TARGET CORP
Form 10-Q
November 21, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the quarterly period ended October 27, 2012

Commission File Number 1-6049

TARGET CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota	**41-0215170**
(State or other jurisdiction of	(I.R.S. Employer

incorporation or organization)	Identification No.)
1000 Nicollet Mall, Minneapolis, Minnesota	**55403**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: 612/304-6073

Former name, former address and former fiscal year, if changed since last report: N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller Reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

Indicate the number of shares outstanding of each of registrant s classes of common stock, as of the latest practicable date. Total shares of common stock, par value $0.0833, outstanding at November 16, 2012 were 650,794,426.

TARGET CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Statements of Operations

(millions, except per share data) (unaudited)	Three Months Ended **October 27, 2012**	Three Months Ended October 29, 2011	Nine Months Ended **October 27, 2012**	Nine Months Ended October 29, 2011
Sales	**$ 16,601**	$ 16,054	**$ 49,589**	$ 47,529
Credit card revenues	**328**	348	**986**	1,048
Total revenues	**16,929**	16,402	**50,575**	48,577
Cost of sales	**11,569**	11,165	**34,406**	32,874
Selling, general and administrative expenses	**3,704**	3,525	**10,686**	10,230
Credit card expenses	**106**	109	**333**	283
Depreciation and amortization	**542**	546	**1,603**	1,568
Gain on receivables held for sale	**(156)**		**(156)**	
Earnings before interest expense and income taxes	**1,164**	1,057	**3,703**	3,622
Net interest expense	**192**	200	**558**	574
Earnings before income taxes	**972**	857	**3,145**	3,048
Provision for income taxes	**335**	302	**1,107**	1,100
Net earnings	**$ 637**	$ 555	**$ 2,038**	$ 1,948
Basic earnings per share	**$ 0.97**	$ 0.82	**$ 3.09**	$ 2.85
Diluted earnings per share	**$ 0.96**	$ 0.82	**$ 3.06**	$ 2.84
Weighted average common shares outstanding				
Basic	**654.8**	673.2	**659.3**	682.2
Diluted	**662.2**	678.3	**665.8**	686.9

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(millions) (unaudited)	Three Months Ended **October 27, 2012**	Three Months Ended October 29, 2011	Nine Months Ended **October 27, 2012**	Nine Months Ended October 29, 2011
Net earnings	**$ 637**	$ 555	**$ 2,038**	$ 1,948
Other comprehensive income/(loss), net of tax				
Pension and other benefit liabilities, net of taxes of **$9,** $6, **$28** and $16	**15**	9	**43**	25
Currency translation adjustment and cash flow hedges, net of taxes of **$7**, $15, **$7** and $4	**11**	(24)	**12**	(7)
Other comprehensive income/(loss)	**26**	(15)	**55**	18
Comprehensive income	**$ 663**	$ 540	**$ 2,093**	$ 1,966

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Financial Position

(millions)	**October 27, 2012**	January 28, 2012	October 29, 2011
Assets	**(unaudited)**		(unaudited)
Cash and cash equivalents, including short-term investments of **$800**, $194 and $66	**$ 1,469**	$ 794	$ 821
Credit card receivables, held for sale	**5,647**		
Credit card receivables, net of allowance of **$0**, $430 and $431		5,927	5,713
Inventory	**9,533**	7,918	9,890
Other current assets	**1,846**	1,810	1,948
Total current assets	**18,495**	16,449	18,372
Property and equipment			
Land	**6,188**	6,122	6,069
Buildings and improvements	**27,800**	26,837	26,850
Fixtures and equipment	**5,280**	5,141	5,153
Computer hardware and software	**2,418**	2,468	2,457
Construction-in-progress	**1,365**	963	546
Accumulated depreciation	**(12,982)**	(12,382)	(12,035)
Property and equipment, net	**30,069**	29,149	29,040
Other noncurrent assets	**1,015**	1,032	1,035
Total assets	**$ 49,579**	$ 46,630	$ 48,447
Liabilities and shareholders investment			
Accounts payable	**$ 8,050**	$ 6,857	$ 8,053
Accrued and other current liabilities	**3,631**	3,644	3,273
Unsecured debt and other borrowings	**2,528**	3,036	2,313
Nonrecourse debt collateralized by credit card receivables	**1,500**	750	500
Total current liabilities	**15,709**	14,287	14,139
Unsecured debt and other borrowings	**14,526**	13,447	12,897
Nonrecourse debt collateralized by credit card receivables		250	3,259
Deferred income taxes	**1,279**	1,191	1,199
Other noncurrent liabilities	**1,713**	1,634	1,689
Total noncurrent liabilities	**17,518**	16,522	19,044
Shareholders investment			
Common stock	**55**	56	56
Additional paid-in capital	**3,854**	3,487	3,431
Retained earnings	**13,069**	12,959	12,340
Accumulated other comprehensive loss			
Pension and other benefit liabilities	**(581)**	(624)	(516)
Currency translation adjustment and cash flow hedges	**(45)**	(57)	(47)
Total shareholders investment	**16,352**	15,821	15,264
Total liabilities and shareholders investment	**$ 49,579**	$ 46,630	$ 48,447
Common shares outstanding	**654.5**	669.3	671.4

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(millions) (unaudited)	Nine Months Ended October 27, 2012	Nine Months Ended October 29, 2011
Operating activities		
Net earnings	$ 2,038	$ 1,948
Reconciliation to cash flow		
Depreciation and amortization	1,603	1,568
Share-based compensation expense	74	61
Deferred income taxes	73	397
Bad debt expense	141	67
Gain on receivables held for sale	(156)	
Non-cash (gains)/losses and other, net	(15)	76
Changes in operating accounts:		
Accounts receivable originated at Target	97	120
Inventory	(1,615)	(2,294)
Other current assets	(98)	(131)
Other noncurrent assets		49
Accounts payable	1,193	1,428
Accrued and other current liabilities	(109)	(360)
Other noncurrent liabilities	122	46
Cash flow provided by operations	3,348	2,975
Investing activities		
Expenditures for property and equipment	(2,338)	(3,750)
Proceeds from disposal of property and equipment	35	7
Change in accounts receivable originated at third parties	192	253
Other investments	86	(114)
Cash flow required for investing activities	(2,025)	(3,604)
Financing activities		
Change in commercial paper, net		1,211
Additions to long-term debt	1,971	1,000
Reductions of long-term debt	(1,024)	(272)
Dividends paid	(635)	(549)
Repurchase of stock	(1,230)	(1,693)
Stock option exercises and related tax benefit	279	66
Other	(16)	1
Cash flow required for financing activities	(655)	(236)
Effect of exchange rate changes on cash and cash equivalents	7	(26)
Net increase (decrease) in cash and cash equivalents	675	(891)
Cash and cash equivalents at beginning of period	794	1,712
Cash and cash equivalents at end of period	$ 1,469	$ 821

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders Investment

(millions, except footnotes)	Common Stock Shares	Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
January 29, 2011	704.0	$ 59	$ 3,311	$ 12,698	$ (581)	$ 15,487
Net earnings				2,929		2,929
Other comprehensive income					(100)	(100)
Dividends declared				(777)		(777)
Repurchase of stock	(37.2)	(3)		(1,891)		(1,894)
Stock options and awards	2.5		176			176
January 28, 2012	669.3	$ 56	$ 3,487	$ 12,959	$ (681)	$ 15,821
(unaudited)						
Net earnings				**2,038**		**2,038**
Other comprehensive income					**55**	**55**
Dividends declared				**(671)**		**(671)**
Repurchase of stock	**(21.8)**	**(2)**		**(1,257)**		**(1,259)**
Stock options and awards	**7.0**	**1**	**367**			**368**
October 27, 2012	**654.5**	**$ 55**	**$ 3,854**	**$ 13,069**	**$ (626)**	**$ 16,352**

Dividends declared per share were $0.36 and $0.30 for the three months ended October 27, 2012 and October 29, 2011, respectively. For the fiscal year ended January 28, 2012, dividends declared per share were $1.15.

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements (unaudited)

1. Accounting Policies

The accompanying unaudited consolidated financial statements should be read in conjunction with the financial statement disclosures contained in the 2011 Form 10-K for Target Corporation (Target or the Corporation). The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. See the notes in our Form 10-K for the fiscal year ended January 28, 2012, for those policies. In the opinion of management, all adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature.

Due to the seasonal nature of our business, quarterly revenues, expenses, earnings and cash flows are not necessarily indicative of the results that may be expected for the full year.

2. Earnings Per Share

Basic earnings per share (EPS) is calculated as net earnings divided by the weighted average number of common shares outstanding during the period. Diluted EPS includes the potentially dilutive impact of share-based awards outstanding at period end, consisting of the incremental shares assumed to be issued upon the exercise of stock options and the incremental shares assumed to be issued under performance share and restricted stock unit arrangements.

Earnings Per Share	Three Months Ended		Nine Months Ended	
(millions, except per share data)	**October 27, 2012**	October 29, 2011	**October 27, 2012**	October 29, 2011
Net earnings	**$ 637**	$ 555	**$ 2,038**	$ 1,948
Basic weighted average common shares outstanding	**654.8**	673.2	**659.3**	682.2
Dilutive impact of share-based awards*(a)*	**7.4**	5.1	**6.5**	4.7
Diluted weighted average common shares outstanding	**662.2**	678.3	**665.8**	686.9
Basic earnings per share	**$ 0.97**	$ 0.82	**$ 3.09**	$ 2.85
Diluted earnings per share	**$ 0.96**	$ 0.82	**$ 3.06**	$ 2.84

(a) Excludes 0.6 million and 6.0 million share-based awards for the three and nine months ended October 27, 2012, respectively, and 13.9 million and 15.6 million share-based awards for the three and nine months ended October 29, 2011, respectively, because their effects were antidilutive.

3. Credit Card Receivables Transaction

On October 22, 2012, we reached an agreement to sell our entire consumer credit card portfolio to TD Bank Group (TD) for cash consideration equal to the gross (par) value of the outstanding receivables at the time of closing. The sale, which is subject to regulatory approval and other customary closing conditions, is expected to close in the first half of 2013. Following close, TD will underwrite, fund and own Target Credit Card and Target Visa receivables in the U.S. TD will control risk management policies and regulatory compliance, and we will perform account servicing and primary marketing functions. We will earn a substantial portion of the profits generated by the Target Credit Card and Target Visa portfolios.

Historically, our credit card receivables were recorded at par value less an allowance for doubtful accounts. With this agreement, our receivables are now classified as held for sale and recorded at the lower of cost (par) or fair value. As a result of this change, we recorded a gain of $156 million in the third quarter of 2012. At closing, this transaction is expected to be accounted for as a sale, and the receivables will no longer be reported on our Consolidated Statements of Financial Position.

4. Fair Value Measurements

Fair value measurements are categorized into one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs available at the measurement date, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

Fair Value Measurements - Recurring Basis

	Fair Value at October 27, 2012			Fair Value at January 28, 2012			Fair Value at October 29, 2011		
(millions)	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets									
Cash and cash equivalents									
Short-term investments	**$ 800**	**$**	**$**	$ 194	$	$	$ 66	$	$
Other current assets									
Interest rate swaps*(a)*		**11**			20				
Prepaid forward contracts	**76**			69			70		
Other								6	
Other noncurrent assets									
Interest rate swaps*(a)*		**90**			114			136	
Company-owned life insurance investments*(b)*		**258**			371			365	
Total	**$ 876**	**$ 359**	**$**	$ 263	$ 505	$	$ 136	$ 507	$
Liabilities									
Other current liabilities									
Interest rate swaps*(a)*	**$**	**$ 4**	**$**	$	$ 7	$	$	$	$
Other noncurrent liabilities									
Interest rate swaps*(a)*		**59**			69			71	
Total	**$**	**$ 63**	**$**	$	$ 76	$	$	$ 71	$

(a) There was one interest rate swap designated as an accounting hedge in all periods presented. See Note 8 for additional information on interest rate swaps.

(b) Company-owned life insurance investments consist of equity index funds and fixed income assets. Amounts are presented net of nonrecourse loans that are secured by some of these policies. These loan amounts were $807 million at October 27, 2012, $669 million at January 28, 2012 and $665 million at October 29, 2011.

Position	**Valuation Technique**
Short-term investments	Carrying value approximates fair value because maturities are less than three months.
Prepaid forward contracts	Initially valued at transaction price. Subsequently valued by reference to the market price of Target common stock.
Interest rate swaps	Valuation models are calibrated to initial trade price. Subsequent valuations are based on observable inputs to the valuation model (*e.g.*, interest rates and credit spreads). Model inputs are changed only when corroborated by market data. A credit risk adjustment is made on each swap using observable market credit spreads.
Company-owned life insurance investments	Includes investments in separate accounts that are valued based on market rates credited by the insurer.

The following table presents the carrying amounts and estimated fair values of financial instruments not measured at fair value in the Consolidated Statements of Financial Position. The fair value of marketable securities is determined using available market prices at the reporting date and would be classified as Level 1. The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments and would be classified as Level 2.

Financial Instruments Not Measured at Fair Value	**October 27, 2012**		January 28, 2012		October 29, 2011	
(millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Other current assets						
Marketable securities*(a)*	**$ 75**	**$ 75**	$ 35	$ 35	$ 78	$ 78
Other noncurrent assets						
Marketable securities*(a)*	**4**	**4**	6	6		
Total	**$ 79**	**$ 79**	$ 41	$ 41	$ 78	$ 78
Financial liabilities						
Total debt*(b)*	**$ 16,647**	**$ 19,796**	$ 15,680	$ 18,142	$ 17,228	$ 19,793
Total	**$ 16,647**	**$ 19,796**	$ 15,680	$ 18,142	$ 17,228	$ 19,793

(a) Held-to-maturity investments that are held to satisfy the regulatory requirements of Target Bank and Target National Bank.

(b) Represents the sum of nonrecourse debt collateralized by credit card receivables and unsecured debt and other borrowings, excluding unamortized swap valuation adjustments and capital lease obligations.

As of October 27, 2012, our consumer credit card receivables are recorded at the lower of cost (par) or fair value because they are classified as held for sale. We estimated the fair value of our consumer credit card portfolio to be approximately $6.0 billion using a cash flow-based, economic-profit model using Level 3 inputs, including the forecasted performance of the portfolio and a market-based discount rate. We used internal data to forecast expected payment patterns and write-offs, revenue, and operating expenses (credit EBIT yield) related to the credit card portfolio. Changes in macroeconomic conditions in the United States could affect the estimated fair value used in our lower of cost (par) or fair value assessment, which could cause gains or losses on our receivables held for sale. A one percentage point change in the forecasted credit EBIT yield would impact our fair value estimate by approximately $33 million. A one percentage point change in the forecasted discount rate would impact our fair value estimate by approximately $7 million. Refer to Note 3 for more information on our credit card receivables transaction. As of January 28, 2012 and October 29, 2011, we estimated that the fair value of our credit card receivables approximated par value.

The carrying amounts of accounts payable and certain accrued and other current liabilities approximate fair value due to their short-term nature.

5. Credit Card Receivables

Historically, our credit card receivables were recorded at par value less an allowance for doubtful accounts. Effective October 27, 2012, our consumer credit card receivables are recorded at the lower of cost (par) or fair value because they are classified as held for sale. Lower of cost (par) or fair value was determined on a segmented basis using the delinquency and credit-quality segmentation we have historically used to help determine the allowance for doubtful accounts. Many nondelinquent balances are recorded at cost (par) because fair value exceeds cost. Delinquent balances are generally recorded at fair value, which reflects our expectation of losses on these receivables. Refer to Note 3 for more information on our credit card receivables transaction.

Credit card receivables are our only significant class of financing receivables. Substantially all past-due accounts accrue finance charges until they are written off. Accounts are written off when they become 180 days past due.

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Age of Credit Card Receivables	**October 27, 2012**		January 28, 2012		October 29, 2011	
(dollars in millions)	**Amount**	**Percent of Receivables**	Amount	Percent of Receivables	Amount	Percent of Receivables
Current	**$ 5,355**	**91.7%**	$ 5,791	91.1%	$ 5,568	90.6%
1-29 days past due	**238**	**4.1**	260	4.1	266	4.3
30-59 days past due	**82**	**1.4**	97	1.5	109	1.8
60-89 days past due	**50**	**0.9**	62	1.0	64	1.1
90+ days past due	**111**	**1.9**	147	2.3	137	2.2
Credit card receivables, at par	**5,836**	**100%**	6,357	100%	6,144	100%
Lower of cost or fair value adjustment	**189**					
Allowance for doubtful accounts			430		431	
Credit card receivables, net	**$ 5,647**		$ 5,927		$ 5,713	

Allowance for Doubtful Accounts

Historically, we recognized an allowance for doubtful accounts in an amount equal to the anticipated future write-offs of existing receivables and uncollectible finance charges and other credit-related fees. We estimated future write-offs on the entire credit card portfolio collectively based on historical experience of delinquencies, risk scores, aging trends and industry risk trends. We continue to recognize an allowance for doubtful accounts and bad debt expense within our Credit Card Segment, which allows us to evaluate the performance of the portfolio. The allowance for doubtful accounts is eliminated in consolidation to present the receivables at the lower of cost (par) or fair value.

Allowance for Doubtful Accounts	Three Months Ended		Nine Months Ended	
(millions)	**October 27, 2012**	October 29, 2011	**October 27, 2012**	October 29, 2011
Allowance at beginning of period	**$ 365**	$ 480	**$ 430**	$ 690
Bad debt expense	**46**	40	**141**	67
Write-offs*(a)*	**(95)**	(122)	**(326)**	(448)
Recoveries*(a)*	**29**	33	**100**	122
Segment allowance at end of period	**345**	431	**345**	431
Elimination of segment allowance	**345**		**345**	
Allowance at end of period	**$**	$ 431	**$**	$ 431

(a) Write-offs include the principal amount of losses (excluding accrued and unpaid finance charges), and recoveries include current period collections on previously written-off balances. These amounts combined represent net write-offs.

We monitor both the credit quality and the delinquency status of the credit card receivables portfolio. We consider accounts 30 or more days past due as delinquent, and we update delinquency status daily. We also monitor risk in the portfolio by assigning internally generated scores to each account and by obtaining current FICO scores, a nationally recognized credit scoring model, for a statistically representative sample of accounts each month. The credit-quality segmentation presented below is consistent with the approach we use to determine the allowance for doubtful accounts in our Credit Card Segment.

Receivables Credit Quality	**October 27, 2012**		January 28, 2012		October 29, 2011	
		Percent of		Percent of		Percent of

(dollars in millions)		**Amount**	**Receivables**		Amount	Receivables		Amount	Receivables
Nondelinquent accounts									
FICO score of 700 or above	**$**	**2,728**	**46.7%**	$	2,882	45.4%	$	2,775	45.2%
FICO score of 600 to 699		**2,334**	**40.0**		2,463	38.7		2,404	39.1
FICO score below 600		**531**	**9.1**		706	11.1		655	10.7
Total nondelinquent accounts		**5,593**	**95.8**		6,051	95.2		5,834	95.0
Delinquent accounts (30+ days past due)		**243**	**4.2**		306	4.8		310	5.0
Credit card receivables, at par	**$**	**5,836**	**100%**	$	6,357	100%	$	6,144	100%
Lower of cost or fair value adjustment		**189**							
Allowance for doubtful accounts					430			431	
Credit card receivables, net	**$**	**5,647**		$	5,927		$	5,713	

Funding for Credit Card Receivables

As a method of providing funding for our credit card receivables, we sell, on an ongoing basis, all of our consumer credit card receivables to Target Receivables LLC (TR LLC), a wholly owned, bankruptcy remote subsidiary. TR LLC then transfers the receivables to the Target Credit Card Master Trust (the Trust), which from time to time will sell debt securities to third parties, either directly or through a related trust. These debt securities represent undivided interests in the Trust assets. TR LLC uses the proceeds from the sale of debt securities and its share of collections on the receivables to pay the purchase price of the receivables to the Corporation.

We consolidate the receivables within the Trust and any debt securities issued by the Trust, or a related trust, in our Consolidated Statements of Financial Position. The receivables transferred to the Trust are not available to general creditors of the Corporation.

Interests in our credit card receivables issued by the Trust are accounted for as secured borrowings. Interest and principal payments are satisfied provided the cash flows from the Trust assets are sufficient and are nonrecourse to the general assets of the Corporation. If the cash flows are less than the periodic interest, the available amount, if any, is paid with respect to interest. Interest shortfalls will be paid to the extent subsequent cash flows from the assets in the Trust are sufficient. Future principal payments will be made from the third party s pro rata share of cash flows from the Trust assets.

Securitized Borrowings	**October 27, 2012**		January 28, 2012		October 29, 2011	
(millions)	**Debt Balance**	**Collateral**	Debt Balance	Collateral	Debt Balance	Collateral
2008 Series	**$**	**$**	$	$	$ 2,759	$ 2,828
2006/2007 Series	**1,500**	**1,899**	1,000	1,266	1,000	1,266
Total	**$ 1,500**	**$ 1,899**	$ 1,000	$ 1,266	$ 3,759	$ 4,094

In March 2012, we amended the 2006/2007 Series Variable Funding Certificate to obtain additional funding of $500 million and to extend the maturity to 2013. Parties who hold the Variable Funding Certificate receive interest at a variable short-term market rate. We will repay this borrowing at par concurrent with the closing of the credit card receivables transaction described in Note 3.

6. Commitments and Contingencies

We are exposed to claims and litigation arising in the ordinary course of business, and use various methods to resolve these matters in a manner that we believe serves the best interest of our shareholders and other constituents. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable liabilities. We do not believe that any of the currently identified claims or litigation will be material to our results of operations, cash flows or financial condition.

7. Notes Payable and Long-Term Debt

We obtain short-term financing from time to time under our commercial paper program, a form of notes payable.

Commercial Paper	Three Months Ended		Nine Months Ended	
(dollars in millions)	**October 27, 2012**	October 29, 2011	**October 27, 2012**	October 29, 2011
Maximum daily amount outstanding during the period	**$**	$ 1,211	**$ 620**	$ 1,211
Average daily amount outstanding during the period	**$**	$ 351	**$ 134**	$ 227
Amount outstanding at period-end	**$**	$ 1,211	**$**	$ 1,211
Weighted average interest rate	**n/a**	0.11%	**0.16%**	0.11%

In June 2012, we issued $1.5 billion of unsecured fixed rate debt at 4.0% that matures in July 2042. Proceeds from this issuance were used for general corporate purposes.

8. Derivative Financial Instruments

Historically our derivative instruments have primarily consisted of interest rate swaps used to mitigate interest rate risk. We have counterparty credit risk with large global financial institutions resulting from our derivative instruments. We monitor this concentration of counterparty credit risk on an ongoing basis. See Note 4 for a description of the fair value measurement of our derivative instruments and their classification on the Consolidated Statements of Financial Position.

As of October 27, 2012 and October 29, 2011, one swap was designated as a fair value hedge for accounting purposes, and no ineffectiveness was recognized during the three or nine months ended October 27, 2012 or October 29, 2011.

Periodic payments, valuation adjustments and amortization of gains or losses on our derivative contracts had the following effect on our Consolidated Statements of Operations:

Derivative Contracts - Effect on Results of Operations		Three Months Ended		Nine Months Ended	
(millions)		**October 27,**	October 29,	**October 27,**	October 29,
Type of Contract	Classification of Income/(Expense)	**2012**	2011	**2012**	2011
Interest rate swaps	Net interest expense	**$ 12**	$ 10	**$ 32**	$ 32

The amount remaining on unamortized hedged debt valuation gains from terminated or de-designated interest rate swaps that will be amortized into earnings over the remaining lives of the underlying debt totaled $84 million, $111 million and $122 million, at October 27, 2012, January 28, 2012 and October 29, 2011, respectively.

9. Income Taxes

We file a U.S. federal income tax return and income tax returns in various states and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations for years before 2011 and, with few exceptions, are no longer subject to state and local or non-U.S. income tax examinations by tax authorities for years before 2003.

At October 27, 2012, foreign net operating loss carryforwards of approximately $470 million (resulting in a $125 million deferred tax asset) are available to offset future income. These carryforwards expire in 2032 and are expected to be fully utilized prior to expiration.

It is reasonably possible that the amount of our unrecognized tax benefits will significantly increase or decrease during the next twelve months; however, an estimate of the amount or range of the change cannot be made at this time.

10. Share Repurchase

We repurchase shares primarily through open market transactions under a $5 billion share repurchase program authorized by our Board of Directors in January 2012. During the first quarter of 2012, we completed a $10 billion share repurchase program that was authorized by our Board of Directors in November 2007.

Share Repurchases	Three Months Ended		Nine Months Ended	
(millions, except per share data)	**October 27, 2012**	October 29, 2011	**October 27, 2012**	October 29, 2011
Total number of shares purchased	**1.7**	4.5	**21.8**	34.1
Average price paid per share	**$ 62.90**	$ 50.45	**$ 57.53**	$ 50.76
Total investment	**$ 104**	$ 226	**$ 1,255**	$ 1,733

Of the shares repurchased, a portion was delivered upon settlement of prepaid forward contracts as follows:

Settlement of Prepaid Forward Contracts*(a)*	Three Months Ended		Nine Months Ended	
(millions)	**October 27, 2012**	October 29, 2011	**October 27, 2012**	October 29, 2011
Total number of shares purchased	**0.1**	0.5	**0.5**	0.8
Total cash investment	**$ 4**	$ 26	**$ 25**	$ 40
Aggregate market value*(b)*	**$ 5**	$ 26	**$ 29**	$ 40

(a) These contracts are among the investment vehicles used to reduce our economic exposure related to our nonqualified deferred compensation plans. The details of our positions in prepaid forward contracts are provided in Note 11.

(b) At their respective settlement dates.

11. Pension, Postretirement Health Care and Other Benefits

We have qualified defined benefit pension plans covering team members who meet age and service requirements, including in certain circumstances, date of hire. We also have unfunded nonqualified pension plans for team members with qualified plan compensation restrictions. Eligibility for, and the level of, these benefits varies depending on team members date of hire, length of service and/or team member compensation. Upon early retirement and prior to Medicare eligibility, team members also become eligible for certain health care benefits if they meet minimum age and service requirements and agree to contribute a portion of the cost. Effective January 1, 2009, our qualified defined benefit pension plan was closed to new participants, with limited exceptions.

Net Pension Benefits Expense	Three Months Ended		Nine Months Ended	
(millions)	**October 27, 2012**	October 29, 2011	**October 27, 2012**	October 29, 2011
Service cost benefits earned during the period	**$ 30**	$ 29	**$ 90**	$ 87
Interest cost on projected benefit obligation	**35**	34	**105**	103
Expected return on assets	**(55)**	(51)	**(165)**	(153)
Amortization of losses	**26**	16	**78**	50
Amortization of prior service cost				(2)
Total	**$ 36**	$ 28	**$ 108**	$ 85

Net Postretirement Health Care Benefits Expense	Three Months Ended		Nine Months Ended	
(millions)	**October 27, 2012**	October 29, 2011	**October 27, 2012**	October 29, 2011
Service cost benefits earned during the period	**$ 3**	$ 3	**$ 7**	$ 7
Interest cost on projected benefit obligation	**1**	1	**2**	3
Expected return on assets				
Amortization of losses		1	**2**	3
Amortization of prior service cost	**(3)**	(3)	**(7)**	(7)
Total	**$ 1**	$ 2	**$ 4**	$ 6

We are not required to make any contributions in 2012. However, depending on investment performance and plan funded status, we may elect to make a contribution.

Our unfunded, nonqualified deferred compensation plan is offered to approximately 3,000 current and retired team members whose participation in our 401(k) plan is limited by statute or regulation. These team members choose from a menu of crediting rate alternatives that are the same as the investment choices in our 401(k) plan, including Target common stock. We credit an additional 2 percent per year to the accounts of all active participants, excluding members of our management executive committee, in part to recognize the risks inherent to their participation in a plan of this nature. We also maintain a nonqualified, unfunded deferred compensation plan that was frozen during 1996, covering substantially fewer than 100 participants, most of whom are retired. In this plan, deferred compensation earns returns tied to market levels of interest rates plus an additional 6 percent return, with a minimum of 12 percent and a maximum of 20 percent, as determined by the plan s terms.

We mitigate some of our risk of offering the nonqualified plans through investing in vehicles, including company-owned life insurance and prepaid forward contracts in our own common stock, that offset a substantial portion of our economic exposure to the returns of these plans. These investment vehicles are general corporate assets and are marked to market with the related gains and losses recognized in the Consolidated Statements of Operations in the period they occur.

The total change in fair value for contracts indexed to our own common stock recognized in earnings was pretax income of $3 million and $6 million for the three months ended October 27, 2012 and October 29, 2011, and pretax income of $18 million and $3 million for the nine months ended October 27, 2012 and October 29, 2011, respectively. For the nine months ended October 27, 2012 and October 29, 2011, we invested $19 million and $44 million, respectively, in such investment instruments, and this activity is included in the Consolidated Statements of Cash Flows within other investing activities. Adjusting our position in these investment vehicles may involve repurchasing shares of Target common stock when settling the forward contracts as described in Note 10. The settlement dates of these instruments are regularly renegotiated with the counterparty.

Prepaid Forward Contracts on Target Common Stock

(millions, except per share data)	Number of Shares	Contractual Price Paid	Contractual Fair Value	Total Cash Investment
October 29, 2011	1.3	$ 43.78	$ 70	$ 55
January 28, 2012	1.4	44.21	69	61
October 27, 2012	**1.2**	**45.46**	**76**	**54**