

## CAPITAL MAINTENANCE AND LIQUIDITY AGREEMENT

THIS CAPITAL MAINTENANCE AGREEMENT AND LIQUIDITY AGREEMENT (this Agreement), dated as of August 26, 2004, by and between the **FEDERAL DEPOSIT INSURANCE CORPORATION**, a corporation duly organized and existing under the laws of the United States having its principal office in Washington, D.C. (the FDIC), **TARGET CORPORATION**, a corporation duly organized and existing under the laws of the State of Minnesota having its principal office in Minneapolis, Minnesota (the Parent Company), and **TARGET BANK (In-Organization)**, Salt Lake City, Utah (the Applicant):

### WITNESSETH:

**WHEREAS**, the Board of Directors of the FDIC is charged by Section 5 of the Federal Deposit Insurance Act (the Act) (12 U.S.C. § 1815) with the responsibility of acting upon applications for Federal deposit insurance for all depository institutions including, but not limited to, state banks.

**WHEREAS**, the Applicant is a proposed special purpose state nonmember industrial loan company being formed as a wholly-owned subsidiary of the Parent Company.

**WHEREAS**, the Parent Company is a general merchandise retailer, and the Parent Company's purpose in forming the Applicant is to provide proprietary credit cards to commercial customers for use in Target stores.

**WHEREAS**, the Applicant submitted an application for Federal deposit insurance (the Application) to the FDIC in accordance with Section 5 of the Act on December 31, 2003, and the Application was deemed substantially complete on April 13, 2004.

**WHEREAS**, the FDIC is required to consider, among other things, the seven factors described in Section 6 of the Act (12 U.S.C. § 1816) (the Statutory Factors) and will generally grant an application for Federal deposit insurance if it finds favorably upon each factor. As a part of the approval process, the FDIC also considers the financial resources of a parent holding company in evaluating the adequacy of the Applicant's capital.

**WHEREAS**, the financial projections of the Applicant are based on a largely untested and somewhat nontraditional business plan.

**WHEREAS**, the Parent Company has expressed its willingness to submit to such conditions as the FDIC may determine are necessary to make a favorable finding on the Statutory Factors.

**WHEREAS**, the FDIC may not make a favorable finding on the Statutory Factors if the Parent Company and the Applicant do not enter into this Agreement.

**NOW, THEREFORE**, in consideration of the premises and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Approval by FDIC. Upon approval of the Application by the FDIC, this Agreement shall become fully effective and binding upon the parties hereto.
2. Capital. The capital levels of the Applicant will at all times meet or exceed the levels required for the Applicant to be considered "well capitalized" under section 325.103(b) of the FDIC Rules and Regulations (12 CFR § 325.103(b)). In addition, Applicant's Tier 1 Capital to Assets Leverage Capital ratio will be maintained at not less than eight (8) percent throughout the first three years of operation and the Applicant will maintain an adequate allowance for loan and lease losses (the capital requirements contained in this and the preceding sentences and in the following paragraph (2.(A)) will be referred to collectively as the Minimum Capital Ratios).

(A) Maintenance of Required Minimum Capital Ratios. If, at any time, the Applicant's capital ratios fall below the Minimum Capital Ratios the Parent Company will immediately contribute sufficient additional capital to the Applicant or take such other action to enable it to meet the Minimum Capital Ratios.

(B) Maintenance of Revised Capital Ratios. If the FDIC considers it necessary, pursuant to its regulatory authority, for the Applicant to maintain capital ratios that are greater than the Minimum Capital Ratios (the Revised Capital Ratios), it will provide written notification of its determination to the Applicant and Parent Company. Within 10 days after the FDIC issues the notification to the Applicant and Parent Company, if Applicant has not met the Revised Capital Ratios, the Parent Company will immediately contribute sufficient additional capital to the Applicant to enable it to meet the Revised Capital Ratios specified by the FDIC.

All capital contributions to the Applicant by the Parent will be in the form of cash, or if appropriate, other assets acceptable to the FDIC, and the capital contributions will be credited to the Applicant's surplus account.

3. Liquidity. The Parent Company will provide the Applicant with financial assistance, as specified below, to permit the Applicant to meet its short and long term liquidity demands.

(A) Short Term Liquidity.

- i. The Parent Company will establish and, at all times, maintain a liquidity reserve deposit (the LRD) equal to the greater of

\$2,500,000 or five times the average daily volume of net charges (merchandise sales minus returns) at affiliate-owned stores to credit cards issued, owned, or otherwise acquired by Target Bank (In Organization). The Parent Company will adjust the balance of the LRD on the first day of each calendar quarter based on the average daily volume of net charges at affiliate-owned stores on credit cards issued, owned, or otherwise acquired by Target Bank for the preceding 90 days. The LRD will be maintained in cash, or unencumbered securities acceptable to the FDIC, at an unaffiliated FDIC-insured depository institution, or its affiliate, acceptable to the FDIC, to meet any credit card funding obligations of the Applicant. The LRD obligation of the Parent Company, at the sole option of the FDIC, may also be satisfied by the Parent Company providing the Applicant with a irrevocable letter of credit equal to the greater of \$2,500,000 or five times the average daily volume of net charges (merchandise sales minus returns) at affiliate-owned stores to credit cards issued, owned, or otherwise acquired by Target Bank (In Organization).

- ii. The Applicant may draw on the LRD or irrevocable letter of credit provided by the Parent Company at any time the Applicant or FDIC considers it necessary.
- iii. The Applicant will provide the FDIC written notification whenever the Applicant draws on the LRD or the irrevocable letter of credit.
- iv. Any and all agreements related to the LRD or any irrevocable letter of credit provided in lieu of the LRD between the Parent Company, Applicant, the FDIC, or any other parties will only be made with the prior written approval of the FDIC and upon such terms and conditions as the FDIC, in its sole discretion, finds acceptable.

(B) Long Term Liquidity. If the Applicant identifies liquidity requirements that it cannot satisfy, then at the written request of the Applicant or the FDIC, the Parent Company, within 10 days of receiving the request, will provide the Applicant with financial support, including cash, in such amount and for such duration as may be necessary for the Applicant to meet its ongoing liquidity obligations.

4. Authority of Parent Company and Applicant. The Board of Directors of the Parent Company and the Board of Directors of the Applicant have each approved a resolution (the Resolution) authorizing the Parent Company and the Applicant, respectively, to enter into this Agreement. A certified copy of the Resolution for each party are attached hereto as Exhibit A and incorporated herein by reference.

5. Miscellaneous.

- (B) Legally Binding, Enforceable Agreement. The parties agree that this Agreement is binding and enforceable by the FDIC pursuant to Section 8 of the FDI Act (12 U.S.C. § 1818) against the Applicant and the Parent Company, their successors and assignees.
- (B) Capital Maintenance Commitment. The parties agree that the obligations of the Parent Company that are contained in this Agreement are commitments to maintain the capital of the Applicant and, if a petition of bankruptcy is filed by or against the Parent Company, the obligations of the Parent Company contained in this Agreement will be paid as an administrative expense of the debtor pursuant to section 507(a)(1) of the Bankruptcy Code (11 U.S.C. § 507(a)(1)).
- (C) Conservatorship or Receivership of the Applicant. In the event of an appointment of a conservator or receiver for the Applicant, the obligations of the Applicant and Parent Company hereunder with respect to the Agreement shall survive said appointment and be enforceable by FDIC.
- (D) Governing Laws. This Agreement and the rights and obligations hereunder shall be governed by and shall be construed in accordance with the Federal law of the United States, and, in the absence of controlling Federal law, in accordance with the laws of the State of New York.
- (E) No Waiver. No failure or delay on the part of the Applicant or the FDIC in the exercise of any right or remedy shall operate as a waiver or termination thereof, nor shall any partial exercise of any right or remedy preclude other or further exercise of any other right or remedy.
- (F) Fees and Expenses. The Parent Company shall pay any attorneys' fees and other reasonable expenses incurred by the Applicant in exercising its rights or seeking any remedies hereunder.
- (G) Severability. In the event any one or more of the provisions contained herein should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.
- (H) No Oral Change. This Agreement may not be modified, amended, changed, discharged or terminated orally, but may be done so only with the written consent of the FDIC.

- (I) Enforcement by Applicant. The Applicant may, in its discretion, enforce this Agreement against the Parent Company.
- (J) Modification. This Agreement reflects the complete and full agreement of the parties and may not be modified, released, renewed or extended in any manner except by a writing signed by all the parties and with the written approval of such modification by the FDIC.
- (K) Addresses for and Receipt of Notice. Any notice hereunder shall be in writing and shall be delivered by hand or sent by United States express mail or commercial express mail, postage prepaid, and addressed as follows:

If to the Parent Company:

Target Corporation  
Attention: Chief Financial Officer  
1000 Nicollet Mall  
Minneapolis, MN 55403

If to the Applicant:

Target Bank  
Attention: President  
299 South Main Street  
20<sup>th</sup> Floor  
Salt Lake City, UT 84111

If to the FDIC:

Associate Director, Supervision and Applications Branch  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Any notice required by this Agreement will be deemed received when it is actually received by the appropriate person, specified in this paragraph, for the party to whom the notice is sent.

- (L) Complete Agreement. The parties agree that this Agreement is the complete and exclusive statement of the agreement between the parties, and supersedes all prior written or oral communications, representations and agreements relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

**FEDERAL DEPOSIT INSURANCE CORPORATION**

By: \_\_\_\_\_ /s/ \_\_\_\_\_

Title: Associate Director

**TARGET CORPORATION**

By: \_\_\_\_\_ /s/ \_\_\_\_\_

Title: CFO

**TARGET BANK (an Organization)**

By: \_\_\_\_\_ /s/ \_\_\_\_\_

Title: PRESIDENT