KOHLS Corp
Form 10-K
March 18, 2011
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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 29, 2011
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. ¨

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 July 31, 2010, the aggregate market value of the voting stock of the Registrant held by stockholders who were not affiliates of the Registrant was approximately $14.7 billion (based upon the closing price of Registrant s Common Stock on the New York Stock Exchange on such date). At March 9, 2011, the Registrant had outstanding an aggregate of 290,417,880 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 12, 2011 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 29, 2011, we operated 1,089 stores in 49 states.

Our merchandise mix over the last three years is reflected in the table below:

Women s	32%
Men s	19
Home	18
Children s	12-13
Accessories	10
Footwear	8-9

In addition, Kohl s offers on-line shopping on our website at www.Kohls.com. Originally 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 2010 (2010) ended on January 29, 2011. Fiscal year 2009 (2009) ended on January 30, 2010. Fiscal year 2008 (2008) ended on January 31, 2009. Fiscal 2010, 2009, and 2008 were 52-week years.

Primary Initiatives

We have two key 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 these 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

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exclusive brands which are available Only at Kohl s. New brand launches and announcements in 2010 all of which are exclusive to Kohl s included:

- Jennifer Lopez and Marc Anthony, the first celebrity couple to simultaneously design collections for one retailer, are expected to launch their new brands in Kohl s stores nationwide and Kohls.com beginning Fall 2011. Both brands are expected to initially launch in women s and men s apparel and accessories and may expand into home. The Jennifer Lopez collection is expected to include sportswear, dresses, handbags, jewelry, shoes and sleepwear. Marc Anthony is expected to include sportswear, dress shirts, neckwear, accessories, suit separates, sportcoats and shoes.

- ELLE Décor, which currently includes contemporary home and home decor products, including decorative pillows, frames, candles and accent items, launched in approximately 350 stores and Kohls.com in September 2010.

- Aldo Group, International will design and produce exclusive footwear products expected to be sold at Kohl s and Kohls.com under select private and exclusive brands beginning in Spring 2011.

- Several new accessories lines:

  - FLIRT! Cosmetics teamed with Heather Morris, actress, dancer, singer and star of the hit television show, *Glee,* as their new Celebrity Style Ambassador in support of the brand s Spring 2011 product collection. The campaign is expected to launch in Spring 2011.

  - The ELLE BIJOUX jewelry and ELLE-branded line of cosmetics is expected to launch in Spring 2012.

  - Simply Vera Vera Wang cosmetics are expected to launch in Spring 2012.

In December 2010, we also announced the early renewal of our long-term license agreement to be the exclusive provider and marketer in the United States of all Simply Vera Vera Wang merchandise. First licensed in 2006, the Simply Vera Vera Wang contemporary lifestyle collection also includes all apparel, intimates and sleepwear, handbags, leather accessories, jewelry, footwear, bedding and bath.

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 290 basis points to 48% for 2010.

Our ***marketing initiatives*** are designed to differentiate Kohl s in the marketplace while maximizing the return on our marketing investment. Our 2010 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. Our marketing also emphasized our flexible, no questions asked, return policy.

We used all media types to communicate our marketing message including print advertising, direct mail, e-mail, digital and social media, Kohls.com, television, radio, in-store and new for the holiday 2010 season mobile access to Kohls.com.

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.

Increasing our speed-to-market through our concept-to-customer strategy is also an important inventory management initiative.

The objective of our ***in-store shopping experience initiatives*** are to satisfy the changing needs and expectations of our customers. Practical, easy shopping is about convenience. At Kohl s, convenience

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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 initiatives as we believe it is extremely important to maintain our existing store base. We completed 85 store remodels in 2010 an increase from the 51 stores which were remodeled in 2009 and currently plan to remodel approximately 100 stores in 2011. We have effectively compressed the remodel duration period which minimizes costs and disruption to our stores and benefits our sales and customer experience. We expect a typical remodel in 2011 will take seven weeks; a reduction of approximately 50 percent since 2007.

As a result of our in-store experience and other initiatives, we continue to see improvement in our customer service scorecard results. Customer service scores are derived 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 2010, we operated 1,089 stores. We have stores in 49 states and in every large and intermediate sized market in the United States.

	2009	Additions	2010	Estimated Additions	2011
Number of stores	1,058	31	1,089	40	1,129
Gross square footage (in millions)	93	3	96	3	99
Retail selling square footage (in millions)	78	2	80	2	82

We expect approximately two-thirds of our new stores in 2011 to be what we consider small stores (approximately 64,000 square feet of retail space). Though our expansion rate has slowed in recent years, we will continue to focus our future expansion efforts on opportunistic acquisitions 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. Approximately one-fourth of our current stores 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.

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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, which are strategically located through the United Sates, ship merchandise to each store by contract carrier several times a week. We also operate fulfillment centers in Monroe, Ohio and San Bernardino, California that service our E-Commerce business.

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

Employees

As of January 29, 2011, we employed approximately 136,000 associates, including approximately 29,000 full-time and 107,000 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 style, quality and price to be the most significant competitive factors in the industry. Merchandise mix, service and convenience are also key competitive factors. 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 2010. We have no significant 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.

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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 130 additional registered trademarks, trade names and service marks, most of which are used in our private label program.

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, 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.

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Recent economic conditions have 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 2010, advertising costs, net of related vendor allowances, were $869 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.

In recent years, 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,

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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.

In 2010, we entered into a derivative product to manage our exposure to interest rates on debt that we expect to issue in late 2011. Disruptions or turmoil in the financial markets could lead to losses on this derivative position resulting from counterparty failures.

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 and dividends. 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. The proprietary Kohl s credit card accounts have been sold to an unrelated third-party, but we share in the net revenues of the program according to a fixed percentage. Net revenues are settled monthly and include finance charge and late fee revenues, less write-offs of uncollectible accounts and other expenses.

In August 2010, we entered into a Private Label Credit Card Program Agreement with Capital One, National Association (Capital One), which will be effective upon transition of the outstanding receivables from our former partner to Capital One. We currently expect this transition to occur in the first fiscal quarter of 2011. Kohl s and Capital One will share in the net risk-adjusted revenue of the portfolio, which is defined as the sum of finance charges, late fees and other revenue less write-offs of uncollectible accounts. Changes in funding costs related to interest rate fluctuations will be shared similar to the revenue. Though management currently believes that increases in funding costs will be largely offset by increases in finance charge revenue, increases in funding costs could adversely impact the profitability of this program.

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.

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.

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.

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

Approximately 23% 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.

Increases in the price of merchandise, raw materials, fuel and labor or their reduced availability could increase our cost of goods and negatively impact our financial results.

We are beginning to experience inflation in our merchandise, raw materials, fuel and labor costs. The cost of cotton, which is a key raw material in many of our products, has had the most dramatic increases. The price and availability of cotton may fluctuate substantially, depending on a variety of factors, including demand, acreage devoted to cotton crops and crop yields, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation and government policy, economic climates, market speculation and other unpredictable factors. Fluctuations in the price and availability of fuel, labor and raw materials, such as cotton, have not materially affected our cost of goods in recent years, but an inability to mitigate these cost increases, unless sufficiently offset with our pricing actions, might cause a decrease in our profitability; while any related pricing actions might cause a decline in our sales volume. Additionally, any decrease in the availability of raw materials could impair our ability to meet our production or purchasing requirements in a timely manner. Both the increased cost and lower availability of merchandise, raw materials, fuel and labor may also have an adverse impact on our cash and working capital needs as well as those of our suppliers.

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 the Kohl s brand or our private and exclusive brands could adversely affect our sales.

We believe the Kohl s brand name and many of our private and exclusive brand names are powerful sales and marketing tools and we devote significant resources to promoting and protecting them. 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 the reputations (whether or not justified) of our brand names or any affiliated individuals, could arise from product failures, litigation or various forms of adverse publicity, especially in social media outlets, 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 health care reform and proposed climate change and other environmental legislation and regulations.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law in the U.S. This legislation expands health care coverage to many uninsured individuals and expands coverage to those already insured. The changes required by this legislation could cause us to incur additional health care and other costs, but we do not expect any material short-term impact on our financial results as a result of the legislation and are currently assessing the extent of any long-term impact.

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act) mandated fundamental changes in 2010 to many of our current business credit card practices, including marketing, underwriting, pricing and billing (specifically restrictions on late and other penalty fees). While we have made numerous 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

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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.

The costs and other effects of other 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.

Item 1B. Unresolved Staff Comments
Not applicable

Item 2. Properties
Stores

As of January 29, 2011, we operated 1,089 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 64,000 to 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 four to eight renewal options for consecutive five-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.

The following tables summarize key information about our stores.

	Number of Stores			Retail Square Footage 2010 (In thousands)
	2009	Additions	2010	
Mid-Atlantic Region:				
Delaware	5		**5**	**399**
Maryland	17	4	**21**	**1,547**
Pennsylvania	43	3	**46**	**3,336**
Virginia	26	1	**27**	**1,972**
West Virginia	7		**7**	**500**
Total Mid-Atlantic	98	8	**106**	**7,754**
Midwest Region:				
Illinois	61	1	**62**	**4,733**
Indiana	37		**37**	**2,704**
Iowa	14		**14**	**950**
Michigan	45		**45**	**3,347**
Minnesota	25	1	**26**	**1,976**
Nebraska	7		**7**	**479**
North Dakota	3		**3**	**217**
Ohio	56	1	**57**	**4,239**
South Dakota	2		**2**	**169**
Wisconsin	39		**39**	**2,841**

Total Midwest	289	3	**292**	**21,655**

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	Number of Stores			Retail Square Footage 2010 (In thousands)
	2009	Additions	2010	
Northeast Region:				
Connecticut	18		**18**	**1,339**
Maine	5		**5**	**388**
Massachusetts	21		**21**	**1,682**
New Hampshire	9		**9**	**640**
New Jersey	38		**38**	**2,901**
New York	45	3	**48**	**3,697**
Rhode Island	3		**3**	**227**
Vermont	1		**1**	**77**
Total Northeast	140	3	**143**	**10,951**
South Central Region:				
Arkansas	8		**8**	**572**
Kansas	10	1	**11**	**765**
Louisiana	5	1	**6**	**421**
Missouri	23	1	**24**	**1,770**
Oklahoma	9		**9**	**668**
Texas	80		**80**	**5,889**
Total South Central	135	3	**138**	**10,085**
Southeast Region:				
Alabama	10	2	**12**	**830**
Florida	48	1	**49**	**3,635**
Georgia	33		**33**	**2,443**
Kentucky	15	1	**16**	**1,127**
Mississippi	4	1	**5**	**378**
North Carolina	27		**27**	**1,978**
South Carolina	12		**12**	**880**
Tennessee	19		**19**	**1,345**
Total Southeast	168	5	**173**	**12,616**
West Region:				
Alaska	1		**1**	**73**
Arizona	26		**26**	**1,953**
California	121	5	**126**	**9,108**
Colorado	23	1	**24**	**1,835**
Idaho	4		**4**	**269**
Montana	1		**1**	**72**
Nevada	11	1	**12**	**851**
New Mexico	4	1	**5**	**326**
Oregon	9	1	**10**	**649**
Utah	12		**12**	**874**
Washington	15		**15**	**1,016**
Wyoming	1		**1**	**52**
Total West	228	9	**237**	**17,078**
Total Kohl s	1,058	31	**1,089**	**80,139**

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	Number of Stores by Greater Metropolitan Area		
	2009	Additions	2010
New York City	63	2	**65**
Los Angeles	53	1	**54**
Chicago	50		**50**
Philadelphia	33		**33**
Atlanta	27		**27**
Dallas/Fort Worth	25		**25**
Boston	24		**24**
Detroit	24		**24**
San Francisco	24		**24**
Washington DC	23	1	**24**
Minneapolis/St. Paul	22	1	**23**
Milwaukee	22		**22**
Phoenix	22		**22**
Cleveland/Akron	18	1	**19**
Houston	19		**19**
Denver	18		**18**
Sacramento	17	1	**18**
Indianapolis	17		**17**
Columbus	15		**15**
Orlando	15		**15**
St. Louis	14	1	**15**
Hartford/New Haven	13		**13**
Cincinnati	12		**12**
Kansas City	10	2	**12**
Salt Lake City	12		**12**
Baltimore	8	3	**11**
Miami	11		**11**
Pittsburgh	10	1	**11**
Charlotte	10		**10**
Raleigh/Durham	10		**10**
San Diego	10		**10**
Seattle/Tacoma	10		**10**
Other	397&		