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

# FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended July 30, 1994

Commission file number 1-6049

Dayton Hudson Corporation
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Minnesota | 41-0215170 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | | |
|---|---|---|
| 777 Nicollet Mall | Minneapolis, Minnesota | 55402-2055 |
| (Address of principal executive offices) | | (Zip Code) |

Registrant's telephone number, including area code (612) 370-6948

None
(Former name, former address and former fiscal year, if changed since last report.)

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.

The number of shares outstanding of common stock as of July 30, 1994 was 71,596,983.

DAYTON HUDSON CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS


| | | PAGE NO. |
|---|---|---|
| PART I | FINANCIAL INFORMATION: | |
| | ITEM 1 - FINANCIAL STATEMENTS | |
| | Condensed Consolidated Results of Operations for the Three Months, Six Months and Twelve Months Ended July 30, 1994 and July 31, 1993 | 1 |
| | Condensed Consolidated Statements of Financial Position at July 30, 1994, January 29, 1994 and July 31, 1993 | 2 |
| | Condensed Consolidated Statements of Cash Flows for the Six Months Ended July 30, 1994 and July 31, 1993 | 3 |
| | Notes to Condensed Consolidated Financial Statements | 4-5 |
| | ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION | 6-9 |
| PART II | OTHER INFORMATION: | |
| | ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K | 10 |
| | Signatures | 11 |
| | Exhibit Index | 12 |

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED
RESULTS OF OPERATIONS

Dayton Hudson Corporation
and Subsidiaries

| (Millions of Dollars, Except Per-Share Data) | Three Months Ended | | Six Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|---|---|
| (Unaudited) | JULY 30, 1994 | July 31, 1993 | JULY 30, 1994 | July 31, 1993 | JULY 30, 1994 | July 31, 1993 |
| REVENUES | $4,802 | $4,287 | $9,267 | $8,327 | $20,173 | $18,568 |
| COSTS AND EXPENSES | | | | | | |
| Cost of retail sales, buying and occupancy | 3,519 | 3,180 | 6,772 | 6,153 | 14,783 | 13,673 |
| Selling, publicity and administrative | 874 | 748 | 1,694 | 1,446 | 3,423 | 3,064 |
| Depreciation | 131 | 126 | 260 | 250 | 508 | 485 |
| Interest expense, net | 105 | 113 | 211 | 225 | 432 | 447 |
| Taxes other than income taxes | 92 | 82 | 185 | 167 | 361 | 326 |
| Total Costs and Expenses | 4,721 | 4,249 | 9,122 | 8,241 | 19,507 | 17,995 |
| Earnings Before Income Taxes | 81 | 38 | 145 | 86 | 666 | 573 |
| Provision for Income Taxes | 32 | 14 | 57 | 32 | 257 | 213 |
| NET EARNINGS | $ 49 | $ 24 | $ 88 | $ 54 | $ 409 | $ 360 |
| PRIMARY EARNINGS PER SHARE | $ .62 | $ .28 | $ 1.10 | $ .63 | $ 5.45 | $ 4.74 |
| FULLY DILUTED EARNINGS PER SHARE | $ .61 | $ .28 | $ 1.07 | $ .63 | $ 5.21 | $ 4.55 |
| DIVIDENDS DECLARED PER COMMON SHARE | $ .42 | $ .40 | $ .84 | $ .80 | $ 1.66 | $ 1.58 |
| AVERAGE COMMON SHARES OUTSTANDING (MILLIONS): | | | | | | |
| Primary | 72.0 | 71.7 | 72.0 | 71.7 | 71.9 | 71.7 |
| Fully Diluted | 76.3 | 76.0 | 76.3 | 76.1 | 76.2 | 76.0 |

See accompanying Notes to Condensed Consolidated Financial Statements.

| (Millions of Dollars) | JULY 30, 1994 | January 29, 1994* | July 31, 1993 |
|---|---|---|---|
| | (Unaudited) | | (Unaudited) |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | $ 169 | $ 321 | $ 97 |
| Accounts receivable | 1,418 | 1,536 | 1,207 |
| Merchandise inventories | 2,860 | 2,497 | 2,725 |
| Other | 129 | 157 | 86 |
| Total Current Assets | 4,576 | 4,511 | 4,115 |
| PROPERTY AND EQUIPMENT | 8,679 | 8,283 | 8,101 |
| Accumulated depreciation | (2,508) | (2,336) | (2,364) |
| Net Property and Equipment | 6,171 | 5,947 | 5,737 |
| OTHER | 342 | 320 | 362 |
| TOTAL ASSETS | $11,089 | $10,778 | $10,214 |
| LIABILITIES AND COMMON SHAREHOLDERS' INVESTMENT | | | |
| CURRENT LIABILITIES | | | |
| Commercial paper and current portion of long-term debt | $ 178 | $ 373 | $ 492 |
| Accounts payable | 1,842 | 1,654 | 1,464 |
| Other | 994 | 1,048 | 841 |
| Total Current Liabilities | 3,014 | 3,075 | 2,797 |
| LONG-TERM DEBT | 4,599 | 4,279 | 4,357 |
| DEFERRED INCOME TAXES AND OTHER | 545 | 536 | 456 |
| CONVERTIBLE PREFERRED STOCK | 365 | 368 | 371 |
| LOAN TO ESOP | (192) | (217) | (243) |
| COMMON SHAREHOLDERS' INVESTMENT | 2,758 | 2,737 | 2,476 |
| TOTAL LIABILITIES AND COMMON SHAREHOLDERS' INVESTMENT | $11,089 | $10,778 | $10,214 |
| COMMON SHARES OUTSTANDING (MILLIONS) | 71.6 | 71.5 | 71.5 |

* The January 29, 1994 Consolidated Statement of Financial Position is condensed from the audited financial statements.

See accompanying Notes to Condensed Consolidated Financial Statements.

| (Millions of Dollars) (Unaudited) | Six Months Ended July 30, 1994 | Six Months Ended July 31, 1993 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net earnings | $ 88 | $ 54 |
| Reconciliation to cash flow: | | |
| Depreciation | 260 | 250 |
| Deferred tax provision | (38) | (16) |
| Other noncash items affecting earnings | 49 | 67 |
| Changes in operating accounts providing/ (requiring) cash: | | |
| Accounts receivable | 118 | 307 |
| Merchandise inventories | (363) | (107) |
| Accounts payable | 188 | (132) |
| Other | 6 | (71) |
| Cash Flow Provided by Operations | 308 | 352 |
| INVESTING ACTIVITIES | | |
| Expenditures for property | (496) | (427) |
| Net Financing Requirements | (188) | (75) |
| FINANCING ACTIVITIES | | |
| (Decrease) in commercial paper | - | (23) |
| Additions to long-term debt | 272 | 417 |
| Reduction of long-term debt | (144) | (273) |
| Dividends paid | (72) | (69) |
| Other | (20) | 3 |
| Cash Flow Provided by Financing Activities | 36 | 55 |
| Net Decrease in Cash and Cash Equivalents | (152) | (20) |
| Cash & Cash Equivalents at Beginning of Period | 321 | 117 |
| CASH & CASH EQUIVALENTS AT END OF PERIOD | $ 169 | $ 97 |

Amounts in this statement are presented on a cash basis and therefore may differ from those shown elsewhere in this 10-Q report.

SUPPLEMENTAL CASH FLOW INFORMATION:

- Interest paid (including interest capitalized) in the first six months of 1994 and 1993 was $213 million and $214 million, respectively.

- Income tax payments of $175 million and $127 million were made during the first six months of 1994 and 1993, respectively.

- In the Consolidated Statement of Financial Position as of July 30, 1994, $472 million of commercial paper was classified as long-term debt. Because it does not involve cash, it is not reflected herein.

See accompanying Notes to Condensed Consolidated Financial Statements.

ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements should be read in conjunction with the financial statement disclosures contained in the Corporation's 1993 Annual Shareholders' Report throughout pages 21-32. As explained on page 31 of the Annual Report, the same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. In the opinion of management, all adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of a normal, recurring nature.

Due to the seasonal nature of the retail industry, earnings for periods which exclude the Christmas season are not indicative of the operating results that may be expected for the full fiscal year.

MERCHANDISE INVENTORIES

The last-in, first-out (LIFO) provision, included in cost of retail sales, for the three- and six-month periods ended July 30, 1994 was zero versus charges of $6 million ($.05 per share) and $12 million ($.10 per share), respectively, for the same periods in 1993.

The cumulative LIFO provision was $80 million at July 30, 1994 and January 29, 1994, and $183 million at July 31, 1993.

LONG-TERM DEBT

Beginning with the first quarter of 1994, commercial paper is classified as long-term debt because it is supported by the Corporation's revolving credit agreement of $600 million which expires in 1999. Commercial paper will be classified as long-term, provided the term of the related credit agreement exceeds one year and any unused commitments thereunder equal or exceed the amount of commercial paper outstanding.

SPECIAL ITEMS

During the second quarter, Target recorded a pre-tax charge of $18 million ($.15 per share) for the repositioning of several stores within its existing markets. Also during the second quarter, Mervyn's recorded a pre-tax charge of $10 million ($.08 per share) related to the remodeling of the majority of its Colorado stores. The Colorado project will pilot new merchandising and store design strategies in the creation of an improved Mervyn's prototype. Additionally, Mervyn's reversed an $8 million ($.06 per share) reserve associated with the January 1994 Los Angeles earthquake, as repair costs were less than original estimates. During second quarter 1993, the Department Store Division recorded a nonrecurring pre-tax credit of $9 million ($.07 per share) related to a casualty loss recovery. These items are included in selling, publicity and administrative expense.

PER SHARE DATA
Primary earnings per share are computed by dividing net earnings less dividend requirements on ESOP preferred stock (net of tax benefits related to unallocated shares) by the average common stock and common stock equivalents outstanding during the period. Fully diluted earnings per share assumes conversion of the ESOP preferred stock (net of tax benefits related to unallocated shares) into common stock. Additionally, it assumes adjustment of net earnings for the additional expense required to fund the ESOP debt service resulting from the assumed replacement of the ESOP preferred dividends with common stock dividends.

References to earnings per share relate to fully diluted earnings per share.

RECLASSIFICATIONS
Certain reclassifications have been made to previously reported amounts to conform with the 1994 presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF OPERATIONS AND FINANCIAL CONDITION
SECOND QUARTER 1994

ANALYSIS OF OPERATIONS

Second quarter net earnings were $49 million compared with $24 million for second quarter last year. For the first half of 1994, net earnings increased 64% to $88 million from $54 million for the same period a year ago. Fully diluted earnings per share for the second quarter increased to $.61, compared with second quarter 1993 earnings per share of $.28. For the six-month period ended July 30, 1994, fully diluted earnings per share were $1.07 compared with $.63 for the same period last year.

The following table illustrates the impact of the major factors contributing to the changes in earnings per share:

| | Three Months | Six Months |
|---|---|---|
| 1993 Fully Diluted Earnings Per Share | $ .28 | $ .63 |
| Changes in earnings per share: | | |
| Revenues | .22 | .35 |
| Gross margin rate | .20 | .36 |
| Operating expense rate | .05 | (.06) |
| Start-up expense | (.08) | (.12) |
| Interest expense, net | .05 | .10 |
| Corporate expense and other, net | (.11) | (.19) |
| 1994 Fully Diluted Earnings Per Share | $ .61 | $1.07 |

Our second quarter earnings improvement was led by better than expected operating results at Target, while Mervyn's and the Department Store Division's results met our expectations. The overall gross margin rate was favorable to last year, reflecting improved markdowns at all three divisions. The overall operating expense rate was lower despite the special items disclosed in the notes to the financial statements. Also, the rate improvement reflects better sales leveraging, partially offset by increased advertising expense at all three divisions.

Changes in our second quarter revenue mix, primarily the result of strong revenue growth at Target, our lowest margin division, affected changes in the gross margin and operating expense rates. If the revenue mix had remained constant with the second quarter and the first six months of 1993, the gross margin rate variance would have been $.27 and $.51, respectively, and the operating expense rate variance would have been ($.07) and ($.26), respectively.

## Revenues

For the three- and six-month periods ended July 30, 1994, total revenues increased 12% and 11%, respectively. Comparable-store revenues (revenues from stores open longer than a year) increased 6% and 5%, respectively.

Revenues by business segment were as follows:

| | Three Months Ended | | Percentage Change | |
|---|---|---|---|---|
| (Millions of Dollars) | JULY 30, 1994 | July 31, 1993 | All Stores | Comparable Stores |
| Target | $3,084 | $2,611 | 18% | 9% |
| Mervyn's | 1,051 | 1,024 | 3 | (1) |
| Department Store Division | 667 | 652 | 2 | 2 |
| Total | $4,802 | $4,287 | 12% | 6% |

| | Six Months Ended | | Percentage Change | |
|---|---|---|---|---|
| | JULY 30, 1994 | July 31, 1993 | All Stores | Comparable Stores |
| Target | $5,903 | $5,067 | 16% | 8% |
| Mervyn's | 2,011 | 1,963 | 2 | (1) |
| Department Store Division | 1,353 | 1,297 | 4 | 4 |
| Total | $9,267 | $8,327 | 11% | 5% |

Target's strong revenue growth reflects new store growth combined with the benefit of additional advertising and good merchandising execution. Total revenue growth at Mervyn's reflects a slower rate of store growth. Despite a slight decline in comparable-store revenues, Mervyn's remains committed to lower everyday prices and a shift to a more branded merchandise assortment. The Department Store Division's (DSD) total and comparable-store revenues reflect moderate growth in the second quarter with added promotional efforts.

## Operating Profit

All three divisions contributed to the strong increase in operating profit for the second quarter over last year. (Operating profit is LIFO earnings from operations before corporate expense, interest and income taxes.) For the first half of 1994, operating profit increased 19%.

TARGET experienced a strong increase in operating profit for the three and six months ended July 30, 1994 compared with the same periods last year. The increase was primarily due to strong revenue performance. Included in Target's second quarter results is an $18 million ($.15 per share) pre-tax charge for the repositioning of several stores within its markets. The gross margin rate was slightly favorable to last year, reflecting lower markdowns partially offset by the continual refining of the value pricing strategy. The operating expense rate improved primarily due to better sales leveraging.

MERVYN'S operating profit, for the second quarter and six-month period, was up significantly as expected over last year's weak base. The gross margin rate improvement reflects a substantial reduction in markdowns, somewhat offset by lower markup associated with lower everyday prices. The operating expense rate deterioration reflects lower sales leveraging as well as higher advertising expenses. Also, Mervyn's recorded a pre-tax charge of $10 million ($.08 per share) for the remodeling of a majority of its Colorado stores, as well as a pre-tax credit of $8 million ($.06 per share) as costs related to the January 1994 Los Angeles earthquake were less than original estimates.

DSD'S operating profit, for the second quarter and six-month period, was up significantly, compared with 1993's results, excluding last year's $9 million ($.07 per share) pre-tax credit related to a casualty loss recovery. The gross margin rate improved over last year as a result of reduced markdowns. The operating expense rate was higher primarily due to increased advertising costs.

## Other Performance Factors

The LIFO provision, for the three- and six-month periods ended July 30, 1994 was zero versus charges of $6 million ($.05 per share) and $12 million ($.10 per share), respectively, for the same periods in 1993. The reduced provision reflects lower estimated annual inflation rates compared with the estimated annual rates used in the second quarter last year. The lower inflation rates reflect the adoption of internally-generated price indices in the fourth quarter of 1993 at Mervyn's and DSD. Our internally-generated retail price indices, used in the LIFO calculations at all three operating divisions, capture the ongoing impact of our value-pricing strategies.

Net interest expense decreased $8 million ($.06 per share) in the second quarter and $14 million ($.11 per share) in the first half of 1994 compared with the same periods last year. A reduction in financing requirements and a lower effective interest rate contributed to the interest expense decline.

As of the end of second quarter 1994, the estimated annual effective income tax rate was 39% as compared to 37.5% in 1993. The increase in the 1994 rate is primarily the result of the increase in the federal statutory rate in the third quarter of 1993.

## FINANCIAL CONDITION

Our overall financial condition remains strong. Our ratio of debt (including the present value of operating leases) to total capitalization was 59% at the end of second quarter 1994 and at year end 1993, compared with 61% a year ago. We expect the debt ratio to continue declining towards the mid-point of our financial policy range of 45% to 65%.

At July 30, 1994, working capital was $1,562 million, or 19% higher than a year ago. Accounts receivable decreased 8% from year-end, reflecting a reduction from seasonal high levels, but was 17% higher than last year. The increase over last year reflects an increase in sales as well as Mervyn's and DSD's focus on increased internal credit sales penetration. Merchandise inventories increased moderately compared to 1993 second quarter due to new store growth, partially offset by significant inventory reductions at Mervyn's. Accounts payable were 26% higher than 1993 second quarter and 11% higher than year-end, primarily reflecting new store growth.

Capital expenditures for the first half of 1994 were $496 million, compared with $427 million for the same period a year ago. Approximately 81% of these expenditures were made by Target, 12% by Mervyn's and 7% by DSD.

## STORE DATA

At July 30, 1994 Target operated 584 stores in 32 states, Mervyn's operated 283 stores in 15 states and DSD operated 63 stores in nine states.

## PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

(2). Not applicable

(4). Instruments defining the rights of security holders, including indentures. Registrant agrees to furnish the Commission on request copies of instruments with respect to long-term debt.

(10). Agreement

(11). Statements re Computations of Per Share Earnings

(12). Statements re Computations of Ratios

(15). Not applicable

(18). Not applicable

(19). Not applicable

(22). Not applicable

(23). Not applicable

(24). Not applicable

(27). Financial Data Schedule

(99). Not applicable

b) Reports on Form 8-K. The registrant did not file any reports on Form 8-K during the quarter ended July 30, 1994.

## Signatures

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

DAYTON HUDSON CORPORATION
Registrant

Date: September 9, 1994     By    /s/ Douglas A. Scovanner

Douglas A. Scovanner
Senior Vice President,
Chief Financial Officer and
Treasurer

Date: September 9, 1994     By    /s/ J.A. Bogdan

JoAnn Bogdan
Controller and
Chief Accounting Officer

Exhibit Index
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(10). Agreement

(11). Statements re Computations of Per Share Earnings

(12). Statements re Computations of Ratios

(27). Financial Data Schedule

EXHIBIT 10

AGREEMENT

THIS AGREEMENT is made as of the 27th day of May, 1994 by and between DAYTON HUDSON CORPORATION (herein called the "Company") and HENRY T. DeNERO (herein called "Executive").

RECITALS

A. Executive is employed by Company; and

B. Company and Executive wish to sever Company's and Executive's ties as employer and employee respectively, on the terms and conditions hereafter set forth; and

C. The Company maintains an Income Continuance Policy (the "ICP") for which Executive is eligible, the terms and provisions of which Executive has been subject to and familiar with; and

D. The ICP requires a release in writing; and

E. Executive claims that, by reason of the circumstances and publicity leading to the severance of his employment relationship with the Company, Executive has been injured in his personal and business reputations and the Company has inflicted upon him and caused him to suffer great mental anguish, distress and anxiety, loss of self esteem, and humiliation due to the fact, among others, that Executive has suddenly and tortiously been deprived of his livelihood and the benefits of continued employment with the Company. Company denies Executive's allegations; and

F. Executive acknowledges he has been advised and encouraged to review this Agreement with an attorney and is fully aware of the potential rights and remedies he may have as a result of his termination; and

G. Executive and the Company wish to memorialize herein the resolution and settlement of all their respective rights, remedies and obligations whatsoever, flowing from Executive's employment and relationships with the Company and the severance and termination of that employment and said relationships.

1. Effective Termination Date. From the date of this Agreement to and through June 1, 1994, Executive shall act and perform his current duties for the Company. Effective on June 1, 1994 (unless sooner terminated) the employer-employee relationship of Company and Executive shall be severed and terminated.

2. Salary. Executive shall be paid his regular salary weekly for services rendered as an employee under paragraph 1 hereof through and including the termination of his employment, subject to all required and voluntary withholdings.

3. Income Continuance Payments. Executive shall be entitled to one hundred four equal weekly income continuance payments pursuant to and subject to the terms and conditions of the ICP, commencing on or about June 17, 1994 and ending with the final payment on or about June 7, 1996. The amount of each weekly payment, subject to the terms and conditions of the ICP, shall be $12,998.08. The weekly amount shall be reduced for taxes withheld by Company.

4. Vacation Pay. Company shall pay to Executive unused accrued vacation due Executive in the amount of $79,288.27 not later than on June 17, 1994.

5. Health Insurance. Executive may continue to participate in Company's medical and dental program to the extent, if any, permitted by Company's Health Service Providers. In order to continue such coverage, Executive must maintain continuous coverage under the Company Plans and pay 102% of the full cost of such Plans. Executive acknowledges that Company may modify its premium structure, the terms of its plans and the coverages of the plans, including the termination of all or part of a plan. All insurance coverage shall terminate at the earlier of December 4, 1995, or when Executive becomes a participant under another group medical plan, whether or not that plan has a pre-existing conditions clause (provided however, if that plan has a pre-existing conditions clause and Executive or a dependent are excluded from coverage because of that clause Executive or such dependent can continue coverage until the end of the pre-existing condition provision or other termination provisions set forth in this sentence, whichever is earlier) or similar clauses or when the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") permits terminations. Executive agrees to notify Company when Executive is eligible to participate in another group plan, when he begins to participate in another group plan and when a pre-existing condition expires.

6. Life Insurance. Executive may take his universal life insurance policy with him after June 1, 1994. In order to continue such policy, he will be required to make all payments with respect to the policy.

7. Pension Plan - Savings Plan. Executive's rights under the Dayton Hudson Corporation Employees' Retirement Plan and the Dayton Hudson Corporation

Supplemental Retirement, Savings, and Employee Stock Ownership Plan will be determined under the terms of such plans as they are constituted on any relevant date.

8. Deferred Compensation Plan. Executive will be paid his benefits for his deferred compensation under the Dayton Hudson Corporation Deferred Compensation Plan Senior Management Group under the terms of the plan as it is in effect on June 1, 1994.

9. Supplemental Pension Plan. Executive is not entitled to any benefits under the Dayton Hudson Corporation Supplemental Pension Plan.

10. Option Plans. Executive's rights under the Company Executive Long Term Incentive Plan will be determined under such plan. Executive must exercise all options that are exercisable on June 1, 1994 within two hundred ten days after such date or they will expire. No further installments will accrue after June 1, 1994 and all rights to performance shares and restricted stock will terminate on June 1, 1994.

11. Other Benefits. Except as specifically hereinabove set forth, Executive shall be entitled to no other employee benefits, fringe benefits or other remuneration or compensation.

12. Non-Recruiting. Executive agrees, unless he has a written agreement signed by the Chief Personnel Officer of the Company allowing him to recruit persons named in that agreement, that he will not as an employee of the Company or for the period June 1, 1994 to June 7, 1996, recruit directly or indirectly any employee of the Company or any subsidiary of the Company for employment with any other operations. Violation of this agreement will result in the termination of paragraph 3.

13. Serving as a Witness. Executive agrees that he will cooperate, make himself available, and testify on the Company's behalf, if the Company requests, without requiring a subpoena, in any and all lawsuits or administrative hearings arising out of acts, occurrences, or decisions while he was employed of which he has direct knowledge and to which the Company's attorneys believe Executive's testimony is necessary for the prosecution, defense or favorable resolution of the claims or matter; provided, however, that Executive shall not be required to take any action that is contrary to Executive's legal or equitable rights, except through a subpoena or other court order. The Company agrees to reimburse Executive for any reasonable out-of-pocket expenses he incurs as a result of such activities.

14. Payments. Not later than June 17, 1994, the Company shall pay to Executive the lump sum of $240,314.25 as compensation to Executive for the release of his claims for personal injury, pain and suffering, emotional anguish, distress and anxiety, loss of self esteem, humiliation, and damage to his personal and business reputation. No portion of the lump sum represents back pay, severance pay, vacation pay, salary continuation or any other manner of compensation and, therefore, there shall be no deductions for state or federal taxes, FICA, or any other deduction or reporting. No portion of the lump sum represents punitive damages.

15. Confidentiality. Executive agrees that he will not disclose the terms or conditions of this Agreement or any of them, including without limitation, the payments hereunder, the detrimental conduct provisions hereunder or the benefits hereunder except as follows: (1) to his spouse, attorney, certified public accountant and financial

and estate planning advisors/its outside attorney, auditors or others directly associated with its business or operations and needing to know thereof, provided any such thereof agrees to keep them confidential or (2) pursuant to a legally enforceable order, provided that he notifies the Company of the proceeding and allows the Company to oppose or contest the order on his behalf.

16. Confidential Information. Executive recognizes and acknowledges that the confidential information of various kinds, including but without limitation to lists of the Company's (as used herein includes the Company's subsidiaries) executives and employees, the ratings, performance appraisal scores and other employee data, as well as the Company's strategic plans and manpower planning plans and goals, the Company's new strategies, plans and proposals as they may exist from time to time, are valuable, special and unique assets of the Company's business. Executive will not, during or after the term of his employment as an employee or a recipient of payments described in paragraph 3, disclose or cause or permit to be disclosed any of such information or any other information the Company treats as confidential, to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever. In the event of a breach or threatened breach by Executive of the provisions of this paragraph or the violation of paragraph 12, the Company shall be entitled to an injunction restraining Executive from violating paragraph 12 of this Agreement, from disclosing, in whole or in part, any of the information listed above or any other information the Company treats as confidential, or from rendering any services to any person, firm, corporation, association, or other entity to whom such information, in whole or in part, has been disclosed or is

threatened to be disclosed by act or default of Executive. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedy or remedies available to it for such breach or threatened breach, including but without limitation to the recovery of damages, together with costs and attorneys' fees, from or on account of Executive.

17. Detrimental Conduct. Executive shall not express or endorse publication of untrue statements which are intended or likely to receive broad public attention and to bring the Company or its interests, methods or representatives into disrepute.

18. Termination of Payments. The Company shall have the right to terminate any ICP payments owing, but not yet due, to Executive under paragraph 3 only if Executive deliberately breaches his obligations under paragraphs 12, 16, or 17, or on any other ground set forth in the ICP. Notwithstanding any termination of payments under paragraph 3, the requirements of paragraph 12, 13, 16 and 17 hereof and the Releases set forth in paragraph 21 hereof shall remain in full force and effect.

19. Directly Competitive Employment. For purposes of Section II.G of the ICP, Directly Competitive Employment shall be employment with K-Mart, May Company or J.C. Penney or any parent, subsidiary, division or affiliated company of such company.

20. Taxes. Executive will be solely responsible for the payment of any and all taxes, if any, of whatever kind that may be due or payable from him as the result of the payment of any non-wage settlement amount.

21. Release.

A. DEFINITIONS. All words used in this Release are intended to have their plain meanings in ordinary English. Specific terms in this Release have the following meanings:

1) Executive includes both Executive and anyone who has or obtains any legal rights or claims through Executive.

2) Company means Dayton Hudson Corporation and any company related to Company in the present or past, any company providing insurance to Company in the present or past, any present or past employee benefit plan sponsored by Company, Company's present or past officers, directors, employees and agents and any person who acted on behalf of Company or on instructions from Company.

3) Executive Claims means all of the rights Executive has now to any relief of any kind from Company, whether or not Executive knows about the rights or claims, including without limitation:

a. All claims Executive has now arising out of his employment with Company and his employment termination including, but not limited to, claims for breach of contract; claims for unpaid compensation or benefits; breach of the covenant of good faith and fair dealing; promissory or equitable estoppel; breach of fiduciary duty; violation of the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, Civil Rights Act of 1991, Section 1981 of the Civil Rights Act of 1866, the Equal Pay Act of 1963, Americans with Disabilities Act, The Minnesota Human Rights Act and other federal, state, and local civil rights or discrimination laws;

violation of the Employee Retirement Income Security Act of 1974; violation of the National Labor Relations Act; harassment; retaliation or reprisal; constructive discharge; invasion of privacy; violation of public policy; Executive's conduct as a "whistleblower"; fraud or misrepresentation; defamation; intentional or negligent infliction of emotional distress; negligence; interference with contractual or business relationships; interference with prospective economic advantage; wrongful termination of employment; assault; battery; and any other claims for unlawful employment practices, including all claims or causes of action in tort or contract;/1/ and

b. All claims for attorneys' fees and costs.

4) Company Claims means all of the rights the Company has now to any relief of any kind from Executive, except for any rights based upon facts not now known to the Company, including, without limitation:

a. All claims the Company has now arising out of Executive's employment with the Company and his employment termination including, but not limited to, claims for breach of contract; breach of the covenant of good faith and fair dealing; promissory or equitable estoppel, breach of fiduciary duty; violation of the Employee Retirement Income Security Act of 1974; violation of the National Labor Relations Act; harassment; retaliation or reprisal; invasion of privacy; violation of public policy; fraud or misrepresentation; defamation; negligence; interference with contractual or business relationships; interference with prospective economic advantage; and any other claims, including all claims or causes of action in tort or contract; and

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/1/ Any references to government statutes include any amendments to such statutes.

b. All claims for attorneys' fees and costs.

B. AGREEMENT TO RELEASE EMPLOYEE CLAIMS. In exchange for Company's having entered into this Agreement, Executive agrees to give up all Executive Claims against Company as described above, except as otherwise set forth in this Agreement. Executive will not bring any lawsuits or make any other demands against Company based on Executive Claims, except as otherwise set forth in this Agreement. The consideration Executive will receive under this Agreement is full and fair for the release of Executive Claims. Company does not owe Executive anything in addition to what Executive will be receiving under this Agreement.

C. AGREEMENT TO RELEASE COMPANY CLAIMS. In exchange for Executive's having entered into this Agreement, the Company agrees to give up all Company Claims against Executive as described above, except as otherwise set forth in this Agreement. The Company will not bring any lawsuits or make any other demands against Executive based on Company claims, except as otherwise set forth in this Agreement. The consideration the Company will receive under this Agreement is full and fair for the release of Company Claims. Executive does not owe the Company anything in addition to what the Company will be receiving under this Agreement. If Executive revokes this Agreement, the Company's release provided herein shall become null and void.

D. INDEMNIFICATION AND ADVANCING DEFENSE COSTS. This Agreement shall not release any claim or right of Executive for indemnification or advancing of defense costs from the Company (or any insurer) arising out of, related to, or connected with any claim asserted by a third party against the Company or Executive, or both, or any other claim or right of Executive for indemnification or advancing of defense costs from the Company based upon applicable law. The Company warrants and agrees that, when required to do so under applicable law, it shall comply with its obligations to indemnify Executive and advance his defense costs.

E. ADDITIONAL AGREEMENTS AND UNDERSTANDINGS. Even though Company will pay Executive to release Executive Claims against it, Company does not admit that it may be responsible or legally obligated to Executive. In fact, Company denies that it is responsible or legally obligated for Executive Claims or that it has engaged in any wrongdoing.

22. Miscellaneous. The services under this Agreement are personal services and this Agreement may not be assigned by Executive; provided, however, that the benefits of the Agreement under paragraph 3 may be assigned or transferred by Executive in connection with his estate planning. This Agreement shall be binding upon the Company and its successors and assigns and the Executive, his heirs, executors, successors and assigns. This Agreement embodies the entire Agreement and understandings between the Company and Executive and, except as set forth herein, supersedes all prior agreements and understandings (oral or written) relating to the subject matter (including those with any subsidiary of the Company). The terms of this Agreement may only be modified by an agreement in writing signed by Executive and a senior corporate officer of the Company.

23. Minnesota Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Minnesota, without giving effect to the conflict of laws principles.

24. Revocation. Executive understands that he may revoke, that is, cancel the Release set forth in Paragraph 21, if he does so within 15 calendar days after he signs this Agreement. To revoke he must do so in writing. The writing must be hand delivered or postmarked within 15 calendar days of the date that Executive signs this Agreement and must be addressed to the Corporate Secretary, Dayton Hudson Corporation, 777 Nicollet Mall, Minneapolis, Minnesota 55402. Executive understands that, if he mails his revocation, mailing by certified mail, return receipt requested, is recommended to show proof of mailing.

Please read carefully before signing

. Executive acknowledges that he has carefully read and understands the terms of this Agreement.

. Executive acknowledges that he has been advised and encouraged to consult with an attorney prior to signing this Agreement.

. Executive acknowledges that he has been given 21 days (or more) to consider whether to sign this Agreement. Executive acknowledges that if he signs this Agreement before the end of the 21 day period, it will be Executive's personal, voluntary decision to do so.

. In agreeing to sign this Agreement, Executive acknowledges that he has not relied on any statements or explanations made by Company or its attorneys.

. Executive understands that if he revokes this Release he will not receive any payments or benefits set forth in paragraphs 2, 3, 8, 14 and 21.C., except that payments under paragraph 8 will be made in one lump sum.

IN WITNESS WHEREOF the parties have hereto executed this Agreement.

DAYTON HUDSON CORPORATION

Date: 5/27/94 By: /s/ James T. Hale

Title: Sr. V.P.

Date: May 27, 1994 /s/ Henry T. DeNero

HENRY T. DeNERO

EXHIBIT (11)

DAYTON HUDSON CORPORATION AND SUBSIDIARIES
COMPUTATIONS OF PER SHARE EARNINGS

(In Millions, Except Per-Share Data)

| | Three Months Ended | | | | Six Months Ended | | | | Twelve Months Ended | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | July 30, 1994 | | July 31, 1993 | | July 30, 1994 | | July 31, 1993 | | July 30, 1994 | | July 31, 1993 | |
| | Earnings | Shares | Earnings | Shares | Earnings | Shares | Earnings | Shares | Earnings | Shares | Earnings | Shares |
| **Primary Computations** | | | | | | | | | | | | |
| Net earnings | $ 49 | | $ 24 | | $ 88 | | $ 54 | | $ 409 | | $ 360 | |
| Less: Dividend requirements on ESOP preferred shares, net of tax benefit on unallocated shares | (4) | | (4) | | (9) | | (9) | | (17) | | (21) | |
| Adjusted net earnings | $ 45 | | $ 20 | | $ 79 | | $ 45 | | $ 392 | | $ 339 | |
| Average common shares outstanding | | 71.6 | | 71.4 | | 71.6 | | 71.4 | | 71.5 | | 71.4 |
| Average number of common share equivalents: | | | | | | | | | | | | |
| Stock options | | 0.2 | | 0.1 | | 0.2 | | 0.2 | | 0.2 | | 0.2 |
| Performance shares | | 0.2 | | 0.2 | | 0.2 | | 0.1 | | 0.2 | | 0.1 |
| Adjusted common equivalent shares outstanding-primary | | 72.0 | | 71.7 | | 72.0 | | 71.7 | | 71.9 | | 71.7 |
| Primary Earnings Per Share | $0.62 | | $0.28 | | $1.10 | | $0.63 | | $5.45 | | $4.74 | |
| **Fully Diluted Computations** | | | | | | | | | | | | |
| Net earnings | $ 49 | | $ 24 | | $ 88 | | $ 54 | | $ 409 | | $ 360 | |
| Less: Earnings impact of assumed ESOP preferred share conversion, net of tax benefit on unallocated shares | (3) | | (3) | | (6) | | (6) | | (12) | | (15) | |
| Adjusted net earnings | $ 46 | | $ 21 | | $ 82 | | $ 48 | | $ 397 | | $ 345 | |
| Average common and common equivalent shares-primary | | 72.0 | | 71.7 | | 72.0 | | 71.7 | | 71.9 | | 71.7 |
| Additional common stock equivalents attributable to application of the treasury stock method | | 0.1 | | - | | 0.1 | | 0.1 | | - | | - |
| Assumed conversion of ESOP preferred shares | | 4.2 | | 4.3 | | 4.2 | | 4.3 | | 4.3 | | 4.3 |
| Adjusted common equivalent shares outstanding-fully diluted | | 76.3 | | 76.0 | | 76.3 | | 76.1 | | 76.2 | | 76.0 |
| FULLY DILUTED EARNINGS PER SHARE | $0.61 | | $0.28 | | $1.07 | | $0.63 | | $5.21 | | $4.55 | |
| AVERAGE ALLOCATED ESOP PREFERRED SHARES OUTSTANDING (IN MILLIONS) | | 2.1 | | 1.5 | | 2.0 | | 1.4 | | 1.9 | | 1.3 |

EXHIBIT (12)

DAYTON HUDSON CORPORATION AND SUBSIDIARIES

COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES
FOR THE SIX MONTHS ENDED JULY 30, 1994 AND JULY 31, 1993
AND FOR THE FIVE YEARS ENDED JANUARY 29, 1994

(Millions of Dollars)

| | Six Months Ended | | Fiscal Year Ended | | | | |
|---|---|---|---|---|---|---|---|
| | Jul 30, 1994 | Jul 31, 1993 | Jan 29, 1994 | Jan 30, 1993 | Feb 1, 1992 | Feb 2, 1991 | Feb 3, 1990 |
| Earnings: | | | | | | | |
| Consolidated net earnings........... | $ 88 | $ 54 | $ 375 | $ 383 | $ 301 | $ 412 | $ 410 |
| Income taxes........................ | 57 | 32 | 232 | 228 | 171 | 249 | 268 |
| Total earnings.................... | 145 | 86 | 607 | 611 | 472 | 661 | 678 |
| Fixed charges: | | | | | | | |
| Interest expense.................... | 217 | 231 | 459 | 454 | 421 | 333 | 283 |
| Dividends on preferred stock (pre-tax basis).................... | 19 | 19 | 39 | 39 | 39 | 39 | 2 |
| Interest portion of rental expense.. | 25 | 21 | 45 | 43 | 39 | 46 | 45 |
| Total fixed charges............... | 261 | 271 | 543 | 536 | 499 | 418 | 330 |
| Less: | | | | | | | |
| Dividends on preferred stock (pre-tax basis).................... | (19) | (19) | (39) | (39) | (39) | (39) | (2) |
| Capitalized interest................ | (3) | (3) | (5) | (6) | (11) | (8) | (10) |
| Fixed charges in earnings......... | 239 | 249 | 499 | 491 | 449 | 371 | 318 |
| Earnings available for fixed charges.. | $ 384 | $ 335 | $1,106 | $1,102 | $ 921 | $1,032 | $ 996 |
| Ratio of earnings to fixed charges.... | 1.47 | 1.24 | 2.04 | 2.06 | 1.85 | 2.47 | 3.02 |

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM DAYTON HUDSON CORPORATION'S FORM 10-Q FOR THE SIX-MONTH PERIOD ENDED JULY 30, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000,000

6-MOS
JAN-28-1995
JAN-30-1994
JUL-30-1994
169
0
1456
38
2860
4576
8679
2508
11089
3014
4599
72
365
0
2686
11089
9124
9267
6772
6772
2109
30
211
145
57
88
0
0
0
88
1.10
1.07