

TARGET CORP  
Form 10-Q  
December 04, 2009

**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 31, 2009**

Commission File Number 1-6049

---

**TARGET CORPORATION**

(Exact name of registrant as specified in its charter)

Minnesota

41-0215170

Edgar Filing: TARGET CORP - Form 10-Q

(State or other jurisdiction of  
incorporation or organization)  
**1000 Nicollet Mall, Minneapolis, Minnesota**  
(Address of principal executive offices)

(I.R.S. Employer  
Identification No.)  
**55403**  
(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** 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  No

**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  Accelerated filer  Non-accelerated filer  Smaller Reporting company

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

**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 \$.0833, outstanding at December 2, 2009 were 752,312,784.**

TARGET CORPORATION

TABLE OF CONTENTS

<b><u>PART I</u></b>	<b><u>FINANCIAL INFORMATION</u></b>	
<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Statements of Operations</u>	1
	<u>Consolidated Statements of Financial Position</u>	2
	<u>Consolidated Statements of Cash Flows</u>	3
	<u>Consolidated Statements of Shareholders' Investment</u>	4
	<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
<u>Item 4.</u>	<u>Controls and Procedures</u>	22
<b><u>PART II</u></b>	<b><u>OTHER INFORMATION</u></b>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	23
<u>Item 1A.</u>	<u>Risk Factors</u>	23
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	24
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	24
<u>Item 5.</u>	<u>Other Information</u>	24
<u>Item 6.</u>	<u>Exhibits</u>	24
<u>Signature</u>		26
<u>Exhibit Index</u>		27

---

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## Consolidated Statements of Operations

(millions, except per share data) (unaudited)	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Sales	\$ 14,789	\$ 14,588	\$ 43,717	\$ 43,861
Credit card revenues	487	526	1,459	1,527
Total revenues	15,276	15,114	45,176	45,388
Cost of sales	10,229	10,130	30,080	30,332
Selling, general and administrative expenses	3,255	3,245	9,405	9,436
Credit card expenses	381	403	1,153	1,023
Depreciation and amortization	537	469	1,487	1,352
Earnings before interest expense and income taxes	874	867	3,051	3,245
Net interest expense				
Nonrecourse debt collateralized by credit card receivables	23	60	74	126
Other interest expense	168	180	517	550
Interest income		(6)	(3)	(24)
Net interest expense	191	234	588	652
Earnings before income taxes	683	633	2,463	2,593
Provision for income taxes	247	264	911	988
<b>Net earnings</b>	\$ 436	\$ 369	\$ 1,552	\$ 1,605
<b>Basic earnings per share</b>	\$ 0.58	\$ 0.49	\$ 2.06	\$ 2.07
<b>Diluted earnings per share</b>	\$ 0.58	\$ 0.49	\$ 2.06	\$ 2.06
Weighted average common shares outstanding				
Basic	751.8	753.5	752.0	776.4
Diluted	755.7	756.6	754.3	780.1

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Financial Position**

(millions)	<b>October 31,</b>	January 31,	November 1,
	<b>2009</b>	2009	2008
<b>Assets</b>	<b>(unaudited)</b>		<b>(unaudited)</b>
Cash and cash equivalents, including marketable securities of \$273, \$302 and \$397	\$ 864	\$ 864	\$ 918
Credit card receivables, net of allowance of \$1,025, \$1,010 and \$765	7,023	8,084	7,999
Inventory	9,382	6,705	9,050
Other current assets	2,314	1,835	2,272
<b>Total current assets</b>	<b>19,583</b>	<b>17,488</b>	<b>20,239</b>
Property and equipment			
Land	5,754	5,767	5,727
Buildings and improvements	22,250	20,430	20,454
Fixtures and equipment	4,732	4,270	4,212
Computer hardware and software	2,599	2,586	2,610
Construction-in-progress	291	1,763	1,320
Accumulated depreciation	(10,035)	(9,060)	(8,798)
Property and equipment, net	25,591	25,756	25,525
Other noncurrent assets	805	862	1,277
<b>Total assets</b>	<b>\$ 45,979</b>	<b>\$ 44,106</b>	<b>\$ 47,041</b>
<b>Liabilities and shareholders' investment</b>			
Accounts payable	\$ 7,641	\$ 6,337	\$ 7,590
Accrued and other current liabilities	3,117	2,913	3,057
Unsecured debt and other borrowings	577	1,262	2,849
Nonrecourse debt collateralized by credit card receivables	1,063		
<b>Total current liabilities</b>	<b>12,398</b>	<b>10,512</b>	<b>13,496</b>
Unsecured debt and other borrowings	11,432	12,000	11,966
Nonrecourse debt collateralized by credit card receivables	4,463	5,490	5,478
Deferred income taxes	804	455	589
Other noncurrent liabilities	1,911	1,937	1,932
<b>Total noncurrent liabilities</b>	<b>18,610</b>	<b>19,882</b>	<b>19,965</b>
Shareholders' investment			
Common stock	63	63	63
Additional paid-in capital	2,866	2,762	2,725
Retained earnings	12,559	11,443	10,967
Accumulated other comprehensive loss	(517)	(556)	(175)
<b>Total shareholders' investment</b>	<b>14,971</b>	<b>13,712</b>	<b>13,580</b>
<b>Total liabilities and shareholders' investment</b>	<b>\$ 45,979</b>	<b>\$ 44,106</b>	<b>\$ 47,041</b>
Common shares outstanding	752.2	752.7	752.8

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**

(millions) (unaudited)	Nine Months Ended	
	October 31, 2009	November 1, 2008
<b>Operating activities</b>		
Net earnings	\$ 1,552	\$ 1,605
Reconciliation to cash flow		
Depreciation and amortization	1,487	1,352
Share-based compensation expense	72	43
Deferred income taxes	451	(32)
Bad debt expense	900	751
Loss on disposal of property and equipment, net	85	33
Other non-cash items affecting earnings	44	165
Changes in operating accounts providing/(requiring) cash		
Accounts receivable originated at Target	190	(313)
Inventory	(2,677)	(2,270)
Other current assets	(251)	(322)
Other noncurrent assets	27	5
Accounts payable	1,303	869
Accrued and other current liabilities	(148)	(270)
Other noncurrent liabilities	(8)	4
Other		160
Cash flow provided by operations	3,027	1,780
<b>Investing activities</b>		
Expenditures for property and equipment	(1,440)	(2,827)
Proceeds from disposal of property and equipment	25	26
Change in accounts receivable originated at third parties	(29)	(383)
Other investments	10	(179)
Cash flow required for investing activities	(1,434)	(3,363)
<b>Financing activities</b>		
Change in commercial paper, net		1,382
Reductions of short-term notes payable		(500)
Additions to long-term debt		3,557
Reductions of long-term debt	(1,255)	(1,254)
Dividends paid	(369)	(345)
Repurchase of stock		(2,815)
Stock option exercises and related tax benefit	31	34
Other		(8)
Cash flow (required for)/provided by financing activities	(1,593)	51
Net increase/(decrease) in cash and cash equivalents		(1,532)
Cash and cash equivalents at beginning of period	864	2,450
<b>Cash and cash equivalents at end of period</b>	<b>\$ 864</b>	<b>\$ 918</b>

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
					Pension and Other Benefit Liability Adjustments	Derivative Instruments and Other	
February 2, 2008	818.7	\$ 68	\$ 2,656	\$ 12,761	\$ (134)	\$ (44)	\$ 15,307
Net earnings				2,214			2,214
Other comprehensive income							
Pension and other benefit liability adjustments, net of taxes of \$242					(376)		(376)
Unrealized losses on cash flow hedges, net of taxes of \$2						(2)	(2)
Total comprehensive income							1,836
Dividends declared				(471)			(471)
Repurchase of stock	(67.2)	(5)		(3,061)			(3,066)
Stock options and awards	1.2		106				106
January 31, 2009 (unaudited)	752.7	\$ 63	\$ 2,762	\$ 11,443	\$ (510)	\$ (46)	\$ 13,712
Net earnings				1,552			1,552
Other comprehensive income							
Pension and other benefit liability adjustments, net of taxes of \$25					38		38
Unrealized losses on cash flow hedges, net of taxes of \$2						2	2
Currency translation adjustment, net of taxes of \$0						(1)	(1)
Total comprehensive income							1,591
Dividends declared				(376)			(376)
Repurchase of stock	(1.5)			(60)			(60)
Stock options and awards	1.0		104				104
October 31, 2009	752.2	\$ 63	\$ 2,866	\$ 12,559	\$ (472)	\$ (45)	\$ 14,971

Dividends declared per share were \$0.17 and \$0.16 for the three months ended October 31, 2009 and November 1, 2008, respectively, and \$0.50 and \$0.46 for the nine months ended October 31, 2009 and November 1, 2008, respectively. For the fiscal year ended January 31, 2009, dividends declared per share were \$0.62.

See accompanying Notes to Consolidated Financial Statements.

**Notes to Consolidated Financial Statements****1. Accounting Policies**

The accompanying unaudited consolidated financial statements should be read in conjunction with the financial statement disclosures contained in the 2008 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 Note 1 in our Form 10-K for the fiscal year ended January 31, 2009 for those policies. In the opinion of management, all adjustments necessary for a fair statement of quarterly operating results are reflected herein and are of a normal, recurring nature. We evaluated subsequent events through December 4, 2009, the date of the filing of this Form 10-Q.

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 net earnings divided by the weighted average number of common shares outstanding during the period. Diluted EPS includes 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.

<b>Earnings Per Share</b> (millions, except per share data)	Basic EPS				Diluted EPS			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	<b>Oct. 31,</b> <b>2009</b>	Nov. 1, 2008	<b>Oct. 31,</b> <b>2009</b>	Nov. 1, 2008	<b>Oct. 31,</b> <b>2009</b>	Nov. 1, 2008	<b>Oct. 31,</b> <b>2009</b>	Nov. 1, 2008
Net earnings	\$ 436	\$ 369	\$ 1,552	\$ 1,605	\$ 436	\$ 369	\$ 1,552	\$ 1,605
Basic weighted average common shares outstanding	751.8	753.5	752.0	776.4	751.8	753.5	752.0	776.4
Incremental stock options, performance share units and restricted stock units					3.9	3.1	2.3	3.7
Weighted average common shares outstanding	751.8	753.5	752.0	776.4	755.7	756.6	754.3	780.1
Earnings per share	\$ 0.58	\$ 0.49	\$ 2.06	\$ 2.07	\$ 0.58	\$ 0.49	\$ 2.06	\$ 2.06

For the October 31, 2009 and November 1, 2008 computations, 16.3 million and 13.7 million stock options, respectively, were excluded from the calculation of weighted average shares for diluted EPS because their effects were antidilutive.

**3. Fair Value Measurements**



## Edgar Filing: TARGET CORP - Form 10-Q

The fair value is the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. 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).

Edgar Filing: TARGET CORP - Form 10-Q

The following table presents financial assets and liabilities measured at fair value on a recurring basis:

**Fair Value Measurements  
Recurring Basis**

(millions)	Fair Value at October 31, 2009			Fair Value at January 31, 2009			Fair Value at November 1, 2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>									
Cash and cash equivalents									
Marketable securities	\$ 273	\$	\$	\$ 302	\$	\$	\$ 397	\$	\$
Other current assets									
Prepaid forward contracts	54			68			86		
Equity swaps	1			1					
Other noncurrent assets									
Interest rate swaps(a)		134			163			88	
Company-owned life insurance investments(b)	292			296			438		
Total	\$ 620	\$ 134	\$	\$ 667	\$ 163	\$	\$ 921	\$ 88	\$
<b>Liabilities</b>									
Other noncurrent liabilities									
Interest rate swaps	\$	\$ 21	\$	\$	\$ 30	\$	\$	\$	\$
Total	\$	\$ 21	\$	\$	\$ 30	\$	\$	\$	\$

(a) At November 1, 2008, two interest rate swaps with a combined fair value of \$25 million were designated as accounting hedges.

(b) Company-owned life insurance investments consist of equity index funds and fixed income assets. Amounts are presented net of loans that are secured by some of these policies of \$240 million at October 31, 2009, \$197 million at January 31, 2009, and \$441 million at November 1, 2008.

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The fair value measurements related to long-lived assets held for sale and held and used in the following table were determined using available market prices at the measurement date based on recent investments or pending transactions of similar assets, third-party independent appraisals, valuation multiples and/or public comparables. We classify these measurements as Level 2. The fair value measurement of an intangible asset was determined using unobservable inputs that reflect our own assumptions regarding how market participants price the intangible assets at the measurement date. We classify these measurements as Level 3.

**Fair Value Measurements Nonrecurring Basis**

(millions)	Other current assets Long-lived assets held for sale(a)	Property and equipment Long-lived assets held and used(b)	Other noncurrent assets Intangible asset
Measured as of May 2, 2009:			
Carrying amount	\$	\$	
Fair value measurement	30	11	
Gain/(loss)	(6)	(5)	
Measured as of August 1, 2009:			
Carrying amount	15	51	5
Fair value measurement	11	34	
Gain/(loss)	(4)	(17)	(5)
Measured as of October 31, 2009:			
Carrying amount	34	29	
Fair value measurement	31	22	
Gain/(loss)	(3)	(7)	( )

## Edgar Filing: TARGET CORP - Form 10-Q

- (a) *Reported measurement is fair value less cost to sell. Costs to sell were approximately \$1 million at October 31, 2009, August 1, 2009 and May 2, 2009.*
- (b) *Real estate and buildings intended for sale in the future but not currently meeting the held for sale criteria. Reported measurement is fair value less cost to sell. Costs to sell were approximately \$1 million at October 31, 2009 and \$2 million at August 1, 2009. There were no costs to sell at May 2, 2009.*

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. The fair value of debt is measured using a discounted cash flow analysis based on our current market interest rates for similar types of financial instruments.

**Financial Instruments Not Measured at Fair Value**

	<b>October 31, 2009</b>		
(millions)	Carrying Amount		Fair Value
<b>Financial assets</b>			
Other current assets			
Marketable securities <sup>(a)</sup>	\$ 55	\$	55
Other noncurrent assets			
Marketable securities <sup>(a)</sup>	4		4
Total	\$ 59	\$	59
<b>Financial liabilities</b>			
Total debt <sup>(b)</sup>	\$ 17,149	\$	18,441
Total	\$ 17,149	\$	18,441

- (a) Amounts include held-to-maturity government and money market investments that are held to satisfy the capital 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.

The carrying amounts of credit card receivables, net of allowance, accounts payable, and certain accrued and other current liabilities approximate fair value at October 31, 2009.

**4. Credit Card Receivables**

Credit card receivables are recorded net of an allowance for expected losses. The allowance, recognized in an amount equal to anticipated future write-offs of existing receivables, was \$1,025 million at October 31, 2009, \$1,010 million at January 31, 2009 and \$765 million at November 1, 2008. This allowance includes provisions for uncollectible finance charges and other credit-related fees. We estimate future write-offs based on historical experience of delinquencies, risk scores, aging trends, and industry risk trends. Substantially all accounts continue to accrue finance charges until they are written off. Total receivables past due ninety days or more and still accruing finance charges were \$370 million at October 31, 2009, \$393 million at January 31, 2009 and \$336 million at November 1, 2008. Accounts are written off when they become 180 days past due.

Under certain circumstances, we offer cardholder payment plans that modify finance charges and minimum payments, which meet the accounting definition of a troubled debt restructuring (TDRs). These concessions are made on an individual cardholder basis for economic or legal reasons specific to each individual cardholder's circumstances. As a percentage of period-end gross receivables, receivables classified as TDRs were 6.7 percent at October 31, 2009, 4.9 percent at January 31, 2009, and 4.0 percent at November 1, 2008. Receivables classified as TDRs are treated consistently with other aged receivables in determining our allowance for doubtful accounts.

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 Corporation (TRC), a wholly owned, bankruptcy remote subsidiary. TRC 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. TRC 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.

## Edgar Filing: TARGET CORP - Form 10-Q

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 based upon the applicable accounting guidance. The receivables transferred to the Trust are not available to general creditors of the Corporation. The payments to the holders of the debt securities issued by the Trust or the related trust are made solely from the assets transferred to the Trust or the related trust and are nonrecourse to the general assets of the Corporation. Upon termination of the securitization program and repayment of all debt securities, any remaining assets could be distributed to the Corporation in a liquidation of TRC.

In the second quarter of 2008, we sold an interest in our credit card receivables to a JPMorgan Chase affiliate (JPMC). The interest sold represented 47 percent of the receivables portfolio at the time of the transaction. This transaction was accounted for as a secured borrowing, and accordingly, the credit card receivables and the note payable issued are reflected in our Consolidated Statements of Financial Position. Notwithstanding this accounting treatment, the accounts receivable assets that collateralize the note payable supply the cash flow to pay principal and interest to the note holder; the receivables are not available to general creditors of the Corporation; and the payments to JPMC are made solely from the trust assets

and are nonrecourse to the general assets of the Corporation. Interest and principal payments due on the note are satisfied provided the cash flows from the trust assets are sufficient. 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 JPMC's prorata share of cash flows from the trust assets.

In the event of a decrease in the receivables principal amount such that JPMC's interest in the entire portfolio would exceed 47 percent for three consecutive months, TRC (using the cash flows from the assets in the trust) may pay JPMC a pro rata amount of principal collections such that the portion owned by JPMC would not exceed 47 percent. Conversely, at the option of the Corporation, JPMC may be required to fund an increase in the portfolio to maintain their 47 percent interest up to a maximum JPMC principal balance of \$4.2 billion. If a three-month average of monthly finance charge excess (JPMC's prorata share of finance charge collections less write-offs and specified expenses) is less than 2 percent of the outstanding principal balance of JPMC's interest, the Corporation must implement mutually agreed upon underwriting strategies. If the three-month average finance charge excess falls below 1 percent of the outstanding principal balance of JPMC's interest, JPMC may compel the Corporation to implement underwriting and collections activities, provided those activities are compatible with the Corporation's systems, as well as consistent with similar credit card receivable portfolios managed by JPMC. If the Corporation fails to implement the activities, JPMC may cause the accelerated repayment of the note payable issued in the transaction. As noted in the preceding paragraph, payments would be made solely from the trust assets.

## **5. 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 materially affect our results of operations, cash flows or financial condition.

## **6. Notes Payable**

We obtain short-term financing from time to time under our commercial paper program, a form of notes payable. There were no amounts outstanding under our commercial paper program at October 31, 2009 or January 31, 2009. Notes payable under this program totaled \$1,382 at November 1, 2008 and are included in the current portion of unsecured debt and other borrowings in the Consolidated Statement of Financial Position.

## **7. Derivative Financial Instruments**

Derivative financial instruments are reported at fair value on the Consolidated Statements of Financial Position. Our derivative instruments have been primarily interest rate swaps. We use these derivatives to mitigate our interest rate risk. We have counterparty credit risk resulting from our derivative instruments. This risk lies primarily with two global financial institutions. We monitor this concentration of counterparty credit risk on an ongoing basis.

## Edgar Filing: TARGET CORP - Form 10-Q

Historically, the majority of our derivative instruments were designated as hedge instruments in accordance with applicable accounting guidance. The changes in market value of an interest rate swap, as well as the offsetting change in market value of the hedged debt, were recognized within earnings in the current period. We assessed at the inception of the derivative hedge whether the hedge was highly effective in offsetting changes in fair value or cash flows of hedged items. Ineffectiveness resulted when changes in the market value of the hedged debt were not completely offset by changes in the market value of the interest rate swap. For those derivative contracts whose terms met the conditions of the short-cut method, 100 percent hedge effectiveness was assumed. There was no ineffectiveness recognized during the three and nine months ended October 31, 2009 and November 1, 2008 related to our hedges. At October 31, 2009, we had no derivative instruments designated as accounting hedges.

During the first quarter of 2008, we terminated certain pay floating interest rate swaps with a combined notional amount of \$3,125 million for cash proceeds of \$160 million, which are classified within other operating cash flows in the Consolidated Statements of Cash Flows. Because these swaps were designated as hedges, concurrent with their terminations, we stopped making market value adjustments to the associated hedged debt. Gains realized upon termination are being amortized into earnings over the remaining life of the associated hedged debt.

Additionally, during 2008, we de-designated certain pay floating interest rate swaps, and upon de-designation, these swaps no longer qualified for hedge accounting treatment. As a result of the de-designation, the unrealized gains on these

## Edgar Filing: TARGET CORP - Form 10-Q

swaps determined at the date of de-designation are being amortized into earnings over the remaining lives of the previously hedged items.

Total net gains amortized into net interest expense for terminated and de-designated swaps were \$13 million during the three months ended October 31, 2009 and \$14 million during the three months ended November 1, 2008. Total net gains amortized into net interest expense for terminated and de-designated swaps were \$46 million and \$40 million during the nine months ended October 31, 2009 and November 1, 2008, respectively. The amount remaining on unamortized hedged debt valuation gains from terminated and de-designated interest rate swaps that will be amortized into earnings over the remaining lives totaled \$216 million, \$263 million and \$206 million, at October 31, 2009, January 31, 2009 and November 1, 2008.

Simultaneous to the de-designations during 2008, we entered into pay fixed swaps to economically hedge the risks associated with the de-designated pay floating swaps. These swaps are not designated as hedging instruments and along with the de-designated pay floating swaps are measured at fair value. Changes in fair value measurements are a component of net interest expense on the Consolidated Statements of Operations.

Periodic payments, valuation adjustments and amortization of gains or losses from the termination or de-designation of derivative contracts are summarized below:

Derivative Contracts	Effect on Results of Operations	Three Months Ended		Nine Months Ended	
		October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
(millions)	Classification of Income/(Expense)				
Interest Rate Swaps	Other interest expense	\$ 17	\$ 19	\$ 48	\$ 51

For further description of the fair value measurement of derivative contracts and their classification on the Consolidated Statement of Financial Position, see Note 3, Fair Value Measurements.

### 8. 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 2006 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.

We accrue for the effects of uncertain tax positions and the related potential penalties and interest. There were no material adjustments to our recorded liability for unrecognized tax benefits during the three and nine months ended October 31, 2009. It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain of our unrecognized tax positions will increase or decrease during the next 12 months.

During the three months ended October 31, 2009, we filed income tax returns that included tax accounting method changes allowed under applicable tax regulations. These changes resulted in a substantial increase in tax deductions related to property and equipment, resulting in an



## Edgar Filing: TARGET CORP - Form 10-Q

increase in noncurrent deferred income tax liabilities of approximately \$300 million and a corresponding increase in current income taxes receivable, which is classified as other current assets in the Consolidated Statements of Financial Position. These changes did not affect income tax expense during the quarter.

### 9. Share Repurchase

During the three months ended October 31, 2009, we repurchased 0.3 million shares of our common stock, for a total cash investment of \$14 million (average price per share of \$43.80), of which \$9 million was paid in prior periods. During the nine months ended October 31, 2009, we repurchased 1.5 million shares of our common stock, for a total cash investment of \$56 million (average price per share of \$36.57), of which \$42 million was paid in prior periods. All shares reacquired during the three and nine months ended October 31, 2009 were delivered upon settlement of prepaid forward contracts. The prepaid forward contracts settled during the three months ended October 31, 2009 had a total cash investment of \$14 million and an aggregate market value of \$15 million at their respective settlement dates. The prepaid forward contracts settled during the nine months ended October 31, 2009 had a total cash investment of \$56 million and an aggregate market value of \$60 million at their respective settlement dates. In November 2008 we announced a temporary suspension to our open-market share repurchase program. See Note 10, Pension, Postretirement Health Care and Other Benefits, for further details of our prepaid forward contracts.

During the three months ended November 1, 2008, we repurchased 2.5 million shares of our common stock, for a total cash investment of \$140 million (\$54.93 per share), all of which was paid in prior periods. During the nine months ended November 1, 2008, we repurchased 66.8 million shares of our common stock for a total cash investment of \$3,380 million (\$50.54 per share), of which \$453 million was paid in prior periods. Of the repurchases during the nine months ended November 1, 2008, 30 million shares were acquired through the exercise of call options.

Since the inception of our share repurchase program, which began in the fourth quarter of 2007, we have repurchased 95.2 million shares of our common stock, for a total cash investment of \$4,897 million (average price per share of \$51.42).

**10. Pension, Postretirement Health Care and Other Benefits**

## Edgar Filing: TARGET CORP - Form 10-Q

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. Benefits are provided based on years of service and team member compensation. Upon retirement, 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.

<b>Net Pension Expense and Postretirement Healthcare Expense</b> (millions)	Pension Benefits				Postretirement Health Care Benefits			
	Three Months Ended		Nine Month Ended		Three Months Ended		Nine Months Ended	
	Oct. 31, 2009	Nov. 1, 2008	Oct. 31, 2009	Nov. 1, 2008	Oct. 31, 2009	Nov. 1, 2008	Oct. 31, 2009	Nov. 1, 2008
Service cost	\$ 25	\$ 24	\$ 75	\$ 70	\$ 2	\$ 1	\$ 5	\$ 3
Interest cost	32	29	94	87	2	2	6	6
Expected return on assets	(44)	(41)	(132)	(121)				
Recognized losses	6	4	18	12				
Recognized prior service cost	(1)	(1)	(3)	(3)				
<b>Total</b>	<b>\$ 18</b>	<b>\$ 15</b>	<b>\$ 52</b>	<b>\$ 45</b>	<b>\$ 4</b>	<b>\$ 3</b>	<b>\$ 11</b>	<b>\$ 9</b>

In the first quarter of 2009, we made a discretionary contribution of \$100 million to our qualified defined benefit pension plan. We are likely to make contributions of \$100 million or more during the fourth quarter of 2009, depending on a variety of factors, including the return on our pension plan assets in the fourth quarter of 2009.

During the three months ended October 31, 2009, we amended our postretirement health care plan, resulting in a \$46 million reduction to our recorded liability, with a corresponding increase to shareholders' equity of \$28 million, net of taxes of \$18 million. At October 31, 2009 our postretirement health care liability was \$74 million. The financial benefits of this amendment will be recognized through a reduction of benefit plan expense over the next 6 years.

We also maintain a nonqualified, unfunded deferred compensation plan for approximately 3,400 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 two percent per year to the accounts of all active participants, excluding executive officer participants, 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 11 current and 50 retired participants. In this plan, deferred compensation earns returns tied to market levels of interest rates plus an additional six percent return, with a minimum of 12 percent and a maximum of 20 percent, as determined by the plan's terms.

We control some of our risk of offering the nonqualified plans by investing in vehicles that offset a substantial portion of our economic exposure to the returns of the plans. These investment vehicles include company owned life insurance on approximately 3,500 highly compensated, current and former team members who have given their consent to be insured and prepaid forward contracts in our own common stock. All of these investments 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 recorded in earnings was a pretax gain of \$6 million and \$29 million for the three months ended October 31, 2009 and November 1, 2008, respectively, and a pretax gain/(loss) of \$31 million and \$(2) million for the nine months ended October 31, 2009 and November 1, 2008, respectively. For the nine months ended October 31, 2009 and November 1, 2008, we invested approximately \$14 million and \$207 million, respectively, in such investment instruments, and these investments are included in the Consolidated Statements of Cash Flows within other investing activities. Adjusting our position in these

investment vehicles may involve

Edgar Filing: TARGET CORP - Form 10-Q

repurchasing shares of Target common stock when settling the forward contracts. For the three and nine months ended October 31, 2009, these repurchases totaled 0.3 million and 1.5 million shares, respectively, and for the three and nine months ended November 1, 2008, these repurchases totaled 2.5 million and 4.3 million shares, respectively, and are included in the total share repurchases described in Note 9, Share Repurchase.

At October 31, 2009, January 31, 2009 and November 1, 2008, our outstanding interest in contracts indexed to our common stock was as follows:

<b>Prepaid Forward Contracts on Target</b>				
<b>Common Stock</b>				
(millions, except per share data)	Number of Shares	Contractual Price Paid per Share	Fair Value	Total Cash Investment
November 1, 2008	2.3	\$ 41.11	\$ 86	\$ 95
January 31, 2009	2.2	39.98	68	88
<b>October 31, 2009</b>	<b>1.1</b>	<b>41.11</b>	<b>54</b>	<b>46</b>

**11. Segment Reporting**

Our measure of profit for each segment is a measure that management considers analytically useful in measuring the return we are achieving on our investment.

<b>Business Segment Results</b>	<b>Three Months Ended October 31, 2009</b>			<b>Three Months Ended November 1, 2008</b>		
		<b>Credit</b>			<b>Credit</b>	
(millions)	<b>Retail</b>	<b>Card</b>	<b>Total</b>	<b>Retail</b>	<b>Card</b>	<b>Total</b>
Sales/Credit card revenues	\$ 14,789	\$ 487	\$ 15,276	\$ 14,588	\$ 526	\$ 15,114
Cost of sales	10,229		10,229	10,130		10,130
Bad debt expense(a)		301	301		314	314
Selling, general and administrative/Operations and marketing expenses(a), (b)	3,236	99	3,335	3,221	113	3,334
Depreciation and amortization	533	4	537	465	4	469
Earnings before interest expense and income taxes	791	83	874	772	95	867
Interest expense on nonrecourse debt collateralized by credit card receivables		23	23		60	60
Segment profit	\$ 791	\$ 60	851	\$ 772	\$ 35	807
Unallocated (income) and expenses						
Other interest expense			168			180
Interest income						(6)

Edgar Filing: TARGET CORP - Form 10-Q

Earnings before income taxes				\$	683				\$	633
------------------------------	--	--	--	----	-----	--	--	--	----	-----

(a) The combination of bad debt expense and operations and marketing expenses within the Credit Card Segment represent credit card expenses on the Consolidated Statements of Operations.

(b) New account and loyalty rewards redeemed by our guests reduce reported sales. Our Retail Segment charges the cost of these discounts to our Credit Card Segment, and the reimbursements of \$19 million for the three months ended October 31, 2009 and \$24 million for the three months ended November 1, 2008 are recorded as a reduction to SG&A expenses within the Retail Segment and an increase to operations and marketing expenses within the Credit Card Segment.

Note: The sum of the segment amounts may not equal the total amounts due to rounding.

Edgar Filing: TARGET CORP - Form 10-Q

Business Segment Results	Nine Months Ended October 31, 2009			Nine Months Ended November 1, 2008		
		Credit			Credit	
(millions)	Retail	Card	Total	Retail	Card	Total
Sales/Credit card revenues	\$ 43,717	\$ 1,459	\$ 45,176	\$ 43,861	\$ 1,527	\$ 45,388
Cost of sales	30,080		30,080	30,332		30,332
Bad debt expense(a)		900	900		751	751
Selling, general and administrative/ Operations and marketing expenses(a), (b)	9,345	312	9,658	9,361	347	9,708
Depreciation and amortization	1,476	11	1,487	1,339	13	1,352
Earnings before interest expense and income taxes	2,816	236	3,051	2,829	416	3,245
Interest expense on nonrecourse debt collateralized by credit card receivables		74	74		126	126
Segment profit	\$ 2,816	\$ 162	2,977	\$ 2,829	\$ 290	3,119
Unallocated (income) and expenses						
Other interest expense			517			550
Interest income			(3)			(24)
Earnings before income taxes			\$ 2,463			\$ 2,593

(a) The combination of bad debt expense and operations and marketing expenses within the Credit Card Segment represent credit card expenses on the Consolidated Statements of Operations.

(b) New account and loyalty rewards redeemed by our guests reduce reported sales. Our Retail Segment charges the cost of these discounts to our Credit Card Segment, and the reimbursements of \$59 million for the nine months ended October 31, 2009 and \$75 million for the nine months ended November 1, 2008 are recorded as a reduction to SG&A expenses within the Retail Segment and an increase to operations and marketing expenses within the Credit Card Segment.

Note: The sum of the segment amounts may not equal the total amounts due to rounding.

Total Assets by Segment	October 31, 2009			January 31, 2009			November 1, 2008		
		Credit			Credit			Credit	
(millions)	Retail	Card	Total	Retail	Card	Total	Retail	Card	Total
Total assets	\$ 38,519	\$ 7,460	\$ 45,979	\$ 35,651	\$ 8,455	\$ 44,106	\$ 38,780	\$ 8,261	\$ 47,041

Substantially all of our revenues are generated in, and long-lived assets are located in, the United States.

## 12. Subsequent Events

On November 6, 2009, the United States District Court of New York approved the distribution of settlement funds to class members for the Visa Check/Mastermoney Antitrust Litigation. Accordingly, we will record a gain of approximately \$25 million (as a reduction of SG&A expenses in the Consolidated Statements of Operations) and will likely receive the settlement proceeds in the fourth quarter of 2009.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Executive Summary**

Our financial results for the third quarter reflect the challenging economy in which we operated. Our Retail Segment's results reflect a modest decrease in comparable-store sales, strong gross margin rate performance and disciplined expense control. Despite continuing to operate in a harsh consumer credit environment, our Credit Card Segment's portfolio continues to exhibit stability and modest profitability.

Cash flow provided by operations was \$3,027 million and \$1,780 million for the nine months ended October 31, 2009 and November 1, 2008, respectively. During the three months ended October 31, 2009, we opened 25 new stores representing 24 stores net of 1 closing. During the three months ended November 1, 2008, we opened 45 new stores representing 36 stores net of 9 relocations.



**Analysis of Results of Operations**

**Retail Segment**

Retail Segment Results	Three Months Ended			Nine Months Ended		
	October 31,	November 1,	Percent	October 31,	November 1,	Percent
	2009	2008	Change	2009	2008	Change
(millions)						
Sales	\$ 14,789	\$ 14,588	1.4%	\$ 43,717	\$ 43,861	(0.3)%
Cost of sales	10,229	10,130	1.0	30,080	30,332	(0.8)
Gross margin	4,560	4,458	2.3	13,637	13,529	0.8
SG&A expenses <sup>(a)</sup>	3,236	3,221	0.5	9,345	9,361	(0.2)
EBITDA	1,324	1,237	7.1	4,292	4,168	3.0
Depreciation and amortization	533	465	14.8	1,476	1,339	10.2
EBIT	\$ 791	\$ 772	2.4%	\$ 2,816	\$ 2,829	(0.4)%

EBITDA is earnings before interest expense, income taxes, depreciation and amortization.

EBIT is earnings before interest expense and income taxes.

(a) New account and loyalty rewards redeemed by our guests reduce reported sales. Our Retail Segment charges the cost of these discounts to our Credit Card Segment, and the reimbursements of \$19 million and \$59 million for the three and nine months ended October 31, 2009, respectively, and \$24 million and \$75 million for the three and nine months ended November 1, 2008, respectively, are recorded as a reduction to SG&A expenses within the Retail Segment.

**Retail Segment Rate Analysis**

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Gross margin rate	30.8%	30.6%	31.2%	30.8%
SG&A expense rate	21.9%	22.1%	21.4%	21.3%
EBITDA margin rate	9.0%	8.5%	9.8%	9.5%
Depreciation and amortization expense rate	3.6%	3.2%	3.4%	3.1%
EBIT margin rate	5.3%	5.3%	6.4%	6.4%

Retail Segment rate analysis metrics are computed by dividing the applicable amount by sales.

**Sales**

Sales include merchandise sales, net of expected returns, from our stores and our online business, as well as gift card breakage. Comparable-store sales is a measure that indicates the performance of our existing stores by measuring the growth in sales for such stores for a period over the comparable, prior-year period of equivalent length. The method of calculating comparable-store sales varies across the retail industry. As a result, our comparable-store sales calculation is not necessarily comparable to similarly titled measures reported by other companies.

Comparable-store sales are sales from our online business and sales from general merchandise and SuperTarget stores open longer than one year, including:

- sales from stores that have been remodeled or expanded while remaining open
-

## Edgar Filing: TARGET CORP - Form 10-Q

sales from stores that have been relocated to new buildings of the same format within the same trade area, in which the new store opens at about the same time as the old store closes

Comparable-store sales do not include:

- sales from general merchandise stores that have been converted, or relocated within the same trade area, to a SuperTarget store format
- sales from stores that were intentionally closed to be remodeled, expanded or reconstructed

**Comparable-Store Sales**

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Comparable-store sales	(1.6)%	(3.3)%	(3.9)%	(1.5)%
Drivers of changes in comparable-store sales:				
Number of transactions	0.6%	(3.6)%	(1.1)%	(2.5)%
Average transaction amount	(2.2)%	0.3%	(2.8)%	1.0%
Units per transaction	(1.6)%	(1.5)%	(2.4)%	(1.3)%
Selling price per unit	(0.6)%	1.8%	(0.4)%	2.3%

*The comparable-store sales increases or decreases above are calculated by comparing sales in fiscal year periods with comparable prior fiscal year periods of equivalent length.*

Transaction-level metrics are influenced by a broad array of macroeconomic, competitive and consumer behavioral factors, and comparable-store sales rates are negatively impacted by transfer of sales to new stores.

**Gross Margin Rate**

Gross margin rate represents gross margin (sales less cost of sales) as a percentage of sales. See Note 3 in our Form 10-K for the fiscal year ended January 31, 2009 for a description of expenses included in cost of sales. Markup is the difference between an item's cost and its retail price (expressed as a percentage of its retail price). Factors that affect markup include vendor offerings and negotiations, vendor income, sourcing strategies, market forces like raw material and freight costs, and competitive influences. Markdowns are the reduction in the original or previous price of retail merchandise. Factors that affect markdowns include inventory management, competitive influences and economic conditions.

For the three months ended October 31, 2009, our consolidated gross margin rate was 30.8 percent, compared with 30.6 percent in the same period last year. Our 2009 gross margin rate benefitted from rate improvements within categories, partially offset by a smaller-than-expected mix impact of faster sales growth in nondiscretionary lower margin rate categories. The impact of rate performance within merchandise categories on gross margin rate was an approximate 0.4 percentage point increase for the three months ended October 31, 2009, the majority of which is the result of improved markdown performance. The impact of sales mix on gross margin rate was an approximate 0.2 percentage point reduction for the three months ended October 31, 2009.

For the nine months ended October 31, 2009, our gross margin rate was 31.2 percent compared with 30.8 percent in the same period last year. The impact of rate performance within merchandise categories on gross margin rate was an approximate 0.9 percentage point increase for the nine months ended October 31, 2009, driven primarily by improved markdown performance and lower transportation costs. The impact of sales mix on gross margin rate was an approximate 0.5 percentage point reduction for the nine months ended October 31, 2009.

**Selling, General and Administrative Expense Rate**

Our selling, general and administrative (SG&A) expense rate represents SG&A expenses as a percentage of sales. See Note 3 in our Form 10-K for the fiscal year ended January 31, 2009 for a description of expenses included in SG&A expenses. SG&A expenses exclude depreciation and amortization, as well as expenses associated with our credit card operations, which are reflected separately in our Consolidated Statements of Operations.

## Edgar Filing: TARGET CORP - Form 10-Q

For the three months ended October 31, 2009, SG&A expense rate was 21.9 percent, compared with 22.1 percent for the same period last year. Favorability in SG&A expense rate during the quarter was driven by sustained productivity gains in our stores, an approximate 0.4 percentage point reduction. This favorability was partially offset by increases in incentive compensation due to better than expected performance. For the nine months ended October 31, 2009, SG&A expense rate was 21.4 percent, compared with 21.3 percent for the same period last year.

**Depreciation and Amortization Expense Rate**

Our depreciation and amortization expense rate represents depreciation and amortization expense as a percentage of sales. For the three and nine months ended October 31, 2009, our depreciation and amortization expense rates were 3.6 percent and 3.4 percent, respectively, compared with 3.2 percent and 3.1 percent for the same respective periods last year. Approximately two-thirds of the rate increase was due to accelerated depreciation on assets that will be replaced as part of our 350-store, 2010 remodel program.

**Store Data**

During the three months ended October 31, 2009, we opened 25 new stores, including 20 general merchandise stores (19 net of 1 store relocation) and 5 SuperTarget stores. During the three months ended November 1, 2008, we opened 45 new stores, including 37 general merchandise stores (28 net of 9 store relocations) and 8 SuperTarget stores.

**Number of Stores and Retail Square Feet**

	Number of Stores			Retail Square Feet <sup>(a)</sup>		
	October 31, 2009	January 31, 2009	November 1, 2008	October 31, 2009	January 31, 2009	November 1, 2008
Target general merchandise stores	1,491	1,443	1,445	187,481	180,321	180,200
SuperTarget stores	252	239	239	44,645	42,267	42,220
Total	1,743	1,682	1,684	232,126	222,588	222,420

(a) In thousands; reflects total square feet, less office, distribution center and vacant space.

**Credit Card Segment**

Credit card revenues are comprised of finance charges, late fees and other revenues, and third party merchant fees, or the amounts received from merchants who accept the Target Visa credit card.

**Credit Card Segment Results**

	Three Months Ended October 31, 2009		Three Months Ended November 1, 2008	
	Amount (in millions)	Annualized Rate <sup>(d)</sup>	Amount (in millions)	Annualized Rate <sup>(d)</sup>
(millions)				
Finance charge revenue	\$ 365	17.8%	\$ 366	16.7%
Late fees and other revenue	92	4.5	123	5.6
Third party merchant fees	30	1.5	37	1.7
Total revenues	487	23.8	526	24.1
Bad debt expense	301	14.7	314	14.4
Operations and marketing expenses <sup>(a)</sup>	99	4.8	113	5.2
Depreciation and amortization	4	0.2	4	0.2
Total expenses	404	19.7	431	19.7
EBIT	83	4.1	95	4.3
Interest expense on nonrecourse debt collateralized by credit card receivables	23		60	

Edgar Filing: TARGET CORP - Form 10-Q

Segment profit	\$	60	\$	35
Average receivables funded by Target(b)	\$	2,677	\$	3,272
Segment pretax ROIC(c)		9.0%		4.3%

- (a) *New account and loyalty rewards redeemed by our guests reduce reported sales. Our Retail Segment charges the cost of these discounts to our Credit Card Segment, and the reimbursements of \$19 million for the three months ended October 31, 2009 and \$24 million for the three months ended November 1, 2008, respectively, are recorded as an increase to operations and marketing expenses within the Credit Card Segment.*
- (b) *Amounts represent the portion of average gross credit card receivables funded by Target. These amounts exclude \$5,520 million for the three months ended October 31, 2009 and \$5,473 million for the three months ended November 1, 2008 of receivables funded by nonrecourse debt collateralized by credit card receivables.*
- (c) *ROIC is return on invested capital, and this rate equals our segment profit divided by average gross credit card receivables funded by Target, expressed as an annualized rate.*
- (d) *As an annualized percentage of average gross credit card receivables.*

**Credit Card Segment Results**

	Nine Months Ended October 31, 2009		Nine Months Ended November 1, 2008	
	Amount (in millions)	Annualized Rate(d)	Amount (in millions)	Annualized Rate(d)
(millions)				
Finance charge revenue	\$ 1,097	17.4%	\$ 1,060	16.5%
Late fees and other revenue	270	4.3	352	5.5
Third party merchant fees	92	1.5	115	1.8
Total revenues	1,459	23.1	1,527	23.8
Bad debt expense	900	14.3	751	11.7
Operations and marketing expenses(a)	312	4.9	347	5.4
Depreciation and amortization	11	0.2	13	0.2
Total expenses	1,223	19.4	1,111	17.3
EBIT	236	3.7	416	6.5
Interest expense on nonrecourse debt collateralized by credit card receivables	74		126	
Segment profit	\$ 162		\$ 290	
Average receivables funded by Target(b)	\$ 2,910		\$ 4,392	
Segment pretax ROIC(c)	7.4%		8.8%	

- (a) *New account and loyalty rewards redeemed by our guests reduce reported sales. Our Retail Segment charges the cost of these discounts to our Credit Card Segment, and the reimbursements of \$59 million for the nine months ended October 31, 2009 and \$75 million for the nine months ended November 1, 2008, respectively, are recorded as an increase to operations and marketing expenses within the Credit Card Segment.*
- (b) *Amounts represent the portion of average gross credit card receivables funded by Target. These amounts exclude \$5,508 million for the nine months ended October 31, 2009 and \$4,176 million for the nine months ended November 1, 2008 of receivables funded by nonrecourse debt collateralized by credit card receivables.*
- (c) *ROIC is return on invested capital, and this rate equals our segment profit divided by average gross credit card receivables funded by Target, expressed as an annualized rate.*
- (d) *As an annualized percentage of average gross credit card receivables.*

**Spread Analysis - Total Portfolio**

	Three Months Ended October 31, 2009		Three Months Ended November 1, 2008	
	Amount (in millions)	Annualized Rate	Amount (in millions)	Annualized Rate
EBIT	\$ 83	4.1% (b)	\$ 95	4.3% (b)
LIBOR(a)		0.3%		3.1%
Spread to LIBOR(c)	\$ 78	3.8% (b)	\$ 27	1.2% (b)

- (a) *Balance-weighted one-month LIBOR.*
- (b) *As a percentage of average gross credit card receivables.*
- (c) *Spread to LIBOR is a metric used to analyze the performance of our total credit card portfolio because the vast majority of our portfolio earned finance charge revenue at rates tied to the Prime Rate, and the interest rate on all nonrecourse debt securitized by credit card receivables is tied to LIBOR.*

**Spread Analysis - Total Portfolio**

	Nine Months Ended October 31, 2009		Nine Months Ended November 1, 2008	
	Amount (in millions)	Annualized Rate	Amount (in millions)	Annualized Rate
EBIT	\$ 236	3.7% (b)	\$ 416	6.5% (b)
LIBOR(a)		0.3%		2.8%
Spread to LIBOR(c)	\$ 213	3.4% (b)	\$ 235	3.7% (b)

- (a) *Balance-weighted one-month LIBOR.*
- (b) *As a percentage of average gross credit card receivables.*
- (c) *Spread to LIBOR is a metric used to analyze the performance of our total credit card portfolio because the vast majority of our portfolio earned finance charge revenue at rates tied to the Prime Rate, and the interest rate on all nonrecourse debt securitized by credit card receivables is tied to LIBOR.*





Our primary measure of Segment profit in our Credit Card Segment is the EBIT generated by our total credit card receivables portfolio less the interest expense on nonrecourse debt collateralized by credit card receivables. We analyze this measure of profit in light of the amount of capital we have invested in our credit card receivables. In addition, we measure the performance of our overall credit card receivables portfolio by calculating the dollar spread to LIBOR at the portfolio level. This metric approximates the overall financial performance of the entire credit card portfolio we manage by measuring the difference between EBIT earned on the portfolio and a hypothetical benchmark rate financing cost applied to the entire portfolio. For the 2009 first quarter, the vast majority of our portfolio accrued finance charge revenue at rates tied to the Prime Rate, and the interest rate on all nonrecourse debt securitized by credit card receivables is tied to LIBOR. We implemented a terms change to our portfolio, effective in April 2009, that establishes a minimum annual percentage rate (APR) applied to cardholder account balances. Under this terms change, finance charges will accrue at a fixed APR if the benchmark Prime Rate is less than 6%; if the Prime Rate is greater than 6%, finance charges will accrue at the benchmark Prime Rate, plus a spread.

Credit Card Segment profit for the three months ended October 31, 2009 increased to \$60 million from \$35 million for the three months ended November 1, 2008. Revenues for the 2009 three months were negatively impacted by a lower Prime Rate index and lower levels of late fees assessed, almost entirely offset by terms changes implemented in 2008 and 2009. Segment expenses decreased during the three months by \$28 million, driven by a decrease in bad debt expense of \$14 million over the comparable period, strong expense management and lower rewards expense. Interest expense was favorably impacted by the lower LIBOR rates during 2009 compared with 2008. This portfolio performance, combined with the lower average receivables funded by Target, resulted in an increase in segment pretax ROIC from 4.3 percent in 2008 to 9.0 percent in 2009.

During the nine months ended October 31, 2009, Credit Card Segment profit declined to \$162 million from \$290 million in the same period last year as a result of a decline in the spread to LIBOR earned on the overall portfolio and a 33.7 percent reduction in Target's investment in average gross credit card receivables. Segment revenues decreased due to a decline in late fee revenue and third party merchant fees, moderately offset by higher finance charge revenue resulting from the terms changes implemented between the comparative periods. Segment expenses for the nine months ended October 31, 2009 were \$1,223 million, an increase of \$112 million, or 10.1 percent, from the same period last year, reflecting higher bad debt expense, offset by lower operating and marketing expenses.

**Receivables Rollforward Analysis**

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
(millions)				
Beginning gross credit card receivables	\$ 8,293	\$ 8,641	\$ 9,094	\$ 8,624
Charges at Target	799	955	2,445	2,923
Charges at third parties	1,648	2,082	5,080	6,488
Payments	(2,870)	(3,221)	(9,071)	(10,209)
Other	178	307	500	938
Period-end gross credit card receivables	\$ 8,048	\$ 8,764	\$ 8,048	\$ 8,764
Average gross credit card receivables	\$ 8,197	\$ 8,745	\$ 8,418	\$ 8,568
Accounts with three or more payments (60+ days) past due as a percentage of period-end gross credit card receivables	6.5%	5.6%	6.5%	5.6%
Accounts with four or more payments (90+ days) past due as a percentage of period-end gross credit card receivables	4.6%	3.8%	4.6%	3.8%

**Allowance for Doubtful Accounts**

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
(millions)				
Allowance at beginning of period	\$ 1,004	\$ 661	\$ 1,010	\$ 570
Bad debt expense	301	314	900	751
Net write-offs <sup>(a)</sup>	(280)	(210)	(885)	(556)
Allowance at end of period	\$ 1,025	\$ 765	\$ 1,025	\$ 765
As a percentage of period-end gross credit card receivables	12.7%	8.7%	12.7%	8.7%
Net write-offs as a percentage of average gross credit card receivables (annualized)	13.7%	9.6%	14.0%	8.7%
(a)	<i>Net write-offs include the principal amount of losses (excluding accrued and unpaid finance charges) less current period principal recoveries.</i>			

Our period-end gross credit card receivables at October 31, 2009 were \$8,048 million compared with \$8,764 million at November 1, 2008, a decrease of 8.2 percent. Average gross credit card receivables for the three and nine months ended October 31, 2009 decreased 6.3 percent and 1.7 percent, respectively, compared with the same 2008 periods. This change was driven by risk management and underwriting initiatives that have significantly reduced available credit lines for higher-risk cardholders, a reduction in charge activity resulting from reductions in card usage by our guests, offset in part by the impact of an industry-wide decline in payment rates.

**Other Performance Factors****Net Interest Expense**

Net interest expense was \$191 million and \$588 million for the three and nine months ended October 31, 2009, respectively, decreasing \$43 million (18.3 percent) and \$64 million (9.8 percent), respectively, from the same periods last year. Approximately two-thirds of the decline during the quarter was a result of annualized average portfolio interest rates decreasing from 5.4 percent to 4.7 percent. The remaining decrease is attributable to lower average debt balances. The decline during the nine months was a result of the annualized average portfolio interest rates decreasing from 5.5 percent to 4.7 percent.

**Provision for Income Taxes**

Our effective income tax rate for the third quarter of 2009 was 36.1 percent compared with 41.7 percent for the third quarter of 2008. The year-to-date effective tax rate decreased to 37.0 percent in 2009 from 38.1 percent in 2008. The decrease in the effective rates between periods is primarily due to nontaxable capital market returns in 2009 compared with nondeductible losses in 2008. The 2009 effective income tax rates are also lower due to resolution of income tax examinations, resulting in a decrease in the amount of reserves recorded during the quarter. The 2009 effective income tax rates are also lower due to a comparatively larger proportion of earnings subject to rate differences between taxing jurisdictions than in 2008.

**Analysis of Financial Condition**

**Liquidity and Capital Resources**

Historically, we have funded our operations and growth through internally generated funds and, if needed, debt financing. Cash flow provided by operations was \$3,027 million for the nine months ended October 31, 2009 compared with \$1,780 million for the same period last year. The first of our two large 2009 debt maturities, \$750 million, was paid during the three months ended August 1, 2009, and our final 2009 large debt maturity, \$500 million, was paid during the three months ended October 31, 2009.

Our period-end gross credit card receivables were \$8,048 million at the end of the third quarter of 2009 compared with \$8,764 million at the end of the third quarter of 2008, a decrease of 8.2 percent. This change was driven by the factors indicated in the Credit Card Segment discussion above. This trend and the factors influencing it are likely to continue into 2010. Due to the decrease in gross credit card receivables, TRC, using cash flows from the trust, repaid JPMC \$163 million in November 2009 under the terms of our agreement with them as described in Note 4. To the extent the receivables

## Edgar Filing: TARGET CORP - Form 10-Q

balance continues to decline, TRC may continue to pay JPMC a prorata portion of principal collections such that the portion owned by JPMC would not exceed 47 percent.

Inventory levels increased \$332 million, or 3.7 percent from November 1, 2008 to October 31, 2009, reflecting increased inventory levels required to support comparatively higher retail square footage. Accounts payable increased by \$49 million, or 0.6 percent over the same period.

Capital expenditures for the three and nine months ended October 31, 2009 were \$399 million and \$1,440 million, respectively, compared with \$871 million and \$2,827 million for the three and nine months ended November 1, 2008, respectively. This decrease was driven by lower capital expenditures for new stores, remodels and technology-related assets. In light of the current operating environment, we have fewer opportunities to productively invest capital and forecast capital expenditures for 2009 full year at approximately \$1.8 billion.

During the three months ended October 31, 2009, through settlement of prepaid forward contracts, we repurchased 0.3 million shares of our common stock for a total cash investment of \$14 million (\$43.80 per share), of which \$9 million was outlaid prior to that period. During the nine months ended October 31, 2009, through settlement of prepaid forward contracts, we repurchased 1.5 million shares of our common stock for a total cash investment of \$56 million (\$36.57 per share), of which \$42 million was outlaid prior to that period. During the three months ended November 1, 2008, we repurchased 2.5 million shares of our common stock for a total cash investment of \$140 million (\$54.93 per share), all of which was paid in prior periods. During the nine months ended November 1, 2008, we repurchased 66.8 million shares of our common stock for a total cash investment of \$3,380 million (\$50.54 per share), of which \$453 million was outlaid prior to that period. Of the repurchases during the nine months ended November 1, 2008, 30 million shares were acquired through the exercise of call options.

We paid dividends totaling \$128 million and \$369 million during the three and nine months ended October 31, 2009, respectively, an increase of 5.7 percent and 6.9 percent, respectively, from the same period last year. We declared dividends totaling \$128 million (\$0.17 per share) and \$376 million (\$0.50 per share) during the three and nine months ended October 31, 2009, respectively, an increase of 6.2 percent and 7.3 percent, respectively, over the same period last year. We have paid dividends every quarter since our first dividend was declared following our 1967 initial public offering, and it is our intent to continue to do so in the future.

Our financing strategy is to ensure liquidity and access to capital markets, to manage our net exposure to floating interest rate volatility, and to maintain a balanced spectrum of debt maturities. Within these parameters, we seek to minimize our borrowing costs.

Maintaining strong investment-grade debt ratings is a key part of our financing strategy. Our current debt ratings are as follows:

<b>Debt Ratings</b>	Moody's	Standard and Poor's	Fitch
Long-term debt	A2	A+	A
Commercial paper	P-1	A-1	F1
Securitized receivables <sup>(a)</sup>	Aa2	AA	n/a

<sup>(a)</sup> *These rated securitized receivables exclude the interest in our credit card receivables sold to JPMC.*

## Edgar Filing: TARGET CORP - Form 10-Q

An additional source of liquidity is available to us through a committed \$1.9 billion unsecured revolving credit facility obtained through a group of banks in April 2007, which will expire in April 2012. No balances were outstanding at any time during 2009 or 2008 under this credit facility.

Most of our long-term debt obligations contain covenants related to secured debt levels. In addition to a secured debt level covenant, our credit facility also contains a debt leverage covenant. We are, and expect to remain, in compliance with these covenants. Additionally, at October 31, 2009, no notes or debentures contained provisions requiring acceleration of payment upon a debt rating downgrade, except that certain outstanding notes allow the note holders to put the notes to us if within a matter of months of each other we experience both (i) a change in control; and (ii) our long-term debt ratings are either reduced and the resulting rating is non-investment grade, or our long-term debt ratings are placed on watch for possible reduction and those ratings are subsequently reduced and the resulting rating is non-investment grade.

### **New Accounting Pronouncements**

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No. 140 (SFAS 166), codified in ASC 860, *Transfers and Servicing*, which amends the derecognition guidance in former FASB Statement No. 140 and eliminates the exemption from consolidation for qualifying special-purpose entities. This guidance will be effective for the Corporation beginning in fiscal 2010 and adoption is not anticipated to affect our consolidated net earnings, cash flows or financial position.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167), codified in ASC 810, *Consolidation*, which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under former FASB Interpretation No. 46(R). This guidance will be effective for the Corporation beginning in fiscal 2010 and adoption is not anticipated to affect our consolidated net earnings, cash flows or financial position.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* (FSP FAS 132(R)-1), codified in ASC 715-10-50, *Compensation-Retirement Benefits*, which amends former SFAS No. 132(R), *Employers' Disclosures about Pensions and Other Postretirement Benefits* to require more detailed disclosures about employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. This guidance will be effective at the end of fiscal 2009. We intend to adopt these additional disclosure requirements on the effective date.

In August 2009, the FASB issued Accounting Standards Update (ASU) 2009-05, *Measuring Liabilities at Fair Value*, to provide guidance on measuring the fair value of liabilities under ASC 820. This update clarifies that the quoted price for the identical liability, when traded as an asset in an active market, is also a Level 1 measurement for that liability when no adjustment to the quoted price is required. This update will be effective for Target in the fourth quarter of 2009 and adoption is not anticipated to affect our consolidated net earnings, cash flows or financial position.

In September 2009, the FASB issued ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*, to provide guidance on measuring the fair value of certain alternative investments. This update amends ASC 820 to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value per share. This update will be effective for Target in the first quarter of 2010 and adoption is not anticipated to affect our consolidated net earnings, cash flows or financial position.

In October 2009, the FASB issued ASU 2009-13, *Multiple Deliverable Arrangements*, a consensus of the FASB Emerging Issues Task Force, which supersedes former EITF Issue 00-21, codified in ASC 605-25, *Revenue Recognition*, related to accounting for revenue arrangements with multiple deliverables. This update addresses the unit of accounting for arrangements involving multiple deliverables and how arrangement consideration should be allocated to the separate units of accounting. This update will be effective for Target in fiscal 2011 and adoption is not anticipated to affect our consolidated net earnings, cash flows or financial position.

### **Outlook**

## Edgar Filing: TARGET CORP - Form 10-Q

We expect strong profit growth in the fourth quarter, as both our retail segment EBIT and our credit card segment profit are annualizing on much weaker prior-year performances.

In our retail segment, our outlook envisions modest negative comparable-store sales due to continued weak macroeconomic conditions and longer-term trends that have led to diminished holiday season sales growth, balanced against the easiest prior-year comparison we will have this year. While we continue to believe that it is possible we could see positive comparable-store sales in the fourth quarter, we have planned our inventory commitments on markdown-sensitive categories in line with a modest decline.

Our gross margin rate in the fourth quarter will be affected by the level of price competition across the industry, the category mix of our sales, and the level of our inventory relative to the pace of our sales. If fourth quarter comparable-store sales performance meets or exceeds our expectation of a modest decline, we expect to generate a meaningful increase in our retail gross margin rate, as we cycle over the unusually high clearance markdowns in last year's fourth quarter.



We continue to expect low single-digit percentage growth in SG&A expenses for the year overall, but we expect a mid single-digit increase in SG&A expense for the fourth quarter. We do not expect the same year-over-year productivity improvement in store labor in this year's fourth quarter that we have seen in the first nine months of the year because of the greater-than-expected surge of last-minute shopping in December 2008, which created a staffing environment that was leaner than we had intended.

Accelerated depreciation due to our expected 2010 store remodel program will have a similar dollar impact in the fourth quarter that we recorded in the third quarter, but its impact on a rate basis will be somewhat lower because of the seasonality of our sales.

In our credit card segment, we will continue to manage the portfolio conservatively in light of the underlying risk environment and the legislative and regulatory mandates imposed on the credit card industry, the adverse impacts of which will begin to be measurable in our fourth quarter. In response to the current economic and risk environment and these legislative and regulatory changes which limit or eliminate risk pricing tools available to us, we will make several changes to our card terms in the fourth quarter to address regulatory changes, simplify our terms, eliminate minimum annual percentage rates and position the portfolio for a reasonable return on investment. We expect that these terms changes will partially offset the adverse factors that will impact us in 2010. Despite the challenging environment, we expect that our approach will continue to generate modest rates of portfolio profitability in the fourth quarter and into 2010.

We expect to build about 12 total new stores in 2010, which will likely result in fewer than 10 additional locations, net of closings and relocations. In addition, we expect to remodel about 350 existing stores in 2010, at a total investment of just over \$1 billion. Including these initiatives, we expect capital investment in 2010 to lie in a range centered around \$2.5 billion, up from about \$1.8 billion in 2009. When considered along with our expectation for cash flow generated from operations, we expect that in 2010 we will discuss with our board of directors the option of lifting our temporary suspension of open-market share repurchase activity. If we were able to resume this activity, we would continue to manage the pace of share repurchase with the goal of maintaining our strong credit ratings.

#### Forward-Looking Statements

This report contains forward-looking statements, which are based on our current assumptions and expectations. These statements are typically accompanied by the words expect, may, could, believe, would, might, anticipates, or words of similar import. The following principal statements in this report include: for our Retail Segment, our outlook for segment EBIT, comparable-store sales, inventory commitments, store productivity, sales mix, gross margin rate and SG&A expense levels; for our Credit Card Segment, our outlook for period-end gross receivables, portfolio size, future write-offs of current receivables, credit card terms changes, portfolio performance and profitability; on a consolidated basis, the adequacy of our reserves in light of the expected outcome of litigation, the expected compliance with debt covenants, our forecasted capital expenditures, our expectations for the 2010 store remodel program and the number of stores to be opened in 2010, our intentions regarding future dividends, the possible resumption of our share repurchase activity, and the anticipated impact of new accounting pronouncements.

All such forward-looking statements are intended to enjoy the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, as amended. Although we believe there is a reasonable basis for the forward-looking statements, our actual results could be materially different. The most important factors which could cause our actual results to differ from our forward-looking statements are set forth on our description of risk factors in Item 1A to our Form 10-K for the fiscal year ended January 31, 2009, which should be read in conjunction with the forward-looking statements in this report. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.



**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in the other primary risk exposures or management of market risks from those disclosed in our Form 10-Q for the quarter ended May 2, 2009 or Form 10-K for the fiscal year ended January 31, 2009.

**Item 4. Controls and Procedures**

As of the end of the period covered by this quarterly report, we conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the Securities and Exchange Commission (SEC) under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are one of many defendants in a lawsuit filed on February 13, 2008, by the State of California involving environmental matters that may involve potential monetary sanctions in excess of \$100,000. The allegation, initially made by the California Air Resources Board in April 2006, involves a non-food product (hairspray) that allegedly contained levels of a volatile organic compound in excess of permissible levels. We anticipate that the settlement, to be fully indemnified by the vendor, is likely to exceed \$100,000 but will not be material to our financial position, results of operations or cash flows. In addition, we are a defendant in a civil lawsuit filed by the California Attorney General in June 2009 alleging that we did not handle and dispose of certain unsold products as a hazardous waste. The case is in its early stages. We anticipate that this lawsuit may involve potential monetary sanctions in excess of \$100,000, but will not be material to our financial position, results of operations or cash flows.

We are the subject of an ongoing Environmental Protection Agency (EPA) investigation for alleged violations of the Clean Air Act (CAA). In March 2009, the EPA issued a Finding of Violation (FOV) related to alleged violations of the CAA, specifically the National Emission Standards for Hazardous Air Pollutants (NESHAP) promulgated by the EPA for asbestos. The FOV pertains to the remodeling of 36 Target stores that occurred between January 1, 2003 and October 28, 2007. The EPA FOV process is ongoing and no specific relief has been sought to date by the EPA. We anticipate that any resolution of this matter will be in the form of monetary penalties that are likely to exceed \$100,000 but will not be material to our financial position, results of operations or cash flows.

For a description of other legal proceedings, see Note 5 of the Notes to Consolidated Financial Statements included in Item 1, Financial Statements.

The American Jobs Creation Act of 2004 requires SEC registrants to disclose if they have been required to pay certain penalties for failing to disclose to the Internal Revenue Service their participation in listed transactions. We have not been required to pay any of the penalties set forth in Section 6707A(e)(2) of the Internal Revenue Code.

### Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended January 31, 2009.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information with respect to purchases of Target common stock made during the quarter ended October 31, 2009, by the Corporation or any affiliated purchaser of the Corporation, as defined in Rule 10b-18(a)(3) under the Exchange Act.

In November 2007, our Board of Directors authorized the repurchase of \$10 billion of our common stock. Since the inception of this share repurchase program, we have repurchased 95.2 million common shares for a total cash investment of \$4,897 million (\$51.42 per share). In November 2008 we announced that, in light of our business outlook, we were temporarily suspending our open-market share repurchase program.

Edgar Filing: TARGET CORP - Form 10-Q

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
August 2, 2009 through August 29, 2009	225,632	\$	41.13	95,135,119	\$	5,108,325,023
August 30, 2009 through October 3, 2009				95,135,119		5,108,325,023
October 4, 2009 through October 31, 2009	100,475		49.78	95,235,594		5,103,322,945
	326,107	\$	43.80	95,235,594	\$	5,103,322,945

*The table above includes shares of common stock reacquired from team members who wish to tender owned shares to satisfy the tax withholding on equity awards as part of our long-term incentive plans or to satisfy the exercise price on stock option exercises. In the third quarter of 2009, no such shares were acquired.*

*The table above includes shares reacquired upon settlement of prepaid forward contracts. For the three months ended October 31, 2009, 0.3 million shares were reacquired through these contracts. At October 31, 2009, we held asset positions in prepaid forward contracts for 1.1 million shares of our common stock, for a total cash investment of \$46 million, or \$41.11 per share.*

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Submission of Matters to a Vote of Security Holders**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

(3)A Restated Articles of Incorporation (as amended May 24, 2007)(1)

## Edgar Filing: TARGET CORP - Form 10-Q

- (3)B By-laws (as amended through September 10, 2009)(2)
- (12) Statements of Computations of Ratios of Earnings to Fixed Charges
- (31)A Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (31)B Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (32)A Certification of the Chief Executive Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (32)B Certification of the Chief Financial Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase

Edgar Filing: TARGET CORP - Form 10-Q

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

---

(1) Incorporated by reference to Exhibit (3)A to the Registrant's Form 8-K Report filed May 25, 2007

(2) Incorporated by reference to Exhibit (3)B to the Registrant's Form 8-K Report filed September 10, 2009



Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TARGET CORPORATION

Dated: December 4, 2009

By: /s/ Douglas A. Scovanner  
Douglas A. Scovanner  
Executive Vice President,  
Chief Financial Officer  
and Chief Accounting Officer

**EXHIBIT INDEX**

<b>Exhibit</b>	<b>Description</b>	<b>Manner of Filing</b>
(3)A	Restated Articles of Incorporation (as amended May 24, 2007)	Incorporated by Reference
(3)B	By-Laws (as amended through September 10, 2009)	Incorporated by Reference
(12)	Statements of Computations of Ratios of Earnings to Fixed Charges	Filed Electronically
(31)A	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Electronically
(31)B	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Electronically
(32)A	Certification of the Chief Executive Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Electronically
(32)B	Certification of the Chief Financial Officer As Adopted Pursuant to 18 U.S.C. Section 1350 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Electronically
101.INS	XBRL Instance Document	Filed Electronically
101.SCH	XBRL Taxonomy Extension Schema	Filed Electronically
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed Electronically
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed Electronically
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed Electronically
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed Electronically