

**FORM 10-Q**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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(Mark One)

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

For the quarterly period ended April 28, 2012

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 1-11084

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**KOHL'S CORPORATION**

(Exact name of registrant as specified in its charter)

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WISCONSIN  
(State or other jurisdiction of  
incorporation or organization)

39-1630919  
(I.R.S. Employer  
Identification No.)

N56 W17000 Ridgewood Drive,  
Menomonee Falls, Wisconsin  
(Address of principal executive offices)

53051  
(Zip Code)

Registrant's telephone number, including area code (262) 703-7000

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 26, 2012, 239,787,419 shares of Common Stock, Par Value \$0.01, were outstanding.

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**KOHL'S CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(In Millions)**

	April 28, 2012 (Unaudited)	January 28, 2012 (Audited)	April 30, 2011 (Unaudited)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,029	\$ 1,205	\$ 1,668
Merchandise inventories	3,424	3,199	3,193
Deferred income taxes	119	109	113
Other	277	299	253
Total current assets	4,849	4,812	5,227
Property and equipment, net	8,961	8,905	8,718
Long-term investments	156	153	250
Other assets	266	261	258
Total assets	<u>\$ 14,232</u>	<u>\$ 14,131</u>	<u>\$ 14,453</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable	\$ 1,609	\$ 1,233	\$ 1,397
Accrued liabilities	1,102	1,130	970
Income taxes payable	80	133	85
Current portion of long-term debt	—	—	100
Current portion of capital lease and financing obligations	98	94	84
Total current liabilities	2,889	2,590	2,636
Long-term debt	2,141	2,141	1,494
Capital lease and financing obligations	2,008	2,009	1,996
Deferred income taxes	421	423	309
Other long-term liabilities	473	460	456
Shareholders' equity:			
Common stock	4	4	4
Paid-in capital	2,359	2,339	2,251
Treasury stock, at cost	(6,284)	(5,977)	(4,092)
Accumulated other comprehensive loss	(50)	(53)	(31)
Retained earnings	10,271	10,195	9,430
Total shareholders' equity	6,300	6,508	7,562
Total liabilities and shareholders' equity	<u>\$ 14,232</u>	<u>\$ 14,131</u>	<u>\$ 14,453</u>

See accompanying Notes to Condensed Consolidated Financial Statements

**KOHL'S CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**  
**(In Millions, Except per Share Data)**

	<b>Three Months Ended</b>	
	<b>April 28, 2012</b>	<b>April 30, 2011</b>
Net sales	<b>\$4,243</b>	<b>\$4,162</b>
Cost of merchandise sold (exclusive of depreciation shown separately below)	<b>2,719</b>	<b>2,576</b>
Gross margin	<b>1,524</b>	<b>1,586</b>
Operating expenses:		
Selling, general, and administrative	<b>1,002</b>	<b>1,004</b>
Depreciation and amortization	<b>201</b>	<b>191</b>
Operating income	<b>321</b>	<b>391</b>
Interest expense, net	<b>82</b>	<b>76</b>
Income before income taxes	<b>239</b>	<b>315</b>
Provision for income taxes	<b>85</b>	<b>114</b>
Net income	<b>\$ 154</b>	<b>\$ 201</b>
Net income per share:		
Basic:		
Basic	<b>\$ 0.63</b>	<b>\$ 0.70</b>
Average number of shares	<b>243</b>	<b>288</b>
Diluted:		
Diluted	<b>\$ 0.63</b>	<b>\$ 0.69</b>
Average number of shares	<b>245</b>	<b>290</b>
Dividends declared and paid per share	<b>\$ 0.32</b>	<b>\$ 0.25</b>

**KOHL'S CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS**  
**OF COMPREHENSIVE INCOME**  
**(Unaudited)**  
**(In Millions)**

	<b>Three Months Ended</b>	
	<b>April 28, 2012</b>	<b>April 30, 2011</b>
Net income	<b>\$154</b>	<b>\$201</b>
Other comprehensive (loss) income, net of tax:		
Unrealized gains on investments	<b>2</b>	<b>8</b>
Interest rate derivatives:		
Unrealized loss arising during period	<b>—</b>	<b>(2)</b>
Reclassification adjustment for interest expense included in net income	<b>1</b>	<b>—</b>
Other comprehensive income	<b>3</b>	<b>6</b>
Comprehensive income	<b>\$157</b>	<b>\$207</b>

See accompanying Notes to Condensed Consolidated Financial Statements

**KOHL'S CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited)**  
**(In Millions, Except Per Share Data)**

	<u>Common Stock</u>			<u>Treasury Stock</u>		<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In Capital</u>	<u>Shares</u>	<u>Amount</u>			
Balance at January 28, 2012	358	\$ 4	\$2,339	(111)	\$(5,977)	\$ (53)	\$10,195	\$6,508
Comprehensive income						3	154	157
Stock options and awards	1	—	21		—	—	—	21
Net income tax impact from exercise of stock options	—	—	(1)		—	—	—	(1)
Dividends paid (\$0.32 per share)	—	—	—		1	—	(78)	(77)
Treasury stock purchases	—	—	—	(6)	(308)	—	—	(308)
<b>Balance at April 28, 2012</b>	<b><u>359</u></b>	<b><u>\$ 4</u></b>	<b><u>\$2,359</u></b>	<b><u>(117)</u></b>	<b><u>\$(6,284)</u></b>	<b><u>\$ (50)</u></b>	<b><u>\$10,271</u></b>	<b><u>\$6,300</u></b>

See accompanying Notes to Condensed Consolidated Financial Statements

**KOHL'S CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In Millions)**

	<b>Three Months Ended</b>	
	<b>April 28, 2012</b>	<b>April 30, 2011</b>
<b>Operating activities</b>		
Net income	\$ 154	\$ 201
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	201	191
Share-based compensation	12	15
Excess tax benefits from share-based compensation	(1)	(1)
Deferred income taxes	(14)	13
Other non-cash revenues and expenses	(1)	6
Changes in operating assets and liabilities:		
Merchandise inventories	(223)	(156)
Other current and long-term assets	17	(21)
Accounts payable	376	260
Accrued and other long-term liabilities	(50)	(95)
Income taxes	(54)	(46)
Net cash provided by operating activities	<u>417</u>	<u>367</u>
<b>Investing activities</b>		
Acquisition of property and equipment	(177)	(221)
Sales of investments in auction rate securities	1	41
Net cash used in investing activities	<u>(176)</u>	<u>(180)</u>
<b>Financing activities</b>		
Treasury stock payments	(325)	(416)
Dividends paid	(77)	(72)
Long-term debt payments	—	(300)
Proceeds from financing obligations	3	—
Capital lease and financing obligation payments	(27)	(22)
Proceeds from stock option exercises	8	13
Excess tax benefits from share-based compensation	1	1
Net cash used in financing activities	<u>(417)</u>	<u>(796)</u>
Net decrease in cash and cash equivalents	(176)	(609)
Cash and cash equivalents at beginning of period	<u>1,205</u>	<u>2,277</u>
Cash and cash equivalents at end of period	<u>\$1,029</u>	<u>\$1,668</u>
<b>Supplemental information:</b>		
Interest paid, net of capitalized interest	\$ 52	\$ 61
Income taxes paid	155	149
<b>Non-Cash Investing and Financing Activities</b>		
Property and equipment acquired through capital lease and financing obligations	27	9

See accompanying Notes to Consolidated Financial Statements

**KOHL'S CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for fiscal year end financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the financial statements and related footnotes included in our Form 10-K for the fiscal year ended January 28, 2012 (Commission File No. 1-11084) as filed with the Securities and Exchange Commission on March 16, 2012.

Due to the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. In addition, quarterly results of operations depend significantly upon the timing and amount of sales and costs associated with the opening of new stores.

We operate as a single business unit.

We have corrected the presentation of \$69 million of long-term lease assets that were previously netted against other long-term liabilities in our Condensed Consolidated Balance Sheet as of April 30, 2011. We have also corrected the presentation of short-term deferred tax assets that were previously recorded as long-term deferred tax liabilities. This change was \$37 million as of January 28, 2012 and \$26 million as of April 30, 2011.

**2. Debt**

Long-term debt consists of the following:

<u>Maturing</u>	<u>April 28, 2012</u>		<u>January 28, 2012</u>		<u>April 30, 2011</u>	
	<u>Effective Rate</u>	<u>Out-standing</u>	<u>Effective Rate</u>	<u>Out-standing</u>	<u>Effective Rate</u>	<u>Out-standing</u>
	(Dollars in Millions)		(Dollars in Millions)			
Non-callable and unsecured senior debt:						
2017	6.31%	\$ 650	6.31%	\$ 650	6.31%	\$ 650
2021	4.81%	650	4.81%	650	—	—
2029	7.36%	200	7.36%	200	7.36%	200
2033	6.05%	300	6.05%	300	6.05%	300
2037	6.89%	350	6.89%	350	6.89%	350
October 2011	—	—	—	—	7.41%	100
Total senior debt	<u>6.01%</u>	<u>2,150</u>	<u>6.01%</u>	2,150	<u>6.59%</u>	1,600
Unamortized debt discount		(9)		(9)		(6)
Less current portion		—		—		(100)
Long-term debt		<u>\$2,141</u>		<u>\$2,141</u>		<u>\$1,494</u>

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**3. Fair Value Measurements**

ASC No. 820, "Fair Value Measurements and Disclosures," requires fair value measurements be classified and disclosed in one of the following three categories:

- Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

Cash and cash equivalents are classified as a Level 1 pricing category. The carrying value of our cash and cash equivalents approximates fair value because maturities are three months or less.

Our long-term investments consist primarily of investments in auction rate securities ("ARS"). The par value of our long-term investments was \$192 million as of April 28, 2012, \$193 million as of January 28, 2012 and \$297 million as of April 30, 2011. The estimated fair value of these securities was \$156 million as of April 28, 2012, \$153 million as of January 28, 2012 and \$250 million as of April 30, 2011.

All ARS are classified as a Level 3 pricing category. The fair value for our ARS were based on third-party pricing models which utilized a discounted cash flow model for each of the securities as there was no recent activity in the secondary markets in these types of securities. This model used a combination of observable inputs which were developed using publicly available market data obtained from independent sources and unobservable inputs that reflect our own estimates of the assumptions that market participants would use in pricing the investments. Observable inputs include interest rate currently being paid, maturity and credit ratings.

Unobservable inputs include expected redemption date and discount rate. We assumed a seven-year redemption period in valuing our ARS. We intend to hold these ARS securities until maturity or until we can liquidate them at par value. Based on our other sources of income, we do not believe we will be required to sell them before recovery of par value. In some cases, holding the security until recovery may mean until maturity, which ranges from 2016 to 2041. The weighted-average maturity date is 2035. The discount rate was calculated using the closest match available for other insured asset backed securities. No discount rate was used for \$50 million of ARS which were called at par in May 2012. Other discount rates ranged from 3.67% for AAA-rated securities to 13.67% for CCC-rated securities. The weighted-average discount rate was 5.57%. A market failure scenario was employed as recent successful auctions of these securities were very limited. Assuming a longer redemption period and a higher discount rate would result in a lower fair market value. Similarly, assuming a shorter redemption period and a lower discount rate would result in a higher fair market value.

The following table presents a rollforward of our long-term investments:

	Three Months Ended	
	April 28, 2012	April 30, 2011
	(In Millions)	
Balance at beginning of year	\$ 153	\$ 277
Sales	(1)	(41)
Unrealized gains	4	14
Balance at end of quarter	<u>\$ 156</u>	<u>\$ 250</u>



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Our senior debt is classified as a Level 1 pricing category and had an estimated fair market value of \$2.4 billion at April 28, 2012, \$2.4 billion at January 28, 2012 and \$1.8 billion at April 30, 2011.

#### 4. Stock-Based Compensation

We currently grant share-based compensation, including options to purchase shares of our common stock and nonvested stock to employees and outside directors, pursuant to the Kohl's Corporation 2010 Long-Term Compensation Plan. Annual grants of stock options and nonvested stock are generally made to eligible employees in the first quarter of the fiscal year. Grants to newly-hired and promoted employees and other discretionary grants are made periodically throughout the remainder of the year. Grants of stock options and nonvested stock are generally made to eligible outside directors upon their initial election to the Board of Directors and annually upon each such director's re-election.

The fair value of each option award is estimated using a Black-Scholes option valuation model and the following assumptions as of the grant date:

	2012	2011
Dividend yield	2.6%	1.8%
Volatility	33.7%	33.1%
Risk-free interest rate	1.1%	2.2%
Expected life in years	5.4	5.4
Weighted average fair value at grant date	\$11.80	\$14.81

The following table summarizes our stock option activity for the first three months of 2012 and 2011:

	2012		2011	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	(Shares in Thousands)			
Balance at beginning of year	16,564	\$ 53.41	17,869	\$ 53.17
Granted	916	48.83	749	52.78
Exercised	(231)	40.71	(286)	45.05
Forfeited/expired	(227)	58.64	(482)	63.77
Balance at end of quarter	<u>17,022</u>	<u>\$ 53.27</u>	<u>17,850</u>	<u>\$ 53.00</u>

The following table summarizes nonvested stock activity, including restricted stock equivalents issued in lieu of cash dividends, for the first three months of 2012 and 2011:

	2012		2011	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
	(Shares in Thousands)			
Balance at beginning of year	1,946	\$ 51.11	1,116	\$ 49.30
Granted	731	48.60	978	52.11
Vested	(388)	49.36	(246)	49.23
Forfeited	(45)	49.70	(6)	54.28
Balance at end of quarter	<u>2,244</u>	<u>\$ 50.62</u>	<u>1,842</u>	<u>\$ 50.79</u>

Stock-based compensation expense for both stock options and nonvested stock awards totaled \$12 million for the first three months of 2012 and \$15 million for the first three months of 2011. At April 28, 2012, we had approximately \$165 million of unrecognized share-based compensation expense (before forfeitures and capitalization), which is expected to be recognized over a weighted average period of 3.7 years.

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**5. Contingencies**

We are involved in various legal matters arising in the normal course of business. In the opinion of management, the outcome of such proceedings and litigation will not have a material impact on our financial position or results of operations.

**6. Net Income Per Share**

The information required to compute basic and diluted net income per share is as follows:

	Three Months Ended	
	April 28, 2012	April 30, 2011
	(In Millions)	
Numerator - net income	<u>\$ 154</u>	<u>\$ 201</u>
Denominator - weighted average shares		
Basic	243	288
Impact of dilutive employee stock options	<u>2</u>	<u>2</u>
Diluted	<u>245</u>	<u>290</u>
Antidilutive shares	12	9

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[Table of Contents](#)**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

For purposes of the following discussion, all references to "the first quarter of 2012" or "2012" are for the 13-week fiscal period ended April 28, 2012 and all references to "the first quarter of 2011" or "2011" are for the 13-week fiscal period ended April 30, 2011.

The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes included elsewhere in this report, as well as the financial and other information included in our 2011 Annual Report on Form 10-K (our "2011 Form 10-K"). The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed elsewhere in this report and in our 2011 Form 10-K (particularly in "Risk Factors").

**Executive Summary**

Net income was \$154 million (\$0.63 per diluted share) for the quarter compared to \$201 million (\$0.69 per diluted share) in the prior-year quarter.

Total sales for the first quarter were \$4.2 billion this year, an increase of 1.9% over the first quarter of 2011. Comparable store sales for the quarter increased 0.2%. Average unit retail increased 4.9% and units per transaction decreased 3.3%, resulting in a 1.6% increase in average transaction value. Transactions per store were 1.4% lower than the first quarter of 2011. E-Commerce sales increased 34% for the quarter and contributed approximately 160 basis points to the increase in our comparable store sales.

Gross margin as a percent of net sales decreased 220 basis points from the first quarter of 2011 as we focused on improving value for our customers during the current year quarter. Selling, general and administrative expenses as a percent of net sales improved, or "leveraged", approximately 50 basis points. Credit provided the most significant leverage, but we also saw positive results in our store payroll and controllable expenses.

We operated 1,134 stores as of April 28, 2012 and 1,097 as of April 30, 2011. Selling square footage was 83 million at April 28, 2012 and 81 million at April 30, 2011.

We opened nine new stores, including one relocated store, and closed one store this quarter. We plan to open approximately 10 more stores in the fall season. Substantially all of the new stores will be "small" stores with less than 64,000 square feet of retail space. We are temporarily reducing the number of remodels to approximately 50 stores per year as we assess potential changes to our store layout to increase sales productivity and operational efficiency.

**Results of Operations****Net Sales**

Total net sales increased 1.9% from \$4.16 billion in the first quarter of 2011 to \$4.24 billion in the first quarter of 2012. Comparable store sales increased 0.2%. The increases were due to the following:

(Dollars in Millions)	2012		2011	
	\$	%	\$	%
Comparable store sales:				
Stores	<u>\$ (57)</u>	<u>(1.4)%</u>	<u>\$ (7)</u>	<u>(0.2)%</u>
E-commerce	<u>64</u>	<u>34.1</u>	<u>59</u>	<u>46.5</u>
Total	<u>7</u>	<u>0.2</u>	<u>52</u>	<u>1.3</u>
Sales from new stores	<u>74</u>	<u>—</u>	<u>75</u>	<u>—</u>
Total net sales increase	<u>\$ 81</u>	<u>1.9%</u>	<u>\$ 127</u>	<u>3.1%</u>

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Drivers of the changes in comparable store sales, which are sales from stores (including relocated or remodeled stores) open throughout the full current and prior fiscal year periods and E-Commerce, were as follows:

	2012	2011
Average unit retail	4.9%	2.9%
Units per transaction	(3.3)	(2.7)
Average transaction value	1.6	0.2
Number of transactions	(1.4)	1.1
Comparable store sales	0.2%	1.3%

Despite price reductions which were made in the first quarter of 2012, our average unit retail remains higher than the first quarter of 2011 due to price increases which occurred during Fall 2011. The most significant price reductions were in our opening price point products, which tend to be the most price sensitive. Units per transaction and number of transactions declined in part due to insufficient inventory levels to meet the sales demand which resulted from the price reductions. Continued customer resistance to price increases in fiscal 2011 also had a negative impact on our units per transaction and number of transactions.

From a line of business perspective, Men's, Children's, and Accessories all outperformed the company average. Men's had comparable sales strength in casual sportswear, basics, dress shirts, and young men's. Children's was led by boys and girls. Within Accessories, fashion accessories & handbags, sterling silver and watches were notable performers.

Women's comparable sales were essentially flat. Active and updated sportswear were the strongest categories with low double-digit increases. Footwear was slightly negative despite a low double-digit increase in women's shoes. Home reported a low single-digit decrease. Strong performers within Home included tabletop, bath & towels and electrics.

From a regional perspective, the Cold regions (Mid-Atlantic, Midwest and Northeast) all significantly outperformed the warmer South Central, Southeast and West regions. The Midwest and Northeast regions reported low-single digit comparable sales increases. The Southeast and South Central regions reported low single-digit declines. The West reported a mid single-digit decline in comparable store sales.

Private and exclusive brand penetration increased 300 basis points to 53% of sales for the quarter. Private brands, such as Croft & Barrow, Sonoma and So, reported strong sales and increased penetration. Our recent exclusive brand launches, which include Jennifer Lopez, Marc Anthony and Rock & Republic, generated higher penetration. Our more mature exclusive brands, such as FILA Sport, Food Network, Lauren Conrad, Mudd and Simply Vera Vera Wang, also generated higher penetration for the quarter.

E-Commerce sales increased approximately 34% for the quarter to \$251 million. The sales growth is primarily the result of an increased number of transactions.

## Gross Margin

(Dollars in Millions)	2012	2011	Decrease	
			\$	%
Gross margin	\$1,524	\$1,586	\$(62)	(4)%
Gross margin as a percent of net sales	35.9%	38.1%		

Gross margin includes the total cost of products sold, including product development costs, net of vendor payments other than reimbursement of specific, incremental and identifiable costs; inventory shrink; markdowns; freight expenses associated with moving merchandise from our vendors to our distribution centers; shipping and handling expenses of E-Commerce sales; and terms cash discount. Our gross margin may not be comparable with that of other retailers because we include distribution center costs in selling, general and administrative expenses while other retailers may include these expenses in cost of merchandise sold.

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Gross margin as a percent of net sales declined 220 basis points to 35.9% for the first quarter of 2012. The decrease is primarily due to lower prices and higher promotional discounts, especially in our opening price point private brands. Declines in national brand gross margin rates were generally consistent with the company average. Gross margin rates for our exclusive brands, which are less price sensitive and at higher price points, declined less than the company average.

Our E-Commerce business decreased our gross margin rate by approximately 60 basis points. This business currently has a lower gross margin than our stores due to the mix of products sold on-line and free or related shipping promotions.

### Selling, General and Administrative Expenses

(Dollars in Millions)	2012	2011	Decrease	
			\$	%
SG&A	\$1,002	\$1,004	\$(2)	(0)%
SG&A as a percent of net sales	23.6%	24.1%		

Selling, general and administrative expenses (“SG&A”) include compensation and benefit costs (including stores, headquarters, buying and merchandising and distribution centers); occupancy and operating costs of our retail, distribution and corporate facilities; freight expenses associated with moving merchandise from our distribution centers to our retail stores and among distribution and retail facilities; advertising expenses, offset by vendor payments for reimbursement of specific, incremental and identifiable costs; net revenues from our Kohl’s credit card operations; and other administrative costs. SG&A also includes the costs incurred prior to new store openings, such as advertising, hiring and training costs for new employees, processing and transporting initial merchandise, and rent expense. We do not include depreciation and amortization in SG&A. The classification of these expenses varies across the retail industry.

SG&A decreased \$2 million and approximately 50 basis points as a percentage of sales from the prior-year quarter due to effective expense management. Net revenues from our credit card operations increased \$23 million. The increase was the result of higher finance charge revenues due to higher average receivables and higher late fees due to growth in the portfolio and a higher incident rate. A more favorable revenue sharing percentage under the current Capital One agreement also contributed to the increase in net credit card revenues.

Store payroll expenses as a percent of sales decreased, or “leveraged,” during the quarter due to continued implementation of electronic signs and strong payroll management. Advertising, distribution centers and information technology (“IT”) did not leverage during the quarter. Advertising did not leverage due to incremental spend to support new brand launches during the quarter and incremental spend on our spring television marketing campaign. Growth in our E-Commerce business contributed to the decrease in distribution center costs as a percentage of sales. IT deleveraged due to continued investment.

### Depreciation and Amortization

(Dollars in Millions)	2012	2011	Increase	
			\$	%
Depreciation & amortization	\$201	\$191	\$10	5%
Depreciation & amortization as a percent of net sales	4.7%	4.6%		

The increase in depreciation and amortization is primarily attributable to new stores and E-Commerce fulfillment centers.

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### Operating Income

(Dollars in Millions)	2012	2011	Decrease	
			\$	%
Operating income	\$321	\$391	\$(70)	(18)%
Operating income as a percent of net sales	7.6%	9.4%		

Operating income as a percent of net sales decreased approximately 180 basis points from the prior-year quarter.

### Interest Expense, Net

Interest expense was \$82 million in the first quarter of 2012 and \$76 million in the first quarter of 2011. The increase is primarily due to the \$650 million of long-term debt issued in October 2011.

### Provision for Income Taxes

Our effective tax rate was 35.5% for the first quarter of 2012, compared to 36.3% for the prior-year quarter. The decrease is primarily due to resolution of state tax audits during the current period.

### Seasonality & Inflation

Our business, like that of most retailers, is subject to seasonal influences, with the major portion of sales and income typically realized during the second half of each fiscal year, which includes the back-to-school and holiday seasons. Approximately 15% of annual sales typically occur during the back-to-school season and 30% during the holiday season. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. In addition, quarterly results of operations are impacted by the timing and amount of sales and costs associated with the opening of new stores.

Although we expect that our operations will be influenced by general economic conditions, including rising food, fuel and energy prices, we do not believe that inflation has had a material effect on our results of operations. However, there can be no assurance that our business will not be affected by such factors in the future. We experienced 10 – 15% increases in apparel costs in 2011. We expect to see modest increases in the first six months of 2012, but to see decreases in the last six months of the year.

### Financial Condition and Liquidity

Our primary ongoing cash requirements are for capital expenditures in connection with our expansion and remodeling programs and seasonal and new store inventory purchases. Share repurchases and dividend payments to shareholders are currently another significant usage of cash. These payments are discretionary and can be discontinued at any time should we require cash for other uses. Our primary sources of funds are cash flow provided by operations, short-term trade credit and our lines of credit. Short-term trade credit, in the form of extended payment terms for inventory purchases, often represents a significant source of financing for merchandise inventories. Seasonal cash needs may be met by cash on hand and/or the line of credit available under our revolving credit facility. Our working capital and inventory levels typically build throughout the fall, peaking during the November and December holiday selling season.

(Dollars in Millions)	2012	2011	Increase in Cash	
			\$	%
<b>Net cash provided by (used in):</b>				
Operating activities	\$ 417	\$ 367	\$ 50	14%
Investing activities	(176)	(180)	4	2
Financing activities	(417)	(796)	379	48

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*Operating Activities.* Operating activities generated \$417 million of cash in 2012, compared to \$367 million in 2011.

Merchandise inventory per store excluding E-Commerce increased three percent, but decreased six percent in units.

Accounts payable as a percent of inventory was 47.0% at April 28, 2012, compared to 43.8% at April 30, 2011. The increase is primarily due to expiration of vendor financing initiatives in 2011 and an increase in March and April receipts compared to 2011.

*Investing Activities.* Net cash used in investing activities reflects a \$44 million decrease in capital spending primarily due to lower spending on remodels and E-commerce fulfillment centers, partially offset by higher technology spending. The decrease was offset by a \$40 million decrease in proceeds from auction rate security sales compared to 2011.

*Financing Activities.* Financing activities used cash of \$417 million in 2012 and \$796 million in 2011.

We paid cash for treasury stock purchases settled during the quarter of \$325 million in 2012 and \$416 million in 2011. The shares were purchased as part of our \$3.5 billion share repurchase program. Pursuant to this program, we may repurchase shares from time to time in open market transactions, accelerated stock repurchase programs, tender offers, privately negotiated transactions or by other means. Subject to market conditions, we expect to complete the program by the end of Fiscal 2013.

In March 2011, we repaid \$300 million of long-term debt.

We paid quarterly dividends of \$77 million, or \$0.32 per common share, in the first quarter of 2012 and \$72 million, or \$0.25 per common share, in the first quarter of 2011. On May 9, 2012, our board of directors declared a quarterly dividend of \$0.32 per common share. The dividend is payable June 27, 2012 to shareholders of record at the close of business on June 6, 2012.

*Key Financial Ratios.* Key financial ratios that provide certain measures of our liquidity are as follows:

	April 28, 2012	January 28, 2012	April 30, 2011
Working capital (In Millions)	\$ 1,960	\$ 2,222	\$ 2,591
Current ratio	1.68:1	1.86:1	1.98:1
Debt/capitalization	40.3%	39.5%	32.7%

The decrease in working capital and the current ratio as of April 28, 2012 compared to April 30, 2011 was primarily due to lower cash and cash equivalents, primarily related to share repurchases in the first quarter of 2012 and the last three quarters of 2011. The increase in the debt/capitalization ratio reflects the issuance of \$650 million of debt in October 2011, offset by lower capitalization, primarily due to share repurchases in 2011 and 2012.

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*Debt Covenant Compliance.* As of April 28, 2012, we were in compliance with all debt covenants and expect to remain in compliance during fiscal 2012.

(Dollars in Millions)	
Total Debt	\$ 4,256
Permitted Exclusions	(9)
Subtotal	4,247
Rent x 8	2,092
Included Indebtedness (A)	\$ 6,339
Net Worth	\$ 6,300
Investments (accounted for under equity method)	—
Subtotal	6,300
Included Indebtedness	6,339
Capitalization (B)	\$12,639
Leverage Ratio (A/B)	0.50
Maximum permitted Leverage Ratio	0.70

*Free Cash Flow.* We generated free cash flow of \$216 million in 2012 compared to \$124 million in 2011. Free cash flow is a non-GAAP financial measure which we define as net cash provided by operating activities and proceeds from financing obligations (which generally represent landlord reimbursements of construction costs) less capital expenditures and capital lease and financing obligation payments. Free cash flow should be evaluated in addition to, and not considered a substitute for, other financial measures such as net income and cash flow provided by operations. We believe that free cash flow represents our ability to generate additional cash flow from our business operations.

The following table reconciles net cash provided by operating activities, a GAAP measure, to free cash flow, a non-GAAP measure.

(In Millions)	2012	2011	Increase (Decrease)
Net cash provided by operating activities	\$ 417	\$ 367	\$ 50
Acquisition of property and equipment	(177)	(221)	44
Capital lease and financing obligation payments	(27)	(22)	(5)
Proceeds from financing obligations	3	—	3
Free cash flow	\$ 216	\$ 124	\$ 92

## Contractual Obligations

There have been no significant changes in the contractual obligations disclosed in our 2011 Form 10-K.

## Off-Balance Sheet Arrangements

We have not provided any financial guarantees as of April 28, 2012. We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

## Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts. Management has discussed the development, selection and disclosure of its estimates and assumptions with the Audit Committee of our Board of Directors. There have been no significant changes in the critical accounting policies and estimates discussed in our 2011 Form 10-K.



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

There have been no significant changes in the market risks described in our 2011 Form 10-K.

**Item 4. Controls and Procedures**

*(a) Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (the "Evaluation") at a reasonable assurance level as of the last day of the period covered by this Report.

Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") as controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions, regardless of how remote.

Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of the last day of the period covered by this Report. As noted below, we have identified a material weakness in our internal controls over financial reporting. The principal factor that contributed to this material weakness was the misinterpretation of complex accounting standards related to leases where we, as the lessee, are involved in asset construction pursuant to ASC 840, "Leases."

*(b) Planned Remediation Efforts to Address Material Weakness*

As stated above, we identified a material weakness in our controls over the accounting for leases. This error was first identified during the quarter ended July 30, 2011. The principal factor that contributed to this material weakness was the misinterpretation of complex accounting standards related to leases where we, as the lessee, are involved in asset construction pursuant to ASC 840, "Leases." This material weakness resulted in a number of errors in our accounting for leases and contributed to the restatement in September 2011 of our Quarterly Report on Form 10-Q for the quarter ended April 30, 2011 and our Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

To remediate the material weakness described above, we have implemented remedial measures including a review of all of our leases to correct instances where we were not complying with generally accepted accounting principles. In addition, we have developed updated procedures to reflect the technical guidance for lease accounting and have instituted additional management review to confirm the proper implementation of accounting standards going forward. Despite the remedial measures that have been implemented, the material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Given the timing of new lease transactions and the length of the typical lease cycle, we have not yet had a sufficient number of transactions to test to ensure that these controls are operating effectively.

We currently expect that the necessary testing of the controls over accounting for leases will be completed in fiscal 2012 and will indicate that the material weakness related to these controls has been remediated.

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(c) *Changes in Internal Control Over Financial Reporting*

Except as otherwise discussed above, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect such controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

**PART II. OTHER INFORMATION**

**Item 1A. Risk Factors**

There have been no significant changes in our risk factors from those described in our 2011 Form 10-K.

*Forward-looking Statements*

This report contains “forward-looking statements” made within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “believes,” “anticipates,” “plans,” “may,” “intends,” “will,” “should,” “expects” and similar expressions are intended to identify forward-looking statements. Without limiting the foregoing, these statements may relate to future outlook, revenues, earnings, store openings, planned capital expenditures, market conditions, new strategies and the competitive environment. Forward-looking statements are based on our management’s then current views and assumptions and, as a result, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Any such forward-looking statements are qualified by the important risk factors, described in Item 1A of our 2011 Form 10-K, that could cause actual results to differ materially from those predicted by the forward-looking statements. Forward-looking statements relate to the date initially made, and we undertake no obligation to update them. An investment in our common stock or other securities carries certain risks. Investors should carefully consider the risks as stated in our Form 10-K and other risks which may be disclosed from time to time in our filings with the SEC before investing in our securities.

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

We did not sell any securities during the quarter ended April 28, 2012, which were not registered under the Securities Act.

In February 2011, our Board of Directors increased the remaining share repurchase authorization under our existing share repurchase program by \$2.6 billion, from \$900 million to \$3.5 billion. Pursuant to this program, we may repurchase shares from time to time in open market transactions, accelerated stock repurchase programs, tender offers, privately negotiated transactions or by other means. Subject to market conditions, we expect to complete the program by the end of Fiscal 2013.

The following table contains information for shares repurchased and shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of the employees’ restricted stock during the three fiscal months ended April 28, 2012:

	<u>Total Number of Shares Purchased During Period</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u> (In millions)
January 29 - February 25	2,845,849	\$ 49.19	2,835,000	\$ 1,030
February 26 - March 31	2,222,180	\$ 49.20	2,088,103	925
April 1 - April 28	1,140,745	\$ 50.24	1,140,552	870
Total	<u>6,208,774</u>	<u>\$ 49.39</u>	<u>6,063,655</u>	<u>\$ 870</u>

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**Item 6. Exhibits**

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Periodic Report by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Periodic Report by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

**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.

Date: June 1, 2012

Kohl's Corporation  
(Registrant)

/s/ Wesley S. McDonald  
Wesley S. McDonald  
Senior Executive Vice President and Chief Financial Officer  
(Principal Financial and Chief Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin Mansell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kohl's Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 1, 2012

/s/ Kevin Mansell

Kevin Mansell  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wesley S. McDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kohl's Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 1, 2012

/s/ Wesley S. McDonald

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Wesley S. McDonald  
Senior Executive Vice President and Chief Financial Officer  
(Principal Financial and Chief Accounting Officer)

**CERTIFICATION OF PERIODIC REPORT  
BY CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin Mansell, Chief Executive Officer of Kohl's Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the undersigned's knowledge, on the date of this Certification:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 28, 2012 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 1, 2012

/s/ Kevin Mansell

Kevin Mansell  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT  
BY CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wesley S. McDonald, Chief Financial Officer of Kohl's Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the undersigned's knowledge, on the date of this Certification:

1. the Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 28, 2012 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 1, 2012

/s/ Wesley S. McDonald

Wesley S. McDonald  
Senior Executive Vice President and Chief Financial Officer  
(Principal Financial and Chief Accounting Officer)