THE FOLLOWING IS EXHIBIT "L" REFERRED TO IN THE AFFIDAVIT OF MARK J. WONG SWORN JANUARY 14, 2015

Commissioner for Taking Affidavits

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended February 1, 2014
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number **1-6049**

TARGET®

TARGET CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	**41-0215170** (I.R.S. Employer Identification No.)
1000 Nicollet Mall, Minneapolis, Minnesota (Address of principal executive offices)	**55403** (Zip Code)

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

Securities Registered Pursuant To Section 12(B) Of The Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.0833 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) 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 ☒

Aggregate market value of the voting stock held by non-affiliates of the registrant on August 3, 2013 was 45,036,171,526, based on the closing price of $71.50 per share of Common Stock as reported on the New York Stock Exchange Composite Index.

Indicate the number of shares outstanding of each of registrant's classes of Common Stock, as of the latest practicable date. Total shares of Common Stock, par value $0.0833, outstanding at March 10, 2014 were 633,174,692.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of Target's Proxy Statement to be filed on or about April 28, 2014 are incorporated into Part III.

Item 8. Financial Statements and Supplementary Data

Report of Management on the Consolidated Financial Statements

Management is responsible for the consistency, integrity and presentation of the information in the Annual Report. The consolidated financial statements and other information presented in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States and include necessary judgments and estimates by management.

To fulfill our responsibility, we maintain comprehensive systems of internal control designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based upon recognition that the cost of the controls should not exceed the benefit derived. We believe our systems of internal control provide this reasonable assurance.

The Board of Directors exercised its oversight role with respect to the Corporation's systems of internal control primarily through its Audit Committee, which is comprised of independent directors. The Committee oversees the Corporation's systems of internal control, accounting practices, financial reporting and audits to assess whether their quality, integrity and objectivity are sufficient to protect shareholders' investments.

In addition, our consolidated financial statements have been audited by Ernst & Young LLP, independent registered public accounting firm, whose report also appears on this page.

Gregg Steinhafel

Gregg W. Steinhafel
Chairman, President and Chief Executive Officer
March 14, 2014

John Mulligan

John J. Mulligan
Executive Vice President and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
The Board of Directors and Shareholders
Target Corporation

We have audited the accompanying consolidated statements of financial position of Target Corporation and subsidiaries (the Corporation) as of February 1, 2014 and February 2, 2013, and the related consolidated statements of operations, comprehensive income, cash flows, and shareholders' investment for each of the three years in the period ended February 1, 2014. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Target Corporation and subsidiaries at February 1, 2014 and February 2, 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 1, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of February 1, 2014, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated March 14, 2014, expressed an unqualified opinion thereon.

Ernst + Young LLP

Minneapolis, Minnesota
March 14, 2014

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we assessed the effectiveness of our internal control over financial reporting as of February 1, 2014, based on the framework in *Internal Control—Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). Based on our assessment, we conclude that the Corporation's internal control over financial reporting is effective based on those criteria.

Our internal control over financial reporting as of February 1, 2014, has been audited by Ernst & Young LLP, the independent registered public accounting firm who has also audited our consolidated financial statements, as stated in their report which appears on this page.

Gregg W. Steinhafel
Chairman, President and Chief Executive Officer
March 14, 2014

John J. Mulligan
Executive Vice President and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting
The Board of Directors and Shareholders
Target Corporation

We have audited Target Corporation and subsidiaries' (the Corporation) internal control over financial reporting as of February 1, 2014, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). The Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of February 1, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Target Corporation and subsidiaries as of February 1, 2014 and February 2, 2013, and the related consolidated statements of operations, comprehensive income, cash flows and shareholders' investment for each of the three years in the period ended February 1, 2014, and our report dated March 14, 2014, expressed an unqualified opinion thereon.

Ernst + Young LLP

Minneapolis, Minnesota
March 14, 2014

Consolidated Statements of Operations

(millions, except per share data)		2013		2012		2011
Sales	$	**72,596**	$	71,960	$	68,466
Credit card revenues		**—**		1,341		1,399
Total revenues		**72,596**		73,301		69,865
Cost of sales		**51,160**		50,568		47,860
Selling, general and administrative expenses		**15,375**		14,914		14,106
Credit card expenses		**—**		467		446
Depreciation and amortization		**2,223**		2,142		2,131
Gain on receivables transaction		**(391)**		(161)		—
Earnings before interest expense and income taxes		**4,229**		5,371		5,322
Net interest expense		**1,126**		762		866
Earnings before income taxes		**3,103**		4,609		4,456
Provision for income taxes		**1,132**		1,610		1,527
Net earnings	$	**1,971**	$	2,999	$	2,929
Basic earnings per share	$	**3.10**	$	4.57	$	4.31
Diluted earnings per share	$	**3.07**	$	4.52	$	4.28
Weighted average common shares outstanding						
Basic		**635.1**		656.7		679.1
Dilutive effect of share-based awards [(a)]		**6.7**		6.6		4.8
Diluted		**641.8**		663.3		683.9

[(a)] Excludes 2.3 million, 5.0 million and 15.5 million share-based awards for 2013, 2012 and 2011, respectively, because their effects were antidilutive.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(millions)		2013	2012	2011
Net earnings	$	**1,971**	$ 2,999	$ 2,929
Other comprehensive income/(loss), net of tax				
Pension and other benefit liabilities, net of provision/(benefit) for taxes of **$71**, $58 and $(56)		**110**	92	(83)
Currency translation adjustment and cash flow hedges, net of provision/(benefit) for taxes of **$11**, $8 and $(11)		**(425)**	13	(17)
Other comprehensive income/(loss)		**(315)**	105	(100)
Comprehensive income	$	**1,656**	$ 3,104	$ 2,829

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Financial Position

(millions, except footnotes)	February 1, 2014	February 2, 2013
Assets		
Cash and cash equivalents, including short-term investments of $3 and $130	$ 695	$ 784
Credit card receivables, held for sale	—	5,841
Inventory	8,766	7,903
Other current assets	2,112	1,860
Total current assets	11,573	16,388
Property and equipment		
Land	6,234	6,206
Buildings and improvements	30,356	28,653
Fixtures and equipment	5,583	5,362
Computer hardware and software	2,764	2,567
Construction-in-progress	843	1,176
Accumulated depreciation	(14,402)	(13,311)
Property and equipment, net	31,378	30,653
Other noncurrent assets	1,602	1,122
Total assets	$ 44,553	$ 48,163
Liabilities and shareholders' investment		
Accounts payable	$ 7,683	$ 7,056
Accrued and other current liabilities	3,934	3,981
Current portion of long-term debt and other borrowings	1,160	2,994
Total current liabilities	12,777	14,031
Long-term debt and other borrowings	12,622	14,654
Deferred income taxes	1,433	1,311
Other noncurrent liabilities	1,490	1,609
Total noncurrent liabilities	15,545	17,574
Shareholders' investment		
Common stock	53	54
Additional paid-in capital	4,470	3,925
Retained earnings	12,599	13,155
Accumulated other comprehensive loss		
Pension and other benefit liabilities	(422)	(532)
Currency translation adjustment and cash flow hedges	(469)	(44)
Total shareholders' investment	16,231	16,558
Total liabilities and shareholders' investment	$ 44,553	$ 48,163

Common Stock Authorized 6,000,000,000 shares, $0.0833 par value; 632,930,740 shares issued and outstanding at February 1, 2014; 645,294,423 shares issued and outstanding at February 2, 2013.

Preferred Stock Authorized 5,000,000 shares, $0.01 par value; no shares were issued or outstanding at February 1, 2014 or February 2, 2013.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(millions)		2013		2012		2011
Operating activities						
Net earnings	$	**1,971**	$	2,999	$	2,929
Adjustments to reconcile net earnings to cash provided by operations:						
Depreciation and amortization		**2,223**		2,142		2,131
Share-based compensation expense		**110**		105		90
Deferred income taxes		**(254)**		(14)		371
Bad debt expense [a]		**41**		206		154
Gain on receivables transaction		**(391)**		(161)		—
Loss on debt extinguishment		**445**		—		—
Noncash (gains)/losses and other, net		**82**		14		22
Changes in operating accounts:						
Accounts receivable originated at Target		**157**		(217)		(187)
Proceeds on sale of accounts receivable originated at Target		**2,703**		—		—
Inventory		**(885)**		15		(322)
Other current assets		**(267)**		(123)		(150)
Other noncurrent assets		**19**		(98)		43
Accounts payable		**625**		199		232
Accrued and other current liabilities		**(9)**		138		218
Other noncurrent liabilities		**(50)**		120		(97)
Cash provided by operations		**6,520**		5,325		5,434
Investing activities						
Expenditures for property and equipment		**(3,453)**		(3,277)		(4,368)
Proceeds from disposal of property and equipment		**86**		66		37
Change in accounts receivable originated at third parties		**121**		254		259
Proceeds from sale of accounts receivable originated at third parties		**3,002**		—		—
Cash paid for acquisitions, net of cash assumed		**(157)**		—		—
Other investments		**130**		102		(108)
Cash required for investing activities		**(271)**		(2,855)		(4,180)
Financing activities						
Change in commercial paper, net		**(890)**		970		—
Additions to short-term debt		**—**		—		1,500
Reductions of short-term debt		**—**		(1,500)		—
Additions to long-term debt		**—**		1,971		1,994
Reductions of long-term debt		**(3,463)**		(1,529)		(3,125)
Dividends paid		**(1,006)**		(869)		(750)
Repurchase of stock		**(1,461)**		(1,875)		(1,842)
Stock option exercises and related tax benefit		**456**		360		89
Other		**—**		(16)		(6)
Cash required for financing activities		**(6,364)**		(2,488)		(2,140)
Effect of exchange rate changes on cash and cash equivalents		**26**		8		(32)
Net decrease in cash and cash equivalents		**(89)**		(10)		(918)
Cash and cash equivalents at beginning of period		**784**		794		1,712
Cash and cash equivalents at end of period	$	**695**	$	784	$	794
Supplemental information						
Interest paid, net of capitalized interest	$	**1,120**	$	775	$	816
Income taxes paid		**1,386**		1,603		1,109
Noncash financing activities						
Property and equipment acquired through capital lease obligations		**211**		282		1,388

[a] Includes net write-offs of credit card receivables prior to the sale of our U.S. consumer credit card receivables on March 13, 2013, and bad debt expense on credit card receivables during the twelve months ended February 2, 2013.

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Investment

(millions, except footnotes)	Common Stock Shares	Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
January 29, 2011	704.0	$ 59	$ 3,311	$ 12,698	$ (581)	$ 15,487
Net earnings	—	—	—	2,929	—	2,929
Other comprehensive income	—	—	—	—	(100)	(100)
Dividends declared	—	—	—	(777)	—	(777)
Repurchase of stock	(37.2)	(3)	—	(1,891)	—	(1,894)
Stock options and awards	2.5	—	176	—	—	176
January 28, 2012	669.3	$ 56	$ 3,487	$ 12,959	$ (681)	$ 15,821
Net earnings	—	—	—	2,999	—	2,999
Other comprehensive income	—	—	—	—	105	105
Dividends declared	—	—	—	(903)	—	(903)
Repurchase of stock	(32.2)	(3)	—	(1,900)	—	(1,903)
Stock options and awards	8.2	1	438	—	—	439
February 2, 2013	645.3	$ 54	$ 3,925	$ 13,155	$ (576)	$ 16,558
Net earnings	—	—	—	**1,971**	—	**1,971**
Other comprehensive income	—	—	—	—	**(315)**	**(315)**
Dividends declared	—	—	—	**(1,051)**	—	**(1,051)**
Repurchase of stock	**(21.9)**	**(2)**	—	**(1,476)**	—	**(1,478)**
Stock options and awards	**9.5**	**1**	**545**	—	—	**546**
February 1, 2014	**632.9**	**$ 53**	**$ 4,470**	**$ 12,599**	**$ (891)**	**$ 16,231**

Dividends declared per share were $1.65, $1.38 and $1.15 in 2013, 2012 and 2011, respectively.

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies

Organization Target Corporation (Target, the Corporation, or the Company) operates two reportable segments: U.S. and Canadian. Our U.S. Segment includes all of our U.S. retail operations, including digital sales. The U.S. Segment also includes our U.S. credit card servicing activities and certain centralized operating and corporate activities not allocated to our Canadian Segment. In 2013, following the sale of our U.S. consumer credit card portfolio to TD Bank Group (TD), we combined our historical U.S. Retail Segment and U.S. Credit Card Segment into one U.S. Segment. Our Canadian Segment includes all of our Canadian retail operations, including 124 stores opened in 2013. We currently do not have a digital sales channel in Canada.

Consolidation The consolidated financial statements include the balances of the Corporation and its subsidiaries after elimination of intercompany balances and transactions. All material subsidiaries are wholly owned. We consolidate variable interest entities where it has been determined that the Corporation is the primary beneficiary of those entities' operations.

Use of estimates The preparation of our consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions affecting reported amounts in the consolidated financial statements and accompanying notes. Actual results may differ significantly from those estimates.

Fiscal year Our fiscal year ends on the Saturday nearest January 31. Unless otherwise stated, references to years in this report relate to fiscal years, rather than to calendar years. Fiscal 2013 ended February 1, 2014 and consisted of 52 weeks. Fiscal 2012 ended February 2, 2013, and consisted of 53 weeks. Fiscal 2011 ended January 28, 2012, and consisted of 52 weeks. Fiscal 2014 will end January 31, 2015, and will consist of 52 weeks.

Accounting policies Our accounting policies are disclosed in the applicable Notes to the Consolidated Financial Statements.

2. Revenues

Our retail stores generally record revenue at the point of sale. Sales from our online and mobile applications include shipping revenue and are recorded upon delivery to the guest. Total revenues do not include sales tax because we are a pass-through conduit for collecting and remitting sales taxes. Generally, guests may return merchandise within 90 days of purchase. Revenues are recognized net of expected returns, which we estimate using historical return patterns as a percentage of sales. Commissions earned on sales generated by leased departments are included within sales and were $29 million, $25 million and $22 million in 2013, 2012 and 2011, respectively.

Revenue from gift card sales is recognized upon gift card redemption. Our gift cards do not expire. Based on historical redemption rates, a small and relatively stable percentage of gift cards will never be redeemed, referred to as "breakage." Estimated breakage revenue is recognized over time in proportion to actual gift card redemptions and was not material in any period presented.

Guests receive a 5 percent discount on virtually all purchases and receive free shipping at Target.com when they use their REDcard. The discounts associated with loyalty programs are included as reductions in sales in our Consolidated Statements of Operations and were $833 million, $583 million and $340 million in 2013, 2012 and 2011, respectively.

3. Cost of Sales and Selling, General and Administrative Expenses

The following table illustrates the primary items classified in each major expense category:

Cost of Sales	Selling, General and Administrative Expenses
Total cost of products sold including • Freight expenses associated with moving merchandise from our vendors to our distribution centers and our retail stores, and among our distribution and retail facilities • Vendor income that is not reimbursement of specific, incremental and identifiable costs Inventory shrink Markdowns Outbound shipping and handling expenses associated with sales to our guests Payment term cash discounts Distribution center costs, including compensation and benefits costs Import costs	Compensation and benefit costs including • Stores • Headquarters Occupancy and operating costs of retail and headquarters facilities Advertising, offset by vendor income that is a reimbursement of specific, incremental and identifiable costs Pre-opening costs of stores and other facilities U.S. credit cards servicing expenses and profit sharing Litigation and defense costs and related insurance recovery Other administrative costs

Note: The classification of these expenses varies across the retail industry.

4. Consideration Received from Vendors

We receive consideration for a variety of vendor-sponsored programs, such as volume rebates, markdown allowances, promotions and advertising allowances and for our compliance programs, referred to as "vendor income." Vendor income reduces either our inventory costs or SG&A expenses based on the provisions of the arrangement. Under our compliance programs, vendors are charged for merchandise shipments that do not meet our requirements (violations), such as late or incomplete shipments. These allowances are recorded when violations occur. Substantially all consideration received is recorded as a reduction of cost of sales.

We establish a receivable for vendor income that is earned but not yet received. Based on provisions of the agreements in place, this receivable is computed by estimating the amount earned when we have completed our performance. We perform detailed analyses to determine the appropriate level of the receivable in the aggregate. The majority of year-end receivables associated with these activities are collected within the following fiscal quarter. We have not historically had significant write-offs for these receivables.

5. Advertising Costs

Advertising costs, which primarily consist of newspaper circulars, internet advertisements and media broadcast, are expensed at first showing or distribution of the advertisement, and are recorded net of related vendor income.

Advertising Costs (millions)	2013	2012	2011
Gross advertising costs	$ 1,744	$ 1,653	$ 1,589
Vendor income [(a)]	76	231	229
Net advertising costs	$ 1,668	$ 1,422	$ 1,360

[(a)] A 2013 change to certain merchandise vendor contracts resulted in more vendor funding being recognized as a reduction of our cost of sales rather than offsetting certain advertising expenses.

6. Credit Card Receivables Transaction

In March 2013, we sold our entire U.S. consumer credit card portfolio to TD and recognized a gain of $391 million. This transaction was accounted for as a sale, and the receivables are no longer reported in our Consolidated Statements of Financial Position. Consideration received included cash of $5.7 billion, equal to the gross (par) value of the outstanding receivables at the time of closing, and a $225 million beneficial interest asset. Concurrent with the sale of the portfolio, we repaid the nonrecourse debt collateralized by credit card receivables (2006/2007 Series Variable Funding Certificate) at par of $1.5 billion, resulting in net cash proceeds of $4.2 billion.

TD now underwrites, funds and owns Target Credit Card and Target Visa receivables in the U.S. TD controls risk management policies and oversees regulatory compliance, and we perform account servicing and primary marketing functions. We earn a substantial portion of the profits generated by the Target Credit Card and Target Visa portfolios. Income from the TD profit-sharing arrangement and our related account servicing expenses are classified within SG&A expenses in the U.S. Segment.

The U.S. Segment earned credit card revenues prior to the close of the transaction, and earned $653 million of profit-sharing from TD during 2013. On a consolidated basis, this profit-sharing income is offset by a $98 million reduction in the beneficial interest asset, for a net $555 million impact.

The $225 million beneficial interest asset recognized at the close of the transaction effectively represents a receivable for the present value of future profit-sharing we expect to receive on the receivables sold. It was reduced during 2013 by $96 million of profit-sharing payments related to sold receivables and a $2 million revaluation adjustment. As of February 1, 2014, a $127 million beneficial interest asset remains and is recorded within other current assets and other noncurrent assets in our Consolidated Statements of Financial Position. Based on historical payment patterns, we estimate that the remaining beneficial interest asset will be reduced over the next three years.

Prior to the sale, credit card revenues were recognized according to the contractual provisions of each credit card agreement. When accounts were written off, uncollected finance charges and late fees were recorded as a reduction of credit card revenues. Target retail sales charged on our credit cards totaled $5,807 million and $4,686 million in 2012 and 2011, respectively.

Historically, our credit card receivables were recorded at par value less an allowance for doubtful accounts. As of February 2, 2013, our consumer credit card receivables were recorded at the lower of cost (par) or fair value because they were classified as held for sale. Lower of cost (par) or fair value was determined on a segmented basis using the delinquency and credit-quality segmentation we have historically used to determine the allowance for doubtful accounts. Many nondelinquent balances were recorded at cost (par) because fair value exceeded cost. Delinquent balances were generally recorded at fair value, which reflected our expectation of losses on these receivables.

7. Canadian Leasehold Acquisition

During 2011, we purchased the leasehold interests in 189 sites operated by Zellers in Canada, in exchange for $1,861 million. In addition, we sold our right to acquire the leasehold interests in 54 of these sites to third-parties for a total of $225 million. These transactions resulted in a final net purchase price of $1,636 million, which was included in expenditures for property and equipment in the Consolidated Statements of Cash Flows.

As a result of the acquisition, the following net assets were recorded in our Canadian Segment: buildings and improvements of $2,887 million; finite-lived intangible assets of $23 million; unsecured debt and other borrowings of $1,274 million.

8. Fair Value Measurements

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

Fair Value Measurements – Recurring Basis

(millions)	Fair Value at February 1, 2014 Level 1	Level 2	Level 3	Fair Value at February 2, 2013 Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents						
Short-term investments	$ 3	$ —	$ —	$ 130	$ —	$ —
Other current assets						
Interest rate swaps [(a)]	—	1	—	—	4	—
Prepaid forward contracts	73	—	—	73	—	—
Beneficial interest asset [(b)]	—	—	71	—	—	—
Other noncurrent assets						
Interest rate swaps [(a)]	—	62	—	—	85	—
Company-owned life insurance investments [(c)]	—	305	—	—	269	—
Beneficial interest asset [(b)]	—	—	56	—	—	—
Total	$ 76	$ 368	$ 127	$ 203	$ 358	$ —
Liabilities						
Other current liabilities						
Interest rate swaps [(a)]	$ —	$ —	$ —	$ —	$ 2	$ —
Other noncurrent liabilities						
Interest rate swaps [(a)]	$ —	$ 39	$ —	$ —	$ 54	$ —
Total	$ —	$ 39	$ —	$ —	$ 56	$ —

(a) There was one interest rate swap designated as an accounting hedge at February 1, 2014 and February 2, 2013. See Note 19 for additional information on interest rate swaps.

(b) A rollforward of the Level 3 beneficial interest asset is included in Note 6.

(c) Company-owned life insurance investments consist of equity index funds and fixed income assets. Amounts are presented net of nonrecourse loans that are secured by some of these policies. These loan amounts were $790 million at February 1, 2014 and $817 million at February 2, 2013.

Valuation Technique
Short-term investments - Carrying value approximates fair value because maturities are less than three months.
Prepaid forward contracts - Initially valued at transaction price. Subsequently valued by reference to the market price of Target common stock.
Interest rate swaps - Valuation models are calibrated to initial trade price. Subsequent valuations are based on observable inputs to the valuation model (*e.g.*, interest rates and credit spreads).
Company-owned life insurance investments - Includes investments in separate accounts that are valued based on market rates credited by the insurer.
Beneficial interest asset - Valued using a cash-flow based economic-profit model, which includes inputs of the forecasted performance of the receivables portfolio and a market-based discount rate. Internal data is used to forecast expected payment patterns and write-offs, revenue, and operating expenses (credit EBIT yield) related to the credit card portfolio. Changes in macroeconomic conditions in the United States could affect the estimated fair value. A one percentage point change in the forecasted EBIT yield would impact our fair value estimate by approximately $20 million. A one percentage point change in the forecasted discount rate would impact our fair value estimate by approximately $4 million. As described in Note 6, this beneficial interest asset effectively represents a receivable for the present value of future profit-sharing we expect to receive on the receivables sold. As a result, a portion of the profit-sharing payments we receive from TD will reduce the beneficial interest asset. As the asset is reduced over time, changes in the forecasted credit EBIT yield and the forecasted discount rate will have a similar impact on the estimated fair value.

The carrying amount and estimated fair value of debt, a significant financial instrument not measured at fair value in the Consolidated Statements of Financial Position, was $11,758 million and $13,184 million, respectively, at February 1, 2014, and $15,618 million and $18,143 million, respectively, at February 2, 2013. The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments and would be classified as Level 2. These amounts exclude unamortized swap valuation adjustments and capital lease obligations.

As of February 2, 2013, our consumer credit card receivables were recorded at the lower of cost (par) or fair value because they were classified as held for sale. We estimated the fair value of our consumer credit card portfolio to be approximately $6.3 billion using a cash flow-based, economic-profit model using Level 3 inputs, including the forecasted performance of the portfolio and a market-based discount rate. We used internal data to forecast expected payment patterns and write-offs, revenue, and operating expenses (credit EBIT yield) related to the credit card portfolio. Refer to Note 6 for more information on our credit card receivables transaction.

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

9. Cash Equivalents

Cash equivalents include highly liquid investments with an original maturity of three months or less from the time of purchase. These investments were $3 million and $130 million at February 1, 2014 and February 2, 2013, respectively. Cash equivalents also include amounts due from third-party financial institutions for credit and debit card transactions. These receivables typically settle in less than five days and were $347 million and $371 million at February 1, 2014 and February 2, 2013, respectively.

10. Inventory

The majority of our inventory is accounted for under the retail inventory accounting method (RIM) using the last-in, first-out (LIFO) method. Inventory is stated at the lower of LIFO cost or market. The cost of our inventory includes the amount we pay to our suppliers to acquire inventory, freight costs incurred in connection with the delivery of product to our distribution centers and stores, and import costs, reduced by vendor income and cash discounts. The majority of our distribution center operating costs, including compensation and benefits, are expensed in the period incurred. Inventory is also reduced for estimated losses related to shrink and markdowns. The LIFO provision is calculated based on inventory levels, markup rates and internally measured retail price indices.

Under RIM, inventory cost and the resulting gross margins are calculated by applying a cost-to-retail ratio to the inventory retail value. RIM is an averaging method that has been widely used in the retail industry due to its practicality. The use of RIM will result in inventory being valued at the lower of cost or market because permanent markdowns are taken as a reduction of the retail value of inventory.

Certain other inventory is recorded at the lower of cost or market using the cost method. The valuation allowance for inventory valued under a cost method was not material to our Consolidated Financial Statements as of the end of fiscal 2013 or 2012.

We routinely enter into arrangements with vendors whereby we do not purchase or pay for merchandise until the merchandise is ultimately sold to a guest. Activity under this program is included in sales and cost of sales in the Consolidated Statements of Operations, but the merchandise received under the program is not included in inventory in our Consolidated Statements of Financial Position because of the virtually simultaneous purchase and sale of this inventory. Sales made under these arrangements totaled $1,833 million, $1,800 million and $1,736 million in 2013, 2012 and 2011, respectively.

11. Other Current Assets

Other Current Assets (millions)	**February 1, 2014**	February 2, 2013
Pharmacy, income tax and other receivables	**$ 792**	$ 478
Vendor income receivable	**555**	621
Prepaid expenses	**272**	310
Deferred taxes	**177**	193
Other	**316**	258
Total	**$ 2,112**	$ 1,860

12. Property and Equipment

Property and equipment is depreciated using the straight-line method over estimated useful lives or lease terms if shorter. We amortize leasehold improvements purchased after the beginning of the initial lease term over the shorter of the assets' useful lives or a term that includes the original lease term, plus any renewals that are reasonably assured at the date the leasehold improvements are acquired. Depreciation and capital lease amortization expense for 2013, 2012 and 2011 was $2,198 million, $2,120 million and $2,107 million, respectively. For income tax purposes, accelerated depreciation methods are generally used. Repair and maintenance costs are expensed as incurred. Facility pre-opening costs, including supplies and payroll, are expensed as incurred.

Estimated Useful Lives	Life (Years)
Buildings and improvements	8-39
Fixtures and equipment	2-15
Computer hardware and software	2-7

Long-lived assets are reviewed for impairment when events or changes in circumstances, such as a decision to relocate or close a store or make significant software changes, indicate that the asset's carrying value may not be recoverable. For asset groups classified as held for sale, the carrying value is compared to the fair value less cost to sell. We estimate fair value by obtaining market appraisals, valuations from third party brokers or other valuation techniques. Impairments of $77 million, $37 million and $43 million in 2013, 2012 and 2011, respectively, were recorded in selling, general and administrative expenses on the Consolidated Statements of Income, primarily from completed or planned store closures and software changes.

13. Other Noncurrent Assets

Other Noncurrent Assets (millions)	**February 1, 2014**	February 2, 2013
Deferred taxes	$ **469**	$ 206
Goodwill and intangible assets	**357**	224
Company-owned life insurance investments [(a)]	**305**	269
Interest rate swaps [(b)]	**62**	85
Other	**409**	338
Total	$ **1,602**	$ 1,122

(a) Company-owned life insurance policies on approximately 4,000 team members who have been designated highly compensated under the Internal Revenue Code and have given their consent to be insured. Amounts are presented net of loans that are secured by some of these policies.

(b) See Notes 8 and 19 for additional information relating to our interest rate swaps.

14. Goodwill and Intangible Assets

Goodwill increased to $151 million at February 1, 2014 from $59 million at February 2, 2013 due to three 2013 acquisitions. No impairments were recorded in 2013, 2012 or 2011 as a result of the goodwill impairment tests performed.

Intangible Assets	Leasehold Acquisition Costs		Other [(a)]		Total	
(millions)	**February 1, 2014**	February 2, 2013	**February 1, 2014**	February 2, 2013	**February 1, 2014**	February 2, 2013
Gross asset	$ **241**	$ 237	$ **212**	$ 149	$ **453**	$ 386
Accumulated amortization	**(130)**	(120)	**(117)**	(101)	**(247)**	(221)
Net intangible assets	$ **111**	$ 117	$ **95**	$ 48	$ **206**	$ 165

(a) Other intangible assets relate primarily to acquired customer lists and trademarks.

We use the straight-line method to amortize leasehold acquisition costs primarily over 9 to 39 years and other definite-lived intangibles over 3 to 15 years. The weighted average life of leasehold acquisition costs and other intangible assets was 26 years and 7 years, respectively, at February 1, 2014. Amortization expense was $25 million, $22 million, and $24 million in 2013, 2012 and 2011, respectively.

Estimated Amortization Expense (millions)	2014	2015	2016	2017	2018
Amortization expense	$ 27	$ 25	$ 22	$ 16	$ 11

15. Accounts Payable

At February 1, 2014 and February 2, 2013, we reclassified book overdrafts of $733 million and $564 million, respectively, to accounts payable and $81 million and $82 million to accrued and other current liabilities.

16. Accrued and Other Current Liabilities

Accrued and Other Current Liabilities (millions)	**February 1, 2014**	February 2, 2013
Wages and benefits	**$ 887**	$ 938
Real estate, sales and other taxes payable	**669**	624
Gift card liability [(a)]	**521**	503
Dividends payable	**272**	232
Project costs accrual	**256**	347
Straight-line rent accrual [(b)]	**248**	235
Income tax payable	**221**	272
Workers' compensation and general liability [(c)]	**152**	160
Interest payable	**85**	91
Other	**623**	579
Total	**$ 3,934**	$ 3,981

(a) Gift card liability represents the amount of unredeemed gift cards, net of estimated breakage.
(b) Straight-line rent accrual represents the amount of rent expense recorded that exceeds cash payments remitted in connection with operating leases.
(c) See footnote (a) to the Other Noncurrent Liabilities table in Note 22 for additional detail.

17. Commitments and Contingencies

Data Breach

In the fourth quarter of 2013, we experienced a data breach in which an intruder stole certain payment card and other guest information from our network (the Data Breach). Based on our investigation to date, we believe that the intruder accessed and stole payment card data from approximately 40 million credit and debit card accounts of guests who shopped at our U.S. stores between November 27 and December 15, 2013, through malware installed on our point-of-sale system in our U.S. stores. On December 15, we removed the malware from virtually all registers in our U.S. stores. Payment card data used in transactions made by 56 additional guests in the period between December 16 and December 17 was stolen prior to our disabling malware on one additional register that was disconnected from our system when we completed the initial malware removal on December 15. In addition, the intruder stole certain guest information, including names, mailing addresses, phone numbers or email addresses, for up to 70 million individuals. Our investigation of the matter is ongoing, and we are supporting law enforcement efforts to identify the responsible parties.

Expenses Incurred and Amounts Accrued

In the fourth quarter of 2013, we recorded $61 million of pretax Data Breach-related expenses, and expected insurance proceeds of $44 million, for net expenses of $17 million ($11 million after tax), or $0.02 per diluted share. These expenses were included in our Consolidated Statements of Operations as Selling, General and Administrative Expenses

(SG&A), but were not part of our segment results. Expenses include costs to investigate the Data Breach, provide credit-monitoring services to our guests, increase staffing in our call centers, and procure legal and other professional services.

The $61 million of fourth quarter expenses also include an accrual for the estimated probable loss related to the expected payment card networks' claims by reason of the Data Breach. The ultimate amount of these claims will likely include amounts for incremental counterfeit fraud losses and non-ordinary course operating expenses (such as card reissuance costs) that the payment card networks believe they or their issuing banks have incurred. In order for us to have liability for such claims, we believe that a court would have to find among other things that (1) at the time of the Data Breach the portion of our network that handles payment card data was noncompliant with applicable data security standards in a manner that contributed to the Data Breach, and (2) the network operating rules around reimbursement of operating costs and counterfeit fraud losses are enforceable. While an independent third-party assessor found the portion of our network that handles payment card data to be compliant with applicable data security standards in the fall of 2013, we expect the forensic investigator working on behalf of the payment card networks nonetheless to claim that we were not in compliance with those standards at the time of the Data Breach. We base that expectation on our understanding that, in cases like ours where prior to a data breach the entity suffering the breach had been found by an independent third-party assessor to be fully compliant with those standards, the network-approved forensic investigator nonetheless regularly claims that the breached entity was not in fact compliant with those standards. As a result, we believe it is probable that the payment card networks will make claims against us. We expect to dispute the payment card networks' anticipated claims, and we think it is probable that our disputes would lead to settlement negotiations consistent with the experience of other entities that have suffered similar payment card breaches. We believe such negotiations would effect a combined settlement of both the payment card networks' counterfeit fraud loss allegations and their non-ordinary course operating expense allegations. We based our year-end accrual on the expectation of reaching negotiated settlements of the payment card networks' anticipated claims and not on any determination that it is probable we would be found liable on these claims were they to be litigated. Currently, we can only reasonably estimate a loss associated with settlements of the networks' expected claims for non-ordinary course operating expenses. The year-end accrual does not include any amounts associated with the networks' expected claims for alleged incremental counterfeit fraud losses because the loss associated with settling such claims, while probable in our judgment, is not reasonably estimable, in part because we have not yet received third-party fraud reporting from the payment card networks. We are not able to reasonably estimate a range of possible losses in excess of the year-end accrual related to the expected settlement of the payment card networks' claims because the investigation into the matter is ongoing and there are significant factual and legal issues to be resolved. We believe that it is reasonably possible that the ultimate amount paid on payment card network claims could be material to our results of operations in future periods.

Litigation and Governmental Investigations

In addition, more than 80 actions have been filed in courts in many states and other claims have been or may be asserted against us on behalf of guests, payment card issuing banks, shareholders or others seeking damages or other related relief, allegedly arising out of the Data Breach. State and federal agencies, including the State Attorneys General, the Federal Trade Commission and the SEC are investigating events related to the Data Breach, including how it occurred, its consequences and our responses. Although we are cooperating in these investigations, we may be subject to fines or other obligations. While a loss from these matters is reasonably possible, we cannot reasonably estimate a range of possible losses because our investigation into the matter is ongoing, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved. Further, we do not believe that a loss from these matters is probable; therefore, we have not recorded a loss contingency liability for litigation, claims and governmental investigations in 2013. We will continue to evaluate information as it becomes known and will record an estimate for losses at the time or times when it is both probable that a loss has been incurred and the amount of the loss is reasonably estimable.

Future Costs

We expect to incur significant investigation, legal and professional services expenses associated with the Data Breach in future periods. We will recognize these expenses as services are received. We also expect to incur additional expenses associated with incremental fraud and reissuance costs on Target REDcards.

Insurance Coverage

To limit our exposure to Data Breach losses, we maintain $100 million of network-security insurance coverage, above a $10 million deductible. This coverage and certain other insurance coverage may reduce our exposure. We will pursue recoveries to the maximum extent available under the policies. As of February 1, 2014, we have recorded a $44 million receivable for costs we believe are reimbursable and probable of recovery under our insurance coverage, which partially offsets the $61 million of expense relating to the Data Breach.

Other Contingencies

We are exposed to other 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 these identified claims or litigation will be material to our results of operations, cash flows or financial condition.

Commitments

Purchase obligations, which include all legally binding contracts such as firm commitments for inventory purchases, merchandise royalties, equipment purchases, marketing-related contracts, software acquisition/license commitments and service contracts, were $1,317 million and $1,472 million at February 1, 2014 and February 2, 2013, respectively. These purchase obligations are primarily due within three years and recorded as liabilities when inventory is received. We issue inventory purchase orders, which represent authorizations to purchase that are cancelable by their terms. We do not consider purchase orders to be firm inventory commitments. If we choose to cancel a purchase order, we may be obligated to reimburse the vendor for unrecoverable outlays incurred prior to cancellation. Real estate obligations, which include commitments for the purchase, construction or remodeling of real estate and facilities, were $ 449 million and $1,128 million at February 1, 2014 and February 2, 2013, respectively. These real estate obligations are primarily due within one year, a portion of which are recorded as liabilities.

We issue letters of credit and surety bonds in the ordinary course of business. Trade letters of credit totaled $1,441 million and $1,539 million at February 1, 2014 and February 2, 2013, respectively, a portion of which are reflected in accounts payable. Standby letters of credit and surety bonds, relating primarily to insurance and regulatory requirements, totaled $500 million and $486 million at February 1, 2014 and February 2, 2013, respectively.

18. Notes Payable and Long-Term Debt

At February 1, 2014, the carrying value and maturities of our debt portfolio were as follows:

Debt Maturities	**February 1, 2014**	
(dollars in millions)	**Rate [a]**	**Balance**
Due 2014-2018	**4.5% $**	**4,232**
Due 2019-2023	**4.0**	**2,215**
Due 2024-2028	**6.7**	**252**
Due 2029-2033	**6.5**	**769**
Due 2034-2038	**6.8**	**2,740**
Due 2039-2043	**4.0**	**1,470**
Total notes and debentures	**5.1**	**11,678**
Swap valuation adjustments		**53**
Capital lease obligations		**1,971**
Less: Amounts due within one year		**(1,080)**
Long-term debt	**$**	**12,622**

[a] Reflects the weighted average stated interest rate as of year-end.

Required Principal Payments (millions)		2014	2015	2016	2017	2018
Total required principal payments	$	1,001 $	27 $	751 $	2,251 $	201

Concurrent with the sale of our U.S. consumer credit card receivables portfolio, we repaid $1.5 billion of nonrecourse debt collateralized by credit card receivables (the 2006/2007 Series Variable Funding Certificate). We also used $1.4 billion of proceeds from the transaction to repurchase, at market value, an additional $970 million of debt during the first quarter of 2013.

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

Commercial Paper (dollars in millions)	**2013**	2012	2011
Maximum daily amount outstanding during the year	**$ 1,465**	$ 970	$ 1,211
Average amount outstanding during the year	**408**	120	244
Amount outstanding at year-end	**80**	970	—
Weighted average interest rate	**0.13%**	0.16%	0.11%

In October 2011, we entered into a five-year $2.25 billion revolving credit facility, which was amended in 2013 to extend the expiration date to October 2018. No balances were outstanding at any time during 2013 or 2012.

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

Substantially all of our outstanding borrowings are senior, unsecured obligations. 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, which have no practical effect on our ability to pay dividends.

19. Derivative Financial Instruments

Our derivative instruments primarily consist of interest rate swaps, which are used to mitigate our interest rate risk. We have counterparty credit risk resulting from our derivative instruments, primarily with large global financial institutions. We monitor this concentration of counterparty credit risk on an ongoing basis. See Note 8 for a description of the fair value measurement of our derivative instruments and their classification on the Consolidated Statements of Financial Position.

As of February 1, 2014 and February 2, 2013, one swap was designated as a fair value hedge for accounting purposes, and no ineffectiveness was recognized in 2013 or 2012.

Outstanding Interest Rate Swap Summary	**February 1, 2014**		
	Designated	De-Designated	
(dollars in millions)	Pay Floating	Pay Floating	Pay Fixed
Weighted average rate:			
Pay	three-month LIBOR	one-month LIBOR	3.8%
Receive	1.0%	5.7%	one-month LIBOR
Weighted average maturity	0.5 years	2.5 years	2.5 years
Notional	$ 350	$ 500	$ 500

Classification and Fair Value (millions)	Assets Classification	Feb 1, 2014	Feb 2, 2013	Liabilities Classification	Feb 1, 2014	Feb 2, 2013
Designated:	Other current assets	$ 1	$ —	N/A	$ —	$ —
	Other noncurrent assets	—	3	N/A	—	—
De-designated:	Other current assets	—	4	Other current liabilities	—	2
	Other noncurrent assets	62	82	Other noncurrent liabilities	39	54
Total		$ 63	$ 89		$ 39	$ 56

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

Derivative Contracts – Effect on Results of Operations (millions)				
Type of Contract	Classification of Income/(Expense)	**2013**	2012	2011
Interest rate swaps	Net interest expense	$ 29	$ 44	$ 41

The amount remaining on unamortized hedged debt valuation gains from terminated or de-designated interest rate swaps that will be amortized into earnings over the remaining lives of the underlying debt totaled $52 million, $75 million and $111 million, at the end of 2013, 2012 and 2011, respectively.

20. Leases

We lease certain retail locations, warehouses, distribution centers, office space, land, equipment and software. Assets held under capital leases are included in property and equipment. Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date we take possession of the property. At lease inception, we determine the lease term by assuming the exercise of those renewal options that are reasonably assured. The exercise of lease renewal options is at our sole discretion. The lease term is used to determine whether a lease is capital or operating and is used to calculate straight-line rent expense. Additionally, the depreciable life of leased assets and leasehold improvements is limited by the expected lease term.

Rent expense is included in SG&A expenses. Some of our lease agreements include rental payments based on a percentage of retail sales over contractual levels and others include rental payments adjusted periodically for inflation. Certain leases require us to pay real estate taxes, insurance, maintenance and other operating expenses associated with the leased premises. These expenses are classified in SG&A, consistent with similar costs for owned locations. Rent income received from tenants who rent properties is recorded as a reduction to SG&A expense.

Rent Expense (millions)	**2013**	2012	2011
Property and equipment	$ **194**	$ 194	$ 193
Software	**33**	33	33
Rent income [(a)]	**(12)**	(85)	(61)
Total rent expense	$ **215**	$ 142	$ 165

[(a)] Rent income in 2013, 2012, and 2011 includes $4 million, $75 million and $51 million, respectively, related to sites acquired in our Canadian leasehold acquisition that were being subleased back to Zellers for various terms, which all ended by March 31, 2013.

Total capital lease interest expense was $116 million, $109 million and $69 million in 2013, 2012 and 2011, respectively, including interest expense on Canadian capitalized leases of $77 million, $78 million and $44 million, respectively, and is included within net interest expense on the Consolidated Statements of Operations.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 50 years. Certain leases also include options to purchase the leased property. Assets recorded under capital leases as of February 1, 2014 and February 2, 2013 were $2,106 million and $2,038 million, respectively.

Future Minimum Lease Payments (millions)	Operating Leases [a]	Capital Leases [b]	Rent Income	Total
2014	$ 187	$ 204	$ (6)	$ 385
2015	185	198	(5)	378
2016	174	192	(4)	362
2017	168	157	(4)	321
2018	162	150	(3)	309
After 2018	3,227	4,412	(14)	7,625
Total future minimum lease payments	$ 4,103	$ 5,313	$ (36)	$ 9,380
Less: Interest [c]		(3,342)		
Present value of future minimum capital lease payments [d]		$ 1,971		

[a] Total contractual lease payments include $2,105 million related to options to extend lease terms that are reasonably assured of being exercised and also includes $135 million of legally binding minimum lease payments for stores that are expected to open in 2014 or later.
[b] Capital lease payments include $3,740 million related to options to extend lease terms that are reasonably assured of being exercised and also includes $80 million of legally binding minimum payments for stores opening in 2014 or later.
[c] Calculated using the interest rate at inception for each lease.
[d] Includes the current portion of $77 million.

21. Income Taxes

Earnings before income taxes were $3,103 million, $4,609 million and $4,456 million during 2013, 2012 and 2011, respectively, including losses incurred by our foreign entities of ($881) million, ($309) million, and ($11) million. Our foreign entities are subject to tax outside of the U.S.

Tax Rate Reconciliation	**2013**	2012	2011
Federal statutory rate	**35.0 %**	35.0 %	35.0 %
State income taxes, net of the federal tax benefit	**3.1**	2.0	1.0
International	**0.3**	(0.6)	(0.7)
Other	**(1.9)**	(1.5)	(1.0)
Effective tax rate	**36.5 %**	34.9 %	34.3 %

Certain discrete state income tax items reduced our effective tax rate by 0.5 percentage points, 1.0 percentage points, and 2.0 percentage points in 2013, 2012 and 2011, respectively.

Provision for Income Taxes (millions)	**2013**	2012	2011
Current:			
Federal	**$ 1,213**	$ 1,471	$ 1,069
State	**148**	135	74
International	**25**	18	13
Total current	**1,386**	1,624	1,156
Deferred:			
Federal	**66**	124	427
State	**2**	14	—
International	**(322)**	(152)	(56)
Total deferred	**(254)**	(14)	371
Total provision	**$ 1,132**	$ 1,610	$ 1,527

Net Deferred Tax Asset/(Liability) (millions)	**February 1, 2014**	February 2, 2013
Gross deferred tax assets:		
Accrued and deferred compensation	$ **509**	$ 537
Foreign operating loss carryforward	**394**	189
Accruals and reserves not currently deductible	**348**	352
Self-insured benefits	**231**	249
Other	**193**	123
Allowance for doubtful accounts and lower of cost or fair value adjustment on credit card receivables held for sale	**—**	67
Total gross deferred tax assets	**1,675**	1,517
Gross deferred tax liabilities:		
Property and equipment	**(2,062)**	(1,995)
Inventory	**(270)**	(210)
Other	**(130)**	(133)
Deferred credit card income	**—**	(91)
Total gross deferred tax liabilities	**(2,462)**	(2,429)
Total net deferred tax asset/(liability)	$ **(787)**	$ (912)

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year the temporary differences are expected to be recovered or settled. Tax rate changes affecting deferred tax assets and liabilities are recognized in income at the enactment date.

At February 1, 2014, we had foreign net operating loss carryforwards of $1,466 million which are available to offset future income. These carryforwards are primarily related to the start-up operations of the Canadian Segment and expire between 2031 and 2033. We have evaluated the positive and negative evidence and consider it more likely than not that these carryforwards will be fully utilized prior to expiration.

We have not recorded deferred taxes when earnings from foreign operations are considered to be indefinitely invested outside the U.S. These accumulated net earnings relate to certain ongoing operations and were $77 million at February 1, 2014 and $52 million at February 2, 2013. It is not practicable to determine the income tax liability that would be payable if such earnings were repatriated.

We file a U.S. federal income tax return and income tax returns in various states and foreign jurisdictions. The U.S. Internal Revenue Service has completed exams on the U.S. federal income tax returns for years 2010 and prior. With few exceptions, we are no longer subject to state and local or non-U.S. income tax examinations by tax authorities for years before 2003.

Reconciliation of Liability for Unrecognized Tax Benefits (millions)	**2013**	2012	2011
Balance at beginning of period	$ **216**	$ 236	$ 302
Additions based on tax positions related to the current year	**15**	10	12
Additions for tax positions of prior years	**28**	19	31
Reductions for tax positions of prior years	**(57)**	(42)	(101)
Settlements	**(19)**	(7)	(8)
Balance at end of period	$ **183**	$ 216	$ 236

If we were to prevail on all unrecognized tax benefits recorded, $120 million of the $183 million reserve would benefit the effective tax rate. In addition, the reversal of accrued penalties and interest would also benefit the effective tax rate. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense. During the years ended February 1, 2014, February 2, 2013 and January 28, 2012, we recorded a net benefit from the reversal of accrued penalties and interest of $1 million, $16 million and $12 million, respectively. As of February 1, 2014, February 2, 2013 and January 28, 2012 total accrued interest and penalties were $58 million, $64 million and $82 million, respectively.

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

22. Other Noncurrent Liabilities

Other Noncurrent Liabilities (millions)	**February 1, 2014**	February 2, 2013
Deferred compensation	$ **491**	$ 479
Workers' compensation and general liability [a]	**424**	467
Income tax	**174**	180
Pension and postretirement health care benefits	**115**	170
Other	**286**	313
Total	$ **1,490**	$ 1,609

[a] We retain a substantial portion of the risk related to general liability and workers' compensation claims. Liabilities associated with these losses include estimates of both claims filed and losses incurred but not yet reported. We estimate our ultimate cost based on analysis of historical data and actuarial estimates. General liability and workers' compensation liabilities are recorded at our estimate of their net present value.

23. Share Repurchase

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

Share Repurchases (millions, except per share data)	**2013**	2012	2011
Total number of shares purchased	**21.9**	32.2	37.2
Average price paid per share	$ **67.41**	$ 58.96	$ 50.89
Total investment	$ **1,474**	$ 1,900	$ 1,894

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

Settlement of Prepaid Forward Contracts [a] (millions)	**2013**	2012	2011
Total number of shares purchased	**0.2**	0.5	1.0
Total cash investment	$ **14**	$ 25	$ 52
Aggregate market value [b]	$ **17**	$ 29	$ 52

[a] These contracts are among the investment vehicles used to reduce our economic exposure related to our nonqualified deferred compensation plans. The details of our positions in prepaid forward contracts have been provided in Note 25.

[b] At their respective settlement dates.

24. Share-Based Compensation

We maintain a long-term incentive plan (the Plan) for key team members and non-employee members of our Board of Directors. The Plan allows us to grant equity-based compensation awards, including stock options, stock appreciation rights, performance share units, restricted stock units, restricted stock awards or a combination of awards (collectively, share-based awards). The number of unissued common shares reserved for future grants under the Plan was 18.7 million and 24.9 million at February 1, 2014 and February 2, 2013, respectively.

Compensation expense associated with share-based awards is recognized on a straight-line basis over the shorter of the vesting period or the minimum required service period. Total share-based compensation expense recognized in the Consolidated Statements of Operations was $110 million, $105 million and $90 million in 2013, 2012 and 2011, respectively. The related income tax benefit was $43 million, $42 million and $35 million in 2013, 2012 and 2011, respectively.

Stock Options

Through 2013, we granted nonqualified stock options to certain team members that generally vest and become exercisable annually in equal amounts over a four-year period and expire 10 years after the grant date. We previously granted options with a ten-year term to the non-employee members of our Board of Directors that vest immediately, but are not exercisable until one year after the grant date. We used a Black-Scholes valuation model to estimate the fair value of the options at the grant date.

Stock Option Activity	Stock Options					
	Total Outstanding			Exercisable		
	Number of Options [(a)]	Exercise Price [(b)]	Intrinsic Value [(c)]	Number of Options [(a)]	Exercise Price [(b)]	Intrinsic Value [(c)]
February 2, 2013	34,458 $	50.60 $	366	21,060 $	48.25 $	273
Granted	226	69.56				
Expired/forfeited	(745)	53.14				
Exercised/issued	(9,085)	46.51				
February 1, 2014	**24,854 $**	**52.19 $**	**136**	**16,824 $**	**50.64 $**	**109**

(a) In thousands.
(b) Weighted average per share.
(c) Represents stock price appreciation subsequent to the grant date, in millions.

Black-Scholes Model Valuation Assumptions	2013	2012	2011
Dividend yield	**2.4%**	2.4%	2.5%
Volatility [(a)]	**22%**	23%	27%
Risk-free interest rate [(b)]	**1.4%**	1.0%	1.0%
Expected life in years [(c)]	**5.5**	5.5	5.5
Stock options grant date fair value	**$ 11.14**	$ 9.70	$ 9.20

(a) Volatility represents an average of market estimates for implied volatility of Target common stock.
(b) The risk-free interest rate is an interpolation of the relevant U.S. Treasury security maturities as of each applicable grant date.
(c) The expected life is estimated based on an analysis of options already exercised and any foreseeable trends or changes in recipients' behavior.

Stock Option Exercises (millions)	2013	2012	2011
Cash received for exercise price	**$ 422**	$ 331	$ 93
Intrinsic value	**197**	139	27
Income tax benefit	**77**	55	11

At February 1, 2014, there was $37 million of total unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted average period of 1.1 years. The weighted average remaining life of exercisable options is 5.3 years, and the weighted average remaining life of all outstanding options is 6.2 years. The total fair value of options vested was $53 million, $68 million and $75 million in 2013, 2012 and 2011, respectively.

Performance Share Units

We issue performance share units to certain team members that represent shares potentially issuable in the future. Issuance is based upon our performance relative to a retail peer group over a three-year performance period on certain measures including domestic market share change, return on invested capital and EPS growth. The fair value of performance share units is calculated based on the stock price on the date of grant. The weighted average grant date fair value for performance share units was $57.22, $58.61 and $48.63 in 2013, 2012 and 2011, respectively.

Performance Share Unit Activity

	Total Nonvested Units	
	Performance Share Units [(a)]	Grant Date Fair Value [(b)]
February 2, 2013	1,256	$ 51.53
Granted	2,036	57.22
Forfeited	(145)	56.42
Vested	(277)	51.49
February 1, 2014	**2,870**	**$ 55.37**

(a) Assumes attainment of maximum payout rates as set forth in the performance criteria based in thousands of share units. Applying actual or expected payout rates, the number of outstanding units at February 1, 2014 was 1,515 thousand.

(b) Weighted average per unit.

The expense recognized each period is dependent upon our estimate of the number of shares that will ultimately be issued. Future compensation expense for unvested awards could reach a maximum of $127 million assuming payout of all unvested awards. The unrecognized expense is expected to be recognized over a weighted average period of 1.2 years. The fair value of performance share units vested and converted was $14 million in 2013, $16 million in 2012 and was not significant in 2011.

Restricted Stock

We issue restricted stock units and performance-based restricted stock units with three-year cliff vesting from the grant date (collectively restricted stock) to certain team members. The final number of shares issued under performance-based restricted stock units will be based on our total shareholder return relative to a retail peer group over a three-year performance period. We also regularly issue restricted stock units to our Board of Directors, which vest quarterly over a one-year period and are settled in shares of Target common stock upon departure from the Board. The fair value for restricted stock is calculated based on the stock price on the date of grant, incorporating an analysis of the total shareholder return performance measure where applicable. The weighted average grant date fair value for restricted stock was $62.76, $60.44 and $49.42 in 2013, 2012 and 2011, respectively.

Restricted Stock Activity

	Total Nonvested Units	
	Restricted Stock [(a)]	Grant Date Fair Value [(b)]
February 2, 2013	2,895	$ 56.12
Granted	1,686	62.76
Forfeited	(130)	57.19
Vested	(516)	54.26
February 1, 2014	**3,935**	**$ 58.98**

(a) Represents the number of restricted stock units, in thousands. For performance-based restricted stock units, assumes attainment of maximum payout rates as set forth in the performance criteria based in thousands of share units. Applying actual or expected payout rates, the number of outstanding restricted stock units at February 1, 2014 was 3,551 thousand.

(b) Weighted average per unit.

The expense recognized each period is partially dependent upon our estimate of the number of shares that will ultimately be issued. At February 1, 2014, there was $139 million of total unrecognized compensation expense related to restricted stock, which is expected to be recognized over a weighted average period of 1.3 years. The fair value of restricted stock vested and converted to shares of Target common stock was $28 million, $11 million and $9 million in 2013, 2012 and 2011, respectively.

25. Defined Contribution Plans

Team members who meet eligibility requirements can participate in a defined contribution 401(k) plan by investing up to 80 percent of their compensation, as limited by statute or regulation. Generally, we match 100 percent of each team member's contribution up to 5 percent of total compensation. Company match contributions are made to funds designated by the participant.

In addition, we maintain a nonqualified, unfunded deferred compensation plan for approximately 3,000 current and retired team members whose participation in our 401(k) plan is limited by statute or regulation. These team members choose from a menu of crediting rate alternatives that are the same as the investment choices in our 401(k) plan, including Target common stock. We credit an additional 2 percent per year to the accounts of all active participants, excluding members of our management executive committee, in part to recognize the risks inherent to their participation in this plan. We also maintain a nonqualified, unfunded deferred compensation plan that was frozen during 1996, covering approximately 60 participants, most of whom are retired. In this plan, deferred compensation earns returns tied to market levels of interest rates plus an additional 6 percent return, with a minimum of 12 percent and a maximum of 20 percent, as determined by the plan's terms. Our total liability under these plans was $520 million and $505 million at February 1, 2014 and February 2, 2013, respectively.

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

The total change in fair value for contracts indexed to our own common stock recognized in earnings was pretax income/(loss) of $(5) million, $14 million and $(4) million in 2013, 2012 and 2011, respectively. During 2013 and 2012, we invested $23 million and $19 million, respectively, in such investment instruments, and this activity is included in the Consolidated Statements of Cash Flows within other investing activities. Adjusting our position in these investment vehicles may involve repurchasing shares of Target common stock when settling the forward contracts as described in Note 23. The settlement dates of these instruments are regularly renegotiated with the counterparty.

Prepaid Forward Contracts on Target Common Stock (millions, except per share data)	Number of Shares	Contractual Price Paid per Share	Contractual Fair Value	Total Cash Investment
February 2, 2013	1.2	$ 45.46	$ 73	$ 54
February 1, 2014	**1.3**	**$ 48.81**	**$ 73**	**$ 63**

Plan Expenses (millions)	**2013**	2012	2011
401(k) plan matching contributions expense	**$ 229**	$ 218	$ 197
Nonqualified deferred compensation plans			
Benefits expense [a]	**41**	78	38
Related investment income [b]	**(23)**	(43)	(10)
Nonqualified plan net expense	**$ 18**	$ 35	$ 28

[a] Includes market-performance credits on accumulated participant account balances and annual crediting for additional benefits earned during the year.

[b] Includes investment returns and life-insurance proceeds received from company-owned life insurance policies and other investments used to economically hedge the cost of these plans.

26. Pension and Postretirement Health Care Plans

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

Change in Projected Benefit Obligation	Pension Benefits				Postretirement Health Care Benefits	
	Qualified Plans		Nonqualified Plans			
(millions)	**2013**	2012	**2013**	2012	**2013**	2012
Benefit obligation at beginning of period	**$ 3,164**	$ 3,015	**$ 37**	$ 38	**$ 121**	$ 100
Service cost	**117**	120	**1**	1	**6**	10
Interest cost	**136**	137	**1**	2	**2**	3
Actuarial (gain)/loss	**(125)**	107	**—**	—	**(3)**	18
Participant contributions	**1**	1	**—**	—	**5**	5
Benefits paid	**(122)**	(126)	**(4)**	(3)	**(14)**	(12)
Plan amendments	**2**	(90)	**—**	(1)	**(44)**	(3)
Benefit obligation at end of period	**$ 3,173**	$ 3,164	**$ 35**	$ 37	**$ 73**	$ 121

Change in Plan Assets	Pension Benefits				Postretirement Health Care Benefits	
	Qualified Plans		Nonqualified Plans			
(millions)	**2013**	2012	**2013**	2012	**2013**	2012
Fair value of plan assets at beginning of period	**$ 3,223**	$ 2,921	**$ —**	$ —	**$ —**	$ —
Actual return on plan assets	**161**	305	**—**	—	**—**	—
Employer contributions	**4**	122	**4**	3	**9**	7
Participant contributions	**1**	1	**—**	—	**5**	5
Benefits paid	**(122)**	(126)	**(4)**	(3)	**(14)**	(12)
Fair value of plan assets at end of period	**3,267**	3,223	**—**	—	**—**	—
Benefit obligation at end of period	**3,173**	3,164	**35**	37	**73**	121
Funded/(underfunded) status	**$ 94**	$ 59	**$ (35)**	$ (37)	**$ (73)**	$ (121)

Recognition of Funded/(Underfunded) Status	Qualified Plans		Nonqualified Plans [a]	
(millions)	**2013**	2012	**2013**	2012
Other noncurrent assets	**$ 112**	$ 81	**$ —**	$ —
Accrued and other current liabilities	**(2)**	(1)	**(9)**	(9)
Other noncurrent liabilities	**(16)**	(21)	**(99)**	(149)
Net amounts recognized	**$ 94**	$ 59	**$ (108)**	$ (158)

[a] Includes postretirement health care benefits.

The following table summarizes the amounts recorded in accumulated other comprehensive income, which have not yet been recognized as a component of net periodic benefit expense:

Amounts in Accumulated Other Comprehensive Income	Pension Plans		Postretirement Health Care Plans	
(millions)	**2013**	2012	**2013**	2012
Net actuarial loss	**$ 792**	$ 947	**$ 49**	$ 58
Prior service credits	**(80)**	(91)	**(62)**	(34)
Amounts in accumulated other comprehensive income	**$ 712**	$ 856	**$ (13)**	$ 24

The following table summarizes the changes in accumulated other comprehensive income for the years ended February 1, 2014 and February 2, 2013, related to our pension and postretirement health care plans:

Change in Accumulated Other Comprehensive Income

(millions)	Pension Benefits Pretax	Pension Benefits Net of Tax	Postretirement Health Care Benefits Pretax	Postretirement Health Care Benefits Net of Tax
January 28, 2012	$ 1,027	$ 623	$ 3	$ 2
Net actuarial loss	23	13	18	11
Amortization of net actuarial losses	(103)	(63)	(4)	(2)
Amortization of prior service costs and transition	—	—	10	6
Plan amendments	(91)	(56)	(3)	(2)
February 2, 2013	856	517	24	15
Net actuarial gain	(52)	(32)	(3)	(2)
Amortization of net actuarial losses	(103)	(62)	(6)	(4)
Amortization of prior service costs and transition	11	7	16	10
Plan amendment	—	—	(44)	(27)
February 1, 2014	**$ 712**	**$ 430**	**$ (13)**	**$ (8)**

The following table summarizes the amounts in accumulated other comprehensive income expected to be amortized and recognized as a component of net periodic benefit expense in 2014:

Expected Amortization of Amounts in Accumulated Other Comprehensive Income

(millions)	Pretax	Net of Tax
Net actuarial loss	$ 70	$ 43
Prior service credits	(27)	(16)
Total amortization expense	**$ 43**	**$ 27**

The following table summarizes our net pension and postretirement health care benefits expense for the years 2013, 2012 and 2011:

Net Pension and Postretirement Health Care Benefits Expense

(millions)	Pension Benefits 2013	Pension Benefits 2012	Pension Benefits 2011	Postretirement Health Care Benefits 2013	Postretirement Health Care Benefits 2012	Postretirement Health Care Benefits 2011
Service cost benefits earned during the period	**$ 118**	$ 121	$ 117	**$ 6**	$ 10	$ 10
Interest cost on projected benefit obligation	**137**	139	137	**2**	3	4
Expected return on assets	**(235)**	(220)	(206)	**—**	—	—
Amortization of losses	**103**	103	67	**6**	3	4
Amortization of prior service cost	**(11)**	—	(2)	**(16)**	(10)	(10)
Settlement and Special Termination Charges	**3**	—	—	**—**	—	—
Total	**$ 115**	$ 143	$ 113	**$ (2)**	$ 6	$ 8

Prior service cost amortization is determined using the straight-line method over the average remaining service period of team members expected to receive benefits under the plan.

Defined Benefit Pension Plan Information (millions)	2013	2012
Accumulated benefit obligation (ABO) for all plans [a]	$ 3,149	$ 3,140
Projected benefit obligation for pension plans with an ABO in excess of plan assets [b]	54	59
Total ABO for pension plans with an ABO in excess of plan assets	48	53

[a] The present value of benefits earned to date assuming no future salary growth.
[b] The present value of benefits earned to date by plan participants, including the effect of assumed future salary increases.

Assumptions

Benefit Obligation Weighted Average Assumptions	Pension Benefits		Postretirement Health Care Benefits	
	2013	2012	**2013**	2012
Discount rate	**4.77%**	4.40%	**3.30%**	2.75%
Average assumed rate of compensation increase	**3.00**	3.00	**n/a**	n/a

Net Periodic Benefit Expense Weighted Average Assumptions	Pension Benefits			Postretirement Health Care Benefits		
	2013	2012	2011	**2013**	2012	2011
Discount rate	**4.40%**	4.65%	5.50%	**2.75%**	3.60%	4.35%
Expected long-term rate of return on plan assets	**8.00**	8.00	8.00	**n/a**	n/a	n/a
Average assumed rate of compensation increase	**3.00**	3.50	4.00	**n/a**	n/a	n/a

The weighted average assumptions used to measure net periodic benefit expense each year are the rates as of the beginning of the year (i.e., the prior measurement date). Based on a stable asset allocation, our most recent compound annual rate of return on qualified plans' assets was 10.4 percent, 8.3 percent, 7.2 percent, and 9.2 percent for the 5-year, 10-year, 15-year and 20-year time periods, respectively.

The market-related value of plan assets, which is used in calculating expected return on assets in net periodic benefit cost, is determined each year by adjusting the previous year's value by expected return, benefit payments and cash contributions. The market-related value is adjusted for asset gains and losses in equal 20 percent adjustments over a five-year period.

We review the expected long-term rate of return on an annual basis, and revise it as appropriate. Additionally, we monitor the mix of investments in our portfolio to ensure alignment with our long-term strategy to manage pension cost and reduce volatility in our assets. Our expected annualized long-term rate of return assumptions as of February 1, 2014 were 8.0 percent for domestic and international equity securities, 5.0 percent for long-duration debt securities, 8.0 percent for balanced funds and 9.5 percent for other investments. These estimates are a judgmental matter in which we consider the composition of our asset portfolio, our historical long-term investment performance and current market conditions.

An increase in the cost of covered health care benefits of 7.5 percent was assumed for 2013 and 7.0 percent is assumed for 2014. The rate will be reduced to 5.0 percent in 2019 and thereafter.

Health Care Cost Trend Rates – 1% Change (millions)	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit expense	$ 1	$ (1)
Effect on the health care component of the accumulated postretirement benefit obligation	5	(5)

Plan Assets

Our asset allocation policy is designed to reduce the long-term cost of funding our pension obligations. The plan invests with both passive and active investment managers depending on the investment's asset class. The plan also seeks to reduce the risk associated with adverse movements in interest rates by employing an interest rate hedging program, which may include the use of interest rate swaps, total return swaps and other instruments.

Asset Category	**Current Targeted Allocation**	Actual Allocation	
		2013	2012
Domestic equity securities [a]	**19%**	**21%**	20%
International equity securities	**12**	**12**	11
Debt securities	**25**	**26**	27
Balanced funds	**30**	**28**	29
Other [b]	**14**	**13**	13
Total	**100%**	**100%**	100%

[a] Equity securities include our common stock in amounts substantially less than 1 percent of total plan assets as of February 1, 2014 and February 2, 2013.
[b] Other assets include private equity, mezzanine and high-yield debt, natural resources and timberland funds, multi-strategy hedge funds, derivative instruments and a 5 percent allocation to real estate.

Fair Value Measurements (millions)	**Fair Value at February 1, 2014**				Fair Value at February 2, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	**$ 150**	**$ 6**	**$ 144**	**$ —**	$ 174	$ 5	$ 169	$ —
Common collective trusts [a]	**1,000**	**—**	**1,000**	**—**	878	—	878	—
Government securities [b]	**282**	**—**	**282**	**—**	296	—	296	—
Fixed income [c]	**541**	**—**	**541**	**—**	560	—	560	—
Balanced funds [d]	**903**	**—**	**903**	**—**	925	—	925	—
Private equity funds [e]	**221**	**—**	**—**	**221**	236	—	—	236
Other [f]	**170**	**—**	**43**	**127**	154	—	32	122
Total plan assets	**$ 3,267**	**$ 6**	**$ 2,913**	**$ 348**	$ 3,223	$ 5	$ 2,860	$ 358

[a] Passively managed index funds with holdings in domestic and international equities.
[b] Investments in government securities and passively managed index funds with holdings in long-term government bonds.
[c] Investments in corporate bonds, mortgage-backed securities and passively managed index funds with holdings in long-term corporate bonds.
[d] Investments in equities, nominal and inflation-linked fixed income securities, commodities and public real estate.
[e] Includes investments in venture capital, mezzanine and high-yield debt, natural resources and timberland funds.
[f] Investments in multi-strategy hedge funds (including domestic and international equity securities, convertible bonds and other alternative investments), real estate and derivative investments.

Level 3 Reconciliation		Actual Return on Plan Assets [a]				
(millions)	Balance at Beginning of Period	Relating to Assets Still Held at the Reporting Date	Relating to Assets Sold During the Period	Purchases, Sales and Settlements	Transfer in and/or out of Level 3	Balance at End of Period
2012						
Private equity funds	$ 283	$ 17	$ 25	$ (89)	$ —	$ 236
Other	115	4	—	3	—	122
2013						
Private equity funds	**$ 236**	**$ 7**	**$ 26**	**$ (48)**	**$ —**	**$ 221**
Other	**122**	**14**	**1**	**(10)**	**—**	**127**

[a] Represents realized and unrealized gains (losses) from changes in values of those financial instruments only for the period in which the instruments were classified as Level 3.

Position	Valuation Technique
Cash and cash equivalents	These investments are cash holdings and investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV for the investment vehicles is based on the value of the underlying assets owned by the fund minus applicable costs and liabilities, and then divided by the number of shares outstanding.
Equity securities	Valued at the closing price reported on the major market on which the individual securities are traded.
Common collective trusts/ balanced funds/ certain multi-strategy hedge funds	Valued using the NAV provided by the administrator of the fund. The NAV is a quoted transactional price for participants in the fund, which do not represent an active market.
Fixed income and government securities	Valued using matrix pricing models and quoted prices of securities with similar characteristics.
Private equity/ real estate/ certain multi-strategy hedge funds/ other	Valued by deriving Target's proportionate share of equity investment from audited financial statements. Private equity and real estate investments require significant judgment on the part of the fund manager due to the absence of quoted market prices, inherent lack of liquidity, and the long term of such investments. Certain multi-strategy hedge funds represent funds of funds that include liquidity restrictions and for which timely valuation information is not available.

Contributions

Our obligations to plan participants can be met over time through a combination of company contributions to these plans and earnings on plan assets. In 2013 we made no contributions to our qualified defined benefit pension plans. In 2012, we made discretionary contributions of $122 million. We are not required to make any contributions in 2014. However, depending on investment performance and plan funded status, we may elect to make a contribution. We expect to make contributions in the range of $5 million to $6 million to our postretirement health care benefit plan in 2014.

Estimated Future Benefit Payments

Benefit payments by the plans, which reflect expected future service as appropriate, are expected to be paid as follows:

Estimated Future Benefit Payments (millions)	Pension Benefits	Postretirement Health Care Benefits
2014	$ 152	$ 6
2015	159	6
2016	169	7
2017	178	8
2018	188	8
2019-2023	1,058	45

27. Accumulated Other Comprehensive Income

(millions)	Cash Flow Hedges	Currency Translation Adjustment	Pension and Other Benefit	Total
February 2, 2013	$ (29)	$ (15)	$ (532)	$ (576)
Other comprehensive (loss)/income before reclassifications	—	(429)	60	(369)
Amounts reclassified from AOCI	4 [(a)]	—	50 [(b)]	54
February 1, 2014	$ (25)	$ (444)	$ (422)	$ (891)

(a) Represents gains and losses on cash flow hedges, net of $2 million of taxes, which are recorded in net interest expense on the Consolidated Statements of Operations.

(b) Represents amortization of pension and other benefit liabilities, net of $32 million of taxes, which is recorded in SG&A expenses on the Consolidated Statements of Operations. See Note 26 for additional information.

28. Segment Reporting

Our segment measure of profit is used by management to evaluate the return on our investment and to make operating decisions.

Business Segment Results	2013			2012 [(a)]			2011		
(millions)	U.S.	Canadian	Total	U.S.	Canadian	Total	U.S.	Canadian	Total
Sales	$ 71,279	$ 1,317	$ 72,596	$ 71,960	$ —	$ 71,960	$ 68,466	$ —	$ 68,466
Cost of sales	50,039	1,121	51,160	50,568	—	50,568	47,860	—	47,860
Selling, general and administrative expenses [(b)]	14,285	910	15,196	13,759	272	14,031	13,079	74	13,153
Depreciation and amortization	1,996	227	2,223	2,044	97	2,142	2,084	48	2,131
Segment profit	$ 4,959	$ (941)	$ 4,017	$ 5,589	$ (369)	$ 5,219	$ 5,443	$ (122)	$ 5,322
Gain on receivables transaction [(c)]			391			152			—
Reduction of beneficial interest asset [(b)]			(98)			—			—
Other [(d)]			(64)			—			—
Data Breach related costs, net of insurance receivable [(e)]			(17)			—			—
Earnings before interest expense and income taxes			4,229			5,371			5,322
Net interest expense			1,126			762			866
Earnings before income taxes			$ 3,103			$ 4,609			$ 4,456

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

Note: Certain operating expenses are incurred on behalf of our Canadian Segment, but are included in our U.S. Segment because those costs are not allocated internally and generally come under the responsibility of our U.S. management team.

Note: Through fiscal 2012, we operated as three business segments: U.S. Retail, U.S. Credit Card and Canadian. Following the sale of our credit card receivables portfolio described in Note 6, we operate as two segments: U.S. and Canadian. Prior period segment results have been revised to reflect the combination of our historical U.S. Retail Segment and U.S. Credit Card Segment into one U.S. Segment.

(a) Consisted of 53 weeks.

(b) Our U.S. Segment includes all TD profit-sharing amounts in segment profit; however, under GAAP, some amounts received from TD reduce the beneficial interest asset and are not recorded in consolidated earnings. Segment SG&A expenses plus these amounts equal consolidated SG&A expenses.

(c) Represents the gain on receivables transaction recorded in our Consolidated Statements of Operations, plus, for 2012, the difference between bad debt expense and net write-offs for the fourth quarter. Refer to Note 6 for more information on our credit card receivables transaction.

(d) Includes a $23 million workforce-reduction charge primarily related to severance and benefits costs, a $22 million charge related to part-time team member health benefit changes, and $19 million in impairment charges related to certain parcels of undeveloped land.

(e) Refer to Note 17 for more information on Data Breach related costs.

Total Assets by Segment (millions)	February 1, 2014	February 2, 2013
U.S.	$ 38,128	$ 43,289
Canadian	6,254	4,722
Total segment assets	$ 44,382	$ 48,011
Unallocated assets [(a)]	171	152
Total assets	$ 44,553	$ 48,163

[(a)] At February 1, 2014, represents the beneficial interest asset of $127 million and insurance receivable related to the Data Breach of $44 million. At February 2, 2013, represents the net adjustment to eliminate our allowance for doubtful accounts and record our credit card receivables at lower of cost (par) or fair value.

Capital Expenditures by Segment (millions)	2013	2012[(a)]	2011
U.S.	$ 1,886	$ 2,345	$ 2,476
Canadian	1,567	932	1,892
Total	$ 3,453	$ 3,277	$ 4,368

[(a)] Consisted of 53 weeks.

29. Quarterly Results (Unaudited)

Due to the seasonal nature of our business, fourth quarter operating results typically represent a substantially larger share of total year revenues and earnings because they include our peak sales period from Thanksgiving through the end of December. We follow the same accounting policies for preparing quarterly and annual financial data. The table below summarizes quarterly results for 2013 and 2012:

Quarterly Results	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
(millions, except per share data)	2013	2012	2013	2012	2013	2012	2013	2012 [(a)]	2013	2012 [(a)]
Sales	$ 16,706	$ 16,537	$ 17,117	$ 16,451	$ 17,258	$ 16,601	$ 21,516	$ 22,370	$ 72,596	$ 71,960
Credit card revenues	—	330	—	328	—	328	—	356	—	1,341
Total revenues	16,706	16,867	17,117	16,779	17,258	16,929	21,516	22,726	72,596	73,301
Cost of sales	11,563	11,541	11,745	11,297	12,133	11,569	15,719	16,160	51,160	50,568
Selling, general and administrative expenses	3,590	3,392	3,698	3,588	3,853	3,704	4,235	4,229	15,375	14,914
Credit card expenses	—	120	—	108	—	106	—	135	—	467
Depreciation and amortization	536	529	542	531	569	542	576	539	2,223	2,142
Gain on receivables transaction	(391)	—	—	—	—	(156)	—	(5)	(391)	(161)
Earnings before interest expense and income taxes	1,408	1,285	1,132	1,255	703	1,164	986	1,668	4,229	5,371
Net interest expense	629	184	171	184	165	192	161	204	1,126	762
Earnings before income taxes	779	1,101	961	1,071	538	972	825	1,464	3,103	4,609
Provision for income taxes	281	404	350	367	197	335	305	503	1,132	1,610
Net earnings	$ 498	$ 697	$ 611	$ 704	$ 341	$ 637	$ 520	$ 961	$ 1,971	$ 2,999
Basic earnings per share	$ 0.78	$ 1.05	$ 0.96	$ 1.07	$ 0.54	$ 0.97	$ 0.82	$ 1.48	$ 3.10	$ 4.57
Diluted earnings per share	0.77	1.04	0.95	1.06	0.54	0.96	0.81	1.47	3.07	4.52
Dividends declared per share	0.36	0.30	0.43	0.36	0.43	0.36	0.43	0.36	1.65	1.38
Closing common stock price:										
High	70.67	58.86	73.32	61.95	71.99	65.44	66.89	64.48	73.32	65.44
Low	60.85	50.33	68.29	54.81	62.13	60.62	56.64	58.57	56.64	50.33

Note: Per share amounts are computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in average quarterly shares outstanding and all other quarterly amounts may not equal the total year due to rounding.

[(a)] The fourth quarter and total year 2013 consisted of 13 weeks and 52 weeks, respectively, compared with 14 weeks and 53 weeks in the comparable prior-year periods.

U.S. Sales by Product Category [a]	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Household essentials	**27%**	26%	**27%**	27%	**26%**	26%	**22%**	21%	**25%**	25%
Hardlines	**15**	16	**15**	15	**15**	14	**24**	24	**18**	18
Apparel and accessories	**20**	20	**20**	20	**20**	20	**17**	18	**19**	19
Food and pet supplies	**22**	21	**20**	20	**21**	21	**19**	18	**21**	20
Home furnishings and décor	**16**	17	**18**	18	**18**	19	**18**	19	**17**	18
Total	**100%**	100%	**100%**	100%	**100%**	100%	**100%**	100%	**100%**	100%

(a) As a percentage of sales.