the fifteenth (15th) day of each month.

4.5 Statement of Accounts. The Committee shall submit to each Participant, within one hundred twenty (120) days after the close of each Plan Year, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in his Deferral Account.

ARTICLE 5 BENEFITS

5.1 Retirement. Upon Retirement, the payment of benefits shall commence on the first day of the month following retirement, or following such later date which the Participant elected in his Enrollment Agreement (including any authorization form). A Participant may elect in his Enrollment Agreement (including any authorization form) to have payments commence from one (1) to ten (10) years following retirement, but not later than age 65 (or five (5) years after the first day of the Benefit Deferral Period, if later).

(a) Single Participant. In the case of a Participant who is single when payments commence, the Employer shall pay to the Participant an amount each month for the life of the Participant, but not less than one hundred eighty (180) months. The payments shall be the actuarial equivalent of the aggregate of the Participant's Deferral Account at the time payments commence and the interest that will accrue on the unpaid balance in such Deferral Account during the payment period pursuant to Section 4.2(a). The monthly amount of payment will be redetermined annually to reflect changes in the Declared Rate.

(b) Married Participant. In the case of a Participant who is married when payments commence, the Employer shall make actuarially reduced monthly payments to the Participant for his life and thereafter, if the Participant is survived by a spouse who was married to the Participant when Retirement Benefit payments commenced, shall continue to make monthly payments to the Participant's spouse for her life, with payments to be made for an aggregate period of not less than one hundred eighty (180) months. The payments shall be the actuarial equivalent of the payment which would be made to the Participant pursuant to Section 5.1(a) if he were single. The monthly amount of payments will be redetermined annually to reflect the change in the Declared Rate.

5.2 Survivor Benefits.

(a) If a Participant dies prior to Retirement, the Employer will pay to the Participant's Beneficiary an annual benefit for the greater of:

(i) ten (10) years, or

(ii) until the Participant would otherwise have attained age 65,

equal to fifty percent (50%) of the Cumulative Deferral Amount. However, if the Committee determines that a distribution of the Participant's Deferral Account would produce a greater benefit, such Deferral Account balance shall be paid to the Participant's Beneficiary in equal annual installments over the same period as specified above based on crediting the balance from month-to-month in such Deferral Account at a rate equal to twelve percent (12%) per annum, compounded annually.

(b) If a Participant dies after Retirement, but prior to commencement of payment of any Retirement Benefit under the Plan, the Employer will pay to the Participant's Beneficiary the benefit that such Participant would have received had the Participant retired on the day prior to such Participant's death, provided, however, that if the present value of the benefit described in this Section 5.2(b) is less than the present value of the benefit described in Section 5.2(a), using in each case twelve percent (12%) as the discount factor, then the Beneficiary described in this Section 5.2(b) shall receive the benefit described in Section 5.2(a) and not the benefit described in this Section 5.2(b).

(c) If a Participant (who was unmarried at the commencement of the payment of any Retirement Benefit, or whose spouse who was married to the Participant at the time of commencement of payment of any Retirement Benefit predeceases the Participant) dies after the commencement of the payment of any Retirement Benefit, the Employer will pay to the Participant's Beneficiary the remaining installments of any such benefit for the balance of the one hundred eighty (180) months minimum payment period. If a spouse who was married to the Participant at the time of commencement of payment of the Retirement Benefit survives beyond such one hundred eighty (180) months minimum payment period, payments shall continue to be made to the spouse until the spouse's death. If the spouse who was married to the Participant at the time of commencement of payment of the Retirement Benefit survives the Participant, but does not survive past the one hundred eighty (180) months minimum payment period, the Employer will pay to the Participant's Beneficiary the remaining installments of any such benefit for the balance of the one hundred eighty (180) months minimum payment period. In computing any benefits to be paid following the Participant's death pursuant to this paragraph (c), the Participant's Deferral Account shall be deemed to bear interest following the Participant's death on the balance in such Deferral Account from month-to-month at a rate equal to the Declared Rate, compounded annually.

(d) Notwithstanding other provisions of the Plan, if the Beneficiary is not a spouse, the present value of the installments shall be paid as soon as administratively feasible after the death of the Participant. The interest rate used to compute the present value shall be the average of the declared rate for the Plan Year in which the Participant dies and twelve percent (12%).

5.3 Small Benefit. In the event that the Committee determines in its sole discretion that the amount of any benefit is too small to make it administratively convenient to pay such benefit over time, the Committee may pay the benefit in the form of a lump sum, notwithstanding any provision of this Article 5 to the contrary. Such lump sum shall be computed as the net present value of the benefit otherwise payable using a twelve percent (12%) per annum discount factor.

5.4 Withholding. To the extent required by the law in effect at the time payments are made, the Employer shall withhold from payments made hereunder the minimum taxes required to be withheld by the federal or any state or local government.

5.5 Lump Sum Election. Other provisions of Section 5.1 notwithstanding, if a Participant in his Enrollment Agreement (including any authorization form) has elected a lump sum payment to be made after his Retirement, the amount of his Deferral Account (including interest) for the Benefit Deferral Period covered by that Agreement shall be paid to the Participant in a lump sum at the time specified in that Agreement.

5.6 Lump Sum Payout Option. Notwithstanding any other provisions of the Plan, at any time after Retirement, but not later than ten (10) years after Retirement of the Participant, a Participant or a Beneficiary of a deceased Participant may elect to receive an immediate lump sum payment of 50% or 100% of the balance of his Deferral Account, reduced by a penalty, which shall be forfeited to the Company, equal to eight percent (8%) of the amount of his Deferral Account he elected to receive, in lieu of payments in accordance with the form previously elected by the Participant, or provided elsewhere in this Plan. Such election, if not 100%, may be made only twice. If less than 100% of his Deferral Account is paid out, the remainder of his Deferral Account will be paid in accordance with the form previously elected by the Participant, or provided elsewhere in this Plan. However, the penalty shall not apply if the Committee determines, based on advice of counsel or a final determination by the Internal Revenue Service or any court of competent jurisdiction, that by reason of the foregoing provision any Participant or Beneficiary has recognized or will recognize gross income for federal income tax purposes under this Plan in advance of payment to him of Plan benefits. The Company shall notify all Participants (and Beneficiaries of deceased Participants) of any such determination. Whenever any such determination is made, the Company shall refund all penalties which were imposed hereunder on account of making lump sum payments at any time during or after the first year to which such determination applies (i.e., the first year when gross income is recognized for federal income tax purposes). Interest shall be paid on any such refunds at ten percent (10%) for each Plan Year, compounded annually. The Committee may also reduce or eliminate the penalty if it determines that this action will not cause any Participant or Beneficiary to recognize gross income for federal income tax purposes under this Plan in advance of payment to him of Plan benefits.

ARTICLE 6 BENEFICIARY DESIGNATION

Each Participant shall have the right, at any time, to designate any person or persons as Beneficiary or Beneficiaries to whom payment under this Plan shall be made in the event of the Participant's death prior to complete distribution to the Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a form prescribed by the Committee.

The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed. Any finalized divorce or marriage (other than a common law marriage) of a Participant subsequent to the date of filing of a Beneficiary designation form shall revoke such designation unless in the case of divorce the previous spouse was not designated as Beneficiary and unless in the case of marriage the Participant's new spouse had previously been designated as Beneficiary. The spouse of a married Participant domiciled in a community property jurisdiction shall join in any designation of Beneficiary or Beneficiaries other than the spouse.

If a Participant fails to designate a Beneficiary as provided above, or if his Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Committee shall direct the distribution of such benefits to the Participant's estate.

ARTICLE 7
AMENDMENT AND TERMINATION OF PLAN

7.1 Amendment. The Board of Directors of the Company may at any time amend the Plan, in whole or in part for any reason, including but not limited to tax, accounting or insurance changes, a result of which may be to terminate the Plan for future deferrals; provided, however, that no amendment shall be effective to decrease the benefits, nature or timing thereof payable under the Plan to any Participant with respect to deferrals made (and benefits thereafter accruing) prior to the date of such amendment. Written notice of any amendment shall be given each Participant then participating in the Plan.

7.2 Automatic Termination of Plan. The Plan shall terminate only under the following circumstances. The Plan shall automatically terminate upon a determination by the Company that a final decision of a court of competent jurisdiction has declared that the Participants under the Plan are in constructive receipt under the Internal Revenue Code of their vested Plan benefits.

7.3 Payments Upon Automatic Termination. Upon any Plan termination under Section 7.2, the Participants will be deemed to have terminated their enrollment under the Plan as of the date of such termination. The Company will pay all Participants the value of each Participant's Deferral Accounts in a lump sum. The interest rate used to compute the present value shall be the average of the declared rate for the Plan Year in which the lump sum is to be paid and twelve percent (12%).

7.4 Payments Upon Change of Control. Notwithstanding any provision of this Plan to the contrary, if a "Change of Control" as defined in the Target Corporation Deferred Compensation Trust Agreement (as it may be amended from time to time) occurs and results in funding of the trust established under that Agreement, each Participant (or Beneficiary of a deceased Participant) will be paid the entire value of his or her Deferral Accounts in a lump sum, determined as if the Plan had automatically terminated under Section 7.2 on the date the Change of Control occurs, with the amount of the payment to be determined in the manner provided in Section 7.3. However, this section shall not apply, and no amounts shall be payable to Participants or Beneficiaries under this section, in the event the assets of said trust are returned to the Participating Employers Pursuant to the Trust Agreement because no Change of Control actually occurred.

ARTICLE 8
MISCELLANEOUS

8.1 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interests in any specific property or assets of Employer, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by Employer ("Policies"). Such Policies or other assets of Employer shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of Employer under this Plan. Any and all of Employer's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of Employer. Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of Employer to pay money in the future.

8.2 Nonassignability. Neither a Participant nor any other person shall, have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.3 Service Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Director any right to be retained as a Director of the Employer.

8.4 Protective Provisions. Each Participant shall cooperate with the Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Employer may deem necessary and taking such other relevant action as may be requested by the Employer. If a Participant refuses so to cooperate, the Employer shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the cumulative reductions in Earnings theretofore made pursuant to this Plan. If a Participant commits suicide during the two (2) year period beginning on the later of (a) the date of adoption of this Plan or (b) the first day of the first Plan Year of such Participant's participation in the Plan, or if the Participant makes any material misstatement of information or nondisclosure of medical history, then no benefits will be payable hereunder to such Participant or his Beneficiary, other than payment to such Participant of the cumulative reductions in Earnings theretofore made pursuant to this Plan, provided, that in the Employer's sole discretion, benefits may be payable in an amount reduced to compensate the Employer for any loss, cost, damage or expense suffered or incurred by the Employer as a result in any way of such misstatement or nondisclosure.

8.5 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine or feminine as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

8.6 Captions. The captions of the articles, sections, and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

8.7 Validity. In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

8.8 Notice. Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Employer, directed to the attention of the President of the Employer. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

8.9 Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of Minnesota as applied to contracts executed and to be wholly performed in such state.

DAYTON HUDSON CORPORATION

LONG-TERM INCENTIVE PLAN OF 1999

**ARTICLE I
ESTABLISHMENT OF THE PLAN**

1.1 The name of this plan shall be "The Dayton Hudson Corporation Long-Term Incentive Plan of 1999" (hereinafter called the "Plan").

1.2 The purpose of the Plan is to advance the interim performance and long-term growth of the Company by offering long-term incentives, in addition to current compensation and other benefits, to directors and employees of the Company and its Subsidiaries and such other Participants who the Plan Committee determines will contribute to such performance and growth inuring to the benefit of the shareholders of the Company. This Plan is also intended to facilitate recruiting and retaining personnel of outstanding ability. Such long-term incentives may take the form of Stock Options, Performance Shares, Restricted Stock Awards or any combination of such Awards.

**ARTICLE II
DEFINITIONS**

2.1 *AWARD.* An "Award" is used at times in the Plan to refer to the act of granting a Stock Option, Performance Share or Restricted Stock Award under the Plan.

2.2 *BOARD.* "Board" is the Board of Directors of the Company.

2.3 *CHANGE IN CONTROL.* A "Change in Control" shall be deemed to have occurred if:

- (a) a majority of the directors of the Company shall be persons other than persons
 - (i) for whose election proxies shall have been solicited by the Board or
 - (ii) who are then serving as directors appointed by the Board to fill vacancies on the Board caused by death or resignation (but not by removal) or to fill newly-created directorships,
- (b) 30% or more of the outstanding Voting Stock (as defined in Article IV of the Restated Articles of Incorporation, as amended, of the Company) of the Company is acquired or beneficially owned (as defined in Article IV of the Restated Articles of Incorporation, as amended, of the Company) by any person (as defined in Article IV of the Restated Articles of Incorporation, as amended, of the Company), or
- (c) the shareholders of the Company approve a definitive agreement or plan to:
 - (i) merge or consolidate the Company with or into another corporation (other than (1) a merger or consolidation with a Subsidiary of the Company or (2) a merger in which the Company is the surviving corporation and either (A) no outstanding Voting Stock of the Company (other than fractional shares) held by shareholders immediately prior to the merger is converted into cash (except cash upon the exercise by holders of Voting Stock of the Company of statutory dissenters' rights), securities, or other property or (B) all holders of outstanding Voting Stock of the Company (other than fractional shares) immediately prior to the merger (except those that exercise statutory dissenters' rights) have substantially the same proportionate ownership of the Voting Stock of the Company or its parent corporation immediately after the merger),
 - (ii) exchange, pursuant to a statutory exchange of shares of Voting Stock of the Company held by shareholders of the Company immediately prior to the exchange, shares of one or more classes or series of Voting Stock of the Company for shares of another corporation or other securities, cash or other property,
 - (iii) sell or otherwise dispose of all or substantially all of the assets of the Company (in one transaction or a series of transactions) or
 - (iv) liquidate or dissolve the Company.

2.4 *CODE.* "Code" is the Internal Revenue Code of 1986, as amended, and rules and regulations thereunder, as now in force or as hereafter amended.

2.5 *COMPANY.* "Company" is Dayton Hudson Corporation, a Minnesota corporation, and any successor thereof.

2.6 *COMMON STOCK.* "Common Stock" is the common stock, \$.1667 par value per share (as such par value may be adjusted from time to time) of the Company.

2.7 *DATE OF GRANT.* "Date of Grant" shall be the date designated in the resolution by the Plan Committee as the date of such Stock Options or Performance Shares or Restricted Stock Awards, but such date shall not be earlier than the date of the resolution and action thereon by the Plan Committee, or

earlier than the effective date of the Plan, and in the absence of a date of grant or a fixed method of computing such date being specifically set forth in the Plan Committee's resolution, then the Date of Grant shall be the date of such Plan Committee's resolution or action.

2.8 *EXCHANGE ACT*. "Exchange Act" is the Securities Exchange Act of 1934, as amended, and rules and regulations thereunder, as now in force or as hereafter amended.

2.9 *FAIR MARKET VALUE*. "Fair Market Value" of a share of Common Stock on any date is the Volume Weighted Average Price for such stock as reported for such stock by Bloomberg L.P. on such date, or in the absence of such report the Volume Weighted Average Price for such stock as reported for such stock by the New York Stock Exchange on such date or, if no sale has been recorded by Bloomberg L.P. or the New York Stock Exchange on such date, then on the last preceding date on which any such sale shall have been made in the order of primacy indicated above.

2.10 *HOLDER*. A "Holder" is a person who has been granted a Restricted Stock Award.

2.11 *INCENTIVE STOCK OPTIONS*. "Incentive Stock Options" are Stock Options that are intended to qualify under Section 422 of the Code.

2.12 *NON-QUALIFIED OPTIONS*. "Non-Qualified Options" are Stock Options that are not intended to qualify under Section 422 of the Code.

2.13 *PARTICIPANT*. A "Participant" is a person designated as such by the Plan Committee, pursuant to Article III hereof, for participation in the Plan.

2.14 *PERFORMANCE GOALS*. "Performance Goals" are defined in Section 4.1 hereof.

2.15 *PERFORMANCE PERIOD*. "Performance Period", with respect to a Performance Share, is a period of not less than three consecutive fiscal years of the Company, beginning with the fiscal year in which such Performance Share is granted and may be referred to herein and by the Plan Committee by use of the calendar year in which a particular Performance Period commences.

2.16 *PERFORMANCE SHARE*. A "Performance Share" is a potential award consisting of a right to one share of Common Stock (subject to increase as provided in Section 4.2 hereof) or a lesser number of shares and the cash payment set forth in Section 5.2 hereof. A Performance Share shall be of no value to a Participant unless and until earned in accordance with Article V hereof.

2.17 *PLAN COMMITTEE*. The "Plan Committee" is the Committee referenced in Article IX hereof.

2.18 *PLAN YEAR*. The "Plan Year" shall be a fiscal year of the Company falling within the term of this Plan.

2.19 *RESTRICTED STOCK AWARD*. A "Restricted Stock Award" is an Award granted under Article VII of this Plan.

2.20 *STOCK OPTION*. A "Stock Option" is a right accruing in a Participant to purchase from the Company one share of Common Stock at the Fair Market Value of such share of Common Stock on the Date of Grant of the Stock Option, such exercise of option to be made any time within ten years following the Date of Grant, and containing the terms and conditions set forth or allowed under Article VI hereof. Stock Options may be either Non-Qualified Options or Incentive Stock Options.

2.21 *SUBSIDIARY CORPORATION*. For purposes of this Plan, the term "Subsidiary" or "Subsidiary Corporation" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, in which each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain as determined at the point in time when reference is made to such "Subsidiary" or "Subsidiary Corporation" in this Plan.

ARTICLE III GRANTING OF STOCK OPTIONS, PERFORMANCE SHARES AND RESTRICTED STOCK AWARDS TO PARTICIPANTS

3.1 *ELIGIBLE PARTICIPANTS*. Stock Options, Restricted Stock Awards or Performance Shares may be granted by the Plan Committee to any employee of the Company or a Subsidiary Corporation, including any employee who is also a director of the Company or a Subsidiary Corporation. Non-Qualified Options, Performance Shares or Restricted Stock Awards may also be granted to (i) a director of the Company who is not an employee of the Company or a Subsidiary Corporation and (ii) other individuals or entities who are not employees but who provide services to the Company or a Subsidiary Corporation in the capacity of an advisor or consultant. References in this Plan to "employment" and similar terms (except "employee") shall include the providing of services in the capacity of a director, advisor or consultant. A person who has been engaged by the Company for employment shall be eligible for grants under the Plan, provided such person actually reports for and commences such employment within 90 days after the Date of Grant.

3.2 *DESIGNATION OF PARTICIPANTS*. At any time and from time to time during the Plan Year, the Plan Committee may designate the employees of the Company and its Subsidiaries and other Participants eligible for Awards.

3.3 *ALLOCATION OF STOCK OPTIONS, PERFORMANCE SHARES OR RESTRICTED STOCK AWARDS*. Contemporaneously with the designation of a Participant pursuant to Section 3.2 hereof, the Plan Committee shall determine the number of Stock Options and/or Restricted Stock Awards and/or Performance Shares to be granted to such Participant and the Date of Grant for such related Stock Option or Performance Share or Restricted Stock Award, taking into consideration such factors as it deems relevant, which may include the following:

- (a) the total number of Stock Options and/or Restricted Stock Awards and/or Performance Shares available for allocation to all Participants; and
- (b) the work assignment or the position of the Participant and its sensitivity and/or impact in relationship to the profitability and growth of the Company and its Subsidiaries; and
- (c) the Participant's performance in reference to such factors.

Allocation of Awards may, in the discretion of the Plan Committee, be in the form of Stock Options solely or Performance Shares solely, or Restricted Stock Awards solely, or any combination in whatever relationship one to the other, if any, as the Plan Committee in its discretion so determines. Allocation of Stock

Options may, in the discretion of the Plan Committee, be in the form of Incentive Stock Options solely or Non-Qualified Options solely or a combination in whatever relationship to the other, if any, as the Plan Committee in its discretion so determines.

3.4 *NOTIFICATION TO PARTICIPANTS AND DELIVERY OF DOCUMENTS.* As soon as practicable after such determinations have been made, each Participant, shall be notified of (i) his/her designation as a Participant, (ii) the Date of Grant, and (iii) the number of Stock Options, and/or Restricted Stock Awards and/or the number of Performance Shares granted to the Participant, and in the case of Performance Shares, the Performance Period and in the case of Restricted Stock Awards, the Restriction Period. The Participant shall thereafter be supplied with written evidence of any such granted Performance Shares and/or Restricted Stock Awards, and shall receive a Stock Option exercisable for purchase of one share of Common Stock for each Stock Option granted to the Participant pursuant to this Plan or indicating the aggregate of such grant, which option agreement(s) shall be in conformity with the provisions of Article VI hereof.

ARTICLE IV PERFORMANCE GOALS

4.1 *ESTABLISHMENT OF GOALS.* Within a reasonable period of time after the beginning of each Performance Period, Performance Goals relative to such Performance Period shall be established by the Plan Committee in its absolute discretion. Such Performance Goals may include any of the following criteria: revenue, PTOC, EVA, amount or rate of growth in consolidated profits of the Company expressed as a percent, earnings per share, return on capital, return on investment, and return on shareholders' equity. Performance Goals may be absolute in their terms or be measured against or in relationship to other companies comparably, similarly or otherwise situated. The Plan Committee, in its sole discretion, may modify the Performance Goals if it determines that circumstances have changed and modification is required to reflect the original intent of the Performance Goals. The Plan Committee may in its discretion classify Participants into as many groups as it determines, and as to any Participant relate his/her Performance Goals partially, or entirely, to the measured performance, either absolutely or relatively, of an identified Subsidiary, operating company or test strategy or new venture of the Company.

4.2 *LEVELS OF PERFORMANCE REQUIRED TO EARN PERFORMANCE SHARES.* At or about the same time that Performance Goals are established for a specific period, the Plan Committee shall in its absolute discretion establish the percentage (not to exceed 150% thereof) of the Performance Shares granted for such Performance Period which shall be earned by the Participant for various levels of performance measured in relation to achievement of Performance Goals for such Performance Period.

4.3 *OTHER RESTRICTIONS.* The Plan Committee may provide restrictions on the delivery of Common Stock upon the earning of Performance Shares, including the future forfeiture of all or part of the Common Stock earned. The Plan Committee may provide that the shares of Common Stock issued on Performance Shares Earned be held in escrow and/or legended.

4.4 *NOTIFICATION TO PARTICIPANTS.* Promptly after the Plan Committee has established Performance Goals for a specific Performance Period or modified such goals, each Participant who has received a grant of any Performance Shares for that period shall be provided with written evidence of the Performance Goals so established or modified.

ARTICLE V EARNING OF PERFORMANCE SHARES

5.1 *MEASUREMENT OF PERFORMANCE AGAINST PERFORMANCE GOALS.* The Plan Committee shall as soon as practicable after the close of each Performance Period, make a determination of:

- (a) the extent to which the Performance Goals for such Performance Period have been achieved;
- (b) the percentage of the Performance Shares granted for such Performance Period which are earned for such Performance Period by Participants who have been from his/her date of hire

in the continuous employ of the Company or Subsidiary or a combination thereof, during the subject Performance Period; and
- (c) the percentage of Performance Shares to be paid in cash, if any. The percentage paid in cash shall be uniform for all Participants in a particular Performance Period.

These determinations shall be absolute and final as to the facts and conclusions therein made and be binding on all parties. Promptly after the Plan Committee has made the foregoing determination, each Participant who has earned Performance Shares based thereon shall be notified, in writing, of the number of Performance Shares so earned. For all purposes of this Plan, notice shall be deemed to have been given the date action is taken by the Plan Committee making the determination.

5.2 *TREATMENT OF PERFORMANCE SHARES EARNED.* Upon the determination that a percentage of the Performance Shares has been earned for a Performance Period, a Participant to whom such earned Performance Shares have been granted and who has been (or was) in the employ of the Company or a Subsidiary thereof continuously from the date of his/her hire during the subject Performance Period to which the grant relates, subject to the exceptions set forth at Section 5.5 and Section 5.6 hereof, shall be entitled, subject to the other conditions of this Plan, to receive the shares of Common Stock for each Performance Share earned (less the shares paid in cash), plus a cash payment in the amount of the Fair Market Value of the shares of Common Stock to be paid in cash as determined in Section 5.1(c) hereof, calculated as of the close of business on the date of the notice referred to in Section 5.1 hereof. The provisions of Section 5.5 to the contrary notwithstanding, the Plan Committee may provide that the issued shares of Common Stock be held in escrow and/or be legended and that the Common Stock be subject to restrictions, including the future forfeiture of all or a part of the shares. Performance Shares shall under no circumstances become earned or have any value whatsoever for any Participant who is not in the employ of the Company or its Subsidiaries continuously during the entire Performance Period for which such Performance Shares are granted, except as provided at Section 5.5 or Section 5.6 hereof.

5.3 *STOCK-CASH DISTRIBUTION.* Each distribution determined in accordance with Section 5.2 above shall be made as soon as practicable after Performance Shares have been determined to have been earned unless the provisions of Section 5.4(a) hereof are applicable to a Participant.

5.4(a) *DEFERRAL OF RECEIPT OF PERFORMANCE SHARE EARNOUT.* A Participant who has received a grant of Performance Shares may by compliance with the then applicable procedures under the Plan irrevocably elect in writing to defer receipt of all or any part of the stock-cash distribution

associated with the earnout, if any, of the Performance Shares (the combination thereof hereafter referred to as the "deferred account"). The deferral shall be effective until the Participant terminates his/her employment with the Company and its Subsidiaries except as otherwise provided herein.

The terms and conditions of such deferral, including but not limited to, the period of time for, and form of, election; the manner and method of payout; the form in which the deferred account shall be held; the interest equivalent or other payment that shall accrue upon the deferred account pending its payout; and the use and form of dividend equivalents in respect of stock units included within any deferred account, shall be as determined from time to time by the Plan Committee, which Plan Committee may change any and all of the terms and conditions at any time applicable to deferrals thereafter made.

5.4(b) *AMENDMENT OF DEFERRAL ARRANGEMENTS.* The Plan Committee may, at any time and from time to time, but prospectively only except as hereinafter provided, amend, modify, change, suspend or cancel any and all of the rights, procedures, mechanics and timing parameters relating to the deferral of receipt of Performance Share earnout under the Plan as set forth at Section 5.4(a) hereof. In addition, the Plan Committee may, in its sole discretion, accelerate the payout

of the deferred account, or any portion thereof, either in a lump sum or in a series of payments, but under the following conditions only:

- (i) the Federal tax statutes, regulations or interpretations are amended, modified, or otherwise changed or affected in such a manner as to adversely alter or modify the tax effect of the "deferred account" as it is comprehended under the tax law and interpretations in effect for deferred accounts as of the effective date of this Plan, or
- (ii) the deferred account holder suffers or incurs an event that would qualify for a "withdrawal" of contributions that have not been accumulated for two years without adverse consequences on the tax status of a qualified profit-sharing or stock bonus plan under the Federal tax laws applicable from time to time to such types of plans.

5.5 *NON-DISQUALIFYING TERMINATION OF EMPLOYMENT.* Except for Section 5.6 hereof, the only exceptions to the requirement of continuous employment during a Performance Period for Performance Share earnout eligibility are termination of a Participant's employment by reason of death (in which event the Performance Shares may be transferable by will or the laws of descent and distribution only to such Participant's beneficiary designated to receive the Performance Shares or to the Participant's applicable legal representatives, heirs or legatees), total and permanent disability, normal or late retirement or early retirement, with the consent of the Plan Committee, or transfer of an executive in a spin-off, with the consent of the Plan Committee, occurring during the Performance Period applicable to the subject Performance share grant. In such instance an earnout of the Performance Shares shall be made, as of the end of the Performance Period, and 100% of the total Performance Shares that would have been earned during the Performance Period shall be earned and paid out; provided, however, in a spin-off situation the Plan Committee may set additional conditions, such as, without limiting the generality of the foregoing, continuous employment with the spin-off entity. If a Participant's termination of employment does not meet the criteria set forth above, but the Participant had at least 15 years of continuous employment with the Company or a Subsidiary or any combination thereof, provided that if the person is not an Executive Officer (as defined under the Exchange Act) of the Company at time of termination such 15 years need not be continuous, the Plan Committee may allow earn-outs of up to 100% of the total Performance Shares for the Performance Period(s) in which the termination of employment occurred, subject to any conditions that the Plan Committee shall determine.

5.6 *CHANGE IN CONTROL.* In the event of a Change in Control, all outstanding Performance Shares granted under the Plan shall be proratably payable ten days after the Change in Control. The amount of Performance Shares payable shall be determined by multiplying 100% of each Performance Share grant by a fraction, the numerator of which shall be the number of months that have elapsed in the applicable Performance Period and the denominator of which shall be the total number of months in the Performance Period.

ARTICLE VI STOCK OPTIONS

6.1 *NON-QUALIFIED OPTION.* Non-Qualified Options granted under the Plan are not intended to be Incentive Stock Options under the provisions of Section 422 of the Code. The Non-Qualified Options shall be evidenced by Non-Qualified Option agreements in such form and not inconsistent with the Plan as the Plan Committee shall in its sole discretion approve from time to time, which agreements shall specify the number of shares to which they pertain and the purchase price of such shares and shall, but without limitation, contain in substance the following terms and conditions:

- (a) *OPTION PERIOD.* Each option granted shall expire and all rights to purchase shares thereunder shall cease ten years after the Date of Grant of the Stock Option or on such date prior thereto as may be fixed by the Plan Committee, or on such other date as is provided by this Plan in the event of termination of employment, death or reorganization. No option shall permit the purchase of any shares thereunder during the first year after the Date of Grant of

such option, except as provided in Section 6.3 hereof or as otherwise determined by the Plan Committee.

- (b) *TRANSFERABILITY AND TERMINATION OF OPTIONS.* During the lifetime of an individual to whom an option is granted, the option may be exercised only by such individual and only while such individual is an employee of the Company or a Subsidiary and only if the Participant has been continuously so employed by any one or combination thereof since the Date of Grant of the option, provided, however, that if the employment of such Participant by the Company or a Subsidiary Corporation terminates, the option may additionally be exercised as follows, or in any other manner provided by the Plan Committee, but in no event later than ten years after the Date of Grant of the Stock Option, except as set forth in (ii) below:

- (i) if a Participant's termination of employment occurs by reason of normal or late retirement under any retirement plan of the Company or its Subsidiaries, such Participant's Stock Options may be exercised within five years after the date of such termination of employment. If a Participant's termination of employment occurs by reason of early retirement under any retirement plan of the Company or its Subsidiaries, or by reason of the transfer of a Participant in a spin-off, or by reason of total and permanent disability, as determined by the Plan Committee, without retirement, then such Participant's Stock Options shall be exercisable for a period of up to five years after the date of such termination of employment if the Plan Committee consents to such an extension. During the extension period, the right to exercise options, if any, accruing in installments, shall continue; provided, however, that the Plan Committee may set additional conditions, such as, without limiting the generality of the foregoing, an agreement to not provide services to a competitor of the Company and its Subsidiaries

and/or continuous employment with a spin-off entity.

- (ii) if a Participant's termination of employment occurs by reason of death, then within five years after the date of death or the life of the option, whichever is less, but in no event less than one year after the date of death, during which time installments shall continue to accrue.
- (iii) if a Participant's termination of employment occurs for any reason other than as specified in Section 6.1(b)(i) or (ii) hereof, the Participant has been continuously employed by the Company or a Subsidiary or any combination for more than 15 years, provided that if the person is not an Executive Officer (as defined under the Exchange Act) of the Company at the time of termination such 15 years need not be continuous, and if the Plan Committee so approves, then within a period of up to five years after the date of termination of employment. During the extension period, the right to exercise options, if any, accruing in installments shall continue; provided, however, the Plan Committee may set additional conditions.
- (iv) if a Participant's termination of employment occurs for any reason other than as specified in Section 6.1(b)(i) or (ii) hereof, the Plan Committee has not approved an extension and Participant's termination of employment is not occasioned by the commission of a dishonest or other illegal act, then, but only with respect to installments that have as of the date of termination already accrued, within ninety days after the date of such termination of employment except in the case of Participants who would at the time be subject to the provisions of Section 16(b) of the Exchange Act, in which instance the period of exercise shall be two hundred ten days after termination. Those Participants terminated because of the commission of a dishonest or other illegal act shall have no additional period after termination of employment in which to exercise their options. Absence on a leave of absence approved by the Plan Committee shall not be deemed a termination or interruption of continuous employment for the purposes of the Plan.
- (v) Rights accruing to a Participant under Sections 6.1(b)(i), 6.1(b)(iii) and 6.1(b)(iv) may, upon the death of a Participant subsequent to his/her termination of employment, be

exercised by his/her duly designated beneficiary or otherwise by his/her applicable legal representatives, heirs or legatees to the extent vested in and unexercised or perfected by the Participant at the date of his/her death.

No option shall be assignable or transferable by the individual to whom it is granted, except that it may be transferable (X) by assignment by the Participant to the extent provided in the applicable option agreement, or (Y) by will or the laws of descent and distribution in accordance with the provisions of this Plan. An option transferred after the death of the Participant to whom it is granted may only be exercised by such individual's beneficiary designated to exercise the option or otherwise by his/her applicable legal representatives, heirs or legatees, and only within the specific time period set forth above and only to the extent vested in and unexercised by the Participant at the date of his/her death, except as provided in Section 6.1(b)(ii).

In no event, whether by the Participant directly or by his/her proper assignee or beneficiary or other representative, shall any option be exercisable at any time after its expiration date as stated in the option agreement, except as provided in Section 6.1(b)(ii). When an option is no longer exercisable it shall be deemed for all purposes and without further act to have lapsed and terminated. The Plan Committee may in its sole discretion, but shall not be required to, determine, solely for the purposes of the Plan, that a Participant is permanently and totally disabled, and the acts and decisions of the Plan Committee made in good faith in relation to any such determination shall be conclusive upon all persons and interests affected thereby.

- (c) **EXERCISE OF OPTIONS.** An individual entitled to exercise an option may, subject to its terms and conditions and the terms and conditions of the Plan, exercise it in whole at any time, or in part from time to time, by delivery to the Company at its principal office of written notice of exercise, specifying the number of whole shares with respect to which the option is being exercised. Before shares may be issued, payment must be made in full, in legal United States tender, in the amount of the purchase price of the shares to be purchased at the time and any amounts for withholding as provided in Section 11.9 hereof; provided, however, in lieu of paying for the exercise price in cash as described above, the individual may pay (subject to such conditions and procedures as the Plan Committee may establish) all or part of such exercise price by delivering or tendering owned and unencumbered shares of Common Stock acceptable to the Plan Committee and having a Fair Market Value on the date of exercise of the option equal to or less than the exercise price of the options exercised, with cash, as set forth above, for the remainder, if any, of the purchase price; provided, further, that the Plan Committee may permit a Participant to elect to pay the exercise price by authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise. Subject to rules established by the Plan Committee, the withholdings required by Section 11.9 hereof may be satisfied by the Company withholding shares of Common Stock issued on exercise that have a Fair Market Value on the date of exercise of the option equal to or less than the withholding required by Section 11.9 hereof.

6.2 INCENTIVE STOCK OPTION. Incentive Stock Options granted under the Plan are intended to be incentive stock options under Section 422 of the Code, and the Plan shall be administered, except with respect to the right to exercise options after termination of employment, to qualify Incentive Stock Options issued hereunder as incentive stock options under Section 422 of the Code. An Incentive Stock Option shall not be granted to an employee who owns, or is deemed under Section 424(d) of the Code to own, stock of the Company (or of any parent or Subsidiary of the Company) possessing more than 10% of the total combined voting power of all classes of stock therein. The aggregate Fair Market Value (determined as of the time the option is granted) of the stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all incentive stock option plans of the Company or any parent or Subsidiary of the Company) shall not exceed \$100,000. The Incentive Stock Options shall be evidenced by Incentive

Stock Option Agreements in such form and not inconsistent with the Plan as the Plan Committee shall in its sole discretion approve from time to time, which agreements shall specify the number of shares to which they pertain and the purchase price of such shares.

The terms and conditions set forth in Sections 6.1(a) through (c) hereof shall apply to an Incentive Stock Option; provided that, in the event Section 6.1(b)(i) hereof is applicable, all installments shall become immediately exercisable.

6.3 CHANGE IN CONTROL. In the event of a Change in Control:

- (a) Without any action by the Plan Committee or the Board, each Stock Option granted under the Plan that has not been previously exercised or otherwise lapsed and terminated shall become immediately exercisable in full.

- (b) The Plan Committee, in its sole discretion, and without the consent of any Participant affected thereby, may determine that some or all Participants holding outstanding Stock Options shall receive, with respect to each share of Common Stock subject to a Stock Option, cash in an amount equal to the excess of the Fair Market Value of a share of Common Stock immediately prior to such Change in Control over the exercise price of such share.
- (c) The cash payment described in Section 6.3(b) shall be made promptly following the effective date of such Change in Control. Upon a determination by the Plan Committee in accordance with Section 6.3(b), each Stock Option with respect to which a cash payment is to be made shall terminate, and the Participant holding such Stock Option shall have no further rights thereunder except the right to receive such cash payment.

ARTICLE VII RESTRICTED STOCK

7.1 *RESTRICTION PERIOD TO BE ESTABLISHED BY THE PLAN COMMITTEE.* At the time a Restricted Stock Award is made, the Plan Committee shall establish a period of time (the "Restriction Period") applicable to such Award, which shall be not less than three years. Each Restricted Stock Award may have a different Restriction Period, at the discretion of the Plan Committee. Except as permitted or pursuant to Sections 7.4, 7.5 or 11.8 hereof, the Restriction Period applicable to a particular Restricted Stock Award shall not be changed.

7.2 *OTHER TERMS AND CONDITIONS.* Common Stock awarded pursuant to a Restricted Stock Award shall be represented by a stock certificate registered in the name of the Holder of such Restricted Stock Award. The Holder shall have the right to enjoy all shareholder rights during the Restriction Period with the exception that:

- (i) The Holder shall not be entitled to delivery of the stock certificate until the Restriction Period shall have expired.
- (ii) The Company may either issue shares subject to such restrictive legends and/or stop-transfer instructions as it deems appropriate or provide for retention of custody of the Common Stock during the Restriction Period.
- (iii) The Holder may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Common Stock during the Restriction Period.
- (iv) A breach of the terms and conditions established by the Plan Committee pursuant to the Restricted Stock Award shall cause a forfeiture of the Restricted Stock Award, and any dividends withheld thereon.
- (v) Dividends payable in cash or in shares of stock or otherwise may be either currently paid or withheld by the Company for the Holder's account. At the discretion of the Plan Committee, interest may be paid on the amount of cash dividends withheld, including cash dividends on stock dividends, at a rate and subject to such terms as determined by the Plan Committee.

Provided, however, and the provisions of Section 7.4 to the contrary notwithstanding, in lieu of the foregoing, the Plan Committee may provide that no shares of Common Stock be issued until the Restriction Period is over and further provide that the shares of Common Stock issued after the Restriction Period has been completed, be issued in escrow and/or be legended and that the Common Stock be subject to restrictions including the forfeiture of all or a part of the shares.

7.3 *PAYMENT FOR RESTRICTED STOCK.* A Holder shall not be required to make any payment for Common Stock received pursuant to a Restricted Stock Award, unless the Plan Committee requires payment for such stock in the Restricted Stock Award.

7.4 *FORFEITURE PROVISIONS.* Subject to Section 7.5, in the event a Holder terminates employment during a Restriction Period, a Restricted Stock Award will be forfeited; provided, however, when the Plan Committee issues the Restricted Stock Award, it may provide in the Restricted Stock Award agreement for proration or full payout in the event of (i) a termination of employment because of normal or late retirement, (ii) with the consent of the Plan Committee, early retirement or spin-off, (iii) death, (iv) total and permanent disability, as determined by the Plan Committee, or (v) with the consent of the Plan Committee, termination of employment after 15 years of continuous employment with the Company or a Subsidiary or any combination thereof, provided that if the person is not an Executive Officer (as defined under the Exchange Act) of the Company at the time of termination such 15 years need not be continuous, all subject to any other conditions the Plan Committee may determine.

7.5 *CHANGE IN CONTROL.* In the event of a Change in Control, all outstanding Restricted Stock Awards granted under the Plan will be proratably payable ten days after the Change in Control. The amount of Common Stock payable shall be determined by multiplying each Restricted Stock Award granted by a fraction, the numerator of which shall be the number of months that have elapsed in the applicable Restriction Period and the denominator of which shall be the number of months in the Restriction Period.

ARTICLE VIII SHARES OF STOCK SUBJECT TO THE PLAN; MAXIMUM AWARD

8.1 *SHARES AVAILABLE; PERFORMANCE SHARE AND RESTRICTED STOCK AWARD LIMITATION.* The total number of shares available for issuance under all Awards pursuant to the Plan shall not exceed in the aggregate 22,000,000 shares of Common Stock, subject to adjustment as provided in Section 8.3 hereof; provided, however, that no more than 10% of all shares of Common Stock subject to this Plan may be issued in the aggregate pursuant to Performance Share or Restricted Stock Awards. Such shares may be authorized and unissued shares, or may be treasury shares held by the Company or may be shares purchased or held by the Company or a Subsidiary for purposes of the Plan, or any combination thereof.

8.2 *SHARES AGAIN AVAILABLE.* Shares covered by granted Performance Shares which are not earned pursuant to any of the provisions of Article V hereof, or Stock Options, Performance Shares or Restricted Stock Awards which are forfeited for any reason or are not distributed or are covered by options that lapse or are cancelled before exercise, shall (unless the Plan shall have been terminated) again be available in the same relative amounts for other Award grants under the Plan. If, in accordance with the Plan, a Participant uses shares of Common Stock to pay a purchase or exercise price or satisfy tax withholdings, such shares may again be used for an Award under the Plan.

8.3 *RELEVANT CHANGE ADJUSTMENTS.* Appropriate adjustments in the number of shares and in the option price per share as authorized herein may be made by the Plan Committee, in its discretion (except as provided in Section 11.8 hereof), to give effect to adjustments made in the number of shares of Common Stock through a merger, consolidation, recapitalization, reclassification, combination, spin-off, common stock dividend, stock split or other relevant change.

8.4 **MAXIMUM AWARD.** During any Plan Year, no Participant may receive Awards that, in the aggregate, could result in that Participant receiving, earning or acquiring more than 2,000,000 shares of Common Stock, subject to the adjustments described in Section 8.3.

ARTICLE IX ADMINISTRATION OF THE PLAN

9.1 The Plan will be administered by a committee of two or more members of the Board appointed from time to time by the Board.

9.2 The Plan Committee shall have and exercise all of the powers and responsibilities granted expressly or by implication to it by the provisions of the Plan. Subject to and as limited by such provisions, the Plan Committee may from time to time enact, amend and rescind such rules, regulations and procedures with respect to the administration of the Plan as it deems appropriate or convenient.

9.3 All questions arising under the Plan, any Incentive Stock Option, Non-Qualified Stock Option, Performance Share or Restricted Stock Award agreement, or any rule, regulation or procedure adopted by the Plan Committee shall be determined by the Plan Committee, and its determination thereof shall be conclusive and binding upon all parties.

9.4 Any action required or permitted to be taken by the Plan Committee under the Plan shall require the affirmative vote of a majority of a quorum of the members of the Plan Committee. A majority of all members of the Plan Committee shall constitute a "quorum" for Plan Committee business. The Plan Committee may act by written determination instead of by affirmative vote at a meeting, provided that any written determination shall be signed by all members of the Plan Committee, and any such written determination shall be as fully effective as a majority vote of a quorum at a meeting.

9.5 The Plan Committee may delegate all or any part of its authority under the Plan to a subcommittee of directors and/or officers of the Company for purposes of determining and administering Awards granted to persons who are not then subject to the reporting requirements of Section 16 of the Exchange Act.

ARTICLE X REDUCTION IN AWARDS

10.1 Anything in this Plan to the contrary notwithstanding, the provisions of this Article X shall apply to a Participant if Ernst & Young determines that each of (a) and (b) below are applicable.

- (a) Payments or distributions hereunder, determined without application of this Article X, either alone or together with other payments in the nature of compensation to the Participant which are contingent on a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, or otherwise (but after any elimination or reduction of such payments under the terms of the Company's Income Continuation Policy Statement or SMG Income Continuation Policy Statement), would result in any portion of the payments hereunder being subject to an excise tax on excess parachute payments imposed under Section 4999 of the Code.
- (b) The excise tax imposed on the Participant under Section 4999 of the Code on excess parachute payments, from whatever source, would result in a lesser net aggregate present value of payments and distributions to the Participant (after subtraction of the excise tax) than if payments and distributions to the Participant were reduced to the maximum amount that could be made without incurring the excise tax.

10.2 Under this Article X the payments and distributions under this Plan shall be reduced (but not below zero) so that the present value of such payments and distributions shall equal the Reduced Amount. The "Reduced Amount" (which may be zero) shall be an amount expressed in present value which maximizes the aggregate present value of payments and distributions under this Plan which can

be made without causing any such payment to be subject to the excise tax under Section 4999 of the Code. The determinations and reductions under this Section 10.2 shall be made after eliminations or reductions, if any, have been made under the Company's Income Continuation Policy Statement or SMG Income Continuation Policy Statement.

10.3 If Ernst & Young determines that this Article X is applicable to a Participant, it shall so advise the Plan Committee in writing. The Plan Committee shall then promptly give the Participant notice to that effect together with a copy of the detailed calculation supporting such determination which shall include a statement of the Reduced Amount. The Participant may then elect, in his/her sole discretion, which and how much of the Stock Options, Restricted Stock Awards and/or Performance Shares otherwise awarded under this Plan shall be eliminated or reduced (as long as after such election the aggregate present value of the remaining Stock Options, Restricted Stock Awards and/or Performance Shares under this Plan equals the Reduced Amount), and shall advise the Plan Committee in writing of his/her election within ten days of his/her receipt of notice. If no such election is made by the Participant within such ten-day period, the Plan Committee may elect which and how much of the Stock Options, Restricted Stock Awards, and/or Performance Shares shall be eliminated or reduced (as long as after such election their aggregate present value equals the Reduced Amount) and shall notify the Participant promptly of such election. For purposes of this Article X, present value shall be determined in accordance with Section 280G of the Code. All the foregoing determinations made by Ernst & Young under this Article X shall be made as promptly as practicable after it is determined that excess parachute payments (as defined in Section 280G of the Code) will be made to the Participant if an elimination or reduction is not made. As promptly as practicable following the election hereunder, the Company shall provide to or for the benefit of the Participant such amounts and shares as are then due to the Participant under this Plan and shall promptly provide to or for the benefit of the Participant in the future such amounts and shares as become due to the Participant under this Plan.

10.4 As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by Ernst & Young hereunder, it is possible that payments or distributions under this Plan will have been made which should not have been made ("Overpayment") or that additional payments or distributions which will have not been made could have been made ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that Ernst & Young, based upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Participant which Ernst & Young believes has a high probability of success, determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to the Participant which the Participant shall repay together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by the Participant if and to the extent such payment would not reduce the amount which is subject to the excise tax under Section 4999 of the Code. In the event that Ernst & Young, based upon controlling precedent, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid to or for the benefit of the Participant together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

10.5 In making its determination under this Article X, the value of any non-cash benefit shall be determined by Ernst & Young in accordance with the principles of Section 280G(d)(3) of the Code.

10.6 All determinations made by Ernst & Young under this Article X shall be binding upon the Company, the Plan Committee and the Participant.

ARTICLE XI GENERAL PROVISIONS

11.1 *AMENDMENT OR TERMINATION OF PLAN.* The Board may at any time amend, suspend, discontinue or terminate the Plan (including the making of any necessary enabling, conforming and procedural amendments to the Plan to authorize and implement the granting of qualified Stock Options or other income tax preferred stock options which may be authorized by enactment of the United States Congress and/or the Internal Revenue Service subsequent to the effective date of this Plan); provided, however, that no amendment by the Board shall, without further approval of the shareholders of the Company, increase the total number of shares of Common Stock which may be made subject to the Plan, except as provided at Section 8.3 hereof. No action taken pursuant to this Section 11.1 of the Plan shall, without the consent of the Participant, alter or impair any Awards which have been previously granted to a Participant.

11.2 *NON-ALIENATION OF RIGHTS AND BENEFITS.* Except as expressly provided herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such right or benefit. If any Participant or beneficiary hereunder should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit hereunder (other than as expressly provided herein), then such right or benefit shall, in the sole discretion of the Plan Committee, cease and in such event the Company may hold or apply the same or any or no part thereof for the benefit of the Participant or beneficiary, his/her spouse, children or other dependents or any of them in any such manner and in such proportion as the Plan Committee in its sole discretion may deem proper.

11.3 *NO RIGHTS AS SHAREHOLDER.* The granting of Performance Shares and/or Stock Options and/or Restricted Stock Awards under the Plan shall not entitle a Participant or any other person succeeding to his/her rights, to any dividend, voting or other right as a shareholder of the Company unless and until the issuance of a stock certificate to the Participant or such other person pursuant to the provisions of the Plan and then only subsequent to the date of issuance thereof.

11.4 *LIMITATION OF LIABILITY OR OBLIGATION OF THE COMPANY.* As illustrative only of the limitations of liability or obligation of the Company and not intended to be exhaustive thereof, nothing in the Plan shall be construed:

- (a) to give any employee of the Company any right to be granted any Award other than at the sole discretion of the Plan Committee;
- (b) to give any Participant any rights whatsoever with respect to shares of Common Stock except as specifically provided in the Plan;
- (c) to limit in any way the right of the Company or any Subsidiary to terminate, change or modify, with or without cause, the employment of any Participant at any time; or
- (d) to be evidence of any agreement or understanding, express or implied, that the Company or any Subsidiary will employ any Participant in any particular position at any particular rate of compensation or for any particular period of time.

Payments and other benefits received by a Participant under an Award shall not be deemed part of a Participant's regular, recurring compensation for purposes of any termination, indemnity or severance pay laws and shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan, contract or similar arrangement provided by the Company or any Subsidiary, unless expressly so provided by such other plan, contract or arrangement or the Committee determines that an Award or portion of an Award should be included to reflect competitive compensation practices or to recognize that an Award has been made in lieu of a portion of competitive cash compensation.

11.5 *GOVERNMENT REGULATIONS.* Notwithstanding any other provisions of the Plan seemingly to the contrary, the obligation of the Company with respect to Awards granted under the Plan shall at all times be subject to any and all applicable laws, rules, and regulations and such approvals by any government agencies as may be required or deemed by the Board or Plan Committee as reasonably necessary or appropriate for the protection of the Company.

In connection with any sale, issuance or transfer hereunder, the Participant acquiring the shares shall, if requested by the Company, give assurances satisfactory to counsel of the Company that the shares are being acquired for investment and not with a view to resale or distribution thereof and

assurances in respect of such other matters as the Company may deem desirable to assure compliance with all applicable legal requirements.

11.6 *NON-EXCLUSIVITY OF THE PLAN.* Neither the adoption of the Plan by the Board nor the submission of the Plan to shareholders of the Company for approval shall be construed as creating any limitations on the power or authority of the Board to adopt such other or additional incentive or other compensation arrangements of whatever nature as the Board may deem necessary or desirable or preclude or limit the continuation of any other plan, practice or arrangement for the payment of compensation or fringe benefits to employees generally, or to any class or group of employees, which the Company or any Subsidiary now has lawfully put into effect, including, without limitation, any retirement, pension, savings, profit sharing or stock purchase plan, insurance, death and disability benefits, and executive short term incentive plans.

11.7 *EFFECTIVE DATE.* Subject to the approval of this restated Plan by the holders of a majority of the voting power of the shares present and entitled to vote at the Company's Annual Meeting of Shareholders to be held May 19, 1999 and any necessary approval being obtained from any department, board or agency of the United States or states having jurisdiction, the Plan shall be effective as of May 19, 1999.

11.8 *REORGANIZATION.* In case the Company is merged or consolidated with another corporation, or in case the property or stock of the Company is acquired by another corporation, or in case of a separation, reorganization or liquidation of the Company (for purposes hereof any such occurrence being referred to as an "Event"), the Plan Committee or a comparable committee of any corporation assuming the obligations of the Company hereunder, shall either:

- (a) make appropriate provision for the protection of any outstanding Performance Shares, Stock Options and Restricted Stock Awards granted thereunder by the substitution on an equitable basis of appropriate stock or options of the Company, or of the merged, consolidated or otherwise

reorganized corporation which will be issuable in respect to the shares of Common Stock. Stock to be issued pursuant to such Performance Shares shall be limited so that the excess of the aggregate fair market value of the shares subject to the Performance Shares immediately after such substitution over the purchase price thereof is not more than the excess of the aggregate fair market value of the shares subject to such Performance Shares immediately before such substitution over the purchase price thereof; or

- (b) upon written notice to the Participant, declare that all Performance Shares granted to the Participant are deemed earned, that the Restriction Period of all Restricted Stock Awards has been eliminated and that all outstanding Stock Options shall accelerate and become exercisable in full but that all outstanding Stock Options, whether or not exercisable prior to such acceleration, must be exercised within the period of time set forth in such notice or they will terminate. In connection with any declaration pursuant to this Section 11.8(b), the Plan Committee may, but shall not be obligated to, cause a cash payment to be made to each Participant who holds a Stock Option that is terminated in an amount equal to the product obtained by multiplying (x) the amount (if any) by which the Event Proceeds Per Share (as hereinafter defined) exceeds the exercise price per share covered by such Stock Option times (y) the number of shares of Common Stock covered by such Stock Option. For purposes of this Section 11.8(b), "Event Proceeds Per Share" shall mean the cash plus the fair market value, as determined in good faith by the Plan Committee, of the non-cash consideration to be received per share by the shareholders of the Company upon the occurrence of the Event.

11.9 *WITHHOLDING TAXES, ETC.* All distributions under the Plan shall be subject to any required withholding taxes and other withholdings and, in case of distributions in Common Stock, the Participant or other recipient may, as a condition precedent to the delivery of Common Stock, be required to pay to his/her participating employer the excess, if any, of the amount of required withholding over the withholdings, if any, from any distributions in cash under the Plan. No distribution under the Plan shall be made in fractional shares of Common Stock, but the proportional market value thereof shall be paid in cash.

11.10 *GENERAL RESTRICTION.* Each Award shall be subject to the requirement that, if at any time the Board shall determine, in its discretion, that the listing, registration or qualification of the shares subject to such option and/or right upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with the granting of such Award or the issue or purchase of shares respectively thereunder, such Award may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

11.11 *USE OF PROCEEDS.* The proceeds derived from the sale of the stock pursuant to Stock Options or Restricted Stock Awards granted under the Plan shall constitute general funds of the Company.

11.12 *PRIOR PLANS.* Notwithstanding the adoption of this Plan by the Board and approval of this Plan by the Company's shareholders as provided in Section 11.7 hereof, the Company's Executive Long Term Incentive Plan of 1981 and the Director Stock Option Plan of 1995, as the same have been amended from time to time (the "Prior Plans"), shall remain in effect, and all grants and awards heretofore made under the Prior Plans shall be governed by the terms of the Prior Plans. The Plan Committee shall not, however, make any additional grants of performance shares, restricted stock or stock option awards pursuant to the Prior Plans.

11.13 *DURATION OF PLAN.* This Plan shall remain in effect until all shares of Common Stock subject to the Plan are distributed or this Plan is terminated under Section 11.1 hereof.

11.14 *SEVERABILITY.* In the event any provision of this Plan shall be held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

11.15 *GOVERNING LAW.* To the extent that federal laws do not otherwise control, this Plan and all determinations made and actions taken pursuant to this Plan shall be governed by the laws of Minnesota and construed accordingly.

11.16 *HEADINGS.* The headings of the Articles and their subparts in this Plan are for convenience of reading only and are not meant to be of substantive significance and shall not add to or detract from the meaning of such Article or subpart to which it refers.

QuickLinks

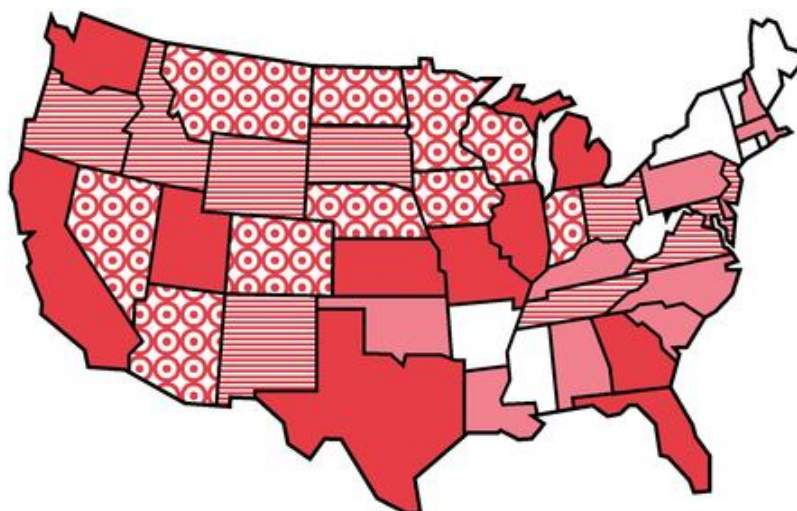
[DAYTON HUDSON CORPORATION LONG-TERM INCENTIVE PLAN OF 1999](#)

TARGET CORPORATION
Computations of Ratios of Earnings to Fixed Charges and
Ratios of Earnings to Fixed Charges and Preferred Stock Dividends

(Millions of Dollars)






	Fiscal Year Ended				
	Feb. 1 2003	Feb. 2, 2002	Feb. 3, 2001	Jan. 29, 2000	Jan. 30, 1999
Ratio of Earnings to Fixed Charges:					
Earnings:					
Consolidated net earnings	\$ 1,654	\$ 1,368	\$ 1,264	\$ 1,144	\$ 935
Income taxes	1,022	839	789	725	577
Total earnings	2,676	2,207	2,053	1,869	1,512
Fixed charges:					
Interest expense	614	519	467	482	465
Interest portion of rental expense	81	68	77	69	63
Total fixed charges	695	587	544	551	528
Less:					
Capitalized interest	(13)	(33)	(31)	(16)	(16)
Fixed charges in earnings	682	554	513	535	512
Earnings available for fixed charges	\$ 3,358	\$ 2,761	\$ 2,566	\$ 2,404	\$ 2,024
Ratio of earnings to fixed charges	4.83	4.70	4.71	4.36	3.83
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends:					
Total fixed charges, as above	\$ 695	\$ 587	\$ 544	\$ 551	\$ 528
Dividends on preferred stock (pre-tax basis)	—	—	—	29	32
Total fixed charges and preferred stock dividends	695	587	544	580	560
Earnings available for fixed charges and preferred stock dividends	\$ 3,358	\$ 2,761	\$ 2,566	\$ 2,404	\$ 2,024
Ratio of earnings to fixed charges and preferred stock dividends	4.83	4.70	4.71	4.15	3.61

The value of convenience.
A store location near you.



We continue to open Target stores across the country, adding net square footage at an average annual growth rate of 8-10%, steadily increasing market penetration. Since 1997, total store density has increased over 50%. Even in our most densely populated states, our market presence has expanded nearly 40%, indicating ample opportunity for profitable growth well into the future.

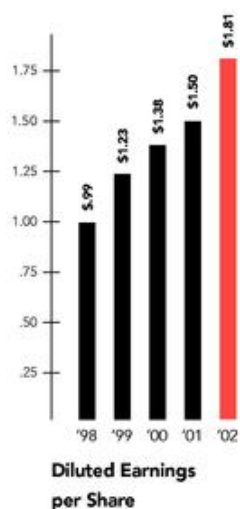
Year-end Store Count and Square Footage by State

Density Group	2002			1997	
	Sq. Ft per Thousand Population	Number of Stores	Retail Sq. Ft. (in thousands)	Sq. Ft per Thousand Population	Retail Sq. Ft. (in thousands)
	Minnesota	62	7,973	1,131	5,372
	Iowa	19	2,497	614	1,769
	Colorado	28	3,595	592	2,352
	North Dakota	4	505	682	437
	Arizona	35	4,050	528	2,451
	Nebraska	10	1,265	642	1,072
	Nevada	13	1,584	490	841
	Montana	6	639	344	299
	Indiana	34	3,969	482	2,853
	Wisconsin	29	3,358	447	2,334
Group 1 total	845	240	29,435	613	19,780
	California	175	21,133	469	15,291
	Michigan	52	5,765	492	4,796
	Illinois	59	7,188	451	5,466
	Texas	98	12,273	452	8,854
	Utah	8	1,303	511	1,055
	Georgia	37	4,714	366	2,795
	Washington	29	3,293	431	2,401
	Missouri	24	3,021	252	1,374
	Kansas	11	1,435	423	1,109
	Florida	73	8,823	456	6,846
Group 2 total	571	566	68,948	445	49,987
	Maryland	23	2,843	294	1,509
	South Dakota	4	394	531	391
	Oregon	15	1,766	363	1,174
	Virginia	29	3,597	317	2,153
	New Mexico	8	872	424	730
	Ohio	41	4,842	233	2,609
	Idaho	5	536	338	406
	Tennessee	20	2,266	358	1,945
	New Jersey	26	3,276	62	509
	Wyoming	2	187	378	182
Group 3 total	445	173	20,579	263	11,608
	South Carolina	12	1,450	102	393
	Oklahoma	9	1,160	235	790
	Delaware	2	268	—	0
	North Carolina	24	2,694	285	2,161
	Kentucky	12	1,316	287	1,129
	Alabama	9	1,417	27	117
	New Hampshire	3	397	—	0
	Massachusetts	15	1,914	—	0
	Louisiana	9	1,303	46	203
	Pennsylvania	26	3,289	—	0
Group 4 total	307	121	15,208	100	4,793
	Rhode Island	2	254	—	0
	New York	32	4,214	38	717
	Connecticut	5	649	—	0
	West Virginia	2	250	—	0
	Arkansas	3	354	72	186
	Maine	1	125	—	0

Mississippi	83	2	239	42	116
Vermont	—	0	0	—	0
Group 5 total	189	47	6,085	32	1,019
Total	494	1,147	140,255	325	87,187

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Operations



Earnings

Our net earnings were \$1,654 million in 2002, compared with \$1,368 million in 2001 and \$1,264 million in 2000. Earnings per share were \$1.81 in 2002, \$1.50 in 2001 and \$1.38 in 2000. References to earnings per share refer to diluted earnings per share. Earnings per share, dividends per share and common shares outstanding reflect our 2000 two-for-one share split.

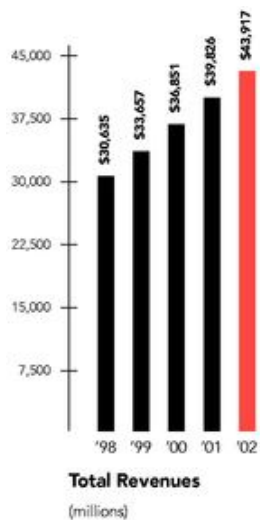
Earnings Analysis

(millions)	2002	2001	2000
Net earnings before unusual items	\$ 1,654	\$ 1,410	\$ 1,264
Unusual items, after tax	—	(42)	—
Net earnings	\$ 1,654	\$ 1,368	\$ 1,264

Management uses net earnings before unusual items, among other standards, to measure operating performance. It supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by accounting principles generally accepted in the United States (GAAP).

The \$42 million after-tax (\$.05 per share) unusual item in 2001 relates to the required adoption of a new accounting standard applicable to securitized accounts receivable (discussed in detail under Accounting for Accounts Receivable on page 19).

Management's discussion and analysis is based on our Consolidated Results of Operations as shown on page 24.



Revenues and Comparable-store Sales

In 2002, total revenues increased 10.3 percent and comparable-store sales increased 1.1 percent. In 2001, total revenues increased 9.7 percent and comparable-store sales increased 2.7 percent over 2000, with both years' results on a similar 52-week basis (since 2000 was a 53-week year, the first week is removed for comparability). Total revenues include retail sales and net credit card revenues. Comparable-store sales are sales from stores open longer than one year. Revenue growth in 2002 and 2001 reflected Target's new store expansion, our overall comparable-store sales growth and growth in our credit card operations. The impact of price deflation in 2001 and 2000 was minimal and, as a result, the overall comparable-store sales increase closely approximated real growth. In 2002, price deflation was somewhat more significant than in the two prior years and had a negative impact of approximately 3 percent on the comparable-store sales increase.

Revenues and Comparable-store Sales Growth
(52-week basis)

	2002		2001		2000	
	Revenues	Comparable-store Sales	Revenues	Comparable-store Sales	Revenues	Comparable-store Sales
Target	13.3%	2.2%	13.1%	4.1%	10.5%	3.4%
Mervyn's	(5.2)	(5.3)	(1.7)	(1.5)	0.2	0.3
Marshall Field's	(3.1)	(3.7)	(5.2)	(5.7)	(3.6)	(4.0)
Total	10.3%	1.1%	9.7%	2.7%	7.8%	2.4%

Revenues per Square Foot*
(52-week basis)

	2002	2001	2000
	\$	\$	\$
Target	278	274	268
Mervyn's	178	187	190
Marshall Field's	180	186	205

* Thirteen-month average retail square feet.

Gross Margin Rate

Gross margin rate represents gross margin (sales less cost of sales) as a percent of sales. In 2002, our consolidated gross margin rate expanded by almost a full percentage point to a rate of 31.5 percent. The growth is attributable to rate expansion at both Target and Mervyn's, partially offset by the mix impact of growth at Target, our lowest gross margin rate division.

In 2001, our gross margin rate was essentially even with 2000, benefiting from improvement at both Target and Mervyn's, offset by unfavorable performance at Marshall Field's and the mix impact of growth at Target.

Operating Expense Rate

Operating expense rate represents selling, general and administrative expense (including buying and occupancy, advertising, start-up and other expense) as a percent of sales. Operating expense excludes depreciation and amortization and expenses associated with our credit card operations, which are separately reflected on our Consolidated Results of Operations. In 2002, our operating expense rate rose modestly compared to 2001 because certain items such as medical expenses increased at a faster pace than sales and this effect was only partially offset by the mix impact of growth at Target,

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our lowest expense rate division. In 2001, our operating expense rate improved compared to 2000, principally benefiting from the mix impact of growth at Target.

Pre-tax Segment Profit

Pre-tax segment profit increased 16.7 percent in 2002 to \$3,461 million, compared with \$2,965 million in 2001. The increase was driven by growth at Target, which delivered 89 percent of consolidated pre-tax segment profit. Marshall Field's pre-tax segment profit was essentially equal to last year, while Mervyn's experienced a decline in pre-tax segment profit compared to last year. Target's full-year profit margin rate increased to 8.4 percent of revenues in 2002 from 7.8 percent in 2001.

In 2001, pre-tax segment profit increased 10.6 percent to \$2,965 million, compared with \$2,682 million in 2000. The increase was driven by growth at Target, which delivered 86 percent of consolidated pre-tax segment profit. Mervyn's also experienced an increase in pre-tax segment profit, while Marshall Field's experienced a decline compared to 2000. Target's full-year profit margin rate increased to 7.8 percent of revenues in 2001 from 7.6 percent in 2000.

We define pre-tax segment profit as earnings before interest, last-in, first-out (LIFO) provision, securitization effects, other expense and unusual items. A reconciliation of pre-tax segment profit to pre-tax earnings is provided in the Notes to Consolidated Financial Statements on page 35. Our segment disclosures may not be consistent with disclosures of other companies in the same line of business.

Pre-tax Segment Profit and as a Percent of Revenues

(millions)	Pre-tax Segment Profit			As a Percent of Revenues		
	2002	2001	2000	2002	2001	2000
Target	\$ 3,088	\$ 2,546	\$ 2,223	8.4%	7.8%	7.6%
Mervyn's	238	286	269	6.2	7.1	6.5
Marshall Field's	135	133	190	5.0	4.8	6.4
Total pre-tax segment profit	\$ 3,461	\$ 2,965	\$ 2,682	8.0%	7.5%	7.4%
Net earnings	\$ 1,654	\$ 1,368	\$ 1,264			

EBITDA

We provide the following EBITDA information derived from our financial statements because we believe it provides a meaningful aid to analysis of our performance by segment. We define segment EBITDA as pre-tax segment profit before depreciation and amortization expense. This presentation is not intended to be a substitute for GAAP required measures of profitability and cash flow. A reconciliation of pre-tax segment profit to pre-tax earnings is provided in the Notes to Consolidated Financial Statements on page 35. Our definition of EBITDA may differ from definitions used by other companies.

EBITDA and as a Percent of Revenues

(millions)	EBITDA			As a Percent of Revenues		
	2002	2001	2000	2002	2001	2000
Target	\$ 4,013	\$ 3,330	\$ 2,883	10.9%	10.2%	9.8%
Mervyn's	360	412	400	9.4	10.2	9.6
Marshall Field's	260	268	323	9.7	9.7	10.9

Total segment EBITDA	\$ 4,633	\$ 4,010	\$ 3,606	10.7%	10.2%	9.9%
Segment depreciation and amortization	(1,172)	(1,045)	(924)			
Pre-tax segment profit	\$ 3,461	\$ 2,965	\$ 2,682			
Cash flows provided by/(used for):						
Operating activities	\$ 1,590	\$ 2,012	\$ 2,134			
Investing activities	(3,189)	(3,310)	(2,692)			
Financing activities	1,858	1,441	694			
Net increase in cash and cash equivalents	\$ 259	\$ 143	\$ 136			

Depreciation and Amortization

In 2002, depreciation and amortization increased 12.4 percent to \$1,212 million compared to 2001. In 2001, depreciation and amortization increased 14.8 percent to \$1,079 million compared to 2000. The increase in both years is primarily due to new store growth at Target.

Interest Expense

In 2002, interest expense was \$588 million, \$88 million higher than the total of interest expense and interest equivalent in 2001. For analytical purposes, the amounts that represented payments accrued to holders of sold securitized receivables prior to August 22, 2001 (discussed in detail under Accounting for Accounts Receivable on page 19) are considered as interest equivalent. After that date such payments constituted interest expense. In 2002, \$25 million of the increase in interest expense was due to the loss resulting from the early call or repurchase of \$266 million of debt. The remaining \$63 million increase in interest expense is attributable to higher average funded balances, partially offset by the favorable effect of lower average portfolio interest rates. The average portfolio interest rate in 2002 was 5.6 percent compared with 6.4 percent in 2001, and 7.4 percent in 2000. In 2001, the total of interest expense and interest equivalent was \$24 million higher than in 2000 due to higher average funded balances partially offset by the favorable effect of lower average portfolio interest rates.

During 2002, we called or repurchased \$266 million of debt resulting in a loss of \$34 million (\$.02 per share). The debt called or repurchased had a weighted average interest rate of 8.8 percent and an average remaining life of 19 years. In 2001 and 2000, we

called or repurchased \$144 million and \$35 million of debt, respectively, which resulted in losses of \$9 million (\$.01 per share) and \$5 million (less than \$.01 per share), respectively. Also in 2000, \$371 million of puttable debt was put to us, resulting in a gain of \$4 million (less than \$.01 per share).

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." We elected to early adopt this Statement in the first quarter of 2002. Previously, all gains and losses from the early extinguishment of debt were required to be aggregated and classified as an extraordinary item in the Consolidated Results of Operations, net of the related tax effect. Under SFAS No. 145, gains and losses from the early extinguishment of debt are included in interest expense. Prior year extraordinary items have been reclassified to reflect this change. The adoption of SFAS No. 145 had no impact on current year or previously reported net earnings, cash flows or financial position.

Accounting for Accounts Receivable

On August 22, 2001, Target Receivables Corporation (TRC) sold, through the Target Credit Card Master Trust (the Trust), \$750 million of receivable-backed securities to the public. Prior to this transaction, the accounting guidance applicable to our receivable-backed securities transactions was SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," resulting in sale accounting treatment. Concurrent with this transaction, SFAS No. 140 (which replaced SFAS No. 125 in its entirety) became the applicable accounting guidance. Application of SFAS No. 140 resulted in secured financing accounting for all outstanding transactions. This new accounting treatment results from the fact that the Trust is not a qualifying special purpose entity under SFAS No. 140.

Beginning on August 22, 2001, our consolidated financial statements reflected the consolidation of these outstanding obligations. We reflected the obligation to holders of the \$800 million (face value) of previously sold receivable-backed securities (Series 1997-1 and 1998-1, Class A Certificates) as debt of TRC, and we recorded the receivables at fair value in place of the previously recorded retained interests related to the sold securities. This resulted in an unusual pre-tax charge of \$67 million (\$.05 per share) in 2001.

Our Consolidated Results of Operations did not include finance charge revenues or loss provision related to the publicly held receivable-backed securities until August 22, 2001. Payments accrued to holders of our publicly held receivable-backed securities prior to August 22, 2001 are included in our Pre-tax Earnings Reconciliation on page 35 as interest equivalent. Interest equivalent was \$27 million in 2001 and \$50 million in 2000.

Fourth Quarter Results

Due to the seasonal nature of our business, fourth quarter operating results typically represent a substantially larger share of total year revenues and earnings due to the inclusion of the holiday shopping season.

Fourth quarter 2002 net earnings were \$688 million, compared with \$658 million in 2001. Earnings per share were \$.75 for the quarter, compared with \$.72 in 2001. Total revenues increased 6.4 percent and 13-week comparable-store sales decreased 2.2 percent. Our pre-tax segment profit increased 1.4 percent to \$1,291 million, driven by growth at Target, partially offset by declines at Mervyn's and Marshall Field's.

Fourth Quarter Pre-tax Segment Profit and Percent Change from Prior Year

(millions)	2002		2001		2000	
Target	\$ 1,165	8.0%	\$ 1,078	20.9%	\$ 892	10.0%
Mervyn's	75	(42.9)	131	20.8	108	57.7
Marshall Field's	51	(18.9)	63	(20.2)	79	(34.4)
Total	\$ 1,291	1.4%	\$ 1,272	17.9%	\$ 1,079	7.9%
Net earnings	\$ 688	4.4%	\$ 658	19.3%	\$ 552	11.8%

Critical Accounting Estimates

Our analysis of operations and financial condition are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the related disclosures of contingent assets and liabilities. In the Notes to Consolidated Financial Statements, we describe our significant accounting policies used in the preparation of the consolidated financial statements. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

The following items in our consolidated financial statements require significant estimation or judgment:

Inventory and cost of sales We account for inventory and the related cost of sales under the retail inventory method using the LIFO basis. Under the retail inventory method, inventory is stated at cost, which is determined by applying a cost-to-retail ratio to each similar merchandise grouping's ending retail value. Since this inventory value is adjusted regularly to reflect market conditions, our inventory methodology reflects the lower of cost or market. We also reduce inventory for estimated losses related to shortage, based upon historical losses verified by prior physical inventory counts.

Additionally, we reduce inventory for estimates of vendor allowances, such as rebates, volume allowances, shelving/slotting allowances and exclusivity allowances. Vendor allowances are recognized in the financial statements when we have fulfilled our performance obligations. Inventory also includes a LIFO provision that is calculated based on inventory levels, markup rates and internally generated retail price indices.

Allowance for doubtful accounts When receivables are recorded, an allowance for doubtful accounts in an amount equal to anticipated future write-offs is recognized. The estimated future write-offs are based on historical experience and other factors. The allowance for doubtful accounts was \$399 million or 6.7 percent of year-end receivables at February 1, 2003, compared to \$261 million or 6.4 percent of year-end receivables at February 2, 2002.

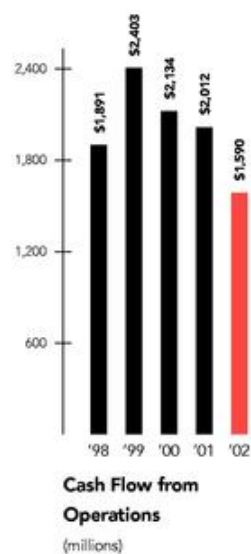
Pension and postretirement health care accounting We fund and maintain three qualified defined benefit pension plans and maintain certain non-qualified plans as well. Our pension costs are determined based on actuarial calculations using key assumptions including our expected long-term rate of return on qualified plan assets, discount rate and our estimate of future compensation increases. We also maintain a postretirement health care plan for certain retired employees. Postretirement health care costs are calculated based on actuarial calculations using key assumptions including a discount rate and health care cost trend rates. Our pension and postretirement health care benefits are further described in the Notes to Consolidated Financial Statements on page 34.

Insurance/self-insurance We retain a portion of the risk related to certain general liability, workers' compensation, property loss and employee medical and dental claims. Liabilities associated with these losses are calculated for claims filed, and claims incurred but not yet reported, at our estimate of their ultimate cost, based upon analysis of historical data and actuarial estimates. General liability and workers' compensation liabilities are then recorded at their net present value. Our expected loss accruals are based on estimates, and while we believe the amounts accrued are adequate, the ultimate loss may differ from the amounts provided. We maintain stop-loss coverage to limit the exposure related to certain risks.

Income taxes We pay income taxes based on the tax statutes, regulations and case law of the various jurisdictions in which we operate. Our effective income tax rate was 38.2 percent, 38.0 percent and 38.4 percent in 2002, 2001 and 2000, respectively. The income tax provision includes estimates for certain unresolved matters in dispute with state and federal tax authorities.

Analysis of Financial Condition

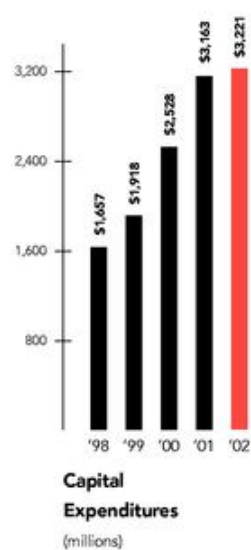
Our financial condition remains strong. Cash flow provided by operations was \$1,590 million in 2002, driven by net income before depreciation and amortization expense and is net of our substantial growth in accounts receivable. Internally generated cash, along with our ability to access a variety of financial markets, provides capital for our expansion plans. We expect to continue to fund the growth in our business through a combination of internally generated funds and debt.



During 2002, our total gross year-end receivables (which includes all securitized receivables) increased 46 percent, or \$1,872 million, to \$5,964 million. The growth in year-end receivables was driven by continued growth in issuance and usage of the Target Visa credit card. Average total receivables increased 61 percent from 2001.

During 2002, inventory levels increased \$311 million, or 7.0 percent. This growth was more than fully funded by the \$524 million increase in accounts payable over the same period.

Capital expenditures were \$3,221 million in 2002, compared with \$3,163 million in 2001 and \$2,528 in 2000. Investment in Target accounted for 92 percent of capital expenditures in both 2002 and 2001, and 89 percent in 2000. Net property and equipment increased \$1,774 million in 2002, compared with an increase of \$2,115 in 2001. Over the past five years, Target's net retail square footage has grown at a compound annual rate of 10 percent, consistent with our objective to expand Target's square footage in the range of 8 to 10 percent annually.



Approximately 66 percent of total expenditures in 2002 were for new stores, expansions and remodels.

Number of Stores

	February 2, 2002	Opened	Closed	February 1, 2003
Target	1,053	114	20	1,147
Mervyn's	264	1	1	264
Marshall Field's	64	0	0	64
Total	1,381	115	21	1,475

Other capital investments were for information system hardware and software, distribution capacity and other infrastructure to support store growth, primarily at Target.

In January 1999 and March 2000, our Board of Directors authorized the aggregate repurchase of \$2 billion of our common stock. Since that time, we have repurchased a total of 41 million shares of our common stock at a total cost of \$1,199 million (\$29.27 per share), net of the premium from exercised and expired put options. In 2001, common stock repurchases were essentially suspended. Consequently, common stock repurchases did not have a material impact on our 2002 or 2001 net earnings and financial position.

Our financing strategy is to ensure liquidity and access to capital markets, to manage the amount of floating-rate debt and to maintain a balanced spectrum of debt maturities. Within these parameters, we seek to minimize our cost of borrowing.

A key to our access to liquidity and capital markets is maintaining strong investment-grade debt ratings.

Credit Ratings

	Moody's	Standard and Poor's	Fitch
Long-term debt	A2	A+	A
Commercial paper	P-1	A-1	F1
Securitized receivables	Aaa	AAA	N/A

We view interest coverage and debt ratio as important indicators of our creditworthiness. In 2002, interest coverage continued to improve to 5.1x and debt ratio remained constant at 52 percent.

Interest Coverage and Debt Ratio

	2002	2001	2000
Interest coverage	5.1x	4.7x	4.4x
Debt ratio	52%	52%	52%

Interest coverage and debt ratio include the impact of any publicly held receivable-backed securities and off-balance sheet operating leases as if they were debt. Interest coverage represents the ratio of pre-tax earnings before unusual items and fixed charges to fixed charges (interest expense excluding loss on debt repurchase, interest equivalent and the interest portion of rent expense). Debt ratio represents the ratio of debt (debt and debt equivalents less cash equivalents) to total capitalization, including debt, deferred income taxes and other, and shareholders' investment.

Further liquidity is provided by \$1.9 billion of committed lines of credit obtained through a group of 30 banks. Of these credit lines, a \$1.1 billion credit facility matures in June 2003 but includes a one-year term-out option to June 2004. The remaining \$800 million credit facility matures in June 2005. There were no balances outstanding at any time during 2002 or 2001 under these agreements. No debt instrument contains provisions requiring acceleration of payment upon a debt rating downgrade.

Commitments and Contingencies

At February 1, 2003, our debt and lease contractual obligations were as follows:

Payments Due by Period

(millions) Contractual Obligations	Total	Less than 1 Year	After 1-3 Years	3-5 Years	5 Years
Long-term debt*	\$ 10,890	\$ 965	\$ 1,359	\$ 2,075	\$ 6,491
Capital lease obligations**	244	21	39	36	148
Operating leases**	1,528	147	265	208	908
Total contractual cash obligations	\$ 12,662	\$ 1,133	\$ 1,663	\$ 2,319	\$ 7,547

* Required principal payments only. Excludes SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," adjustments recorded in long-term debt.

** Total contractual lease payments.

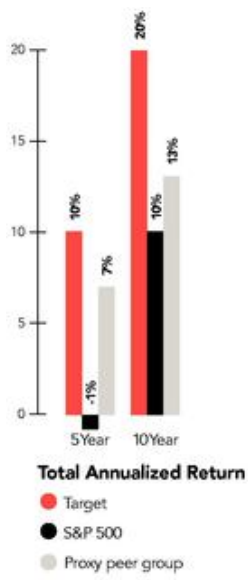
Commitments for the purchase, construction, lease or remodeling of real estate, facilities and equipment were approximately \$509 million at year-end 2002.

We are exposed to claims and litigation arising out of the ordinary course of business. Management, after consulting with legal counsel, believes the currently identified claims and litigation will not have a material adverse effect on our results of operations or our financial condition taken as a whole.

Performance Objectives

Shareholder Return

Our primary objective is to maximize shareholder value over time through a combination of share price appreciation and dividend income while maintaining a prudent and flexible capital structure. Our total return to shareholders (including reinvested dividends) over the last five years averaged 10.2 percent annually, returning about \$162 for each \$100 invested in our stock at the beginning of this period.



Measuring Value Creation

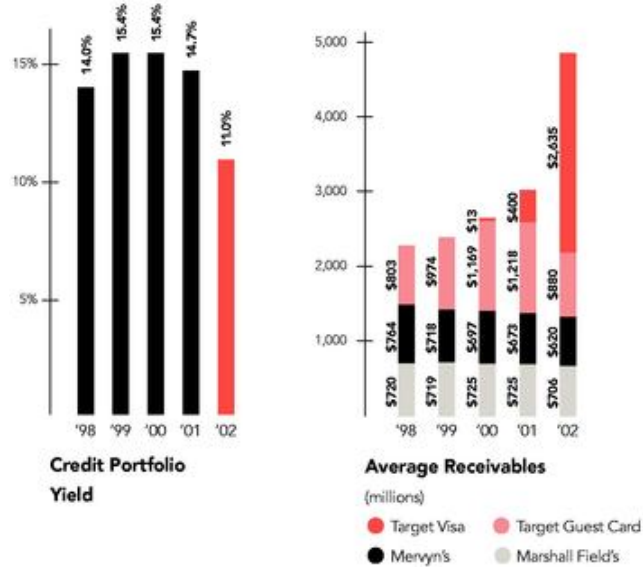
We measure value creation internally using a form of Economic Value Added (EVA), which we define as after-tax segment profit less a capital charge for all investment employed. The capital charge is an estimate of our after-tax cost of capital adjusted for the age of our stores, recognizing that mature stores inherently have higher returns than newly opened stores. We estimate that the after-tax cost of capital for our retail operations is approximately 9 percent, while our credit card operations' after-tax cost of capital is approximately 5 percent as a result of their ability to support higher debt levels. We expect to continue to generate returns in excess of these costs of capital, thereby producing EVA.

EVA is used to evaluate our performance and to guide capital investment decisions. A significant portion of executive incentive compensation is tied to the achievement of targeted levels of annual EVA generation. We believe that managing our business with a focus on EVA helps achieve our objective of average annual earnings per share growth of 15 percent or more over time. Earnings per share before unusual items have grown at a compound annual rate of 17 percent over the last five years.

Credit Card Operations

We offer credit to qualified guests in each of our business segments. These credit card programs strategically support our core retail operations and are an integral component of each business segment. Our credit card products support earnings growth by driving sales at our stores and through growth in credit card financial performance. In addition to our proprietary credit card programs that have been offered for many years, we began a national rollout of the Target Visa credit card during 2001.

The following tables reflect the financial performance of our credit card operations on a managed portfolio basis. Pre-tax credit contribution reflects pre-tax profit before funding costs. See discussion on Accounting for Accounts Receivable on page 19 for additional information on the treatment of securitized receivables in our consolidated financial statements.



The revenue from accounts receivable represents revenues derived from finance charges, late fees and other revenues. Intracompany merchant fees are fees charged to our retail operations on a basis similar to fees charged by third-party credit card issuers. These fees are eliminated in consolidation. Third-party merchant fees are fees paid to us by merchants that have accepted the Target Visa credit card, and are included in net credit card revenues. Credit card expenses include marketing and account service activities that support our credit card portfolio, as well as bad debt expense.

In 2002, pre-tax contribution from credit card operations increased approximately 20 percent over the prior year. This performance was driven primarily by the substantial growth in average receivables due to increases in the issuance and usage of the Target Visa credit card.

Credit Card Contribution to Segment Profit

(millions)	2002	2001	2000
Revenues:			
Finance charges, late fees and other revenues	\$ 1,126	\$ 779	\$ 653
Merchant fees			
Intracompany	102	102	99
Third-party	69	18	1
Total revenues	1,297	899	753

Expenses:			
Bad debt provision	460	230	148
Operations and marketing	305	224	205
Total expenses	765	454	353
Pre-tax credit card contribution	\$ 532	\$ 445	\$ 400

Receivables

(millions)	2002	2001	2000
Target			
Target Visa	\$ 3,774	\$ 1,567	\$ 76
Guest Card	827	1,063	1,325
Mervyn's	626	706	735
Marshall Field's	737	756	769
Total year-end receivables*	\$ 5,964	\$ 4,092	\$ 2,905
Delinquent receivables**	3.8%	3.2%	3.9%
Total average receivables	\$ 4,841	\$ 3,016	\$ 2,604

* At year-end 2000, balance includes \$800 million of publicly held receivable-backed securities (see discussion under Accounting for Accounts Receivable on page 19).

** Balances on accounts that are delinquent by 60 days or more as a percent of total year-end receivables.

Allowance for Doubtful Accounts

(millions)	2002	2001	2000
Allowance at beginning of year	\$ 261	\$ 211	\$ 203
Bad debt provision	460	230	148
Net write-offs	(322)	(180)	(140)
Allowance at end of year	\$ 399	\$ 261	\$ 211
As a percent of year-end receivables	6.7%	6.4%	7.3%

Fiscal Year 2003

As we look forward into 2003, we believe that we will deliver another year of profitable market share growth. We expect that this performance will be driven by increases in comparable-store sales, contributions from new store growth at Target, and continued growth in contribution from our credit card operations, primarily through the Target Visa credit card. Overall, gross margin rate and operating expense rate are expected to remain essentially even with 2002.

In 2003, we expect to invest \$3.2 to \$3.4 billion, mostly in new square footage for Target stores, and the distribution infrastructure and systems to support this growth. Our 2003 store opening program at Target reflects net square footage growth of approximately 8 to 10 percent or about 80 net new stores. We expect this incremental growth to include 23 SuperTargets, comprising about 30 percent of the net increase in square footage at Target. Funding sources for the growth of our business include internally generated funds and debt.

Interest expense in 2003 is expected to increase only modestly, if at all, from 2002, as continued growth in the funding necessary to support both Target's expansion and our credit card operations will moderate, and will likely be substantially offset by continued interest rate favorability.

Our effective income tax rate in 2003 is expected to approximate 38.0 percent.

Forward-looking Statements

This Annual Report, including the preceding management's discussion and analysis, contains forward-looking statements regarding our performance, liquidity and the adequacy of our capital resources. Those statements are based on our current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. We caution that the forward-looking statements are qualified by the risks and challenges posed by increased competition, shifting consumer demand, changing consumer credit markets, changing capital markets and general economic conditions, hiring and retaining effective team members, sourcing merchandise from domestic and international vendors, investing in new business strategies, achieving our growth objectives, the outbreak of war and other significant national and international events, and other risks and uncertainties. As a result, while we believe that there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements. You are encouraged to review Exhibit (99)C attached to our Form 10-K Report for the year-ended February 1, 2003, which contains additional important factors that may cause actual results to differ materially from those projected in the forward-looking statements.

Mervyn's Store Count



	Retail Sq. Ft. (in thousands)	No. of Stores
California	9,622	124
Texas	3,347	42
Washington	1,277	14
Arizona	1,203	15
Michigan	1,165	15

Minnesota	1,160	9
Colorado	855	11
Utah	754	8
Oregon	553	7
Louisiana	449	6
Nevada	422	6
Oklahoma	269	3
New Mexico	267	3
Idaho	82	1
Total	21,425	264

Marshall Field's Store Count



Retail Sq. Ft. No. of Stores
(in thousands)

Michigan	4,810	21
Illinois	4,917	17
Minnesota	3,071	12
Wisconsin	817	5
Ohio	593	3
North Dakota	295	3
Indiana	242	2
South Dakota	100	1
Total	14,845	64

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CONSOLIDATED RESULTS OF OPERATIONS

(millions, except per share data)	2002	2001	2000
Sales	\$ 42,722	\$ 39,114	\$ 36,310
Net credit card revenues	1,195	712	541
Total revenues	43,917	39,826	36,851
Cost of sales	29,260	27,143	25,214
Selling, general and administrative expense	9,416	8,461	7,928
Credit card expense	765	463	290
Depreciation and amortization	1,212	1,079	940
Interest expense	588	473	426
Earnings before income taxes	2,676	2,207	2,053
Provision for income taxes	1,022	839	789
Net earnings	1,654	1,368	1,264
Basic earnings per share	\$ 1.82	\$ 1.52	\$ 1.40
Diluted earnings per share	\$ 1.81	\$ 1.50	\$ 1.38
Weighted average common shares outstanding:			
Basic	908.0	901.5	903.5
Diluted	914.0	909.8	913.0

See Notes to Consolidated Financial Statements throughout pages 28-36.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions)	February 1, 2003	February 2, 2002
Assets		
Cash and cash equivalents	\$ 758	\$ 499
Accounts receivable, net	5,565	3,831
Inventory	4,760	4,449

Other	852	869
Total current assets	11,935	9,648
Property and equipment		
Land	3,236	2,833
Buildings and improvements	11,527	10,103
Fixtures and equipment	4,983	4,290
Construction-in-progress	1,190	1,216
Accumulated depreciation	(5,629)	(4,909)
Property and equipment, net	15,307	13,533
Other	1,361	973
Total assets	\$ 28,603	\$ 24,154
Liabilities and shareholders' investment		
Accounts payable	\$ 4,684	\$ 4,160
Accrued liabilities	1,545	1,566
Income taxes payable	319	423
Current portion of long-term debt and notes payable	975	905
Total current liabilities	7,523	7,054
Long-term debt	10,186	8,088
Deferred income taxes and other	1,451	1,152
Shareholders' investment		
Common stock*	76	75
Additional paid-in-capital	1,256	1,098
Retained earnings	8,107	6,687
Accumulated other comprehensive income	4	—
Total shareholders' investment	9,443	7,860
Total liabilities and shareholders' investment	\$ 28,603	\$ 24,154

* Authorized 6,000,000,000 shares, \$.0833 par value; 909,801,560 shares issued and outstanding at February 1, 2003; 905,164,702 shares issued and outstanding at February 2, 2002.

See Notes to Consolidated Financial Statements throughout pages 28-36.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)	2002	2001	2000
Operating activities			
Net earnings	\$ 1,654	\$ 1,368	\$ 1,264
Reconciliation to cash flow:			
Depreciation and amortization	1,212	1,079	940
Bad debt provision	460	230	—
Deferred tax provision	248	49	1
Other noncash items affecting earnings	226	212	234
Changes in operating accounts providing/(requiring) cash:			
Accounts receivable	(2,194)	(1,193)	—
Inventory	(311)	(201)	(450)
Other current assets	15	(91)	(9)
Other assets	(174)	(178)	28
Accounts payable	524	584	62
Accrued liabilities	(21)	29	(23)
Income taxes payable	(79)	124	87
Other	30	—	—
Cash flow provided by operations	1,590	2,012	2,134
Investing activities			
Expenditures for property and equipment	(3,221)	(3,163)	(2,528)
Increase in receivable-backed securities	—	(174)	(217)
Proceeds from disposals of property and equipment	32	32	57
Other	—	(5)	(4)
Cash flow required for investing activities	(3,189)	(3,310)	(2,692)
Net financing requirements	(1,599)	(1,298)	(558)

Financing activities			
(Decrease)/increase in notes payable, net	—	(808)	245
Additions to long-term debt	3,153	3,250	2,000
Reductions of long-term debt	(1,071)	(793)	(803)
Dividends paid	(218)	(203)	(190)
Repurchase of stock	(14)	(20)	(585)
Other	8	15	27
Cash flow provided by financing activities	1,858	1,441	694
Net increase in cash and cash equivalents	259	143	136
Cash and cash equivalents at beginning of year	499	356	220
Cash and cash equivalents at end of year	\$ 758	\$ 499	\$ 356

Amounts presented herein are on a cash basis and therefore may differ from those shown in other sections of this Annual Report. Cash paid for income taxes was \$853 million, \$666 million and \$700 million during 2002, 2001 and 2000, respectively. Cash paid for interest (including interest capitalized) was \$526 million, \$477 million, and \$420 million during 2002, 2001 and 2000, respectively.

See Notes to Consolidated Financial Statements throughout pages 28-36.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT

(millions, except footnotes)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
January 29, 2000	911.7	\$ 76	\$ 730	\$ 5,056	\$ —	\$ 5,862
Consolidated net earnings	—	—	—	1,264	—	1,264
Dividends declared	—	—	—	(194)	—	(194)
Repurchase of stock	(21.2)	(1)	—	(584)	—	(585)
Issuance of stock for ESOP	2.4	—	86	—	—	86
Stock options and awards:						
Tax benefit	—	—	44	—	—	44
Proceeds received, net	4.9	—	42	—	—	42
February 3, 2001	897.8	75	902	5,542	—	6,519
Consolidated net earnings	—	—	—	1,368	—	1,368
Dividends declared	—	—	—	(203)	—	(203)
Repurchase of stock	(.5)	—	—	(20)	—	(20)
Issuance of stock for ESOP	2.6	—	89	—	—	89
Stock options and awards:						
Tax benefit	—	—	63	—	—	63
Proceeds received, net	5.3	—	44	—	—	44
February 2, 2002	905.2	75	1,098	6,687	—	7,860
Consolidated net earnings	—	—	—	1,654	—	1,654
Other comprehensive income	—	—	—	—	4	4
Total comprehensive income						1,658
Dividends declared	—	—	—	(218)	—	(218)
Repurchase of stock	(.5)	—	—	(16)	—	(16)
Issuance of stock for ESOP	3.0	1	105	—	—	106
Stock options and awards:						
Tax benefit	—	—	26	—	—	26
Proceeds received, net	2.1	—	27	—	—	27
February 1, 2003	909.8	\$ 76	\$ 1,256	\$ 8,107	\$ 4	\$ 9,443

Common Stock Authorized 6,000,000,000 shares, \$.0833 par value; 909,801,560 shares issued and outstanding at February 1, 2003; 905,164,702 shares issued and outstanding at February 2, 2002; 897,763,244 shares issued and outstanding at February 3, 2001.

In January 1999 and March 2000, our Board of Directors authorized the aggregate repurchase of \$2 billion of our common stock. In 2001, common stock repurchases under our program were essentially suspended. Our common stock repurchases are recorded net of the premium received from put options. Repurchases are made primarily in open market transactions, subject to market conditions.

Our common stock repurchase program has included the sale of put options that entitle the holder to sell shares of our common stock to us, at a specified price, if the holder exercises the option. No put options were sold during or were outstanding at the end of 2002 or 2001. During 2000, we sold put options on 9.5 million shares. Premiums received from the sale of put options during 2000 were recorded in retained earnings and totaled \$29 million, of which \$12 million represent premiums received on put options outstanding at year-end.

Preferred Stock Authorized 5,000,000 shares, \$.01 par value; no shares were issued or outstanding at February 1, 2003, February 2, 2002 or February 3, 2001.

Junior Preferred Stock Rights In 2001, we declared a distribution of preferred share purchase rights. Terms of the plan provide for a distribution of one preferred share purchase right for each outstanding share of our common stock. Each right will entitle shareholders to buy one twelve-hundredth of a share of a new series of junior participating preferred stock at an exercise price of \$125.00, subject to adjustment. The rights will be exercisable only if a person or group acquires ownership of 20 percent or more of our common stock or announces a tender offer to acquire 30 percent or more of our common stock.

Dividends Dividends declared per share were \$0.24, \$0.225 and \$0.215 in 2002, 2001 and 2000, respectively.

See Notes to Consolidated Financial Statements throughout pages 28-36.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies

Organization Target Corporation (the Corporation) is a general merchandise retailer, comprised of three operating segments: Target, Mervyn's and Marshall Field's. Target, an upscale discount chain located in 47 states, contributed 84 percent of our 2002 total revenues. Mervyn's, a middle-market promotional department store located in 14 states in the West, South and Midwest, contributed 9 percent of total revenues. Marshall Field's (including stores formerly named Dayton's and Hudson's), a traditional department store located in 8 states in the upper Midwest, contributed 6 percent of total revenues.

Consolidation The financial statements include the balances of the Corporation and its subsidiaries after elimination of material intercompany balances and transactions. All material subsidiaries are wholly owned.

Use of Estimates The preparation of our financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates.

Fiscal Year Our fiscal year ends on the Saturday nearest January 31. Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years. Fiscal years 2002 and 2001 each consisted of 52 weeks. Fiscal year 2000 consisted of 53 weeks.

Reclassifications Certain prior year amounts have been reclassified to conform to the current year presentation.

Revenues

Revenue from retail sales is recognized at the time of sale. Commissions earned on sales generated by leased departments are included within sales and were \$33 million in 2002, \$37 million in 2001 and \$33 million in 2000. Net credit card revenues are comprised of finance charges and late fees on credit card sales, as well as third-party merchant fees earned from the use of our Target Visa credit card. Prior to August 22, 2001, net credit card revenues are net of the effect of any publicly held receivable-backed securities. The amount of our retail sales charged to our credit cards were \$5.4 billion, \$5.6 billion and \$5.5 billion in 2002, 2001 and 2000, respectively.

Consideration Received from Vendors

During 2002, the Emerging Issues Task Force reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor." Under the new guidance, cash consideration received from a vendor should be classified as a reduction of cost of sales. If the consideration received represents a payment for assets delivered to the vendor, it should be classified as revenue. If the consideration is a reimbursement of a specific, incremental, identifiable cost incurred in selling the vendor's product, the cost should be characterized as a reduction of that cost incurred. The guidance is effective for fiscal periods beginning after December 15, 2002. We do not believe the adoption of this guidance will have a material impact on our net earnings, cash flows or financial position.

Advertising Costs

Advertising costs, included in selling, general and administrative expense, are expensed as incurred and were \$962 million, \$924 million and \$824 million for 2002, 2001 and 2000, respectively.

Earnings per Share

Basic earnings per share (EPS) is net earnings divided by the average number of common shares outstanding during the period. Diluted EPS includes the incremental shares that are assumed to be issued on the exercise of stock options. Shares issuable upon exercise of approximately 13.2 million options outstanding at February 1, 2003 were not included in the dilutive earnings per share calculation because the effect would have been antidilutive. No such shares were excluded from the dilutive earnings per share calculation at February 2, 2002, and 3.7 million such shares were excluded at February 3, 2001. References herein to earnings per share refer to diluted EPS.

All earnings per share, dividends per share and common shares outstanding reflect our 2000 two-for-one share split.

(millions, except per share data)	Basic EPS			Diluted EPS		
	2002	2001	2000	2002	2001	2000
Net earnings	\$ 1,654	\$ 1,368	\$ 1,264	\$ 1,654	\$ 1,368	\$ 1,264
Basic weighted average common shares outstanding	908.0	901.5	903.5	908.0	901.5	903.5
Stock options	—	—	—	6.0	8.3	9.3
Put warrants	—	—	—	—	—	.2
Weighted average common shares outstanding	908.0	901.5	903.5	914.0	909.8	913.0
Earnings per share	\$ 1.82	\$ 1.52	\$ 1.40	\$ 1.81	\$ 1.50	\$ 1.38

Other Comprehensive Income

Other comprehensive income includes revenues, expenses, gains and losses that are excluded from net earnings under accounting principles generally accepted in the United States. In the current year, it primarily includes gains and losses on certain hedge transactions, net of related taxes.

Cash Equivalents

Cash equivalents represent short-term investments with a maturity of three months or less from the time of purchase.

Accounts Receivable and Receivable-backed Securities

Accounts receivable is recorded net of an allowance for expected losses. The allowance, recognized in an amount equal to the anticipated future write-offs based on historical experience and other factors, was \$399 million at February 1, 2003 and \$261 million at February 2, 2002.

Through our special purpose subsidiary, Target Receivables Corporation (TRC), we transfer, on an ongoing basis, substantially all of our receivables to the Target Credit Card Master Trust (the Trust) in return for certificates representing undivided interests in the Trust's assets. TRC owns the undivided interest in the Trust's assets, other than the Trust's assets securing the financing transactions entered into by the Trust and the 2 percent of Trust assets held by Retailers National Bank (RNB). RNB is a wholly owned subsidiary of the Corporation that also services receivables. The Trust assets and the related income and expenses are reflected in each operating segment's assets and operating results based on the origin of the credit card giving rise to the receivable.

Concurrent with our August 22, 2001 issuance of receivable-backed securities from the Trust, Statement of Financial Accounting Standards (SFAS) No. 140 (which replaced SFAS No. 125 in its entirety) became the accounting guidance applicable to such transactions. Application of SFAS No. 140 resulted in secured financing accounting for these transactions. This accounting treatment results from the fact that the Trust is not a qualifying special purpose entity under SFAS No. 140. While this accounting requires secured financing treatment of the securities issued by the Trust on our consolidated financial statements, the assets within the Trust are still considered sold to our wholly owned, bankruptcy remote subsidiary, TRC, and are not available to general creditors of the Corporation.

Beginning on August 22, 2001, our consolidated financial statements reflected the following accounting changes. First, we reflected the obligation to holders of the \$800 million (face value) of previously sold receivable-backed securities (Series 1997-1 and 1998-1, Class A Certificates) as debt of TRC, and we recorded the receivables at fair value in place of the previously recorded retained interests related to the sold securities. This resulted in an unusual pre-tax charge of \$67 million (\$.05 per share). Next, we reclassified the owned receivable-backed securities to accounts receivable at fair value. This reclassification had no impact on our consolidated statements of operations because we had previously recorded permanent impairments to our portfolio of owned receivable-backed securities in amounts equal to the difference between face value and fair value of the underlying receivables. On August 22, 2001, the Trust's entire portfolio of receivables was reflected on our consolidated financial statements at its fair value, which was based upon the expected performance of the underlying receivables portfolio. At that point in time, fair value was equivalent in amount to face value, net of an appropriate allowance. By the end of 2001, a

normalized relationship developed between the face value of receivables and the allowance for doubtful accounts through turnover of receivables within the portfolio. This process had no impact on our consolidated financial statements. As a result, at February 1, 2003 and at February 2, 2002, our allowance for doubtful accounts is attributable to our entire receivables portfolio.

Prior to August 22, 2001, income on the receivable-backed securities was accrued based on the effective interest rate applied to its cost basis, adjusted for accrued interest and principal paydowns. The effective interest rate approximates the yield on the underlying receivables. We monitored impairment of receivable-backed securities based on fair value. Permanent impairments were charged to earnings through credit expense in the period in which it was determined that the receivable-backed securities' carrying value was greater than their fair value. Permanent impairment charges on the receivables underlying the receivable-backed securities portfolio were \$89 million in 2001 and \$140 million in 2000. Permanent impairment charges in 2001 include only those losses prior to the consolidation of our special purpose entity on August 22, 2001.

Inventory

We account for inventory and the related cost of sales under the retail inventory accounting method using the last-in, first-out (LIFO) basis. Inventory is stated at the lower of LIFO cost or market. The cumulative LIFO provision was \$52 million and \$64 million at year-end 2002 and 2001, respectively.

Inventory

(millions)	February 1, 2003	February 2, 2002
Target	\$ 3,748	\$ 3,348
Mervyn's	486	523
Marshall Field's	324	348
Other	202	230
Total inventory	\$ 4,760	\$ 4,449

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives. Depreciation expense for the years 2002, 2001 and 2000 was \$1,183 million, \$1,049 million and \$913 million, respectively. Accelerated depreciation methods are generally used for income tax purposes.

Estimated useful lives by major asset category are as follows:

Asset	Life (in years)
Buildings and improvements	8 - 50
Fixtures and equipment	4 - 8
Computer hardware and software	4

In 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," superseding SFAS No. 121 in its entirety and the accounting and reporting provisions of Accounting Principles Board (APB) Opinion No. 30 for disposals of segments of a business. The statement retains the fundamental provisions of SFAS No. 121, clarifies guidance related to asset classification and impairment testing and incorporates guidance related to disposals of segments.

As required, we adopted SFAS No. 144 in the first quarter of 2002. All long-lived assets are reviewed when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We review most assets at a store level basis, which is the lowest level of assets for which there are identifiable cash flows. The carrying amount of the store assets are compared to the related expected undiscounted future cash flows to be generated by those assets over the estimated remaining useful life of the primary asset. Cash flows are projected for each store based upon historical results and expectations. In cases where the expected future cash flows and fair value are less than the carrying amount of the assets, those stores are considered impaired and the assets are written down to fair value. Fair value is based on appraisals or other reasonable methods to estimate value. In 2002, impairment losses are included in depreciation expense and resulted in a financial statement impact of less than \$.01 per share.

Goodwill and Intangible Assets

In 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which supersedes APB Opinion No. 17, "Intangible Assets." Under the new statement, goodwill and intangible assets that have indefinite useful lives are no longer amortized but rather reviewed at least annually for impairment. As required, we adopted this statement in the first quarter of 2002. The adoption of this statement reduced annual amortization expense by approximately \$10 million (\$.01 per share). At February 1, 2003 and February 2, 2002, net goodwill and intangible assets were \$376 million and \$250 million, respectively, including \$155 million of goodwill and intangible assets with indefinite useful lives in both years.

Goodwill and intangible assets are recorded within other long-term assets at cost less accumulated amortization. Amortization is computed on intangible assets with definite useful lives using the straight-line method over estimated useful lives that range from three to 15 years. Amortization expense for the years 2002, 2001 and 2000 was \$29 million, \$30 million and \$27 million, respectively.

Accounts Payable

Outstanding drafts included in accounts payable were \$1,125 million and \$958 million at year-end 2002 and 2001, respectively.

Lines of Credit

At February 1, 2003, two committed credit agreements totaling \$1.9 billion were in place through a group of 30 banks at specified rates. There were no balances outstanding at any time during 2002 or 2001 under these agreements.

Commitments and Contingencies

At February 1, 2003, our obligations included notes payable, notes and debentures of \$11,017 million (discussed in detail under Long-term Debt and Notes Payable on page 31) and the present value of capital and operating lease obligations of \$144 million and \$924 million, respectively (discussed in detail under Leases on page 32). In addition, commitments for the purchase, construction, lease or remodeling of real estate, facilities and equipment were approximately \$509 million at year-end 2002.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses the accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement cost. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 in the first quarter of 2003 will not have an impact on current year or previously reported net earnings, cash flows or financial position.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred instead of recognizing the liability at the date of commitment to an exit plan as was previously allowed. The adoption of SFAS No. 146 will not have an impact on current year or previously reported net earnings, cash flows or financial position.

We are exposed to claims and litigation arising out of the ordinary course of business. Management, after consulting with legal counsel, believes the currently identified claims and litigation will not have a material adverse effect on our results of operations or our financial condition taken as a whole.

At February 1, 2003 and February 2, 2002, \$100 million of notes payable were outstanding, representing financing secured by the Target Credit Card Master Trust Series 1996-1 Class A variable funding certificate. This certificate is debt of TRC and is classified in the current portion of long-term debt and notes payable. The average amount of secured and unsecured notes payable outstanding during 2002 was \$170 million at a weighted average interest rate of 1.9 percent. The average amount of secured and unsecured notes payable outstanding during 2001 was \$658 million at a weighted average interest rate of 4.4 percent.

In 2002, we issued \$750 million of long-term debt maturing in 2009 at 5.38 percent, \$1 billion of long-term debt maturing in 2012 at 5.88 percent, and \$600 million of long-term debt maturing in 2032 at 6.35 percent. Also during 2002, the Trust issued \$750 million of floating rate debt secured by credit card receivables, bearing interest at an initial rate of 1.99 percent maturing in 2007. We also called or repurchased \$266 million of long-term debt with an average remaining life of 19 years and a weighted average interest rate of 8.8 percent, resulting in a loss of \$34 million (\$.02 per share).

In 2001, we issued \$550 million of long-term debt maturing in 2006 at 5.95 percent, \$500 million of long-term debt maturing in 2007 at 5.50 percent, \$750 million of long-term debt maturing in 2008 at 5.40 percent, and \$700 million of long-term debt maturing in 2031 at 7.00 percent. The Trust issued \$750 million of floating rate debt secured by credit card receivables, bearing interest at an initial rate of 3.69 percent maturing in 2004. In addition, concurrent with this transaction, on August 22, 2001 we reflected the obligation to holders of the \$800 million in previously sold receivable-backed securities as debt of TRC (discussed in detail under Accounts Receivable and Receivable-backed Securities on page 29). Also during 2001, we called or repurchased \$144 million of long-term debt with an average remaining life of 7 years and a weighted average interest rate of 9.2 percent, resulting in a loss of \$9 million (\$.01 per share).

Subsequent to year-end 2002, we issued \$500 million of long-term debt maturing in 2008 at 3.4 percent.

At year-end our debt portfolio was as follows:

Long-term Debt and Notes Payable

(millions)	February 1, 2003		February 2, 2002	
	Rate*	Balance	Rate*	Balance
Notes payable	1.4%	\$ 100	1.8%	\$ 100
Notes and debentures:				
Due 2002-2006	3.7	3,072	4.0	3,806
Due 2007-2011	5.1	4,572	6.5	3,056
Due 2012-2016	6.0	1,060	9.4	27
Due 2017-2021	9.4	155	9.6	194
Due 2022-2026	8.0	358	8.2	557
Due 2027-2031	6.9	1,100	6.9	1,100
Due 2032	6.4	600	—	—
Total notes payable, notes and debentures**	5.2%	\$ 11,017	5.6%	\$ 8,840
Capital lease obligations		144		153
Less: current portion		(975)		(905)
Long-term debt and notes payable		\$ 10,186		\$ 8,088

* Reflects the weighted average stated interest rate as of year-end, including the impact of interest rate swaps.

** The estimated fair value of total notes payable and notes and debentures, using a discounted cash flow analysis based on our incremental interest rates for similar types of financial instruments, was \$11,741 million at February 1, 2003 and \$9,279 million at February 2, 2002.

Required principal payments on long-term debt and notes payable over the next five years, excluding capital lease obligations, are \$965 million in 2003, \$857 million in 2004, \$502 million in 2005, \$752 million in 2006 and \$1,323 million in 2007.

Derivatives

At February 1, 2003 and February 2, 2002, interest rate swap agreements were outstanding in notional amounts totaling \$1,450 million in both years. The swaps hedge the fair value of certain debt by effectively converting interest from fixed rate to variable. During the year, we entered into and terminated an interest rate swap with a notional amount of \$500 million. We also entered into an interest rate swap with a notional amount of \$400 million, and an interest rate swap with a notional amount of \$400 million matured. Any hedge ineffectiveness related to our swaps is recognized in interest expense. We have previously entered into rate lock agreements to hedge the exposure to variability in future cash flows of forecasted debt transactions. When the transactions contemplated by these agreements occurred, the gain or loss was recorded as a component of other comprehensive income and will be reclassified into earnings in the periods during which the designated hedged cash flows affect earnings. The fair value of our outstanding derivatives was \$110 million and \$44 million at February 1, 2003 and February 2, 2002, respectively. These amounts are reflected in the Consolidated Statements of Financial Position. Cash flows from hedging transactions are classified consistent with the item being hedged.

Leases

Assets held under capital leases are included in property and equipment and are charged to depreciation and interest over the life of the lease. Operating leases are not capitalized and lease rentals are expensed. Rent expense on buildings, classified in selling, general and administrative expense, includes percentage rents that are based on a percentage of retail sales over stated levels. Total rent expense was \$179 million in 2002, \$171 million in 2001 and \$168 million in 2000. Most of the long-term leases include options to renew, with terms varying from five to 30 years. Certain leases also include options to purchase the property.

Future minimum lease payments required under noncancelable lease agreements existing at February 1, 2003, were:

Future Minimum Lease Payments

(millions)	Operating Leases	Capital Leases
2003	\$ 147	\$ 21
2004	140	20
2005	125	19
2006	109	18
2007	99	18
After 2007	908	148
Total future minimum lease payments	\$ 1,528	\$ 244
Less: interest*	(604)	(100)
Present value of minimum lease payments	\$ 924	\$ 144**

* Calculated using the interest rate at inception for each lease (the weighted average interest rate was 8.7 percent).

** Includes current portion of \$10 million.

Owned and Leased Store Locations

At year-end 2002, owned, leased and "combined" (generally an owned building on leased land) store locations by operating segment were as follows:

	Owned	Leased	Combined	Total
Target	904	96	147	1,147
Mervyn's	156	61	47	264
Marshall Field's	51	12	1	64
Total	1,111	169	195	1,475

Income Taxes

Reconciliation of tax rates is as follows:

Percent of Earnings Before Income Taxes

	2002	2001	2000
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.4	3.3	3.6
Dividends on ESOP stock	(.2)	(.1)	(.2)
Work opportunity tax credits	(.2)	(.2)	(.2)
Other	.2	—	.2
Effective tax rate	38.2%	38.0%	38.4%

The components of the provision for income taxes were:

Income Tax Provision: Expense/(Benefit)

(millions)	2002	2001	2000
Current:			
Federal	\$ 663	\$ 683	\$ 675
State	111	107	113
	774	790	788
Deferred:			
Federal	220	43	(1)
State	28	6	2
	248	49	1
Total	\$ 1,022	\$ 839	\$ 789

The components of the net deferred tax asset/(liability) were:

Net Deferred Tax Asset/(Liability)

(millions)	February 1, 2003	February 2, 2002
Gross deferred tax assets:		
Self-insured benefits	\$ 188	\$ 172
Deferred compensation	184	160
Inventory	106	138
Accounts receivable valuation allowance	151	99
Postretirement health care obligation	42	41
Other	77	97
	748	707
Gross deferred tax liabilities:		
Property and equipment	(730)	(519)
Pension	(160)	(109)
Other	(98)	(71)
	(988)	(699)
Total	\$ (240)	\$ 8

Stock Option Plans

We have stock option plans for key employees and non-employee members of our Board of Directors. Our Long-Term Incentive Plans provide for the granting of stock options, performance share awards, restricted stock awards, or a combination of awards. Performance share awards represent shares issuable in the future based upon attainment of specified levels of future financial performance. A majority of the awards are non-qualified stock options that vest annually in equal amounts over a four-year period. These options expire no later than ten years after the date of the grant. Options granted to the non-employee

Options and Performance Shares Outstanding

(options and shares in thousands)	Options				Performance Shares Potentially Issuable
	Total Outstanding		Currently Exercisable		
	Number of Options	Average Price*	Number of Options	Average Price*	
January 29, 2000	32,061	\$ 15.32	15,717	\$ 10.23	—
Granted	5,617	33.67			
Canceled	(481)	25.34			
Exercised	(4,939)	9.14			
February 3, 2001	32,258	\$ 19.30	18,662	\$ 12.36	—
Granted	4,805	40.52			
Canceled	(437)	30.41			
Exercised	(5,311)	9.42			
February 2, 2002	31,315	\$ 24.07	17,629	\$ 17.04	—
Granted	6,096	30.60			552
Canceled	(561)	35.55			
Exercised	(2,063)	12.22			
February 1, 2003	34,787	25.73	21,931	\$ 20.89	552

* Weighted average exercise price.

Options Outstanding

Range of Exercise Prices	Options Outstanding			Currently Exercisable	
	Number Outstanding	Average Life*	Average Price**	Number Exercisable	Average Price**
(options in thousands)					
\$ 5.53-\$ 9.99	7,075	3.0	\$ 7.66	7,075	\$ 7.66
\$ 10.00-\$19.99	5,024	4.6	18.23	5,024	18.23
\$ 20.00-\$29.99	3,785	5.4	25.93	3,615	25.84
\$ 30.00-\$39.99	14,520	8.3	32.54	5,045	33.93
\$ 40.00-\$44.83	4,383	8.9	40.83	1,172	40.80
Total	34,787	6.5	\$ 25.73	21,931	\$ 20.89

* Weighted average contractual life remaining in years.

** Weighted average exercise price.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. We will adopt the fair value method of recording stock-based compensation in the first quarter of 2003. In accordance with the prospective transition method prescribed in SFAS No. 148, the fair value based method will be applied prospectively to awards granted subsequent to February 1, 2003. Awards granted prior to February 2, 2003 will continue to be accounted for under the intrinsic value method, and the pro forma impact of accounting for those awards at fair value will continue to be disclosed until the last of those awards vest in January of 2007. The adoption of this method is expected to increase compensation expense by less than \$.01 per share in 2003.

Historically, and through February 1, 2003, we applied the intrinsic value method prescribed in APB No. 25, "Accounting for Stock Issued to Employees," to account for our stock option plans. No compensation expense related to options was recognized because the exercise price of our employee stock options equals the market price of the underlying stock on the grant date. The expense related to the intrinsic value of performance-based and restricted stock awards issued is not significant. If we had elected to recognize compensation cost based on the fair value of the awards at the grant date, net earnings would have been the pro forma amounts shown below.

Pro Forma Earnings

(millions, except per share data)	2002	2001	2000
Net earnings—as reported	\$ 1,654	\$ 1,368	\$ 1,264
Stock-based employee compensation expense determined under fair value based method, net of tax	(31)	(28)	(17)
Net earnings—pro forma	\$ 1,623	\$ 1,340	\$ 1,247
Earnings per share:			
Basic—as reported	\$ 1.82	\$ 1.52	\$ 1.40
Basic—pro forma	\$ 1.79	\$ 1.49	\$ 1.38
Diluted—as reported	\$ 1.81	\$ 1.50	\$ 1.38
Diluted—pro forma	\$ 1.78	\$ 1.47	\$ 1.37

The Black-Scholes model was used to estimate the fair value of the options at grant date based on the following assumptions:

2002	2001	2000
------	------	------

Dividend yield	.8%	.6%	.6%
Volatility	35%	30%	30%
Risk-free interest rate	3.0%	4.3%	4.8%
Expected life in years	5.0	5.0	5.0
Weighted average fair value at grant date	\$ 10.07	\$ 13.09	\$ 11.15

Defined Contribution Plans

Employees who meet certain eligibility requirements can participate in a defined contribution 401(k) plan by investing up to 80 percent of their compensation. We match 100 percent of each employee's contribution up to 5 percent of respective total compensation. Our contribution to the plan is initially invested in Target Corporation common stock. Benefits expense related to these matching contributions was \$111 million in 2002, \$97 million in 2001 and \$92 million in 2000.

In addition, we maintain a non-qualified defined contribution plan that allows participants who are otherwise limited by qualified plan statutes or regulations to defer compensation and earn returns tied to the results of our 401(k) plan investment choices. We manage the risk of offering this retirement savings plan to this group of employees through a variety of means, including investing in vehicles that effectively hedge a substantial portion of our exposure to these returns.

During the year, certain non-qualified pension and survivor benefits owed to current executives were exchanged for deferrals in this non-qualified plan. Additionally, certain retired executives accepted our offer to exchange our obligation to them in a frozen non-qualified plan for deferrals in this plan. These exchanges resulted in pre-tax net expense of \$33 million (\$.02 per share). These amounts reflect \$47 million of additional non-qualified defined contribution plan benefits expense partially offset by reduced net

pension expense. We expect lower future expenses as a result of these transactions because they were designed to be economically neutral or slightly favorable to us.

Pension and Postretirement Health Care Benefits

We have qualified defined benefit pension plans that cover all employees who meet certain age, length of service and hours worked per year requirements. We also have unfunded non-qualified pension plans for employees who have qualified plan compensation restrictions. Benefits are provided based upon years of service and the employee's compensation. Retired employees also become eligible for certain health care benefits if they meet minimum age and service requirements and agree to contribute a portion of the cost. Additionally, as described above, certain non-qualified pension and survivor benefits owed to current executives were exchanged for deferrals in an existing non-qualified defined contribution employee benefit plan.

Change in Benefit Obligation

(millions)	Pension Benefits				Postretirement Health Care Benefits	
	Qualified Plans		Non-qualified Plans		2002	2001
	2002	2001	2002	2001		
Benefit obligation at beginning of measurement period	\$ 1,014	\$ 863	\$ 53	\$ 54	\$ 114	\$ 99
Service cost	57	48	1	2	2	2
Interest cost	72	65	3	4	8	8
Actuarial (gain)/loss	59	88	—	9	2	14
Benefits paid	(50)	(50)	(5)	(16)	(10)	(9)
Plan amendments	(74)	—	—	—	—	—
Settlement	—	—	(29)	—	—	—
Benefit obligation at end of measurement period	\$ 1,078	\$ 1,014	\$ 23	\$ 53	\$ 116	\$ 114

Change in Plan Assets

Fair value of plan assets at beginning of measurement period	\$ 1,033	\$ 1,020	\$ —	\$ —	\$ —	\$ —
Actual return on plan assets	(79)	(100)	—	—	—	—
Employer contribution	154	163	5	16	10	9
Benefits paid	(50)	(50)	(5)	(16)	(10)	(9)
Fair value of plan assets at end of measurement period	\$ 1,058	\$ 1,033	\$ —	\$ —	\$ —	\$ —

Reconciliation of Prepaid/(Accrued) Cost

Funded status	\$ (20)	\$ 19	\$ (23)	\$ (53)	\$ (116)	\$ (114)
Unrecognized actuarial loss/(gain)	530	292	6	21	7	11
Unrecognized prior service cost	(73)	1	3	7	1	2
Net prepaid/(accrued) cost	\$ 437	\$ 312	\$ (14)	\$ (25)	\$ (108)	\$ (101)

Net Pension and Postretirement Health Care Benefits Expense

(millions)	Pension Benefits			Postretirement Health Care Benefits		
	2002	2001	2000	2002	2001	2000
Service cost benefits earned during the period	\$ 58	\$ 50	\$ 47	\$ 2	\$ 2	\$ 2
Interest cost on projected benefit obligation	75	69	63	8	8	7
Expected return on assets	(108)	(89)	(81)	1	—	—
Recognized gains and losses	10	1	8	—	—	—
Recognized prior service cost	1	1	1	—	—	—
Settlement/curtailment charges	(12)	—	—	—	—	—
Total	\$ 24	\$ 32	\$ 38	\$ 11	\$ 10	\$ 9

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan.

Actuarial Assumptions

	Pension Benefits			Postretirement Health Care Benefits		
	2002	2001	2000	2002	2001	2000
Discount rate	7%	7 ¹ / ₄ %	7 ³ / ₄ %	7%	7 ¹ / ₄ %	7 ³ / ₄ %
Expected long-term rate of return on plans' assets	9	9	9	n/a	n/a	n/a
Average assumed rate of compensation increase	4	4 ¹ / ₄	4 ³ / ₄	n/a	n/a	n/a

Our rate of return on qualified plans' assets has averaged 3.7 percent and 9.3 percent per year over the 5-year and 10-year periods ending October 31, 2002 (our measurement date). After that date, we reduced our expected long-term rate of return on plans' assets to 8¹/₂ percent per year.

An increase in the cost of covered health care benefits of 6.0 percent is assumed for 2003. The rate is assumed to remain at 6.0 percent in the future. The health care cost trend rate assumption may have a significant effect on the amounts reported.

A one percent change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	\$—	\$—
Effect on the health care component of the postretirement benefit obligation	\$5	\$(5)

Business Segment Comparisons

(millions)	2002	2001	2000*	1999	1998	1997
Revenues						
Target	\$ 36,917	\$ 32,588	\$ 29,278	\$ 26,080	\$ 23,014	\$ 20,298
Mervyn's	3,816	4,027	4,142	4,087	4,140	4,209
Marshall Field's	2,691	2,778	2,969	3,041	3,047	2,959
Other	493	433	462	449	434	—
Total revenues	\$ 43,917	\$ 39,826	\$ 36,851	\$ 33,657	\$ 30,635	\$ 27,466
Pre-tax segment profit and earnings reconciliation						
Target	\$ 3,088	\$ 2,546	\$ 2,223	\$ 2,022	\$ 1,578	\$ 1,287
Mervyn's	238	286	269	205	240	280
Marshall Field's	135	133	190	296	279	240
Total pre-tax segment profit	\$ 3,461	\$ 2,965	\$ 2,682	\$ 2,523	\$ 2,097	\$ 1,807
LIFO provision (expense)/credit	12	(8)	(4)	7	18	(6)
Securitization adjustments:						
Unusual items	—	(67)	—	—	(3)	45
Interest equivalent	—	(27)	(50)	(49)	(48)	(33)
Interest expense	(588)	(473)	(426)	(459)	(442)	(501)
Mainframe outsourcing	—	—	—	(5)	(42)	—
Other	(209)	(183)	(149)	(148)	(69)	(71)
Earnings before income taxes	\$ 2,676	\$ 2,207	2,053	\$ 1,869	\$ 1,511	\$ 1,241
Assets						
Target	\$ 22,752	\$ 18,515	\$ 14,348	\$ 12,048	\$ 10,475	\$ 9,487
Mervyn's	2,270	2,379	2,270	2,248	2,339	2,281
Marshall Field's	2,202	2,284	2,114	2,149	2,123	2,188
Other	1,379	976	758	698	729	235
Total assets	\$ 28,603	\$ 24,154	\$ 19,490	\$ 17,143	\$ 15,666	\$ 14,191
Depreciation and amortization						
Target	\$ 925	\$ 784	\$ 660	\$ 567	\$ 496	\$ 437
Mervyn's	122	126	131	138	138	126
Marshall Field's	125	135	133	133	135	128
Other	40	34	16	16	11	2
Total depreciation and amortization	\$ 1,212	\$ 1,079	\$ 940	\$ 854	\$ 780	\$ 693
Capital expenditures						
Target	\$ 2,966	\$ 2,901	\$ 2,244	\$ 1,665	\$ 1,352	\$ 1,155
Mervyn's	110	104	106	108	169	72
Marshall Field's	105	125	143	124	127	124
Other	40	33	35	21	9	3
Total capital expenditures	\$ 3,221	\$ 3,163	\$ 2,528	\$ 1,918	\$ 1,657	\$ 1,354
Segment EBITDA						
Target	\$ 4,013	\$ 3,330	\$ 2,883	\$ 2,589	\$ 2,074	\$ 1,724
Mervyn's	360	412	400	343	378	406
Marshall Field's	260	268	323	429	414	368
Total segment EBITDA	\$ 4,633	\$ 4,010	\$ 3,606	\$ 3,361	\$ 2,866	\$ 2,498
Net assets**						
Target	\$ 17,491	\$ 13,812	\$ 10,659	\$ 8,413	\$ 7,302	\$ 6,602
Mervyn's	1,749	1,868	1,928	1,908	2,017	2,019
Marshall Field's	1,822	1,764	1,749	1,795	1,785	1,896

Other	636	477	463	428	470	169
Total net assets	\$ 21,698	\$ 17,921	\$ 14,799	\$ 12,544	\$ 11,574	\$ 10,686

Each operating segment's assets and operating results include accounts receivable and receivable-backed securities held by Target Receivables Corporation and Retailers National Bank, as well as related income and expense.

* Consisted of 53 weeks.

** Net assets represent total assets (including publicly held receivable-backed securities) less cash equivalents and non-interest bearing current liabilities.

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Quarterly Results (Unaudited)

The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. The table below summarizes results by quarter for 2002 and 2001:

(millions, except per share data)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Total revenues	\$ 9,594	\$ 8,334	\$ 10,068	\$ 8,941	\$ 10,194	\$ 9,331	\$ 14,061	\$ 13,220	\$ 43,917	\$ 39,826
Gross margin(a)	\$ 3,014	\$ 2,583	\$ 3,151	\$ 2,713	\$ 3,148	\$ 2,811	\$ 4,149	\$ 3,864	\$ 13,462	\$ 11,971
Net earnings(b)	\$ 345	\$ 254	\$ 344	\$ 271	\$ 277	\$ 185	\$ 688	\$ 658	\$ 1,654	\$ 1,368
Basic earnings per share(b)(c)	\$.38	\$.28	\$.38	\$.30	\$.31	\$.20	\$.76	\$.73	\$ 1.82	\$ 1.52
Diluted earnings per share(b)(c)	\$.38	\$.28	\$.38	\$.30	\$.30	\$.20	\$.75	\$.72	\$ 1.81	\$ 1.50
Dividends declared per share(c)	\$.060	\$.055	\$.060	\$.055	\$.060	\$.055	\$.060	\$.060	\$.240	\$.225
Closing common stock price(d)										
High	\$ 45.72	\$ 39.25	\$ 44.94	\$ 39.93	\$ 37.25	\$ 39.03	\$ 35.74	\$ 44.41	\$ 45.72	\$ 44.41
Low	\$ 41.45	\$ 33.95	\$ 30.46	\$ 32.74	\$ 26.15	\$ 26.68	\$ 27.00	\$ 34.11	\$ 26.15	\$ 26.68

(a) Gross margin is sales less cost of sales.

(b) Third quarter and total year 2001, net earnings and earnings per share include a pre-tax charge of \$67 million (\$.05 per share) that relates to the required adoption of a new accounting standard applicable to securitized accounts receivable (discussed in detail under Accounts Receivable and Receivable-backed Securities on page 29).

(c) Per share amounts are computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in average quarterly shares outstanding.

(d) Our common stock is listed on the New York Stock Exchange and Pacific Exchange. At March 19, 2003, there were 17,108 registered shareholders and the closing common stock price was \$29.60 per share.

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SUMMARY FINANCIAL AND OPERATING DATA (UNAUDITED)

(dollars and shares outstanding in millions, except per share data)	2002	2001	2000(a)	1999	1998	1997
Results of operations						
Total revenues	\$ 43,917	39,826	36,851	33,657	30,635	27,466
Net earnings(c)(d)	\$ 1,654	1,368	1,264	1,144	935	751
Financial position data						
Total assets	\$ 28,603	24,154	19,490	17,143	15,666	14,191
Long-term debt	\$ 10,186	8,088	5,634	4,521	4,452	4,425
Per common share data(b)						
Diluted earnings per share(c)(d)	\$ 1.81	1.50	1.38	1.23	.99	.80
Cash dividends declared	\$.240	.225	.215	.200	.185	.170
Other data						
Weighted average common shares outstanding(b)	908.0	901.5	903.5	882.6	880.0	872.2
Diluted average common shares outstanding(b)	914.0	909.8	913.0	931.3	934.6	927.3
Capital expenditures	\$ 3,221	3,163	2,528	1,918	1,657	1,354
Number of stores:						
Target	1,147	1,053	977	912	851	796
Mervyn's	264	264	266	267	268	269
Marshall Field's	64	64	64	64	63	65
Total stores	1,475	1,381	1,307	1,243	1,182	1,130
Total retail square footage (thousands):						
Target	140,255	125,245	112,975	102,978	94,586	87,187
Mervyn's	21,425	21,425	21,555	21,635	21,729	21,810
Marshall Field's	14,845	14,954	14,892	14,784	14,615	14,815
Total retail square footage	176,525	161,624	149,422	139,397	130,930	123,812

- (a) Consisted of 53 weeks.
- (b) Earnings per share, dividends per share and common shares outstanding reflect our 2000 and 1998 two-for-one common share splits.
- (c) 1999 included a mainframe outsourcing pre-tax charge of \$5 million (less than \$.01 per share). 1998 included a mainframe outsourcing pre-tax charge of \$42 million (\$.03 per share) and the beneficial effect of \$20 million (\$.02 per share) of the favorable outcome of our inventory shortage tax matter.
- (d) 2001 included a \$67 million pre-tax charge (\$.05 per share) that relates to the required adoption of a new accounting standard applicable to securitized accounts receivable (discussed in detail under Accounts Receivable and Receivable-backed Securities on page 29). 1998 included a \$3 million pre-tax net loss (less than \$.01 per share) related to securitization maturity and sale transactions. 1997 included a \$45 million pre-tax gain (\$.03 per share) related to securitization sale transactions.

The Summary Financial and Operating Data should be read in conjunction with the Notes to Consolidated Financial Statements throughout pages 28-36.

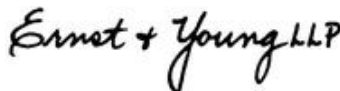
Report of Independent Auditors

Board of Directors and Shareholders Target Corporation

We have audited the accompanying consolidated statements of financial position of Target Corporation and subsidiaries as of February 1, 2003 and February 2, 2002 and the related consolidated results of operations, cash flows and shareholders' investment for each of the three years in the period ended February 1, 2003. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Target Corporation and subsidiaries at February 1, 2003 and February 2, 2002 and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 1, 2003 in conformity with accounting principles generally accepted in the United States.



Minneapolis, Minnesota
February 20, 2003

Report of Management

Management is responsible for the consistency, integrity and presentation of the information in the Annual Report. The consolidated financial statements and other information presented in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States and include necessary judgments and estimates by management.

To fulfill our responsibility, we maintain comprehensive systems of internal control designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based upon a recognition that the cost of the controls should not exceed the benefit derived. We believe our systems of internal control provide this reasonable assurance.

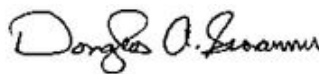
The Board of Directors exercises its oversight role with respect to the Corporation's systems of internal control primarily through its Audit Committee, which is comprised of three independent directors. The Committee oversees the Corporation's systems of internal control, accounting practices, financial reporting and audits to assess whether their quality, integrity and objectivity are sufficient to protect shareholders' investments. The Committee's report appears on this page.

In addition, our consolidated financial statements have been audited by Ernst & Young LLP, independent auditors, whose report also appears on this page. As a part of its audit, Ernst & Young LLP develops and maintains an understanding of the Corporation's internal accounting controls and conducts such tests and employs such procedures as it considers necessary to render its opinion on the consolidated financial statements. Their report expresses an opinion as to the fair presentation, in all material respects, of the consolidated financial statements and is based on independent audits made in accordance with auditing standards generally accepted in the United States.



Robert J. Ulrich
Chairman of the Board and Chief Executive Officer

February 20, 2003



Douglas A. Scovanner
Executive Vice President and Chief Financial Officer

Report of Audit Committee

The Audit Committee met three times during fiscal 2002 to review the overall audit scope, plans for internal and independent audits, the Corporation's systems of internal control, emerging accounting issues, audit fees and benefit plans. The Committee also met individually with the independent auditors, without management present, to discuss the results of their audits. The Committee encourages the internal and independent auditors to communicate closely with the Committee.

Audit Committee results were reported to the full Board of Directors and the Corporation's annual financial statements were reviewed and approved by the Board of Directors before issuance. The Audit Committee also recommended to the Board of Directors that the independent auditors be reappointed for fiscal 2003, subject to the approval of the shareholders at the annual meeting.

February 20, 2003

QuickLinks

[MANAGEMENT'S DISCUSSION AND ANALYSIS](#)
[CONSOLIDATED RESULTS OF OPERATIONS](#)

[CONSOLIDATED STATEMENTS OF FINANCIAL POSITION](#)
[CONSOLIDATED STATEMENTS OF CASH FLOWS](#)
[NOTES TO CONSOLIDATED FINANCIAL STATEMENTS](#)
[SUMMARY FINANCIAL AND OPERATING DATA \(UNAUDITED\)](#)

Target Corporation
(A Minnesota Corporation)

List of Subsidiaries
(As of April 1, 2003)

AMC Guatemala Sociedad Anonima (Guatemala)
AMC Honduras, S.A. (Honduras)
AMC(S) Pte., Ltd. (Singapore)
Amcrest Corporation (NY)
Amcrest France Sarl (Paris, France)
The Associated Merchandising Corporation (NY)
Associated Merchandising Corporation GmbH (Frankfurt, Germany)
Boulder Bridge I Development Corporation (MN)
Boulder Bridge II Development Corporation (MN)
Boulder Bridge III Development Corporation (CA)
Dayton Credit Company (MN)
Dayton Development Company (MN)
Dayton's Commercial Interiors, Inc. (MN)
Dayton's Iron Horse Liquors, Inc. (MN)
Eighth Street Development Company (MN)
HighBridge Company (MN)
HighBridge Music Company (MN)
Marshall Field's Chicago, Inc. (DE)
Mayfair Wine & Liquor Shop, Inc. (WI)
Mervyn's (CA)
Mervyn's Brands, Inc. (MN)
Mervyn's, Inc. (DE)
Retail Properties, Inc. (DE)
Retailer's National Bank, N.A.
Rooftop, Inc. (MN)
STL of Nebraska, Inc. (MN)
Strata Merchandising, Ltd. (London, England)
SuperTarget Liquor of Colorado, Inc. (MN)
SuperTarget Liquor of Missouri, Inc. (MN)
SuperTarget Liquor of Texas, Inc. (TX)
Target Brands, Inc. (MN)
Target Capital Corporation (MN)
Target Connect, Inc. (MN)
Target Customs Brokers, Inc. (MN)
Target Foundation (a MN not-for-profit organization)
Target Insurance Agency, Inc. (MN)
Target Receivables Corporation (MN)
Target Services, Inc. (MN)
Target Stores, Inc. (MN)
Westbury Holding Company (MN)

Consent of Independent Auditors

We consent to the incorporation by reference in the Annual Report (Form 10-K) of Target Corporation of our report dated February 20, 2003, included in the 2002 Annual Report to Shareholders of Target Corporation.

Our audit also included the financial statement schedule of Target Corporation listed in Item 15(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in Registration Statement Numbers 333-65347, 333-58252 and 333-82500 on Form S-3 and Registration Statement Numbers 33-6918, 33-64013, 333-30311, 33-66050, 333-75782, 333-27435, 333-86373 and 333-103920 on Form S-8 of our report dated February 20, 2003, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Target Corporation.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
April 14, 2003

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of TARGET CORPORATION, a Minnesota corporation (the "Corporation"), does hereby make, constitute and appoint ROBERT J. ULRICH, JAMES T. HALE, DOUGLAS A. SCOVANNER, STEPHEN C. KOWALKE, TIMOTHY R. BAER and JEFFREY A. PROULX and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as director and/or officer of the Corporation to (1) a Form 10-K, Annual Report, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, including, but not limited to, the Form 11-K Annual Reports of the Corporation's 401(k) Plan and similar plans pursuant to the 1934 Act, and all amendments, supplementations and corrections thereto, to be filed by the Corporation with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended; (2) one or more Forms 3, 4 or 5 pursuant to the 1934 Act and all related documents, amendments, supplementations and corrections thereto, to be filed with the SEC as required under the 1934 Act; and (3) one or more Registration Statements, on Form S-3, Form S-8, Form 144 or other applicable forms, and all amendments, including post-effective amendments, thereto, to be filed by the Corporation with the SEC in connection with the registration under the Securities Act of 1933, as amended, of debentures or other securities of the Corporation, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

The undersigned also grants to said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted. This Power of Attorney shall remain in effect until revoked in writing by the undersigned.

IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ Roxanne S. Austin

Roxanne S. Austin

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of TARGET CORPORATION, a Minnesota corporation (the "Corporation"), does hereby make, constitute and appoint ROBERT J. ULRICH, JAMES T. HALE, DOUGLAS A. SCOVANNER, STEPHEN C. KOWALKE, TIMOTHY R. BAER and JEFFREY A. PROULX and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as director and/or officer of the Corporation to (1) a Form 10-K, Annual Report, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, including, but not limited to, the Form 11-K Annual Reports of the Corporation's 401(k) Plan and similar plans pursuant to the 1934 Act, and all amendments, supplementations and corrections thereto, to be filed by the Corporation with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended; (2) one or more Forms 3, 4 or 5 pursuant to the 1934 Act and all related documents, amendments, supplementations and corrections thereto, to be filed with the SEC as required under the 1934 Act; and (3) one or more Registration Statements, on Form S-3, Form S-8, Form 144 or other applicable forms, and all amendments, including post-effective amendments, thereto, to be filed by the Corporation with the SEC in connection with the registration under the Securities Act of 1933, as amended, of debentures or other securities of the Corporation, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ William W. George

William W. George

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of TARGET CORPORATION, a Minnesota corporation (the "Corporation"), does hereby make, constitute and appoint ROBERT J. ULRICH, JAMES T. HALE, DOUGLAS A. SCOVANNER, STEPHEN C. KOWALKE, TIMOTHY R. BAER and JEFFREY A. PROULX and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as director and/or officer of the Corporation to (1) a Form 10-K, Annual Report, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, including, but not limited to, the Form 11-K Annual Reports of the Corporation's 401(k) Plan and similar plans pursuant to the 1934 Act, and all amendments, supplementations and corrections thereto, to be filed by the Corporation with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended; (2) one or more Forms 3, 4 or 5 pursuant to the 1934 Act and all related documents, amendments, supplementations and corrections thereto, to be filed with the SEC as required under the 1934 Act; and (3) one or more Registration Statements, on Form S-3, Form S-8, Form 144 or other applicable forms, and all amendments, including post-effective amendments, thereto, to be filed by the Corporation with the SEC in connection with the registration under the Securities Act of 1933, as amended, of debentures or other securities of the Corporation, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

The undersigned also grants to said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted. This Power of Attorney shall remain in effect until revoked in writing by the undersigned.

IN WITNESS WHEREOF, the undersigned has signed below as of this 21st day of March, 2003.

/s/ Anne M. Mulcahy

Anne M. Mulcahy

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of TARGET CORPORATION, a Minnesota corporation (the "Corporation"), does hereby make, constitute and appoint ROBERT J. ULRICH, JAMES T. HALE, DOUGLAS A. SCOVANNER, STEPHEN C. KOWALKE, TIMOTHY R. BAER and JEFFREY A. PROULX and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as director and/or officer of the Corporation to (1) a Form 10-K, Annual Report, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, including, but not limited to, the Form 11-K Annual Reports of the Corporation's 401(k) Plan and similar plans pursuant to the 1934 Act, and all amendments, supplementations and corrections thereto, to be filed by the Corporation with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended; (2) one or more Forms 3, 4 or 5 pursuant to the 1934 Act and all related documents, amendments, supplementations and corrections thereto, to be filed with the SEC as required under the 1934 Act; and (3) one or more Registration Statements, on Form S-3, Form S-8, Form 144 or other applicable forms, and all amendments, including post-effective amendments, thereto, to be filed by the Corporation with the SEC in connection with the registration under the Securities Act of 1933, as amended, of debentures or other securities of the Corporation, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ Calvin Darden

Calvin Darden

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of TARGET CORPORATION, a Minnesota corporation (the "Corporation"), does hereby make, constitute and appoint ROBERT J. ULRICH, JAMES T. HALE, DOUGLAS A. SCOVANNER, STEPHEN C. KOWALKE, TIMOTHY R. BAER and JEFFREY A. PROULX and each or any one of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as director and/or officer of the Corporation to (1) a Form 10-K, Annual Report, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), or other applicable form, including any and all exhibits, schedules, supplements and supporting documents thereto, including, but not limited to, the Form 11-K Annual Reports of the Corporation's 401(k) Plan and similar plans pursuant to the 1934 Act, and all amendments, supplementations and corrections thereto, to be filed by the Corporation with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended; (2) one or more Forms 3, 4 or 5 pursuant to the 1934 Act and all related documents, amendments, supplementations and corrections thereto, to be filed with the SEC as required under the 1934 Act; and (3) one or more Registration Statements, on Form S-3, Form S-8, Form 144 or other applicable forms, and all amendments, including post-effective amendments, thereto, to be filed by the Corporation with the SEC in connection with the registration under the Securities Act of 1933, as amended, of debentures or other securities of the Corporation, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ Roger A. Enrico

Roger A. Enrico

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ Elizabeth Hoffman

Elizabeth Hoffman

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ Michele J. Hooper

Michele J. Hooper

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ James A. Johnson

James A. Johnson

TARGET CORPORATION

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of Director and/or Officer

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/s/ Richard M. Kovacevich

Richard M. Kovacevich

TARGET CORPORATION

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of Director and/or Officer

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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ Stephen W. Sanger

Stephen W. Sanger

TARGET CORPORATION

Power of Attorney
of Director and/or Officer

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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ Warren R. Staley

Warren R. Staley

TARGET CORPORATION

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/s/ George W. Tamke

George W. Tamke

TARGET CORPORATION

Power of Attorney
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/s/ Solomon D. Trujillo

Solomon D. Trujillo

TARGET CORPORATION

Power of Attorney
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IN WITNESS WHEREOF, the undersigned has signed below as of this 12th day of March, 2003.

/s/ Bob Ulrich

Bob Ulrich

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
[NO FEE REQUIRED]**

For the fiscal year ended December 31, 2002

OR

- TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 [NO FEE REQUIRED]**

For the transition period from _____ to _____

Commission File Number 1-6049

- A. Full title of the plan and address of the plan, if different from that of the issuer named below: Target Corporation 401(k) Plan.
- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**TARGET CORPORATION
1000 Nicollet Mall
Minneapolis, Minnesota 55403**

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8, Nos. 33-66050, 333-27435 and 333-103920) pertaining to the Target Corporation 401(k) Plan of our report dated March 28, 2003, with respect to the financial statements and schedules of the Target Corporation 401(k) Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2002.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
April 14, 2003

TARGET CORPORATION 401(k) PLAN

Audited Financial Statements and Schedules
Years Ended December 31, 2002 and 2001

Target Corporation 401(k) Plan

Audited Financial Statements and Schedules

Years Ended December 31, 2002 and 2001

Contents

[Report of Independent Auditors](#)

Audited Financial Statements

[Statements of Net Assets Available for Benefits](#)

Report of Independent Auditors

The Board of Directors
Target Corporation

We have audited the accompanying statements of net assets available for benefits of the Target Corporation 401(k) Plan (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2002, and reportable transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. These supplemental schedules have been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

March 28, 2003

Target Corporation 401(k) Plan

Statement of Net Assets Available for Benefits
(In 000s)

December 31, 2002

	Total	Participant- Directed Funds	Non-Participant- Directed Employer Match Funds
Assets			
Receivables:			
Participants' 401(k) and after-tax contributions	\$ 55	\$ 55	\$ —
Employer contribution	33	—	33
Interest	1,965	1,955	10
Total receivables	2,053	2,010	43
Cash	—	—	—
Investments	3,070,753	1,895,721	1,175,032
Total assets	3,072,806	1,897,731	1,175,075
Liabilities			
Investments settlements payable	71	—	71
Expenses payable	813	496	317
Withdrawals payable to participants	157	136	21
Total liabilities	1,041	632	409
Net assets available for benefits	\$ 3,071,765	\$ 1,897,099	\$ 1,174,666

See accompanying notes.

Target Corporation 401(k) Plan

Statement of Net Assets Available for Benefits
(In 000s)

December 31, 2001

	Total	Participant- Directed Funds	Non-Participant- Directed Employer Match Funds
Assets			
Receivables:			
Participants' 401(k) and after-tax contributions	\$ 282	\$ 282	\$ —
Employer contribution	193	—	193
Interest	2,138	2,121	17
Total receivables	2,613	2,403	210
Cash	986	—	986
Investments	3,776,857	2,175,059	1,601,798
Total assets	3,780,456	2,177,462	1,602,994
Liabilities			
Expenses payable	1,253	715	538
Withdrawals payable to participants	313	276	37
Total liabilities	1,566	991	575
Net assets available for benefits	\$ 3,778,890	\$ 2,176,471	\$ 1,602,419

See accompanying notes.

Target Corporation 401(k) Plan

Statement of Changes in Net Assets Available for Benefits
(In 000s)

Year Ended December 31, 2002

	Total	Participant- Directed Funds	Non-Participant- Directed Employer Match Funds
Participants' 401(k) and after-tax contributions	\$ 180,842	\$ 180,842	\$ —
Employer contributions	110,594	—	110,594
Investment income:			
Interest (net)	27,548	26,206	1,342
Dividends	15,029	5,792	9,237
Total investment income	42,577	31,998	10,579
	334,013	212,840	121,173
Distributions to participants	(253,029)	(178,603)	(74,426)
Trustee fees	(750)	(479)	(271)
Administration fees	(8,930)	(6,328)	(2,602)
	(262,709)	(185,410)	(77,299)
Net realized and unrealized depreciation in fair value of investments	(778,429)	(356,430)	(421,999)
Interfund transfers	—	49,628	(49,628)
Net decrease	(707,125)	(279,372)	(427,753)
Net assets available for benefits at beginning of year	3,778,890	2,176,471	1,602,419
Net assets available for benefits at end of year	\$ 3,071,765	\$ 1,897,099	\$ 1,174,666

See accompanying notes.

Target Corporation 401(k) Plan

Statement of Changes in Net Assets Available for Benefits
(In 000s)

Year Ended December 31, 2001

	Total	Participant- Directed Funds	Non-Participant- Directed Employer Match Funds
Participants' 401(k) and after-tax contributions	\$ 168,296	\$ 168,296	\$ —
Employer contributions	96,790	—	96,790
Investment income:			
Interest (net)	29,752	28,321	1,431
Dividends	13,894	5,334	8,560
Total investment income	43,646	33,655	9,991
	308,732	201,951	106,781
Distributions to participants	(257,293)	(178,176)	(79,117)
Trustee fees	(1,076)	(743)	(333)
Administration fees	(7,568)	(5,424)	(2,144)
	(265,937)	(184,343)	(81,594)
Net realized and unrealized appreciation in fair value of investments	520,307	182,358	337,949
Interfund transfers	—	48,955	(48,955)
Net increase	563,102	248,921	314,181
Net assets available for benefits at beginning of year	3,215,788	1,927,550	1,288,238
Net assets available for benefits at end of year	\$ 3,778,890	\$ 2,176,471	\$ 1,602,419

See accompanying notes.

Target Corporation 401(k) Plan

Notes to Financial Statements

December 31, 2002

1. Description of the Plan

Employees of Target Corporation (the Company) who meet certain eligibility requirements of age and hours worked can participate in the Plan. Under the terms of the Plan, participants can invest up to 80% (20% in 2001) of their current gross cash compensation in the Plan, within ERISA limits, in any combination of before-tax and/or after-tax contributions.

Participants identified as "highly compensated," as defined by ERISA, are not allowed to make after-tax contributions and are limited to contributions of up to 5% of gross cash compensation (to a limit of \$200,000 and \$170,000 of compensation for 2002 and 2001, respectively) on a before-tax basis for 2002 and 2001, subject to certain IRS limitations.

The Company matches 100% of all participants' 401(k) before- and after-tax contributions up to 5% of each participant's gross cash compensation. Through December 31, 2002, the Company's contributions to the Plan were invested in Company stock. These contributions are reflected in the column titled "Non-Participant-Directed Employer Match Funds" on the financial statements.

Participants become 20% vested in employer-matching contributions immediately upon meeting plan eligibility requirements, 40% one year later, 70% two years later, and fully vested three years after becoming eligible to participate in the Plan. (A different vesting schedule was in place in plan year 2001 and in prior years.) Participant contributions are fully vested at all times. Participants who leave the Plan forfeit unvested Company contributions which are then used to reduce future Company contributions. For the years ended December 31, 2002 and 2001, forfeitures were \$2.556 million and \$5.175 million, respectively.

Participants may receive benefits upon termination, death, disability, or retirement as either a lump-sum amount equal to the vested value of his or her account, or in installments, subject to certain plan restrictions. Participants may also withdraw some or all of their account balances prior to termination, subject to certain plan restrictions.

Expenses, including fund management fees (which are netted against investment interest income), trustee fees, monthly processing costs (including recordkeeping fees), quarterly statement preparation and distribution, and other third-party administrative expenses are the significant expenses paid by the Plan.

Participants are entitled to apply for up to two loans from the Plan, one for the purchase of a primary residence, the other a general purpose loan, subject to certain restrictions, as defined in the Plan. Repayment of loans, including interest, is allocated to participants' investment accounts in accordance with each participant's investment election in effect at the time of the repayment.

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

For more detailed information regarding the Plan, participants may refer to the Summary Plan Description (SPD) available from the Company.

2. Accounting Policies

Accounting Method

All investments are carried at fair market value except fully benefit responsive investment contracts which are stated at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay Plan benefits. Common stock is valued at the quoted market price on the last business day of the Plan year. Collective investment fund values are

based on the fair value of the underlying securities (as determined by quoted market prices) as of the last business day of the Plan year. Participant loans are valued at the unpaid principal balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. Investments (In 000s)

The Plan allows participants to choose from among 12 investment funds. Participants may change their fund designations for past and future contributions on a daily basis.

The yield on the Plan's investment contracts for the years ended December 31, 2002 and 2001, ranged from 5.16% to 6.27% and 6.45% to 6.96%, respectively. According to the contracts, rates were adjusted quarterly in 2002. Fair value of the investment contracts was estimated to be approximately 106% and 104% of contract value for years ended December 31, 2002 and 2001, respectively. Fair value was estimated by discounting future cash flows under the contracts at current interest rates for similar investments with comparable terms. Under the contracts, the issuer does not guarantee payment of withdrawals at contract value as a result of premature termination of the contract by the Plan or upon Plan termination.

Fair value for synthetic contracts was estimated based on the market values of the underlying securities. Related wrap instruments for synthetic contracts were valued at the difference between the fair value of the underlying securities and the contract value attributable by the wrapper to such assets.

The Plan's investments are held by State Street Bank, the Trustee. The Plan's investments, including investments bought, sold, as well as held during the year, appreciated (depreciated) in fair value as follows:

	Net Appreciation (Depreciation) in Fair Value During Year	

Year ended December 31, 2002:		
Collective investment funds	\$	(90,474)
Target Corporation Common Stock		(687,955)
	\$	(778,429)
Year ended December 31, 2001:		
Collective investment funds	\$	(50,168)
Target Corporation Common Stock		570,475
	\$	520,307

The fair value of individual investments representing 5% or more of the Plan's net assets is as follows:

	December 31	
	2002	2001
	-----	-----
Target Corporation Common Stock	\$ 1,920,170	\$ 2,542,746
State Street Bank & Trust Co. Flagship S&P 500 Index Fund	190,516	262,271
Wells Fargo Bank Minnesota, N.A. Stable Return Fund	187,041	210,048
AIG Financial Products Group Annuity Contract No. 130221	200,085	194,815
Pacific Mutual Life Insurance Co. Group Annuity Contract No. 26255	197,579	193,472

4. Transactions With Parties-in-Interest

During the years ended December 31, 2002 and 2001, the Plan engaged in the following transactions related to the Company's Common Stock:

	2002	2001
	(In 000s)	
Number of common shares purchased	8,627	6,952
Cost of common shares purchased	\$ 325,270	\$ 246,326
Number of common shares sold	6,186	9,834
Market value of common shares sold	\$ 245,949	\$ 362,510
Cost of common shares sold	\$ 109,622	\$ 148,725
Number of common shares distributed in kind	378	435
Market value of common shares distributed in kind	\$ 14,307	\$ 15,581
Cost of common shares distributed in kind	\$ 6,787	\$ 6,632
Dividends received (non-pass-through)	\$ 5,719	\$ 5,174

During 2002 and 2001, the Plan received match-related dividends of \$9.237 million and \$8.560 million, respectively, on Target Corporation Common Stock.

5. Reconciliation of Financial Statements to Form 5500 (in 000s)

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31	
	2002	2001
Net assets available for benefits per the financial statements	\$ 3,071,765	\$ 3,778,890
Amounts payable to terminating participants	(1,125)	(1,200)
Net assets available for benefits per the Form 5500	\$ 3,070,640	\$ 3,777,690

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

	Year Ended December 31, 2002
Benefits paid to participants per the financial statements	\$ 253,029
Subtract amounts payable to terminating participants at December 31, 2001	(1,200)
Add amounts payable to terminating participants at December 31, 2002	1,125
Benefits paid to participants per the Form 5500	\$ 252,954

6. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated September 12, 2001, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

Schedules

Target Corporation 401(k) Plan

EIN: 41-0215170
Plan #002

Schedule H, Line 4i – Schedule of Assets
(Held at End of Year)

December 31, 2002

Face Amount or Number of Shares/Units	Identity of Issue and Description of Investment	Cost	Current Value
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CASH EQUIVALENTS

\$	7,486,013	*State Street Bank & Trust Co. Short-Term Investment Fund	\$	7,486,013	\$	7,486,013
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GROUP ANNUITY CONTRACTS

200,084,789	American International Life Group (AIG) Financial Products Group Annuity Contract No. 130221, 6.38%, due 12/31/02	213,632,657	213,632,657
	–Blackrock Financial Management, Inc. Managed Synthetic Guaranteed Investment Contract Wrap Instruments for AIL GAC No. 130221	(13,547,868)	(13,547,868)
197,578,580	Pacific Mutual Life Insurance Co. Group Annuity Contract No. 26255, 1.0%, due 1/01/10	209,653,037	209,653,037
	–Goldman Sachs Managed Synthetic Guaranteed Investment Contract Wrap Instrument for Pacific Mutual GAC No. 26255	(12,074,457)	(12,074,457)
TOTAL GROUP ANNUITY CONTRACTS		397,663,369	397,663,369

COLLECTIVE INVESTMENT FUNDS

5,480,735	Wells Fargo Bank Minnesota, N.A. Stable Return Fund	181,123,720	187,041,034
1,731,389	Wells Fargo Bank Minnesota, N.A. Managed Synthetic Fund	20,000,000	23,682,608
1,229,620	*State Street Bank & Trust Co. Flagship S&P 500 Index Fund	188,293,611	190,516,139
4,247,424	*State Street Bank & Trust Co. Bond Market Index Fund	59,203,910	69,487,863
10,828,353	*State Street Bank & Trust Co. Russell 3000 Fund	92,349,632	72,138,485
4,526,097	*State Street Bank & Trust Co. Russell 2000 Fund	64,234,010	54,209,062
807,844	*State Street Bank & Trust Co. EAFE Series A	5,745,928	5,017,519
2,441,163	*State Street Bank & Trust Co. Daily EAFE	29,454,246	21,736,112
592,835	Barclays Global Investors U.S. Tactical Asset Allocation Fund F	9,359,276	8,424,188
1,732,741	*State Street Bank & Trust Co. Emerging Market Stock Fund	16,524,096	12,900,255
3,942,658	Barclays Global Investors Growth Equity Fund F	37,229,306	25,784,984
2,111,308	Barclays Global Investors Value Equity Fund F	21,532,113	16,848,234
TOTAL COLLECTIVE INVESTMENT FUNDS		725,049,848	687,786,483

COMMON STOCK

64,005,659	*Target Corporation	1,225,970,893	1,920,169,770
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PARTICIPANT LOANS

57,647,231	Participant loans, interest rates ranging from 5.25% to 5.75%	—	57,647,231
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**TOTAL ASSETS HELD FOR INVESTMENT PURPOSES AT
END OF YEAR**

\$	2,356,170,123	\$	3,070,752,866
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*Indicates a party-in-interest to the Plan.

Target Corporation 401(k) Plan

EIN: 41-0215170
Plan #002

Schedule H, Line 4j – Schedule of Reportable Transactions

Year Ended December 31, 2002

Identity of Party Involved	Description of Asset	Purchase Price	Selling Price	Cost of Asset	Current Value of Asset on Transaction Date	Net Gain/ (Loss)
Category (iii) – Series of Transactions in Excess of 5% of Plan Assets						
Target Corporation Common Stock	8,626,610 units purchased in 155 transactions	\$ 325,269,810	\$ —	\$ 325,269,810	\$ —	—
Target Corporation Common Stock	6,563,597 units sold in 222 transactions	—	260,255,616	116,409,402	260,255,616	(143,846,214)
State Street Bank & Trust Co. Short Term Investment	462,405,327 units purchased in 131 transactions	462,405,327	—	462,405,327	—	—
State Street Bank & Trust Co. Short Term Investment	457,765,681 units sold in 119 transactions	\$ —	\$ 457,765,681	\$ 457,765,681	\$ 457,765,681	—

There were no category (i), (ii), or (iv) transactions for the year ended December 31, 2002.

CAUTIONARY STATEMENTS RELATING TO FORWARD-LOOKING INFORMATION.

The Company and its representatives may, from time to time, make written or verbal forward-looking statements. Those statements relate to developments, results, conditions or other events the Company expects or anticipates will occur in the future. Without limiting the foregoing, those statements may relate to future revenues, earnings, store openings, market conditions, new strategies and the competitive environment. Forward-looking statements are based on management's then current views and assumptions and, as a result, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected.

Any such forward-looking statements are qualified by the following, which contain certain of the important factors that could cause actual results to differ materially from those predicted by the forward-looking statements:

Competitive Pressures

The retail business is highly competitive. Each of our operations competes for customers, employees, locations, products, services and other important aspects of its business with many other local, regional and national retailers. Those competitors, some of which have a greater market presence than the Company, include traditional and off-price store-based retailers, Internet and catalog businesses, drug stores, supermarkets, entertainment and travel providers and other forms of retail commerce. Unanticipated changes in the pricing and other practices of those competitors may impact our expected results.

Consumer Trends

It is difficult to predict what merchandise consumers will demand, particularly merchandise that is trend driven. A substantial part of our business is dependent on our ability to make trend right decisions for a wide variety of goods and services. Failure to accurately predict constantly changing consumer tastes, preferences, spending patterns and other lifestyle decisions could adversely affect short term results and long term relationships with our guests.

Credit Card Operations

The Company's credit card operations facilitate sales in our stores and generate additional revenue from fees related to extending credit. Our ability to extend credit to our guests depends on many factors including compliance with federal and state banking and consumer protection laws, any of which may change from time to time. In addition, changes in credit card use, payment patterns and default rates may result from a variety of economic, legal, social and other factors that we

cannot control or predict with certainty. Changes that adversely impact our ability to extend credit and collect payments could negatively affect our results.

General Economic Conditions

General economic factors that are beyond our control impact the Company's forecasts and actual performance. These factors include interest rates, recession, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, energy costs and other matters that influence consumer confidence and spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude.

Labor Conditions

The Company's performance is dependent on attracting and retaining a large and growing number of quality team members. Many of those team members are in entry level or part time positions with historically high rates of turnover. Our ability to meet our labor needs while controlling our costs is subject to external factors such as unemployment levels, minimum wage legislation and changing demographics.

Product Sourcing

The products we sell are sourced from a wide variety of domestic and international vendors. All of our vendors must comply with applicable laws and our required standards of conduct. Our ability to find qualified vendors and access products in a timely and efficient manner is a significant challenge which is typically even more difficult with respect to goods sourced outside the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade are beyond our control and could impact our business.

Other Factors

Other factors that could cause actual results to differ materially from those predicted include: weather, changes in the availability or cost of capital, the availability of suitable new store locations on acceptable terms, shifts in the

seasonality of shopping patterns, labor strikes or other work interruptions, the impact of excess retail capacity in our markets, material acquisitions or dispositions, the success or failure of significant new business ventures or technologies, adverse results in material litigation, natural disasters, the outbreak of war, acts of terrorism or other significant national or international events.

The foregoing list of important factors is not exclusive and the Company does not undertake to revise any forward-looking statement to reflect events or circumstances that occur after the date the statement is made.

**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 Annual Report on Form 10-K (the "Form 10-K") of Target Corporation, a Minnesota corporation (the "Company"), for the fiscal year ended February 1, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his respective knowledge:

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.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: April 14, 2003

/s/ Robert J. Ulrich

Robert J. Ulrich
Chairman of the Board and
Chief Executive Officer

Dated: April 14, 2003

/s/ Douglas A. Scovanner

/s/ Douglas A. Scovanner
Executive Vice President and
Chief Financial Officer