

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 October 29, 1994

Commission file number 1-6049

Dayton Hudson Corporation

(Exact name of registrant as specified in its charter)

Minnesota

41-0215170

(State or other jurisdiction 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

The number of shares outstanding of common stock as of October 29, 1994 was 71,645,735.

DAYTON HUDSON CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED
RESULTS OF OPERATIONSDayton Hudson Corporation
and Subsidiaries

(Millions of Dollars, Except Per-Share Data) (Unaudited)	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	OCT. 29, 1994	Oct. 30, 1993	OCT. 29, 1994	Oct. 30, 1993	OCT. 29, 1994	Oct. 30, 1993
REVENUES	\$5,046	\$4,625	\$14,313	\$12,952	\$20,594	\$18,853
COSTS AND EXPENSES						
Cost of retail sales, buying and occupancy	3,695	3,417	10,467	9,570	15,061	13,901
Selling, publicity and administrative	910	809	2,604	2,255	3,524	3,117
Depreciation	136	127	396	377	517	495
Interest expense, net	108	112	319	337	428	448
Taxes other than income taxes	88	85	273	252	364	335
Total Costs and Expenses	4,937	4,550	14,059	12,791	19,894	18,296
Earnings Before Income Taxes	109	75	254	161	700	557
Provision for Income Taxes	42	32	99	64	267	211
NET EARNINGS	\$ 67	\$ 43	\$ 155	\$ 97	\$ 433	\$ 346
PRIMARY EARNINGS PER SHARE	\$.86	\$.54	\$ 1.96	\$ 1.17	\$ 5.76	\$ 4.56
FULLY DILUTED EARNINGS PER SHARE	\$.83	\$.53	\$ 1.90	\$ 1.15	\$ 5.51	\$ 4.37
DIVIDENDS DECLARED PER COMMON SHARE	\$.42	\$.40	\$ 1.26	\$ 1.20	\$ 1.68	\$ 1.60
AVERAGE COMMON SHARES OUTSTANDING (MILLIONS):						
Primary	72.0	71.8	72.0	71.8	72.0	71.7
Fully Diluted	76.3	76.1	76.3	76.1	76.2	76.1

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION

Dayton Hudson Corporation
and Subsidiaries

(Millions of Dollars)	OCT. 29, 1994	Jan. 29, 1994*	Oct. 30, 1993
	(Unaudited)		(Unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 173	\$ 321	\$ 165
Accounts receivable	1,551	1,536	1,338
Merchandise inventories	3,681	2,497	3,346
Other	145	157	100
Total Current Assets	5,550	4,511	4,949
PROPERTY AND EQUIPMENT			
Accumulated depreciation	(2,614)	(2,336)	(2,323)
Net Property and Equipment	6,324	5,947	5,899
OTHER	334	320	307
TOTAL ASSETS	\$12,208	\$10,778	\$11,155
LIABILITIES AND COMMON SHAREHOLDERS' INVESTMENT			
CURRENT LIABILITIES			
Commercial paper and current portion of long-term debt	\$ 554	\$ 373	\$ 697
Accounts payable	2,346	1,654	1,931
Other	1,071	1,048	939
Total Current Liabilities	3,971	3,075	3,567
LONG-TERM DEBT	4,712	4,279	4,498
DEFERRED INCOME TAXES AND OTHER	550	536	463
CONVERTIBLE PREFERRED STOCK	363	368	370
LOAN TO ESOP	(179)	(217)	(229)
COMMON SHAREHOLDERS' INVESTMENT	2,791	2,737	2,486
TOTAL LIABILITIES AND COMMON SHAREHOLDERS' INVESTMENT	\$12,208	\$10,778	\$11,155
COMMON SHARES OUTSTANDING (MILLIONS)	71.6	71.5	71.5

* The January 29, 1994 Consolidated Statement of Financial Position is condensed from the audited financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS

Dayton Hudson Corporation
and Subsidiaries

(Millions of Dollars)	Nine Months Ended	
	OCT. 29, 1994	Oct. 30, 1993
(Unaudited)		
OPERATING ACTIVITIES		
Net earnings	\$ 155	\$ 97
Reconciliation to cash flow:		
Depreciation	396	376
Deferred tax provision	(46)	(1)
Other noncash items affecting earnings	72	85
Changes in operating accounts providing/ (requiring) cash:		
Accounts receivable	(15)	176
Merchandise inventories	(1,184)	(728)
Accounts payable	692	335
Other	80	17
Cash Flow Provided by Operations	150	357
INVESTING ACTIVITIES		
Expenditures for property	(796)	(724)
Other	9	50
Cash Flow Required for Investing Activities	(787)	(674)
Net Financing Requirements	(637)	(317)
FINANCING ACTIVITIES		
Increase in commercial paper	195	411
Additions to long-term debt	600	522
Reduction of long-term debt	(179)	(464)
Dividends paid	(108)	(104)
Other	(19)	-
Cash Flow Provided by Financing Activities	489	365
Net (Decrease)/Increase in Cash and Cash Equivalents	(148)	48
Cash & Cash Equivalents at Beginning of Period	321	117
CASH & CASH EQUIVALENTS AT END OF PERIOD	\$ 173	\$ 165

Amounts in this statement are presented on a cash basis and therefore may differ from those shown elsewhere in this 10-Q report.

SUPPLEMENTAL CASH FLOW INFORMATION:

- . Interest paid (including interest capitalized) in the first nine months of 1994 and 1993 was \$275 million and \$281 million, respectively.
- . Income tax payments of \$244 million and \$160 million were made during the first nine months of 1994 and 1993, respectively.

See accompanying Notes to Condensed Consolidated Financial Statements.

ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statement disclosures contained in the Corporation's 1993 Annual Shareholders' Report throughout pages 21-32. As explained on page 31 therein, 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 Christmas season are not indicative of the operating results that may be expected for the full fiscal year.

MERCHANDISE INVENTORIES

The last-in, first-out (LIFO) provision, included in cost of retail sales, for the three- and nine-month periods ended October 29, 1994 was a credit of \$10 million (\$.08 per share) compared to charges of \$3 million (\$.02 per share) and \$15 million (\$.13 per share), respectively, for the same periods in 1993.

The cumulative LIFO provision was \$70 million at October 29, 1994, \$80 million at January 29, 1994 and \$186 million at October 30, 1993.

LONG-TERM DEBT

Beginning with the first quarter of 1994, commercial paper is classified as long-term debt because it is supported by the Corporation's revolving credit agreement of \$600 million which expires in 1999. Commercial paper will be classified as long-term, provided the term of the related credit agreement exceeds one year and to the extent any unused commitments thereunder equal or exceed the amount of commercial paper outstanding.

At October 29, 1994, \$995 million of commercial paper was outstanding, of which \$600 million was classified as long-term debt.

SUBSEQUENT EVENT

Subsequent to the third quarter end, the Corporation announced that it will consolidate the credit operations of Mervyn's and the Department Store Division. A pre-tax charge of approximately \$10 million, or \$.08 per share, will be recorded in the fourth quarter. The charge primarily represents severance, benefits and outplacement services for approximately 500 employees. The consolidation is expected to be completed by Fall 1995.

PER SHARE DATA

Primary earnings per share are computed by dividing net earnings less dividend requirements on ESOP preferred stock (net of tax benefits related to unallocated shares) by the average common shares and common share equivalents outstanding during the period. Fully diluted earnings per share assumes conversion of the ESOP preferred stock (net of tax benefits related to unallocated shares) into common stock. Additionally, it assumes adjustment of net earnings for the additional expense required to fund the ESOP debt service resulting 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF OPERATIONS AND FINANCIAL CONDITION
THIRD QUARTER 1994

ANALYSIS OF OPERATIONS

Third quarter net earnings increased 54% to \$67 million versus \$43 million for the third quarter last year. Fully diluted earnings per share were \$.83 for the third quarter compared with \$.53 per share last year. For the nine-month period net earnings were \$155 million, an increase of 59% over last year's net earnings of \$97 million. Fully diluted earnings per share were \$1.90 for the nine-month period compared with \$1.15 last year.

The following table illustrates the impact of the major factors contributing to the changes in earnings per share:

	Three Months -----	Nine Months -----
1993 Earnings Per Share	\$.53	\$1.15
Changes in earnings per share:		
Revenues	.22	.56
Gross margin rate	.10	.45
Operating expense rate	(.03)	(.08)
Start-up expense	(.04)	(.15)
Interest expense, net	.03	.13
One-time tax adjustment (a)	.05	.05
Corporate expense and other, net	(.03)	(.21)
	-----	-----
1994 Earnings Per Share	\$.83	\$1.90
	=====	=====

(a) 1993 included a one-time after-tax charge as a result of applying the higher statutory tax rate to deferred tax balances.

Third quarter earnings were essentially as expected, led by Target's continued strong performance. Mervyn's continued to improve off last year's low base, while the Department Store Division's (DSD) results were slightly below expectations. The revenue increase reflects strong sales volume growth at Target and higher finance charge revenue associated with lowering of minimum payment terms on DSD-named credit cards, which are accepted at DSD and Target stores. The overall gross margin rate was favorable to last year, reflecting improved markdowns at Mervyn's and Target partially offset by lower markup at all divisions. The overall operating expense rate was slightly higher than last year, despite strong sales leverage at Target.

Due to significant growth at Target, our lowest margin division, overall revenue growth and the operating expense rate were favorably affected, while the gross margin rate was unfavorably affected. If the revenue mix had remained constant with the third quarter and nine-month period of 1993, the gross margin rate variance would have been \$.20 and \$.70, respectively, and the operating expense rate variance would have been \$(.12) and \$(.37), respectively.

Revenues

For the three- and nine-month periods ended October 29, 1994, total revenues increased 9% and 11%, respectively. Comparable-store revenues (revenues from stores open longer than a year) increased 3% and 5%, respectively.

Revenues by business segment were as follows:

(Millions of Dollars)	Three Months Ended		Percentage Change	
	OCT. 29, 1994	Oct. 30, 1993	All Stores	Comparable Stores
Target	\$ 3,143	\$ 2,741	15%	6%
Mervyn's	1,103	1,091	1	(2)
Department Store Division	800	793	1	1
	-----	-----	--	--
Total	\$ 5,046	\$ 4,625	9%	3%
	=====	=====	==	==

	Nine Months Ended		Percentage Change	
	OCT. 29, 1994	Oct. 30, 1993	All Stores	Comparable Stores
Target	\$ 9,046	\$ 7,807	16%	7%
Mervyn's	3,114	3,055	2	(1)
Department Store Division	2,153	2,090	3	3
	-----	-----	--	--
Total	\$14,313	\$12,952	11%	5%
	=====	=====	==	==

Target's strong third quarter revenue growth reflects solid base business growth, new store openings and good overall merchandising execution. While Mervyn's total revenues were up only 1% for the third quarter, we are pleased with the progress made toward the refinement of pricing and promotion strategies associated with its commitment to offering customers competitive prices. DSD's total and comparable-store revenues rose slightly in the third quarter primarily due to added promotional events, which were somewhat offset by unseasonably warm weather in the Midwest.

Operating Profit

Both Target and Mervyn's contributed to the strong increase in operating profit while DSD's operating profit remained essentially unchanged for the third quarter compared to the same period last year. (Operating profit is LIFO earnings from operations before corporate expense, interest and income taxes.) For the nine-month period, operating profit increased 17% reflecting solid increases at all three operating companies.

TARGET produced a significant increase in operating profit for the three- and nine-month periods ended October 29, 1994 compared with the same periods last year. The increases were primarily due to strong revenue performance. The gross margin rates improved over last year reflecting lower markdowns partially offset by lower markup related to the refinement of the value pricing strategy. The operating expense rates improved slightly primarily due to sales leverage.

MERVYN'S operating profit, for the third quarter and nine-month period, increased significantly as expected over last year's weak base. The gross margin rates improved for both the quarter and year-to-date periods reflecting a reduction in markdowns, somewhat offset by lower markup associated with the focus on competitive pricing. Both the markdown and markup changes were not as significant for the quarter compared with the year-to-date trend, as Mervyn's competitive pricing strategy is beginning to annualize. The operating expense rates deteriorated in both periods reflecting higher advertising expenses and lower sales leverage.

DSD'S operating profit for the third quarter was approximately equal to a year ago and for the nine-month period showed a solid increase compared with the same period last year. The gross margin rate for the third quarter was essentially unchanged versus last year. The operating profit improvement for the nine-month period was led by an improved gross margin rate due to lower markdowns while the operating expense rate was higher, reflecting increased advertising expenses.

Other Performance Factors

The LIFO provision, for the three- and nine-month periods ended October 29, 1994 was a credit of \$10 million (\$.08 per share) compared to charges of \$3 million (\$.02 per share) and \$15 million (\$.13 per share), respectively, for the same periods in 1993. The reduced provision reflects the Company's expectations that the full year LIFO provision will be a credit resulting from modest rates of deflation across broad product lines and higher inventory levels associated with new store growth. Our internally-generated retail price indices capture the ongoing impact of our value-pricing strategies. In the fourth quarter of 1993, Mervyn's and DSD adopted the use of the internally-generated price indices for the LIFO inventory valuation.

Net interest expense for the third quarter declined \$4 million from a year ago (\$.03 per share) due to a lower average interest rate on our debt portfolio. For the nine-month period, net interest expense decreased \$18 million (\$.14 per share) as a result of lower financing requirements and a lower average interest rate. Looking forward, we expect the trend of lower average interest rates on our debt portfolio to continue for the balance of 1994 and into 1995.

For the third quarter 1994, the estimated annual effective income tax rate was 39% versus 37.8% in 1993, excluding the 1993 \$4 million one-time after-tax charge associated with applying the higher federal tax rate to deferred tax balances. The increase in the 1994 rate reflects higher state tax rates and increased earnings diluting the effect of permanent deductions.

ANALYSIS OF FINANCIAL CONDITION

Our financial condition remains strong. Our ratio of debt (including the present value of operating leases) to total capitalization was 61% at the end of third quarter 1994 compared with 63% a year ago and 59% at year-end. The debt ratio is generally at its highest point at the end of the third quarter due to the seasonal inventory build-up. We expect the debt ratio to continue declining toward the mid-point of our financial policy range of 45% to 65%.

At October 29, 1994, working capital was \$1,579 million, or 14% higher than a year ago. Accounts receivable increased 16% compared to a year ago and were essentially unchanged from the seasonally high year-end balances reflecting improved sales and the lowering of minimum payment terms on DSD's proprietary cards. Merchandise inventories and accounts payable increased 10% and 21%, respectively, compared to third quarter 1993 due primarily to new store growth. Compared to year-end, merchandise inventories and accounts payable were 47% and 42% higher, respectively, primarily reflecting the seasonal build-up of inventories and new store growth.

Capital expenditures for the nine-month period were \$796 million, compared with \$724 million for the same period a year ago. Approximately 80% of these expenditures were made by Target, 12% by Mervyn's and 8% by DSD. For the total year, capital expenditures are expected to be approximately \$1.1 billion.

Capital investment in 1995 is expected to be approximately \$1.3 billion for the construction of new stores, remodeling of existing stores and upgrading of systems and technology. Target plans to open 60 to 70 new stores primarily in existing markets, Mervyn's plans to open four new stores and DSD will open one new Marshall Field's store.

STORE DATA

At October 29, 1994 Target operated 611 stores in 32 states, Mervyn's operated 286 stores in 15 states and DSD operated 63 stores in nine states.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

(2). Not applicable

(3). By-Laws

(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).A. Agreement

B. Executive Long Term Incentive Plan of 1981 (As amended and restated October 12, 1994).

(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. The registrant did not file any reports on Form 8-K during the quarter ended October 29, 1994.

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: December 9, 1994

By /s/ Douglas A. Scovanner

Douglas A. Scovanner
Senior Vice President and
Chief Financial Officer

Date: December 9, 1994

By /s/ J.A. Bogdan

JoAnn Bogdan
Controller and
Chief Accounting Officer

Exhibit Index

- (3). By-laws
- (10)A. Agreement
 - B. Executive Long Term Incentive Plan of 1981 (As amended and restated October 12, 1994).
- (11). Statements re Computations of Per Share Earnings
- (12). Statements re Computations of Ratios
- (27). Financial Data Schedule

BY-LAWS

OF

DAYTON HUDSON CORPORATION

As Amended Through October 12, 1994

SHAREHOLDERS

Section 1.01. Place of Meetings and Annual Meeting

Meetings of the shareholders shall be held at the principal executive office of the corporation or at such other place or places as the Board may from time to time designate. The regular annual meeting of the shareholders shall be held on such day in May in each year as shall be designated by the Board, and at such time as the Board may from time to time designate, for the election of Directors and for the transaction of such other business as may lawfully come before such meeting.

Section 1.02. Shareholders' Special Meetings

Special meetings of the shareholders may be called for any purpose or purposes, at any time, by the Chief Executive Officer; by the President; by the Chief Financial Officer; by the Board or any two or more members thereof; or by one or more shareholders holding not less than ten percent (10%) of the voting power of all shares of the corporation entitled to vote (except that a special meeting for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the Board for that purpose, must be called by 25% or more of the voting power of all shares of the corporation entitled to vote), who shall demand such special meeting by written notice given to the Chief Executive Officer or the Chief Financial Officer specifying the purpose or purposes of such meeting.

Section 1.03. Meetings Held Upon Shareholder Demand

Within 30 days of receipt of a demand by the Chief Executive Officer or the Chief Financial Officer from any shareholder or shareholders entitled to call a meeting of the shareholders, it shall be the duty of the Board to cause a special or regular meeting of shareholders, as the case may be, to be duly called and held on notice no later than ninety days after receipt of such shareholder or shareholder's demand. If the Board fails to cause such a meeting to be called and held as required by this Section, the shareholder or shareholders making the demand may call the meeting by giving notice as provided in Section 1.04 at the expense of the corporation.

Section 1.04. Notices of Meetings

Except as otherwise specified in Section 1.03 or required by law, written notice of the time and place of every meeting of shareholders and in the case of a special meeting, the purpose or purposes of the meeting shall be given at least ten (10) days previous thereto, to each shareholder of record entitled to vote at the meeting. The business transacted at a special meeting of shareholders is limited to the purpose or purposes stated in the notice of the meeting.

Section 1.05. Quorum

A quorum at any meeting of shareholders shall consist of shareholders representing, either in person or by proxy, a majority of the outstanding shares of the corporation entitled to vote at such meeting, except as otherwise specially provided by law. If a quorum is not present at any such meeting, it may be adjourned from time to time until a quorum is present.

Section 1.06. Adjournments

Any meeting of the shareholders may be adjourned from time to time to another date, time and place. If any meeting of the shareholders is so adjourned, no notice as to such adjourned meeting need be given if the date, time and place at which the meeting will be reconvened are announced at the time of adjournment.

Section 1.07. Proposals Regarding Business Other Than Director Nominations

The proposal of business (other than business relating to the nomination and election of directors) to be considered by the shareholders may be made at an annual or special meeting of shareholders (a) pursuant to the corporation's Notice of Meeting, (b) by or at the direction of the Board, or (c) by any shareholder of the corporation who (i) was a shareholder of record at the time of giving of notice provided for in these By-laws, (ii) is entitled to vote at the meeting, and (iii) gives notice of the matter, which must otherwise be a proper matter for shareholder action, in a writing which is received by the Secretary of the corporation not less than 60 days prior to the date fixed for the meeting. In no event shall a proposal be made at a special meeting if it was not included in the notice of the meeting. Such shareholder's notice shall set forth (a) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made, and (b) the name and address of such shareholder, as they appear on the corporation's books, and of the beneficial owner, if any, on whose behalf the proposal is made; and the class and number of shares of the corporation which are owned beneficially and of record by such shareholder and such beneficial owner.

BOARD OF DIRECTORS

Section 2.01. Regular Meetings

Regular meetings of the Board may be established by the Board. They may be held without notice at the principal executive office of the corporation, or at such other place or places as the Board may from time to time designate.

Section 2.02. Special Meetings

Special meetings of the Board may be called at any time by the Chairman of the Board, or the President, or in their absence by the Chairman of the Executive Committee or any Executive Vice President, or by a majority of the members of the Board then elected and serving, to be held at the principal executive office of the corporation or at such other place or places as the Directors may from time to time designate. Notices of all special meetings of the Board shall be given to each Director by twenty-four hours' service of the same by telegram, by letter, by telephone or personally, provided that when notice is mailed, at least three days notice shall be given.

Section 2.03. Quorum

A majority of the Board shall be necessary at all meetings to constitute a quorum for the transaction of business, except as otherwise provided herein, but less than a quorum may adjourn any meeting, which may be held on a subsequent date without further notice, provided that a quorum be present at such deferred meeting.

Section 2.04. Waiver of Notice; Previously Scheduled Meetings

A Director may waive notice of the date, time and place of a meeting of the Board. A waiver of notice by a Director entitled to notice is effective whether given before, at or after the meeting, and whether given in writing, orally or by attendance. Attendance by a Director at a meeting is a waiver of notice of that meeting, unless the Director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and thereafter does not participate in the meeting.

If the day or date, time and place of a Board meeting have been provided herein or announced at a previous meeting of the Board, no notice is required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken of the date, time and place at which the meeting will be reconvened.

Section 2.05. Action in Writing

Any action which may be taken at a meeting of the Board or of the Executive Committee or any other committee may be taken without a meeting if authorized by a writing or writings

signed by all of the Directors or all of the members of the Executive Committee or any other committee, as the case may be, and such action shall be effective on the date on which the last signature is placed on such writing or writings or such earlier date as is set forth therein.

Section 2.06. Electronic Communications

Any action which may be taken at a meeting of the Board or of the Executive Committee or any other committee may be taken by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, with the same effect as though all such persons were present in person at such meeting.

Section 2.07. Executive Committee

(a) Designation, Number and Qualifications. The Board may designate not less than five (5) of their number to constitute an Executive Committee. The Chairman of the Board and the Chairman of the Executive Committee shall each be a member of the Executive Committee. The Executive Committee shall act only during the intervals between meetings of the Board, and shall be subject at all times to the control and direction of the Board.

(b) Powers. Except as may be otherwise prospectively and specifically provided in a resolution duly adopted by a majority of the members of the entire Board at any meeting of the Board reducing or limiting the authority of the Executive Committee, said Committee shall have and may exercise, during the intervals between meetings of the Board, all of the powers of the Board except that the Executive Committee shall not have power to act upon or submit to the shareholders any proposal for amendment to the Articles of Incorporation, any plan of merger or consolidation, any sale or other disposition of all or substantially all of the property and assets of the corporation, or any proposal for the dissolution of the corporation; to amend or repeal these By-Laws or adopt new By-Laws; to fill vacancies in the Board, or to dissolve, remove members or change the number of, or fill vacancies in, the Executive Committee; to fix the compensation for any Director for serving on the Board or any committee of the Board; or to amend or repeal any resolution of the Board which by its terms shall not be so amendable or repealable.

(c) Rules of Procedure.

(1) A majority of the members of the Executive Committee shall constitute a quorum for the purpose of taking action upon any matter that may come before it, and the affirmative vote of a majority of a quorum present at the meeting shall be necessary to pass any resolution presented thereat. All action by said Executive Committee shall be reported to the Board at its meeting next succeeding the taking of such action.

(2) The Executive Committee may adopt such rules and regulations for the conduct of its meetings as it may deem proper and as are not inconsistent with law, the Articles of Incorporation, these By-Laws or any resolution duly adopted by the Board.

(3) The Executive Committee shall keep written minutes of its proceedings.

(d) Removal; Dissolution. Any member or members of the Executive Committee may be removed at any time, with or without cause, by the affirmative vote of a majority of the members of the entire Board. The Board may, by a resolution duly adopted by a majority of the entire Board at any meeting of the Board, dissolve the Executive Committee.

(e) Vacancies. If any vacancy shall occur in the Executive Committee by reason of death, resignation, removal or otherwise, such vacancy may be filled at any meeting of the Board.

(f) Regular Meetings. Regular meetings of the Executive Committee may be held without notice at such times and at such places, within or without the State of Minnesota, as may from time to time be determined by the Executive Committee or the Board.

(g) Special Meetings. Special meetings of the Executive Committee may be called by the Chairman of the Board, the President or the Chairman of the Executive Committee and shall be called by the Chairman of the Board, the Chairman of the Executive Committee or the Secretary on the written request of a majority of the members of the Committee then elected and serving.

Special meetings shall be held at such times and such places as shall be determined by the Chairman of the Board, the President or the Chairman of the Executive Committee, subject to any requirement of notice as in these By-Laws provided.

(h) Notice of Meetings. When required by these By-Laws to be given, notice of the time and place of a meeting of the Executive Committee shall be given to each member of the Executive Committee in the same manner as required to be given for a Directors' meeting.

(i) Adjournment. At any meeting a majority of the members present, without notice other than by announcement at the meeting, may adjourn such meeting to another time and place, whether or not a quorum is present.

Section 2.08. Notice of Committee Meetings

Notices of meetings of Committees of the Board shall be given in the same manner required for a Directors' meeting, unless other provisions are set by the Directors.

Section 2.09. Absent Directors

A Director may give advance written consent or opposition to a proposal to be acted on at a Board meeting. If the Director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition shall be counted as a vote in favor of or against the proposal and shall be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the Director has consented or objected.

OFFICERS

Section 3.01. Number and Designation

The corporation shall have one or more natural persons exercising the functions of the offices of Chief Executive Officer and Chief Financial Officer. The Board may elect or appoint such other officers or agents as it deems necessary for the operation and management of the corporation, with such powers, rights, duties and responsibilities as may be determined by the Board, including, without limitation, a Chairman, one or more Vice Chairmen, a President, one or more Vice Presidents, a Secretary and a Treasurer, each of whom shall have the powers, rights, duties and responsibilities set forth in these By-Laws unless otherwise determined by the Board. Any of the offices or functions of those offices may be held by the same person.

Section 3.02. Chairman of the Board

The Chairman of the Board shall be a member of the Board and shall preside at all meetings of shareholders and of the Board, shall make reports to the Board and shareholders, and shall have such other authority and perform such other duties as the Board may from time to time determine. During the absence or disability of the President, the Chairman of the Board shall exercise the powers and perform the duties of the President.

Section 3.03. President

The President shall, in the absence of the Chairman of the Board, preside at meetings of the Board and of the shareholders, and shall have such other authority and perform such other duties as the Board may from time to time determine.

Section 3.04. Vice Chairman

A Vice Chairman may, but need not be a member of the Board. If the Vice Chairman is a member of the Board, he/she shall in the absence of the Chairman of the Board and the President preside at meetings of the Board and of the shareholders, and shall have such authority and perform such duties as the Board may from time to time determine. If at any time there shall be elected and serving more than one person in the office of Vice Chairman, then for all purposes of succession as provided in these By-Laws, seniority of continuous service in that office shall control.

Section 3.05. Chairman of the Executive Committee

The Chairman of the Executive Committee shall be a member of the Board, shall in the absence of the Chairman of the Board, the President and any Vice Chairman who is a member of the Board preside at meetings of the shareholders and shall have such authority and perform such other duties as the Board may from time to time determine.

Section 3.06. Vice Presidents

Any one or more of the Vice Presidents may be designated by the Board as an Executive or Senior Vice President, and each Vice President shall have such authority and perform such duties as the Board may from time to time determine.

Section 3.07. Secretary

The Secretary shall issue notices for all meetings, except as otherwise provided for herein, and the Secretary shall keep minutes of all meetings, have charge of the seal and the corporate books, and make such reports and perform the other duties incident to that office, and shall have such other authority and perform such other duties as the Board may from time to time determine.

Section 3.08. Treasurer

The Treasurer shall have the custody of all monies and securities of the corporation, keep regular books of account, disburse the funds of the corporation in payment of the just demands against the corporation or as may be ordered by the Board, taking proper vouchers for such disbursements, shall render to the Board from time to time as may be required of the Treasurer, an account of all the transactions of the Treasurer and of the financial condition of the corporation, and shall perform the other duties incident to that office, and shall have such other authority and perform such other duties as the Board may from time to time determine.

Section 3.09. Chief Executive Officer

The Board shall at least annually designate an officer of the corporation also to serve as its Chief Executive Officer who shall by such designation have and exercise the highest level of executive authority and responsibility for the management and affairs of the corporation. Except as otherwise expressly provided in these By-Laws or by the Board, the Chief Executive Officer may for occasions of temporary absence or disability from time to time delegate the authority and duties of that office to one or more other officers of the corporation by written designation delivered to the Chairman of the Board or if the Chairman of the Board is also the Chief Executive Officer, then to the Vice Chairman of the Executive Committee and the Secretary. During any period when such temporary delegation is in effect the Secretary shall be authorized to attest or certify to any act performed or document executed pursuant to such delegation as executed by the person then designated Chief Executive Officer. In the event of the death, or apparent incapacity or disability of the Chief Executive Officer then currently designated by the Board, the Vice Chairman of the Executive Committee or in his absence or unavailability the Chairman of the Finance Committee, shall determine whether said Chief Executive Officer is or will for more than a temporary period be unable to perform the duties of that office, then upon notice to that effect given or promptly confirmed in writing to each member of the Executive Committee then elected and serving, the Vice Chairman of the Executive Committee or, as provided, the Chairman of the Finance Committee shall designate an acting Chief Executive

Officer who shall have and exercise all of the authority and responsibility of the Chief Executive Officer as though designated by, and until further action of, the Board.

Section 3.10. Other Officers and Designations

The Board may elect or appoint such other officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms, and shall exercise such powers and perform such duties, as shall be determined from time to time by the Board. The Board may also from time to time designate, in addition and by way of further definition to the title and duties of any duly elected officer of the corporation, a Chief Operating Officer, Chief Administrative Officer, Chief Accounting Officer, and a General Counsel, or any of them, and may so adopt any similar or comparable definition for any officer which is not inconsistent with any express provision of these By-Laws.

Section 3.11. Term of Office

The officers of the corporation shall hold office until their respective successors are elected or appointed or until their earlier resignation, death or removal. Any officer elected or appointed by the Board may be removed at any time, with or without cause, by the Board.

Section 3.12. Vacancies

Vacancies in any office or designation arising from any cause may be filled by the Directors at any regular or special meeting.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 4.01. Indemnification Committee

There is hereby established an Indemnification Committee consisting of the Chief Executive Officer; the Senior personnel Officer; the Chief Financial Officer and the General Counsel. In the event of vacancy in the office of Chief Executive Officer or in the event that officer is not a member of the Board, the Chairman of the Board shall be an ex officio member of the committee. In the event of vacancy in any other position, the Chief Executive Officer shall appoint an interim member of the committee. By reason of their annual election and designation to these offices, said officers shall be deemed to have been annually appointed to the committee.

Section 4.02. Duties of the Committee

The committee shall have the fullest authority and responsibility available under Minnesota Statutes 302A. 521, including the authority to make a determination, subject to the power of the Board, whether the person for whom indemnification is sought is not a director or

officer of the corporation nor a person possessing directly or indirectly the power to direct or cause the direction of the management or policies of the corporation.

The committee shall report its actions to the Board at least once in each fiscal year. At that time, the Board shall have the opportunity to ratify the existence and constitution of the committee.

At all meetings of the committee, the presence of a least two members shall constitute a quorum for the transaction of business.

CERTIFICATES OF SHARES

Section 5.01. Execution of Share Certificates

The certificates of shares of the corporation shall bear the corporate seal and shall be signed by the Chairman of the Board or the president and by the Secretary or an Assistant Secretary; but when a certificate is signed by a transfer agent or a registrar the signature of any such corporate officer and the corporate seal upon such certificate may be facsimiles engraved or printed.

Section 5.02. Lost, Stolen or Destroyed Share Certificates

In the event of a certificate of shares being lost, stolen, or destroyed, a new certificate of the same tenor and for the same number of shares as the one lost, stolen or destroyed may be issued pursuant to the standards prescribed from time to time by the Board.

MISCELLANEOUS

Section 6.01. Execution of Instruments

All contracts, deeds, mortgages, notes, checks, conveyances, releases of mortgages and other instruments shall be signed on behalf of the corporation: by the Chief Executive Officer, the Chairman of the Board, the President, any Vice Chairman, the Chairman of the Executive Committee or any Vice President, or by such other person or persons as may be designated or authorized from time to time by the Board or by the Chief Executive Officer.

Section 6.02. Fiscal Year

The fiscal year of the corporation shall commence on whatever date the Sunday shall fall which Sunday immediately follows the Saturday which is nearest to the last day of January in any one year, and such fiscal year shall end on whatever date the Saturday which is nearest to the last day of January in the following year shall fall.

Section 6.03. Amendments

These By-Laws may be altered, amended, added to, or repealed by the affirmative vote of a majority of the members of the Board at any regular meeting of the Board, or at any special meeting of the Board called for that purpose, subject to the power of the shareholders to change or repeal such By-Laws and subject to any other limitations on such authority of the Board provided by the Minnesota Business Corporation Act.

AGREEMENT

THIS AGREEMENT is made as of the 21st day of October, 1994 by and between DAYTON HUDSON CORPORATION (herein called the "Company") and JOSEPH C. VESCE (herein called "Executive").

RECITALS

- A. Executive is employed by Mervyn's, a California corporation ("Mervyn's"), a subsidiary of Company; and
- B. Company and Mervyn's and Executive wish to sever Mervyn's and Executive's ties as employer and employee respectively, on the terms and conditions hereafter set forth; and
- C. The Company maintains an Income Continuance Policy (the "ICP") for which Executive is eligible, the terms and provisions of which Executive has been subject to and familiar with; and
- D. The ICP requires a release in writing; and
- E. Executive acknowledges he is fully aware of the potential rights and remedies he may have as a result of his termination; and
- F. 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 Mervyn's and the severance and termination of that employment and said relationships.

1. **Effective Termination Date.** From the date of this Agreement to and through October 15, 1994, Executive shall act and perform his current duties for Mervyn's. Effective on October 15, 1994 (unless sooner terminated) the employer-employee relationship of Mervyn's and Executive shall be severed and terminated.

2. **Salary.** Executive shall be paid his regular salary semi-monthly for services rendered as an employee under paragraph 1 hereof, subject to all required and voluntary withholdings.

3. **Income Continuance Payments.** Executive shall be entitled to forty-eight equal semi-monthly income continuance payments pursuant to and subject to the terms and conditions of the ICP, commencing on or about November 15, 1998 and ending with the final payment on or about October 31, 2000. The amount of each semi-monthly payment, subject to the terms and conditions of the ICP, shall be \$34,813.50. The semi-monthly amount shall be reduced for taxes withheld by Company.

4. **Vacation Pay.** Executive acknowledges that he has been paid all his vacation.

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. Company agrees to pay Executive's premiums on his behalf. 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 April 15, 1996, 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 October 15, 1994. 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 Mervyn's Pension 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 pursuant to the terms of the plan.

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 the performance shares under Section 5.5 of LTIP requires the consent of the Compensation Committee of the Board of Directors of the Company. Management of the Company shall recommend to the Compensation Committee that such consent be granted, except for the Stock Options granted on September 10, 1992 that would vest on September 10, 1997; provided this Agreement is, and continues to be in force. Executive acknowledges that such consent is in the sole discretion of the Compensation Committee.

11. Other Benefits. 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 October 15, 1994 to October 15, 1999, 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 3, 14, and any extension, 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 or Mervyn'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. Payments. Not later than November 1, 1994, the Company shall pay to Executive the lump sum of \$700,000 as compensation to Executive for the release of his claims for personal injury, pain and suffering, emotional anguish, distress and anxiety, loss of self esteem, humiliation, and damage to his personal and business reputation. No portion of the lump sum represents back pay, severance pay, vacation pay, salary continuation or any other manner of compensation and, therefore, there shall be no deductions for state or federal taxes, FICA, or any other deduction or reporting. No portion of the lump sum represents punitive damages.

15. 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.

16. 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.

17. Termination of Payments. In the event Executive violates any covenant in this Agreement, including without limitation paragraphs 12, 15 or 16 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 3, 5 (Company payment only) and 14 and any extension, if any, granted under paragraph 10 shall terminate immediately. Notwithstanding any termination of payments under this paragraph, the requirements of paragraph 12, 13, 15 and 16 hereof and the Release set forth in paragraph 20 hereof shall remain in full force and effect.

18. Directly Competitive Employment. For purposes of Section II.G of the ICP, Directly Competitive Employment shall be employment with Kohl, Macy/Federated or J.C. Penney or any parent, subsidiary, division or affiliated company of such companies. Engaging in Directly Competitive Employment prior to October 15, 1999 will terminate any extensions, if any, of options and performance shares set forth in paragraph 10.

19. Taxes. Executive will be solely responsible for the payment of any and all taxes, if any, of whatever kind that may be due or payable from him as the result of the payment of any non-wage settlement amount.

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

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 California Fair Employment and Housing 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.

This release shall be a release of all claims, whether known or unknown, and the parties hereby waive and release all rights reserved to them by Section 1542 of the Civil Code of the State of California, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH A DEBTOR."

C. ADDITIONAL AGREEMENTS AND UNDERSTANDINGS. Even though Company will pay Executive to release Executive Claims against it, Company does not admit that it may be responsible or legally obligated to Executive. In fact, Company denies that it

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/1/ Any references to government statutes include any amendments to such statutes.

is responsible or legally obligated for Executive Claims or that it has engaged in any wrongdoing.

21. 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.

22. 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.

23. Revocation. Executive understands that he may revoke, that is, cancel the Release set forth in Paragraph 20, if he does so within 7 calendar days after he signs this Agreement. To revoke he must do so in writing. The writing must be hand delivered or postmarked within 7 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 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.

. Executive understands that if he revokes this Release he will not receive any payments or benefits set forth in paragraphs 3, 5 (Company payment only), 10 (extension of options and performance shares), and 14.

IN WITNESS WHEREOF the parties have hereto executed this Agreement.

DAYTON HUDSON CORPORATION

October 21, 1994
Date: _____

/s/EDWIN H. WINGATE
By: _____
Senior Vice President
Title: _____

October 21, 1994
Date: _____

/s/JOSEPH C. VESCE

JOSEPH C. VESCE

DAYTON HUDSON CORPORATION
EXECUTIVE LONG TERM INCENTIVE PLAN
OF 1981
(AS AMENDED AND RESTATED OCTOBER 12, 1994)

ARTICLE I
ESTABLISHMENT OF THE PLAN

1.1 The name of this plan shall be "The Dayton Hudson Corporation Executive Long Term Incentive Plan of 1981" (hereinafter called the "Plan").

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

ARTICLE II
DEFINITIONS

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

2.2 Board. "Board" is the Board of Directors of Dayton Hudson Corporation.

2.3 Code. "Code" is the Internal Revenue Code of 1986, as amended, as now in force or as hereafter amended.

2.4 Company. "Company" is Dayton Hudson Corporation, a Minnesota corporation, and any successor thereof.

2.5 Date of Grant. "Date of Grant" shall be the date designated in the resolution by the Plan Committee as the date of such Stock Option(s) or Performance Share(s) or Restricted Stock Award(s), but such date shall not be earlier than the date of the resolution and action thereon by the Plan Committee, or earlier than the effective date of the Plan, and in the absence of a date of grant or a fixed method of computing such date being specifically set forth in the Plan Committee's resolution, then the Date of Grant shall be the date of such Plan Committee's resolution and action.

2.6 Fair Market Value. "Fair Market Value" of a share of Company common stock on any date is 100% of the mean between the high and low prices for such stock as reported for such stock on the New York Stock Exchange Composite Transactions Listing ("Composite Listing") on such date, or in the absence of such report 100% of the mean between the high and

low prices of such stock on the New York Stock Exchange on such date or, if no sale has been recorded on the Composite Listing or made on such Exchange on such date, then on the last preceding date on which any such sale shall have been made in the order of primacy above indicated.

2.7 Holder. A "Holder" is a person who has been granted a Restricted Stock Award.

2.8 Incentive Stock Options. "Incentive Stock Options" are Stock Options that are intended to qualify under Section 422 of the Code. No Stock Options granted prior to August 11, 1982 shall be Incentive Stock Options.

2.9 Non-Qualified Options. "Non-Qualified Options" are Stock Options that are not intended to qualify under Section 422 of the Code.

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

2.11 Performance Goals. "Performance Goals" are defined in Section 4.1 hereof.

2.12 Performance Period. "Performance Period", with respect to a Performance Share, is a period of four consecutive fiscal years of the Company, beginning with the fiscal year in which such Performance Share is granted and may be referred to herein and by the Plan Committee by use of the calendar year in which a particular Performance Period commences.

2.13 Performance Share. A "Performance Share" is a potential award consisting of a right to one share of the Company's \$1.00 par value common stock (subject to increase as provided in Section 4.2 hereof) or a lesser number of shares and the cash payment set forth in Section 5.2 hereof. A Performance Share shall be of no value to a Participant unless and until earned in accordance with Article V hereof.

2.14 Plan Committee. The "Plan Committee" is the Committee referenced in Article IX hereof.

2.15 Plan Year. The "Plan Year" shall be a fiscal year of the Company falling within the term of this Plan except for the first year of the Plan, for which the Plan Year shall commence as of the effective date of the Plan and terminate as of January 31, 1982.

2.16 Relevant Change Adjustments. Appropriate adjustments in the number of shares and in the option price per share designated in Sections 2.13, 2.17 and 2.18 of this Article II, may be made by the Plan Committee, in its discretion except as provided in Section 11.8 hereof, to give effect to adjustments made in the number of shares of Company common stock through a merger, consolidation, recapitalization, reclassification, combination, spin-off, common stock dividend, stock split or other relevant change.

2.17 Restricted Stock Award. A "Restricted Stock Award" is an Award granted under Article VII of this Plan.

2.18 Stock Option. A "Stock Option" is a right accruing in a Participant to purchase from the Company one share of the Company's \$1.00 par value common stock at the Fair Market Value of such share of common stock on the Date of Grant of the Stock Option, such exercise of option to be made any time within ten years and one day (ten years with respect to Incentive Stock Options) following the Date of Grant, and containing the terms and conditions set forth or allowed under Article VI hereof. Stock Options may be either Non-Qualified Options or Incentive Stock Options.

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

2.20 Change in Control. A "Change in Control" shall be deemed to have occurred if:

- (a) a majority of the directors of the Company shall be persons other than persons
 - (i) for whose election proxies shall have been solicited by the Board or
 - (ii) who are then serving as directors appointed by the Board to fill vacancies on the Board caused by death or resignation (but not by removal) or to fill newly-created directorships,
- (b) 30% or more of the outstanding Voting Stock (as defined in Article IV of the Restated Articles of Incorporation, as amended, of the Company) of the Company is acquired or beneficially owned (as defined in Article IV of the Restated Articles of Incorporation, as amended, of the Company) by any person (as defined in Article IV of the Restated Articles of Incorporation, as amended, of the Company), or
- (c) the shareholders of the Company approve a definitive agreement or plan to
 - (i) merge or consolidate the Company with or into another corporation (other than (1) a merger or consolidation with a Subsidiary of the Company or (2) a merger in which the Company is the surviving corporation and either (A) no outstanding Voting Stock of the Company (other than fractional shares) held by shareholders immediately prior to the merger is converted into cash (except cash upon the exercise by holders of Voting Stock of the

Company of statutory dissenters' rights), securities, or other property or (B) all holders of outstanding Voting Stock of the Company (other than fractional shares) immediately prior to the merger (except those that exercise statutory dissenters' rights) have substantially the same proportionate ownership of the Voting Stock of the Company or its parent corporation immediately after the merger),

- (ii) exchange, pursuant to a statutory exchange of shares of Voting Stock of the Company held by shareholders of the Company immediately prior to the exchange, shares of one or more classes or series of Voting Stock of the Company for shares of another corporation or other securities, cash or other property,
- (iii) sell or otherwise dispose of all or substantially all of the assets of the Company (in one transaction or a series of transactions) or
- (iv) liquidate or dissolve the Company.

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

3.1 Eligible Employees. Stock Options, Restricted Stock Awards or Performance Shares may be granted by the Plan Committee to any key employee of the Company or a Subsidiary Corporation. A Stock Option(s) or Performance Share(s) or Restricted Stock Award(s) may be granted to a director of the Company provided that he/she is also at the time of grant a key employee of the Company or a Subsidiary Corporation. No Stock Option(s) or Performance Share(s) or Restricted Stock Award(s) shall be granted to a person who is at the time of award a member of the Plan Committee. A person who has been engaged by the Company for employment shall be eligible for grants under the Plan, provided such person actually reports for and commences such employment within ninety days after the Date of Grant.

3.2 Designation of Participants. At any time and from time to time during the Plan Year, the Plan Committee may designate the key employees of the Company and its Subsidiaries eligible for Awards.

3.3 Allocation of Stock Option(s), Performance Share(s) or Restricted Stock Award(s). Contemporaneously with the designation of a Participant pursuant to Section 3.2 hereof, the Plan Committee shall determine the number of Stock Option(s) and/or Restricted Stock Award(s) and/or Performance Share(s) to be granted to such Participant and the Date of Grant for such related Stock Option or Performance Share or Restricted Stock Award, taking into consideration such factors as it deems relevant, which may include the following:

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

Allocation of Awards may, in the discretion of the Plan Committee, be in the form of Stock Option(s) solely or Performance Share(s) solely, or Restricted Stock Award(s) solely, or any combination in whatever relationship one to the other, if any, as the Plan Committee in its discretion so determines.

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

3.4 Notification to Participants and Delivery of Documents. As soon as practicable after such determinations have been made, each Participant, shall be notified of (i) his/her designation as a Participant, (ii) the Date of Grant, and (iii) the number of Stock Option(s), and/or Restricted Stock Award(s) and/or the number of Performance Share(s) granted to the Participant, and in the case of Performance Share(s), the Performance Period and in the case of Restricted Stock Award(s), the Restriction Period. The Participant shall thereafter be supplied with written evidence of any such granted Performance Share(s) and/or Restricted Stock Award(s), and shall receive a Stock Option exercisable for purchase of one share of the Company's \$1.00 par value common stock for each Stock Option granted to the Participant pursuant to this Plan or indicating the aggregate of such grant, which option agreement(s) shall be in conformity with the provisions of Article VI hereof.

ARTICLE IV PERFORMANCE GOALS

4.1 Establishment of Goals. Within a reasonable period of time after the beginning of each Performance Period, Performance Goals relative to such Performance Period shall be established by the Plan Committee in its absolute discretion. Such Performance Goals may include, but shall not necessarily be limited to, amounts or rates of growth in consolidated profits of the Company expressed in dollars, earnings per share, return on capital, return on investment, return on shareholder's equity, or other similar or relevant measurement which may be absolute in their terms or be measured against or in relationship to other companies comparably, similarly or otherwise situated. The Plan Committee, in its sole discretion, may modify the Performance Goals if it determines that circumstances have changed and modification is required to reflect the original intent of the Performance Goals. The Plan Committee may in its discretion classify Participants into as many groups as it determines, and as to any Participant(s) relate his/her Performance Goals partially, or entirely, to the measured performance, either absolutely or

relatively, of an identified Subsidiary, operating company or test strategy or new venture of the Company.

4.2 Levels of Performance Required to Earn Performance Shares. At or about the same time that Performance Goals are established for a specific period, the Plan Committee shall in its absolute discretion establish the percentage (not to exceed 150% thereof) of the Performance Share(s) granted for such Performance Period which shall be earned by the Participant for various levels of performance measured in relation to achievement of Performance Goals for such Performance Period.

4.3 Other Restrictions. The Plan Committee may provide restrictions on the delivery of common stock of the Company upon the earning of Performance Shares, including the future forfeiture of all or part of the common stock earned. The Plan Committee may provide that the shares of the Company's one dollar par value common stock issued on Performance Shares Earned be held in escrow and/or legended.

4.4 Notification to Participants. Promptly after the Plan Committee has established Performance Goals for a specific Performance Period or modified such goals, each Participant who has received a grant of any Performance Share(s) for that period shall be provided with written evidence of the Performance Goals so established or modified.

ARTICLE V EARNING OF PERFORMANCE SHARES

5.1 Measurement of Performance against Performance Goals. The Plan Committee shall as soon as practicable after the close of each Performance Period, make a determination of:

- (a) the extent to which the Performance Goals for such Performance Period have been achieved;
- (b) the percentage of the Performance Shares granted for such Performance Period which are earned for such Performance Period by Participants who have been from his/her date of hire in the continuous employ of the Company or Subsidiary or a combination thereof, during the subject Performance Period; and
- (c) the percentage of Performance Shares to be paid in cash, if any. The percentage paid in cash shall be uniform for all Participants in a particular Performance Period.

These determinations shall be absolute and final as to the facts and conclusions therein made and be binding on all parties. Promptly after the Plan Committee has made the foregoing determination each Participant who has earned Performance Share(s) based thereon shall be notified, in writing, of the number of Performance Shares so earned. For all purposes of this

Plan notice shall be deemed to have been given the date action is taken by the Plan Committee making the determination.

5.2 Treatment of Performance Shares Earned. Upon the determination that a percentage of the Performance Share(s) has been earned for a Performance Period, a Participant to whom such earned Performance Share(s) has been granted and who has been (or was) in the employ of the Company or a Subsidiary thereof continuously from the date of his/her hire during the subject Performance Period to which the grant relates, subject to the exceptions set forth at Section 5.5 and Section 5.6 hereof, shall be entitled, subject to the other conditions of this Plan, to receive the shares of the Company's \$1.00 par value common stock for each Performance Share earned (less the shares paid in cash), plus a cash payment in the amount of the Fair Market Value of the shares of common stock to be paid in cash as determined in Section 5.1(c) hereof, calculated as of the close of business on the date of the notice referred to in Section 5.1 hereof. The provisions of Section 5.5 to the contrary notwithstanding, the Plan Committee may provide that the issued shares of common stock be held in escrow and/or be legended and that the common stock be subject to restrictions, including the future forfeiture of all or a part of the shares. Performance Shares shall under no circumstances become earned or have any value whatsoever for any Participant who is not in the employ of the Company or its Subsidiaries continuously during the entire Performance Period for which such Performance Shares are granted, except as provided at Section 5.5 or Section 5.6 hereof.

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

5.4(a) Deferral of Receipt of Performance Share Earnout. A Participant who has received a grant of Performance Shares may by compliance with the then applicable procedures under the Plan irrevocably elect in writing to defer receipt of all or any part of the stock-cash distribution associated with the earnout, if any, of the Performance Shares (the combination thereof hereafter referred to as the "deferred account"). The deferral shall be effective until the Participant terminates his/her employment with the Company and its Subsidiaries except as otherwise provided herein.

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

5.4(b) Amendment of Deferral Arrangements. The Plan Committee may, at any time and from time to time, but prospectively only except as hereinafter provided, amend, modify, change, suspend or cancel any and all of the rights, procedures, mechanics and timing parameters relating

to the deferral of receipt of Performance Share earnout under the Plan as set forth at Section 5.4(a) hereof. In addition, the Plan Committee may, in its sole discretion, accelerate the payout of the deferred account, or any portion thereof, either in a lump sum or in a series of payments, but under the following conditions only:

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

5.5 Non-Disqualifying Termination of Employment. Except for Section 5.6 hereof, the only exceptions to the requirement of continuous employment during a Performance Period for Performance Share earnout eligibility are termination of a Participant's employment by reason of death (in which event the Performance Shares may be transferable by will or the laws of descent and distribution only to such Participant's beneficiary designated to receive the Performance Shares or to the Participant's applicable legal representatives, heirs or legatees), total and permanent disability, normal or late retirement or early retirement, with the consent of the Plan Committee, or transfer of an executive in a spin-off, with the consent of the Plan Committee, occurring during the Performance Period applicable to the subject Performance share grant. In such instance an earnout of the Performance Shares shall be made, as of the end of the Performance Period, and 100% of the total Performance Shares that would have been earned during the Performance Period shall be earned and paid out; provided, however, in a spin-off situation the Plan Committee may set additional conditions, such as, without limiting the generality of the foregoing, continuous employment with the spin-off entity. If a Participant's termination of employment does not meet the criteria set forth above, but the Participant had at least 15 years of continuous employment with the Corporation or a Subsidiary or any combination thereof, provided that if the person is not an Executive Officer (as defined under the Securities Exchange Act 1934, as amended, and the regulations promulgated thereunder) of the Corporation at time of termination such 15 years need not be continuous, the Plan Committee may allow earn-outs of up to 100% of the total Performance Shares for the Performance Period(s) in which the termination of employment occurred, subject to any conditions that the Plan Committee shall determine.

5.6 Change in Control. In the event of a Change in Control, all outstanding Performance Shares granted under the Plan shall be proratably payable ten days after the Change in Control; provided that no Performance Share shall be payable to a Participant within six months after the Date of Grant. The amount of Performance Shares payable shall be determined by multiplying

100% of each Performance Share grant by a fraction, the numerator of which shall be the number of months that have elapsed in the applicable Performance Period and the denominator of which shall be forty-eight.

ARTICLE VI
STOCK OPTIONS

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

- (a) Option Period. Each option granted shall expire and all rights to purchase shares thereunder shall cease ten years and one day after the Date of Grant of the Stock Option or on such date prior thereto as may be fixed by the Plan Committee, or on such date prior thereto as is provided by this Plan in the event of termination of employment or death or reorganization pursuant to Section 11.8(b) hereof. No option shall permit the purchase of any shares thereunder during the first year after the Date of Grant of such option, except as provided in Section 6.3 hereof.
- (b) Transferability and Termination of Options. During the lifetime of an individual to whom an option is granted, the option may be exercised only by such individual and only while such individual is an employee of the Company or a Subsidiary and only if the Participant has been continuously so employed by any one or combination thereof since the Date of Grant of the option, provided, however, that if the employment of such Participant by the Company or a Subsidiary Corporation terminates, the option may additionally be exercised but only as follows and in no event later than ten years and one day after the Date of Grant of the Stock Option, except as set forth in (ii) below:
 - (i) if a Participant's termination of employment occurs by reason of normal or late retirement under any retirement plan of the Company or its Subsidiaries or, with the consent of the Plan Committee, by reason of early retirement under any retirement plan of the Company or its Subsidiaries, or, with the consent of the Plan Committee, the transfer of an executive in a spin-off, or by reason of total and permanent disability, as determined by the Plan Committee, without retirement, then within five years after the date of such termination of employment. During the five-year period the right to exercise options, if any, accruing in installments, shall continue; provided, however, in a spin-off situation the Plan Committee may set

additional conditions, such as, without limiting the generality of the foregoing, continuous employment with the spin-off entity.

- (ii) if a Participant's termination of employment occurs by reason of death, then within five years after the date of death or the life of the option, whichever is less, but in no event less than one year after the date of death, during which time installments shall continue to accrue.
- (iii) if a Participant's termination of employment occurs for any reason other than as specified in Section 6.1(b)(i) or (ii) hereof, the Participant has been continuously employed by the Company or a Subsidiary or any combination for more than 15 years, provided that if the person is not an Executive Officer (as defined under the Securities Exchange Act 1934, as amended, and the regulations promulgated thereunder) of the Corporation at the time of termination such 15 years need not be continuous, and if the Plan Committee so approves, then within a period of up to five years after the date of termination of employment. During the period the right to exercise options, if any, accruing in installments shall continue; provided, however, the Plan Committee may set additional conditions.
- (iv) if a Participant's termination of employment occurs for any reason other than as specified in Section 6.1(b)(i) or (ii) hereof, the Plan Committee has not approved an extension pursuant to Section 6.1(b)(iii) and Participant's termination of employment is not occasioned by the commission of a dishonest or other illegal act, then, but only with respect to installments that have as of the date of termination already accrued, within ninety days after the date of such termination of employment except in the case of Participants who would at the time be subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934, in which instance the period of exercise shall be two hundred ten days after termination. Those Participants terminated because of the commission of a dishonest or other illegal act shall have no additional period after termination of employment in which to exercise their options. Absence on a leave of absence approved by the Plan Committee shall not be deemed a termination or interruption of continuous employment for the purposes of the Plan.
- (v) Rights accruing to a Participant under the aforesaid Subsections (b)(i), (b)(iii) and (b)(iv) may, upon the death of a Participant subsequent to his/her termination of employment, be exercised or perfected by his/her duly designated beneficiary or otherwise by his/her applicable legal representatives, heirs or legatees to the extent vested in and unexercised or perfected by the Participant at the date of his/her death.

No option shall be assignable or transferable by the individual to whom it is granted, except that it may be transferable by will or the laws of descent and distribution in accordance with the provisions of the Plan. An option, if so transferable, may be exercised after the death of the individual to whom it is granted only by such individual's beneficiary designated to exercise the option or otherwise by his/her applicable legal representatives, heirs or legatees, and only within the specific time period set forth above.

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

- (c) Exercise of Options. An individual entitled to exercise an option may, subject to its terms and conditions and the terms and conditions of the Plan, exercise it in whole at any time, or in part from time to time, by delivery to the Company at its principal office of written notice of exercise, specifying the number of whole shares with respect to which the option is being exercised. Before shares may be issued payment must be made in full, in legal United States tender, in the amount of the purchase price of the shares to be purchased at the time and any amounts for withholding as provided in Section 11.9 hereof; provided, however, in lieu of paying for the exercise price in cash as described above, the individual may pay all or part of such exercise price by delivering owned and unencumbered shares of the Company common stock having a Fair Market Value on the date of exercise of the option equal to or less than the exercise price of the options exercised, with cash, as set forth above, for the remainder, if any, of the purchase price. Subject to rules established by the Plan Committee, the withholdings required by Section 11.9 hereof may be satisfied by the Company withholding shares of Company common stock issued on exercise that have a Fair Market Value on the date of exercise of the option equal to or less than the withholding required by Section 11.9 hereof.

6.2 Incentive Stock Option. Incentive Stock Options granted under the Plan are intended to be incentive stock options under Section 422 of the Code and the Plan shall be administered, except with respect to the right to exercise options after termination of employment, to qualify Incentive Stock Options issued hereunder as incentive stock options under Section 422 of the Code. An Incentive Stock Option shall not be granted to an employee who owns, or is deemed under Section 424(d) of the Code to own, stock of the Company (or of any parent or Subsidiary

of the Company) possessing more than 10% of the total combined voting power of all classes of stock therein. The aggregate Fair Market Value (determined as of the time the option is granted) of the stock with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all Incentive Stock Option Plans of the Company or any parent or Subsidiary of the Company) shall not exceed \$100,000. The Incentive Stock Options shall be evidenced by Incentive Stock Option Agreements in such form and not inconsistent with the Plan as the Plan Committee shall in its sole discretion approve from time to time, which agreements shall specify the number of shares to which they pertain and the purchase price of such shares.

The terms and conditions set forth in Subsections (a) through (c) of Section 6.1 hereof shall apply to an Incentive Stock Option; provided that the term of the Incentive Stock Option shall not exceed ten years; and provided, further, that in the event Section 6.1(b)(i) hereof is applicable, all installments shall become immediately exercisable.

6.3 Change in Control. In the event of a Change in Control, all outstanding options granted under the Plan shall accelerate and will be exercisable in full for a period of two hundred ten (210) days after the Change in Control; provided that no option shall be exercisable by a Participant (i) within six months after the Date of Grant of the option or (ii) after the termination date of the option.

ARTICLE VII RESTRICTED STOCK

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

7.2 Other Terms and Conditions. Company common stock awarded pursuant to a Restricted Stock Award shall be represented by a stock certificate registered in the name of the Holder of such Restricted Stock Award. The Holder shall have the right to enjoy all shareholder rights during the Restriction Period with the exception that:

- (i) The Holder shall not be entitled to delivery of the stock certificate until the Restriction Period shall have expired.
- (ii) The Company may either issue shares subject to such restrictive legends and/or stop-transfer instructions as it deems appropriate or provide for retention of custody of the Company common stock during the Restriction Period.

- (iii) The Holder may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Company common stock during the Restriction Period.
- (iv) A breach of the terms and conditions established by the Plan Committee pursuant to the Restricted Stock Award shall cause a forfeiture of the Restricted Stock Award, and any dividends withheld thereon.
- (v) Dividends payable in cash or in shares of stock or otherwise may be either currently paid or withheld by the Company for the Holder's account. At the discretion of the Plan Committee, interest may be paid on the amount of cash dividends withheld, including cash dividends on stock dividends, at a rate and subject to such terms as determined by the Plan Committee.

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

7.3 Payment for Restricted Stock. A Holder shall not be required to make any payment for Company common stock received pursuant to a Restricted Stock Award, unless the Plan Committee requires payment for such stock in the Restricted Stock Award.

7.4 Forfeiture Provisions. Subject to Section 7.5, in the event a Holder terminates employment during a Restriction Period, a Restricted Stock Award will be forfeited; provided, however, when the Plan Committee issues the Restricted Stock Award, it may provide in the Restricted Stock Award agreement for proration or full payout in the event of a termination of employment because of normal or late retirement, early retirement or spin-off with the consent of the Plan Committee, or death or total and permanent disability, as determined by the Plan Committee, or termination of employment after 15 years of continuous employment with the Corporation or a Subsidiary or any combination thereof, provided that if the person is not an Executive Officer (as defined under the Securities Exchange Act 1934, as amended, and the regulations promulgated thereunder) of the Corporation at the time of termination such 15 years need not be continuous, subject to any other conditions the Plan Committee may determine.

7.5 Change in Control. In the event of a Change in Control, all outstanding Restricted Stock Awards granted under the Plan will be proratably payable ten days after the Change in Control; provided that no Restricted Stock Award shall be payable to a Participant within six months after the Date of Grant. The amount of Company common stock payable shall be determined by multiplying each Restricted Stock Award granted by a fraction, the numerator of which shall be the number of months that have elapsed in the applicable Restriction Period and the denominator of which shall be the number of months in the Restriction Period.

ARTICLE VIII
SHARES OF STOCK SUBJECT TO THE PLAN

8.1 The total number of shares that may be available for issuance under all Performance Shares, Stock Options and Restricted Stock Awards granted pursuant to the Plan shall not exceed in the aggregate 6,200,000 shares of the Company's \$1.00 par value common stock. Shares covered by granted Performance Shares which are not earned pursuant to any of the provisions of Article V hereof, or Stock Options or Performance Shares or Restricted Stock Awards which are forfeited for any reason or are not distributed or are covered by options that lapse or are canceled before exercise, shall (unless the Plan shall have been terminated) again be available in the same relative amounts for other Performance Share, Restricted Stock Award and Stock Option grants under the Plan (except for shares for which cash equivalent payments are received by Participants pursuant to the Plan), except that 220,275 shares for Stock Options, Performance Shares or Restricted Stock Awards that were outstanding on April 10, 1991 that are not earned or are forfeited for any reason or are not distributed or lapse or are cancelled before exercise shall be available for future grants and any additional shares for Stock Options, Performance Shares or Restricted Stock Awards that were outstanding on April 10, 1991 that are not earned or are forfeited for any reason or are not distributed or lapse or are cancelled before exercise shall not be available for future Performance Shares, Restricted Stock Awards or Stock Option Grants. Such shares may be authorized and unissued shares, or may be treasury shares held by the Company or may be shares purchased or held by the Company or a Subsidiary for purposes of the Plan, or any combination thereof.

ARTICLE IX
ADMINISTRATION OF THE PLAN

9.1 The Plan will be administered by a committee of the Board appointed from time to time by the Board. Each member of the committee shall be a "disinterested person" as that term is defined under Rule 16b-3, promulgated under the Securities Exchange Act of 1934, as amended, or any successor statute or regulation comprehending the same subject matter.

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

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

9.4 Any action required or permitted to be taken by the Plan Committee under the Plan shall require the affirmative vote of a majority of a quorum of the members of the Plan

Committee. A majority of all members of the Plan Committee shall constitute a "quorum" for Plan Committee business. The Plan Committee may act by written determination instead of by affirmative vote at a meeting, provided that any written determination shall be signed by all members of the Plan Committee, and any such written determination shall be as fully effective as a majority vote of a quorum at a meeting.

ARTICLE X
REDUCTION IN AWARDS

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

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

10.2 Under this Article X the payments and distributions under this Plan shall be reduced (but not below zero) so that the present value of such payments and distributions shall equal the Reduced Amount. The "Reduced Amount" (which may be zero) shall be an amount expressed in present value which maximizes the aggregate present value of payments and distributions under this Plan which can be made without causing any such payment to be subject to the excise tax under Section 4999 of the Code. The determinations and reductions under this paragraph shall be made after eliminations or reductions, if any, have been made under the Company's Income Continuation Policy Statement or SMG Income Continuation Policy Statement.

10.3 If Ernst & Young determines that this Article X is applicable to a Participant, it shall so advise the Plan Committee. The Plan Committee shall then promptly give the Participant notice to that effect together with a copy of the detailed calculation supporting such determination which shall include a statement of the Reduced Amount. The Participant may then elect, in his/her sole discretion, which and how much of the Stock Options, Restricted Stock Awards

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

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

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

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

ARTICLE XI
GENERAL PROVISIONS

11.1 Amendment or Termination. The Board may at any time amend, suspend, discontinue or terminate the Plan (including the making of any necessary enabling, conforming and procedural amendments to the Plan to authorize and implement the granting of qualified Stock Options or other income tax preferred stock options which may be authorized by enactment of the United States Congress and/or the Internal Revenue Service subsequent to the effective date of this Plan); provided, however, that no amendment by the Board shall, without further approval of the shareholders of the Company:

- (a) except as provided at Section 2.16 hereof increase the total number of shares of Company common stock which may be made subject to the Plan; or
- (b) except as provided at Section 2.16 hereof change the purchase price of Company common stock under the Plan; or
- (c) materially modify the class of employees that are eligible to receive Stock Options and/or Performance Shares and/or Restricted Stock Awards pursuant to the Plan.

No action taken pursuant to this Section 11.1 of the Plan shall, without the consent of a Participant, alter or impair any Performance Share(s) or Stock Option(s) or Restricted Stock Award(s) which have been previously granted to a Participant.

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

11.3 No Rights as Shareholder. The granting of Performance Share(s) and/or Stock Option(s) and/or Restricted Stock Award(s) under the Plan shall not entitle a Participant or any other person succeeding to his/her rights, to any dividend, voting or other right as a shareholder of the Company unless and until the issuance of a stock certificate to the Participant or such other person pursuant to the provisions of the Plan and then only subsequent to the date of issuance thereof.

11.4 Limitation of Liability or Obligation of the Company. As illustrative only of the limitations of liability or obligation of the Company and not intended to be exhaustive thereof, nothing in the Plan shall be construed:

- (a) to give any employee of the Company any right to be granted any Stock Option and/or Performance Share and/or Restricted Stock Award other than at the sole discretion of the Plan Committee,
- (b) to give any Participant any rights whatsoever with respect to shares of the Company's \$1.00 par value common stock except as specifically provided in the Plan,
- (c) to limit in any way the right of the Company or any Subsidiary to terminate, change or modify, with or without cause, the employment of any Participant at any time, or
- (d) to be evidence of any agreement or understanding, express or implied, that the Company or any Subsidiary will employ any Participant in any particular position at any particular rate of compensation or for any particular period of time.

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

In connection with any sale, issuance or transfer hereunder, the Participant acquiring the shares shall, if requested by the Company give assurances satisfactory to counsel of the Company that the shares are being acquired for investment and not with a view to resale or distribution thereof and assurances in respect of such other matters as the Company may deem desirable to assure compliance with all applicable legal requirements.

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

11.7 Effective Date. Subject to the approval of this restated Plan by the holders of a majority of the voting power of the shares present and entitled to vote at the Company's Annual Meeting of Shareholders to be held May 29, 1991 and any necessary approval being obtained from any department, board or agency of the United States or states having jurisdiction, the Plan shall be effective as of May 29, 1991.

11.8 Reorganization. In case the Company is merged or consolidated with another corporation, or in case the property or stock of the Company is acquired by another corporation, or in case of a separation, reorganization or liquidation of the Company, the Plan Committee or a comparable committee of any corporation assuming the obligations of the Company hereunder, shall either:

- (a) make appropriate provision for the protection of any outstanding Performance Shares, Stock Options and Restricted Stock Awards granted thereunder by the substitution on an equitable basis of appropriate stock of the Company, or of the merged, consolidated or otherwise reorganized corporation which will be issuable in respect to the shares of the Company's \$1.00 par value common stock. Stock to be issued pursuant to such Performance Shares shall be limited so that the excess of the aggregate fair market value of the shares subject to the Performance Shares immediately after such substitution over the purchase price thereof is not more than the excess of the aggregate fair market value of the shares subject to such Performance Shares immediately before such substitution over the purchase price thereof; or
- (b) upon written notice to the Participant, provide that all Performance Shares granted to the Participant are deemed earned, that the Restriction Period of all Restricted Stock Awards has been eliminated and that all outstanding Stock Options shall accelerate and become exercisable in full but that all outstanding Stock Options, whether or not exercisable prior to such acceleration, must be exercised within not less than sixty days of the date of such notice or they will be terminated. In any such case the Plan Committee may, in its discretion, extend the sixty day-exercise period.

11.9 Withholding Taxes, etc. All distributions under the Plan shall be subject to any required withholding taxes and other withholdings and, in case of distributions in Company common stock, the Participant or other recipient may, as a condition precedent to the delivery of the common stock, be required to pay to his/her participating employer the excess, if any, of the amount of required withholding over the withholdings, if any, from any distributions in cash under the Plan. No distribution under the Plan shall be made in fractional shares of the Company's common stock, but the proportional market value thereof shall be paid in cash.

11.10 General Restriction. Each Performance Share, Stock Option and Restricted Stock Award shall be subject to the requirement that, if at any time the Board shall determine, in its discretion, that the listing, registration or qualification of the shares subject to such option and/or

right upon any securities exchange or under any state or Federal Law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with the granting of such Performance Share or Stock Option or Restricted Stock Award or the issue or purchase of shares respectively thereunder, such Performance Share or Stock Option or Restricted Stock Award may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

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

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

DAYTON HUDSON CORPORATION AND SUBSIDIARIES
COMPUTATIONS OF PER SHARE EARNINGS

EXHIBIT (11)

(In Millions, Except Per-Share Data)

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	Oct. 29, 1994	Oct. 30, 1993	Oct. 29, 1994	Oct. 30, 1993	Oct. 29, 1994	Oct. 30, 1993
	Earnings	Shares	Earnings	Shares	Earnings	Shares
Primary Computations						
Net earnings	\$ 67	\$ 43	\$ 155	\$ 97	\$ 433	\$ 346
Less: Dividend requirements on ESOP preferred shares, net of tax benefit on unallocated shares	(5)	(4)	(14)	(13)	(18)	(19)
Adjusted net earnings	\$ 62	\$ 39	\$ 141	\$ 84	\$ 415	\$ 327
Average common shares outstanding	71.6	71.5	71.6	71.5	71.6	71.4
Average number of common share equivalents:						
Stock options	0.2	0.1	0.2	0.2	0.2	0.2
Performance shares	0.2	0.2	0.2	0.1	0.2	0.1
Adjusted common equivalent shares outstanding-primary	72.0	71.8	72.0	71.8	72.0	71.7
PRIMARY EARNINGS PER SHARE	\$0.86	\$0.54	\$1.96	\$1.17	\$5.76	\$4.56
Fully Diluted Computations						
Net earnings	\$ 67	\$ 43	\$ 155	\$ 97	\$ 433	\$ 346
Less: Earnings impact of assumed ESOP preferred share conversion, net of tax benefit on unallocated shares	(3)	(3)	(10)	(9)	(13)	(14)
Adjusted net earnings	\$ 64	\$ 40	\$ 145	\$ 88	\$ 420	\$ 332
Average common and common equivalent shares-primary	72.0	71.8	72.0	71.8	72.0	71.7
Additional common stock equivalents attributable to application of the treasury stock method	0.1	-	0.1	-	-	-
Assumed conversion of ESOP preferred shares	4.2	4.3	4.2	4.3	4.2	4.4
Adjusted common equivalent shares outstanding-fully diluted	76.3	76.1	76.3	76.1	76.2	76.1
FULLY DILUTED EARNINGS PER SHARE	\$0.83	\$0.53	\$1.90	\$1.15	\$5.51	\$4.37
AVERAGE ALLOCATED ESOP PREFERRED SHARES OUTSTANDING (IN MILLIONS)	2.1	1.6	2.0	1.5	2.0	1.4

COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES
FOR THE NINE MONTHS ENDED OCTOBER 29, 1994 AND OCTOBER 30, 1993
AND FOR THE FIVE YEARS ENDED JANUARY 29, 1994

(Millions of Dollars)

	Nine Months Ended		Fiscal Year Ended				
	Oct 29, 1994	Oct 30, 1993	Jan 29, 1994	Jan 30, 1993	Feb 1, 1992	Feb 2, 1991	Feb 3, 1990
Earnings:							
Consolidated net earnings.....	\$ 155	\$ 97	\$ 375	\$ 383	\$ 301	\$ 412	\$ 410
Income taxes.....	99	64	232	228	171	249	268
Total earnings.....	254	161	607	611	472	661	678
Fixed charges:							
Interest expense.....	328	346	459	454	421	333	283
Dividends on preferred stock (pre-tax basis).....	29	29	39	39	39	39	2
Interest portion of rental expense (a).. Total fixed charges.....	38	33	45	43	39	46	45
	395	408	543	536	499	418	330
Less:							
Dividends on preferred stock (pre-tax basis).....	(29)	(29)	(39)	(39)	(39)	(39)	(2)
Capitalized interest.....	(5)	(4)	(5)	(6)	(11)	(8)	(10)
Fixed charges in earnings.....	361	375	499	491	449	371	318
Earnings available for fixed charges.....	\$ 615	\$ 536	\$1,106	\$1,102	\$ 921	\$1,032	\$ 996
Ratio of earnings to fixed charges.....	1.56	1.32	2.04	2.06	1.85	2.47	3.02

(a) Calculated as one-third of rental expense, which is considered representative of the interest factor.

This schedule contains summary financial information extracted from Dayton Hudson Corporation's Form 10-Q for the nine-month period ended October 29, 1994 and is qualified in its entirety by reference to such financial statements.

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9-MOS		
	JAN-28-1995	
	JAN-30-1994	
	OCT-29-1994	173
		0
		1,593
		42
		3,681
		5,550
		8,938
		2,614
		12,208
	3,971	4,712
		72
	363	0
		2,719
12,208		14,106
	14,313	10,467
		10,467
	3,206	
	67	
	319	
	254	
	155	99
		0
		0
		0
		155
		1.96
		1.90