KOHLS CORPORATION
Form 10-K
March 19, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended January 30, 2010

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 No. 1-11084

KOHL S CORPORATION

(Exact name of registrant as specified in its charter)

WISCONSIN	**39-1630919**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
N56 W17000 Ridgewood Drive,	
Menomonee Falls, Wisconsin	**53051**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __X__ No ______.

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

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__X__ No ______.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations 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__X__ No ______.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

At August 1, 2009, the aggregate market value of the voting stock of the Registrant held by stockholders who were not affiliates of the Registrant was approximately $14.8 billion (based upon the closing price of Registrant s Common Stock on the New York Stock Exchange on such date). At March 10, 2010, the Registrant had outstanding an aggregate of 306,974,796 shares of its Common Stock.

Documents Incorporated by Reference:

Portions of the Proxy Statement for the Registrant s Annual Meeting of Shareholders to be held on May 13, 2010 are incorporated into Parts II and III.

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PART I

Item 1. Business

Kohl s Corporation (the Company or Kohl s) was organized in 1988 and is a Wisconsin corporation. We operate family-oriented department stores that sell moderately priced apparel, footwear and accessories for women, men and children; soft home products such as sheets and pillows; and housewares. Our stores generally carry a consistent merchandise assortment with some differences attributable to regional preferences. Our stores feature quality private and exclusive brands which are found Only at Kohl s as well as national brands. Our apparel and home fashions appeal to classic, modern classic and contemporary customers. As of January 30, 2010, we operated 1,058 stores in 49 states.

As reflected in the table below, our merchandise mix has been consistent over the last three years:

	2009	2008	2007
Women s	**32%**	32%	33%
Men s	**19**	19	19
Home	**18**	18	18
Children s	**13**	13	13
Accessories	**10**	10	9
Footwear	**8**	8	8

In addition, Kohl s offers on-line shopping on our website at www.Kohls.com. Designed as an added service for customers who prefer to shop using the internet, the website has grown to include a selection of items and categories beyond what is available in stores, with a primary focus on extended sizes, product line extensions, and web-exclusive product lines. The website is designed to provide a convenient, easy-to-navigate, on-line shopping environment that complements our in-store focus.

An important aspect of our pricing strategy and overall profitability is a culture focused on maintaining a low-cost structure. Critical elements of this low-cost structure are our unique store format, lean staffing levels, sophisticated management information systems and operating efficiencies which are the result of centralized buying, advertising and distribution.

Our fiscal year ends on the Saturday closest to January 31. Unless otherwise noted, references to years in this report relate to fiscal years, rather than to calendar years. Fiscal year 2009 (2009) ended on January 30, 2010. Fiscal year 2008 (2008) ended on January 31, 2009. Fiscal year 2007 (2007) ended on February 2, 2008. Fiscal 2009, 2008 and 2007 were 52-week years.

Strategic Committees and Initiatives

We have two strategic committees which focus on opportunities to drive our overall profitability. The mission of the Regional Assortment Committee is to accelerate sales growth by varying merchandise assortment, marketing and store presentation by region to reflect the lifestyle preferences and climate needs of our customers. The mission of the In-Store Experience Committee is to consistently deliver an improved store experience that generates loyalty and grows market share.

The following initiatives have been designed to achieve the goals of the strategic committees:

Our ***merchandise content initiatives*** are focused on increasing market share by expanding Kohl s appeal to a broader range of customers and by creating value and differentiation with private and exclusive brands which are available Only at Kohl s. New brand launches in 2009 included:

Dana Buchman a classic lifestyle brand, spanning several categories including women s apparel, intimate apparel, accessories, and footwear, launched in February 2009. Ultimately, the brand may be extended into home, beauty and fragrance categories.

Hang Ten a California lifestyle collection for young shoppers launched in Spring 2009.

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Mudd launched in juniors and girls prior to the 2009 back-to-school shopping season.

LC Lauren Conrad exclusive partnership with Lauren Conrad, launched in approximately 300 Kohl s stores and Kohls.com in October 2009. LC Lauren Conrad will be rolled out to all stores nationwide in March 2010. We accelerated the roll-out due to better than expected sales. Our original plans did not call for roll out until Fall 2010.

Helix, our newest private brand, launched in February 2010. Helix is an opening-price brand positioned in our Contemporary Good lifestyle/price zone and will be featured in young men s tops, fashion bottoms and shorts.

The success of our recently launched brands, as well as our other exclusive and private brands, continue to drive increased penetration of our exclusive and private labels. Exclusive and private brand sales as a percentage of total sales increased approximately 220 basis points to 44.3% for 2009.

Our ***marketing initiatives*** are designed to differentiate Kohl s in the marketplace while maximizing the return on our marketing investment. Our 2009 marketing efforts used The More You Know, The More You Kohl s platform to focus on the value of shopping at Kohl s. Our marketing emphasized the power of Kohl s savings tools that allow our customer to save more money like compelling sale events, savings for Kohl s Charge cardholders, sale events with no exclusions, and unique Only at Kohl s events such as Kohl s Cash and Power Hours.

We used all media types to communicate the message including both national and spot television, radio, newspaper tab insertions, direct mail, e-mail and digital media along with our own Kohl s.com website. Our marketing also emphasized our flexible, no questions asked, return policy.

Our ***inventory management initiatives*** are designed to ensure that we have the right inventory, in the right stores, at the right time.

Size optimization is focused on ensuring that each of our individual stores has inventory in the correct style, color and size.

Markdown optimization is focused on pricing clearance items at the appropriate price for each location s inventory and sales history.

Another important inventory management initiative is to increase our speed-to-market through our concept-to customer strategy. Two years ago, it took 45 weeks from the start of development to the delivery of products to the stores. Today, our cycle time is typically 20 to 32 weeks, with our fastest brands delivering in 12 weeks and reorders in four to six weeks.

During 2009, we continued to aggressively manage our inventory levels by reducing seasonal inventory levels, while maintaining levels in basic areas such as hosiery and underwear. As a result of strong inventory management and cycle time reductions, clearance inventory levels have decreased for a second consecutive year. Our year-end inventory per store (on a dollar basis) decreased 0.9% from last year.

The objective of our ***in-store shopping experience initiative*** is to satisfy the changing needs and expectations of our customers.

Practical, easy shopping is about convenience. At Kohl s, convenience includes a neighborhood location close to home, convenient parking, easily accessible entry, knowledgeable and friendly associates, wide aisles, a functional store layout, shopping carts/strollers and fast, centralized checkouts. Though our stores have fewer departments than traditional, full-line department stores, the physical layout of the store and our focus on strong in-stock positions in style, color and size is aimed at providing a convenient shopping experience for an increasingly time-starved customer.

Remodels are also an important part of our in-store shopping experience initiative as we believe it is extremely important to maintain our existing store base, even in this difficult environment. We completed 51 store remodels in 2009 an increase from the 36 stores which were remodeled in 2008 and currently plan to remodel 85 stores in 2010. We have been able to compress the remodel duration period from 16 weeks to nine weeks over the past two years to minimize costs and disruption to our stores, benefiting our sales and customer experience.

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Our new and remodeled stores continue to reflect our latest thoughts in store design. Recent enhancements include new and updated exteriors and point-of-sale stations; improved fitting rooms, lounges, restrooms and customer service areas; and specialty fixturing. We have also updated the junior s, kids, young men s and shoe departments and redesigned our center core to improve sightlines throughout the store. Remodels and new stores in 2010 will contain a dramatically re-designed home area which will allow us to have more capacity on the sales floor and provide more flexibility in our fixtures.

As a result of our in-store experience and other initiatives, we have seen an approximately 7% improvement in our customer service scorecard results in 2009. Customer service scores are delivered from direct customer surveys conducted by an independent research firm.

For discussion of our financial results, see Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Expansion

Our expansion strategy has been, and will continue to be, designed to achieve profitable growth. At the time of our initial public offering in 1992, we had 79 stores in the Midwest. As of year-end 2009, we operated 1,058 stores in 49 states and in every large and intermediate sized market in the United States. As a result of economic conditions throughout the United States, our store growth in 2009 was slower than in prior years.

	2008	Net Additions	2009	Estimated Net Additions	2010
Number of stores	1,004	54	**1,058**	30	1,088
Gross square footage (in millions)	89	4	**93**	2	95
Retail selling square footage (in millions)	75	3	**78**	2	80

We expect that the expansion rate in 2009 and 2010 will be more indicative of future expansion than our past history. We will, however, continue to focus our future expansion efforts on opportunistic acquisitions given the current retail environment as well as fill-in stores in our better performing markets.

The Kohl s concept has proven to be transferable to markets across the country. New market entries are supported by extensive advertising and promotions which are designed to introduce new customers to the Kohl s concept of brands, value and convenience. Additionally, we have been successful in acquiring, refurbishing and operating locations previously operated by other retailers. Of the 1,058 stores we operated as of January 30, 2010, 237 are take-over locations, which facilitated our initial entry into several markets. Once a new market is established, we add additional stores to further strengthen market share and enhance profitability.

We remain focused on providing the solid infrastructure needed to ensure consistent, low-cost execution. We proactively invest in distribution capacity and regional management to facilitate growth in new and existing markets. Our central merchandising organization tailors merchandise assortments to reflect regional climates and preferences. Management information systems support our low-cost culture by enhancing productivity and providing the information needed to make key merchandising decisions.

We believe the transferability of the Kohl s retailing strategy, our experience in acquiring and converting pre-existing stores and in building new stores, combined with our substantial investment in management information systems, centralized distribution and headquarters functions provide a solid foundation for further expansion.

Distribution

We receive substantially all of our merchandise at nine retail distribution centers. A small amount of our merchandise is delivered directly to the stores by vendors or their distributors. The retail distribution centers,

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which are strategically located through the United Sates, ship merchandise to each store by contract carrier several times a week. We also operate a 940,000 square foot fulfillment center in Monroe, Ohio that services our e-commerce business. Additionally, we plan to open a 970,000 square foot e-commerce fulfillment center in San Bernardino, California in June 2010 to provide increased capacity to support our growing e-commerce business.

See Item 2, Properties, for additional information about our distribution centers.

Employees

As of January 30, 2010, we employed approximately 133,000 associates, including approximately 29,000 full-time and 104,000 part-time associates. The number of associates varies during the year, peaking during the back-to-school and holiday seasons. None of our associates are represented by a collective bargaining unit. We believe our relations with our associates are very good.

Competition

The retail industry is highly competitive. Management considers quality, value, merchandise mix, service and convenience to be the most significant competitive factors in the industry. Our primary competitors are traditional department stores, upscale mass merchandisers and specialty stores. Our specific competitors vary from market to market.

Merchandise Vendors

We purchase merchandise from numerous domestic and foreign suppliers. We have Terms of Engagement requirements which set forth the basic minimum requirements all business partners must meet in order to do business with Kohl s. Our Terms of Engagement include provisions regarding laws and regulations, employment practices, ethical standards, environmental and legal requirements, communication, monitoring/compliance, record keeping, subcontracting and corrective action. Our expectation is that all business partners will comply with these Terms of Engagement and quickly remediate any deficiencies, if noted, in order to maintain our business relationship.

None of our vendors accounted for more than 5% of our net purchases during 2009. We have no long-term purchase commitments or arrangements with any of our suppliers, and believe that we are not dependent on any one supplier. We believe we have good working relationships with our suppliers.

Seasonality

Our business, like that of most retailers, is subject to seasonal influences. The majority of our sales and income are typically realized during the second half of each fiscal year. The back-to-school season extends from August through September and represents approximately 15% of our annual sales. Approximately 30% of our sales occur during the holiday season in the months of November and December. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the fiscal year. In addition, quarterly results of operations depend upon the timing and amount of revenues and costs associated with the opening of new stores.

Trademarks and Service Marks

The name Kohl s is a registered service mark of one of our wholly-owned subsidiaries. We consider this mark and the accompanying name recognition to be valuable to our business. This subsidiary has over 125 additional registered trademarks, trade names and service marks, most of which are used in our private label program.

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Available Information

Our internet website is www.Kohls.com. Through the Investor Relations portion of this website, we make available, free of charge, our proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, SEC Forms 3, 4 and 5 and any amendments to those reports as soon as reasonably practicable after such material has been filed with, or furnished to, the Securities and Exchange Commission (SEC).

The following have also been posted on our website, under the caption Investor Relations-Corporate Governance:

- Committee charters of our Board of Directors Audit Committee, Compensation Committee and Governance & Nominating Committee
- Report to Shareholders on Social Responsibility
- Corporate Governance Guidelines
- Code of Ethics

Any amendment to or waiver from the provisions of the Code of Ethics that is applicable to our Chief Executive Officer, Chief Financial Officer or other key finance associates will be disclosed on the Corporate Governance portion of the website.

Information contained on our website is not part of this Annual Report on Form 10-K. Paper copies of any of the materials listed above will be provided without charge to any shareholder submitting a written request to our Investor Relations Department at N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051 or via e-mail to Investor.Relations@Kohls.com.

Item 1A. Risk Factors

Forward Looking Statements

Items 1, 2, 3, 5, 7 and 7A of this Form 10-K contain 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 inte identify forward-looking statements. In addition, statements covering our future sales or financial performance and our plans, performance and other objectives, expectations or intentions are forward-looking statements, such as statements regarding our liquidity, debt service requirements, planned capital expenditures, future store openings and adequacy of capital resources and reserves. There are a number of important factors that could cause our results to differ materially from those indicated by the forward-looking statements, including among others, those risk factors described below. Forward-looking statements relate to the date made, and we undertake no obligations to update them.

Declines in general economic conditions, consumer spending levels and other conditions could lead to reduced consumer demand for our merchandise and cause reductions in our sales and/or gross margin.

Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy costs, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers disposable income, credit availability and debt levels.

The recent slowdown has caused disruptions and significant volatility in financial markets, increased rates of default and bankruptcy and declining consumer and business confidence, which has led to decreased levels of

consumer spending, particularly on discretionary items. A continued or incremental slowdown in the U.S. economy and the uncertain economic outlook could continue to adversely affect consumer spending habits resulting in lower net sales and profits than expected on a quarterly or annual basis. As all of our stores are located in the United States, we are especially susceptible to deteriorations in the U.S. economy.

Consumer confidence is also affected by the domestic and international political situation. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the United States, could lead to a decrease in spending by consumers.

Actions by our competitors could adversely affect our operating results.

The retail business is highly competitive. We compete for customers, associates, locations, merchandise, services and other important aspects of our business with many other local, regional and national retailers. Those competitors, some of which have a greater market presence than Kohl s, include traditional store-based retailers, internet and catalog businesses and other forms of retail commerce. Unanticipated changes in the pricing and other practices of those competitors may adversely affect our performance.

Product safety concerns could adversely affect our sales and operating results.

If our merchandise offerings do not meet applicable safety standards or our customers expectations regarding safety, we could experience lost sales, experience increased costs and/or be exposed to legal and reputational risk. Events that give rise to actual, potential or perceived product safety concerns could expose us to government enforcement action and/or private litigation. Reputational damage caused by real or perceived product safety concerns, could have a negative impact on our sales.

If we do not offer merchandise our customers want and fail to successfully manage our inventory levels, our sales and/or gross margin may be adversely impacted.

Our business is dependent on our ability to anticipate fluctuations in consumer demand for a wide variety of merchandise. Failure to accurately predict constantly changing consumer tastes, preferences, spending patterns and other lifestyle decisions could create inventory imbalances and adversely affect our performance and long-term relationships with our customers. Additionally, failure to accurately predict changing consumer tastes may result in excess inventory, which could result in additional markdowns and adversely affect our operating results.

Ineffective marketing could adversely affect our sales and profitability.

In 2009, advertising costs, net of related vendor allowances, were $846 million. We believe that differentiating Kohl s in the marketplace is critical to our success. We design our marketing programs to increase awareness of our brands, which we expect will create and maintain customer loyalty, increase the number of customers that shop our stores and increase our sales. If our marketing programs are not successful, our sales and profitability could be adversely affected.

We may be unable to raise additional capital, if needed, or to raise capital on favorable terms.

Recently, the general economic and capital market conditions in the United States and other parts of the world have deteriorated significantly and have adversely affected access to capital and increased the cost of capital. If our existing cash, cash generated from operations and funds available on our lines of credit are insufficient to fund our future activities, including capital expenditures, or repay debt when it becomes due, we may need to raise additional funds through public or private equity or debt financing. If unfavorable capital market conditions exist if and when we were to seek additional financing, we may not be able to raise sufficient capital on favorable terms and on a timely basis (if at all). Failure to obtain capital on acceptable terms, or at all, when required by our business circumstances could have a material adverse effect on us including an inability to fund new growth and other capital expenditures.

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Inefficient or ineffective allocation of capital could adversely affect our operating results and/or shareholder value.

Our goal is to invest capital to maximize our overall long-term returns. This includes spending on inventory, capital projects and expenses, managing debt levels, and periodically returning value to our shareholders through share repurchases. To a large degree, capital efficiency reflects how well we manage our other key risks. The actions taken to address other specific risks may affect how well we manage the more general risk of capital efficiency. If we do not properly allocate our capital to maximize returns, we may fail to produce optimal financial results and we may experience a reduction in shareholder value.

Changes in our credit card operations could adversely affect our sales and/or profitability.

Our credit card operations facilitate sales in our stores and generate additional revenue from fees related to extending credit. In connection with the April 2006 sale of our proprietary credit card accounts to JPMorgan Chase & Co. (JPMorgan Chase), we entered into a revenue-sharing agreement with JPMorgan Chase, which issues Kohl s branded private label credit cards to new and existing Kohl s customers. Net revenues of the program are shared with JPMorgan Chase according to a fixed percentage and are settled monthly. Net revenues include finance charge and late fee revenues, less write-offs of uncollectible accounts and other expenses.

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act) mandates fundamental changes to many of our current business practices, including marketing, underwriting, pricing and billing. Most of the requirements became effective in February 2010 and others will become effective in August 2010. Legislation has been proposed to accelerate the effective date of all of the CARD Act provisions effective as soon as the legislation is enacted, but prospects for enactment are uncertain. Although the Federal Reserve has issued final rules implementing most of the provisions of the CARD Act, it has yet to issue rules implementing the provisions that take effect in August 2010. Accordingly, it is difficult to assess the impact of those provisions at this time. While we have already made, and anticipate making additional, changes designed to lessen the impact of the changes required by the CARD Act, there is no assurance that we will be successful. If we are not able to lessen the impact of the changes required by the CARD Act, the changes could adversely impact the profitability of our credit operations and make it more difficult to extend credit to our customers and collect payments which would have a material adverse effect on our results of operations.

Changes in credit card use, payment patterns and default rates may also result from a variety of economic, legal, social and other factors that we cannot control or predict with certainty. Changes that adversely impact our ability to extend credit and collect payments could negatively affect our results.

Our current agreement with JPMorgan Chase expires in 2011. We are currently exploring various alternatives to this agreement, including entering into a new agreement with an alternative partner and expect to reach a decision by Fall 2010. This timing could be impacted by the timing of the issuance of final CARD Act regulations. We may be unable to negotiate a new contract at comparable terms which could significantly reduce the net revenues which we currently earn under this program. Should we be unable to negotiate a new agreement, we may repurchase the receivables. We currently expect to use a combination of cash and cash equivalents on hand and new debt to finance such a repurchase. As of January 30, 2010, outstanding receivables totaled approximately $3 billion. The outstanding receivable balance fluctuates during the year and typically reaches its highest level during the holiday season and its lowest level during the first quarter of the year.

Weather conditions could adversely affect our sales and/or profitability by affecting consumer shopping patterns.

Because a significant portion of our business is apparel and subject to weather conditions in our markets, our operating results may be adversely affected by severe or unexpected weather conditions. Frequent or unusually heavy snow, ice or rain storms or extended periods of unseasonable temperatures in our markets could adversely affect our performance by affecting consumer shopping patterns or diminishing demand for seasonal merchandise.

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Our business is seasonal, which could adversely affect the market price of our common stock.

Our business is subject to seasonal influences, with a major portion of sales and income historically realized during the second half of the fiscal year, which includes the back-to-school and holiday seasons. This seasonality causes our operating results to vary considerably from quarter to quarter and could materially adversely affect the market price of our common stock.

We may be unable to source merchandise in a timely and cost-effective manner, which could adversely affect our sales and operating results.

Approximately 20% of the merchandise we sell is sourced through a third party purchasing agent. The remaining merchandise is sourced from a wide variety of domestic and international vendors. All of our vendors must comply with applicable laws and our required Terms of Engagement. Our ability to find qualified vendors and access products in a timely and efficient manner is a significant challenge which is typically even more difficult with respect to goods sourced outside the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, and the ability to access suitable merchandise on acceptable terms are beyond our control and could adversely impact our performance.

If any of our vendors were to become subject to bankruptcy, receivership or similar proceedings, we may be unable to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as current terms, which could adversely affect our sales and operating results.

An inability to attract and retain quality employees could result in higher payroll costs and adversely affect our operating results.

Our performance is dependent on attracting and retaining a large and growing number of quality associates. Many of those associates are in entry level or part-time positions with historically high rates of turnover. Our ability to meet our labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact our ability to attract and retain quality associates could adversely affect our performance.

An inability to open new stores could adversely affect our financial performance.

Our plan to continue to increase the number of our stores will depend in part upon the availability of existing retail stores or store sites on acceptable terms. Increases in real estate, construction and development costs could limit our growth opportunities and affect our return on investment. There can be no assurance that such stores or sites will be available for purchase or lease, or that they will be available on acceptable terms. If we are unable to grow our retail business, our financial performance could be adversely affected.

Regulatory and litigation developments could adversely affect our business operations and financial performance.

Various aspects of our operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. We continually monitor the state and federal employment law environment for developments that may adversely impact us. Failure to detect changes and comply with such laws and regulations may result in an erosion of our reputation, disruption of business and/or loss of employee morale. Additionally, we are regularly involved in various litigation matters that arise in the ordinary course of our business. Litigation or regulatory developments could adversely affect our business operations and financial performance.

Damage to the reputation of our private and exclusive brands could adversely affect our sales.

We develop and promote private and exclusive brands that have generated national recognition. In some cases, the brands or the marketing of such brands are tied to or affiliated with well-known individuals. Damage to

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the reputations of our private and exclusive label brand names or any affiliated individuals, could arise from product failures, litigation or various forms of adverse publicity and may generate negative customer sentiment, potentially resulting in a reduction in sales, earnings, and shareholder value.

Disruptions in our information systems could adversely affect our sales and profitability.

The efficient operation of our business is dependent on our information systems. In particular, we rely on our information systems to effectively manage sales, distribution, merchandise planning and allocation functions. We also generate sales though the operations of our Kohls.com website. The failure of our information systems to perform as designed could disrupt our business and harm sales and profitability.

Unauthorized disclosure of sensitive or confidential customer information could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business.

As part of our normal course of business, we collect, process and retain sensitive and confidential customer information. Despite the security measures we have in place, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us or our vendors, could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business.

New legal requirements could adversely affect our operating results.

Our sales and results of operations may be adversely affected by new legal requirements, including proposed health care reform legislation and climate change and other environmental legislation and regulations. The costs and other effects of new legal requirements cannot be determined with certainty. For example, new legislation or regulations may result in increased costs directly for our compliance or indirectly to the extent such requirements increase prices of goods and services because of increased compliance costs or reduced availability of raw materials. At this point, we are unable to determine the impact that healthcare reform could have on our employer-sponsored medical plans.

Item 1B. Unresolved Staff Comments

Not applicable

Item 2. Properties

Stores

As of January 30, 2010, we operated 1,058 stores in 49 states. Our typical, or prototype, store has 88,000 gross square feet of retail space and serves trade areas of 150,000 to 200,000 people. Most small stores are 68,000 square feet and serve trade areas of 100,000 to 150,000 people. Our urban stores, currently located in the New York and Chicago markets, serve very densely populated areas of up to 500,000 people and average approximately 125,000 gross square feet of retail space.

Our typical lease has an initial term of 20-25 years and two to eight renewal options for consecutive five or ten-year extension terms. Substantially all of our leases provide for a minimum annual rent that is fixed or adjusts to set levels during the lease term, including renewals. Approximately one-fourth of the leases provide for additional rent based on a percentage of sales over designated levels.

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The following tables summarize key information about our stores.

	Number of Stores			Selling Square Footage		
	2008	Additions/ (Closures)	2009	2008	Additions/ (Closures)	2009
Mid-Atlantic:						
Delaware	5		**5**	399		**399**
Maryland	17		**17**	1,301		**1,301**
Pennsylvania	43		**43**	3,165		**3,165**
Virginia	27	(1)	**26**	1,988	(70)	**1,918**
West Virginia	7		**7**	503		**503**
Total Mid-Atlantic	99	(1)	**98**	7,356	(70)	**7,286**
Midwest:						
Illinois	61		**61**	4,706		**4,706**
Indiana	37		**37**	2,711		**2,711**
Iowa	14		**14**	954		**954**
Michigan	46	(1)	**45**	3,421	(68)	**3,353**
Minnesota	25		**25**	1,923		**1,923**
Nebraska	7		**7**	486		**486**
North Dakota	3		**3**	217		**217**
Ohio	56		**56**	4,190		**4,190**
South Dakota	2		**2**	169		**169**
Wisconsin	39		**39**	2,850		**2,850**
Total Midwest	290	(1)	**289**	21,627	(68)	**21,559**
Northeast:						
Connecticut	18		**18**	1,367		**1,367**
Maine	5		**5**	388		**388**
Massachusetts	21		**21**	1,682		**1,682**
New Hampshire	8	1	**9**	567	73	**640**
New Jersey	36	2	**38**	2,777	145	**2,922**
New York	44	1	**45**	3,411	73	**3,484**
Rhode Island	3		**3**	227		**227**
Vermont	1		**1**	77		**77**
Total Northeast	136	4	**140**	10,496	291	**10,787**
South Central:						
Arkansas	8		**8**	572		**572**
Kansas	9	1	**10**	663	53	**716**
Louisiana	4	1	**5**	291	60	**351**
Missouri	23		**23**	1,726		**1,726**
Oklahoma	9		**9**	668		**668**
Texas	78	2	**80**	5,754	135	**5,889**
Total South Central	131	4	**135**	9,674	248	**9,922**
Southeast:						
Alabama	10		**10**	689		**689**
Florida	43	5	**48**	3,213	375	**3,588**
Georgia	31	2	**33**	2,298	145	**2,443**

Kentucky	15		**15**	1,061		**1,061**
Mississippi	4		**4**	302		**302**
North Carolina	26	1	**27**	1,906	72	**1,978**
South Carolina	12		**12**	880		**880**
Tennessee	19		**19**	1,345		**1,345**
Total Southeast	160	8	**168**	11,694	592	**12,286**

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	Number of Stores			Selling Square Footage		
	2008	Additions/ (Closures)	2009	2008	Additions/ (Closures)	2009
West:						
Northwest:						
Alaska		1	**1**		73	**73**
Idaho	4		**4**	269		**269**
Montana	1		**1**	72		**72**
Oregon	9		**9**	593		**593**
Washington	15		**15**	1,016		**1,016**
Wyoming	1		**1**	52		**52**
Total Northwest	30	1	**31**	2,002	73	**2,075**
Southwest:						
Arizona	25	1	**26**	1,881	73	**1,954**
California	90	31	**121**	7,037	1,792	**8,829**
Colorado	22	1	**23**	1,698	74	**1,772**
Nevada	8	3	**11**	611	190	**801**
New Mexico	4		**4**	249		**249**
Utah	9	3	**12**	667	209	**876**
Total Southwest	158	39	**197**	12,143	2,338	**14,481**
Total West	188	40	**228**	14,145	2,411	**16,556**
Total Kohl s	1,004	54	**1,058**	74,992	3,404	**78,396**

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	Number of Stores by Greater Metropolitan Area		
	2008	Additions/ (Closures)	2009
New York City	60	2	**62**
Los Angeles	41	12	**53**
Chicago	50		**50**
Philadelphia	34		**34**
Atlanta	25	2	**27**
Dallas/Fort Worth	25		**25**
Detroit	25	(1)	**24**
Boston	23	1	**24**
San Francisco	16	8	**24**
Washington DC	23		**23**
Milwaukee	22		**22**
Minneapolis/St. Paul	22		**22**
Phoenix	21	1	**22**
Houston	19		**19**
Cleveland/Akron	18		**18**
Denver	17	1	**18**
Indianapolis	17		**17**
Sacramento	13	4	**17**
Columbus	15		**15**
Orlando	13	2	**15**
St. Louis	14		**14**
Hartford/New Haven	13		**13**
Cincinnati	12		**12**
Salt Lake City	9	3	**12**
Miami	9	2	**11**
Kansas City	10		**10**
Pittsburgh	10		**10**
Charlotte	10		**10**
San Diego	7	3	**10**
Raleigh Durham	9	1	**10**
Seattle/Tacoma	10		**10**
Other	392	13	**405**
	1,004	54	**1,058**

	Number of Stores by Store Type		
	2008	Net Additions	2009
Prototype	918	44	**962**
Small	82	10	**92**
Urban	4		**4**
	1,004	54	**1,058**

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	Number of Stores by Ownership		
	2008	Net Additions	2009
Owned	363	9	**372**
Leased	396	3	**399**
Ground leased	245	42	**287***
	1,004	54	**1,058**

* Ground leased includes both ground leases and certain takeover leases where significant capital expenditures were made to the existing store.

	Number of Stores by Location		
	2008	Net Additions	2009
Strip centers	717	29	**746**
Community & regional malls	66	7	**73**
Free standing	221	18	**239**
	1,004	54	**1,058**

	Number of Stores by Building Type		
	2008	Net Additions	2009
One-story	930	41	**971**
Multi-story	74	13	**87**
	1,004	54	**1,058**

Distribution Centers

The following table summarizes key information about each of our retail distribution centers.

Location	Year Opened	Square Footage	States Serviced	Approximate Store Capacity
Findlay, Ohio	1994	780,000	Ohio, Michigan, Indiana	125
Winchester, Virginia	1997	420,000	Pennsylvania, Virginia, Maryland, Delaware, West Virginia	100
Blue Springs, Missouri	1999	540,000	Minnesota, Colorado, Missouri, Iowa, Kansas, Montana, Nebraska, North Dakota, South Dakota, Wyoming	105
Corsicana, Texas	2001	540,000	Texas, Oklahoma, Arkansas, Mississippi, Louisiana	110
Mamakating, New York	2002	605,000	New York, New Jersey, Massachusetts, Connecticut, New Hampshire, Rhode Island, Maine, Vermont	140
San Bernardino, California	2002	575,000	California, Arizona, Nevada, Utah, New Mexico	110
Macon, Georgia	2005	560,000	Alabama, Tennessee, Georgia, South Carolina, Florida, Kentucky, North Carolina	125
Patterson, California	2006	360,000	Alaska, California, Oregon, Washington, Idaho	110
Ottawa, Illinois	2008	328,000	Indiana, Illinois, Michigan, Wisconsin	165

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We own all of the retail distribution centers except Corsicana, Texas, which is leased. We also own our corporate headquarters in Menomonee Falls, Wisconsin and a 940,000 square foot e-commerce fulfillment center in Monroe, Ohio. Additionally, we plan to open a 970,000 square foot e-commerce fulfillment center in San Bernardino, California in June 2010 to provide increased capacity to support our growing e-commerce business.

During the fourth quarter of 2009, we closed our Menomonee Falls, Wisconsin distribution center, the oldest and least efficient distribution center in our network. Stores previously supplied by this distribution center will be serviced by one of our nine remaining distribution centers, primarily the Ottawa, Illinois distribution center.

Item 3. Legal Proceedings

We are not currently a party to any material legal proceedings, but are subject to certain legal proceedings and claims from time to time that are incidental to our ordinary course of business.

Item 4. Reserved

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market information

Our Common Stock has been traded on the New York Stock Exchange since May 19, 1992, under the symbol KSS. The prices in the table set forth below indicate the high and low sales prices of our Common Stock per the New York Stock Exchange Composite Price History for each quarter in 2009 and 2008.

	Price Range	
	High	**Low**
2009		
Fourth Quarter	$ 58.07	$ 49.87
Third Quarter	$ 60.89	$ 48.43
Second Quarter		