

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 4, 1996

Commission file number 1-6049

Dayton Hudson Corporation

(Exact name of registrant as specified in its charter)

Minnesota

41-0215170

(State of incorporation or organization) (I.R.S. Employer Identification No.)

777 Nicollet Mall Minneapolis, Minnesota

55402 - 2055

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (612) 370-6948

None

Former name, former address and former fiscal year, if changed since last
report.

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 and
(2) has been subject to such filing requirements for the past 90 days.

The number of shares outstanding of common stock as of May 4, 1996 was
72,083,978.

DAYTON HUDSON CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

	PAGE NO.
PART I FINANCIAL INFORMATION:	
ITEM 1 - FINANCIAL STATEMENTS	
Condensed Consolidated Results of Operations for the Three Months and Twelve Months ended May 4, 1996 and April 29, 1995	1
Condensed Consolidated Statements of Financial Position at May 4, 1996, February 3, 1996 and April 29, 1995	2
Condensed Consolidated Statements of Cash Flows for the Three Months ended May 4, 1996 and April 29, 1995	3
Notes to Condensed Consolidated Financial Statements	4
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION	5-8
PART II OTHER INFORMATION:	
ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	9
ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K	10
Signatures	11
Exhibit Index	12

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED
RESULTS OF OPERATIONSDayton Hudson Corporation
and Subsidiaries

(Millions of Dollars, Except per share data)	Three Months Ended		Twelve Months Ended	
	MAY 4, 1996	April 29, 1995	MAY 4, 1996*	April 29, 1995
(Unaudited)				
REVENUES	\$5,380	\$4,757	\$24,139	\$21,603
COSTS AND EXPENSES				
Cost of retail sales, buying and occupancy	3,949	3,504	17,972	15,887
Selling, publicity and administrative	985	889	4,139	3,687
Depreciation and amortization	157	144	607	559
Interest expense, net	109	107	444	427
Taxes other than income taxes	112	95	426	375
Total Costs and Expenses	5,312	4,739	23,588	20,935
Earnings Before Income Taxes	68	18	551	668
Provision for Income Taxes	27	7	210	262
NET EARNINGS	\$ 41	\$ 11	\$ 341	\$ 406
PRIMARY EARNINGS PER SHARE	\$ 0.50	\$ 0.10	\$ 4.43	\$ 5.38
FULLY DILUTED EARNINGS PER SHARE	\$ 0.49	\$ 0.10	\$ 4.27	\$ 5.16
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.44	\$ 0.44	\$ 1.76	\$ 1.70
AVERAGE COMMON SHARES OUTSTANDING (Millions):				
Primary	72.6	72.1	72.4	72.0
Fully Diluted	76.8	76.3	76.5	76.2

*Consisted of 53 weeks.

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION

Dayton Hudson Corporation
and Subsidiaries

(Millions of Dollars)	MAY 4, 1996	February 3, 1996*	April 29, 1995
<hr/>			
ASSETS	(UNAUDITED)		(Unaudited)
CURRENT ASSETS			
Cash and cash equivalents	\$ 230	\$ 175	\$ 187
Accounts receivable	1,383	1,510	1,610
Merchandise inventories	3,175	3,018	3,031
Other	217	252	171
<hr/>			
Total Current Assets	5,005	4,955	4,999
PROPERTY AND EQUIPMENT			
Accumulated depreciation	(3,006)	(2,930)	(2,700)
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Property and Equipment, net	7,383	7,294	6,588
OTHER	397	321	353
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TOTAL ASSETS	\$12,785	\$12,570	\$11,940
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LIABILITIES AND SHAREHOLDERS' INVESTMENT			
CURRENT LIABILITIES			
Current portion of long-term debt and notes payable	\$ 362	\$ 182	\$ 247
Accounts Payable	2,080	2,247	1,921
Other	1,104	1,094	1,040
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Total Current Liabilities	3,546	3,523	3,208
LONG-TERM DEBT	5,125	4,959	4,922
DEFERRED INCOME TAXES AND OTHER	628	623	583
CONVERTIBLE PREFERRED STOCK, NET	51	62	50
SHAREHOLDERS' INVESTMENT	3,435	3,403	3,177
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TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	\$12,785	\$12,570	\$11,940
<hr/>			
COMMON SHARES OUTSTANDING (Millions)	72.1	72.0	71.8
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* The February 3, 1996 Consolidated Statement of Financial Position is condensed from the audited financial statement.

See accompanying Notes to Condensed Consolidated Financial Statements.

(Millions of Dollars)	Three Months Ended	
	MAY 4, 1996	April 29, 1995
(Unaudited)		
OPERATING ACTIVITIES		
Net earnings	\$ 41	\$ 11
Reconciliation to cash flow:		
Depreciation and amortization	157	144
Deferred tax provision	(28)	(4)
Other non-cash items affecting earnings	44	23
Changes in operating accounts providing/(requiring) cash:		
Accounts receivable	127	200
Merchandise inventories	(157)	(254)
Accounts payable	(167)	(40)
Other	74	(130)
Cash Flow Provided / (Required) by Operations	91	(50)
INVESTING ACTIVITIES		
Expenditures for property and equipment, net	(350)	(347)
Cash Flow Required for Investing Activities	(350)	(347)
FINANCING ACTIVITIES		
Increase in notes payable, net	131	340
Additions to long-term debt	300	150
Reductions of long-term debt	(85)	(17)
Dividends paid	(37)	(37)
Other	5	1
Cash Flow Provided for Financing Activities	314	437
Net Increase in Cash and Cash Equivalents	55	40
Cash and Cash Equivalents at Beginning of Period	175	147
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 230	\$ 187

Amounts in this statement are presented on a cash basis and therefore may differ from those shown elsewhere in this 10-Q report. Cash paid for income taxes was \$95 million and \$127 million for the first three months of 1996 and 1995, respectively. Cash paid for interest (including interest capitalized) in the first three months of 1996 and 1995 was \$69 million and \$64 million, respectively.

See accompanying Notes to Condensed Consolidated Financial Statements.

ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements should be read in conjunction with the financial statement disclosures contained in the Corporation's 1995 Annual Shareholders' Report throughout pages 23-34. As explained on page 33 of the Annual Report, the same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. In the opinion of management, all adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature.

Due to the seasonal nature of the retail industry, earnings for periods which exclude the Holiday season are not indicative of the operating results that may be expected for the full fiscal year.

PER SHARE DATA

Primary earnings per share equals net earnings, less dividend requirements on ESOP preferred stock, divided by the average number of common shares and common share equivalents outstanding during the period. Fully diluted earnings per share assumes conversion of the ESOP preferred stock into common stock. Net earnings are also adjusted for the additional expense required to fund the ESOP debt service, which results from the assumed replacement of the ESOP preferred dividends with common stock dividends. References to earnings per share relate to fully diluted earnings per share.

PROPERTY AND EQUIPMENT

During first quarter 1996, the Corporation adopted Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The impairment loss recorded upon adoption was not significant to the Corporation's results of operations or financial condition taken as a whole.

LONG-TERM DEBT

During the first quarter of 1996, the Corporation issued \$300 million of long-term debt at 6.4%, maturing in 2003. The proceeds from the issuance were used for general corporate purposes. Also during first quarter, the Corporation purchased \$30 million of 9.875% sinking fund debentures, due June 1, 2017, for approximately \$32 million and recorded a one-time charge of \$2 million (\$.02 per share) related to the transaction. The replacement of this debt with lower interest rate financing will result in future interest expense savings.

LINES OF CREDIT

During first quarter, the Corporation renegotiated the committed credit agreements to extend the term and increase the total lines of credit from \$1.4 billion to \$1.6 billion, of which \$800 million matures in 1997 and \$800 million matures in 2001. The committed credit agreements, which support our commercial paper program, had no balances outstanding during the quarter.

RECLASSIFICATIONS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF OPERATIONS AND FINANCIAL CONDITION
FIRST QUARTER 1996

ANALYSIS OF OPERATIONS

First quarter 1996 net earnings were \$41 million, or \$.49 per share, compared with net earnings of \$11 million, or \$.10 per share, for the same period last year. The improvement in first quarter net earnings is primarily due to very strong sales and earnings performance at Target combined with a rebound in profitability at Mervyn's, as well as operating expense savings associated with our corporation-wide cost reduction initiatives.

The following table reflects the significant components of the year-over-year change in earnings per share:

	First Quarter
1995 Earnings Per Share	\$.10
Changes in earnings per share due to:	
Gross margin rate	.09
Operating expense rate	.48
Start-up expense	(.06)
Interest expense, net	(.02)
Corporate and other expense, net	(.10)
1996 Earnings Per Share	\$.49

Strong growth at Target, our lowest margin and expense rate division, continues to impact our business mix. As a result, the Corporation's overall revenue growth and total operating expense rate were favorably affected, while the gross margin rate was unfavorably affected. If the sales mix between divisions had remained constant with first quarter 1995, the gross margin rate variance would have been \$.10 more favorable and the operating expense rate would have been \$.14 less favorable.

The overall gross margin rate favorability to prior year is the result of gross margin improvement at all three divisions offset by Target's growing influence on the Corporation's overall margin structure. The overall operating expense rate improvement reflects significant improvement at Mervyn's, strong sales leveraging and reduced marketing expense at Target, and Target's increasing influence on the expense rate structure of the Corporation, partially offset by increased store expenses at DSD.

Revenues
- - - - -

Total revenues increased 13% in the first quarter, while comparable-store revenues (revenues from stores open longer than a year) rose 7%.

Revenues by business segment were as follows:

(Millions of Dollars)	First Quarter		Percentage Change	
	MAY 4, 1996	April 29, 1995	All Stores	Comparable Stores
Target	\$3,723	\$3,157	18%	9%
Mervyn's	967	914	6	3
DSD	690	686	-	(1)
	-----	-----	--	--
Total	\$5,380	\$4,757	13%	7%
	=====	=====	==	==

Target's increase in revenues over the prior year reflects the strength of base-business sales, new-store expansion, and increased sales, finance-charge revenues and late-fee revenues associated with the continued growth of the Target Guest Card. Mervyn's total and comparable-store revenue increases in first quarter were primarily due to new store growth and improved sales results, reflecting positive guest response to the strategy changes implemented during the later half of 1995. As anticipated, DSD's total revenues were flat to last year and comparable-store revenues declined slightly due to fewer promotional event days associated with its new strategy, partially offset by increased sales in better merchandise categories.

OPERATING PROFIT

First quarter 1996 operating profit increased 47% over the prior year. Operating profit is LIFO earnings from operations before corporate expense, interest and income taxes.

Operating profit by business segment was as follows:

(Millions of Dollars)	Three Months Ended		Percentage Change
	MAY 4, 1996	April 29, 1995	
Target	\$ 133	\$ 97	37%
Mervyn's	39	1	100+
DSD	28	38	(26)
	-----	-----	---
Total	\$ 200	\$ 136	47%
	=====	=====	===

Operating profit reflects a reduction of finance-charge revenues as well as a reduction of bad debt expense related to the sale of securitized accounts receivable. The net reduction to operating profit by business segment was \$(1) million, \$(3) million and \$(2) million for Target, Mervyn's and DSD, respectively, for the three months ended May 4, 1996. The total reduction of \$(6) million was offset by comparable interest expense savings due to the replacement of debt with the securitization proceeds. There was no reduction for the three months ended April 29, 1995.

TARGET'S first quarter operating profit increased 37% over the same period last year, reflecting a 9% comparable-store revenue growth, as well as gross margin rate and operating expense rate improvements. Target's first quarter gross margin rate improved primarily due to markdown rate favorability while the operating expense rate was favorable due to strong sales leveraging and reduced marketing expenses. In first quarter 1996, Target realized approximately 10% of the \$50 million annualized cost savings identified as part of its broad-based cost reduction program. Looking forward, Target's gross margin rate is expected to remain reasonably stable and its operating expense rate should continue to show improvement over prior year, reflecting strong expense control as well as the annualization of higher store payroll costs.

MERVYN'S operating profit for the quarter increased to \$39 million from \$1 million for the first quarter last year. Mervyn's gross margin rate increased significantly over the prior year, due to higher markup and lower clearance markdowns, partially offset by higher promotional markdowns, consistent with its intensified promotional strategy implemented in 1995. As a result of its \$100 million cost reduction program, Mervyn's realized substantial improvement in its operating expense rate in first quarter 1996 as a result of cost reductions primarily in the areas of stores, marketing and headquarters. Mervyn's is expected to continue to achieve operating profit improvement through gross margin rate favorability, particularly during the second quarter despite expected negative comparable-store sales, and further realization of operating expense savings throughout the year.

DSD'S first quarter operating profit declined, as expected, to \$28 million from \$38 million in the prior year. The gross margin rate increased, reflecting lower promotional markdowns, in line with its new strategy. The operating expense rate was unfavorable to prior year due to lower sales leveraging and higher store expenses related to increased staffing to improve guest service. DSD's second quarter operating profit is expected to be below last year, reflecting slightly negative comparable-sales and an unfavorable operating expense rate partially offset by a gross margin rate improvement. As a result of its new strategy, DSD's profitability is expected to improve in the second half of the year.

Other Performance Factors

The last-in, first-out (LIFO) provision, included in cost of retail sales, was zero for both first quarter 1996 and 1995. The cumulative LIFO provision was \$77 million at May 4, 1996 and February 3, 1996, and \$60 million at April 29, 1995.

Net interest expense for the quarter increased \$2 million over last year, as higher average debt balances were partially offset by lower average portfolio interest rates and interest savings related to the replacement of debt with the proceeds from the sale of securitized accounts receivable. Higher average debt balances and lower average portfolio interest rates are expected to continue throughout the remainder of the year.

The estimated annual effective income tax rate is 39.5% for 1996, unchanged from the first quarter 1995 estimated annual rate.

ANALYSIS OF FINANCIAL CONDITION

Our financial condition remains strong. The ratio of debt to total capitalization attributable to our retail operations, was 56% at the end of first quarter 1996, compared with 54% a year ago and 53% at year end. We expect to maintain a year end debt ratio of 45% to 55% for our retail operations, however due to the seasonality of our business, quarterly comparisons will fluctuate and may fall outside of this range.

At May 4, 1996, working capital was \$1,459 million, down 19% compared to a year ago, principally due to the decrease in accounts receivable of \$227 million from first quarter 1995. The decrease in accounts receivable reflects \$173 million in growth offset by a \$400 million reduction related to the securitized accounts receivable sold in September 1995. The decline in accounts receivable from year end of 8% reflects a typical reduction from seasonally high levels. Compared to last year, merchandise inventories increased approximately \$144 million, or 5%, as a result of new store growth. This inventory growth was more than fully funded by a \$159 million, or 8%, increase in accounts payable.

First quarter 1996 capital expenditures were \$350 million, compared with \$347 million for the same period a year ago. Approximately 83% of these expenditures were made by Target, 5% by Mervyn's, and 12% by DSD.

We continue to fund the growth in our business through a combination of debt and retained earnings. Our debt has increased \$318 million compared to a year ago and our shareholders' investment has grown by \$258 million.

STORE DATA

At May 4, 1996, Target operated 688 stores in 34 states, Mervyn's operated 297 stores in 16 states and DSD operated 64 stores in nine states. During the quarter, the Corporation opened 18 Target stores and two Mervyn's stores.

Retail square footage was as follows:

(In thousands, reflects total square feet, less office, warehouse and vacant space)	MAY 4, 1996	February 3, 1996	April 29, 1995
Target	73,301	71,108	65,855
Mervyn's	24,281	24,113	23,205
DSD	13,870	13,870	13,587
Total	111,452	109,091	102,647

PART II. OTHER INFORMATION

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- a) The Company held its Annual Shareholders' Meeting on May 22, 1996.
- c) (1). The shareholders voted for four director nominees for three-year terms. The vote was as follows:

Name of Candidate	For	Withheld
-----	-----	-----
Livio D. DeSimone	62,579,441	2,257,325
Roger A. Enrico	58,845,169	5,991,597
William W. George	63,618,525	1,218,241
James A. Johnson	63,619,427	1,217,339

There were no abstentions and no broker non-votes.

- (2). The shareholders voted to approve the appointment of Ernst & Young LLP independent auditors of the Corporation. The vote was 64,480,516 for, 122,797 against and 233,453 abstentions. There were no broker non-votes.
- (3). The shareholders voted against the shareholder proposal concerning an equal employment and affirmative action report. The vote was 5,851,337 for, 50,446,108 against and 4,751,801 abstentions. There were 3,787,520 broker non-votes.

a) Exhibits

- (2). Not applicable
- (4). Instruments defining the rights of security holders, including indentures. Registrant agrees to furnish the Commission on request copies of instruments with respect to long-term debt.
- (10). I. Deferred Compensation Plan - Senior Management Group (as amended April 10, 1996)
J. Deferred Compensation Plan - Directors (as amended April 10, 1996)
M. SMG Executive Deferred Compensation Plan (as amended April 10, 1996)
N. Director Deferred Compensation Plan (as amended April 10, 1996)
O. Contract
- (11). Statements re Computations of Per Share Earnings
- (12). Statements re Computations of Ratios
- (15). Not applicable
- (18). Not applicable
- (19). Not applicable
- (22). Not applicable
- (23). Not applicable
- (24). Not applicable
- (27). Financial Data Schedule
- (99). Not applicable

b) Reports on form 8-K:

Filed during the quarter for which this report is filed:

Form 8-K dated February 8, 1996 reporting a decrease in debt rating.

Form 8-K dated May 1, 1996 reporting a decrease in debt rating.

Filed subsequent to the end of the quarter for which this report is filed:

Form 8-K dated June 12, 1996 reporting a stock split and an increase in the quarterly dividend.

Signatures

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

DAYTON HUDSON CORPORATION
Registrant

Date: June 14, 1996

By /s/ Douglas A. Scovanner

Douglas A. Scovanner
Senior Vice President and
Chief Financial Officer

Date: June 14, 1996

By /s/ J.A. Bogdan

JoAnn Bogdan
Controller and
Chief Accounting Officer

Exhibit Index

- (10). I. Deferred Compensation Plan - Senior Management Group (as amended April 10, 1996)
- J. Deferred Compensation Plan - Directors (as amended April 10, 1996)
- M. SMG Executive Deferred Compensation Plan (as amended April 10, 1996)
- N. Director Deferred Compensation Plan (as amended April 10, 1996)
- O. Contract
- (11). Statements re Computations of Per Share Earnings
- (12). Statements re Computations of Ratios
- (27). Financial Data Schedule

5-24-94
Adopted: 6-8-94
Effective: 8-1-94
Amended 4-10-96

DAYTON HUDSON 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 Dayton Hudson 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

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 Dayton Hudson 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:

Moodys Corporate Bond Yield Average - Monthly Average Corporates as published by Moodys 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.

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 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, compounded annually, on the balance from month-to-month in such Deferral Account. 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 in such Deferral Account from month-to-month at a rate equal to twelve percent (12%) per annum, compounded annually, or such higher rate which the Committee may determine in its sole discretion.

(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 from month-to-month in such Deferral Account at a rate equal to ten percent (10%) per annum, compounded annually, 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 from month-to-month in such Deferral Account at a rate equal to the Declared Rate which is announced by the Committee for each Plan Year, compounded annually. 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 from month-to-month at a rate equal to twelve percent (12%) per annum, compounded annually.

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 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 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 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). If the Committee does not provide for a higher rate of interest than twelve percent (12%), each monthly payment shall be in the same amount. If the Committee does provide for a higher rate of interest for a year pursuant to Section 4.2(a), the monthly amount may be redetermined to reflect the increase.

(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 Normal or Early 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 payments which would be made to the Participant pursuant to Section 5.1(a) if he were single. If the Committee provides for a higher rate of interest than twelve percent (12%) for a year pursuant to the provisions of Section 4.2(a), the monthly amount of payments may be redetermined to reflect the increase.

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 an equal amount each month for a period not to exceed forty-eight (48) months beginning on the first day of the month next following the date of termination of employment, the sum of which payments shall equal (a) the value as of the date of termination of employment of the Deferral Account, plus (b) the interest that will accrue on the unpaid balance in such Deferral Account during such period at the rate of twelve percent (12%) per annum, compounded annually. 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 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). If the Committee does not provide for a higher rate of interest than twelve percent (12%), each monthly payment shall be in the same amount. If the Committee does provide for a higher rate of interest for a year pursuant to Section 4.2(a), the monthly amount may be redetermined to reflect the increase.

(ii) 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 Normal or Early 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 payments which would be made to the Participant pursuant to Section 5.1(a) if he were single. If the Committee provides for a higher rate of interest than twelve percent (12%) for a year pursuant to the provisions of Section 4.2(a), the monthly amount of payments may be redetermined to reflect the increase.

(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 from month-to-month at a rate equal to twelve percent (12%) per annum, compounded annually.

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 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 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 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 Early or Normal 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 Early or Normal 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 twelve percent (12%) per annum, compounded annually, or such higher rate which the Committee may determine in its sole discretion.

(d) If a Participant, who does not receive a lump sum Termination Benefit, dies prior to the time he has received the forty-eight (48) months payments referred to in Section 5.2(a), the remaining payments for such 48 month 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 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%).

5.6 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, 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.

5.7 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.

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 (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.

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.

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.

DAYTON HUDSON CORPORATION
DEFERRED COMPENSATION PLAN
DIRECTORS

ARTICLE 1
PURPOSE

The purpose of this Deferred Compensation Plan (the "Plan") is to provide a means whereby Dayton Hudson 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:

Moodys Corporate Bond Yield Average - Monthly Average Corporates as published by Moodys 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

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 twelve percent (12%) per annum, compounded annually, or such higher rate which the Committee may determine in its sole discretion.

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). If the Committee does not provide for a higher rate of interest than twelve percent (12%), each monthly payment shall be in the same amount. If the Committee does provide for a higher rate of interest for a year pursuant to Section 4.2(a), the monthly amount may be redetermined each calendar year to reflect the increase.

(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. If the Committee provides for a higher rate of interest than twelve percent (12%) for a year pursuant to the provisions of Section 4.2(a), the monthly amount of payments may be redetermined each calendar year to reflect the increase.

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 twelve percent (12%) per annum, 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%).

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.

11-29-94
Adopted: 12-14-94
Effective: 1/1/97
Amended 4-10-96

DAYTON HUDSON CORPORATION
SMG EXECUTIVE DEFERRED COMPENSATION PLAN

ARTICLE I
GENERAL

Sec. 1.1 Name of Plan. The name of the Plan set forth herein is the

Dayton Hudson Corporation SMG Executive Deferred Compensation Plan. It is referred to herein as the "Plan".

Sec. 1.2 Purpose. The purpose of the Plan is to provide a means whereby

Dayton Hudson Corporation (the "Company") may afford financial security to a select group of employees 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 employees may be retained and their productive efforts encouraged.

Sec. 1.3 Effective Date. The Effective Date of the Plan is January 1,

1997.

Sec. 1.4 Company. "Company" means all of the following:

- (a) Dayton Hudson Corporation, a Minnesota corporation.
- (b) Any successor of Dayton Hudson Corporation (whether direct or indirect, by purchase of a majority of the outstanding voting stock of Dayton Hudson Corporation or all or substantially all of the assets of Dayton Hudson Corporation, or by merger, consolidation or otherwise).
- (c) Any person that becomes liable for the obligations hereunder of the entities specified in (a) and (b) above by operation of law.

Sec. 1.5 Participating Employers. The Company is a Participating Employer

in the Plan. With the consent of the Company, by action of the Board or any duly authorized officer, any wholly-owned subsidiary of the Company may, by action of its board of directors or any duly authorized officer, also become a Participating Employer in the Plan effective as of the date specified by it in its adoption of the Plan; but the subsidiary shall cease to be a Participating Employer on the date it ceases to be a wholly-owned subsidiary of the Company. The other Participating Employers on the Effective Date are:

Dayton's Commercial Interiors, Inc. (Minnesota)
Dayton's Travel Service, Inc. (Minnesota)
Mervyn's (California)
DHC Milwaukee, Inc. (Wisconsin)
DHC Wisconsin, Inc. (Wisconsin)
Marshall Field & Company (Delaware)
Marshall Field Stores, Inc. (Delaware)
Retailers National Bank

Sec. 1.6 Construction and Applicable Law. The Plan is intended to be an

unfunded benefit plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees, subject to the applicable requirements of ERISA. The Plan shall be administered and construed consistently with said intent. It shall also be construed and administered according to the laws of the State of Minnesota to the extent such laws are not preempted by laws of the United States of America. All controversies, disputes, and claims arising hereunder shall be submitted to the United States District Court for the District of Minnesota.

Sec. 1.7 Rules of Construction. The Plan shall be construed in accordance

with the following:

- (a) Headings at the beginning of articles and sections hereof are for convenience of reference, shall not be considered as part of the text of the Plan, and shall not influence its construction.
- (b) Capitalized terms used in the Plan shall have their meaning as defined in the Plan unless the context clearly indicates to the contrary.
- (c) 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.
- (d) Use of the words "hereof", "herein", "hereunder" or similar compounds of the word "here" shall mean and refer to the entire Plan unless the context clearly indicates to the contrary.
- (e) The provisions of the Plan shall be construed as a whole in such manner as to carry out the provisions thereof and shall not be construed separately without relation to the context.

ARTICLE II
DEFINITIONS

Sec. 2.1 Base Salary. "Base Salary" is the salary an Employee is expected

to earn in a Benefit Deferral Period, assuming the Employee is employed for the
full Benefit Deferral Period.

Sec. 2.2 Beneficiary. "Beneficiary" means the person or persons

designated as such in accordance with Article VI.

Sec. 2.3 Benefit Deferral Period. "Benefit Deferral Period" means that

period of one Plan Year as determined pursuant to Article IV over which a
Participant defers a portion of such Participant's Base Salary and/or Bonus.

Sec. 2.4 Bonus. "Bonus" is the bonus, under any bonus plan of a

Participating Employer. Any part of a "Bonus" earned in a Benefit Deferral
Period, but otherwise payable in the year following the Benefit Deferral Period
is governed by the deferral election made for the Benefit Deferral Period.

Sec. 2.5 Board. "Board" means the board of directors of the Company, and

includes any committee thereof authorized to act for said board of directors.

Sec. 2.6 Continuing Participating Salary. "Continuing Participating

Salary" shall be set by the Vice President of Personnel. The "Continuing
Participating Salary" shall be within \$1,000 of 1.25 times the amount determined
under Code Section 414(q)(1)(C). The amount is \$50,000 (as indexed for cost of
living increases for each calendar year after 1987 as provided in the applicable
Treasury regulations) for the prior year.

Sec. 2.7 Credited Service. "Credited Service" of a Participant means the

number of years of service for vesting purposes a Participant would have under
the applicable defined benefit pension plan of the Company and/or a
Participating Employer.

Sec. 2.8 Crediting Rate Alternative. "Crediting Rate Alternative" means

the S&P Crediting Rate or the Variable Interest Crediting Rate.

Sec. 2.9 Cumulative Deferral Amount. "Cumulative Deferral Amount" means

the total cumulative amount by which a Participant's Base Salary and/or Bonus
must be reduced over the period prescribed in Section 4.1. If for a Plan Year a
Matching Allocation for a Participant pursuant to the 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.
"Cumulative Deferral Amount" also includes amounts transferred from the HCCAP.

Sec. 2.10 Deferral Account. "Deferral Account" means the accounts

maintained on the books of account of the Company pursuant to Section 4.2.

Sec. 2.11 Employee. "Employee" means any person employed by a

Participating Employer on a salaried basis.

Sec. 2.12 Enhancement. "Enhancement" means an additional .1667% per month

added to the S&P Crediting Rate and the Variable Interest Crediting Rate.

Sec. 2.13 Enrollment Agreement. "Enrollment Agreement" means the written

agreement entered into by the Company and an Employee pursuant to which the 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.

Sec. 2.14 ERISA. "ERISA" means the Employee Retirement Income Security

Act of 1974 as from time to time amended.

Sec. 2.15 HCCAP. "HCCAP" is the Company's Highly Compensated Capital

Accumulation Plan.

Sec. 2.16 Initial Participating Salary. "Initial Participating Salary"

shall be set by the Vice President of Personnel. The "Initial Participating Salary" shall be within \$1,000 of 1.3 times the amount determined under Code Section 414(q). The amount is \$50,000 (as indexed for cost of living increases for each calendar year after 1987 as provided in the applicable Treasury regulations) for the prior year. For 1995 the amount is \$85,000.

Sec. 2.17 Named Fiduciary. The Company and the Vice President of

Personnel are a "Named Fiduciary" for purposes of ERISA with authority to control and manage the operation and administration of the Plan. Other persons are also Named Fiduciaries under ERISA if so provided thereunder or if so identified by the Company, by action of the Board or the Chief Executive Officer. Such other person or persons shall have such authority to control or manage the operation and administration of the Plan as may be provided by ERISA or as may be allocated by the Company, by action of the Board or the Chief Executive Officer or the Vice President of Personnel.

Sec. 2.18 Participant. "Participant" means an eligible Employee who has

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

Sec. 2.19 Person. "Person" means an individual, partnership, corporation,

estate, trust, or other entity.

Sec. 2.20 Plan Year. "Plan Year" means the period commencing with the

Effective Date and ending December 31, 1997 and each subsequent calendar year.

Sec. 2.21 Reduced Salary. "Reduced Salary" is the salary below which a

Participant can not reduce his or her Base Salary. The "Reduced Salary" for a
Benefit Deferral Period shall be set by the Vice President of Personnel. The
"Reduced Salary" shall be within \$1,000 of the amount expected to be determined
under Code Section 414(q)(1)(C). The amount is \$50,000 (as indexed for cost of
living increases for each calendar year after 1987 as provided in the applicable
Treasury regulations) for the year. For 1995 the amount is \$68,000.

Sec. 2.22 S&P Crediting Rate. "S&P Crediting Rate" means the earnings or

losses for a month on the S&P Index Fund of the SRSP, or if such Index Fund
ceases to exist, such other index as selected by the Board as most closely
replicates the measure produced by the S&P Index Fund of the SRSP.

Sec. 2.23 SMG. A "SMG" is a member of the Senior Management Group of the

Company or a Participating Employer, as that term is defined by the Vice
President of Personnel.

Sec. 2.24 SRSP. "SRSP" is the Dayton Hudson Corporation Supplemental

Retirement, Savings, and Employee Stock Ownership Plan.

Sec. 2.25 Termination of Employment. The "Termination of Employment" of

an employee from his Participating Employer for purposes of the Plan shall be
deemed to occur upon his or her resignation, discharge, retirement, death,
failure to return to active work at the end of an authorized leave of absence or
the authorized extension or extensions thereof, failure to return to work when
duly called following a temporary layoff, or upon the happening of any other
event or circumstance which, under the policy of his Participating Employer as
in effect from time to time, results in the termination of the employer-employee
relationship; provided, however, that "Termination of Employment" shall not be
deemed to occur upon a transfer between any combination of Participating
Employers, affiliates, and predecessor employers.

Sec. 2.26 Variable Interest Crediting Rate. "Variable Interest Crediting

Rate" means the earnings or losses for a month on the Variable Interest Fund of
the SRSP, or if such fund ceases to exist, such other index as selected by the
Board as most closely replicates the measure produced by the Variable Interest
Fund of the SRSP.

Sec. 2.27 Year of Vesting. A "Year of Vesting" is a full year of

participation under HCCAP or a full year of participation in a deferred
compensation plan of the Company.

ARTICLE III
ELIGIBILITY

Sec. 3.1 Eligibility. An Employee shall be a Participant while, and only

while, he or she is a regular employee of a Participating Employer, subject to the following:

- (a) An Employee will become a Participant only if he or she has a Base Salary equal to or greater than the Initial Participating Salary.
- (b) An Employee must be an SMG, or he or she cannot become a Participant.
- (c) If an employee's Base Salary is below the Continuing Participating Salary, he or she will continue to be a Participant, but no further deferrals will be allowed and no SRSP match will be added to the Cumulative Deferral Amount.
- (d) The employee must sign an enrollment and insurance consent form, in the form that the Company determines in order to defer Base Salary and/or Bonus. The insurance consent form will allow Company to purchase life insurance on the employee with the Company as beneficiary.

Sec. 3.2 No Guarantee of Employment. Participation in the Plan does not

constitute a guarantee or contract of employment with any Participating Employer. Such participation shall in no way interfere with any rights a Participating Employer would have in the absence of such participation to determine the duration of the employee's employment.

ARTICLE IV
PARTICIPATION AND BENEFITS

Sec. 4.1 Election to Participate. Any Employee of a Participating

Employer who is eligible to participate may enroll in the Plan by filing a completed and fully executed Enrollment Agreement or authorization form with the Company. Pursuant to said Enrollment Agreement or authorization form, the Employee shall irrevocably designate a dollar amount by which the Base Salary and/or the percentage of the Bonus of such Participant would be reduced over the Benefit Deferral Period next following the execution of the Enrollment Agreement, provided, however, that:

- (a) Minimum Deferral. The reduction of Base Salary for any Plan Year shall not be less than Five Thousand Dollars (\$5,000.00).
- (b) Reduction in Earnings. Except as otherwise provided in this Section 4.1, the Base Salary and/or Bonus of the Participant for the Benefit Deferral Period shall be

reduced by the amount specified in the Enrollment Agreement (including any authorization form) applicable to such Plan Year.

- (c) Maximum Reduction in Earnings. A Participant may not elect a

Cumulative Deferral Amount that would cause the reduction in Base Salary in any Plan Year to exceed eighty percent (80%) of the Base Salary and ninety percent (90%) of the Bonus payable during such Plan Year plus the amount of any payout made pursuant to Section 5.2, or such greater amount or percent of base pay and/or incentive pay or greater total amount as the Company may permit in its sole discretion. In no event can Base Salary be reduced below Reduced Salary. In the event that a Participant elects a Cumulative Deferral Amount that would violate the limitation described in this paragraph (c), the election shall be valid except that the Cumulative Deferral Amount so elected shall automatically be reduced to comply with such limitation, whichever is most appropriate in the sole discretion of the Company.

Sec. 4.2 Deferral Accounts. The Company shall establish and maintain

separate Deferral Accounts for each Participant. The amount by which a Participant's Base Salary or Bonus are reduced pursuant to Section 4.1 shall be credited by the Company to the Participant's Deferral Accounts at the end of the month in which such Base Salary or Bonus would otherwise have been paid. The Participant's Deferral Account shall be credited with the annual SRSP lost Matching Allocation on the last day of February following the year of the lost Matching Allocation. Such Deferral Accounts shall be debited by the amount of any payments made by the Company to the Participant or the Participant's Beneficiary pursuant to this Plan. A separate Deferral Account shall be maintained for each type of deferral election made and for each Crediting Rate Alternative.

Sec. 4.3 HCCAP. All persons who become Participants in this Plan on

January 1, 1997 will have the balance of their HCCAP Account transferred to this Plan effective January 1, 1997. All persons who become Participants in this Plan after January 1, 1997 will have the balance in their HCCAP account transferred on the January 1 they become Participants. The Deferral Accounts transferred from HCCAP will be paid in immediate lump sum payouts after Termination of Employment.

Sec. 4.4 Crediting Rate Alternatives. The Participant shall select the

Crediting Rate Alternatives, using full percentages, that are to be applied to his or her Deferral Accounts. Participants may change their Crediting Rate Alternatives quarterly (January, April, July or October) by completing a Rate of Return Alternative Change Form. The Change Form must be received by the Compensation Department of the Company at least fifteen days and not more than forty days before the beginning of the applicable quarter. If a Participant does not make an election, the Crediting Rate Alternative will be the S&P Crediting Rate.

Sec. 4.5 Benefit Payment Elections. At the time a Participant executes an

Enrollment Agreement, he or she must also elect the method of benefit payment and the time to start the benefit. The elections are to be made for each Plan Year.

- (a) Method of Benefit Payment. Benefits for each Plan Year can be paid in -----
a lump sum, five annual installments or ten annual installments.
- (b) Commencement of Benefit. The benefit for each Plan Year may be -----
started as soon as possible following Termination of Employment or one year following Termination of Employment.

Sec. 4.6 Crediting. Each Deferral Account will be credited at the end of

a month at the following rates on the balance in the Deferral Account on the first day of the month.

- (a) Employee. Each Deferral Account of an Employee will be credited using -----
the Crediting Rate Alternative plus the Enhancement.
- (b) Terminated Employee. Each Deferral Account of an Employee who has had -----
a Termination of Employment will be credited using the Crediting Rate Alternative.
- (c) Vesting. Each Employee who has a Termination of Employment and does -----
not have five Years of Vesting will have his or her Deferral Accounts revalued using only the Crediting Rate Alternative and not receiving the Enhancement. Provided, however, if an Employee's Termination of Employment is because of death or permanent and total disability, the Employee will be treated as if he or she have five years of vesting.

Sec. 4.7 Time of Payment. If a Participant has a Termination of

Employment after age fifty-five or an involuntary termination after age fifty with ten years of Credited Service, the participant's Deferral Accounts will be paid pursuant to his or her elections. If a Participant has a Termination of Employment that does not qualify under the first sentence of this section, the Participant's Deferral Accounts will be paid in a lump sum as soon as possible following Termination of Employment.

Sec. 4.8 Statement of Accounts. The Company shall submit to each

Participant, within one hundred twenty days after the close of each Plan Year, a statement in such form as the Company deems desirable, setting forth the balance standing to the credit of each Participant in his Deferral Accounts.

ARTICLE V
CERTAIN BENEFIT PAYMENTS

Sec. 5.1 Termination of Enrollment in Plan. With the written consent of

the Company, a Participant may terminate his or her enrollment in the Plan by filing with the Company a written request to terminate enrollment. The Company 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 Base Salary or Bonus pursuant to his or her Enrollment Agreement, and the Participant shall immediately cease to be eligible for any benefits under the Plan other than payments from his or her Deferral Accounts. In its sole discretion, the Committee may pay the Deferral Accounts on a date earlier than the Participant's Termination of Employment with the Participating Employer, in which event the amounts shall be calculated as if the Participant had a Termination of Employment with the Participating Employer on the date of such payment. Following termination of enrollment in the Plan, a Participant's Deferral Account shall be credited at the Crediting Rate Alternative with no Enhancement.

Sec. 5.2 Early Payment. The Company shall pay to the Participant, if he

is an Employee of the Company or a Participating Employer, the amount by which the Participant's Base Salary and/or Bonus 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 amounts credited to the Participant's Deferral Account pursuant to Section 4.6 or the SRSP Lost Matching Contribution. 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 or her to deposit all or a part of such amount in his or her Deferral Accounts.

Sec. 5.3 Survivor Benefits

- (a) Death While Employed. If a Participant dies while employed by a

Participating Employer, the Company will pay the amount in his or her Deferral Accounts to the Participant's Beneficiary as soon as possible after death in a lump sum.
- (b) Death After Termination of Employment. If a Participant dies after

Termination of Employment, and has not received all of his or her payments, and the Participant's Beneficiary is his or her spouse, payments shall be made to the spouse pursuant to the Participant's payout elections. If the Participant's spouse dies before receiving all payments, the remaining amount in the Deferral Accounts will be paid in a lump

sum as soon as possible after the spouse's death to the spouse's estate. If a Participant dies after Termination of Employment, has not received all of his or her payments, and the Participant's Beneficiary is a Person other than his or her spouse, then payment shall be made in a lump sum as soon as possible after the Participant's death.

Sec. 5.4 Small Benefit. In the event that the Company 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 Company may pay the benefit in the form of a lump sum, notwithstanding any provision of this Article or Article IV to the contrary.

Sec. 5.5 Withholding. To the extent required by the law in effect at the

time payments are made, the Company shall withhold from payments made hereunder or any other payment owing by the Company to the Participant the taxes required to be withheld by the federal or any state or local government.

Sec. 5.6 Lump Sum Payout Option. Notwithstanding any other provisions of

the Plan, at any time after Termination of Employment, but not later than ten years after Termination of Employment of the Participant, a Participant or a Beneficiary of a deceased Participant may elect to receive an immediate lump sum payment of 100% of the balance of his or her Deferral Accounts, if any, reduced by a penalty, which shall be forfeited to the Company, equal to eight percent of the amount of his or her Deferral Accounts he or she elected to receive, in lieu of payments in accordance with the form previously elected by the Participant, or provided elsewhere in this Plan. However, the penalty shall not apply if the Company 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 Variable Interest Crediting Rate 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 VI
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 be come effective only when filed in writing with the Company during the Participant's lifetime on a form prescribed by the Company.

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.

If a Participant fails to designate a Beneficiary as provided above, or if his or her 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 Company shall direct the distribution of such benefits to the Participant's spouse, if any, and if there is no spouse to the Participant's estate.

ARTICLE VII
ADMINISTRATION OF PLAN

Sec. 7.1 Administration by Company. The Company is the "administrator" of

the Plan for purposes of ERISA. Except as expressly otherwise provided herein, the Company shall control and manage the operation and administration of the Plan, make all decisions and determinations incident thereto, and construe the provisions thereof. In carrying out its Plan responsibilities, the Company shall have discretionary authority to construe the terms of the Plan. Except in cases where the Plan expressly requires action on behalf of the Company to be taken by the Board, action on behalf of the Company may be taken by any of the following:

- (a) The Board.
- (b) The Chief Executive Officer of the Company.
- (c) The Vice President of Personnel of the Company.
- (d) Any person or persons, natural or otherwise, or committee, to whom responsibilities for the operation and administration of the Plan are allocated by the Company, by resolution of the Board or by written instrument executed by the Chief Executive Officer or the Vice President of Personnel of the Company and filed with its permanent records, but action of such person or persons or committee shall be within the scope of said allocation.

Sec. 7.2 Certain Fiduciary Provisions. For purposes of the Plan:

- (a) Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.
- (b) A Named Fiduciary, or a fiduciary designated by a Named Fiduciary pursuant to the provisions of the Plan, may employ one or more persons to render advice with regard to any responsibility such fiduciary has under the Plan.
- (c) Any time the Plan has more than one Named Fiduciary, if pursuant to the Plan provisions fiduciary responsibilities are not already allocated among such Named Fiduciaries, the Company, by action of the Board or its chief executive officer, may provide for such allocation.
- (d) Unless expressly prohibited in the appointment of a Named Fiduciary which is not the Company acting as provided in Sec. 7.1, such Named Fiduciary by written instrument may designate a person or persons other than such Named Fiduciary to carry out any or all of the fiduciary responsibilities under the Plan of such Named Fiduciary.
- (e) A person who is a fiduciary with respect to the Plan, including a Named Fiduciary, shall be recognized and treated as a fiduciary only with respect to the particular fiduciary functions as to which such person has responsibility.

Sec. 7.3 Evidence. Evidence required of anyone under this Plan may be by

certificate, affidavit, document, or other instrument which the person acting in reliance thereon considers to be pertinent and reliable and to be signed, made, or presented by the proper party.

Sec. 7.4 Records. Each Participating Employer, each fiduciary with

respect to the Plan, and each other person performing any functions in the operation or administration of the Plan shall keep such records as may be necessary or appropriate in the discharge of their respective functions hereunder, including records required by ERISA or any other applicable law. Records shall be retained as long as necessary for the proper administration of the Plan and at least for any period required by ERISA or other applicable law.

Sec. 7.5 General Fiduciary Standard. Each fiduciary shall discharge his

duties with respect to the Plan solely in the interests of Participants and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Sec. 7.6 Waiver of Notice. Any notice required hereunder may be waived by

the person entitled thereto.

Sec. 7.7 Agent for Legal Process. The Company shall be the agent for

service of legal process with respect to any matter concerning the Plan, unless and until the Company designates some other person as such agent.

Sec. 7.8 Indemnification. In addition to any other applicable provisions

for indemnification, the Participating Employers jointly and severally agree to indemnify and hold harmless, to the extent permitted by law, each director, officer, and employee of the Participating Employers against any and all liabilities, losses, costs, or expenses (including legal fees) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against such person at any time by reason of such person's services as a fiduciary in connection with the Plan, but only if such person did not act dishonestly, or in bad faith, or in willful violation of the law or regulations under which such liability, loss, cost, or expense arises.

Sec. 8.1 Amendment. The Board 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 5.2 Early Payment); 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.

Sec. 8.2 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.

Sec. 8.3 Payments Upon Automatic Termination. Upon any Plan termination

under Sec. 8.2, 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, determined as if each Participant had a Termination of Employment on the date of such termination of the Plan and elected to be paid as soon as possible following Termination of Employment.

ARTICLE VIII
AMENDMENT AND TERMINATION OF PLAN

ARTICLE IX
MISCELLANEOUS

Sec. 9.1 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 the Company or a Participating 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 Company ("Policies"). Such Policies or other assets of Participating Employers shall not be held under any trust (except they may be placed in a Rabbi 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 Participating Employers under this Plan. Any and all of a Participating Employer's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of the Participating Employer. Participating Employers obligations under the Plan shall be merely that of an unfunded and unsecured promise of a Participating Employer to pay money in the future.

Sec. 9.2 Nonassignability. Neither a Participant nor any other person

shall have any right to sell, assign, transfer, pledge, anticipate, mortgage, commute 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, judgements, alimony or separate maintenance owed by a Participant or any other person, not be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency

Sec. 9.3 Protective Provisions. Each Participant shall cooperate with the

Company by furnishing any and all information requested by the Company in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Company may deem necessary and taking such other relevant action as may be requested by the Company. If a Participant refuses so to cooperate, the Company shall have no further obligation to the Participant under the Plan, other than payment to such participant of the cumulative reductions in base salary and or bonus 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 Base Salary and or Bonus theretofore made pursuant to this Plan, provided, that in the Company's sole discretion, benefits may be payable in an amount reduced to

compensate the Company for any loss, cost, damage or expense suffered or incurred by the Company as a result in any way of such misstatement or nondisclosure.

Sec. 9.4 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.

Sec. 9.5 Notice. Any notice or filing required or permitted to be given

to the Company 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 Company, directed to the attention of the President of the Company. 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.

Sec. 9.6 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.

12-10-94
Adopted: 12-14-94
Effective: 1-1-97
Amended: 4-10-96

DAYTON HUDSON CORPORATION
DIRECTOR DEFERRED COMPENSATION PLAN

ARTICLE I
GENERAL

Sec. 1.1 Name of Plan. The name of the Plan set forth herein is the

Dayton Hudson Corporation Director Deferred Compensation Plan. It is referred to herein as the "Plan".

Sec. 1.2 Purpose. The purpose of the Plan is to provide a means whereby

Dayton Hudson Corporation (the "Company") may allow certain directors a way to defer compensation.

Sec. 1.3 Effective Date. The Effective Date of the Plan is January 1,

1997.

Sec. 1.4 Company. "Company" means all of the following:

- (a) Dayton Hudson Corporation, a Minnesota corporation.
- (b) Any successor of Dayton Hudson Corporation (whether direct or indirect, by purchase of a majority of the outstanding voting stock of Dayton Hudson Corporation or all or substantially all of the assets of Dayton Hudson Corporation, or by merger, consolidation or otherwise).
- (c) Any person that becomes liable for the obligations hereunder of the entities specified in (a) and (b) above by operation of law.

Sec. 1.5 Participating Employers. The Company is a Participating Employer

in the Plan. With the consent of the Company, by action of the Board or any duly authorized officer, any wholly-owned subsidiary of the Company may, by action of its board of directors or any duly authorized officer, also become a Participating Employer in the Plan effective as of the date specified by it in its adoption of the Plan; but the subsidiary shall cease to be a Participating Employer on the date it ceases to be a wholly-owned subsidiary of the Company.

Sec. 1.6 Construction and Applicable Law. The Plan is intended to be an

unfunded benefit plan maintained for the purpose of providing deferred compensation for certain directors. The Plan

shall be construed and administered according to the laws of the State of Minnesota. All controversies, disputes, and claims arising hereunder shall be submitted to the United States District Court for the District of Minnesota.

Sec. 1.7 Rules of Construction. The Plan shall be construed in accordance

with the following:

- (a) Headings at the beginning of articles and sections hereof are for convenience of reference, shall not be considered as part of the text of the Plan, and shall not influence its construction.
- (b) Capitalized terms used in the Plan shall have their meaning as defined in the Plan unless the context clearly indicates to the contrary.
- (c) 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.
- (d) Use of the words "hereof", "herein", "hereunder" or similar compounds of the word "here" shall mean and refer to the entire Plan unless the context clearly indicates to the contrary.
- (e) The provisions of the Plan shall be construed as a whole in such manner as to carry out the provisions thereof and shall not be construed separately without relation to the context.

ARTICLE II
DEFINITIONS

Sec. 2.1 Beneficiary. "Beneficiary" means the person or persons

designated as such in accordance with Article VI.

Sec. 2.2 Benefit Deferral Period. "Benefit Deferral Period" means that

period of one Plan Year as determined pursuant to Article IV over which a Participant defers a portion of such Participant's Earnings.

Sec. 2.3 Board. "Board" means the board of directors of the Company, and

includes any committee thereof authorized to act for said board of directors.

Sec. 2.4 Crediting Rate Alternative. "Crediting Rate Alternative" means

the S&P Crediting Rate or the Variable Interest Crediting Rate.

Sec. 2.5 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.

Sec. 2.6 Deferral Account. "Deferral Account" means the accounts

maintained on the books of account of the Company pursuant to Section 4.2.

Sec. 2.7 Director. "Director" means any person who is a director of the

Company or another Participating Employer but is not an Employee of a Participating Employer.

Sec. 2.8 Earnings. "Earnings" means the total fees paid to a Participant

for service on the Board (or any committee thereof) or a board of a Participating Employer.

Sec. 2.9 Employee. "Employee" means any person employed by a

Participating Employer.

Sec. 2.10 Enhancement. "Enhancement" means an additional .1667% per month

added to the S&P Crediting Rate and the Variable Interest Crediting Rate.

Sec. 2.11 Enrollment Agreement. "Enrollment Agreement" means the written

agreement entered into by the Company 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.

Sec. 2.12 Participant. "Participant" means an eligible Director who has

filed a completed and executed Enrollment Agreement or authorization form with the Company and is participating in the Plan in accordance with the provisions of Article IV.

Sec. 2.13 Person. "Person" means an individual, partnership, corporation,

estate, trust, or other entity.

Sec. 2.14 Plan Year. "Plan Year" means the period commencing with the

Effective Date and ending December 31, 1997 and each subsequent calendar year.

Sec. 2.15 Retirement. "Retirement" shall mean when the Director ceases to

be a director of all Participating Employers.

Sec. 2.16 S&P Crediting Rate. S&P Crediting Rate means the earnings or

losses for a month on the S&P Index Fund of the SRSP, or if such Index Fund ceases to exist, such other index as selected by the Board as most closely replicates the measure produced by the S&P Index Fund of the SRSP.

Sec. 2.17 SRSP. SRSP is the Dayton Hudson Corporation Supplemental

Retirement, Savings, and Employee Stock Ownership Plan.

Sec. 2.18 Variable Interest Crediting Rate. "Variable Interest Crediting

Rate" means the earnings or losses for a month on the Variable Interest Fund of the SRSP, or if such fund ceases to exist, such other index as selected by the Board as most closely replicates the measure produced by the Variable Interest Fund of the SRSP.

ARTICLE III

ELIGIBILITY

Sec. 3.1 Eligibility. A Director shall be a Participant while, and only

while, he or she is a director of a Participating Employer, subject to the following:

- (a) The Director must sign an enrollment and insurance consent form, in the form that the Company determines in order to defer Earnings. The insurance consent form will allow Company to purchase life insurance on the Director with the Company as beneficiary.

Sec. 3.2 No Guarantee of Continued Directorship. Participation in the

Plan does not constitute a guarantee or contract with any Participating Employer guaranteeing that the Director will continue to be a director. Such participation shall in no way interfere with any rights the shareholders of a Participating Employer would have in the absence of such participation to determine the duration of the director's service.

ARTICLE IV

PARTICIPATION AND BENEFITS

Sec. 4.1 Election to Participate. Any Director of a Participating

Employer who is eligible to participate may enroll in the Plan by filing a completed and fully executed Enrollment Agreement or authorization form with the Company. Pursuant to said Enrollment Agreement or authorization form, the Director shall irrevocably designate a dollar amount by which the Earnings of such Participant would be reduced over the Benefit Deferral Period next following the execution of the Enrollment Agreement, provided, however, that:

- (a) Minimum Deferral. The reduction of Earnings for any Plan Year shall

not be less than Five Thousand Dollars (\$5,000.00).

(b) Reduction in Earnings. Except as otherwise provided in this Section

4.1, the Earnings of the Participant for the Benefit Deferral Period shall be reduced by the amount specified in the Enrollment Agreement (including any authorization form) applicable to such Plan Year.

(c) Maximum Reduction in Earnings. A Participant may not elect a

Cumulative Deferral Amount that would cause the reduction in Earnings to exceed one hundred percent (100%) of Earnings payable during such Plan Year. In the event that a Participant elects a Cumulative Deferral Amount that would violate the limitation described in this paragraph (c), the election shall be valid except that the Cumulative Deferral Amount so elected shall automatically be reduced to comply with such limitation.

Sec. 4.2 Deferral Accounts. The Company shall establish and maintain

separate Deferral Accounts for each Participant. The amount by which a Participant's Earnings are reduced pursuant to Section 4.1 shall be credited by the Company to the Participant's Deferral Accounts at the end of the month in which such Earnings would otherwise have been paid. Such Deferral Accounts shall be debited by the amount of any payments made by the Company to the Participant or the Participant's Beneficiary pursuant to this Plan. A separate Deferral Account shall be maintained for each type of deferral election made and for each Crediting Rate Alternative.

Sec. 4.3 Crediting Rate Alternatives. The Participant shall select the

Crediting Rate Alternatives, using full percentages, that are to be applied to his or her Deferral Accounts. Participants may change their Crediting Rate Alternatives quarterly (January, April, July or October) by completing a Rate of Return Alternative Change Form. The Change Form must be received by the Compensation Department of the Company at least fifteen days and not more than forty days before the beginning of the applicable quarter. If a Participant does not make an election, the Crediting Rate Alternative will be the S&P Crediting Rate.

Sec. 4.4 Benefit Payment Elections. At the time a Participant executes an

Enrollment Agreement, he or she must also elect the method of benefit payment and the time to start the benefit. The elections are to be made for each Plan Year.

(a) Method of Benefit Payment. Benefits for each Plan Year can be paid in

a lump sum, five annual installments or ten annual installments.

(b) Commencement of Benefit. The benefit for each Plan Year may be

started as soon as possible following Retirement or one year following Retirement.

Sec. 4.5 Crediting. Each Deferral Account will be credited at the end of

a month at the following rates on the balance in the Deferral Account on the first day of the month.

(a) Director. Each Deferral Account of Director will be credited using

the Crediting Rate Alternative plus the Enhancement.

(b) Former Director. Each Deferral Account of a Director who has had a

Retirement will be credited using the Crediting Rate Alternative.

Sec. 4.6 Statement of Accounts. The Company shall submit to each

Participant, within one hundred twenty days after the close of each Plan Year, a statement in such form as the Company deems desirable, setting forth the balance standing to the credit of each Participant in his Deferral Accounts.

ARTICLE V
CERTAIN BENEFIT PAYMENTS

Sec. 5.1 Termination of Enrollment in Plan. With the written consent of

the Company, a Participant may terminate his or her enrollment in the Plan by filing with the Company a written request to terminate enrollment. The Company 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 or her Enrollment Agreement, and the Participant shall immediately cease to be eligible for any benefits under the Plan other than payments from his or her Deferral Accounts. In its sole discretion, the Committee may pay the Deferral Accounts on a date earlier than the Participant's Retirement with the Participating Employer, in which event the amounts shall be calculated as if the Participant had a Retirement with the Participating Employer on the date of such payment. Following termination of enrollment in the Plan, a Participant's Deferral Account shall be credited at the Crediting Rate Alternative with no Enhancement.

Sec. 5.2 Survivor Benefits

(a) Death While Employed. If a Participant dies while a Director of a

Participating Employer, the Company will pay the amount in his or her Deferral Accounts to the Participant's Beneficiary as soon as possible after death in a lump sum.

(b) Death After Retirement. If a Participant dies after Retirement, and

has not received all of his or her payments, and the Participant's Beneficiary is his or her spouse, payments shall be made to the spouse pursuant to the Participant's payout elections. If the Participant's spouse dies before receiving all payments, the remaining amount

in the Deferral Accounts will be paid in a lump sum as soon as possible after the spouse's death to the spouse's estate. If a Participant dies after Retirement, has not received all of his or her payments, and the Participant's Beneficiary is a Person other than his or her spouse, then payment shall be made in a lump sum as soon as possible after the Participant's death.

Sec. 5.3 Small Benefit. In the event that the Company 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 Company may pay the benefit in the form of a lump sum, notwithstanding any provision of this Article or Article IV to the contrary.

Sec. 5.4 Withholding. To the extent required by the law in effect at the

time payments are made, the Company shall withhold from payments made hereunder or any other payment owing by the Company to the Participant the taxes required to be withheld by the federal or any state or local government.

Sec. 5.5 Lump Sum Payout Option. Notwithstanding any other provisions of

the Plan, at any time after Retirement, but not later than ten 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 100% of the balance of his or her Deferral Accounts, if any, reduced by a penalty, which shall be forfeited to the Company, equal to eight percent of the amount of his or her Deferral Accounts he or she elected to receive, in lieu of payments in accordance with the form previously elected by the Participant, or provided elsewhere in this Plan. However, the penalty shall not apply if the Company 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 the Variable Interest Crediting Rate 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 VI
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 be come effective only when filed in writing with the Company during the Participant's lifetime on a form prescribed by the Company.

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.

If a Participant fails to designate a Beneficiary as provided above, or if his or her 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 Company shall direct the distribution of such benefits to the Participant's spouse, if any, and if there is no spouse to the Participant's estate.

ARTICLE VII
ADMINISTRATION OF PLAN

Sec. 7.1 Administration by Company. The Company is the "administrator" of

the Plan. Except as expressly otherwise provided herein, the Company shall control and manage the operation and administration of the Plan, make all decisions and determinations incident thereto, and construe the provisions thereof. In carrying out its Plan responsibilities, the Company shall have discretionary authority to construe the terms of the Plan. Except in cases where the Plan expressly requires action on behalf of the Company to be taken by the Board, action on behalf of the Company may be taken by any of the following:

- (a) The Board.
- (b) The Chief Executive Officer of the Company.
- (c) The Vice President of Personnel of the Company.
- (d) Any person or persons, natural or otherwise, or committee, to whom responsibilities for the operation and administration of the Plan are allocated by the Company, by resolution of the Board or by written instrument executed by the Chief Executive Officer or the Vice President of Personnel of the Company and filed with its permanent records, but action of such person or persons or committee shall be within the scope of said allocation.

Sec. 7.2 Certain Fiduciary Provisions. For purposes of the Plan:

- (a) Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.
- (b) A Named Fiduciary, or a fiduciary designated by a Named Fiduciary pursuant to the provisions of the Plan, may employ one or more persons to render advice with regard to any responsibility such fiduciary has under the Plan.
- (c) Any time the Plan has more than one Named Fiduciary, if pursuant to the Plan provisions fiduciary responsibilities are not already allocated among such Named Fiduciaries, the Company, by action of the Board or its chief executive officer, may provide for such allocation.
- (d) Unless expressly prohibited in the appointment of a Named Fiduciary which is not the Company acting as provided in Sec. 7.1, such Named Fiduciary by written instrument may designate a person or persons other than such Named Fiduciary to carry out any or all of the fiduciary responsibilities under the Plan of such Named Fiduciary.
- (e) A person who is a fiduciary with respect to the Plan, including a Named Fiduciary, shall be recognized and treated as a fiduciary only with respect to the particular fiduciary functions as to which such person has responsibility.

Sec. 7.3 Evidence. Evidence required of anyone under this Plan may be by

certificate, affidavit, document, or other instrument which the person acting in reliance thereon considers to be pertinent and reliable and to be signed, made, or presented by the proper party.

Sec. 7.4 Records. Each Participating Employer, each fiduciary with

respect to the Plan, and each other person performing any functions in the operation or administration of the Plan shall keep such records as may be necessary or appropriate in the discharge of their respective functions hereunder, including records required by applicable law. Records shall be retained as long as necessary for the proper administration of the Plan and at least for any period required by applicable law.

Sec. 7.5 General Fiduciary Standard. Each fiduciary shall discharge his

duties with respect to the Plan solely in the interests of Participants and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Sec. 7.6 Waiver of Notice. Any notice required hereunder may be waived by

the person entitled thereto.

Sec. 7.7 Agent for Legal Process. The Company shall be the agent for

service of legal process with respect to any matter concerning the Plan, unless and until the Company designates some other person as such agent.

Sec. 7.8 Indemnification. In addition to any other applicable provisions

for indemnification, the Participating Employers jointly and severally agree to indemnify and hold harmless, to the extent permitted by law, each director, officer, and employee of the Participating Employers against any and all liabilities, losses, costs, or expenses (including legal fees) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against such person at any time by reason of such person's services as a fiduciary in connection with the Plan, but only if such person did not act dishonestly, or in bad faith, or in willful violation of the law or regulations under which such liability, loss, cost, or expense arises.

ARTICLE VIII
AMENDMENT AND TERMINATION OF PLAN

Sec. 8.1 Amendment. The Board 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.

Sec. 8.2 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.

Sec. 8.3 Payments Upon Automatic Termination. Upon any Plan termination

under Sec. 8.2, 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, determined as if each Participant had a Termination of Employment on the date of such termination of the Plan and elected to be paid as soon as possible following Termination of Employment.

ARTICLE IX
MISCELLANEOUS

Sec. 9.1 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 the Company or a Participating 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 Company ("Policies"). Such Policies or other assets of Participating Employers shall not be held under any trust (except they may be placed in a Rabbi 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 Participating Employers under this Plan. Any and all of a Participating Employer's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of the Participating Employer. Participating Employers obligations under the Plan shall be merely that of an unfunded and unsecured promise of a Participating Employer to pay money in the future.

Sec. 9.2 Nonassignability. Neither a Participant nor any other person

shall have any right to sell, assign, transfer, pledge, anticipate, mortgage, commute 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, judgements, 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

Sec. 9.3 Protective Provisions. Each Participant shall cooperate with the

Company by furnishing any and all information requested by the Company in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Company may deem necessary and taking such other relevant action as may be requested by the Company. If a Participant refuses so to cooperate, the Company 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 Company's sole discretion, benefits may be payable in an amount reduced to compensate the Company for any loss, cost, damage or expense suffered or incurred by the Company as a result in any way of such misstatement or nondisclosure.

Sec. 9.4 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.

Sec. 9.5 Notice. Any notice or filing required or permitted to be given

to the Company 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 Company, directed to the attention of the President of the Company. 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.

Sec. 9.6 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.

AGREEMENT

THIS AGREEMENT is made as of the ____ day of _____, 1996 by and between DAYTON HUDSON CORPORATION (herein called the "Company") and STEPHEN E. WATSON (herein called "Executive").

RECITALS

A. Executive is employed by Company; and

B. Executive has resigned from the Company effective March 1, 1996 and Company and Executive wish to sever Company's and Executive's ties as employer and employee respectively, on the terms and conditions hereafter set forth; and

C. Executive acknowledges he has been advised and encouraged to review this Agreement with an attorney and is fully aware of the potential rights and remedies he may have as a result of his termination; and

D. Executive and the Company wish to memorialize herein the resolution and settlement of all their respective rights, remedies and obligations whatsoever, flowing from Executive's employment and relationships with the Company and the severance and termination of that employment and said relationships.

1. Effective Termination Date. From the date of this Agreement to and

through March 1, 1996, Executive shall act and perform his current duties for the Company. Effective on March 2, 1996 (unless sooner terminated) the employer-employee relationship of Company and Executive shall be severed and terminated.

2. Salary. Executive shall be paid his regular salary for services

rendered as an employee under paragraph 1 hereof, subject to all required and voluntary withholdings. Executive will not be entitled to a bonus for Fiscal 1995.

3. Supplemental Payments. Executive shall be entitled to supplemental

payments as follows: (a) 42 weekly checks with the first check to be paid on March 15, 1996 and the last check to be paid on December 27, 1996. Each weekly check shall be \$19,047.62, reduced for taxes withheld by the Company, and (b) 61 weekly checks with the first check to be paid on January 3, 1997 and the last check to be paid on February 27, 1998. Each weekly check will be \$18,170.81, reduced for taxes withheld by Company.

4. Vacation Pay. Company shall pay to Executive any unused accrued

vacation due Executive on March 15, 1996.

5. Health Insurance. Executive may continue to participate in Company's

medical and dental program to the extent, if any, permitted by Company's Health Service Providers. In order to continue such coverage, Executive must maintain continuous coverage under the Company Plans and pay 102% of the full cost of such Plans. Executive acknowledges that Company may modify its premium structure, the terms of its plans and the coverages of the plans, including the termination of all or part of a plan. All insurance coverage shall terminate at the earlier of July 31, 1997, or when Executive becomes a participant under another group medical plan, whether or not that plan has a pre-existing conditions clause, (provided however, if that plan has a pre-existing conditions clause and Executive or a dependent are excluded from coverage because of that clause Executive or such dependent can continue coverage until the end of the pre-existing condition provision or other termination provisions set forth in this sentence, whichever is earlier) or similar

clauses or when the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") permits terminations. Executive agrees to notify Company when Executive is eligible to participate in another group plan, when he begins to participate in another group plan and when a pre-existing condition expires.

6. Life Insurance. Executive may take his universal life insurance

policy with him after March 1, 1996. In order to continue such policy, he will be required to make all payments with respect to the policy.

7. Pension Plan - Savings Plan. Executive's rights under the Dayton

Hudson Corporation Employees' Retirement Plan and the Dayton Hudson Corporation Supplemental Retirement, Savings, and Employee Stock Ownership Plan will be determined under the terms of such plans as they are constituted on any relevant date.

8. Deferred Compensation Plan. Executive will be paid his benefits for

his deferred compensation under the Dayton Hudson Corporation Deferred Compensation Plan Senior Management Group under the terms of the plan as it is in effect on March 1, 1996. Executive acknowledges that the attached schedule shows the accrued amounts and scheduled commencement dates of payment that are to be made.

9. Excess Pension Plan. Executive will be paid his benefits under the

Dayton Hudson Corporation Excess Pension Plan, if any, under the terms of such plans as they are constituted on any relevant date.

10. Option Plans. Executive's rights under the Company Executive Long

Term Incentive Plan ("LTIP") will be determined under such plan. Executive acknowledges that eligibility for the extension of option exercise under Section 6.1(b)(iii) of LTIP and extension of

performance shares under Section 5.5 of the LTIP require the consent of the Compensation Committee of the Board of Directors of the Company. Executive acknowledges that such consent is in the sole discretion of such Committee. Under the terms of that approval, Stock Options and Performance Shares shall continue to accrue under the LTIP and Stock Options may be exercised within five years after Executive's Date of Employment Termination or ten years and one day after the date of grant of the option, whichever first occurs; provided however, Stock Options and Performance Shares may be terminated earlier as provided in this Agreement. On February 3, 1997, Executive will be issued 4,315 shares of Dayton Hudson Corporation Common Stock (the Restricted Stock). The Company will recommend to the Compensation Committee that they extend the Options and Performance Shares and pay the Restricted Stock. The extensions and payment of Restricted Stock are effective only if Executive executes this Agreement and does not rescind it.

- a. Stock Options. If a Disqualifying Event (as that term is defined in this Agreement) occurs, no further accrual of Stock Options shall occur after the date of the Disqualifying Event. Any Stock Options for which installments have already accrued shall terminate 30 days after Company sends notice of the Disqualifying Event to Executive.
- b. Performance Shares. If a Disqualifying Event (as that term is defined in the Agreement) occurs, the right to receive Performance Shares shall immediately terminate.

- c. Restricted Stock. If a Disqualifying Event (as that term is defined in the Agreement) occurs, the right to receive Restricted Stock shall immediately terminate.
- d. Disqualifying Event. A Disqualifying Event shall occur when:
 - (1) Executive recruits directly or indirectly any employee of Company or any subsidiary or operating company of Company for employment with any other operation, at any time between Executive's date of Employment Termination and March 1, 2001. Such recruiting shall not be a Disqualifying Event if Executive has a written agreement signed by the Chief Personnel Officer of Company allowing him to recruit persons named in the Agreement.
 - (2) Executive in any way directly or indirectly in any manner by word or action or any combination thereof or by any means enters into or performs conduct detrimental to Company or any subsidiary of Company or its or their reputation.

11. Other Benefits. The Company will pay up to \$20,000 for outplacement

services for Executive. The outplacement agency shall submit its bills to the Company and Company shall pay the agency directly. In no case shall the Company pay more than \$20,000 for outplacement services. Executive is entitled to the DSD retiree discount as it is in effect from time to time. Executive may purchase his Company car from the Company at book value as of March 1, 1996. Executive acknowledges he is not entitled to any benefits under the Companys Income

Continuance Policy. Except as specifically herein set forth, Executive shall be entitled to no other employee benefits, fringe benefits or other remuneration or compensation.

12. Non-Recruiting. Executive agrees, unless he has a written agreement

signed by the Chief Personnel Officer of the Company allowing him to recruit persons named in that agreement, that he will not as an employee or for the period March 1, 1996 to March 1, 2001, recruit directly or indirectly any employee of the Company or any subsidiary of the Company for employment with any other operations. Violation of this agreement will result in the termination of paragraphs 2, 3 and any extensions and right to receive Restricted Stock, if any, granted under paragraph 10.

13. Serving as a Witness. Executive agrees that he will cooperate, make

himself available, and testify on the Company's behalf, if the Company requests, without requiring a subpoena, in any and all lawsuits or administrative hearings arising out of acts, occurrences, or decisions while he was employed of which he has direct knowledge and to which the Company's attorneys believe Executive's testimony is necessary for the prosecution, defense or favorable resolution of the claims or matter. The Company agrees to reimburse Executive for any reasonable out-of-pocket expenses he incurs as a result of such activities.

14. Confidentiality. Executive agrees that he will not disclose the

terms or conditions of this Agreement or any of them, including without limitation, the payments hereunder, the detrimental conduct provisions hereunder or the benefits hereunder except as follows: (1) to his spouse, attorney, certified public accountant and financial and estate planning advisors/its outside attorney, auditors or others directly associated with its business or operations and needing to know thereof, provided any such thereof agrees to keep them confidential or (2) pursuant to a legally enforceable order, provided that he notifies the Company of the proceeding and allows the

Company to oppose or contest the order on his behalf. Executive recognizes and acknowledges that the confidential information of various kinds, including but without limitation to lists of the Company's (as used herein includes the Company's subsidiaries) executives and employees, the ratings, performance appraisal scores and other employee data, as well as the Company's strategic plans and manpower planning plans and goals, the Company's new strategies, plans and proposals as they may exist from time to time, are valuable, special and unique assets of the Company's business. Executive will not, during or after the term of his employment as an employee or a recipient of payments described in paragraph 3, disclose or cause or permit to be disclosed any of such information or any other information the Company treats as confidential, to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever. In the event of a breach or threatened breach by Executive of the provisions of this paragraph or the violation of paragraph 12, the Company shall be entitled to an injunction restraining Executive from violating paragraph 12 of this Agreement, from disclosing, in whole or in part, any of the information listed above or any other information the Company treats as confidential, or from rendering any services to any person, firm, corporation, association, or other entity to whom such information, in whole or in part, has been disclosed or is threatened to be disclosed by act or default of Executive. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedy or remedies available to it for such breach or threatened breach, including but without limitation to the recovery of damages, together with costs and attorneys' fees, from or on account of Executive.

15. Detrimental Conduct. Executive agrees that he will not directly or -----
indirectly in any manner by word or action or any combination thereof or by any other means enter into or perform conduct detrimental to the Company or any subsidiary of the Company, or its or their reputation.

16. Termination of Payments. In the event Executive violates any covenant

in this Agreement, including without limitation paragraphs 12, 14 or 15 hereof, the Company shall be relieved of all liability and obligations to make any payments under this Agreement, and to terminate the provisions of paragraphs 2 and 3 and any extensions or payment of Restricted Stock, if any, granted under paragraph 10 shall terminate immediately. Notwithstanding any termination of payments under this paragraph, the requirements of paragraph 12, 13, 14 and 15 hereof and the Release set forth in paragraph 17 hereof shall remain in full force and effect.

17. Release.

A. DEFINITIONS. All words used in this Release are intended to have their plain meanings in ordinary English. Specific terms in this Release have the following meanings:

1) Executive includes both Executive and anyone who has or

obtains any legal rights or claims through Executive.

2) Company means Dayton Hudson Corporation and any company

related to Company in the present or past, any company providing insurance to Company in the present or past, any present or past employee benefit plan sponsored by Company, Company's present or past officers, directors, employees and agents and any person who acted on behalf of Company or on instructions from Company.

3) Executive Claims means all of the rights Executive has

now to any relief of any kind from Company, whether or not Executive knows about the rights or claims, including without limitation:

a. All claims Executive has now arising out of his employment with Company and his employment termination including, but not limited to, claims for breach of

contract; claims for unpaid compensation or benefits; breach of the covenant of good faith and fair dealing; promissory or equitable estoppel; breach of fiduciary duty; violation of the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, Civil Rights Act of 1991, Section 1981 of the Civil Rights Act of 1866, the Equal Pay Act of 1963, Americans with Disabilities Act, The Minnesota Human Rights Act and other federal, state, and local civil rights or discrimination laws; violation of the Employee Retirement Income Security Act of 1974; violation of the National Labor Relations Act; harassment; retaliation or reprisal; constructive discharge; invasion of privacy; violation of public policy; Executive's conduct as a "whistleblower"; fraud or misrepresentation; defamation; intentional or negligent infliction of emotional distress; negligence; interference with contractual or business relationships; interference with prospective economic advantage; wrongful termination of employment; assault; battery; and any other claims for unlawful employment practices, including all claims or causes of action in tort or contract;/1/ and

b. All claims for attorneys' fees and costs.

B. AGREEMENT TO RELEASE EMPLOYEE CLAIMS. In exchange for Company having entered into this Agreement, Executive agrees to give up all Executive Claims against Company as described above. Executive will not bring any lawsuits or make any other demands against Company based on Executive Claims. The money Executive will receive is a full and fair payment for the release of Executive Claims. Company does not owe Executive anything in addition to what Executive will be receiving.

C. ADDITIONAL AGREEMENTS AND UNDERSTANDINGS. Even though Company will pay Executive to release Executive Claims against it, Company does not admit

/(1)/ Any reference to government statutes include any amendments to such statutes.

that it may be responsible or legally obligated to Executive. In fact, Company denies that it is responsible or legally obligated for Executive Claims or that it has engaged in any wrongdoing.

18. Miscellaneous. The services under this Agreement are personal

services and this Agreement may not be assigned by Executive. This Agreement shall be binding upon the Company and its successors and assigns and the Executive, his heirs, executors, successors and assigns. This Agreement embodies the entire Agreement and understandings between the Company and Executive and supersedes all prior agreements and understandings (oral or written) relating to the subject matter (including those with any subsidiary of the Company). The terms of this Agreement may only be modified by an agreement in writing signed by Executive and a senior corporate officer of the Company. In the event Executive violates the terms of this Agreement and Company sues or is sued and prevails, Executive shall pay Companys reasonable expenses and attorneys fees relating to the suit.

19. Minnesota Law. This Agreement shall be governed by and construed in

accordance with the internal laws of the State of Minnesota, without giving effect to the conflict of laws principles.

20. Revocation. Executive understands that he may revoke, that is, cancel

the Release set forth in Paragraph 17, if he does so within 15 calendar days after he signs this Agreement. To revoke he must do so in writing. The writing must be hand delivered or postmarked within 15 calendar days of the date that Executive signs this Agreement and must be addressed to the Corporate Secretary, Dayton Hudson Corporation, 777 Nicollet Mall, Minneapolis, Minnesota 55402. Executive understands that, if he mails his revocation, mailing by certified mail, return receipt requested, is recommended to show proof of mailing.

Please read carefully before signing

. Executive acknowledges that he has carefully read and understands the terms of this Agreement.

. Executive acknowledges that he has been advised and encouraged to consult with an attorney prior to signing this Agreement.

. Executive acknowledges that he has been given 21 days (or more) to consider whether to sign this Agreement. Executive acknowledges that if he signs this Agreement before the end of the 21 day period, it will be Executive's personal, voluntary decision to do so.

. In agreeing to sign this Agreement, Executive acknowledges that he has not relied on any statements or explanations made by Company or its attorneys.

. Executive understands that if he revokes this Release he will not receive any payments or benefits set forth in paragraphs 2, 3 or 10 (extension of options and performance shares and proration of Restricted Stock).

IN WITNESS WHEREOF the parties have hereto executed this Agreement.

DAYTON HUDSON CORPORATION

Date: _____

By: _____

Title: _____

Date: _____

STEPHEN E. WATSON

EXHIBIT (11)

DAYTON HUDSON CORPORATION AND SUBSIDIARIES
COMPUTATIONS OF PER SHARE EARNINGS

(In Millions, Except Per Share Data)

	Three Months Ended				Twelve Months Ended			
	MAY 4, 1996		April 29, 1995		MAY 4, 1996		April 29, 1995	
	EARNINGS	SHARES	Earnings	Shares	EARNINGS	SHARES	Earnings	Shares
Primary Computations								
Net earnings.....	\$ 41		\$ 11		\$ 341		\$ 406	
Less: Dividend requirements on ESOP preferred stock, net of tax benefit on unallocated shares.....	(5)		(4)		(20)		(18)	
Adjusted net earnings.....	\$ 36		\$ 7		\$ 321		\$ 388	
Average common shares outstanding.....		72.0		71.7		71.9		71.5
Average number of common share equivalents:								
Stock options.....		0.3		0.1		0.2		0.2
Performance shares.....		0.3		0.3		0.3		0.3
Adjusted common equivalent shares outstanding-primary.....		72.6		72.1		72.4		72.0
PRIMARY EARNINGS PER SHARE.....	\$0.50		\$0.10		\$4.43		\$5.38	
Fully Diluted Computations								
Net earnings.....	\$ 41		\$ 11		\$ 341		\$ 406	
Less: Earnings impact of assumed ESOP preferred share conversion, net of tax benefit on unallocated shares.....	(3)		(3)		(14)		(13)	
Adjusted net earnings.....	\$ 38		\$ 8		\$ 327		\$ 393	
Average common and common equivalent shares-primary.....		72.6		72.1		72.4		72.0
Additional common share equivalents attributable to application of the treasury stock method.....		0.2		0.1		-		-
Assumed conversion of ESOP preferred shares.....		4.0		4.1		4.1		4.2
Adjusted common equivalent shares outstanding-fully diluted.....		76.8		76.3		76.5		76.2
FULLY DILUTED EARNINGS PER SHARE.....	\$0.49		\$0.10		\$4.27		\$5.16	
AVERAGE ALLOCATED ESOP PREFERRED SHARES OUTSTANDING (IN MILLIONS).....		2.9		2.3		2.7		2.1

DAYTON HUDSON CORPORATION AND SUBSIDIARIES

COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES AND
RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS FOR THE
THREE MONTHS ENDED MAY 4, 1996 AND APRIL 29, 1995
AND FOR THE FIVE YEARS ENDED FEBRUARY 3, 1996

(MILLIONS OF DOLLARS)

	Three Months Ended			Fiscal Year Ended			
	May 4, 1996	Apr. 29, 1995	Feb. 3, 1996	Jan. 28, 1995	Jan. 29, 1994	Jan. 30, 1993	Feb. 1, 1992
RATIO OF EARNINGS TO FIXED CHARGES:							
Earnings:							
Consolidated net earnings.....	\$ 41	\$ 11	\$ 311	\$ 434	\$ 375	\$ 383	\$ 301
Income taxes.....	27	7	190	280	232	228	171
Total earnings.....	68	18	501	714	607	611	472
Fixed charges:							
Interest expense.....	115	111	461	439	459	454	421
Interest portion of rental expense....	15	16	59	56	45	43	39
Total fixed charges.....	130	127	520	495	504	497	460
Less:							
Capitalized interest.....	(5)	(3)	(14)	(7)	(5)	(6)	(11)
Fixed charges in earnings.....	125	124	506	488	499	491	449
Earnings available for fixed charges....	\$ 193	\$ 142	\$1,007	\$1,202	\$1,106	\$1,102	\$ 921
Ratio of earnings to fixed charges.....	1.48	1.12	1.94	2.43	2.19	2.22	2.00
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS:							
Total fixed charges, as above.....	\$ 130	\$ 127	\$ 520	\$ 495	\$ 504	\$ 497	\$ 460
Dividends on preferred stock (pre-tax basis).....	8	10	37	39	39	39	39
Total fixed charges and preferred stock dividends.....	138	137	557	534	543	536	499
Earnings available for fixed charges and preferred stock dividends.....	\$ 193	\$ 142	\$1,007	\$1,202	\$1,106	\$1,102	\$ 921
Ratio of earnings to fixed charges and preferred stock dividends.....	1.39	1.04	1.81	2.25	2.04	2.06	1.85

This schedule contains summary financial information extracted from Dayton Hudson Corporation's Form 10Q for the first quarter ended May 4, 1996 and is qualified in its entirety by reference to such financial statements.

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3-MOS		
	FEB-01-1997	
	FEB-04-1996	
	MAY-04-1996	230
		0
		1449
		66
		3175
	5005	10389
		3006
		12785
	3546	5125
		51
	0	72
		3363
12785		5380
	5380	3949
		3949
		1234
		20
	109	68
		27
	41	0
		0
		0
		41
		0.50
		0.49