TARGET CORP
Form 8-K
March 13, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **March 13, 2013**

Target Corporation

(Exact name of registrant as specified in its charter)

Minnesota	**1-6049**	**41-0215170**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1000 Nicollet Mall, Minneapolis, Minnesota 55403

(Address of principal executive offices, including zip code)

(612) 304-6073

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Introductory Note

All of the information contained in this Form 8-K relates to the previously announced sale by Target Corporation (Target) of its entire consumer credit card portfolio to The Toronto-Dominion Bank (TD), which was completed on March 13, 2013 (the Transaction) and is discussed in more detail under Item 2.01. As disclosed in the News Release attached to this Form 8-K, on March 13, 2013, Target also announced the commencement of tender offers to use up to an aggregate of $1.2 billion of cash proceeds from the Transaction to repurchase outstanding debt and, over time, Target expects to apply the remaining proceeds from the Transaction to further reduce its debt position and continue its current share repurchase program. The pro forma financial statements included with this Form 8-K do not reflect the full application of the proceeds from the Transaction and therefore are not indicative of the financial impact of this Transaction. Following the completion of the debt tender offer, Target will provide updated forward-looking information that will include the full expected impact of the Transaction and related application of proceeds, as well as comparative historical results for its U.S. Segment (formerly the U.S. Retail and U.S. Credit Card Segments).

Item 1.01. Entry into a Material Definitive Agreement.

As a result of the closing of the Transaction on March 13, 2013, pursuant to the Credit Card Program Agreement, dated as of October 22, 2012, between Target, its wholly-owned subsidiary, Target Enterprise, Inc., and TD Bank USA, N.A., an affiliate of TD (the Credit Card Program Agreement), TD s rights and obligations to underwrite, fund and own Target Credit Card and Target Visa receivables in the U.S. became effective and the seven-year term of the Credit Card Program Agreement began. In addition to those rights and obligations under the Credit Card Program Agreement, TD controls risk management policies and oversees regulatory compliance. Target performs account servicing and primary marketing functions, and earns a substantial portion of the profits generated by the Target Credit Card and Target Visa portfolios.

A copy of the Credit Card Program Agreement will be filed as an Exhibit to Target s Quarterly Report on Form 10-Q for the quarter ending May 4, 2013.

Item 1.02. Termination of a Material Definitive Agreement.

On March 13, 2013, Target terminated its Amended and Restated Pooling and Servicing Agreement, dated as of April 28, 2000, among Target Receivables LLC (formerly known as Target Receivables Corporation), Target National Bank (formerly known as Retailers National Bank) and Wells Fargo Bank, National Association (formerly known as Wells Fargo Bank Minnesota, National Association), as previously amended, including most recently as of January 26, 2012 (the Pooling and Servicing Agreement). The Pooling and Servicing Agreement contained provisions related to the conveyance of credit card receivables by Target Receivables LLC to the Target Credit Card Master Trust, the administration and servicing of the receivables, and the rights of the certificate holders in the Target Credit Card Master Trust. The Pooling and Servicing Agreement was terminated in connection with the Transaction.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On March 13, 2013, Target completed the previously announced sale of its entire consumer credit card portfolio to TD pursuant to the Purchase and Sale Agreement, dated as of October 22, 2012, between Target, two of its wholly owned subsidiaries, Target Receivables LLC and Target

National Bank, and TD Bank USA, N.A., an affiliate of TD, as amended (the Purchase and Sale Agreement). The purchase price for the Transaction is approximately $5.7 billion, and is equal to the gross value of the outstanding receivables at the time of closing. Concurrent with the Transaction, Target repaid the nonrecourse debt collateralized by credit card receivables (2006/2007 Series Variable Funding Certificate) for approximately $1.5 billion, equal to par, resulting in net cash proceeds of approximately $4.2 billion.

A copy of the News Release announcing the completion of the Transaction is attached hereto as Exhibit (99). The Purchase and Sale Agreement was filed as an Exhibit to Target s Quarterly Report on Form 10-Q for the quarter ended October 27, 2012. The First Amendment to the Purchase and Sale Agreement is attached hereto as Exhibit (2)G.

Item 9.01. **Financial Statements and Exhibits.**

(b) **Pro forma financial information.**

The following unaudited pro forma consolidated financial statements are based on the consolidated financial statements of Target, and are adjusted to give effect to Transaction under the Purchase and Sale Agreement and the rights and obligations under the related Program Agreement as if the Transaction occurred at an earlier date. As specified in Article 11 of Regulation S-X, the unaudited pro forma Consolidated Statements of Operations for fiscal year 2011 and the nine months ended October 27, 2012 are adjusted to reflect the Transaction as if it occurred on January 30, 2011. The unaudited pro forma Consolidated Statement of Financial Position is adjusted to reflect the Transaction as if it occurred on October 27, 2012, the last day of the most recently filed period.

The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and, therefore, are not indicative of the operating results and financial position that might have been achieved had the Transaction occurred as of an earlier date, nor are they indicative of operating results and financial position that may occur in the future. Except where used to extinguish the nonrecourse debt collateralized by credit card receivables, the unaudited pro forma consolidated financial statements do not reflect the anticipated use of the net cash proceeds, including share repurchases and additional debt extinguishments. As a result, the unaudited pro forma Consolidated Statements of Operations do not reflect anticipated favorable impacts on interest expense and earnings per share. The unaudited pro forma consolidated financial statements should be read in conjunction with the historical consolidated financial statements and notes thereto in the Annual Report on Form 10-K for the fiscal year ended January 28, 2012 and the Quarterly Report on Form 10-Q for the quarter ended October 27, 2012.

TARGET CORPORATION

Consolidated Statements of Operations

For the 12 months ended January 28, 2012

(millions, except per share data) (unaudited)		**As Reported January 28, 2012**		**Pro forma Adjustments**		**Pro forma**
Sales	**$**	**68,466**	$	-	**$**	**68,466**
Credit card revenues		**1,399**		(1,399) **(a)**		**-**
Total revenues		**69,865**		(1,399)		**68,466**
Cost of sales		**47,860**		-		**47,860**
Selling, general and administrative expenses		**14,106**		(399) **(b)**		**13,707**
Credit card expenses		**446**		(446) **(c)**		**-**
Depreciation and amortization		**2,131**		-		**2,131**
Earnings before interest expense and income taxes		**5,322**		(554)		**4,768**
Net interest expense						
Nonrecourse debt collateralized by credit card receivables		**72**		(72) **(d)**		**-**
Other interest expense		**797**		-		**797**
Interest income		**(3)**		-		**(3)**
Net interest expense		**866**		(72)		**794**
Earnings before income taxes		**4,456**		(482)		**3,974**
Provision for income taxes		**1,527**		(169) **(e)**		**1,358**

Net earnings	**$**	**2,929**	$	(313)	**$**	**2,616**
Basic earnings per share	**$**	**4.31**	$	(0.46)	**$**	**3.85**
Diluted earnings per share	**$**	**4.28**	$	(0.46)	**$**	**3.83**
Weighted average common shares outstanding						
Basic		**679.1**				**679.1**
Diluted		**683.9**				**683.9**

(a) *Removes finance charge revenue, late fee revenue and third-party merchant fees.*

(b) *Reflects the net impact of the profit sharing arrangement with TD ($742 million), ongoing expenses ($288 million) and the reduction of the beneficial interest asset ($55 million). The amount of the reduction of the beneficial interest asset is based on actual 2011 payment patterns, which we do not expect to reflect future payment patterns.*

(c) *Eliminates bad debt expense ($154 million) and reclassifies ongoing expenses to selling, general and administrative expenses ($292 million).*

(d) *Eliminates interest expense related to the nonrecourse debt collateralized by credit card receivables, which was extinguished concurrent with the close of the transaction.*

(e) *Income tax impact of adjustments.*

TARGET CORPORATION

Consolidated Statements of Operations

For the 9 months ended October 27, 2012

(millions, except per share data) (unaudited)		**As Reported October 27, 2012**		**Pro forma Adjustments**			**Pro forma**
Sales	**$**	**49,589**	$	-		**$**	**49,589**
Credit card revenues		**986**		(986)	**(a)**		**-**
Total revenues		**50,575**		(986)			**49,589**
Cost of sales		**34,406**		-			**34,406**
Selling, general and administrative expenses		**10,686**		(327)	**(b)**		**10,359**
Credit card expenses		**333**		(333)	**(c)**		**-**
Depreciation and amortization		**1,603**		-			**1,603**
Gain on receivables held for sale		**(156)**		156	**(d)**		**-**
Earnings before interest expense and income taxes		**3,703**		(482)			**3,221**
Net interest expense		**558**		(8)	**(e)**		**550**
Earnings before income taxes		**3,145**		(474)			**2,671**
Provision for income taxes		**1,107**		(170)	**(f)**		**937**
Net earnings	**$**	**2,038**	$	(304)		**$**	**1,734**
Basic earnings per share	**$**	**3.09**	$	(0.46)		**$**	**2.63**
Diluted earnings per share	**$**	**3.06**	$	(0.46)		**$**	**2.60**
Weighted average common shares outstanding							
Basic		**659.3**					