Comptroller of the Currency
Administrator of National Banks

Western District Office
1225 17th Street, Suite 300
Denver, Colorado 80202
(720) 475-7650
Fax: (571) 293-4006

February 21, 2013

Conditional Approval #1062
March 2013

Jeff VanMeter
Director, Financial and Retail Services Controller
Target Corporation
3701 Wayzata Boulevard
Minneapolis, MN 55416

Re: Disposition of Substantially all the Assets of Target National Bank, Sioux Falls, SD, via a Purchase and Assumption with TD Bank USA, N.A., Portland, ME
OCC Control No.: 2012-WE-12-0184

Merger of Target National Bank, Sioux Falls, SD, with and into Target Corporate Services, Inc., Minneapolis, MN
OCC Control No.: 2012-WE-12-0185

Dear Mr.VanMeter:

The Office of the Comptroller of Currency ("OCC") hereby conditionally approves the above referenced applications.

The Transactions

These applications are part of a series of transactions in which substantially all of the assets and liabilities of Target National Bank, Sioux Falls, SD (TNB) will be sold to TD Bank USA, N.A., Portland, ME (TD USA), and thereafter the operations and charter of TNB will be terminated. TNB is a wholly-owned subsidiary of Target Corporation, Minneapolis, MN. As proposed, the following events will occur in sequence on the same business day.

1. TNB will transfer substantially all of its assets and all of its insured deposits to TD USA in a purchase and assumption transaction.[1]

2. TNB will merge with and into Target Corporate Services, Inc. (TCS), thereby terminating TNB's charter.

Discussion

A. Fundamental Change in Asset Composition

TNB applied to the OCC for prior approval of a fundamental change in its asset composition under 12 C.F.R. § 5.53. Under section 5.53(c)(1)(i), a national bank must obtain prior written approval of the OCC before changing the composition of all, or substantially all, of its assets through sales or other dispositions. In the purchase and assumption transaction with TD USA, TNB will sell all its deposits and substantially all of its assets.

In deciding a change in asset composition application, OCC regulations provide that the OCC consider the purpose of the transaction, its impact on the safety and soundness of the bank, and any effect on the bank's customers. The principal purpose of adopting 12 C.F.R. § 5.53 was to address supervisory concerns raised by so called "dormant" bank charters by providing the OCC with regulatory oversight and a means to monitor them. TNB plans to merge into its nonbank affiliate, TCS, immediately after the proposed transfer of assets and deposits to TD USA. Thus, OCC concerns over the continuation of "dormant" charters are addressed and the transaction is consistent with the language and purpose of section 5.53.

The OCC has considered these factors and found them consistent with approval.

B. Merger of TNB with and into Target Corporate Services, Inc.

In this merger, TNB will merge into its nonbank affiliate, TCS. TCS will be the surviving entity, and TNB will cease to exist.

The merger is authorized under 12 U.S.C. § 215a-3. Section 215a-3 authorizes a national bank to merge with a nonbank subsidiary or affiliate: "Upon the approval of the Comptroller, a national bank may merge with one or more of its nonbank subsidiaries or affiliates." 12 U.S.C. § 215a-3(a), as added by section 1206 of the Financial Regulatory Relief and Economic Efficiency Act of 2000 (Title XII of the American Homeownership and Economic Opportunity Act of 2000), Pub. L. No. 106-569, 114 Stat. 2944, 3034 (December 27, 2000).

---

[1] Upon consummation of the purchase and assumption and notification to the Federal Deposit Insurance Corporation of the transfer of all insured deposits from TNB to TD USA, TNB will no longer be FDIC insured pursuant to 12 U.S.C. § 1818(q) and 12 C.F.R. § 307.2. TD USA's participation in the purchase and assumption is subject to a separate approval by the OCC, pursuant to the Bank Merger Act, 12 U.S.C. § 1828(c).

The statute does not limit its scope to mergers in which the national bank is the surviving entity, and so a merger *into* a nonbank affiliate is within its scope. The OCC's implementing regulation, discussed below, expressly provides for mergers into a nonbank affiliate. However, the regulation limits these transactions to mergers involving a national bank that is not an insured bank. TNB will not be an insured bank at the time of the merger.

The OCC's regulations implementing 12 U.S.C. § 215a-3 set out substantive and procedural requirements for the merger of an uninsured national bank with its nonbank affiliate in which the nonbank affiliate is the resulting entity. *See* 12 C.F.R. § 5.33(g)(5). The regulation requires that the law of the state or other jurisdiction under which the nonbank affiliate is organized allows the nonbank affiliate to engage in such mergers. The regulation also imposes the following additional requirements that: (1) the bank comply with the procedures of 12 U.S.C. § 214a as if it were merging into a state bank, (2) the nonbank affiliate follow the procedures for mergers of the law of its state of organization, and (3) shareholders of the national bank who dissent from the merger have the dissenters' rights set out in 12 U.S.C. § 214a. The regulation also provides that the OCC shall consider the purpose of the transaction, its impact on the safety and soundness of the bank, and any effect on the bank's customers, and may deny a merger if it would have a negative effect in any such respect.

The OCC reviewed the proposed merger of TNB into TCS and found that all requirements were satisfied.

Conditions

These approvals are subject to the following conditions:

1. The merger of TNB into TCS shall not occur until after consummation of the purchase and assumption transaction between TNB and TD USA and termination of TNB's FDIC insurance.

2. If the merger of TNB with and into TCS does not occur within seven (7) calendar days after the sale of substantially all of TNB's assets to TD USA, TNB shall immediately notify the OCC and submit a plan acceptable to the OCC to wind up its operations and terminate its status as a national bank.

These conditions of approval are a "condition imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, these conditions are enforceable under 12 U.S.C. § 1818.

Conclusion

Accordingly, the OCC approves TNB's applications for a fundamental change in asset composition, and for the merger of TNB into TCS. These approvals are subject to the conditions set out above. This conditional approval is also granted based on the information and representations made in the applications. In particular, the approvals are based on TNB's representation that the merger will occur shortly after the purchase and assumption transaction and the termination of TNB's status as an insured bank.

The OCC will not issue a letter certifying the consummation of the transactions until we have received:

1. Written confirmation that TNB is no longer FDIC insured.

2. TNB's charter certificate and certification that all OCC Reports of Examination have been returned to the OCC or destroyed.

3. A copy of the final Certificate of Merger filed with the Minnesota Secretary of State.

These conditional approvals, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service.

If you have any questions, contact Senior Licensing Analyst David Finnegan at 720-475-7650 or at david.finnegan@occ.treas.gov. Please include the OCC's control number on any correspondence.

Sincerely,

James A. Bundy

James A. Bundy
Director for District Licensing

Enclosure: Survey