A TIP for Target Shareholders

October 29, 2008

Pershing Square Capital Management, L.P.

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Pershing's Investment in Target

- **Pershing initiated its investment in Target ("Company") in April 2007**
- **We currently have beneficial ownership of slightly less than 10% of the Company**
- **Since May 2008, we have been discussing a potential Transaction with Target management**
- **Pershing has improved its initial Transaction to address issues raised by the Company. Today, we are presenting this revised Transaction to the Company, its shareholders, and members of the investment community**

Pershing's Relationship with Target

- **Since our first meeting with management in the summer of 2007, Pershing has enjoyed a very constructive relationship with Target**

- **We view Target's management as the best in the Retail Industry**

- **We appreciate management's willingness to listen to and evaluate ideas proposed by shareholders**

- **Our goal is to work with management and other shareholders to find the best strategic and value-maximizing outcome for the Company, its employees, and its shareholders**

Why Are We Going Public?

Given the materiality of the Transaction, Pershing thought it would be beneficial to share the idea publicly with Target stakeholders and the investment community

- **The Transaction is important enough to warrant "testing" with shareholders**
- **We think the insights gained by sharing the Transaction publicly will be of tremendous benefit to Target as well as other stakeholders**
- **Target is currently evaluating the Transaction**
- **By going public with our presentation in advance of Target's decision regarding the Transaction, shareholders and the investment community can provide their input on the Transaction's merits**

Significant Preparation and Analysis

To assist in preparing this presentation, Pershing retained UBS Investment Bank ("UBS") and Sullivan & Cromwell LLP ("S&C") as financial and legal advisors

- **Pershing and its advisors' analyses are based on publicly available information**
- **UBS has provided financial advisory services**
- **S&C has provided legal, structural, and tax advisory services**

Note: All financials in this presentation are based on Calendar Year

Agenda

- ✓ **Objectives**
- ✓ **The Transaction**
- ✓ **Transaction Rationale**
- ✓ **Valuation**
- ✓ **Appendix**
  - **Detailed Valuation Analysis**
  - **Credit Rating Analysis**
  - **Structural and Legal Considerations**

Objectives

Target: Retail and Real Estate Operations

TARGET®

Retail Operations

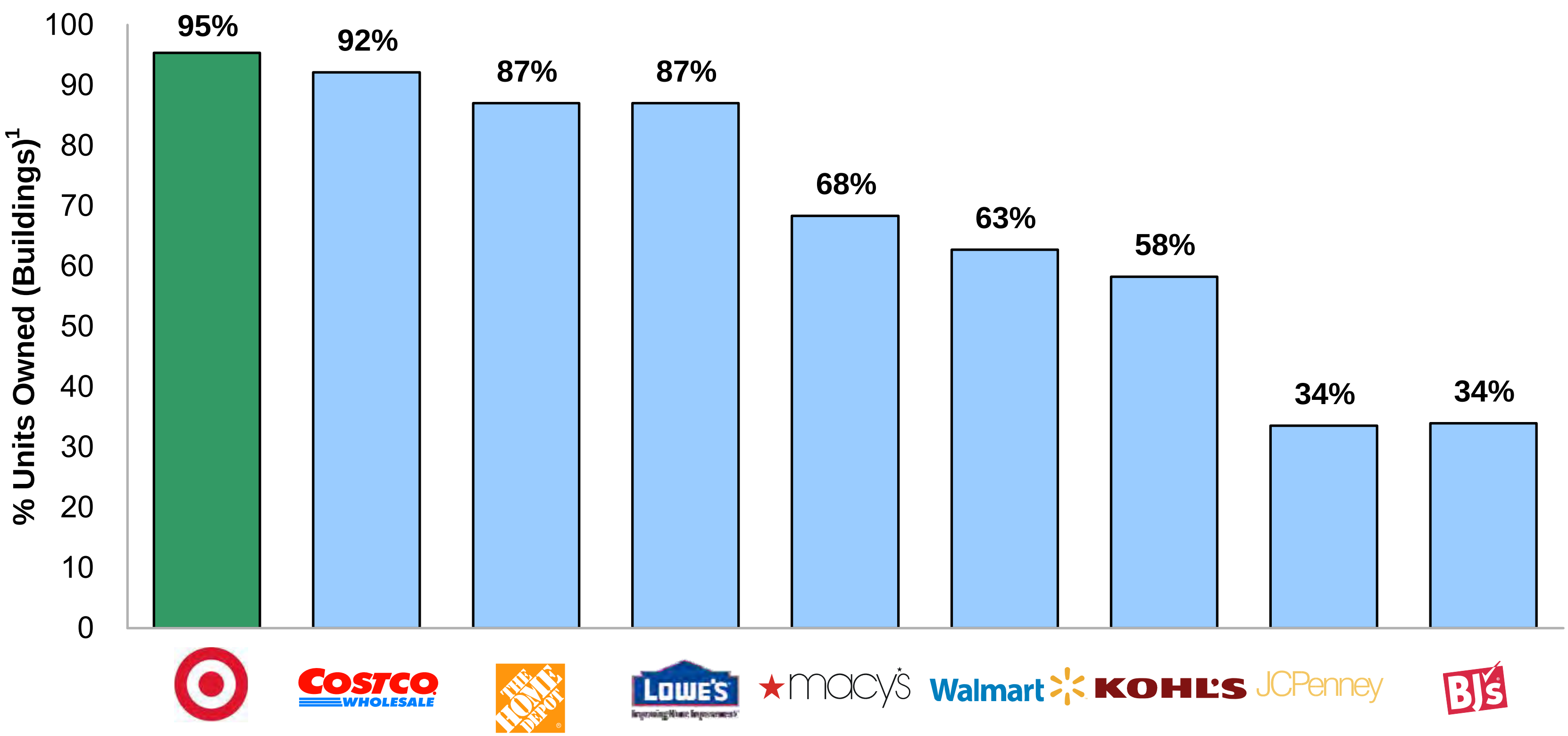
- Iconic U.S. retail brand
- Best-in-class operator with distinctive merchandising strategy
- 1,685 stores in 48 states
- Best management team in the retail industry
- Attractive growth profile, driven by mid-to-high single-digit square footage growth and market share gains
- Recently sold an undivided interest in credit card receivables

Real Estate Operations

- High-quality owned real estate in attractive suburban and urban locations
- Significant value embedded in real estate, not accounted for in public market valuation
- Owns ~95% of its retail buildings and ~85% of the land under its retail locations
- Owns ~84% of its distribution centers ("DCs") and ~81% of the land under its DCs
- Facilities Management Services comprising hundreds of employees responsible for property maintenance

Significant Real Estate Ownership

Target owns the highest percentage of its real estate compared to other big box retailers



% owned units/land(2):	85%	79%	ND	ND	55%	ND	35%	ND	27%
% DCs owned(3):	84%	ND	2%	84%	76%	55%	89%	54%	ND

"ND" represents Not Disclosed

(1) Represents % owned stores (includes owned stores on leased land)

(2) Represents % owned stores on owned land only

(3) Represents % owned DCs (includes owned DCs on leased land)

What if Target Were to Rent its Real Estate?

Assuming that Target were to rent all of its owned store locations at an estimated market rent of 4.25% of store sales (or approximately $13/sq. ft.) and its owned distribution facilities at $4.25/sq. ft., Target would pay an additional rent of $2.5bn in 2008

Target Real Estate Co

$ in billions	2008E
Target Retail Sales	$64.9
Implied Retail Rent as % of Sales	4.25%
Percentage of Owned Real Estate	85%
Retail Rental Income	$2.4
Dist. Facilities Rental Income	0.2 [1]
Real Estate 4-Wall EBITDA	**$2.5**

Pro Forma Target Corp

$ in billions	2008E
Existing Retail EBITDA [2]	**$6.3**
***Less:* Additional Rent**	**(2.5)**
***Equals:* PF Retail EBITDA**	**$3.8**

	'08E EBITDA	
Implied EV of Pro Forma Target Corp	**7.0x**	**$26.9**

Target's resulting EBITDA after rent expense would be $3.8bn

(1) Implied cap rate of 8.5% on 35mm square feet of distribution facilities, valued at $50 per square foot
(2) Assumes for illustrative purposes that the remaining 53% interest in credit card receivables is sold to an Investment Partner for $4.4bn and that Target retains $150mm of credit card income

$39 Billion of Real Estate Replacement Value

Assuming that on average, a new store costs $26mm to zone, develop and build or approximately $197/sq. ft. [1] and that each Distribution Facility costs $70mm or approximately $50/sq. ft. [1], the replacement cost of Target's owned real estate (excluding the value of its buildings on ground leased land and its existing leases) is approximately $39bn

Replacement Value of Owned Land and Buildings [2], [3]

2008E Retail Real Estate:

2008E Total Sq. Ft. (mm)	Estimated % Owned	Owned Sq. Ft. (mm)	Value / Sq. Ft.	Total Value ($bn)
222	85%	189	$197	**$37.4**

2008E DCs and WHs:

2008E Total Sq. Ft. (mm)	Estimated % Owned	Owned Sq. Ft. (mm)	Value / Sq. Ft.	Total Value ($bn)
44	81%	35	$50	**$1.8**

Total Real Estate Replacement Value ($bn)	**$39.1**
Implied Cap Rate @ $2.5bn of Estimated Market Rent	**6.4%**

(1) Based on average store size of 132k square feet, and DCs & WHs size of 1.4mm square feet
(2) Analysis excludes the value of owned buildings on third-party ground leased land; assumes cost of a Target store of $26mm ($13mm building and $13mm land) and cost of distribution facility and warehouse of $70mm ($50mm building and $20mm land)
(3) Assumes 1,438 stores, and 25 distribution facilities and warehouses on owned land in 2008E

Market Assigns Little Value to Target's Real Estate

Assuming Target were to rent its owned real estate and using a 7.0x '08E EBITDA multiple on the pro forma retail business, the 20-day trading average stock price of $40 implies only $13bn of value for Target's owned real estate, a significant discount to book and replacement value

$ in billions

Current TGT Enterprise Value @ $40/Share	**$48.3**	(1)
Less : **PF Target Corp**	**(26.9)**	(2)
Less : **Credit Card Receivables**	**(8.0)**	
Equals : **Implied Real Estate Value**	**$13.4**	

Gross Book Value of Land and Buildings	**$25.2**	(1)
Discount to Gross Book Value	***47%***	

Replacement Value of Owned Real Estate	**$39.1**
Discount to Replacement Value	***66%***

(1) Based on 2008 Q2 company filings and a 20-day trading average stock price as of 10/24/08
(2) Assumes for illustrative purposes that the remaining 53% interest in credit card receivables is sold to an Investment Partner for $4.4bn and that Target retains $150mm of credit card income

Objectives

In considering alternatives for the Company, Pershing Square's objective was to eliminate the stock market's ascribed discount to the intrinsic value of Target's real estate and allow the Company to:

- **Retain complete control of its buildings and its brand**
- **Retain 100% flexibility with respect to its construction, remodeling, and relocation plans**
- **Improve the Company's free cash flow and access to capital**
- **Increase the Company's ROIC and lower its cost of capital**
- **Maintain an investment grade credit rating**
- **Increase the Company's EPS growth rate**
- **Minimize tax leakage and friction costs**

Several Alternatives Were Reviewed

In the course of our work, we reviewed several structures:

Transaction Alternatives	Gating Items
1. Tax-Free Spin-off of all owned land and buildings	☒ Difficult to maintain sufficient control over buildings and achieve tax-free status ☒ Lease life (including fixed rate renewals) limited to 75% of the useful life of the buildings
2. Taxable Spin-off of all owned land and buildings	☒ Value destruction due to tax leakage, both at the corporate and shareholder levels
3. Large sale-leaseback transaction	☒ Value destruction due to tax leakage at the corporate level ☒ Transaction execution may be difficult

Pershing concluded that the above alternatives were not optimal, given the Company's strategy and objectives

- ✓ ***Pershing has identified a Transaction which will achieve all of the stated objectives***

- ✓ ***The Transaction is consistent with the way Target owns some of its real estate today***

- ✓ ***The Transaction will create tremendous shareholder value***

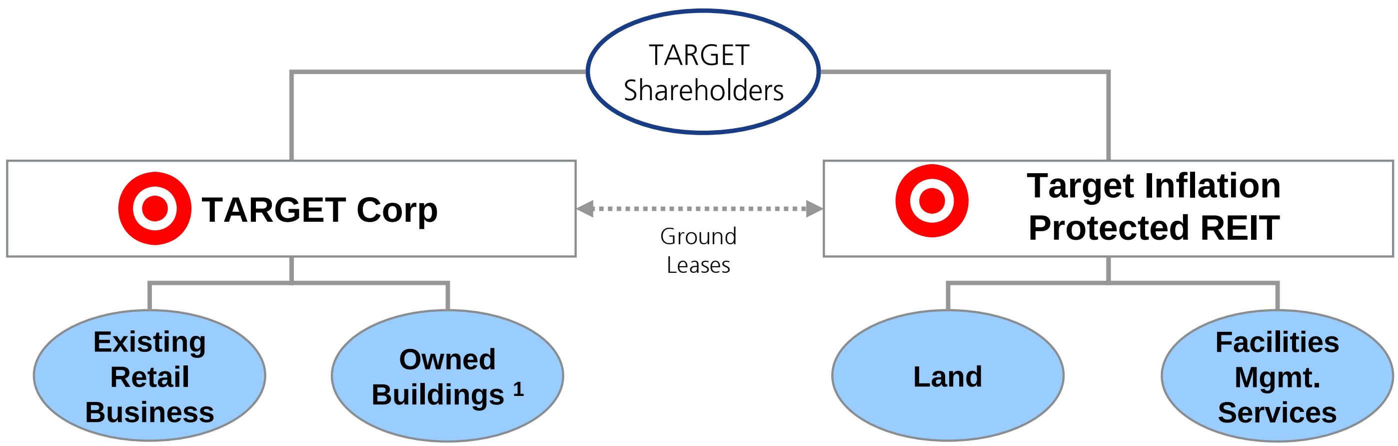
The Transaction

The Transaction

Tax-free spin of Target Inflation Protected REIT (or "TIP REIT") as Groundlessor and Facility Manager

Pre–Spin

Post–Spin



- New Target Corp owns its buildings on 75-year ground leases
- Outsources Facilities Management Services
- Continues to maintain properties

(1) *Includes third-party ground leases*

- Leases back land to Target Corp through a Master Lease for a 75-year term
- Elects REIT status at the time of spin-off
- Becomes Target Corp's outsourced facilities management provider
- Becomes Target's exclusive land developer for the first two years
- After two years, becomes Target Corp's Preferred Vendor for land procurement

Solving a Retailer's Real Estate Dilemma

TIP REIT

Facilities Mgmt. Services	Land under Stores and DCs

Question: ***How can a Retailer unlock the value of its real estate without losing control of its buildings?***

Answer: **Tax-free spin-off of an active business that ground leases <u>the land</u> back to the Retailer**

- ✓ **Retailer retains ownership of its buildings and 100% control with respect to its construction, remodeling, and relocation plans**
- ✓ **Retailer becomes a 75-year ground lessee for its owned properties on attractive terms with no financial covenants**
- ✓ **Retailer gets an unlevered business partner (a land-only REIT) that can more efficiently finance future land development**

Unlocking Immense Real Estate Value

REITs, private market ground leases, and inflation-protected securities all trade at much higher valuation multiples than Target's multiple, at <u>only 6.0x '09E EV/EBITDA</u>, based on a 20-day trading average stock price of $40

Target's Market Valuation [1]

2009E EV / EBITDA

6.0x

$40/Share [1]

Inflation Protected Securities / REIT Market Valuations

2009E EV / EBITDA

15.7x	17.0x	33.3x
Large Cap REITs [1]	Recent "Big Box" Ground Lease [2]	Inflation Protected Treasury Securities (TIPS) [3]

The Transaction creates immense and instant value because 22% of Target's current EBITDA will be valued at a significantly higher multiple than where Target trades today

(1) Based on a 20-day trading average as of 10/24/08
(2) Based on mid-point precedent cap rate of 5.9%
(3) Based on current 20-year TIP yield of 3.0%

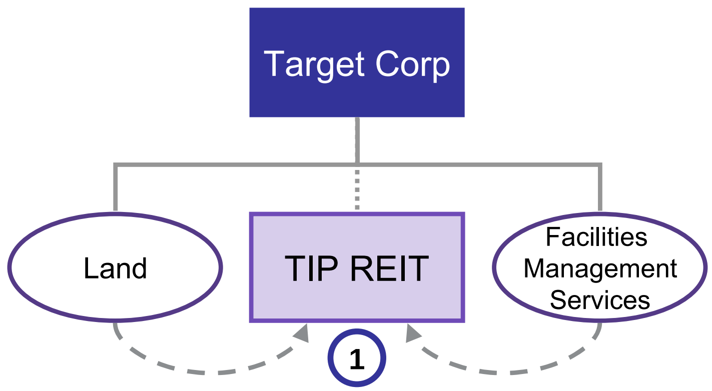
Execution is Not Impacted by the Current Markets

Target does not need access to the capital markets to consummate this Transaction

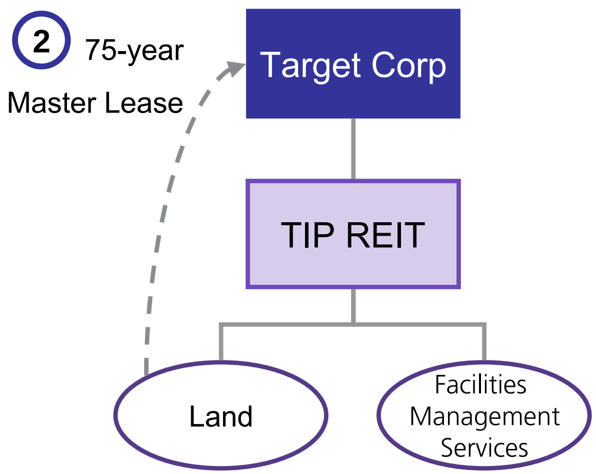
- **Given the global credit markets today, the only strategic transactions that can take place are those that do not require access to capital:**
  - ✓ Spin-offs
  - ✓ Stock-for-stock mergers / acquisitions
  - ✓ Acquisitions by cash-rich acquirors
- **The Transaction is structured as a spin-off where each current shareholder will receive pro rata shares in TIP REIT**
- **No equity or debt capital is required to spin off TIP REIT**

Transaction Plan: How Would it Happen?

Asset Contribution



Land Lease



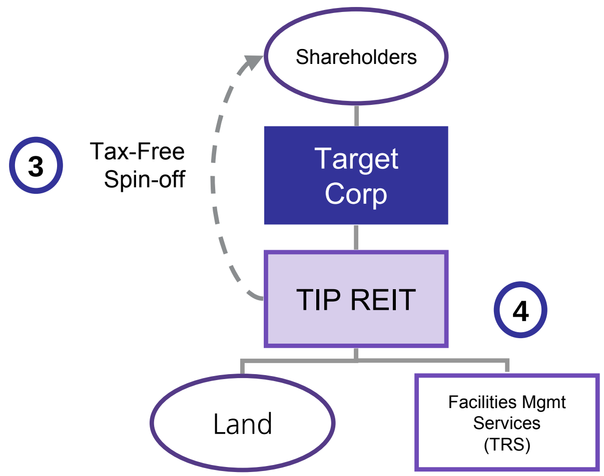
Transaction Description

- **Step 1:** The existing company ("Target Corp") forms a new subsidiary ("TIP REIT") and transfers to it the Facilities Management Services business, the owned land under the stores, and the owned land under the distribution facilities

- **Step 2:** TIP REIT leases the land back to Target Corp through a Master Lease for a 75-year term

Transaction Plan *(cont'd)*

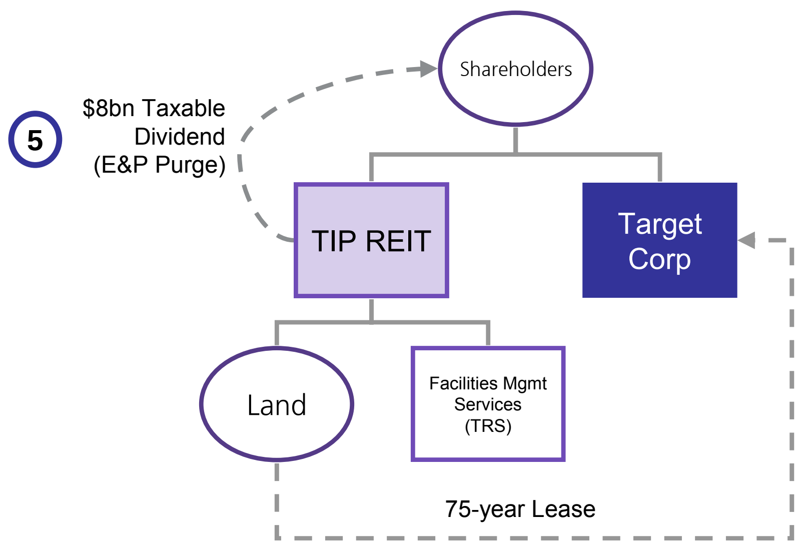
Spin-off and REIT Election



Transaction Description

- **Step 3:** Target Corp spins off TIP REIT to its shareholders pro rata and tax-free
- **Step 4:** TIP REIT elects REIT status effective immediately
  - Simultaneously, TIP REIT drops the Facilities Management Services business into a new corporation, a taxable REIT subsidiary (TRS)

E&P Purge



- **Step 5:** TIP REIT pays a taxable dividend (at the 15% dividend tax rate to non-corporate taxpayers) to shareholders equal to its allocated portion of Target's $16bn of retained Earnings and Profits ("E&P"), estimated to be $8bn based on the implied mid-point valuation of TIP REIT/Target Corp
  - 20% of the dividend ($1.6bn) may be paid in cash with the remaining paid in TIP REIT common stock
  - This cash dividend can be deferred until the end of the calendar year in which the REIT election occurs

Illustrative Master Lease Term Sheet

Lessee	▶ **Target Corp**
Lessor	▶ **TIP REIT**
Leased Property	▶ **Land in fee under stores and distribution centers**
Term	▶ **75-year term**
Rate	▶ **Flat dollar amounts per year with annual increases** ▶ **For this Transaction we have assumed annual increases based on CPI increases**
Financial Covenants	▶ **None**
Preferred Vendor Agreement	▶ **For the first 2 years post-Transaction, TIP REIT will be Target Corp's exclusive land developer** ▶ **Thereafter, TIP REIT will become Target Corp's preferred vendor for future land procurement / development needs**
Maintenance of Buildings	▶ **Target Corp will have the right to re-model or tear down and rebuild stores as it sees fit**
Sublease	▶ **Target Corp may sublease one or more sites but no sublease would release Target Corp from its obligations under the lease**
Lease Structure	▶ **The lease is intended to be treated as a lease for tax purposes; lessor will be treated as the owner** ▶ ***Note:* The lease is assumed to be treated as an operating lease for accounting purposes**

Ongoing Relationships

Post separation, Target Corp and TIP REIT will continue to be closely aligned, but on an arm's-length basis

- **TIP REIT will provide Facilities Management Services to Target Corp under a long-term agreement**
  - Arm's-length terms
  - TIP REIT expected to continue to perform Facilities Management Services for third parties after the spin-off
- **Target Corp agrees to use TIP REIT as its land procurement developer for the first two years after the spin-off on agreed-upon terms**
  - Creates a contractual 2-year development pipeline for TIP REIT and a funding source for Target Corp
- **Afterwards, Target Corp will grant TIP REIT preferred vendor status for Target Corp's land procurement needs on market terms for future Target stores**
  - Under this Preferred Vendor Agreement, it is anticipated that TIP REIT will be Target Corp's land procurement developer in the future
- **After the spin-off, TIP REIT and Target Corp may also share overlapping board members**
  - The number of overlapping board members would comprise a minority of each board
  - There may be restrictions on the duration of the overlap

Transaction Assumptions

The following transaction assumptions were used for an illustrative 01/01/09 transaction:

Lease Terms	▶ **’09E rent/square foot on land for stores — $7/sq. ft.; equals to 7% of $100/sq. ft.** ▶ **’09E rent/square foot on land for distribution centers and warehouses — $1.25/sq. ft.** ▶ **Rental rate grows based on CPI (assumes CPI = 2.5%)**
Credit Card Business (Both Transaction and Standalone)	▶ **Target sells 53% remaining interest of credit card portfolio** ■ $4.4bn of proceeds used to pay down debt (including all securitized debt) ■ Elimination of $3.6bn JPMorgan financing ▶ **Target retains $150mm of pre-tax earnings stream from its credit card business in partnership transaction**
Capital Expenditures	▶ **Target Corp funds all maintenance capex as well as all building development** ▶ **TIP REIT funds all new Target store land procurement, development and improvement costs ($100/sq. ft.)**
Facilities Management Services	▶ **Assumes $125mm of ’09E internal Facilities Management Services expense at Target Corp** ▶ **Assumes TIP REIT receives $144mm in revenues from Target Corp and third parties, expenses $125mm of costs and earns $19mm in EBIT, implying a 13% EBIT margin in 2009E**
Capital Structure	▶ **After reducing $4.4bn of debt from the sale of the remaining 53% interest of CC business (and accordingly eliminating the JPMorgan credit card liability), we have assumed all existing debt stays at Target Corp** ▶ **Flexibility to re-allocate debt between Target Corp and TIP REIT**
Dividends	▶ **100% of AFFO distributed at TIP REIT** ▶ **Results in total dividends to shareholders of $1.86/share in PF2009E vs. current $0.60/share**
TIP REIT G&A	▶ **Assumes $20mm of G&A allocated to TIP REIT and incremental $15mm of standalone costs in ’08E**

Selected 2009E Income Statement Data

Based on the assumptions provided, the Transaction would result in $1.4bn EBITDA in 2009E to TIP REIT

($mm, except per share)	2009E Target Corp	+ 2009E TIP REIT	= 2009E "Combined"	2009E Target Standalone
EBITDA	$5,172	$1,427	$6,599 (1)	$6,614
D&A	1,884	56	1,940	1,940
EBIT	3,288	1,372	4,659	4,674
Taxes	1,004	7	1,011	1,528
EPS	$2.23	$1.79 (2)	$4.02	$3.40

22% of total EBITDA to TIP REIT

Minimal D&A at TIP REIT and no maintenance capex

TIP REIT pays almost no taxes

18% EPS accretion from tax efficiencies and improved free cash flow

(1) Includes incremental $15mm of standalone costs at TIP REIT
(2) Normalized to exclude $112mm (approximately $0.16/share) of incremental interest expense due to CY2009 cash E&P distribution

2009E Detailed Income Statement Data

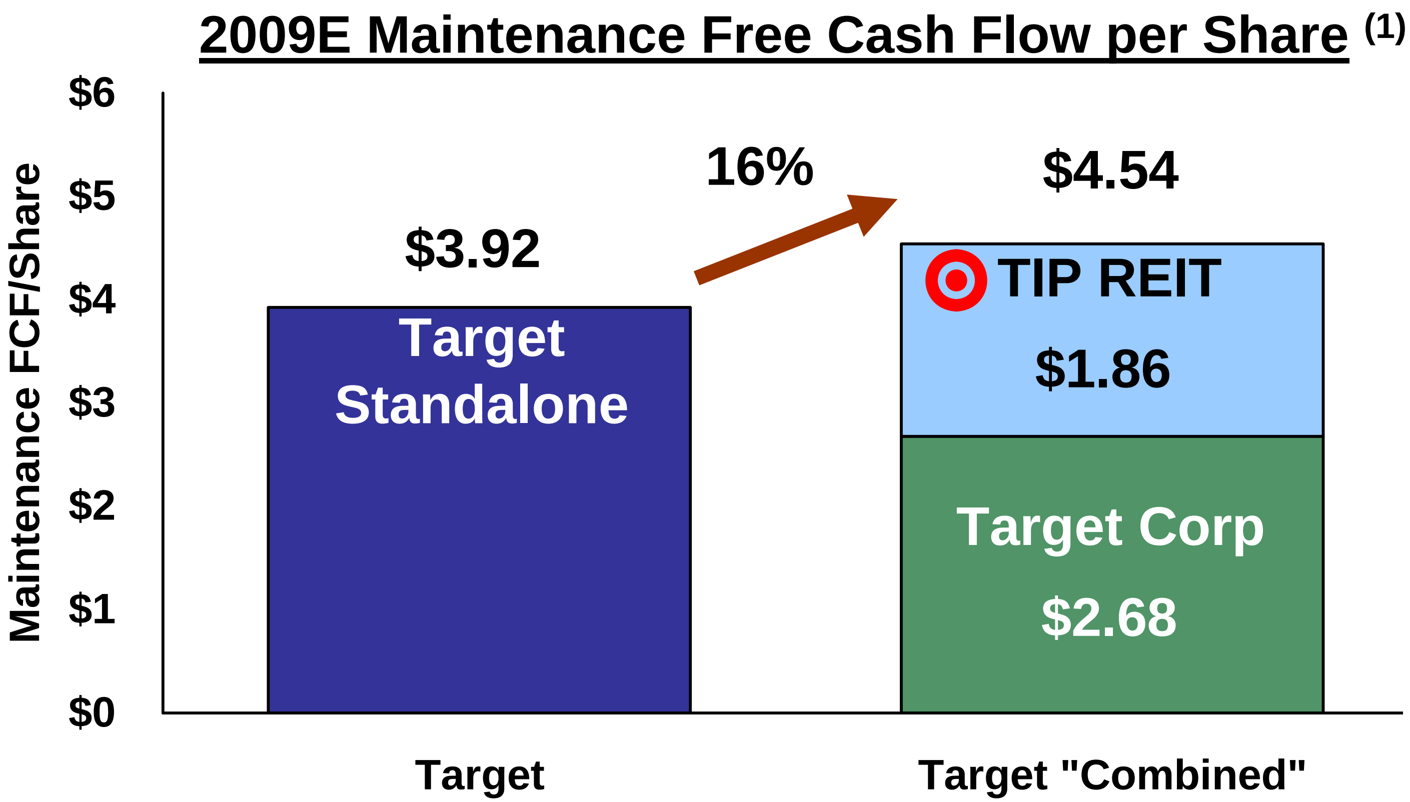
The table below sets forth the Income Statements for the two entities

($mm)	2009E Target Corp	2009E TIP REIT	Intercompany Adjustments	2009E "Combined"
P&L Data:				
Retail Revenue	$68,249	–	–	$68,249
Rental Revenue	–	1,444	(1,444)	–
Facilities Management Revenue [1]	–	144	(144)	–
Total Revenue	$68,249	$1,587	($1,587)	$68,249
COGS	(47,777)	–	–	(47,777)
Gross Margin	20,472	1,587	(1,587)	20,472
Gross Margin (%)	30.0%	100.0%		30.0%
Less: Existing Rent Expense	(173)	–	–	(173)
Less: Incremental Ground Lease Expense payable to TIP REIT [2]	(1,444)	–	1,444	–
Less: SG&A (excluding rent expense)	(13,814)	(20)	–	(13,834)
Less: Incremental Standalone Cost [3]	–	(15)	–	(15)
Less: Facilities Management Expense [1]	(19)	(125)	144	–
Plus: Credit Card EBITDA [4]	150	–	–	150
Equals: EBITDA	**$5,172**	**$1,427**	**–**	**$6,599**
% of Total	78.4%	21.6%		100.0%
Less: Depreciation and Amortization	(1,884)	(56)	–	(1,940)
Equals: EBIT	**$3,288**	**$1,372**	**–**	**$4,659**
% of Total	70.6%	29.4%		100.0%

(1) Reflects payment to TIP REIT of $144mm less assumed expense of $125mm
(2) Assumes rent of $7.00/sq. ft. on store land and $1.25/sq. ft. on DCs and WHs land for CY 2009E
(3) Incremental standalone cost of TIP REIT
(4) Assumes the sale of the remaining 53% interest on credit card receivables on 01/01/09, with Target retaining $150mm of credit card EBITDA

2009E Maintenance Free Cash Flows

The Transaction achieves significant cash flow savings given the tax-efficient structure for owning land



(1) Includes cost of store remodeling; normalized to exclude $112mm (approximately $0.16/share) of incremental interest expense due to CY2009 cash E&P distribution

Detailed 2009E Maintenance Free Cash Flows

The Transaction achieves significant cash flow savings given the tax-efficient structure for owning land

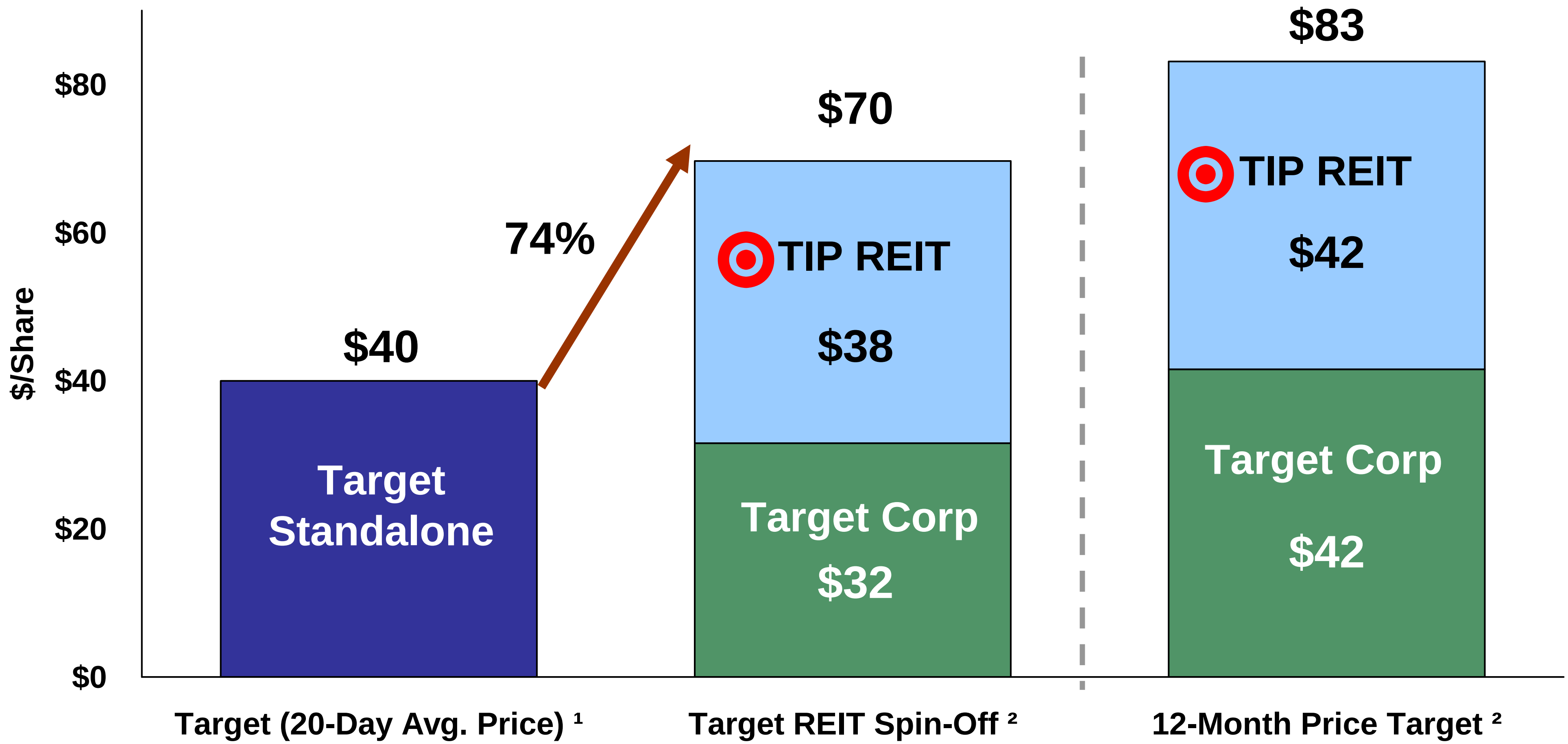
($mm, except per share data)	2009E Target Corp [1]	2009E TIP REIT	2009E "Combined"	2009E Standalone [1]
Cash Flow Data:				
EBITDA	**$5,172**	**$1,427**	**$6,599**	**$6,614**
Less: Maintenance Capex	(1,714)	–	(1,714)	(1,714)
Less: Interest Expense [2]	(673)	(76)	(748)	(694)
Less: Taxes [3]	(1,004)	(7)	(1,011)	(1,528)
Plus: Change in Net Working Capital	79	–	79	79
Plus: Other	73	–	73	73
Equals: Maintenance Free Cash Flow	**$1,933**	**$1,344**	**$3,278**	**$2,830**
Weighted Average Shares Outstanding	722	722		721
Maintenance FCF/Share	**$2.68**	**$1.86**	**$4.54**	**$3.92**

Maintenance FCF/share accretion ($)	**$0.62**
Maintenance FCF/share accretion (%)	**16%**

(1) Assumes sale of remaining 53% interest on credit card receivables for $4.4bn on 01/01/09 with Target retaining $150mm of credit card EBITDA
(2) Assumes interest rate on debt of 6.2% at Target Corp and 7.0% at TIP REIT; normalized to exclude $112mm of incremental interest expense due to CY2009 cash E&P distribution
(3) Assumes tax rate of 38% for Target Corp and TIP REIT Facilities Management Services business

Valuation Summary

Based on the assumptions provided and using the mid-point of the valuation analysis, this Transaction would result in total combined value of <u>$70 per share for Target shareholders (74% premium to the 20-day average trading price)</u> and $83 per share twelve months later



For illustrative purposes, assumes Transaction occurs on 01/01/09

(1) Based on a 20-day trading average as of 10/24/08; assumes sale of remaining 53% interest on credit card business with proceeds used to pay down debt

(2) Based on mid-point of valuation analysis

Even ignoring valuation benefits, there are important strategic reasons to consummate the Transaction…

Transaction Rationale

Transaction Rationale

- ✓ **Target Corp retains control over its buildings and brand**
- ✓ **Improves Target's access to capital and decreases its capital needs**
- ✓ **Creates a non-cash currency for tax-efficient real estate acquisitions**
- ✓ **Improves management focus on core operations**
- ✓ **Tax-free spin-off**
- ✓ **Optimizes ownership of land**
- ✓ **Increases total free cash flow**
- ✓ **Improves store-level ROIC and Target's EPS growth rate**
- ✓ **Maintains investment grade credit ratings profile**
- ✓ **Increases total dividends from $0.60/share today to $1.86/share in 2009E (1)**
- ✓ **Enormous value creation**

(1) Excludes $112mm (approximately $0.16/share) of incremental interest expense due to CY2009 cash E&P distribution

Retains Control Over its Buildings and Brand

Flexible lease structure will allow Target Corp to retain control of its brand and stores

- **Target Corp maintains control over its real estate construction, remodeling, and relocation efforts**
- **All economic benefits of construction / remodeling of stores stay with Target Corp**
- **Ground lease provides Target Corp with a high degree of control and flexibility**
  - 75-year lease term with the ability to relocate and sublease
  - Lease term flexibility on a store-by-store basis
- **Contingent rent eliminates GAAP straight-line rent leveling requirements**
- **Unique landlord / tenant relationship benefits both TIP REIT and Target Corp**
  - TIP REIT and Target Corp have a mutual vested interest in maintaining the strong viability of the Target brand and retail business

Improves Overall Access to Capital

Today, only the most stable and unlevered businesses can freely access the debt and equity capital markets. TIP REIT will be one of the most stable companies in the world today

TIP REIT

- **Simple, predictable business**
- **High margins and strong cash flows**
- **Unlevered balance sheet**
- **75-year lease**
- **No transaction income**
- **Inflation-protected income stream**
- **Tremendous security**
- **No maintenance capital requirements**
- **No currency or commodity risk**
- **High-quality, in-demand tenant**
- **Diversified real estate geography**

TIP REIT will have better and cheaper access to the capital markets than any retailer. As such, Target will have a stable strategic and financial partner to fund future growth

Decreases Target Corp's Capital Needs

Today, on average, it costs Target approximately $100/sq. ft. to procure and develop land for its stores. In 2009, this is expected to amount to roughly 50% of growth capital or $1.1bn

Land
Cost of raw land
Permits / Zoning
Professional fees (title search, legal, engineering, appraisal, etc…)
Surveying and environmental assessments
Real estate taxes

Land Improvements
Land excavation (fill, grading)
Drainage
Demolition costs of existing properties
Sewage systems (1)
Parking lots (1)
Lights (1)
Fencing (1)
Sidewalks (1)
Landscaping (1)

Outsourcing these capital requirements to TIP REIT would increase Target Corp's cash flows and decrease its need for growth capital

(1) Depreciable asset

Decreases Target Corp's Capital Needs *(cont'd)*

The Transaction enables Target Corp to generate more free cash flow after growth capex than Target today. As such, Target Corp will not need to access the capital markets because TIP REIT will provide future growth capital and taxes will be reduced

($mm, except per share data)	2009E Target Corp [1]	2009E TIP REIT	2009E "Combined"	2009E Standalone [1]
Maintenance Free Cash Flow	**$1,933**	**$1,344**	**$3,278**	**$2,830**
Less: New Building Development/Other Capex	(1,112)	–	(1,112)	(1,112)
Less: New Land Development Capex	–	(1,079)	(1,079)	(1,079)
Equals: Free Cash Flow after Total Capex	**$821**	**$266**	**$1,087**	**$639**

Target Corp would have approximately $200mm of incremental FCF after growth capex *versus* Target Standalone <u>as a result of not funding new land development and reduced taxes</u>

(1) Assumes sale of remaining 53% interest on credit card receivables for $4.4bn on 01/01/09 with Target retaining $150mm of credit card EBITDA in '09E

Creates Currency for Tax Efficient Acquisitions

Utilization of an UPREIT structure would provide TIP REIT with an attractive acquisition currency that allows selling landowners to access liquidity, diversification, and yield without triggering tax

- An UPREIT owns some or all of its assets through an Operating Partnership (“OP”) and can make acquisitions by exchanging OP units for real property

- OP units are convertible, on a one-for-one basis, into TIP REIT shares

Creates Currency for Tax Efficient Acquisitions

There are several benefits to an UPREIT structure

- **To TIP REIT:**
  - ✓ OP units are an attractive acquisition currency in transactions with landowners who typically have a very low basis in their properties
  - ✓ OP units do not require any capital market access
  - ✓ TIP REIT may be able to acquire land from current Target landowners who historically would not sell for tax reasons
- **To Land Owners:**
  - ✓ Defers tax on sale of land to OP
  - ✓ Conversion right gives seller liquidity
  - ✓ OP unit represents a diversified real estate investment
  - ✓ Structure allows a diverse group of property owners to manage individual tax, liquidity, and other needs

Improves Management Focus

Management will be able to focus on retail operations

- **Target's core competency is retailing (i.e. merchandising, branding, marketing, and designing a unique shopping experience)**

- **Management will increase focus on Target's core competencies and outsource certain other functions:**
  - Facilities management (lawn care, parking lot maintenance, etc.)
  - Land development, planning, and zoning
  - Environmental planning

Target Corp can better focus on retailing while TIP REIT can focus on facilities management and land acquisitions

Tax-free Spin-off

The Transaction satisfies all of the requirements for a tax-free spin-off

	Requirements	Application
Business Purpose	▸ The spin-off must be motivated by a non-tax corporate business purpose	✓ Improved access to capital and capital allocation ✓ Improved currency for future real estate acquisitions ✓ Improved management focus on retail operations ✓ Enhanced equity-based management compensation ✓ Leases are structured to ensure TIP REIT is treated as tax owner of land
Active Trade or Business	▸ Both Parent and SpinCo must each be engaged in an active trade or business immediately after the spin-off ▪ The business must also have been conducted throughout the 5-year period ending on the date of the spin-off	✓ Facilities Management Services business is an active trade or business that has been conducted by Target Corp, in addition to its retail business, for the past five years ▪ TIP REIT expected to continue to offer Facilities Management Services to customers other than Target Corp
Device	▸ The spin-off cannot be principally used as a device for the distribution of earnings and profits	✓ Non-tax business purpose for separation, widely-held ownership of Target Corp and TIP REIT, and absence of plan by shareholders to sell stake in either company evidence that transaction is not a device ✓ Leases are structured to ensure TIP REIT is treated as tax owner of land
Distribution of Control	▸ Parent must have control of SpinCo immediately prior to the distribution ▪ Control means 80% of total voting power and 80% of the number of shares of each class of non-voting stock	✓ Target Corp will have control of 100% of TIP REIT prior to spin-off

Optimizes Land Ownership: Depreciation Considerations

- **Raw land (and the majority of the capitalized costs associated with land procurement / development) cannot be depreciated**
- **Unlike buildings, which are depreciable and remain at Target Corp, land development has minimal offsetting tax deductibility**
- **However, ground rent is tax deductible**
- **As such, long-term ground leases are a more tax-efficient way for a tax-paying entity to control real estate than outright land ownership**
- **Unless it is in the business of land speculation, there is no distinct strategic advantage for a retailer to own land versus a very long-term, covenant-free ground lease**
- **On the other hand, <u>a REIT should own land</u> since (1) it is not a tax-paying entity and does not get any benefits from depreciation and (2) it is in the business of owning real estate**

Optimizes Land Ownership: REIT Conversion

The Transaction satisfies all the requirements of a REIT conversion, thus optimizing the ownership of land for Target shareholders

	REIT Requirements	Application
Ownership	▶ REIT must have 100 or more shareholders ▶ Five or fewer individual shareholders may hold no more than 50%	▶ TIP REIT will be widely held by the public ▶ Restrictions will be placed on the ownership of TIP REIT shares to ensure no single shareholder may own > 9.9% of its shares
Asset Test	▶ At least 75% of assets must be comprised of real estate, cash or cash items and Government securities ▶ REIT can conduct non-real estate related activities through a taxable REIT subsidiary (TRS). TRS shares could be up to 25% of the gross asset value of all the REIT's assets	▶ Land satisfies the asset test ▶ The Facilities Management Services business will be placed in a TRS and its income will be taxed at the corporate level ▶ The value of TIP REIT's TRS shares will be less than 25% of the total value of TIP REIT
Income Test	▶ At least 75% of REIT's gross income must consist of rents, gain from disposition of real property and income from other REITs ▶ Rents from related parties are disqualified under the income test (parties are related if there is a 10% or greater ownership by vote or value of the tenant by the REIT) ▶ At least 95% of gross income must consist of (i) income that satisfies the 75% income test and (ii) dividends and interest from any source	▶ Rental income from leases will satisfy the 75% income test; rental income and dividends will satisfy the 95% income test ▶ New 9.9% TIP REIT ownership restriction will ensure that rents from Target Corp are not related-party rents
Distribution Requirements	▶ In the year of election, REIT must distribute C-Corp earnings and profits by end of taxable year ▶ At least 90% of REIT taxable income must be distributed annually (undistributed income would remain subject to corporate-level tax)	▶ TIP REIT will make a taxable distribution of stock and cash by December 31 of year of spin-off to purge retained Earnings and Profits ▶ TIP REIT will distribute ≥ 100% of its REIT taxable income

Increases Total FCF via REIT Conversion

The Transaction allows for greater free cash flow generation for Target's shareholders than the Standalone company provides

- **Most D&A remains at tax-paying entity (Target Corp)**
- **Ground lease expense at Target Corp is tax deductible**
- **REIT does not pay taxes**

	TARGET Corp		TIP REIT [2]		TARGET "Combined"	TARGET Standalone	Differential
2009E Maintenance FCF/Share [1]	$2.68	+	$1.86	=	$4.54	$3.92	$0.62
2009E EPS [1]	$2.23	+	$1.79	=	$4.02	$3.40	$0.62

- **Using Target's '09 P/E multiple of 11.8x (based on $40/share), the incremental earnings accretion from this Transaction creates $7 per share of value ignoring other valuation benefits**

(1) Assumes sale of remaining 53% interest on credit card business is sold in both Standalone and Transaction scenarios
(2) Normalized to exclude $112mm (approximately $0.16/share) of incremental interest expense due to CY2009 cash E&P distribution

Improves Store-level ROIC at Target Corp

Assuming the average store real estate costs $26mm, of which $13mm is allocated to the land and $13mm to the building, store-level return on investment increases from 23.0% to 39.8%

Owned Store Level Operating Data and Assumptions ($mm)	**Standalone 2007A**	**Pro Forma 2007A**
Retail Sales per Avg. Store	$40	$40
Estimated Four-Wall Operating Costs	34	35
Ground Lease Expense per Avg. Store	--	1 (1)
Estimated Four-Wall EBIT per Avg. Store	$6	$5
Margin (%)	*15.0%*	*13.0%*
New Land Capex	$13	--
New Building Capex	13	13
Total Investment	$26	$13
Estimated Returns on Investment (%)	***23.0%***	***39.8%***

(1) Assumes $0.9mm of ground lease rent expense, based on $7/sq. ft. lease cost and 131k of store square footage, on average

Increases Target Corp's EPS Growth Rate

Because of its higher ROIC, improved free cash flow profile, and more efficient capital structure, Target Corp's EPS growth will exceed that of Target Standalone

Earnings per Share ($)

	2008	2009	2010	2011	2012	2013	'09-'13 CAGR (%)
PF Target Corp [1]		$2.23	$2.67	$3.20	$3.70	$4.27	**17.6%**
EPS Growth (%)			*19.5%*	*20.2%*	*15.5%*	*15.3%*	
Target Standalone [1, 2]	$3.29	$3.40	$3.90	$4.57	$5.18	$5.89	**14.7%**
EPS Growth (%)		*3.5%*	*14.8%*	*17.0%*	*13.4%*	*13.8%*	

Memo: Operating Assumptions:

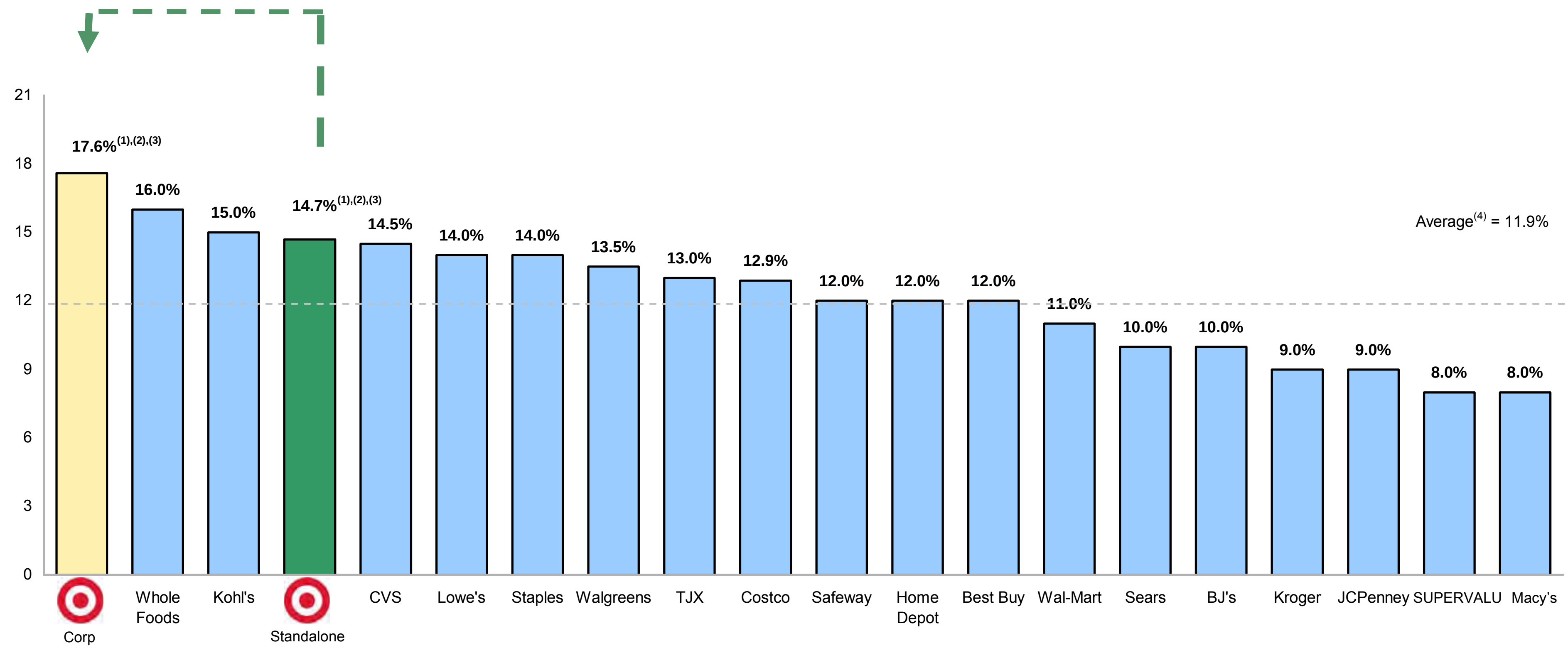
	2009	2010	2011	2012	2013
Same-store sales	0.5%	3.3%	3.5%	3.5%	3.5%
Sq. ft. growth	4.7%	4.1%	6.0%	6.5%	7.0%
Gross Margin	30.0%	30.1%	30.2%	30.2%	30.2%
SG&A as % of sales	20.2%	20.1%	20.0%	20.0%	20.0%

(1) Assumes remaining 53% interest of credit card business sold for $4.4bn on 01/01/09 and all proceeds used to pay down debt
(2) Assumes Target Standalone maintains existing dividend policy

Increases Target Corp's EPS Growth Rate *(cont'd)*

Pro forma for the Transaction, Target Corp's long-term EPS growth rate would be at the top of its peer group

Long-term EPS Growth (%)



(1) Represents 2009–2013 EPS CAGR
(2) Assumes additional future share buyback at a constant forward P/E of 16.0x
(3) Assumes sale of credit card business for $4.4bn on 1/1/09 and uses proceeds to pay down debt
(4) Excludes Target
Source: FactSet and Company filings for Retailers, excluding Target

Maintains Investment Grade Credit Ratings

Post-transaction, we believe Target Corp will be rated investment grade, either in the Mid - High BBB or Low A categories, depending on whether the rating agencies take a "De-consolidated" or "Consolidated" view. A "Consolidated" view would assess the credit profile of the Target system, effectively cancelling TIP REIT's rent payments, leading to a higher rating. This is similar to how the agencies rate Coca Cola and its bottlers

	Target Corp	Target Combined
	"De-consolidated View"	**"Consolidated View"**
PF 2008E Credit Metrics:		
Lease Adj. Debt/EBITDAR	3.6x	2.4x
Debt/EBITDA	2.3x	2.3x
EBITDAR/(Interest + Rent)	3.2x	7.3x
EBITDA/(Interest)	9.7x	8.8x
Expected Rating	**Mid - High BBB/Baa**	**A- / A3**

To be conservative, we have assumed that the agencies will take a "De-consolidated View" and Target will maintain solid investment grade ratings in the Mid - High BBB/Baa category (versus A+/A2 rating today)

Pro Forma 2008E Balance Sheets

The table below sets forth the Balance Sheets for the two entities

($mm)	Target Corp	TIP REIT	Intercompany Adjustments	"Combined" Consol. Rating Angencies View
Balance Sheet Data:				
8/2/08 Debt	$19,655	–	–	$19,655
Less: Debt Paydown with H2 '08 Cash Flow [1]	(200)	–	–	(200)
Less: Debt Paydown from Excess Cash	–	–	–	0
CY2008E Debt	**19,455**	**–**	**–**	**$19,455**
Less: Debt Paydown from Credit Card Proceeds	(4,400)	–	–	(4,400)
Less: Elimination of JPMorgan Financing	(3,600)	–	–	(3,600)
Plus: Debt Issued for E&P Distribution at TIP REIT [2]	–	1,600	–	1,600
Plus: Debt Issued to Fund Land Development at TIP REIT [3]	–	1,322	–	1,322
Less: Debt Paydown	–	–	–	
PF2008E Ending Debt	**$11,455**	**$2,922**	**–**	**$14,377**
Plus: Lease Adjusted Debt (8x 2008E Total Lease Expense)	12,309	–	(10,956)	1,353
PF2008E Lease Adj. Total Debt	**$23,764**	**$2,922**	**($10,956)**	**$15,730**
PF 2008E Credit Metrics:				
Debt / EBITDA	**2.3x**	**2.2x**	–	**2.3x**
Lease Adj. Total Debt / EBITDAR	**3.6x**	**2.2x**	–	**2.4x**
EBITDAR / (Interest+Rent)	**3.2x**	**6.6x**	–	**7.3x**

(1) Assumes remaining 53% interest of credit card business sold for $4.4bn on 01/01/09 and all proceeds used to pay down debt

(2) $1.6bn of debt issued to fund E&P dividend, which must be paid by December 31 of the year REIT status is elected

(3) Assumes that 1st year land acquisitions financed solely with debt

Target Corp: Deleveraging to an “A” Ratings Profile after 2 Years

TIP REIT will be required to fund land capex for the first two years after the spin-off. Thereafter, TIP REIT will be Target Corp’s land developer through its Preferred Vendor Agreement. As such, Target Corp will generate significant free cash flow and will likely deleverage to an A-/A3 ratings profile after two years

($bn, except where noted)	PF 2008E	2009E	2010E	2011E
End of Year Debt Balance	11.5	10.8	9.6	8.3
Lease Adj. Debt	12.3	12.9	13.8	15.0
End of Year Adj. Debt Balance	**23.8**	**23.8**	**23.4**	**23.3**
EBITDAR	**6.5**	**6.8**	**7.5**	**8.4**
Target Corp Adj. Debt/EBITDAR	**3.6x**	**3.5x**	**3.1x**	**2.8x**
Expected Ratings Profile	**Mid - High BBB/Baa**	**Mid - High BBB/Baa**	**High BBB/Baa**	**A- / A3**

Despite temporarily having a lower credit rating than today, (1) Target Corp will <u>not need access to capital</u> because it will be significantly free cash flow positive after growth capex and (2) it will be able to deleverage back to an “A” category credit rating in a short time frame

Target Corp: Bondholders' Perspective

The Transaction allows for meaningful debt paydown by 2011E of $7.8bn. Of this amount, $4.4bn comes from selling the remaining 53% interest in credit card receivables and $3.2bn from free cash flow after operating and investing activities

Target Corp Balance Sheet Data

($bn)	Debt	Cash		Comments
August 2, 2008 Debt	**$16.1**	**$1.5**		Debt excludes JP Morgan GAAP liability of $3.6bn
Less: Credit Card Proceeds	(4.4)			Sale of 53% interest of credit card receivables for $4.4bn
Less: Debt Paydown from H2 '08E	(0.2)			Assumes $1bn of stock buyback
CY2008E Debt	**11.5**	**0.5**	(1)	
Less: Debt Paydown in '09E	(0.6)	0.7	(1)	78% of Free Cash Flow generated
Less: Debt Paydown in '10E	(1.2)	0.7	(1)	96% of Free Cash Flow generated
Less: Debt Paydown in '11E	(1.3)	0.8	(1)	95% of Free Cash Flow generated
CY2011E Debt	**$8.3**	**$0.8**	(1)	

(1) Assumes a minimum cash balance of 1% of sales

What's Better: Debt or a TIP REIT Master Lease?

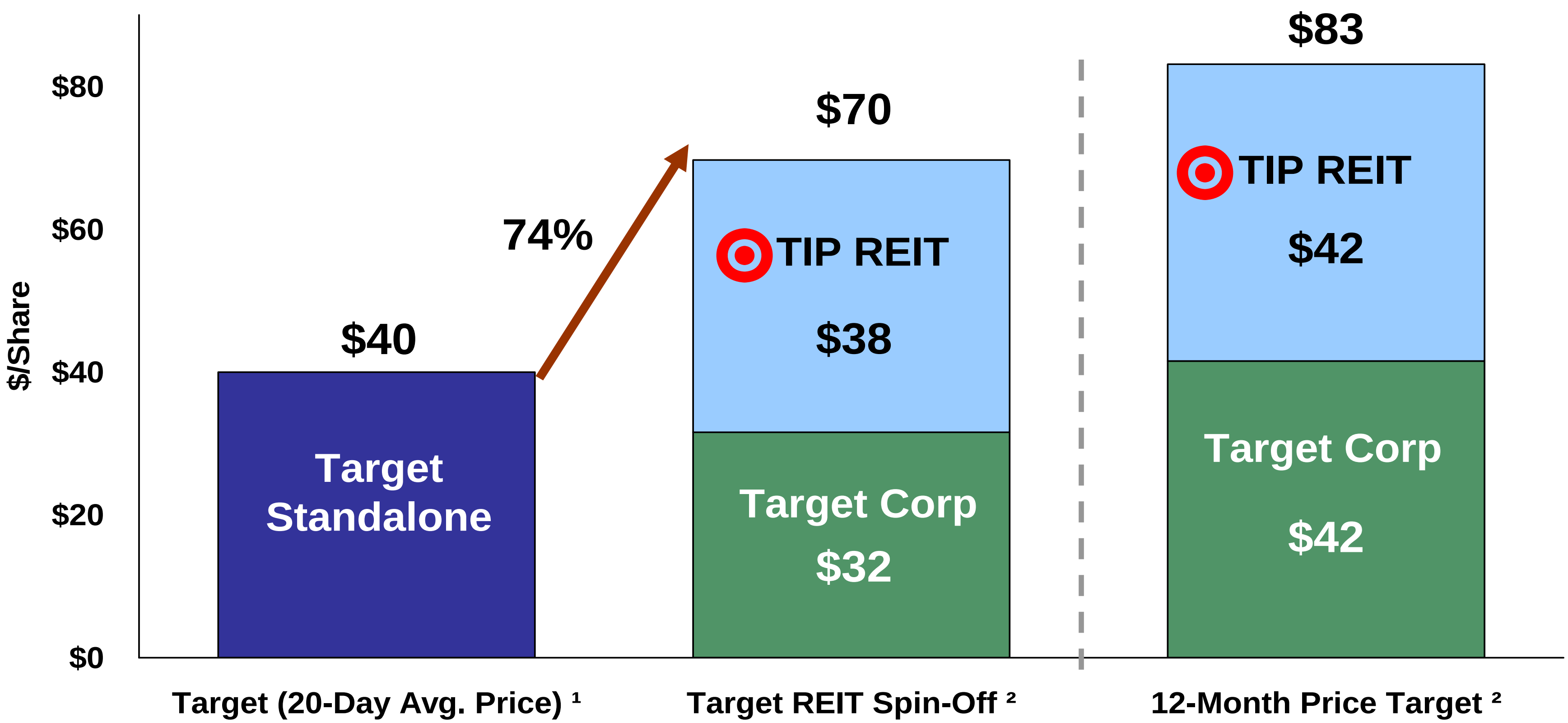
TIP REIT's Master Lease is much more attractive than long-term debt

	Debt	TIP REIT Master Lease
Liquidity Risk	**Yes**	**None**
Financial Covenants	**Many covenants**	**None**
Holders	**Unrelated investors**	**Strategic partner / "Friendly landlord"**
Market access?	**Currently difficult to access**	**Spin-off will obviate requiring access**
Duration	**30 year maximum**	**75 years**
Target's cost	**7.3% for 10-year bond (20-day average cost)**	**7% (Rent / cost sq. ft.)**

Strong Similarities with a Credit Card Partnership

	Credit Card Partnership	TIP REIT Spin-off
Control	Target can control its credit card business without the <u>need to own receivables</u>	Target can control its buildings and retailing strategy without the <u>need to own land</u>
Capital Allocation	Receivables ownership is transferred to a party with a lower cost of capital	Land (and land improvements) ownership is transferred to a party with a lower cost of capital
Use of Proceeds	Primarily to return capital to shareholders (via buyback)	Return capital to shareholders (via spin-off of TIP REIT)
Taxable Gains	Minimal	None
Improved Access To Capital	Credit Card Partner funds future receivables growth	TIP REIT funds future land procurement and development
ROIC	CC ROIC improves significantly	Store-level ROIC nearly doubles

Valuation Summary



	Target (20-Day Avg. Price) [1]		Target REIT Spin-Off [2]	12-Month Price Target [2]	
Equity Value ($bn)	$29	Target Corp	$23	Equity Value ($bn)	$30
Enterprise Value ($bn)	$40		$34	Enterprise Value ($bn)	$40
'09E EV/EBITDA	6.0x		6.5x	'10E EV/EBITDA	7.0x
'09E P/E	11.8x		14.2x	'10E P/E	15.6x
Equity Value ($bn)		TIP REIT	$27.5	Equity Value ($bn)	$30
Enterprise Value ($bn)			$27.5	Enterprise Value ($bn)	$31
'09E Dividend Yield			4.9%	'10E Dividend Yield	4.7%
Cap Rate			5.3%	Cap Rate	5.0%
'09E P/AFFO			20.5x	'10E P/AFFO	21.4x
'09E EV/EBITDA			19.3x	'10E EV/EBITDA	20.3x

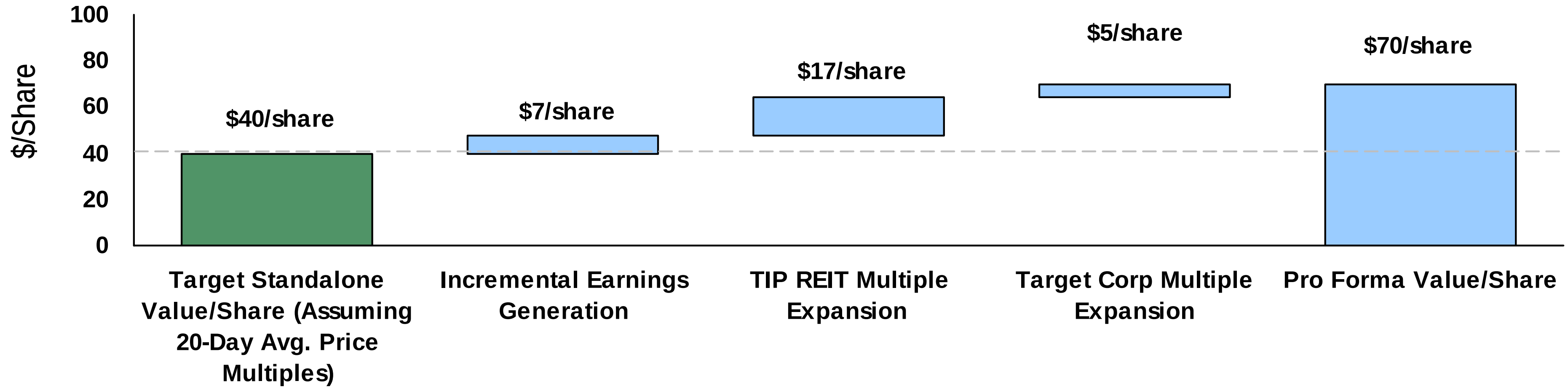
For illustrative purposes, assumes Transaction occurs on 01/01/09

(1) Based on 20-day trading average as of 10/24/08; assumes sale of remaining 53% interest on credit card business with proceeds used to pay down debt

(2) Based on mid-point of valuation analysis

Sources of Value

The main sources of value creation are incremental earnings generation via the REIT structure and multiple expansion at TIP REIT and Target Corp



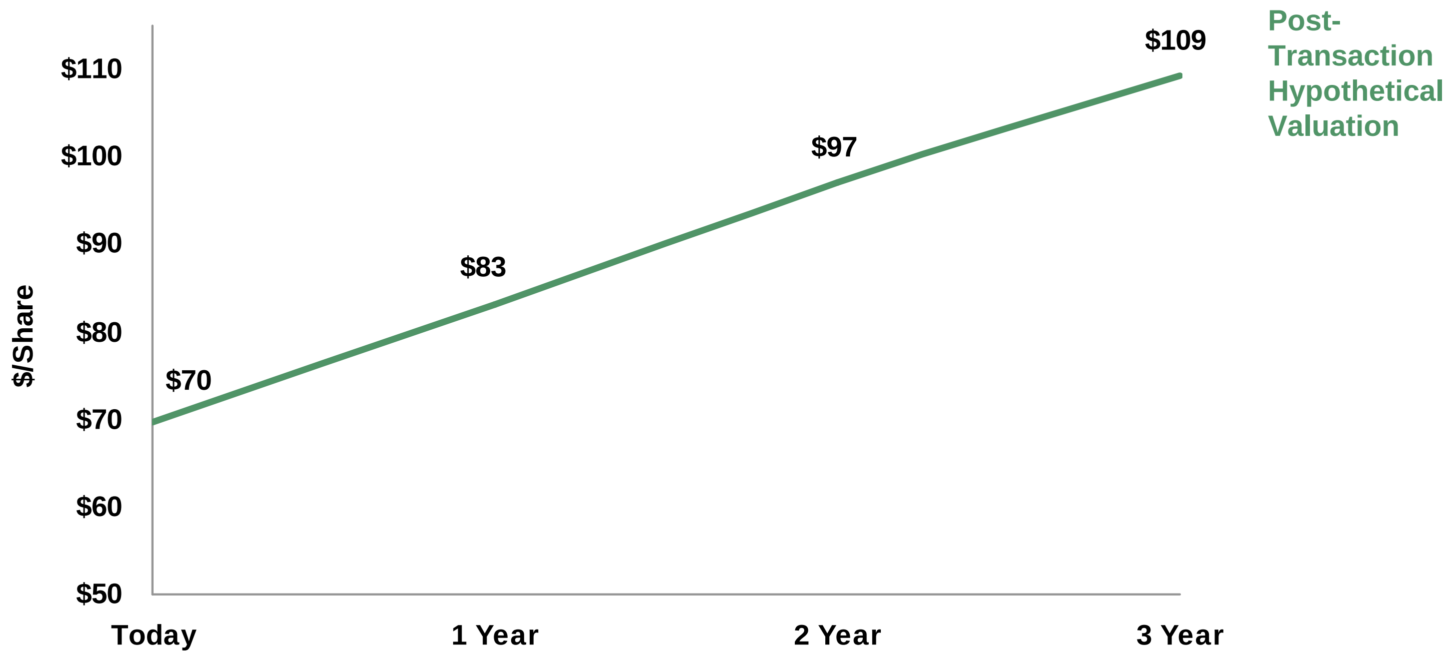
Incremental EPS Generation	
"Target Combined" 2009E EPS	$4.02
Target Standalone 2009E EPS	$3.40
Difference	$0.62
Target Current EPS Multiple	11.8x
Value Creation from Incremental EPS ($/share)	**$7**

Multiple Expansion	**Valuation**	**Multiple Expansion**
Target Corp 2009E EPS	$2.23	$2.23
Implied P/E Multiple	14.2x	2.4x
Target Corp ($/share)	**$32**	**$5**
TIP REIT 2009E EPS [1]	$1.79	$1.79
Implied P/E Multiple [2]	21.3x	9.6x
TIP REIT ($/share)	**$38**	**$17**

(1) Normalized to exclude $112mm of incremental interest expense due to CY2009 cash E&P distributions
(2) Implied P/E multiple of 21.3x based on the mid-point of today's estimated market value of $27.5bn, implying a 20.5x 2009E AFFO multiple, 4.9% dividend yield and 5.3% cap rate

Hypothetical Value Creation over Time [1]

The implied hypothetical future value per share post-transaction for Target shareholders is $109 in three years



TRANSACTION				
Target Corp - Hypothetical Value/Share	$32	$42	$50	$58
TIP REIT - Hypothetical Value/Share	$38	$40	$43	$45
TIP REIT - Cumulative Dividend [2]	$0	$2	$4	$6
Total Hypothetical Value/Share ($)	**$70**	**$83**	**$97**	**$109**

(1) Future values post 1-year are based on constant multiples
(2) Excludes one-time dividend from E&P distribution

Valuation: Potential Questions and Answers

Potential Questions

- ✓ **What's so special about TIP REIT?**
- ✓ **Why are TIPS the best comparable security to TIP REIT?**
- ✓ **Why is TIP REIT more valuable than a private ground lease?**
- ✓ **Why is TIP REIT unlike any existing REIT today?**
- ✓ **Why would this Transaction improve Target Corp's valuation?**
- ✓ **Why is this Transaction ideally suited for Target?**
- ✓ **What are the risks?**
- ✓ **Other potential questions**

What's So Special About TIP REIT?

TIP REIT Investment Highlights

“Land-only” structure is extremely secure

- $39bn of “Lease Security”, including $20bn of unencumbered buildings

Long-term lease provides bond-like stability and inflation-protection

- 75-year, inflation-protected “Master Lease” with Target Corp

Significant growth opportunity

- Formal arrangement with Target Corp provides long-term growth pipeline

High quality locations and superb tenant profile

De minimis maintenance capex allows for strong FCF generation

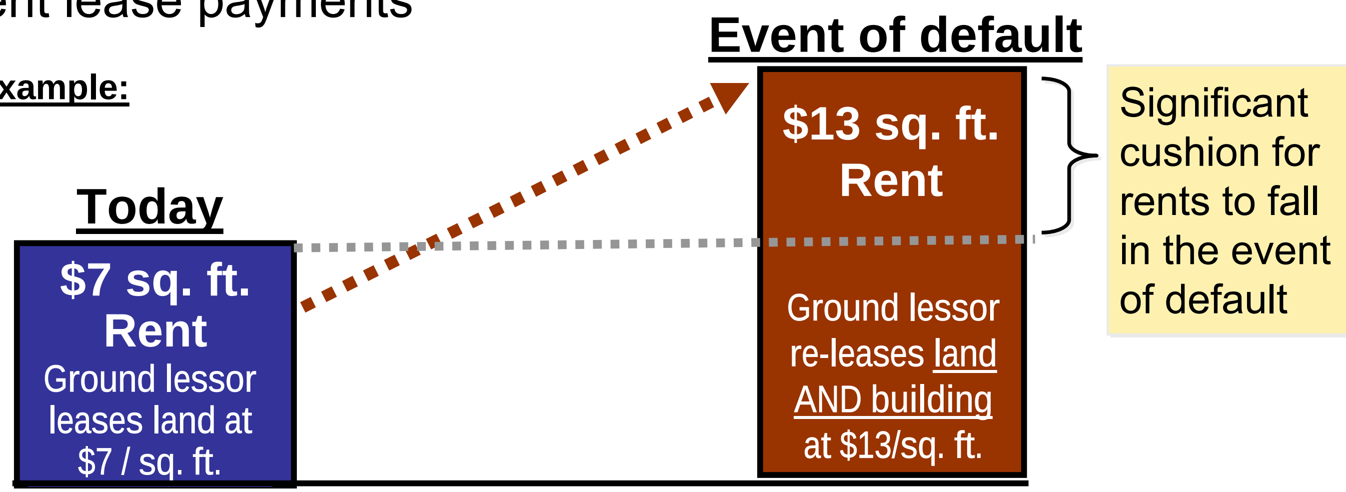
Tremendous size and scale – a “must-own” REIT

“Land-only” Structure is Tremendously Secure

TIP REIT’s land-only leases are <u>the most secure</u> form of real estate investment

- **Ground leases are the most secure form of real estate investment**
- **In the event of a default on a ground lease, the building and improvements revert to the landowner**
  - As such, in the event of tenant default, a landowner can re-lease the land **<u>and</u>** the building at significantly lower rent than market and still maintain its current lease payments

<u>Illustrative Example:</u>



Because it will lose its building in the event of default, a tenant is highly motivated to make its ground lease payments. The unencumbered building acts as collateral, making the ground lease extremely secure

$39 Billion of "Lease Security"

Although the buildings are not pledged as security, they will revert to the landowner upon a ground lease default. As such, illustratively, we define TIP REIT's "Lease Security" as the value of the land and unencumbered buildings. Based on replacement cost, this "Lease Security" is valued at $39bn

Total "Lease Security": $39bn

Replacement Value of Owned Land and Buildings (1), (2)

2008E Retail Real Estate:

2008E Total Sq. Ft. (mm)	Estimated % Owned	Owned Sq. Ft. (mm)	Value / Sq. Ft.	Total Value ($bn)
222	85%	189	$197	**37.4**

2008E DCs and WHs:

2008E Total Sq. Ft. (mm)	Estimated % Owned	Owned Sq. Ft. (mm)	Value / Sq. Ft.	Total Value ($bn)
44	81%	35	$50	**1.8**

Total Real Estate Replacement Value ($bn)	**$39.1**

Unencumbered "Collateral": $20bn (3)

Value of Buildings Only (on the Owned Land) (1)

Retail Buildings - 1,438 Stores in '08E:	
Estimated Replacement Cost per Square Foot	$99
2008E Owned Square Feet (mm)	189
Value of Owned Store Buildings ($bn)	**$18.7**

DC and WH Buildings - 25 DCs and WHs in '08E:	
Estimated Replacement Cost per Square Foot	$36
2008E Owned Square Feet (mm)	35
Value of Owned DC and WH Buildings ($bn)	**$1.3**

Total Value of Buildings on Owned Land ($bn)	**$19.9**

(1) Analysis excludes the value of owned buildings on third-party ground leased land; assumes cost of a Target store of $26mm ($13mm building and $13mm land) and cost of DC and WH of $70mm ($50mm building and $20mm land)
(2) Assumes 1,438 stores, and 25 DCs and WHs on owned land in 2008E
(3) Although the buildings are not pledged as security, the effective result is that they act like "collateral" in the event of tenant default

Unencumbered Assets Provide Significant Coverage

Based on our illustrative definition of "Lease Security," if TIP REIT trades at a dividend yield of 4.9%, its "Lease Security" would still be worth 142% of the enterprise value of TIP REIT. <u>No other REIT in the world today has this level of asset coverage in the event of a tenant default</u>

$ in billions

<u>"Lease Security"</u>	
Value of Land and Unencumbered Buildings	$39.1

TIP REIT Enterprise Value at 4.9% Dividend Yield	$27.5	(1)

<u>Illustrative Asset Coverage</u>	
"Lease Security" / EV	**142%**

(1) Based on the implied mid-point of valuation

Benefits of a Master Lease

A Master Lease has a number of structural advantages that will enhance the stability and security of TIP REIT

- **Under a master lease, all of the sites will be subject to a single lease agreement**
- **The master lease provides for an aggregate amount due for all of the sites**
  - Under the master lease, <u>a failure to pay full rent due on a single site will cause all of the leases covered by the master lease to be in default</u>
- **TIP REIT's rights under the master lease require Target Corp to satisfy its lease obligations under all events**
  - As the tenant, Target Corp must continue making lease payments to maintain ownership of all buildings and other improvements

Long-term Lease Provides Bond-like Stability

Given its long-term lease arrangement and its land-only structure, TIP REIT's risk profile will be similar to that of a long-term, senior secured, highly-rated, and inflation-protected bond

75-year Master Lease

- ✓ **Long-term lease**
- ✓ **100% occupancy**
- ✓ **Highly rated, high-quality tenant in Target**
- ✓ **Inflation protection**
- ✓ **Extremely low probability of lease default**

Land-only REIT structure

- ✓ **$39bn of "lease security" or 142% asset coverage at a 4.9% dividend yield**
- ✓ **Effectively "over collateralized" by $20bn of buildings**

TIP REIT

Risk profile:

- Long-term
- Senior Secured
- Highly-rated
- Inflation-protected
- Bond

Significant Growth Opportunity

In addition to its incredibly stable and secure cash flows, TIP REIT has strong growth prospects, given its initial 2-year exclusive right as Target Corp's land developer and its formal Preferred Vendor Agreement with Target Corp thereafter

- **TIP REIT's Preferred Vendor Agreement with Target Corp will provide it with a strong pipeline of land development opportunities**
  - Target Corp believes that in the U.S. alone it can double its store count to more than 3,000 stores
- **Significant square footage growth at TIP REIT will translate into strong NOI growth**
  - 2009E – 2013E retail square footage CAGR of 6.8%
  - 2009E – 2013E top-line CAGR of 9.3%
  - 2009E – 2013E NOI CAGR of 9.3%

High Quality Locations and Superb Tenant

TIP REIT's high quality locations and strong tenant profile will support its premium valuation

- **Attractive urban / suburban locations with strong demographics**
  - ✓ Geographically diversified portfolio of approximately 1,438 stores [(1)] in 48 states
  - ✓ Multiple opportunities for alternative use of land sites
  - ✓ Ability to attract shadow development, enhancing value of ground leases as sites evolve into in-fill locations
- **Strong tenant in Target Corp**
  - ✓ Leading brand, market share winner and "in demand" tenant
  - ✓ Investment grade tenant with strong financial outlook
  - ✓ Strong focus on maintaining and improving buildings
  - ✓ 100% occupancy for 75 years
  - ✓ Low store churn rate

(1) Represents 2008E Target Corp stores on TIP REIT land

Large Market Cap — Must Own Yield Stock

TIP REIT will be the 62nd largest company in the S&P 500

S&P 500 Ranked by Market Cap

Rank	Company	Market Cap. ($mm)
55	Home Depot	31,439
56	Devon Energy	30,851
57	Lockheed Martin	30,382
58	Union Pacific	29,674
59	Colgate-Palmolive	28,291
60	American Express	27,898
61	UnitedHealth Group	27,896
62	**TIP REIT**	**27,500**
63	Burlington Northern Santa Fe	27,386
64	Southern Co.	26,656
65	E.I. DuPont de Nemours & Co.	26,466

S&P 100 Non-Financials Ranked by Dividend Yield (1)

Rank	Company	Dividend Yield (%)
1	Pfizer	7.7
2	Verizon Communications	7.3
3	Dow Chemical	7.0
4	Bristol-Myers Squibb	7.0
5	General Electric	7.0
6	Altria Group	6.7
7	AT&T	6.5
8	Carnival	6.0
9	Eli Lilly	5.9
10	E.I. DuPont de Nemours	5.6
11	Merck	5.6
12	Philip Morris International	5.3
13	Caterpillar	5.0
14	**TIP REIT (2)**	**4.9**
15	Home Depot	4.9
16	Southern Co.	4.9

Given its market cap, TIP REIT will be owned by S&P 500 index funds, large cap funds, real estate index funds, yield-oriented investors, and investors seeking inflation-protected assets

(1) Represents non-financial companies in the S&P 500 with market caps greater than $20bn

(2) Based on 2009E dividends

Why are Treasury Inflation Protected Securities (“TIPS”) the Best Comparable Security to TIP REIT?

How is TIP REIT Similar to TIPS?

TIP REIT has many of the same features of Treasury Inflation Protected Securities (TIPS). However, TIP REIT has the added benefit of a growth platform and no “Phantom tax”

	TIP REIT	20-Year TIPS
Extremely low probability of default	▪ Backed by highly-rated Target Corp ▪ $39bn of “Lease Security” or ~140% TIP REIT’s EV at 4.9% dividend yield	▪ Backed by federal government
Inflation protection	▪ Rent income adjusted for CPI	▪ Payment based on CPI adjusted principal
Long-term duration with required payments	▪ 75-year lease term ▪ REIT dividend payment required by law	▪ 20 years ▪ Interest payment required by law
Liquidity	▪ $28bn market cap	▪ Over $450bn market (1)
Growth platform	▪ Yes	▪ No
“Phantom tax”	▪ No	▪ Yes (tax on inflation adj. principal)

(1) Size of total TIPS market

TIP REIT Can Be Valued As Two Entities

TIP REIT stock can be valued as two entities: (1) an Inflation-Protected Secured Bond that is nearly identical to TIPS and (2) a Land Developer with a stable growth platform

TIP REIT

TIP-like Security

Cash flows from the rental income generated by the existing, "static" ground lease portfolio

- ✓ **Nearly identical to TIPS, given stability, security and the long-term, inflation-adjusted nature of the Master Lease**
- ✓ **Inflation-linked rents based on the same CPI measure as used for TIPS**
- ✓ **Semi-annual dividend payments on the same date as TIPS interest payments**
- ✓ **Highly liquid**

Land Developer

Cash flows generated as the Preferred Land Developer of new Target stores

- ✓ **Exclusive right to be Target's land developer for the first two years post Transaction**
- ✓ **Preferred Land Developer after two years**
- ✓ **Attractive 6% – 8% square footage growth for the foreseeable future**
- ✓ **Provide Facilities Management services as part of land developer platform**

TIP REIT: (1) Valuing the TIP-like Security

The TIP-like Security should trade at a small spread to TIPS of 165 – 215 bps

	Rate / Yield	Spread to TIPS
20-year TIP Yield Today	3.0%	—
+		
Current TGT Unsecured CDS @ 190bps ± 25 bps	1.65% — 2.15%	165 bps — 215 bps
=		
TIP REIT: TIP-like Security	**4.65% — 5.15%**	**165 bps — 215 bps**

The current TIPS yield of 3.0% implies an <u>expected 20-year inflation rate of only 1.4%.</u> If the expected 20-year inflation rate increased to 2.0% and the 20-year Treasury rate remained constant, then the 20-year TIPS would yield 2.4% and TIP REIT would yield 4.05% – 4.55%. The higher the inflation rate, the more valuable TIP REIT will be

TIP REIT: (1) Valuing the TIP-like Security *(cont'd)*

Importantly, we believe our TIPS-based valuation analysis conservatively measures TIP REIT's credit risk

In the preceding analysis, we use Target's unsecured CDS spreads as the measure of credit risk under the TIP REIT Master Lease.

We believe this is conservative because while TIP REIT has Target's (unsecured) credit, it also has $20bn of unencumbered buildings that would revert to TIP REIT in the event of tenant default.

We estimate that Target's ground lease credit risk should be materially lower than Target's unsecured CDS spread

TIP REIT: (2) Valuing the Land Developer

TIP REIT's land development opportunity can be valued based on its growth platform value

- **Growth Platform Valuation**
  - Based on 20-year DCF analysis
  - Implied valuation at 4.65% – 5.15% cap rate and 10.5% – 12.5% discount rate
    - 2029E terminal NOI: $2,560mm
    - Valuation range of $0.0bn – $2.3bn

		2009	2010	2011	2012	2013	...	Terminal Value [1] 2029
Platform Value	Incremental Rental Revenues	$74	$145	$257	$391	$551		
	After-tax Facilities Management Income	12	12	14	15	17		
	G&A Expense	(20)	(21)	(21)	(22)	(22)		
	Total Capex	(1,079)	(1,008)	(1,582)	(1,863)	(2,190)		
	Free Cash Flow from Platform	($1,013)	($872)	($1,332)	($1,478)	($1,644)		
	Terminal Value							$55,047
	Discount Rate	**12.5%**	**10.5%**					
	Terminal Cap Rate	**5.15%**	**4.65%**					
	Present Value of Platform	**–**	**$2,293**					

(1) Based on 2029E NOI of $2,560mm and 4.65% cap rate

Valuation: TIP REIT in Total

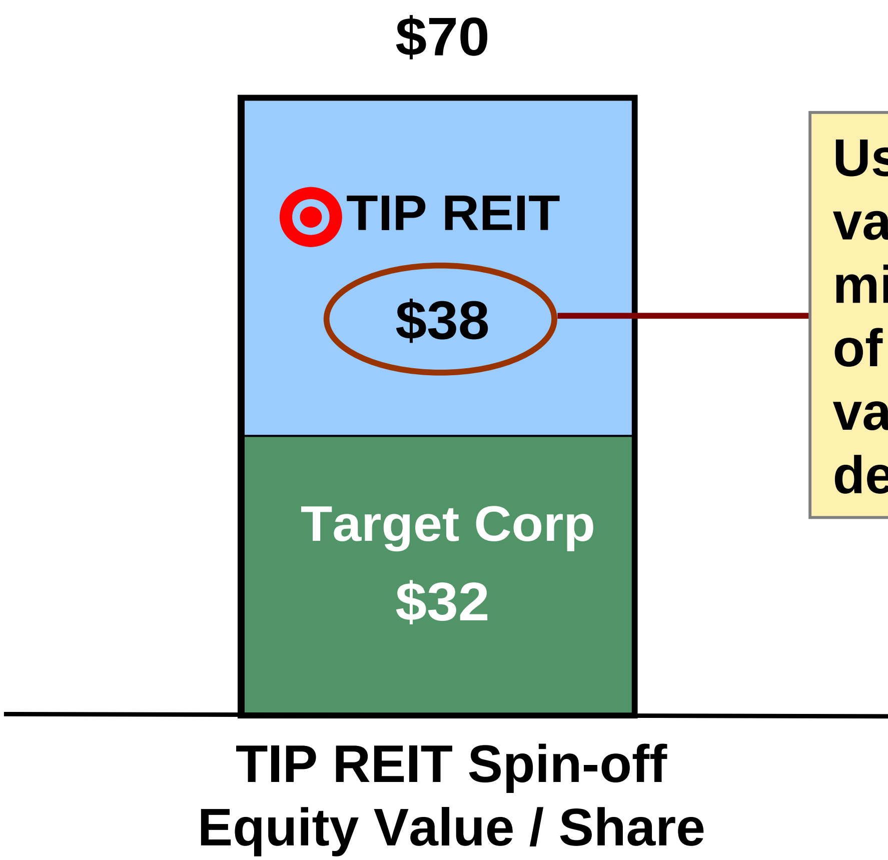
Based on "TIPS"-based valuation of TIP REIT, the implied TIP REIT valuation is $29bn, or $40/share today

	Equity Value (1)	Implied Cap Rate (2)	Valuation
TIP-like Security	$38/share	4.9%	■ 2008E Existing dividends: $1,354mm ■ Dividend yield: 4.65% – 5.15% ■ Valuation: $26bn – $29bn
+ Land Developer	$2/share		■ 2029E NOI: $2,560mm ■ Terminal cap rate: 4.65% – 5.15% ■ Discount rate on 20-yr DCF: 10.5% – 12.5% ■ Valuation: $0.0bn – $2.3bn
= Total TIP REIT	$40/share	5.1%	■ 2009E NOI of $1,462mm ■ Valuation: $26bn – $31bn or $36/share – $44/share

(1) At mid-point valuation
(2) Implied yield calculated based on NOI / Implied value

Conservative Approach to Valuation

Our mid-point valuation price for TIP REIT of $38 (1) implies a 4.9% dividend yield for the TIPS-like security and (2) excludes the value of the Land Developer



Using a "TIPS"-based valuation analysis, our mid-point valuation price of $38/share excludes the value of TIP REIT's development platform

TIP REIT Presents an Attractive Arbitrage

Long:	**TIP REIT @ $38 *(mid-point of valuation analysis)* – implies a ~490 bps dividend yield**
Short:	**TIPS @ 300 bps yield**
= Spread:	**190 bps**
Value:	**(1) Keep the 190 bps spread (nearly risk-free, given the security offered by $20bn of unencumbered buildings), or hedge Target unsecured risk with CDS**
	(2) Get the Land Developer for free, worth $2/share

How is this Trade Possible?

This arbitrage trade is feasible for several reasons:

- **The TIPS market is highly liquid**
- **TIP REIT would be a highly liquid security with an initial market capitalization of approximately $28 billion**
- **TIPS trade, even in the current low liquidity environment, approximately $1 – $2 billion per day**
  - Normal volume is typically $3 – $5 billion or more per day
- **TIPS are readily borrowable and easily shortable**
- **TIP REIT would pay semi-annual dividends on the exact same day that TIPS pay interest payments (Jan 15th and July 15th)**

High Demand for Inflation-Protected Securities

There is a strong demand for liquid, inflation-protected, income-oriented securities that offer higher yields than TIPS

- **Pensions, endowments, retirement funds**
- **Income-oriented institutional funds**
- **Retail / individual investors**
  - TIP REIT solves the “phantom tax” problem for individual investors
- **Depository institutions**
- **Arbitrage / hedge funds**
- **Insurance companies**
- **Strong international demand generated by recent European pension reforms requiring returns linked to inflation**

Why is TIP REIT More Valuable than a Private Ground Lease?

Ground Leases Typically Trade from 5.50% to 6.25%

Precedent private ground lease transactions support cap rates of approximately 5.50% – 6.25% for a typical ground lease with no development pipeline

Transaction	Tenant	Location	Building Size (Sq. Ft.)	Lot Size (Acres)	Cap Rate	Lease Term	Options	Total Lease Term with Options
For Sale	**Lowe's**	Princeton, WV	116,000	14.16	6.61%	20 Years	6, Five-Year	50 Years
For Sale	**Kohl's**	Selinsgrove, PA	68,416	4.47	6.25%	20 Years	8, Five-Year	60 Years
For Sale	**Lowe's**	Derby, CT	152,890	13.10	5.50%	20 Years	8, Five-Year	60 Years
For Sale	**Lowe's**	Eugene, OR	137,933	12.30	6.25%	20 Years	na	na
For Sale	**Wal-Mart**	Albuquerque, NM	40,000	5.15	5.50%	20 Years	15, Five-Year	95 Years
For Sale	**Kohl's**	Fort Gratiot, MI	89,008	14.75	5.75%	20 Years	4, Five-Year	40 Years
Sold	**Target**	Fairlawn, OH	99,402	5.28	6.00%	20 Years	6, Five-Year	50 Years
Sold - March 27, 2008	**Lowe's**	Whitehall, PA	166,609	14.24	6.05%	20 Years	na	na
Sold - March 23, 2008	**Home Depot**	Austell, GA	130,948	14.46	5.75%	20 Years	na	na
Sold - October 2007	**Kohl's**	Reno, NV	94,213	9.09	6.10%	na	na	na
Sold - September 2007	**Lowe's**	Escondido, CA	178,712	11.27	6.00%	20 Years	6, Five-Year	50 Years
Sold - July 2007	**Lowe's**	Sayre, PA	111,371	12.50	6.25%	20 Years	8, Five-Year	60 Years

Mean	**6.00%**
Median	**6.03%**
High	**6.61%**
Low	**5.50%**

Source: LoopNet and other public filings

Why is TIP REIT Better than a Private Ground Lease?

TIP REIT offers better value to investors than a typical private ground lease

- **TIP REIT has several qualities which make it more attractive than a private ground lease**
  - ✓ Large cap, liquid public ownership
  - ✓ 75-year Master Lease term (longer than most private ground leases)
  - ✓ 1,438 retail properties [(1)] in 48 states
  - ✓ Inflation-protected rental stream with annual adjustments
  - ✓ Best-in-class retail tenant
  - ✓ Geographic diversity
- **Unlike a static ground lease, <u>TIP REIT also has growth</u>, given its dependable new store growth pipeline**

Given the above factors, TIP REIT will trade at a lower cap rate than an individual private ground lease

(1) Represents 2008E Target Corp stores on TIP REIT land

Why is TIP REIT Unlike Any Existing REIT Today?

TIP REIT: Unlike Any Existing REIT Today

	TIP REIT	Large Cap REITs
Leverage	None	High: 63% Debt-to-TMC Average: 47% Debt-to-TMC
Refinancing Risk / Earnings Pressure	None	High – REITs have borrowed at low rates and are facing much higher rates and refinancing risk for debt maturities
Transaction Income	None / <u>100% rental income</u>	Sometimes
Re-leasing Risk	None / 75-year lease	Yes, typically 10% or more of leases up for renewal annually
Maintenance Capital	None	Yes, typically 8% of EBITDA
Growth	Preferred vendor arrangement	No preferred arrangement
"Lease Security"	$20bn of unencumbered buildings, given "land-only" structure	None. Owns both land buildings

TIP REIT: No Maintenance Capital Requirements

TIP REIT's "land-only" structure maximizes cash flow. Unlike large cap real estate companies that spend on average 8% of EBITDA to maintain depreciable properties, TIP REIT requires virtually no maintenance capital

	10 Largest REITs [1]	Maint. Capex / EBITDA [2]
1	TIP REIT	0.0%
2	Simon Property Group	8.7%
3	Public Storage	5.5%
4	Vornado Realty Trust	13.4%
6	Boston Properties	11.8%
5	Equity Residential	6.9%
7	HCP, Inc.	6.9%
8	Kimco Realty Corporation	6.7%
9	ProLogis	8.5%
10	AvalonBay Communities	5.7%
	Average (Excluding TIP REIT)	**8.2%**

Given TIP REIT's de minimis maintenance capital requirements, TIP REIT's free cash flow should be compared to a real estate investment trust's AFFO, not the "FFO" metric

(1) By equity market value
(2) Source: Wall Street research; 2008E maintenance Capex / EBITDA

TIP REIT: Tremendous Size and Scale

TIP REIT owns land under 225mm square feet of buildings [(1)], including 35mm sq. ft. of distribution facilities. TIP REIT would have a larger equity market capitalization than any real estate company in the U.S. today

	10 Largest REITs [(2)]	Equity Market Value ($mm)	Total Owned GLA [(3)] (mm)
1	**TIP REIT [(1)]**	**27,500**	**225**
2	Simon Property Group	**20,836**	**160**
3	Public Storage	**13,891**	**125**
4	Vornado Realty Trust	**13,023**	**81**
6	Boston Properties	**10,679**	**41**
5	Equity Residential	**10,479**	**na**
7	HCP, Inc.	**8,450**	**na**
8	Kimco Realty Corporation	**7,451**	**74**
9	ProLogis	**7,170**	**487**
10	AvalonBay Communities	**6,106**	**na**

Given its size and scale, TIP REIT will be a “must own” stock for any real estate equity investor

(1) Represents 2008E Target Corp stores, distribution facilities and warehouses on TIP REIT land
(2) By equity market value; based on a 20-day trading average as of 10/24/08
(3) Based on company filings as of Q2 2008A

TIP REIT versus Triple Net Lease REITs

TIP REIT is a much more stable, faster growing and higher quality business than any Triple Net Lease REIT

	TIP REIT	Triple Net Lease REIT
Lease Type and Terms	Land-only Master Lease ✓ Highly secure given unencumbered buildings worth $20bn ✓ 75-year lease term	Fee simple individual leases ✓ No "over-collateralization" and often unmarketable specialty use properties ✓ ~13-year avg. remaining lease term (1) ✓ Individual leases have re-leasing risk
Asset Quality	High quality / Multiple alternative uses	Mixed quality / Limited alternative use
Tenant Quality	Investment grade credit and improving ✓ Leading GM Retailer	Generally below investment grade credit and deteriorating ✓ Unproven, often specialty retail
Size and Scale	Largest market equity cap	Small equity market cap
Growth	Preferred Vendor Agreement with a fast-growing, leading retailer	Limited growth / no formal arrangement

(1) Extension option detail not disclosed in company filings

Side-by-Side Comparison with Triple Net Lease REITs

Leases:	TIP REIT @ $38/share	Realty Income	National Retail Properties NYSE:NNN	Entertainment Properties Trust Five Star Properties
Leased Property	Land-only	Land and Building	Land and Building	Land and Building
Lease Type	Master Lease	Individual Leases	Individual Leases	Individual Leases
Unencumbered Assets of the Tenants	1,438 Stores and 25 Distribution Facilities (1)	None	None	None
Effective "Over-collateralization"	$20 billion of Buildings	None	None	None
Avg. Remaining Lease Terms (Yrs)	75.0	13.0 (3)	13.0 (3)	13.0 (3), (4)
Estimated Lease Turnover ('08–'17)	0.0%	34.8% (4)	45.6% (4)	35.4% (4)
Size:				
Equity Market Value ($mm) (2)	$27,500.0	$2,405.5	$1,523.3	$1,428.9
Enterprise Value ($mm) (2)	$27,500.0	$4,183.6	$2,714.5	$2,934.4
Gross Leasable Area (mm sq. ft.)	225 (1)	19	11	9 (4)
Leverage:				
(Net Debt + Preferred) / EV	8.6% (5)	42.5%	43.8%	50.7%
Growth Opportunity:				
Preferred Vendor Agreement	Yes	No	No	No

Source: Company filings
(1) Represents 2008E Target Corp stores, distribution facilities and warehouses on TIP REIT land
(2) Triple net lease REITs are based on a 20-day trading average stock price as of 10/24/08
(3) Extension option detail not disclosed in company filings
(4) Based on 2007A
(5) Based on 2009E

Triple Net Lease REIT Tenants: A Closer Look

Leading tenants for triple net lease REITs are predominantly junk credits with some in bankruptcy; real estate has limited alternative uses

REALTY INCOME

Five Leading Tenants: (23% of Revenues) [(1)]

Buffets
- Filed for bankruptcy in January 2008
- Buffets restaurants have limited alternative use

Kerasotes ShowPlace Theatres
- Mid-west movie theatre chain
- Junk credit rated B1 / B-
- Real estate has poor alternative use

The Pantry
- Convenience store operator with bankruptcy concerns
- Junk credit with bonds Caa1 rated by Moody's trading at 14.5%

La Petite Academy
- Child care/learning center operator
- Operate 570+ education centers in 36 states

Children's World
- Child care/learning center operator
- Mostly operating in the Mid-west

NATIONAL RETAIL PROPERTIES
NYSE:NNN

Five Leading Tenants: (32% of Gross Assets) [(1)]

The Pantry
- Convenience store operator with bankruptcy concerns
- Junk credit with bonds Caa1 rated by Moody's trading at 14.5%

Circle K (Susser Holdings)
- Struggling owner of convenience stores
- Susser is B+ rated by S&P with a negative outlook
- Senior Unsecured Debt is B3 rated by Moody's

Kerasotes ShowPlace Theatres
- Mid-west movie theatre chain
- Junk credit rated B1 / B-
- Real estate has poor alternative use

Mister Car Wash
- Conveyor car wash chain started in Houston, TX
- Portfolio of 60 car washes, 24 lube shop, and 3 convenience stores

Road Ranger
- Private Mid-west convenience store operator
- Portfolio of 73 locations in seven states

ENTERTAINMENT PROPERTIES TRUST
FIVE STAR PROPERTIES

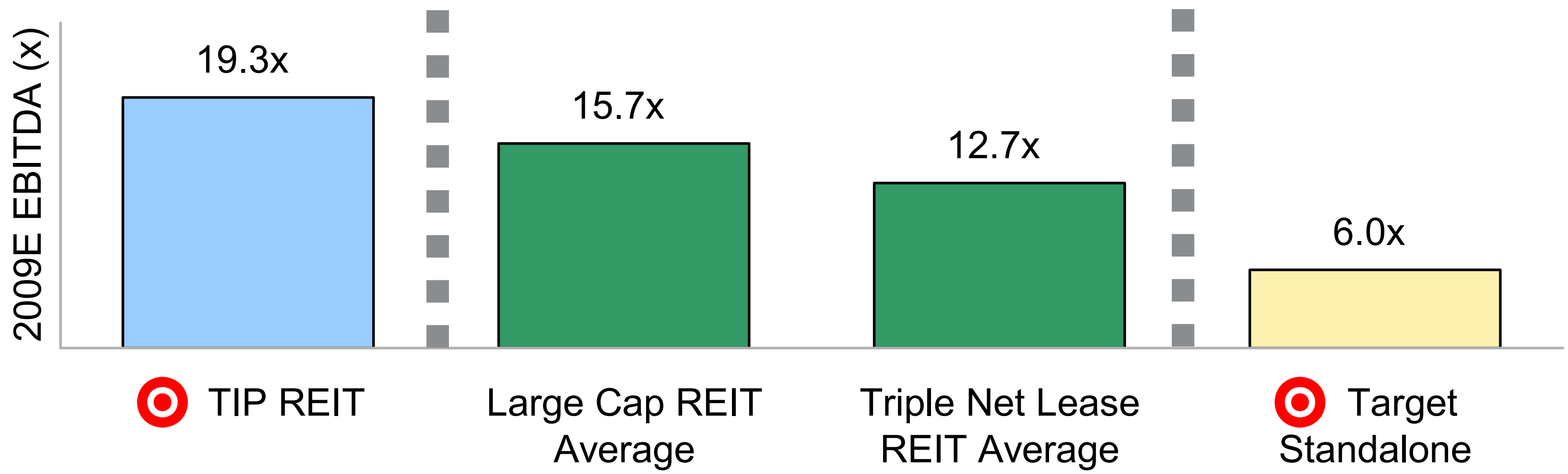
- ☒ Movie theatre REIT with **AMC Entertainment** representing over 50% of gross leasable area
- ☒ AMC has ~6.4x rent adjusted leverage and its bonds trade at a 14.1% yield
- ☒ The movie theatre industry is highly competitive, very consumer sensitive and suffering secular pressures from at-home-entertainment
- ☒ Movie theatres have limited alternative uses

(1) Source: Wall Street research

REIT Multiples

TIP REIT will trade at a significant premium to any REIT because of its stability, security, and certain growth

2009E EV/EBITDA



'09E Dividend Yield	4.9%
Cap Rate	5.3%

Note: Target Standalone, Large Cap REITs, and Triple Net Lease REITs stock prices based on 20-day trading average as of 10/24/08

TIP REIT's only commonality with other REITs is its Tax-Exempt structure

Why Would this Transaction Improve Target Corp's Valuation?

Improves Store-level ROIC at Target Corp

Assuming the average store real estate costs $26mm, of which $13mm is allocated to the land and $13mm to the building, we believe store level return on investment would increase from 23.0% to 39.8%

Owned Store Level Operating Data and Assumptions ($mm)	Standalone 2007A	Pro Forma 2007A
Retail Sales per Avg. Store	$40	$40
Estimated Four-Wall Operating Costs	34	35
Ground Lease Expense per Avg. Store	--	1[(1)]
Estimated Four-Wall EBIT per Avg. Store	$6	$5
Margin (%)	*15.0%*	*13.0%*
New Land Capex	$13	--
New Building Capex	13	13
Total Investment	$26	$13
Estimated Returns on Investment (%)	***23.0%***	***39.8%***

(1) Assumes $0.9mm of ground lease rent expense, based on $7/sq. ft. lease cost and 131k of store square footage, on average

Increases Target Corp's EPS Growth Rate

Because of its higher ROIC, improved free cash flow profile, and more efficient capital structure, Target Corp's EPS growth will exceed that of Target Standalone

Earnings per Share ($)

	2008	2009	2010	2011	2012	2013	'09-'13 CAGR (%)
PF Target Corp [1]		$2.23	$2.67	$3.20	$3.70	$4.27	**17.6%**
EPS Growth (%)			*19.5%*	*20.2%*	*15.5%*	*15.3%*	
Target Standalone [1, 2]	$3.29	$3.40	$3.90	$4.57	$5.18	$5.89	**14.7%**
EPS Growth (%)		*3.5%*	*14.8%*	*17.0%*	*13.4%*	*13.8%*	

Memo: Operating Assumptions:

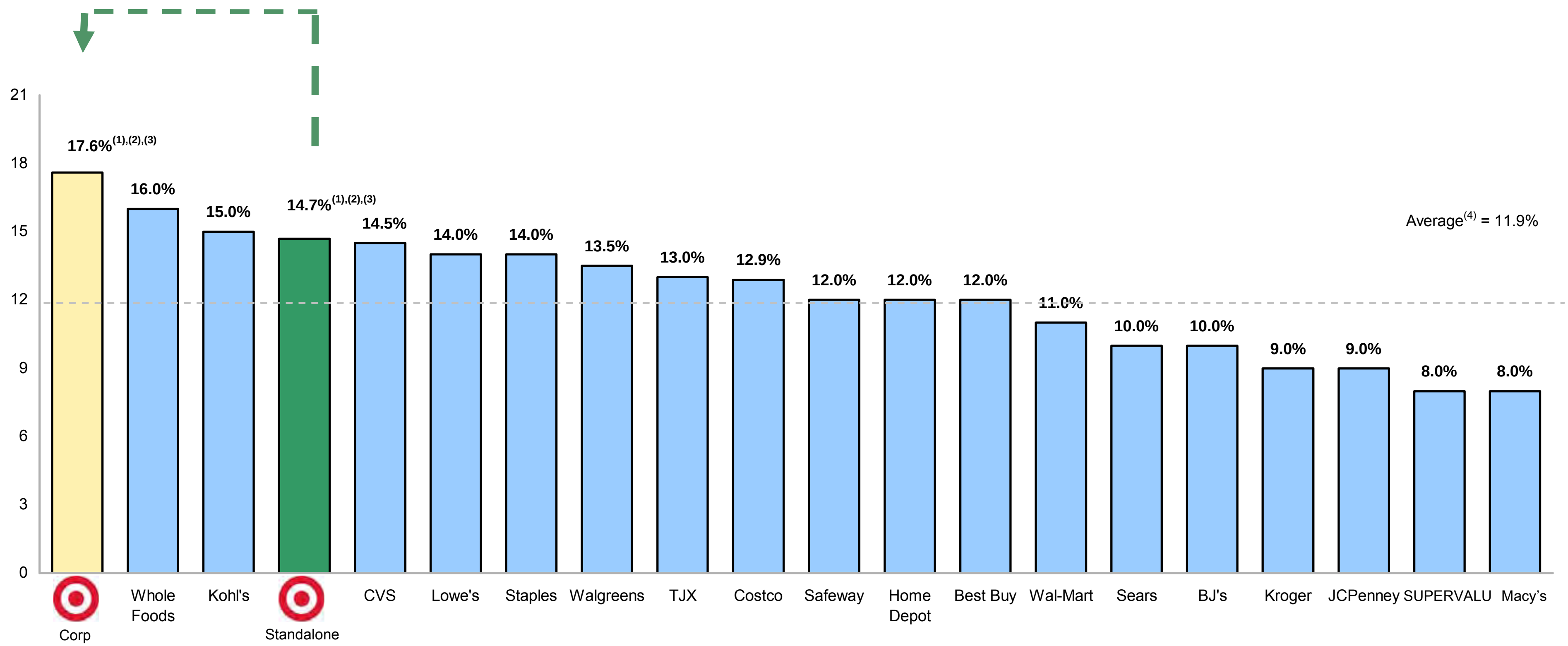
	2009	2010	2011	2012	2013
Same-store sales	0.5%	3.3%	3.5%	3.5%	3.5%
Sq. ft. growth	4.7%	4.1%	6.0%	6.5%	7.0%
Gross Margin	30.0%	30.1%	30.2%	30.2%	30.2%
SG&A as % of sales	20.2%	20.1%	20.0%	20.0%	20.0%

(1) Assumes remaining 53% interest of credit card business sold for $4.4bn on 01/01/09 and all proceeds used to pay down debt
(2) Assumes Target Standalone maintains existing dividend policy

Increases Target Corp's EPS Growth Rate *(cont'd)*

Pro forma for the Transaction, Target Corp's long-term EPS growth rate would be at the top of its peer group

Long-term EPS Growth (%)



(1) Represents 2009–2013 EPS CAGR
(2) Assumes additional future share buyback at a constant forward P/E of 16.0x
(3) Assumes sale of credit card business for $4.4bn on 1/1/09 and uses proceeds to pay down debt
(4) Excludes Target
Source: FactSet and Company filings for Retailers, excluding Target

Multiple Expansion at Target Corp

Target Corp will trade at a higher multiple than current Target Standalone due to a powerful combination of improved ROIC and EPS growth

ROIC and EPS Growth – key value drivers with a direct impact on multiples

- Improving both metrics concurrently is a powerful value creating combination which should lead to multiple expansion
  - More efficient cash generation results in higher ROIC at virtually same level of risk, resulting in substantial economic value added
  - Increased returns and more efficient cash flow generation allow for additional share buybacks that foster EPS growth
- "Growth does indeed drive multiples, but only when combined with a healthy return on invested capital." *(Tim Koller et. al, McKinsey & Co.)*

Why is this Transaction Ideally Suited for Target?

"Land-only" REIT Spin-off is Value Maximizing for Retailers Meeting Certain Criteria

To create the most value from a "Land-only" REIT spin-off, a retailer must meet certain criteria including very high land ownership, predominantly U.S.-based real estate and retail sales, strong square footage growth in the U.S., and low valuation multiples. Target meets ALL of these criteria

Retailer Criteria:	Commentary:	Application to Target:
High Land Ownership	▶ Retailers that own most of their land and buildings are ideally suited for a "Land-only" REIT spin-off	✓ Target owns more of its store land and buildings than any other big box retailer in the U.S.
Strong Square Footage Growth Opportunity in the U.S.	▶ Retailers with strong growth opportunities in the U.S. can provide a dependable development pipeline for the "Land-only" REIT, enhancing the REIT's value	✓ Target is one of the fastest growing U.S. big box retailers in the country with mid-to-high single digit expected sq. ft. long-term growth for the foreseeable future
Predominantly U.S. Real Estate and U.S. Retail Sales	▶ International real estate is not well suited for a tax-free REIT spin-off, given regulatory issues and tax complications	✓ Target's real estate is exclusively based in the U.S. ✓ Target's EBITDA is generated exclusively from U.S.-based sales
Low EV / EBITDA Multiple Relative to REITs	▶ Retailers trading at low EV / EBITDA multiples can release the greatest value from the "Land-only" REIT spin-off	✓ Target trades at 6.0x '09E EBITDA versus large cap REITs at 15.7x EBITDA and TIP REIT at 19.3x EBITDA
Strong, Stable Retail Operations with Attractive Credit Profile	▶ Retailers with strong and stable operations will be a high-quality tenant	✓ Target is a market share winner with leading retail operations, stable FCF and strong management

High Quality, Stable Tenant

Target is ideally suited as a tenant for TIP REIT because of its high business quality and stable operations, even during a recession

High Business Quality

- ✓ **Best management team in the retail industry**
- ✓ **Leading brand and strong marketing capabilities**
- ✓ **Best-in-class merchandisers**
- ✓ **Quality suburban and urban in-fill locations**
- ✓ **Solid infrastructure, leading-edge retailing systems**
- ✓ **~10% EBITDAR margins**

Stable Cash Flows Even Today

- ✓ **Discount retailer with prices within approximately 1% – 3% of Wal-Mart on comparable goods**
- ✓ **Beneficiary of trade down**
- ✓ **Nearly 40% of sales are consumables / non-discretionary**
  - Less fashion risk than a department store
  - Less cyclicality than a home improvement retailer
- ✓ **Higher margins than grocery stores and warehouse clubs**

Target: Beneficiary of Trade Down

Consider the $1,235 patent-leather satchel with golden hardware designed by Anya Hindmarch. Mary Hall, a marketing manager at I.B.M. in Redondo Beach, Calif., heard its siren call. ***Then she went to Target to purchase a similarly shiny purse, made out of polyvinyl chloride, by the same designer. Price: $49.99. "In the current economy, I thought I would reform," Ms. Hall said.*** *Welcome to "recession chic" and its personification, the "recessionista," the new name for the style maven on a budget.*

New York Times, 10/24/2008

Indeed, many diehard Nordstrom fans came prepared to open up their purses for $545 Moschino shoes and $1,495 Valentino handbags. Kim Calloway, a 38-year-old senior accountant, arrived at 7:50 a.m. and walked out with $1,200 worth of jeans, cosmetics and skin care products, noting that she hasn't cut back on her spending. "I probably should, but I probably won't," she said. Others, warier about the economy, came more for the spectacle. Charlene Stone, 49, of Wexford, an affluent suburb, didn't buy anything but enjoyed looking. ***Lately, she has been shopping more at discounter Target for her daughter's clothes. "I'm about the bargains," she said.***

Wall Street Journal, 10/25/2008

What if TGT's Valuation Normalizes to Historical Levels?

When reviewing Target's historical EV / EBITDA multiples, on average, Target has not been afforded the valuation levels of a typical Large Cap REIT or the expected valuation multiple of TIP REIT

Target's EV / Forward EBITDA Multiple		REIT Forward EV / EBITDA Multiple	
8.2x	6.0x	19.3x	15.7x
Last 5 year average	@ $40 (1)	TIP REIT @ 38/share	Large Cap REITs (1)

- **Even if Target's valuation multiples normalized over the next 12 – 18 months to historical levels, Target's Standalone valuation multiples would never reach the expected EV/EBITDA multiples of TIP REIT**
  - TIP REIT does not pay taxes and has no maintenance capital requirements

- **Importantly, with 22% of Target's existing EBITDA representing the ground lease rents available to TIP REIT, the separation of TIP REIT would allow for significant shareholder value creation for Target shareholders**

(1) Based on a 20-day trading average as of 10/24/08

What are the Risks?

Potential Concerns: Credit Ratings

Long-term Credit Rating	Concern	Mitigating Factor
	■ Target Corp's rating could be temporarily lowered to a mid-to-high BBB category	✓ First two years of land development capital will be contractually funded by TIP REIT. Thereafter, TIP REIT will be the preferred land developer ✓ The Transaction's tax efficiencies improve free cash flow at Target Corp (ground lease is expensed while land is not depreciable) ✓ As such, Target Corp will not need access to long-term capital because it will generate <u>$2bn of FCF after all capex in the first two years alone</u> ✓ Cash flow will be primarily used to de-lever to an "A" category rating after two years

Potential Concerns: Credit Ratings / Inflation

	Concern	Mitigating Factor
Short-term Credit Rating	■ Target's commercial paper ratings could be temporarily lowered to A2 / P2 category	✓ $2bn untapped line of credit which expires in April 2012 ✓ Is the value creation worth the higher cost of short–term financing using the line of credit?

Line of credit financing cost	L+14bps
Est. A1 commercial paper cost	L-175bps
Approximate Spread	**190bps**

$ in millions, except per share data:

Short-term working capital needs	$1,500
Months / year	3
Est. Incremental costs (pre tax)	1.9%
Estimated annual cost (after tax)	**$4.4**
Estimated annual cost/share	**$0.006**

	Concern	Mitigating Factor
Inflation-adjusted Rent	■ In periods of high inflation, ground rent expense could increase	✓ Based on the current TIPS yield, Target can hedge 20-year inflation risk at ~140bps

Pros and Cons of this Transaction

Pros	Cons

Pros

- ✓ **Instantly and meaningfully accretive on all key measures (EPS, FCF/share)**
- ✓ **Improves ROIC and EPS growth at Target Corp**
- ✓ **Reduces taxes by ~$520mm in ’09E**
- ✓ **More than triples dividends: $0.60/share today to $1.86/share in ’09E**
- ✓ **Improves capital access and decreases the need for growth capital at Target Corp**
- ✓ **Increases the stock price from $40/share to $70/share today**

Cons

- ☒ **Temporarily lowers Target Corp’s ratings from A+ / A2 to Mid - High BBB/Baa**

Mitigating Factors:

- ✓ ***Target Corp remains investment grade***
- ✓ ***Target Corp can pay down debt and regain an “A” category credit rating profile in two years***

We believe the Pros of doing this Transaction far outweigh the Cons of having a temporarily lower rating. <u>Post-Transaction, the Company will have improved access to capital and lower capital needs. As such, credit ratings will be less material to Target Corp going forward</u>

Another way to pose the question:

Would you pursue this Transaction if it were a Strategic Acquisition?

What If this Were an Acquisition?

Acquisition Rationale

- ✓ Instantly and meaningfully accretive on all key measures (EPS, FCF/share)
- ✓ Improves ROIC and EPS growth at Target Corp
- ✓ Reduces taxes by ~$520mm in ’09E
- ✓ More than triples dividends: $0.60/share today to $1.86/share in ‘09
- ✓ Improves capital access and decreases the need for growth capital at Target Corp
- ✓ Increases the stock price from $40/share to $70/share today

Acquisition Risks

- ☒ Temporarily lowers Target Corp’s ratings from A+ / A2 to Mid - High BBB/Baa

Mitigating Factors:

- ✓ *Target Corp remains investment grade*
- ✓ *Target Corp can pay down debt and achieve a higher credit rating in two years*

It is common for a company to pursue an acquisition that greatly increases shareholder value and temporarily lowers ratings to an acceptable investment grade level

Mitigating Risk

However, if in the future, unforeseen circumstances dictate otherwise, <u>TIP REIT could be collapsed back into the current structure</u>

- **In the highly unlikely event that a recombination of Target's real estate with its retail operation would become desirable at some point in the future, an unwind the structure can be effectuated:**
  - **<u>Post REIT Spin-off:</u>** An unwind of the structure could be accomplished with an agreed-upon tax-free merger by the two companies

Other Potential Questions

What is the Governance Structure of TIP REIT?

TIP REIT would be incorporated where most REITs are incorporated: Maryland

- **Jurisdiction:** We believe Maryland is the most favorable jurisdiction for TIP REIT
- **Ownership Restrictions:** The certificate of incorporation of TIP REIT would include a customary 9.9% actual and constructive ownership limit and other provisions customary for REITs to assure compliance with REIT ownership and related-party rent rules
- **Other Governance Provisions:** Similar to Target Corp's existing governance rules except as the Board may otherwise determine in connection with the Transaction

Will Consents Be Needed?

No Shareholder or Bondholder consents are needed

- **Minnesota Corporate Statute Requiring Shareholder Vote for Transfer of All or Substantially All Assets**
  - The Transaction meets Minnesota's safe harbor for not being a transfer of "all or substantially all assets" and therefore does not trigger shareholder vote

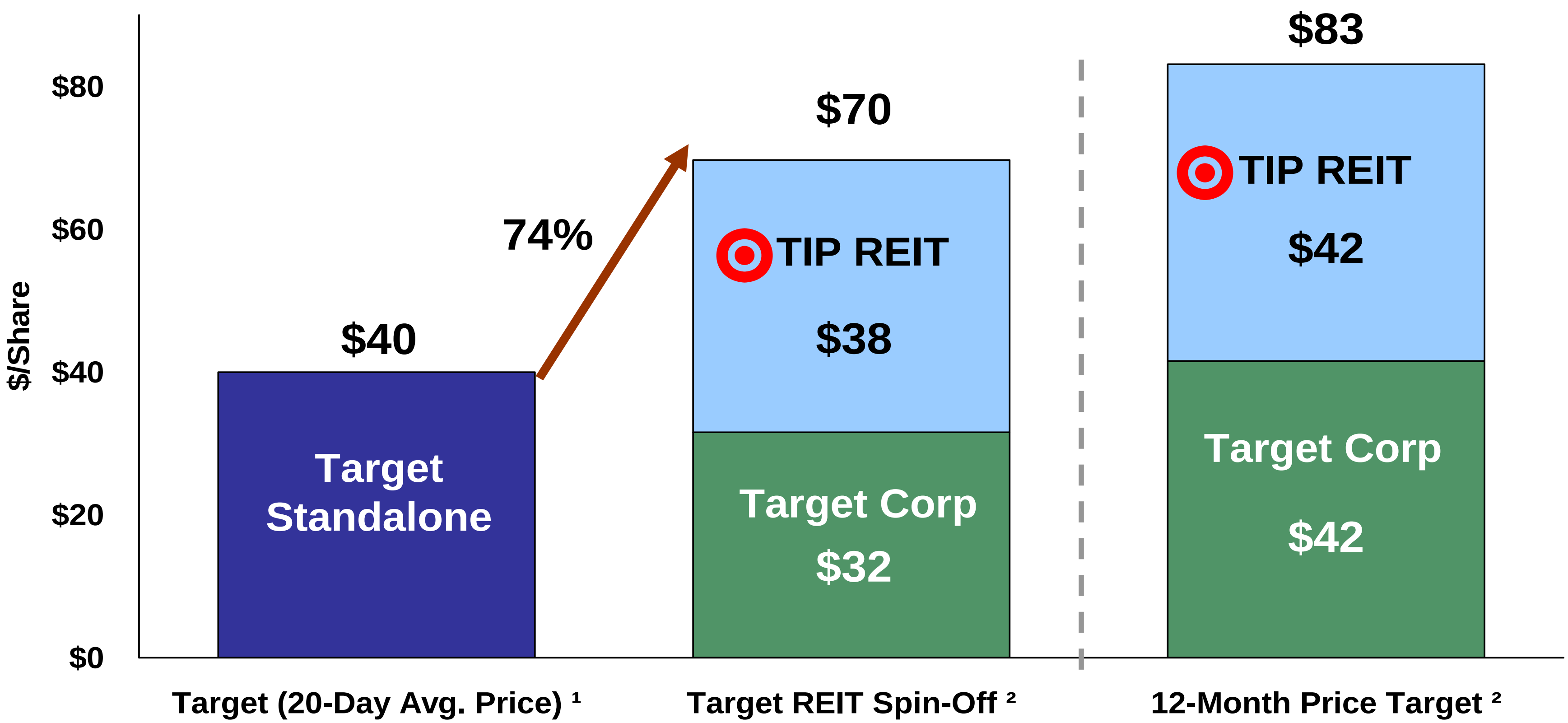
- **Bond Indenture Covenants**
  - Covenant restricting transfer of assets substantially as an entirety:
    - The Transaction – which only involves Target's land – is not a transfer of assets "substantially as an entirety" and therefore does not breach this covenant
  - Covenant restricting sale (or transfer) and leaseback of an "Operating Property" with an entity other than a restricted subsidiary:
    - The transfer/leaseback is with an entity that at the time of the transfer/leaseback is a restricted subsidiary and it is therefore exempt from this covenant (the subsequent spin off is permitted since the indenture does not include any dividend stopper)
    - In addition, none of the land parcels being transferred is an Operating Property subject to this covenant since none has a net book value greater than 0.35% of Consolidated Net Tangible Assets
    - Also, if the Board designates subsidiaries currently holding land to be unrestricted subsidiaries as permitted by the indenture, the covenant will not apply to a transfer / leaseback by those subsidiaries
  - No other indenture issues identified

Q & A

Appendix

Detailed Valuation Analysis

Valuation Summary



	Target (20-Day Avg. Price) [1]		Target REIT Spin-Off [2]	12-Month Price Target [2]	
Equity Value ($bn)	$29	Target Corp	$23	Equity Value ($bn)	$30
Enterprise Value ($bn)	$40	Target Corp	$34	Enterprise Value ($bn)	$40
'09E EV/EBITDA	6.0x	Target Corp	6.5x	'10E EV/EBITDA	7.0x
'09E P/E	11.8x	Target Corp	14.2x	'10E P/E	15.6x
Equity Value ($bn)		TIP REIT	$27.5	Equity Value ($bn)	$30
Enterprise Value ($bn)		TIP REIT	$27.5	Enterprise Value ($bn)	$31
'09E Dividend Yield		TIP REIT	4.9%	'10E Dividend Yield	4.7%
Cap Rate		TIP REIT	5.3%	Cap Rate	5.0%
'09E P/AFFO		TIP REIT	20.5x	'10E P/AFFO	21.4x
'09E EV/EBITDA		TIP REIT	19.3x	'10E EV/EBITDA	20.3x

For illustrative purposes, assumes Transaction occurs on 01/01/09

(1) Based on 20-day trading average as of 10/24/08; assumes sale of remaining 53% interest on credit card business with proceeds used to pay down debt

(2) Based on mid-point of valuation analysis

Valuation Analysis – TIP REIT

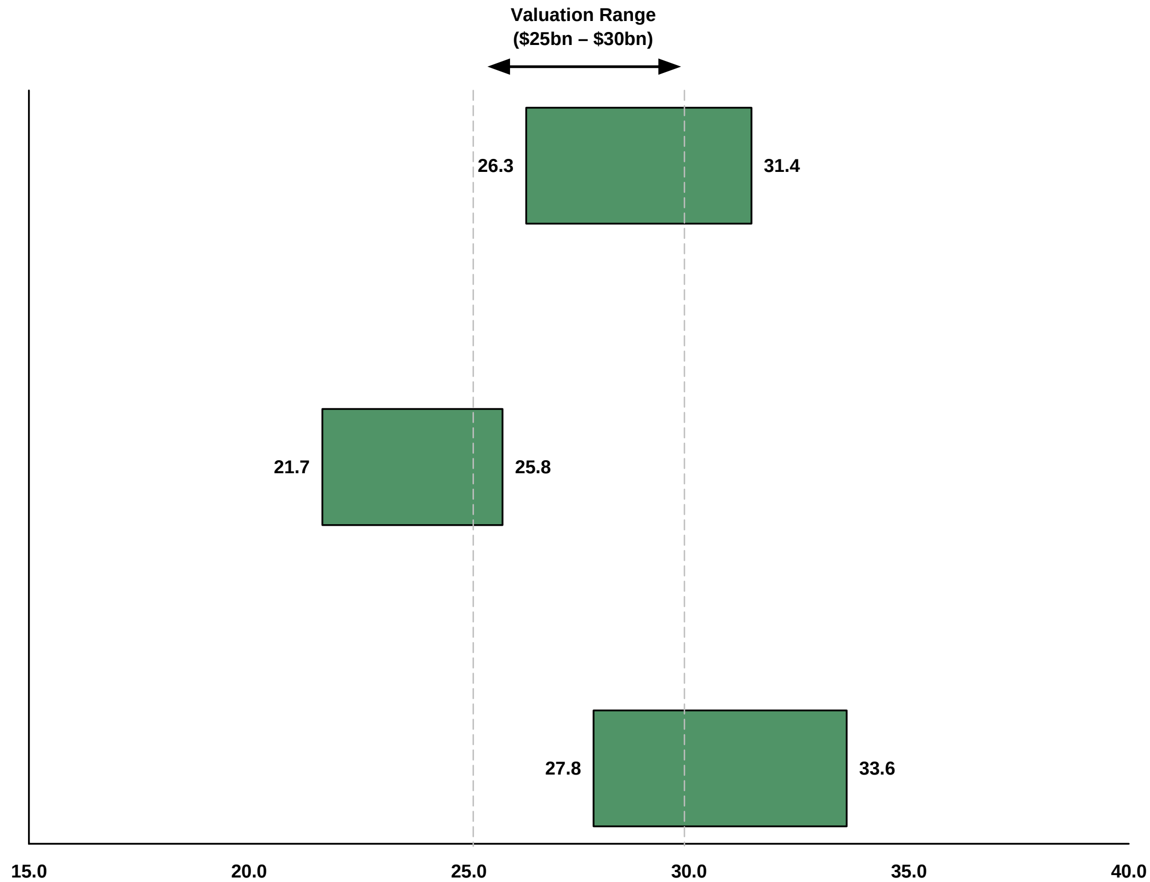
TIP REIT Summary of Valuation Analysis: Today

Various methodologies imply a TIP REIT reference range of $25 – $30bn, or $35 – $42/share today

Net Asset Value (TIPS)
- 4.65% – 5.15% Dividend Yield on Existing Ground Lease
- Dividend Yield Based on Sum of CDS Spread and TIPS Yield
- CY2008 Existing Dividends: $1,354mm
- 20-year DCF Analysis of Platform
- 10.50% – 12.50% Discount Rate on Platform

Net Asset Value (Precedents)
- 5.50% – 6.25% Cap Rate on Existing Ground Lease
- Cap Rate Range Based on Precedent Transactions
- CY2009 Existing NOI: $1,354mm
- 20-year DCF Analysis of Platform
- 10.50% – 12.50% Discount Rate on Platform

Discounted Cash Flow
- 8.0% – 10.0% WACC
- 4.65% – 5.15% Terminal Cap Rate



Implied Multiples:	($mm)	Equity Value ($bn) $25.0	$27.5	$30.0
CY2009 AFFO	1,344	18.6x	20.5x	22.3x
CY2009 EBITDA	1,427	17.5x	19.3x	21.0x
CY2009 Div. Yield	1,344	5.4%	4.9%	4.5%
Cap Rate	1,462	5.8%	5.3%	4.9%

TIP REIT Summary Income Statement

($mm, except as noted)		Pro Forma CY2008	Calendar Year, 2009	2010	2011	2012	2013	CAGR '09 - '13
Gross TIP REIT Revenues from Ground-leased Store Land		1,325	1,398	1,501	1,645	1,811	2,004	9.4%
Gross TIP REIT Revenues from Ground-leased DCs & WHs Land		44	46	48	51	55	59	6.3%
Total Gross TIP REIT Revenues		1,369	1,444	1,549	1,696	1,866	2,063	9.3%
Total TIP REIT Net Rental Revenues		**1,369**	**1,444**	**1,549**	**1,696**	**1,866**	**2,063**	9.3%
% of Target Corp Retail Sales		*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	
Plus: Facilities Management Income		144	144	155	170	187	207	
Less: Facilities Management Expense		(125)	(125)	(134)	(147)	(162)	(180)	
Net Facilities Management Income		**19**	**19**	**20**	**22**	**24**	**27**	9.5%
Net Operating Income		**1,388**	**1,462**	**1,569**	**1,718**	**1,890**	**2,090**	9.3%
Less: G&A Expense		(20)	(20)	(21)	(21)	(22)	(22)	
Less: Incremental G&A Cost		(15)	(15)	(15)	(16)	(16)	(17)	
EBITDA		**1,353**	**1,427**	**1,533**	**1,681**	**1,853**	**2,051**	9.5%
Less: Depreciation & Amortization		(42)	(56)	(68)	(88)	(111)	(139)	
Less: Interest Expense		(205)	(188)	(221)	(316)	(428)	(559)	
Less: Taxes on Facilities Mgmt. Income	38%	(7)	(7)	(8)	(8)	(9)	(10)	
Net Income		**1,099**	**1,177**	**1,235**	**1,268**	**1,304**	**1,342**	3.3%
Normalized Net Income [(1)]		**1,211**	**1,289**	**1,331**	**1,364**	**1,400**	**1,438**	2.8%
Ending Shares Outstanding		721.9	721.9	721.9	721.9	721.9	721.9	
Earnings per Share		**$1.52**	**$1.63**	**$1.71**	**$1.76**	**$1.81**	**$1.86**	3.3%
Normalized Earnings per Share [(1)]		**$1.68**	**$1.79**	**$1.84**	**$1.89**	**$1.94**	**$1.99**	2.8%
	% AFFO							
Dividends on Common	100.0%	**1,141**	**1,232**	**1,304**	**1,356**	**1,415**	**1,481**	4.7%
Special Dividends		**-**	**1,600**	**-**	**-**	**-**	**-**	
Normalized Dividends [(1)]		**1,253**	**1,344**	**1,400**	**1,452**	**1,511**	**1,577**	4.1%
Normalized Dividends per Share [(1)]		**$1.74**	**$1.86**	**$1.94**	**$2.01**	**$2.09**	**$2.18**	4.1%

(1) Normalized to exclude incremental interest expense due to CY2009 cash E&P distribution

TIP REIT Summary Balance Sheet/CF Statement

($mm, except as noted)	Calendar Year,				
	2009	2010	2011	2012	2013
EBITDA	1,427	1,533	1,681	1,853	2,051
Less: Interest Expense	(188)	(221)	(316)	(428)	(559)
Less: Taxes on Facilities Mgmt. Income	(7)	(8)	(8)	(9)	(10)
Less: Development Capex	(1,079)	(1,008)	(1,582)	(1,863)	(2,190)
Total Free Cash Flow	**154**	**295**	**(226)**	**(447)**	**(709)**
Total Cash	3	3	3	3	3
Total Debt	2,682	3,690	5,272	7,135	9,325
Total Debt / EBITDA	1.9x	2.4x	3.1x	3.9x	4.5x
EBITDA / Interest Expense	7.6x	6.9x	5.3x	4.3x	3.7x
Total Debt / Total Real Estate Value	11.1%	14.2%	18.6%	22.9%	27.0%
Ending Shares Outstanding	722	722	722	722	722

TIP REIT Valuation Matrix

Set forth below is a valuation matrix that demonstrates TIP REIT's trading multiples at various values within the reference range

($mm)		Value per Share $34.50	$36.50	$38.09	$40.50	$42.50
	Shares O/S					
EQUITY VALUE	**721.9**	**24,907**	**26,351**	**27,500**	**29,238**	**30,682**
Multiples of:	**Metrics**					
CY 2009 FFO (1)	1,344	18.5x	19.6x	20.5x	21.7x	22.8x
CY 2010 FFO (1)	1,400	17.8x	18.8x	19.6x	20.9x	21.9x
CY 2011 FFO (1)	1,452	17.1x	18.1x	18.9x	20.1x	21.1x
CY 2009 AFFO (1)	1,344	18.5x	19.6x	20.5x	21.7x	22.8x
CY 2010 AFFO (1)	1,400	17.8x	18.8x	19.6x	20.9x	21.9x
CY 2011 AFFO (1)	1,452	17.1x	18.1x	18.9x	20.1x	21.1x
Dividend Yield Assuming Payout Ratio of:						
80% of CY 2009 AFFO	1,076	4.3%	4.1%	3.9%	3.7%	3.5%
90% of CY 2009 AFFO	1,210	4.9%	4.6%	4.4%	4.1%	3.9%
100% of CY 2009 AFFO	1,344	5.4%	5.1%	4.9%	4.6%	4.4%
Implied Value:						
Implied Value of Land / Blended Sq. Ft.	225	$111	$117	$122	$130	$137

(1) Normalized to exclude incremental interest expense due to CY2009 cash E&P distributions

TIP REIT NAV (TIPS) Analysis

The implied TIP REIT valuation range on TIPS-based NAV analysis is $26 – $31bn, or $36 – $44/share today

- **Existing Lease Valuation**
  - Inflation-indexed rent growth allows for a "TIPS-like" risk/return
  - Dividend yield range based on theoretical analysis:
    - TIPS yield of 3.00% + Target unsecured CDS of 1.65% – 2.15% = Total yield of 4.65% – 5.15%
  - Implied valuation at 4.65% – 5.15% dividend yield range
    - 2008E dividend: $1,354mm
    - Valuation range of $26bn – $29bn

- **Platform Valuation**
  - Based on 20-year DCF analysis
  - Implied valuation at 4.65% – 5.15% cap rate and 10.5% – 12.5% discount rate
    - 2029E terminal NOI: $2,560mm
    - Valuation range of $0.0bn – $2.3bn

TIP REIT NAV (TIPS) Analysis *(cont'd)*

The implied TIP REIT valuation range on TIPS-based NAV analysis is $26 – $31bn, or $36 – $44/share today

($mm, except per share data)		2008	
Existing Ground Lease	Rental Revenues - Store Land	$1,325	
	Rental Revenues - DCs & WHs Land	44	
	Incremental Standalone Costs	(15)	
	Rental Revenues from Existing Ground Lease	$1,354	
	Dividend Yield	**5.15%**	**4.65%**
+	**Present Value of Existing Ground Lease**	**$26,300**	**$29,128**

		2009	2010	2011	2012	2013	...	Terminal Value (1) 2029
Platform Value	Incremental Rental Revenues	$74	$145	$257	$391	$551		
	After-tax Facilities Management Income	12	12	14	15	17		
	G&A Expense	(20)	(21)	(21)	(22)	(22)		
	Total Capex	(1,079)	(1,008)	(1,582)	(1,863)	(2,190)		
	Free Cash Flow from Platform	($1,013)	($872)	($1,332)	($1,478)	($1,644)		
	Terminal Value							$55,047
	Discount Rate	**12.5%**	**10.5%**					
	Terminal Cap Rate	**5.15%**	**4.65%**					
	Present Value of Platform	**–**	**$2,293**					

=

Total TIP REIT Value	Existing Ground Lease	$26,300	$29,128
	Platform Value	–	2,293
	Implied Enterprise Value	**$26,300**	**$31,421**
	Net Debt	**–**	**–**
	Implied Equity Value	**$26,300**	**$31,421**
	Value per Share	**$36**	**$44**

(1) Based on 2029E NOI of $2,560mm and 4.65% cap rate

TIP REIT NAV (Ground Lease Precedents) Analysis

The implied TIP REIT valuation range on Ground Lease Precedents-based NAV analysis is \$22 – \$26bn, or \$30 – \$36/share today

- **Existing Lease Valuation**
  - Cap rate range based on ground lease precedents: 5.50% – 6.25%
  - Implied valuation at 5.50% – 6.25% cap rate range
    - 2009E NOI: \$1,354mm
    - Valuation range of \$22bn – \$25bn
- **Platform Valuation**
  - Based on 20-year DCF analysis
  - Implied valuation at 5.50% – 6.25% cap rate and 10.5% – 12.5% discount rate
    - 2029E terminal NOI: \$2,560mm
    - Valuation range of \$0.0bn – \$1.1bn

TIP REIT NAV (Ground Lease Precedents) Analysis *(cont'd)*

The implied TIP REIT valuation range on Ground Lease Precedents-based NAV analysis is $22 – $26bn, or $30 – $36/share today

	($mm, except per share data)	2009	
Existing Ground Lease	Rental Revenues - Store Land	$1,325	
	Rental Revenues - DCs & WHs Land	44	
	Incremental Standalone Costs	(15)	
	Rental Revenues from Existing Ground Lease	$1,354	
	Cap Rate	**6.25%**	**5.50%**
+	**Present Value of Existing Ground Lease**	**$21,671**	**$24,626**

		2009	2010	2011	2012	2013	...	Terminal Value [1] 2029
Platform Value	Incremental Rental Revenues	$74	$145	$257	$391	$551		
	After-tax Facilities Management Income	12	12	14	15	17		
	G&A Expense	(20)	(21)	(21)	(22)	(22)		
	Total Capex	(1,079)	(1,008)	(1,582)	(1,863)	(2,190)		
	Free Cash Flow from Platform	($1,013)	($872)	($1,332)	($1,478)	($1,644)		
	Terminal Value							$46,540
	Discount Rate	**12.5%**	**10.5%**					
	Terminal Cap Rate	**6.25%**	**5.50%**					
	Present Value of Platform	**–**	**$1,138**					
=								

Total TIP REIT Value	Existing Ground Lease	$21,671	$24,626
	Platform Value	–	1,138
	Implied Enterprise Value	**$21,671**	**$25,764**
	Net Debt	**–**	**–**
	Implied Equity Value	**$21,671**	**$25,764**
	Value per Share	**$30**	**$36**

(1) Based on 2029E NOI of $2,560mm and 5.50% cap rate

TIP REIT DCF Analysis

The implied TIP REIT valuation range based on DCF analysis is $28 – $34bn, or $39 – $47/share today

($mm)	2009	2010	2011	2012	2013	CAGR '09 - '13
	Projected Calendar Year,					
Rent (Cash) - Store Land	1,398	1,501	1,645	1,811	2,004	9.4%
Rent (Cash) - DCs & WHs Land	46	48	51	55	59	6.3%
Net Facilities Management Income	19	20	22	24	27	9.5%
Less: G&A Expense	(35)	(36)	(37)	(38)	(39)	2.5%
EBITDA	**1,427**	**1,533**	**1,681**	**1,853**	**2,051**	9.5%
Less: Taxes on Facilities Mgmt. Income	(7)	(8)	(8)	(9)	(10)	9.5%
Less: Development Capex	(1,079)	(1,008)	(1,582)	(1,863)	(2,190)	19.4%
Less: Maintenance Capex	-	-	-	-	-	na
UNLEVERED FREE CASH FLOWS	**341**	**517**	**91**	**(19)**	**(149)**	na

ILLUSTRATIVE VALUATION
($ in millions, except per share amounts)

Terminal NOI - Store Land [1]	2,209
Terminal Cap Rate - Store Land	4.9%
Terminal Value - Store Land	45,072
Terminal NOI - DCs & WHs Land [2]	65
Terminal Cap Rate - DCs & WHs Land	8.5%
Terminal Value - DCs & WHs Land	764
Present Value of TV	29,791
Sum of Discounted Cash Flows (2009-2013) [3]	739
Implied Enterprise Value	**30,529**
Less: Debt (01/01/09)	-
Plus: Cash (01/01/09)	-
Implied Equity Value	**30,529**

Implied Equity Value

Terminal Store Cap Rate	Discount Rate 8.00%	9.00%	10.00%
5.15%	30,450	29,107	27,836
4.90%	31,939	30,529	29,195
4.65%	33,588	32,104	30,700

Implied Perpetuity Growth Rate (%) [4]

Terminal Store Cap Rate	Discount Rate 8.00%	9.00%	10.00%
5.15%	2.6	3.6	4.5
4.90%	2.9	3.8	4.7
4.65%	3.1	4.1	5.0

(1) Assumes store land 2014E NOI growth equal to 9.4%: NOI includes store related net facilities management income
(2) Assumes DCs & WHs land 2014E NOI growth equal to 6.3% NOI includes DCs & WHs related net facilities management income
(3) Assumes mid-year convention
(4) Normalized to exclude impact of development Capex in exit year

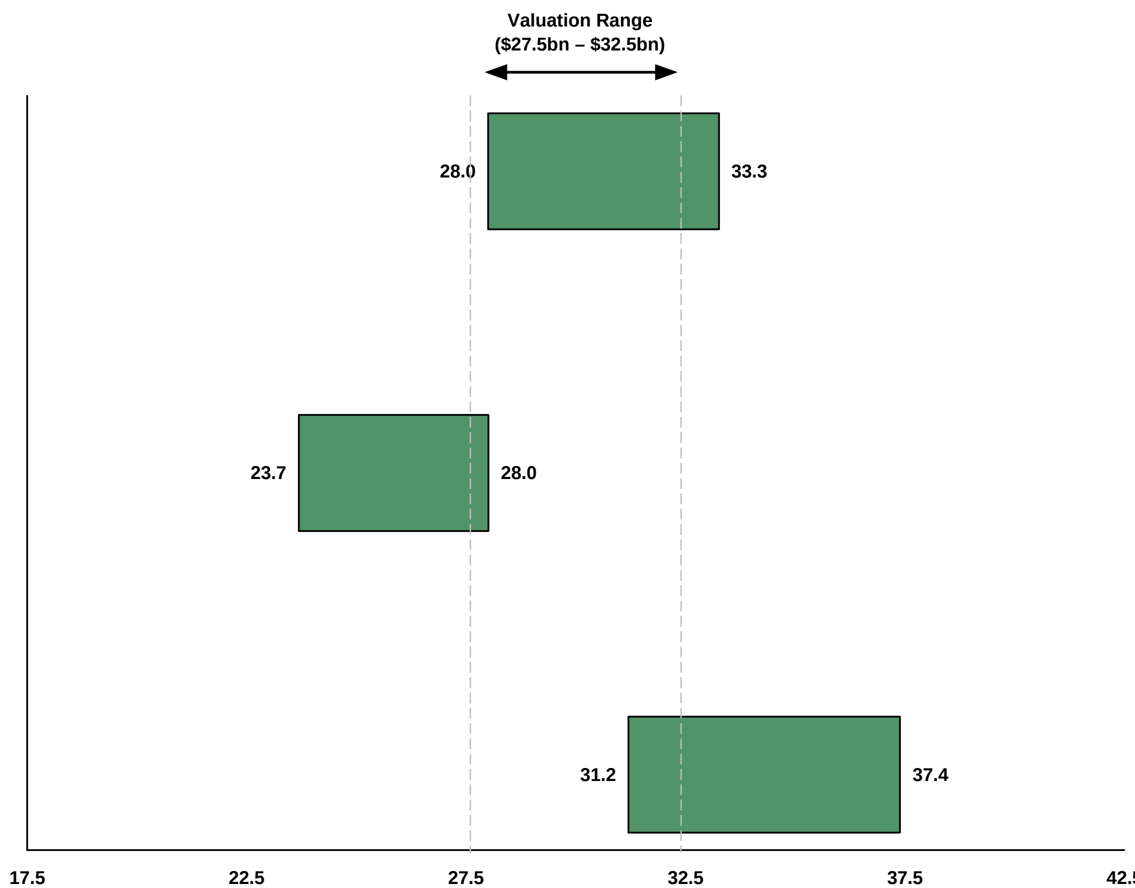
TIP REIT Valuation—12-Month Price Target

Various methodologies imply a TIP REIT reference range of $27.5 – $32.5bn, or $38 – $45/share 12 months from today

Net Asset Value (TIPS)
- 4.65% – 5.15% Dividend Yield on Existing Ground Lease
- Dividend Yield Based on Sum of CDS Spread and TIPS Yield
- CY2009 Existing Dividends: $1,429mm
- 20-year DCF Analysis of Platform
- 10.50% – 12.50% Discount Rate on Platform
- Includes normalized dividends of $1,344mm in CY2009

Net Asset Value (Precedents)
- 5.50% – 6.25% Cap Rate on Existing Ground Lease
- Cap Rate Range Based on Precedent Transactions
- CY2010 Existing NOI: $1,464mm
- 20-year DCF Analysis of Platform
- 10.50% – 12.50% Discount Rate on Platform
- Includes normalized dividends of $1,344mm in CY2009

Discounted Cash Flow
- 8.0% – 10.0% WACC
- 4.65% – 5.15% Terminal Cap Rate
- Includes normalized dividends of $1,344mm in CY2009



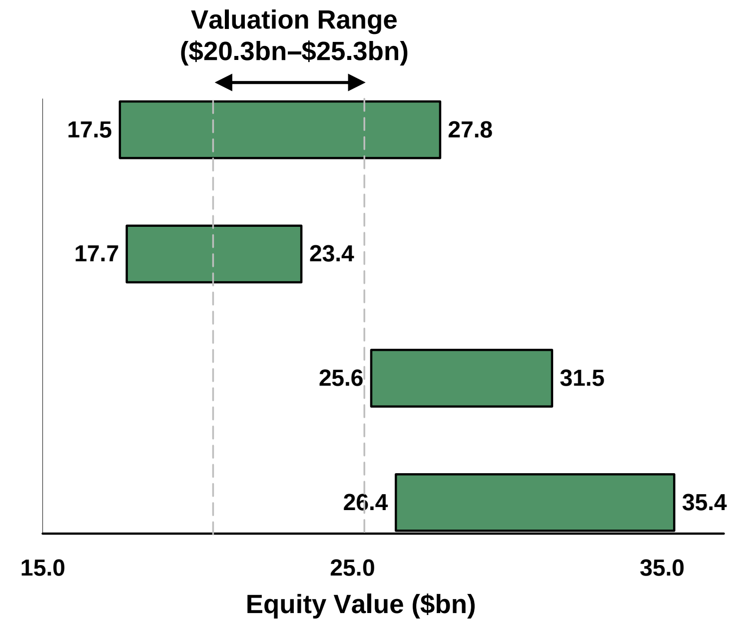
		Equity Value ($bn)		
Implied Multiples:	**($mm)**	**$27.5**	**$30.0**	**$32.5**
CY2010 AFFO	1,400	19.6x	21.4x	23.2x
CY2010 EBITDA	1,533	18.6x	20.3x	21.9x
CY2010 Div. Yield	1,400	5.1%	4.7%	4.3%
Cap Rate	1,569	5.5%	5.0%	4.7%

Valuation Analysis – Target Corp

Target Corp Summary Valuation Analysis: Today

The implied valuation range for Target Corp based on several methodologies outlined below is $20.3 – $25.3bn, or $28 – $35/share today

Trading Data – Retailers [1] (EV/EBITDA)	– 5.5–7.5x EBITDA – CY2009 EBITDA: $5,172mm – Current Multiple is 6.0x
Trading Data – Retailers [1] (P/E)	– 11.0–14.5x EPS – CY2009 EPS: $2.23 – Current Multiple is 11.8x
Trading Data – Target 5 Year Historical (P/E and EV/EBITDA)	– 5 Year P/E of 15.9x and 5 Year EV/EBITDA of 8.2x – CY2009 EPS: $2.23 and CY2009 EBITDA: $5,172mm – Current P/E is 11.8x and current EV/EBITDA is 6.0x
Discounted Cash Flow	– 9.0–11.0% WACC – 6.0–7.0x Terminal EBITDA Multiple



($bn)			
Equity Value	20.3	22.8	25.3
Enterprise Value	31.3	33.8	36.3
Share Price ($/Share)	$28	$32	$35
'09 P/E	12.6x	14.2x	15.7x
'10 P/E	10.6x	11.8x	13.1x
'09 PEG	0.7x	0.8x	0.9x
'10 PEG	0.6x	0.7x	0.7x
'09 EV/EBITDA	6.0x	6.5x	7.0x
'10 EV/EBITDA	5.4x	5.9x	6.3x

(1) Based on 20-day average as of October 24, 2008

Target Corp Summary Income Statement

($mm)	Projected Calendar Year, PF2008	2009E	2010E	2011E	2012E	2013E	CAGR '09-'13
Retail Sales	**64,892**	**68,249**	**73,356**	**80,479**	**88,710**	**98,241**	**9.5%**
Retail Sales Growth(%)	*5.6%*	*5.2%*	*7.5%*	*9.7%*	*10.2%*	*10.7%*	
COGS	(45,459)	(47,777)	(51,279)	(56,177)	(61,919)	(68,563)	
Gross Margin (%)	*29.9%*	*30.0%*	*30.1%*	*30.2%*	*30.2%*	*30.2%*	
SG&A	(13,038)	(13,814)	(14,740)	(16,093)	(17,739)	(19,646)	
SG&A as % of Sales	*20.1%*	*20.2%*	*20.1%*	*20.0%*	*20.0%*	*20.0%*	
Retail EBITDAR	6,395	6,657	7,337	8,208	9,051	10,033	
Retail EBITDAR Margin (%)	*9.9%*	*9.8%*	*10.0%*	*10.2%*	*10.2%*	*10.2%*	
Credit EBITDAR	143	150	161	177	195	216	
Incremental Facility Management Services Expense	(19)	(19)	(20)	(22)	(24)	(27)	
EBITDAR	**6,519**	**6,789**	**7,478**	**8,363**	**9,221**	**10,222**	**10.8%**
EBITDAR Margin (%)	*10.0%*	*9.9%*	*10.2%*	*10.4%*	*10.4%*	*10.4%*	
Current Rent Expense	169	173	178	182	187	191	
Additional Rent Expense	1,369	1,444	1,549	1,696	1,866	2,063	
Pro Forma EBITDA	**4,980**	**5,172**	**5,751**	**6,485**	**7,169**	**7,968**	**11.4%**
EBITDA Margin (%)	*7.7%*	*7.6%*	*7.8%*	*8.1%*	*8.1%*	*8.1%*	
Depreciation & Amortization	1,765	1,884	2,017	2,199	2,410	2,654	
Net Interest (Income) / Expense	515	673	611	531	509	623	
Income Tax Provision	1,037	1,004	1,199	1,441	1,632	1,802	
Net Income	**1,663**	**1,611**	**1,924**	**2,312**	**2,618**	**2,890**	**15.7%**
Net Income Margin (%)	*2.6%*	*2.4%*	*2.6%*	*2.9%*	*3.0%*	*2.9%*	
Weighted Average Shares Outstanding	766	722	722	722	707	677	
Earnings per Share ($)	**$2.17**	**$2.23**	**$2.67**	**$3.20**	**$3.70**	**$4.27**	**17.6%**

Target Corp Summary Balance Sheet/CF Statement

Significant Free Cash Flow generation allows Target Corp to de-leverage to 2.8x Lease Adj. Debt/EBITDAR

	Projected Calendar Year,					
($mm)	**PF2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
EBITDA	4,980	5,172	5,751	6,485	7,169	7,968
Less: Interest Expense	(515)	(673)	(611)	(531)	(509)	(623)
Less: Taxes	(1,037)	(1,004)	(1,199)	(1,441)	(1,632)	(1,802)
Plus: Decrease in Net Working Capital	79	79	120	167	193	224
Plus: Other	73	73	73	73	73	73
Less: Maintenance Capex	(1,714)	(1,714)	(1,827)	(1,785)	(1,968)	(2,179)
Maintenance Free Cash Flow	**1,866**	**1,933**	**2,307**	**2,967**	**3,327**	**3,662**
Less: Growth Capex	(1,112)	(1,112)	(1,023)	(1,615)	(1,902)	(2,237)
Total Free Cash Flow	**754**	**821**	**1,284**	**1,352**	**1,424**	**1,425**
Total Cash	500	682	734	805	887	982
Total Debt	11,455	10,817	9,584	8,303	8,938	10,078
Lease Adj. Debt/EBITDAR	3.6x	3.5x	3.1x	2.8x	2.8x	2.8x
Debt/EBITDA	2.3x	2.1x	1.7x	1.3x	1.2x	1.3x
EBITDAR/(Interest+Rent)	3.2x	3.0x	3.2x	3.5x	3.6x	3.6x
EBITDA/Interest	9.7x	7.7x	9.4x	12.2x	14.1x	12.8x
Ending Shares Outstanding	722	722	722	722	693	662
Weighted Average Shares Outstanding	766	722	722	722	707	677

Target Corp Valuation Matrix

Set forth below is a valuation matrix that demonstrates Target Corp's trading multiples at various stock prices

		Value per Share				
Valuation Range ($mm)		**$28.00**	**$30.00**	**$31.58**	**$33.00**	**$35.00**
	Shares O/S					
EQUITY VALUE	721.9	20,214	21,658	22,800	23,824	25,268
Net Debt (1/1/09)		10,955	10,955	10,955	10,955	10,955
ENTERPRISE VALUE		**31,169**	**32,613**	**33,755**	**34,779**	**36,223**
Multiples of:	**Metrics**					
CY 2008 EBITDA	4,980	6.3x	6.5x	6.8x	7.0x	7.3x
CY 2009 EBITDA	5,172	6.0x	6.3x	6.5x	6.7x	7.0x
CY 2010 EBITDA	5,751	5.4x	5.7x	5.9x	6.0x	6.3x
CY 2008 Earnings	$2.17	12.9x	13.8x	14.5x	15.2x	16.1x
CY 2009 Earnings	$2.23	12.5x	13.4x	14.2x	14.8x	15.7x
CY 2010 Earnings	$2.67	10.5x	11.3x	11.8x	12.4x	13.1x
CY 2009 PEG	17.6%	0.7x	0.8x	0.8x	0.8x	0.9x
CY 2010 PEG	17.6%	0.6x	0.6x	0.7x	0.7x	0.7x

Trading Data For Other Retailers (1)

Company name	Stock Price[2] ($)	% of 52wk High	Equity Value ($mm)	EV ($mm)	EV/CY08E Sales (x)	EV/CY08E EBITDA (x)	EV/CY09E Sales (x)	EV/CY09E EBITDA (x)	EV/CY10E Sales (x)	EV/CY10E EBITDA (x)	P/E Ratio CY09E (x)	P/E Ratio CY10E (x)	PEG Ratio CY09E (x)	PEG Ratio CY10E (x)	IBES LTG (%)	Total Debt/ CY08E EBITDA (x)	Adj. Debt/CY08E EBITDAR (x)
Target Standalone[3]	**39.98**	**–**	**28,863**	**39,818**	**0.61**	**6.3**	**0.58**	**6.0**	**0.54**	**5.5**	**11.8**	**10.2**	**0.8**	**0.7**	**14.7[5]**	**1.8**	**2.0**
Target Corp[4]	**31.58**	**–**	**22,800**	**33,755**	**0.52**	**6.8**	**0.49**	**6.5**	**0.46**	**5.9**	**14.2**	**11.8**	**0.8**	**0.7**	**17.6[5]**	**2.3**	**3.6**
Discounters																	
Wal-Mart	54.91	86.0	216,168	255,900	0.63	8.4	0.58	7.8	0.55	7.4	14.4	13.0	1.3	1.2	11.0	1.5	1.8
Mean/Median					**0.63**	**8.4**	**0.58**	**7.8**	**0.55**	**7.4**	**14.4**	**13.0**	**1.3**	**1.2**	**11.0**	**1.5**	**1.8**
Supermarkets																	
Kroger	26.08	84.2	17,196	24,618	0.32	6.2	0.30	5.8	0.28	5.6	12.3	11.2	1.4	1.2	9.0	1.9	2.8
Safeway	22.39	62.2	9,617	15,105	0.34	4.9	0.33	4.8	0.32	4.7	9.3	8.8	0.8	0.7	12.0	1.9	2.7
SUPERVALU	18.32	42.3	3,879	12,755	0.28	4.8	0.28	4.8	0.28	4.7	6.5	6.1	0.8	0.8	8.0	3.4	4.0
Whole Foods	15.67	30.7	2,198	3,013	0.37	5.8	0.34	5.2	0.31	4.9	14.1	11.2	0.9	0.7	16.0	1.6	3.4
Mean					**0.33**	**5.4**	**0.31**	**5.2**	**0.30**	**5.0**	**10.6**	**9.3**	**1.0**	**0.9**	**11.3**	**2.2**	**3.2**
Median					**0.33**	**5.4**	**0.32**	**5.0**	**0.30**	**4.8**	**10.8**	**10.0**	**0.8**	**0.7**	**10.5**	**1.9**	**3.1**
Department Stores																	
Macy's	12.31	36.5	5,176	14,260	0.57	5.0	0.58	5.3	0.58	5.3	9.8	9.1	1.2	1.1	8.0	3.7	4.0
Kohl's	35.31	60.8	10,769	12,545	0.75	5.8	0.72	5.7	0.69	5.4	11.3	10.3	0.8	0.7	15.0	1.0	2.1
Sears	70.38	50.5	8,897	11,581	0.24	6.4	0.25	7.2	0.25	7.3	32.4	43.9	3.2	4.4	10.0	2.1	4.0
JCPenney	25.45	44.3	5,652	7,249	0.38	3.9	0.39	4.1	0.37	3.9	8.8	7.4	1.0	0.8	9.0	2.0	2.8
Mean					**0.48**	**5.3**	**0.49**	**5.6**	**0.47**	**5.5**	**15.6**	**17.7**	**1.5**	**1.8**	**10.5**	**2.2**	**3.2**
Median					**0.47**	**5.4**	**0.48**	**5.5**	**0.48**	**5.4**	**10.5**	**9.7**	**1.1**	**1.0**	**9.5**	**2.1**	**3.4**
Other Large Cap Retailers																	
CVS	30.13	68.0	43,682	52,640	0.61	7.2	0.57	6.4	0.52	5.7	10.6	9.4	0.7	0.7	14.5	1.3	2.5
Home Depot	21.59	67.8	36,678	47,282	0.65	6.5	0.66	6.7	0.64	6.0	13.2	11.1	1.1	0.9	12.0	1.6	2.3
Lowe's	19.85	69.7	29,089	33,699	0.69	6.1	0.68	6.1	0.64	5.5	13.6	11.5	1.0	0.9	14.0	1.0	1.4
Walgreens	25.63	63.4	25,369	26,346	0.43	6.0	0.40	5.5	0.37	5.0	10.6	9.5	0.8	0.7	13.5	0.3	2.4
Costco	57.95	77.0	25,310	24,463	0.33	9.2	0.30	8.4	0.28	8.0	17.8	15.9	1.4	1.2	12.9	0.9	1.3
Staples	18.08	68.0	12,936	17,200	0.72	8.2	0.61	7.1	0.58	6.5	11.5	9.7	0.8	0.7	14.0	2.1	3.5
Best Buy	28.42	52.7	11,718	14,589	0.32	5.1	0.29	4.8	0.26	4.5	9.0	8.0	0.8	0.7	12.0	0.9	2.4
TJX	27.43	73.1	11,686	12,023	0.61	6.1	0.59	5.9	0.55	5.5	11.5	10.2	0.9	0.8	13.0	0.4	2.8
BJ's	35.16	79.4	2,108	1,994	0.20	6.2	0.18	6.0	0.17	5.7	15.4	13.9	1.5	1.4	10.0	0.0	2.5
Mean					**0.51**	**6.7**	**0.47**	**6.3**	**0.45**	**5.8**	**12.6**	**11.0**	**1.0**	**0.9**	**12.9**	**1.0**	**2.3**
Median					**0.61**	**6.2**	**0.57**	**6.1**	**0.52**	**5.7**	**11.5**	**10.2**	**0.9**	**0.8**	**13.0**	**0.9**	**2.4**
Mean[6]					**0.47**	**6.2**	**0.45**	**6.0**	**0.42**	**5.6**	**12.9**	**12.2**	**1.1**	**1.1**	**11.9**	**1.5**	**2.7**
Median[6]					**0.41**	**6.1**	**0.39**	**5.9**	**0.37**	**5.5**	**11.5**	**10.2**	**0.9**	**0.8**	**12.0**	**1.5**	**2.6**
High[6]					**0.75**	**9.2**	**0.72**	**8.4**	**0.69**	**8.0**	**32.4**	**43.9**	**3.2**	**4.4**	**16.0**	**3.7**	**4.0**
Low[6]					**0.20**	**3.9**	**0.18**	**4.1**	**0.17**	**3.9**	**6.5**	**6.1**	**0.7**	**0.7**	**8.0**	**0.0**	**1.3**

(1) *As of October 24, 2008*
(2) *Assumes 20-day average stock price, except for Target Corp*
(3) *Assumes sale of credit card business for $4.4bn on 1/1/09 and uses proceeds to pay down debt*
(4) *Implied multiples from midpoint of Target Corp valuation ($20.3bn–$25.3bn)*
(5) *Represents 2009–2013 EPS CAGR*
(6) *Excludes Target*

Implied Valuation Based on Other Retailers

The implied Target Corp valuation range based on other publicly traded retailers is $18 – $28bn, or $24 – $39/share today

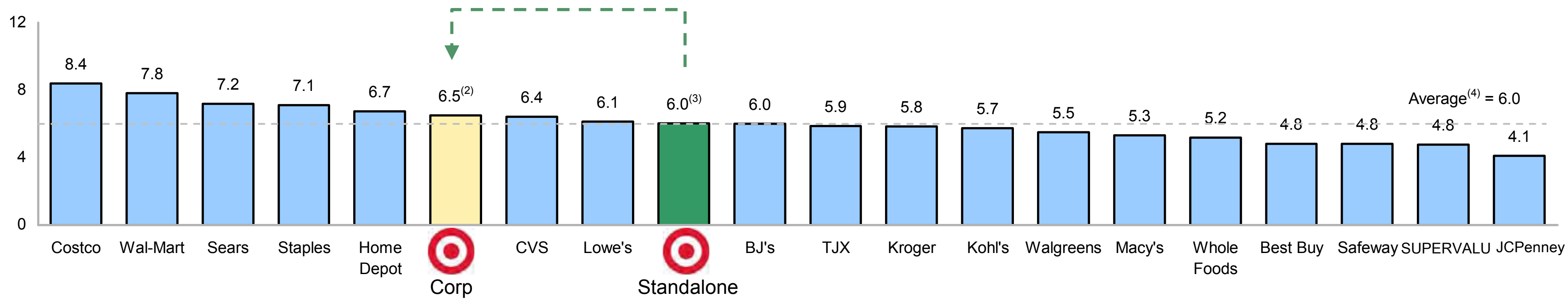
2009E Multiple	2009E Metric ($mm)	Multiple Range			Implied Value ($bn)		
EV/EBITDA	5,172	5.5x	–	7.5x	**17.5**	**–**	**27.8**
P/E	$2.23	11.0x	–	14.5x	**17.7**	**–**	**23.4**

Implied Reference Range

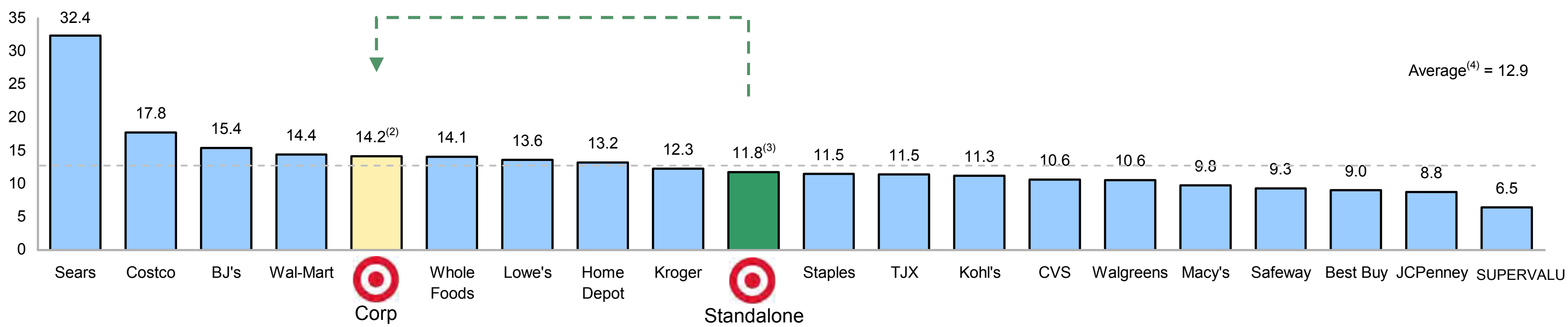
Target Corp Comparable Companies-Trading Multiples(1)

Target is currently trading near the midpoint of its peer group

2009E EV/EBITDA Multiples (x)



2009E P/E Multiples (x)



(1) As of October 24, 2008
(2) Implied multiple from midpoint of Target Corp valuation ($20.3bn–$25.3bn)
(3) Represents fiscal year ending January
(4) Excludes Target

Target Corp Discounted Cash Flow Analysis

The implied Target Corp valuation range based on DCF analysis is $26 – $35bn, or $37 – $49/share today

($mm)	2009E	2010E	2011E	2012E	2013E
	Projected Calendar Year,				
EBITDA [1]	5,172	5,751	6,485	7,169	7,968
Less: Depreciation and Amortization	(1,884)	(2,017)	(2,199)	(2,410)	(2,654)
EBIT	**3,288**	**3,735**	**4,285**	**4,759**	**5,314**
Less: Taxes @ 38%	(1,262)	(1,434)	(1,645)	(1,827)	(2,041)
After-Tax EBIT	**2,025**	**2,301**	**2,640**	**2,931**	**3,274**
Plus: Depreciation and Amortization	1,884	2,017	2,199	2,410	2,654
Less: Net Capital Expenditures	(2,826)	(2,850)	(3,400)	(3,870)	(4,416)
Plus: Decrease in Working Capital	79	120	167	193	224
UNLEVERED FREE CASH FLOWS	**1,162**	**1,588**	**1,606**	**1,665**	**1,736**

ILLUSTRATIVE VALUATION
($ in millions, except per share amounts)

Terminal EBITDA [2]	8,824
Terminal EV/EBITDA Multiple	6.5x
Terminal Value	57,357
Present Value of TV [3]	35,614
Sum of Discounted Cash Flows (2009-2013) [3]	6,073
Implied Enterprise Value	**41,687**
Less: Debt (1/1/09) [4]	(11,455)
Plus: Cash (1/1/09) [4]	500
Implied Equity Value	**30,732**

Implied Equity Value

Terminal Multiple	Discount Rate 9.00%	10.00%	11.00%
6.0x	29,668	27,993	26,404
6.5x	32,536	30,732	29,022
7.0x	35,403	33,472	31,641

Implied Perpetuity Growth Rate (%) [5]

Terminal Multiple	Discount Rate 9.00%	10.00%	11.00%
6.0x	2.4	3.3	4.2
6.5x	2.9	3.8	4.7
7.0x	3.3	4.2	5.1

Notes:

1 Assumes sale of remaining 53% interest on credit card receivables for $4.4bn; ongoing royalty stream of $150mm
2 Assumes 2014E EBITDA growth equal to 2013E growth
3 Assumes mid-year convention
4 Assumes $4.4bn of proceeds from sale of remaining 53% interest on credit card receivables used to pay down debt
5 Assumes capital expenditures equal to depreciation and amortization in perpetuity

Target Corp—12-Month Price Target

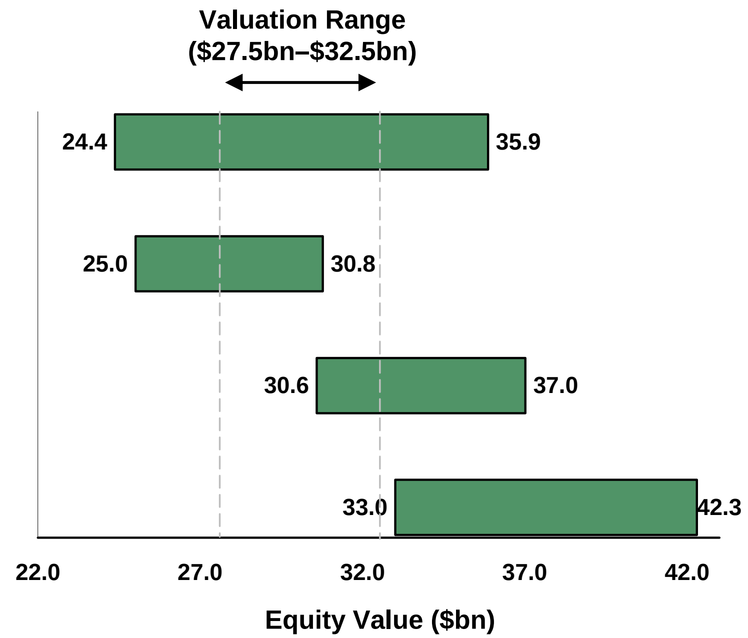
The implied valuation range for Target Corp based on several methodologies outlined below is $27.5 – $32.5bn, or $38 – $45/share 12 months from today

Trading Data – Retailers (EV/EBITDA)
- 6.0–8.0x EBITDA
- CY2010 EBITDA: $5,751mm

Trading Data – Retailers (P/E)
- 13.0–16.0x EPS
- CY2010 EPS: $2.67

Trading Data – Target 5 Year Historical (P/E and EV/EBITDA)
- 5 Year P/E of 15.9x and 5 Year EV/EBITDA of 8.2x
- CY2010 EPS: $2.67 and CY2010 EBITDA: $5,751mm

Discounted Cash Flow
- 9.0–11.0% WACC
- 6.5–7.5x Terminal EBITDA Multiple



($bn)

Equity Value	27.5	30.0	32.5
Enterprise Value	37.6	40.1	42.6
Share Price ($/Share)	$38	$42	$45
'10 P/E	14.3x	15.6x	16.9x
'10 PEG	0.8x	0.9x	1.0x
'10 EV/EBITDA	6.5x	7.0x	7.4x

Credit Rating Analysis

Maintains Investment Grade Credit Rating

We believe the Rating Agencies will adopt one of two possible analytical approaches when assessing the credit profiles of the 'new' Target Corp and TIP REIT – 'Consolidated' vs. 'De-consolidated'

- **Target Corp and TIP REIT will have integrated, mutually dependent business models**
  - Vast majority of TIP REIT revenues will be based on Target Corp land leases for many years
  - Lease arrangements and large size of land portfolio lead to high correlation of credit quality between TIP REIT and Target Corp
  - TIP REIT will also provide facility management services to Target Corp
- **Target Corp and TIP REIT will be separate legal entities with common public ownership at the onset; shareholder base expected to diverge over time due to differing business profiles of the two entities**
- **Based on this structure, we believe that the Rating Agencies will adopt one of either two possible analytical approaches for their analysis of Target Corp and TIP REIT:**
  - a 'Consolidated' analysis of the combined group/system, or
  - a 'De-consolidated' analysis of the two separate entities on a standalone basis, but with some linkage
- **A 'Consolidated' approach is supported by the integrated, economically inter-twined business relationship between Target Corp as lessor and TIP REIT as landowner**
- **A 'De-consolidated' approach is supported by the fact that the companies will be separate legal entities with no common ownership, except for shareholders initially**
- **Agencies may not unanimously take the same analytical approach when assessing Target Corp and TIP REIT profile**
  - Leading to potential for one or more agency taking a 'consolidated' approach and another taking a 'de-consolidated' approach

Maintains Investment Grade Credit Rating *(cont'd)*

Regardless of the analytical approach adopted by the Agencies, we believe that Target Corp will maintain Investment Grade credit ratings

- **Under a 'Consolidated' methodology, Agencies are expected:**
  - To review metrics of the consolidated group where lease payments between Target Corp and TIP REIT are expected to 'cancel out'
  - To assign the consolidated group's rating to both Target Corp and TIP REIT
- **Under a 'De-consolidated' methodology, Agencies are expected:**
  - To review Target Corp and TIP REIT independently
  - To assign independent ratings to both Target Corp and TIP REIT, although we anticipate that there will be some ratings linkage between the two
- **Regardless of the analytical approach, we believe:**
  - Target Corp will maintain solid Investment Grade credit ratings
    - Between Mid-High BBB/Baa to A-/A3
  - TIP REIT will achieve Investment Grade credit ratings
- **Under any scenario, we anticipate that Target Corp will generate significant free cash flows with ability to deleverage to credit metrics supportive of stronger Investment Grade ratings over the near to intermediate term**

Structural and Legal Considerations

Land Development / Procurement

Set forth below is an illustrative example of how Target Corp and TIP REIT can work together on future land procurement

- **Immediately after spin-off, TIP REIT enters into a two-year exclusive agreement to develop land for Target Corp**
- **Afterwards, Target Corp will have a Preferred Vendor Agreement with TIP REIT**
  - It is anticipated that TIP REIT will act as the land procurement developer for Target Corp
  - Target Corp will notify TIP REIT when it identifies a place to build a store and will inquire about TIP REIT's interest in providing land procurement development services for the specified area (assembling, clearing and entitling one or more parcels of land)
  - If TIP REIT expresses interest, the parties will discuss terms over a standard period (e.g. 10+ days); upon reaching terms, TIP REIT will commence land procurement development services
  - If TIP REIT decides not to pursue the opportunity offered by Target Corp, or the parties do not agree upon terms within the specified standard period, Target Corp may secure the services of another party or undertake the land procurement development services on its own

Land Development / Procurement *(cont'd)*

- **Target Corp will have the right to purchase land for the store directly, but in that case Target Corp must notify TIP REIT to determine whether TIP REIT wishes to purchase the land from Target Corp and lease it back to Target Corp**
  - If TIP REIT expresses interest and agrees on market terms within the specified standard period, TIP REIT will purchase the land from Target Corp, clear and entitle it and lease it back to Target Corp on the agreed terms
- **Target Corp will be under no obligation to accept any terms if it determines in good faith that doing so would not be in the best interest of Target Corp and its shareholders**
- **The agreement will contain customary confidentiality and standstill provisions that will prevent TIP REIT from misusing the information that Target Corp is looking to build a particular site**
- **After the fifth anniversary of the spin-off, either TIP REIT or Target Corp may terminate the Preferred Vendor Agreement**
- **<u>Store development:</u> Target Corp will retain its store development function and will be solely responsible for developing its owned stores**

Property Transfer Taxes

Transfer of property to TIP REIT may be subject to property transfer tax

- **Tax imposed at the state and local level in jurisdictions where property is located**
  - Rate of tax will vary among the jurisdictions
- **Transfer may qualify for an exemption in some jurisdictions whereby beneficial ownership of property is deemed unchanged**
- **In some states such as California, the transfer may trigger a reassessment of the property value which would impose higher ongoing property taxes**

Supporting Data

Store–level ROIC

P&L Data: ($mm)	Standalone 2007A	Pro Forma 2007A
Retail Sales	$61,471	$61,471
Retail Gross Margin	19,576	19,576
Retail EBIT	$4,213	$4,213
Plus: Advertising (50% of Consolidated)	598	598
Plus: Buying Group Expense and Occupancy Expense	1,321	1,321
Less: Incremental Ground Lease Rent (Stores)	--	(1,235) (1)
Less: Incremental Ground Lease Rent (DCs & WHs)	--	(46) (2)
Plus: Estimated Corporate G&A	615	615
% of Revenues	*1.0%*	*1.0%*
Plus: Estimated Distribution Center Costs	2,459	2,505
% of Revenues	*4.0%*	*4.1%*
Estimated Four-Wall Retail EBIT	**$9,040**	**$7,970**

Store Level Operating Data and Assumptions: ($mm)		Standalone 2007A		Pro Forma 2007A
Retail Sales per Avg. Store		$39.9		$39.9
Memo: Avg. # of Stores	1,540		1,540	
Estimated Four-Wall Operating Costs per Avg. Store		$33.9		$34.7
Ground Lease Expense per Avg. Store		--		1
Estimated Four-Wall EBIT per Avg. Store		$6.0		$5.2
Margin		*15.0%*		*13.0%*
New Land Capex		$13		--
New Building Capex		13		13
Total Investment		$26		$13
Est. Pre-Tax Unlevered Returns on Investment		***23.0%***		***39.8%***

(1) Assumes $1.2bn of ground lease rent expense from stores, based on $7/sq. ft. lease cost, 131k of square footage per store and 1,350 stores, on average; implying a cap rate of 7.0%
(2) Assumes $46mm of ground lease rent expense from DCs & WHs, based on $1.25/sq. ft. lease cost, 1.4mm of square footage per DC & WH and 26 DCs & WHs, on average

Triple Net Lease REIT Tenants: Detailed Review

REALTY INCOME

Tenant	% of Revenue	Industry	Moody's / S&P [1]	Adj. Debt/ LTM EBITDAR [2] (x)	LTM EBITDA/ Interest (x) [2]	LTM EBIT/ Interest (x) [2]	Yield [3] (%)	Commentary
Buffets	6	Restaurant	WR / NR	9.8	0.8	0.3	In default	♦ March 31, 2008: Buffets auditor raises "going concern" doubt ♦ January 22, 2008: Buffets files for bankruptcy
Kerasotes ShowPlace Theatres	5	Movie Theater	B1/ B-	na	na	na	na	♦ Moody's does not expect Kerasotes to become free cash flow positive until after 2009
The Pantry (NASDAQ: PTRY)	4	Convenience Store	WR / B+	6.5 [4]	2.4	1.2	14.5	♦ July 17, 2008: Moody's downgrades Pantry's Corporate Family Rating to B2 and assigned a negative rating outlook. ♦ April 9, 2008: Merrill Lynch reduces its investment rating on The Pantry to "Sell"
La Petite Academy	4	Education Services	WR/NR	na	na	na	na	♦ June 26, 2008: Morgan Stanley Private Equity acquires a 60% stake in Learning Care Group Inc., the parent company of La Petite Academy
Children's World	4	Education Services	na / na	na	na	na	na	♦ na

NATIONAL RETAIL PROPERTIES NYSE:NNN

Tenant	% of Gross Assets	Industry	Moody's / S&P [1]	Adj. Debt/ LTM EBITDAR (x)	LTM EBITDA/ Interest (x)	LTM EBIT/ Interest (x)	Yield [3] (%)	Commentary
The Pantry (NASDAQ: PTRY)	11	Convenience Store	WR / B+	6.5 [4]	2.4	1.2	14.5	♦ See above
Circle K – Susser Holdings (NASDAQ: SUSS)	9	Convenience Store	B3 / B+	6.1	2.7	1.4	14.3	♦ August 6, 2008: Susser reports earnings; Free Cash Flow for Susser Holdings deteriorates 19.1%
Kerasotes ShowPlace Theatres	5	Movie Theater	B1/ B-	na	na	na	na	♦ See above
Mister Car Wash	4	Conveyor Car Wash	na / na	na	na	na	na	
Road Ranger	4	Convenience Store	na / na	na	na	na	na	

ENTERTAINMENT PROPERTIES TRUST FIVE STAR PROPERTIES

Tenant	% of Total GLA	Industry	Moody's / S&P [1]	Adj. Debt/ LTM EBITDAR (x)	LTM EBITDA/ Interest (x)	LTM EBIT/ Interest (x)	Yield [3] (%)	Commentary
AMC Entertainment	51	Movie Theater	WR / NR	6.4	2.6	0.9	14.1	♦ Real industry revenue is expected to decline at an average annual rate of 1.8% over the next 5 years ♦ The industry is in a mature phase of its development, as witnessed by the recent significant operator site and screen consolidation process associated with the filing for Chapter 11 Bankruptcy protection by most major operators in the early 2000s.
Regal (NYSE: RGC)	7	Movie Theater	B2 / BB-	5.7	4.3	2.7	10.7	
Rave Motion Pictures	6	Movie Theater	na / na	na	na	na	na	
Consolidated Theaters	5 [5]	Movie Theater	na / na	na	na	na	na	
Muvico	3 [5]	Movie Theater	na / na	na	na	na	na	

Source: Company filings and Wall Street research
(1) Bloomberg as of October 24, 2008
(2) Company filings
(3) Yield to Maturity of the most liquid security with the largest outstanding amount based on Interactive Data
(4) Rent Expense as of last fiscal year reported
(5) Wall Street research as of May 5, 2008

Model – Standalone

Standalone Model – Income Statement

($mm)	Status Quo CY2007	Status Quo CY2008	Credit Card Adj.	Pro Forma CY2008	Calendar Year, 2009	2010	2011	2012	2013	CAGR '09 - '13
Retail Sales	61,471	64,892		64,892	68,249	73,356	80,479	88,710	98,241	9.5%
Base Sales Growth (%)					*5.2%*	*7.5%*	*9.7%*	*10.2%*	*10.7%*	
Credit Revenue	1,896	2,078	(1,936)	143	150	161	177	195	216	9.5%
Credit Sales Growth					*5.2%*	*7.5%*	*9.7%*	*10.2%*	*10.7%*	
Total Revenue	**63,367**	**66,970**		**65,034**	**68,399**	**73,517**	**80,655**	**88,905**	**98,457**	9.5%
Total Revenue Growth					*5.2%*	*7.5%*	*9.7%*	*10.2%*	*10.7%*	
COGS	42,929	45,459		45,459	47,777	51,279	56,177	61,919	68,563	
% of Retail Sales	*69.8%*	*70.1%*		*70.1%*	*70.0%*	*69.9%*	*69.8%*	*69.8%*	*69.8%*	
SG&A (excluding D&A and Rent Expense)	12,392	13,058		13,058	13,834	14,761	16,115	17,761	19,668	
% of Retail Sales	*20.2%*	*20.1%*		*20.1%*	*20.3%*	*20.1%*	*20.0%*	*20.0%*	*20.0%*	
Credit Expenses	950	1,460	(1,460)	-	-	-	-	-	-	
% of Credit Revenue	*50.1%*	*70.2%*		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
Retail EBITDAR	6,150	6,375		6,375	6,637	7,316	8,187	9,029	10,011	10.8%
Retail EBITDAR Margin (%)	*10.0%*	*9.8%*		*9.8%*	*9.7%*	*10.0%*	*10.2%*	*10.2%*	*10.2%*	
Credit EBITDAR	946	619	(476)	143	150	161	177	195	216	9.5%
Credit EBITDAR Margin (%)	*49.9%*	*29.8%*		*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	
EBITDAR	**7,096**	**6,993**		**6,517**	**6,787**	**7,478**	**8,364**	**9,224**	**10,227**	10.8%
EBITDAR Margin (%)	*11.2%*	*10.4%*		*10.0%*	*9.9%*	*10.2%*	*10.4%*	*10.4%*	*10.4%*	
Rent Expense	165	169		169	173	178	182	187	191	
EBITDA	**6,931**	**6,824**		**6,348**	**6,614**	**7,300**	**8,182**	**9,038**	**10,036**	11.0%
EBITDA Margin (%)	*10.9%*	*10.2%*		*9.8%*	*9.7%*	*9.9%*	*10.1%*	*10.2%*	*10.2%*	
Depreciation & Amortization	1,659	1,807		1,807	1,940	2,085	2,288	2,522	2,793	
% of Retail Sales	*2.7%*	*2.8%*		*2.8%*	*2.8%*	*2.8%*	*2.8%*	*2.8%*	*2.8%*	
Operating Income	**5,272**	**5,017**		**4,541**	**4,674**	**5,215**	**5,894**	**6,516**	**7,243**	11.6%
Net Interest (Income) / Expense	647	995		555	694	722	798	897	1,003	
Income Tax Provision	1,776	1,483		1,469	1,528	1,725	1,957	2,158	2,396	
Tax Rate (%)	*38%*	*37%*		*37%*	*38%*	*38%*	*38%*	*38%*	*38%*	
Net Income	**2,849**	**2,539**		**2,517**	**2,452**	**2,767**	**3,139**	**3,461**	**3,844**	11.9%
Net Income Margin (%)	*4.5%*	*3.8%*		*3.9%*	*3.6%*	*3.8%*	*3.9%*	*3.9%*	*3.9%*	
Current Diluted Shares Outstanding	882.6	819.0		819.0	721.9	720.4	697.3	677.3	659.1	
Shares Repurchase	(63.7)	(97)		(97.0)	(1.6)	(23.1)	(20.0)	(18.2)	(14.0)	
Share Repurchase from Options	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	
Total Shares Outstanding	819.0	721.9		721.9	720.4	697.3	677.3	659.1	645.2	
Weighted Average Shares Outstanding	850.8	765.9		765.9	721.1	708.8	687.3	668.2	652.2	
Earnings per Share ($)	**$3.33**	**$3.32**		**$3.29**	**$3.40**	**$3.90**	**$4.57**	**$5.18**	**$5.89**	14.7%

Standalone Model – Balance Sheet

($mm)	Status Quo CY2007	Status Quo CY2008	Adj.	Pro Forma CY2008	Calendar Year, 2009	2010	2011	2012	2013
Cash & Equivalents	2,450	500	0	500	607	653	716	790	874
Trade Receivables	8,054	8,383	(8,383)	-	-	-	-	-	-
Other Current Assets	8,402	9,232		9,232	9,710	10,436	11,450	12,621	13,977
Property, Plant & Equipment, gross	31,982	35,734		35,734	39,639	43,497	48,479	54,212	60,817
Accumulated Depreciation	(7,887)	(9,350)		(9,350)	(11,290)	(13,375)	(15,663)	(18,185)	(20,977)
Property, Plant & Equipment, net	24,095	26,384		26,384	28,348	30,122	32,816	36,027	39,840
Other Non-Current Assets	1,559	1,368		1,368	1,368	1,368	1,368	1,368	1,368
Total Assets	**44,560**	**45,867**		**37,484**	**40,033**	**42,579**	**46,350**	**50,805**	**56,059**
Debt	17,090	19,455	(8,000)	11,455	11,455	12,455	13,955	15,705	17,455
Other Current Liabilities	9,818	10,757		10,757	11,313	12,160	13,340	14,705	16,285
Other Non-Current Liabilities	2,345	2,392		2,392	2,392	2,392	2,392	2,392	2,392
Total Liabilities	**29,253**	**32,604**		**24,604**	**25,160**	**27,007**	**29,687**	**32,802**	**36,132**
Total Equity	15,307	13,264	(383)	12,880	14,873	15,572	16,663	18,004	19,927
Total Equity & Liabilities	**44,560**	**45,867**		**37,484**	**40,033**	**42,579**	**46,350**	**50,805**	**56,059**

Standalone Model – Cash Flow Statement

		Calendar Year,				
($mm)		**2009**	**2010**	**2011**	**2012**	**2013**
EBITDA		6,614	7,300	8,182	9,038	10,036
less: Interest Expense		(694)	(722)	(798)	(897)	(1,003)
less: Taxes		(1,528)	(1,725)	(1,957)	(2,158)	(2,396)
Share-based Compensation		73	73	73	73	73
less: Increase in Net Working Capital		79	120	167	193	224
less: Increase Funding of CC Growth		0	0	0	0	0
Cash Flow from Operating Activities		**4,544**	**5,045**	**5,667**	**6,249**	**6,933**
Capital Expenditures		(3,905)	(3,858)	(4,982)	(5,732)	(6,605)
Cash Flow from Investing Activities		**(3,905)**	**(3,858)**	**(4,982)**	**(5,732)**	**(6,605)**
Issuance of Debt		0	1,000	1,500	1,750	1,750
Repayment of Debt		0	0	0	0	0
Issuance of Equity / (Buy Back)		(99)	(1,688)	(1,654)	(1,713)	(1,498)
Issuance of Dividends to Common		(433)	(454)	(467)	(481)	(496)
Cash Flow from Financing Activities		**(532)**	**(1,142)**	**(621)**	**(444)**	**(243)**
Beginning Cash Balance		500	607	653	716	790
Change in Cash		107	45	63	73	85
Ending Cash Balance		**607**	**653**	**716**	**790**	**874**
Average Cash Balance		554	630	685	753	832
Interest Income	3.0%	17	19	21	23	25

Standalone Model – Build-ups and Credit Metrics

Sales Buildup	**Status Quo CY2007**	**Pro Forma CY2008**	**Calendar Year, 2009**	**2010**	**2011**	**2012**	**2013**
Square Feet (mm)	208	222	232	241	256	273	292
$ / Sq. Ft.	296	293	294	304	314	325	337
Retail Sales	61,471	64,892	68,249	73,356	80,479	88,710	98,241
Implied Retail Sales Growth (%)		5.6%	5.2%	7.5%	9.7%	10.2%	10.7%
Sq. Footage Growth (%)		6.6%	4.7%	4.1%	6.0%	6.5%	7.0%
SSS Growth (%)		(0.9%)	0.5%	3.3%	3.5%	3.5%	3.5%

CapEx Buildup	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Total System CapEx	4,369	4,112	3,905	3,858	4,982	5,732	6,605
CapEx as % of Retail Sales	*7.1%*	*6.3%*	*5.7%*	*5.3%*	*6.2%*	*6.5%*	*6.7%*

Credit Metrics		**Status Quo CY2007**	**Status Quo CY2008**	**Pro Forma CY2008**					
Lease Adjusted Debt	8 x	1,320	1,353	1,353	1,387	1,421	1,457	1,493	1,531
Actual Debt		17,090	19,455	11,455	11,455	12,455	13,955	15,705	17,455
Total Lease Adjusted Debt		18,410	20,808	12,808	12,842	13,876	15,412	17,198	18,986
Total Lease Adjusted Debt/EBITDAR		2.6 x	3.0 x	2.0 x	1.9 x	1.9 x	1.8 x	1.9 x	1.9 x
Total Debt / EBITDA		2.5 x	2.9 x	1.8 x	1.7 x	1.7 x	1.7 x	1.7 x	1.7 x
EBITDAR / (Interest + Rent)		8.7 x	6.0 x	9.0 x	7.8 x	8.3 x	8.5 x	8.5 x	8.6 x
EBITDA / Interest		10.7 x	6.9 x	11.4 x	9.5 x	10.1 x	10.3 x	10.1 x	10.0 x

Model – TIP REIT

TIP REIT Model – Income Statement

($mm, except as noted)		Pro Forma CY2008	Calendar Year, 2009	2010	2011	2012	2013	CAGR '09 - '13
Gross TIP REIT Revenues from Ground-leased Store Land		1,325	1,398	1,501	1,645	1,811	2,004	9.4%
Gross TIP REIT Revenues from Ground-leased DCs & WHs Land		44	46	48	51	55	59	6.3%
Total Gross TIP REIT Revenues		1,369	1,444	1,549	1,696	1,866	2,063	9.3%
Total TIP REIT Net Rental Revenues		**1,369**	**1,444**	**1,549**	**1,696**	**1,866**	**2,063**	9.3%
% of Target Corp Retail Sales		*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	
Plus: Facilities Management Income		144	144	155	170	187	207	
Less: Facilities Management Expense		(125)	(125)	(134)	(147)	(162)	(180)	
Net Facilities Management Income		**19**	**19**	**20**	**22**	**24**	**27**	9.5%
Net Operating Income		**1,388**	**1,462**	**1,569**	**1,718**	**1,890**	**2,090**	9.3%
Less: G&A Expense		(20)	(20)	(21)	(21)	(22)	(22)	
Less: Incremental G&A Cost		(15)	(15)	(15)	(16)	(16)	(17)	
EBITDA		**1,353**	**1,427**	**1,533**	**1,681**	**1,853**	**2,051**	9.5%
Less: Depreciation & Amortization		(42)	(56)	(68)	(88)	(111)	(139)	
Less: Interest Expense		(205)	(188)	(221)	(316)	(428)	(559)	
Less: Taxes on Facilities Mgmt. Income	38%	(7)	(7)	(8)	(8)	(9)	(10)	
Net Income		**1,099**	**1,177**	**1,235**	**1,268**	**1,304**	**1,342**	3.3%
Normalized Net Income (1)		**1,211**	**1,289**	**1,331**	**1,364**	**1,400**	**1,438**	2.8%
Ending Shares Outstanding		721.9	721.9	721.9	721.9	721.9	721.9	
Earnings per Share		**$1.52**	**$1.63**	**$1.71**	**$1.76**	**$1.81**	**$1.86**	3.3%
Normalized Earnings per Share (1)		**$1.68**	**$1.79**	**$1.84**	**$1.89**	**$1.94**	**$1.99**	2.8%
	% AFFO							
Dividends on Common	100.0%	**1,141**	**1,232**	**1,304**	**1,356**	**1,415**	**1,481**	4.7%
Special Dividends		**-**	**1,600**	**-**	**-**	**-**	**-**	
Normalized Dividends (1)		**1,253**	**1,344**	**1,400**	**1,452**	**1,511**	**1,577**	4.1%
Normalized Dividends per Share (1)		**$1.74**	**$1.86**	**$1.94**	**$2.01**	**$2.09**	**$2.18**	4.1%

(1) Normalized to exclude incremental interest expense due to CY2009 cash E&P distribution

TIP REIT Model – Balance Sheet

($mm, except as noted)	Pro Forma CY2008	Calendar Year, 2009	2010	2011	2012	2013	CAGR '09 - '13
Real Estate:							
Gross Existing Properties - Land & Improvements	12,228	12,228	12,228	12,228	12,228	12,228	
Maintenance Capex		-	-	-	-	-	
Development Properties - Land & Improvements		1,079	2,087	3,669	5,532	7,722	
Accumulated Depreciation	(846)	(901)	(970)	(1,058)	(1,169)	(1,308)	
Net Real Estate Asset	11,382	12,405	13,345	14,839	16,590	18,641	
Cash	-	3	3	3	3	3	
Total Assets	**11,382**	**12,408**	**13,348**	**14,842**	**16,593**	**18,644**	**10.7%**
Debt:							
Revolver	-	3	3	3	3	3	
New Debt	-	2,679	3,687	5,269	7,132	9,322	
Total Debt	-	2,682	3,690	5,272	7,135	9,325	
Common Equity	11,382	11,382	11,382	11,382	11,382	11,382	
Retained Earnings (Deficit)		(1,656)	(1,724)	(1,812)	(1,924)	(2,063)	
Total Equity	11,382	9,727	9,658	9,570	9,459	9,320	
Total Liabilities & Equity	**11,382**	**12,408**	**13,348**	**14,842**	**16,593**	**18,644**	**10.7%**

TIP REIT Model – Cash Flow Statement

($mm, except as noted)	2009	2010	2011	2012	2013	CAGR '09 - '13
	Calendar Year,					
Cash Flow from Operating Activities:						
EBITDA	1,427	1,533	1,681	1,853	2,051	
Less: Interest Expense	(188)	(221)	(316)	(428)	(559)	
Less: Taxes on Facilities Mgmt. Income	(7)	(8)	(8)	(9)	(10)	
Net Cash Flow from Operating Activities	**1,232**	**1,304**	**1,356**	**1,415**	**1,481**	**4.7%**
Cash Flow from Investing Activities:						
Development Capex	(1,079)	(1,008)	(1,582)	(1,863)	(2,190)	
Maintenance Capex	-	-	-	-	-	
Net Cash Flow from Investing Activities	**(1,079)**	**(1,008)**	**(1,582)**	**(1,863)**	**(2,190)**	**19.4%**
Cash Flow from Financing Activities:						
Debt Financing:						
Increase (Decrease) in Revolver	3	-	-	-	-	
Increase (Decrease) in New Debt	2,679	1,008	1,582	1,863	2,190	
Equity Financing:						
Increase (Decrease) in Common Equity	-	-	-	-	-	
Dividends on Common	(1,232)	(1,304)	(1,356)	(1,415)	(1,481)	
Special Dividends	(1,600)	-	-	-	-	
Net Cash Flow from Financing Activities	**(151)**	**(295)**	**226**	**447**	**709**	
Beginning Cash Balance	-	3	3	3	3	
Net Change in Cash	3	-	-	-	-	
Ending Cash Balance	**3**	**3**	**3**	**3**	**3**	

TIP REIT Model – Rent Build-up

Assumptions ($mm, except as noted):	Count		Pro Forma CY2008	2009	2010	2011	2012	2013	CAGR '09 - '13
Total Combined Stores - Sq. Ft.	Count								
Owned Stores	1,438		189	200	209	224	240	259	
Combined (Ground-leased) Stores	172		23	23	23	23	23	23	
Third-party Leased Stores	73		10	10	10	10	10	10	
Total Combined Stores Square Footage			222	232	241	256	273	292	5.9%
Total Combined Stores Square Footage Growth				*4.7%*	*4.1%*	*6.0%*	*6.5%*	*7.0%*	
TIP REIT Stores - Sq. Ft.	Count								
Owned Stores	1,438	Yes	189	200	209	224	240	259	
Total TIP REIT Stores Square Footage			**189**	**200**	**209**	**224**	**240**	**259**	6.8%
Total TIP REIT Stores Square Footage Growth				*5.4%*	*4.8%*	*6.9%*	*7.4%*	*7.9%*	
Total Combined DCs & WHs - Sq. Ft.	Count								
Owned DCs & WHs	25		35	37	37	39	41	43	
Combined (Ground-leased) DCs & WHs	1		1	1	1	1	1	1	
Third-party Leased DCs & WHs	5		7	7	7	7	7	7	
Total Combined DCs & WHs Square Footage			44	45	46	47	49	51	3.1%
Total DCs & WHs Sq. Ft. vs. Total Combined Stores Sq. Ft.			*19.7%*	*19.5%*	*19.0%*	*18.5%*	*18.0%*	*17.5%*	
TIP REIT DCs & WHs - Sq. Ft.	Count								
Owned DCs & WHs	25	Yes	35	37	37	39	41	43	
Total TIP REIT DCs & WHs Square Footage			**35**	**37**	**37**	**39**	**41**	**43**	3.7%
Total TIP REIT DCs & WHs Square Footage Growth				*4.4%*	*1.8%*	*3.9%*	*4.4%*	*4.9%*	
Rent / Square Foot - Store Land			$7.00	$7.00	$7.18	$7.35	$7.54	$7.73	
CPI Growth				*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	
Average Growth				*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	
TIP REIT Revenues from Ground-leased Land			1,325	1,398	1,501	1,645	1,811	2,004	9.4%
Rent / Square Foot - DCs & WHs Land			$1.25	$1.25	$1.28	$1.31	$1.35	$1.38	
CPI Growth				*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	
Average Growth				*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	
TIP REIT Revenues from Ground-leased DCs & WHs			44	46	48	51	55	59	6.3%
Total TIP REIT Gross Revenues			**1,369**	**1,444**	**1,549**	**1,696**	**1,866**	**2,063**	9.3%

TIP REIT Model – FFO & AFFO Reconciliations, Credit Statistics and Implied Metrics

FFO & AFFO Reconciliations:		Pro Forma CY2008	Calendar Year, 2009	2010	2011	2012	2013	CAGR '09 - '13
Net Income		1,099	1,177	1,235	1,268	1,304	1,342	
Plus: Depreciation & Amortization		42	56	68	88	111	139	
Funds from Operations		**1,141**	**1,232**	**1,304**	**1,356**	**1,415**	**1,481**	4.7%
Ending Shares Outstanding		721.9	721.9	721.9	721.9	721.9	721.9	
FFO / Share		**$1.58**	**$1.71**	**$1.81**	**$1.88**	**$1.96**	**$2.05**	4.7%
Less: Maintenance Capex		-	-	-	-	-	-	
Adjusted Funds from Operations		**1,141**	**1,232**	**1,304**	**1,356**	**1,415**	**1,481**	4.7%
Normalized AFFO [1]		**1,253**	**1,344**	**1,400**	**1,452**	**1,511**	**1,577**	4.1%
Credit Statistics:								
Coverage:								
EBITDA / Interest Expense			7.6x	6.9x	5.3x	4.3x	3.7x	
(EBITDA - Maintenance Capex) / Interest Expense			7.6x	6.9x	5.3x	4.3x	3.7x	
Leverage:								
Total Debt / EBITDA			1.9x	2.4x	3.1x	3.9x	4.5x	
Capitalization:								
Total Debt / Total Real Estate Value			11.1%	14.2%	18.6%	22.9%	27.0%	
(NOI capped at 6.0% and 8.5% for store land and DCs & WHs land, respectively)								
Implied Metrics:								
Incremental Stores Square Footage			**10**	**10**	**14**	**17**	**19**	
SuperTarget Stores	50.0%		5	5	7	8	10	
Implied New Combined SuperTarget Stores	0.177 Sq. Ft. / SuperTarget		29	27	41	47	54	
% of Total New Stores Built			41.4%	41.5%	41.4%	41.2%	41.2%	
Combined Total Number of SuperTarget Stores		**239**	**268**	**295**	**336**	**383**	**437**	
General Merchandise Stores	50.0%		5	5	7	8	10	
Implied New Combined GM Stores	0.124 Sq. Ft. / GM		41	38	58	67	77	
% of Total New Stores Built			58.6%	58.5%	58.6%	58.8%	58.8%	
Combined Total Number of General Merchandise Stores		**1,444**	**1,485**	**1,523**	**1,581**	**1,648**	**1,725**	
Total Implied New Stores			**70**	**65**	**99**	**114**	**131**	
Cumulative Combined Total Implied Stores		**1,683**	**1,753**	**1,818**	**1,917**	**2,031**	**2,162**	
Incremental DCs & WHs Square Footage			2	1	1	2	2	
Implied Combined New DCs & WHs	1.408		1	0	1	1	1	
Total Implied New DCs & WHs			**1**	**0**	**1**	**1**	**1**	
Cumulative Combined Total Implied DCs & WHs		**31**	**32**	**33**	**34**	**35**	**36**	

(1) Normalized to exclude incremental interest expense due to CY2009 cash E&P distribution

TIP REIT Model – Capex Schedule

($mm, except as noted)		Calendar Year, 2009	2010	2011	2012	2013	CAGR '09 - '13
Total Combined Expenditures		**3,905**	**3,858**	**4,982**	**5,732**	**6,605**	
Maintenance / Retail Capital Expenditures		**1,714**	**1,827**	**1,785**	**1,968**	**2,179**	6.2%
Target Corp - Store Buildings		1,714	1,827	1,785	1,968	2,179	
TIP REIT		-	-	-	-	-	
Development Capital Expenditures		**2,191**	**2,031**	**3,198**	**3,765**	**4,426**	19.2%
Target Corp Building - Store and DCs & WHs	71.4%	1,112	1,023	1,615	1,902	2,237	
TIP REIT Land - Store and DCs & WHs	28.6%	1,079	1,008	1,582	1,863	2,190	
Target Corp - Other	0.0%	-	-	-	-	-	
TIP REIT Land - Store		1,056	999	1,560	1,836	2,158	
Store Land Cost per Square Foot		**$102.50**	**$105.06**	**$107.69**	**$110.38**	**$113.14**	
TIP REIT Land - DCs & WHs		22	10	22	26	31	
DCs & WHs Land Cost per Square Foot		**$14.35**	**$14.71**	**$15.08**	**$15.45**	**$15.84**	
TIP REIT Land - Store	Yes	1,056	999	1,560	1,836	2,158	
TIP REIT Land - DCs & WHs	Yes	22	10	22	26	31	
Total Development Capex		**1,079**	**1,008**	**1,582**	**1,863**	**2,190**	19.4%
Development Financing Sources:							
Debt Financing	100%	1,079	1,008	1,582	1,863	2,190	
Equity Financing	0%	-	-	-	-	-	

Model – Target Corp

Target Corp Model – Income Statement

($mm)	Status Quo CY2008	REIT Adj.	Credit Card Adj.	Pro Forma CY2008	Calendar Year, 2009	2010	2011	2012	2013	CAGR '09 - '13
Retail Sales	64,892			64,892	68,249	73,356	80,479	88,710	98,241	9.5%
Base Sales Growth (%)					*5.2%*	*7.5%*	*9.7%*	*10.2%*	*10.7%*	
Credit Revenue	2,078		(1,936)	143	150	161	177	195	216	9.5%
Credit Sales Growth				*na*	*5.2%*	*7.5%*	*9.7%*	*10.2%*	*10.7%*	
Total Revenue	**66,970**			**65,034**	**68,399**	**73,517**	**80,655**	**88,905**	**98,457**	9.5%
Total Revenue Growth					*5.2%*	*7.5%*	*9.7%*	*10.2%*	*10.7%*	
COGS	45,459			45,459	47,777	51,279	56,177	61,919	68,563	
% of Retail Sales	*70.1%*			*70.1%*	*70.0%*	*69.9%*	*69.8%*	*69.8%*	*69.8%*	
SG&A (excluding D&A and Rent Expense)	13,058	(20)		13,038	13,814	14,740	16,093	17,739	19,646	
% of Retail Sales	*20.1%*			*20.1%*	*20.2%*	*20.1%*	*20.0%*	*20.0%*	*20.0%*	
Credit Expenses	1,460		(1,460)	-	-	-	-	-	-	
% of Credit Revenue	*70.2%*			*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
Retail EBITDAR	6,375			6,395	6,657	7,337	8,208	9,051	10,033	10.8%
Retail EBITDAR Margin (%)	*9.8%*			*9.9%*	*9.8%*	*10.0%*	*10.2%*	*10.2%*	*10.2%*	
Credit EBITDAR	619		(476)	143	150	161	177	195	216	9.5%
Credit EBITDAR Margin (%)	*29.8%*			*na*	*na*	*na*	*na*	*na*	*na*	
EBITDAR (Pre-spin)	**6,993**			**6,537**	**6,807**	**7,498**	**8,385**	**9,246**	**10,249**	10.8%
EBITDAR Margin (%)	*10.4%*			*10.1%*	*10.0%*	*10.2%*	*10.4%*	*10.4%*	*10.4%*	
Current Embedded Facility Management Costs		(125)		(125)	(125)	(134)	(147)	(162)	(180)	
External Facility Mgmt. Payments to TIP REIT		144		144	144	155	170	187	207	
Current Rent Expense	169			169	173	178	182	187	191	
Additional Rent Expense				1,369	1,444	1,549	1,696	1,866	2,063	
Pro Forma EBITDA (Post-spin)	**6,824**			**4,980**	**5,172**	**5,751**	**6,485**	**7,169**	**7,968**	11.4%
EBITDA Margin (%)	*10.2%*			*7.7%*	*7.6%*	*7.8%*	*8.0%*	*8.1%*	*8.1%*	
Depreciation & Amortization	1,807	(42)		1,765	1,884	2,017	2,199	2,410	2,654	
% of Retail Sales				*2.7%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*	*2.7%*	
Operating Income	**5,017**			**3,215**	**3,288**	**3,735**	**4,285**	**4,759**	**5,314**	12.8%
Net Interest (Income) / Expense	995			515	673	611	531	509	623	
Income Tax Provision	1,483			1,037	1,004	1,199	1,441	1,632	1,802	
Tax Rate (%)	*37%*			*38%*	*38%*	*38%*	*38%*	*38%*	*38%*	
Net Income	**2,539**			**1,663**	**1,611**	**1,924**	**2,312**	**2,618**	**2,890**	15.7%
Net Income Margin (%)	*3.8%*			*2.6%*	*2.4%*	*2.6%*	*2.9%*	*2.9%*	*2.9%*	
Current Diluted Shares Outstanding				819.0	721.9	721.9	721.9	721.9	693.0	
Shares Repurchase				(97.0)	0.0	0.0	0.0	(29.0)	(31.4)	
Total Shares Outstanding				721.9	721.9	721.9	721.9	693.0	661.6	
Weighted Average Shares Outstanding				765.9	721.9	721.9	721.9	707.5	677.3	
Earnings per Share ($)				**$2.17**	**$2.23**	**$2.67**	**$3.20**	**$3.70**	**$4.27**	17.6%

Target Corp Model – Balance Sheet

($mm)	Status Quo CY2008	REIT Adj.	Credit Card Adj.	Pro Forma CY2008	Calendar Year, 2009	2010	2011	2012	2013
Cash & Equivalents	500		0	500	682	734	805	887	982
Trade Receivables	8,383		(8,383)	-	-	-	-	-	-
Other Current Assets	9,232			9,232	9,710	10,436	11,450	12,621	13,977
Property, Plant & Equipment, gross	35,734	(12,228)		23,506	26,332	29,182	32,582	36,452	40,868
Accumulated Depreciation	(9,350)	846		(8,505)	(10,389)	(12,406)	(14,605)	(17,015)	(19,669)
Property, Plant & Equipment, net	26,384	(11,382)		15,001	15,943	16,776	17,977	19,437	21,199
Other Non-Current Assets	1,368			1,368	1,368	1,368	1,368	1,368	1,368
Total Assets	**45,867**			**26,101**	**27,703**	**29,314**	**31,599**	**34,312**	**37,526**
Debt	19,455	0	(8,000)	11,455	10,817	9,584	8,303	8,938	10,078
Other Current Liabilities	10,757			10,757	11,313	12,160	13,340	14,705	16,285
Other Non-Current Liabilities	2,392			2,392	2,392	2,392	2,392	2,392	2,392
Total Liabilities	**32,604**			**24,604**	**24,522**	**24,135**	**24,035**	**26,035**	**28,755**
Total Equity	13,264	(11,382)	(383)	1,498	3,182	5,179	7,564	8,278	8,771
Total Equity & Liabilities	**45,867**			**26,101**	**27,703**	**29,314**	**31,599**	**34,312**	**37,526**

Target Corp Model – Cash Flow Statement

($mm)	Calendar Year, 2009	2010	2011	2012	2013
EBITDA	5,172	5,751	6,485	7,169	7,968
less: Interest Expense	(673)	(611)	(531)	(509)	(623)
less: Taxes	(1,004)	(1,199)	(1,441)	(1,632)	(1,802)
Share-based Compensation	73	73	73	73	73
less: Increase in Net Working Capital	79	120	167	193	224
less: Increase Funding of CC Growth	0	0	0	0	0
Cash Flow from Operating Activities	**3,647**	**4,134**	**4,752**	**5,294**	**5,841**
Capital Expenditures	(2,826)	(2,850)	(3,400)	(3,870)	(4,416)
Cash Flow from Investing Activities	**(2,826)**	**(2,850)**	**(3,400)**	**(3,870)**	**(4,416)**
Issuance of Debt	0	0	0	1,977	2,470
Repayment of Debt	(638)	(1,233)	(1,281)	(1,342)	(1,330)
Issuance of Equity / (Buy Back)	0	0	0	(1,977)	(2,470)
Issuance of Dividends to Common	0	0	0	0	0
Cash Flow from Financing Activities	**(638)**	**(1,233)**	**(1,281)**	**(1,342)**	**(1,330)**
Beginning Cash Balance	500	682	734	805	887
Change in Cash	182	51	71	82	95
Ending Cash Balance	**682**	**734**	**805**	**887**	**982**
Average Cash Balance	591	708	769	846	935
Interest Income 3.0%	18	21	23	25	28

Target Corp Model – Build-ups and Credit Metrics

Sales Buildup	Pro Forma CY2008	2009	2010	2011	2012	2013
		Calendar Year,				
Square Feet (mm)	222	232	241	256	273	292
$ / Sq. Ft.	293	294	304	314	325	337
Retail Sales	64,892	68,249	73,356	80,479	88,710	98,241
Implied Retail Sales Growth (%)		5.2%	7.5%	9.7%	10.2%	10.7%
Sq. Footage Growth (%)		4.7%	4.1%	6.0%	6.5%	7.0%
SSS Growth (%)		0.5%	3.3%	3.5%	3.5%	3.5%

CapEx Buildup	2008	2009	2010	2011	2012	2013
Total System CapEx	4,112	3,905	3,858	4,982	5,732	6,605
CapEx as % of Retail Sales	*6.3%*	*5.7%*	*5.3%*	*6.2%*	*6.5%*	*6.7%*
Maintenance/Retail CapEx		1,514	1,627	1,785	1,968	2,179
Additional Cap Ex		200	200			
TOTAL Maintenance/Retail CapEx	**1,439**	**1,714**	**1,827**	**1,785**	**1,968**	**2,179**
– Target Corp		1,714	1,827	1,785	1,968	2,179
– TIP REIT (Existing DC & WH)		0	0	0	0	0

			2009	2010	2011	2012	2013
Development CapEx			**2,191**	**2,031**	**3,198**	**3,765**	**4,426**
Buildings (Tgt Corp)	% of Development	50%	1,112	1,023	1,615	1,902	2,237
Land	% of Development	50%	1,079	1,008	1,582	1,863	2,190
– Target Corp			0	0	0	0	0
– TIP REIT			1,079	1,008	1,582	1,863	2,190
Other (Target Corp)	% of Development	0%	0	0	0	0	0

Facilities Management Business ($mm)	CY2008	2009	2010	2011	2012	2013
Total Current Costs	125	125	134	147	162	180
Growth %		0.0%	7.5%	9.7%	10.2%	10.7%
Markup to TIP REIT	15%	15%	15%	15%	15%	15%
Facilities Management Revenue to TIP REIT	144	144	155	170	187	207

Credit Metrics			CY2008	2009	2010	2011	2012	2013
Lease Adjusted Debt	8 x	1,353	12,309	12,935	13,811	15,024	16,421	18,033
Actual Debt		19,455	11,455	10,817	9,584	8,303	8,938	10,078
Total Lease Adjusted Debt		20,808	23,764	23,752	23,394	23,327	25,359	28,111
Total Lease Adjusted Debt/EBITDAR		3.0 x	3.6 x	3.5 x	3.1 x	2.8 x	2.8 x	2.8 x
Total Debt / EBITDA		2.9 x	2.3 x	2.1 x	1.7 x	1.3 x	1.2 x	1.3 x
EBITDAR / (Interest + Rent)		6.0 x	3.2 x	3.0 x	3.2 x	3.5 x	3.6 x	3.6 x
EBITDA / Interest		6.9 x	9.7 x	7.7 x	9.4 x	12.2 x	14.1 x	12.8 x