

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 3, 2014

OR

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

For the Transition period from _____ to _____

Commission file number 1-11084

KOHL'S
KOHL'S CORPORATION

(Exact name of registrant as specified in its charter)

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**

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: May 31, 2014 Common Stock, Par Value \$0.01 per Share, 207,309,047 shares outstanding.

**KOHL'S CORPORATION
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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

KOHL'S CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Millions)

	May 3, 2014	February 1, 2014	May 4, 2013
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 717	\$ 971	\$ 518
Merchandise inventories	3,981	3,874	3,961
Deferred income taxes	137	142	138
Other	280	305	294
Total current assets	5,115	5,292	4,911
Property and equipment, net	8,677	8,745	8,822
Other assets	341	341	317
Total assets	<u>\$ 14,133</u>	<u>\$ 14,378</u>	<u>\$ 14,050</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	\$ 1,382	\$ 1,365	\$ 1,452
Accrued liabilities	1,078	1,138	1,023
Income taxes payable	49	94	117
Current portion of capital lease and financing obligations	112	139	107
Total current liabilities	2,621	2,736	2,699
Long-term debt	2,792	2,792	2,492
Capital lease and financing obligations	1,919	1,930	1,938
Deferred income taxes	382	382	368
Other long-term liabilities	562	560	532
Shareholders' equity:			
Common stock	4	4	4
Paid-in capital	2,612	2,598	2,463
Treasury stock, at cost	(8,232)	(8,052)	(7,354)
Accumulated other comprehensive loss	(33)	(34)	(40)
Retained earnings	11,506	11,462	10,948
Total shareholders' equity	5,857	5,978	6,021
Total liabilities and shareholders' equity	<u>\$ 14,133</u>	<u>\$ 14,378</u>	<u>\$ 14,050</u>

See accompanying Notes to Consolidated Financial Statements

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

	Three Months Ended	
	May 3, 2014	May 4, 2013
Net sales	\$ 4,070	\$ 4,199
Cost of merchandise sold	2,574	2,671
Gross margin	1,496	1,528
Operating expenses:		
Selling, general and administrative	1,000	997
Depreciation and amortization	216	214
Operating income	280	317
Interest expense, net	85	83
Income before income taxes	195	234
Provision for income taxes	70	87
Net income	<u>\$ 125</u>	<u>\$ 147</u>
Net income per share:		
Basic	\$ 0.60	\$ 0.66
Diluted	\$ 0.60	\$ 0.66
Dividends declared and paid per share	\$ 0.39	\$ 0.35

See accompanying Notes to Consolidated Financial Statements

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

	Three Months Ended	
	May 3, 2014	May 4, 2013
Net income	\$ 125	\$ 147
Other comprehensive income, net of tax:		
Unrealized gains on investments	—	4
Reclassification adjustment for interest expense on interest rate derivative included in net income	1	1
Other comprehensive income	1	5
Comprehensive income	<u>\$ 126</u>	<u>\$ 152</u>

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(In Millions, Except per Share Data)

	<u>Common Stock</u>		<u>Paid-In Capital</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>Shares</u>	<u>Amount</u>			
Balance at February 1, 2014	364	\$ 4	\$ 2,598	(153)	\$ (8,052)	\$ (34)	\$ 11,462	\$ 5,978
Comprehensive income	—	—	—	—	—	1	125	126
Stock options and awards	1	—	14	—	(14)	—	—	—
Dividends paid (\$0.39 per common share)	—	—	—	—	1	—	(81)	(80)
Treasury stock purchases	—	—	—	(4)	(167)	—	—	(167)
Balance at May 3, 2014	<u>365</u>	<u>\$ 4</u>	<u>\$ 2,612</u>	<u>(157)</u>	<u>\$ (8,232)</u>	<u>\$ (33)</u>	<u>\$ 11,506</u>	<u>\$ 5,857</u>

See accompanying Notes to Consolidated Financial Statements

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

	Three Months Ended	
	May 3, 2014	May 4, 2013
Operating activities		
Net income	\$ 125	\$ 147
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	216	214
Share-based compensation	11	9
Excess tax benefits from share-based compensation	(2)	(1)
Deferred income taxes	5	(13)
Other non-cash revenues and expenses	5	11
Changes in operating assets and liabilities:		
Merchandise inventories	(105)	(210)
Other current and long-term assets	17	21
Accounts payable	17	145
Accrued and other long-term liabilities	(44)	11
Income taxes	(66)	(29)
Net cash provided by operating activities	<u>179</u>	<u>305</u>
Investing activities		
Acquisition of property and equipment	(176)	(135)
Other	4	12
Net cash used in investing activities	<u>(172)</u>	<u>(123)</u>
Financing activities		
Treasury stock purchases	(167)	(101)
Shares withheld for taxes on vested restricted shares	(14)	(8)
Dividends paid	(80)	(77)
Proceeds from financing obligations	3	—
Capital lease and financing obligation payments	(29)	(24)
Proceeds from stock option exercises	24	8
Excess tax benefits from share-based compensation	2	1
Net cash used in financing activities	<u>(261)</u>	<u>(201)</u>
Net decrease in cash and cash equivalents	<u>(254)</u>	<u>(19)</u>
Cash and cash equivalents at beginning of period	971	537
Cash and cash equivalents at end of period	<u>\$ 717</u>	<u>\$ 518</u>
Supplemental information:		
Interest paid, net of capitalized interest	\$ 65	\$ 61
Income taxes paid	132	128
Non-Cash Investing and Financing Activities		
Property and equipment acquired through additional liabilities	\$ 6	\$ 23

See accompanying Notes to Consolidated Financial Statements

KOHL'S CORPORATION
NOTES TO 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 Annual Report on Form 10-K for the fiscal year ended February 1, 2014 (Commission File No. 1-11084) as filed with the Securities and Exchange Commission on March 21, 2014.

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 may be impacted by the timing and amount of sales and costs associated with the opening of new stores.

We operate as a single business unit.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We are required to adopt the new pronouncement in the first quarter of fiscal 2017 using one of two retrospective application methods. We are evaluating the application method and the impact of this new statement on our financial statements.

2. Debt

Long-term debt consists of the following unsecured senior debt:

<u>Maturity</u>	<u>Effective Rate</u>	<u>Coupon Rate</u>	<u>Outstanding</u>	
			<u>May 3, 2014 and February 1, 2014</u>	<u>May 4, 2013</u>
(Dollars in Millions)				
2017	6.31%	6.25%	\$ 650	\$ 650
2021	4.81%	4.00%	650	650
2023	3.25%	3.25%	350	350
2023	4.78%	4.75%	300	—
2029	7.36%	7.25%	200	200
2033	6.05%	6.00%	300	300
2037	6.89%	6.88%	350	350
	<u>5.54%</u>		<u>2,800</u>	<u>2,500</u>
Unamortized debt discount			<u>(8)</u>	<u>(8)</u>
Long-term debt			<u>\$ 2,792</u>	<u>\$ 2,492</u>

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 pricing 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.

KOHL'S CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes our financial instruments:

	Pricing Category	May 3, 2014		February 1, 2014		May 4, 2013	
		Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
(In Millions)							
Cash and cash equivalents	Level 1	\$ 717	\$ 717	\$ 971	\$ 971	\$ 518	\$ 518
Auction rate securities	Level 3	82	64	82	64	82	57
Debt	Level 1	2,792	3,082	2,792	2,988	2,492	2,802

Our investments in auction rate securities (“ARS”) are included in other long-term assets in our balance sheet. There have been no changes to the valuation methodology and no ARS activity since February 1, 2014.

4. Stock-Based Compensation

The following table summarizes stock-based compensation grants:

	Three Months Ended	
	May 3, 2014	May 4, 2013
(In Thousands)		
Stock options granted	126	414
Restricted shares and units granted, excluding shares earned in lieu of cash dividends	730	654
Total stock-based compensation grants	856	1,068
Weighted average fair value at grant date:		
Stock options	\$ 12.68	\$ 10.18
Restricted shares and units	\$ 56.75	\$ 46.39

5. Contingencies

We are subject to certain legal proceedings and claims arising out of the conduct of our business. In the opinion of management, the outcome of these proceedings and litigation will not have a material adverse impact on our consolidated financial statements.

6. Net Income Per Share

The following table summarizes our basic and diluted net income per share calculations:

	Three Months Ended	
	May 3, 2014	May 4, 2013
(In Millions)		
Numerator—Net income	\$ 125	\$ 147
Denominator—Weighted average shares:		
Basic	206	222
Impact of dilutive employee stock-based awards	2	1
Diluted	208	223
Antidilutive shares	7	12

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For purposes of the following discussion, all references to "the quarter" and "the first quarter" are for the 13-week fiscal periods ended May 3, 2014 and May 4, 2013.

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included elsewhere in this report, as well as the financial and other information included in our 2013 Annual Report on Form 10-K (our "2013 Form 10-K"). The following discussion may contain 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 2013 Form 10-K (particularly in "Risk Factors").

Executive Summary

As of May 3, 2014, we operated 1,160 family-focused, value-oriented department stores and a website (www.Kohls.com) that sell moderately priced exclusive and national brand apparel, footwear, accessories, beauty and home products. Our stores generally carry a consistent merchandise assortment with some differences attributable to regional preferences. Our website includes merchandise which is available in our stores, as well as merchandise which is available only on-line.

The following table summarizes our results for the quarter:

	(Dollars and Shares in Millions)
Net sales	\$ 4,070
Change in:	
Net sales	(3.1)%
Comparable sales	(3.4)%
Gross margin as a percent of net sales	36.8 %
Selling, general and administrative expenses	\$ 1,000
Net income	\$ 125
Net earnings per diluted share	\$ 0.60
Shares repurchased	3.2
Treasury stock purchases	\$ 167

For additional details about our financial results, see Results of Operations and Financial Condition and Liquidity.

Our main business objective is to profitably increase sales. In order to increase sales, we believe that we need to increase transactions per store, which is our primary sales driver. During the first quarter of 2014, we introduced a multi-year vision that we believe will increase transactions per store and sales. This vision, which we refer to as "the Greatness Agenda," is built on five pillars - amazing product, incredible savings, easy experience, personalized connections and winning teams.

Amazing product provides a renewed focus on providing the right merchandise mix, being locally relevant, and tailoring products to every customer across every channel. Our new beauty offerings are an example of the new product that customers can find in many of our stores and on-line. We continue to test different beauty department formats. Initial tests show a significant increase in beauty sales for renovated stores. We expect to have renovated beauty departments in approximately 500 stores by the end of the third quarter.

We continue to offer new products to our customers as we believe this creates excitement for our customers and increases customer traffic to our stores and website. During the quarter, we launched our first Jumping Beans collection featuring Disney characters. The collection has performed better than expected and we plan to roll out new elements around more of the Disney portfolio throughout the rest of the year. In June 2014, we launched Fitbit as part of extending our active and wellness business. Finally, in the third quarter, we expect to launch both the IZOD brand in Men's and the Juicy Couture brand in Women's and to introduce a partnership with Elie Tahari as the next phase of our DesignNation strategy.

The goal of incredible savings is to help every customer get more from every dollar. In addition to the value offered in our Kohl's Cash and Kohl's-branded credit card, we are designing a rewards system to offer additional savings and to increase customer loyalty, especially for customers who do not have a Kohl's charge card. The program allows enrolled customers to

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earn various rewards or discounts based upon the volume of their purchases. The loyalty program is currently available in approximately 30% of our stores. Initial results have been very positive. We expect to expand the loyalty program to our Milwaukee market and relaunch the modified program in our Seattle market in the second quarter. We expect the program to be available in all stores by the end of the third quarter.

We are also making significant investments to create an *easy experience* for our customers wherever or however they choose to engage with us. Whether they are shopping in one of our stores, from their mobile devices or from their laptops, we are creating a consistent experience to ensure that our customers can connect with us wherever and however they wish. We will be focusing on improving the experience on tablets and smart phones as we progress throughout the remainder of 2014.

Personalized connections is about building lasting relationships with our customers. To build personalized connections during the shopping experience, we are focused on localizing and tailoring what we sell and how we communicate our product to ensure that our product and offers are personally relevant to each and every customer. At the same time, personalized connections is about contributing to causes such as children's health and education or the environment, so our customers see us as sensitive to the issues that are important to them.

The final pillar is *winning teams*, which is focused on building teams of engaged, talented, empowered and results-oriented management and associates.

We remain committed to meeting the changing shopping needs of our customer, to strengthening our omni-channel experience and to investing in our future in a strategic and profitable manner. We are pleased with the progress we have made in these areas, but believe that we have additional opportunities to improve.

On May 14, 2014, we extended our current private-label credit card agreement with Capital One for an additional five years, through March 31, 2023. The extension allows us to focus on long-term growth strategies for the credit card portfolio and is not expected to significantly impact the overall profitability of the portfolio.

Results of Operations

Net sales.

Net sales decreased 3.1% to \$4.1 billion for the quarter. Comparable sales decreased 3.4% for the quarter. Comparable sales include sales for stores (including relocated or remodeled stores) which were open during both the current and prior year periods. We also include E-Commerce sales in our comparable sales. E-Commerce includes sales which originated on-line and are shipped from our E-Commerce fulfillment centers, shipped from our stores, or shipped directly from third-party vendors to our customers. Merchandise returns reduce sales at the location of the return. As a result, store sales are reduced by merchandise purchased on-line, but returned to a store.

The following table summarizes changes in net sales for the quarter:

	\$	%
	(Dollars In Millions)	
Net Sales - 2013	\$ 4,199	
Comparable sales:		
Stores	(184)	(4.8) %
E-Commerce	41	12.3
Total	(143)	(3.4)
New stores and other revenues	14	—
Total decrease in net sales	(129)	(3.1) %
Net Sales - 2014	\$ 4,070	

Drivers of the changes in comparable sales were as follows:

Selling price per unit	2.6 %
Units per transaction	(1.5)
Average transaction value	1.1
Number of transactions	(4.5)%
Comparable sales	(3.4)%

The increase in selling price per unit was primarily due to clearance merchandise which represented a lower percentage of our total sales and was sold at higher prices in the current year quarter. Units per transaction decreased as customers purchased fewer clearance items this year. Increases in the number of E-Commerce transactions were more than offset by decreases in our stores. Transactions were also negatively impacted by unusually cold weather during the quarter which reduced customer visits.

The West region reported the strongest comparable sales for the quarter. The Southeast and South Central regions also outperformed the store average. The Midwest was consistent with the store average. The Northeast and Mid-Atlantic regions reported the largest comparable sales decreases for the quarter.

By line of business, Children's and Footwear outperformed the Company average. Infants and toddlers reported the strongest sales in Children's. In Footwear, athletic shoes reported higher sales. The Men's and Women's businesses were consistent with the Company average. Notable Men's categories included active and young men's. In Women's, juniors was the strongest category for the first time in many quarters and reported higher sales. The Accessories and Home businesses were below the Company average. Accessories reported its strongest results in beauty due to the new beauty brands introduced last year. Soft home was the best performing category in Home.

Gross margin.

	2014	2013	Increase (Decrease)	
			\$	%
			(Dollars in Millions)	
Gross margin	\$1,496	\$1,528	\$(32)	(2.1)%
As a percent of net sales	36.8%	36.4%		0.4%

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 on-line 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.

Gross margin as a percentage of sales increased approximately 40 basis points over 2013. This increase was primarily due to modest decreases in apparel costs in 2014.

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Selling, general and administrative expenses.

	2014	2013	Increase	
			\$	%
(Dollars in Millions)				
Selling, general and administrative expenses	\$ 1,000	\$ 997	\$ 3	—%
As a percent of net sales	24.6%	23.7%		0.9%

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; marketing 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 revenues and expenses. 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.

The following table summarizes the changes in SG&A by expense type:

	(In Millions)
Corporate expenses	\$ 6
Store expenses	3
Distribution costs	2
Net revenues from credit card operations	(3)
Marketing costs, excluding credit card operations	(5)
Increase in SG&A	\$ 3

Many of our expenses, including store payroll and distribution costs, are variable in nature. These costs generally increase as sales increase and decrease as sales decrease. We measure both the change in these variable expenses and the expense as a percent of sales. If the expense as a percent of sales decreased from the prior year, the expense “leveraged” and indicates that the expense was well-managed or effectively generated additional sales. If the expense as a percent of sales increased over the prior year, the expense “deleveraged” and indicates that sales growth was less than expense growth. SG&A as a percent of sales increased, or “deleveraged,” by approximately 80 basis points for the quarter.

IT spending, which is included in corporate expenses, increased over the prior year period due to growth and infrastructure investments related to our omni-channel strategy. The increases in store expenses are primarily due to remodeling costs occurring earlier this year than last year. Distribution costs were higher for the quarter due to higher distribution and fulfillment costs related to our growing E-Commerce business. The increase in net revenues from credit card operations are the result of higher finance charge revenues and late fees due to growth in the portfolio. Partially offsetting these increases were higher bad debt expenses and operational costs. Marketing costs decreased for the quarter as we shifted spending to the second quarter.

On May 14, 2014, we extended our current private-label credit card agreement with Capital One for an additional five years, through March 31, 2023. The extension allows us to focus on long-term growth strategies for the credit card portfolio and is not expected to significantly impact the overall profitability of the portfolio.

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	2014	2013	Increase (Decrease)	
			\$	%
(Dollars in Millions)				
Depreciation and amortization	\$ 216	\$ 214	\$ 2	—%
Interest expense, net	85	83	2	2
Provision for income taxes	70	87	(17)	(19)
Effective tax rate	36.0%	37.0%		

Depreciation and amortization was consistent with last year. The increase in interest expense is primarily due to higher outstanding long-term debt. The decrease in the provision for income taxes is due to lower income before taxes, primarily driven by lower sales in the quarter, and a lower effective tax rate. The decrease in the effective tax rate was primarily due to a favorable state audit settlement during the quarter.

Seasonality and 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. Revenues and expenses associated with the opening of new stores may also effect our quarterly results.

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 impacted by such factors in the future.

Financial Condition and Liquidity

Our primary ongoing cash requirements are for capital expenditures for new stores, remodels and IT spending and for seasonal and new store inventory purchases. Share repurchases and dividend payments to shareholders are currently other significant usages 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 flows provided by operations, short-term trade credit and our line 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. We may from time to time issue new debt. The amount of new debt issued, if any, will depend on prevailing market conditions, our cash needs and our capital structure. 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.

	2014	2013	Decrease in Cash	
			\$	%
(Dollars in Millions)				
Net cash provided by (used in):				
Operating activities	\$ 179	\$ 305	\$ (126)	(41)%
Investing activities	(172)	(123)	(49)	(40)%
Financing activities	(261)	(201)	(60)	(30)%

Operating Activities. Operating activities generated \$179 million of cash in 2014, compared to \$305 million in the first quarter of 2013.

Merchandise inventory increased \$20 million to \$3.98 billion at May 3, 2014. Excluding E-Commerce, merchandise inventory dollars per store decreased 1% and units per store decreased 4% from May 4, 2013. Accounts payable as a percent of inventory was 34.7% at May 3, 2014, compared to 36.7% at May 4, 2013. The decrease is primarily due to slower inventory turn.

Investing Activities. The increase in net cash used in investing activities reflects a \$41 million increase in capital spending primarily due to a call center purchased in Texas and remodel spending, which occurred earlier this year than last year.

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Financing Activities. Financing activities used cash of \$261 million in the first quarter of 2014 and \$201 million in the first quarter of 2013.

We paid cash for treasury stock purchases of \$167 million in 2014 and \$101 million in 2013. Share repurchases are discretionary in nature. The timing and amount of repurchases is based upon available cash balances, our stock price and other factors.

We paid cash dividends of \$80 million (\$0.39 per share) in 2014 and \$77 million (\$0.35 per share) in 2013. On May 14, 2014, our board of directors declared a quarterly cash dividend of \$0.39 per common share. The dividend is payable June 25, 2014 to shareholders of record at the close of business on June 11, 2014.

Free Cash Flow. Higher capital spending and timing of tax and non-inventory payments resulted in negative free cash flow for the quarter. Free cash flow is a non-GAAP financial measure which we define as net cash provided by operating activities and proceeds from financing obligation payments (which generally represent landlord reimbursements of construction costs) less capital expenditures and capital lease and financing obligations. 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.

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

	2014	2013	Increase (Decrease)
	(In Millions)		
Net cash provided by operating activities	\$ 179	\$ 305	\$ (126)
Acquisition of property & equipment	(176)	(135)	(41)
Capital lease & financing obligation payments	(29)	(24)	(5)
Proceeds from financing obligations	3	—	3
Free cash flow	\$ (23)	\$ 146	\$ (169)

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

	May 3, 2014	May 4, 2013
Working capital (In Millions)	\$ 2,494	\$ 2,212
Current ratio	1.95	1.82
Debt/capitalization	45.2%	43.0%

The increases in working capital and the current ratio are primarily due to higher cash and lower income taxes payable. The increase in the debt/capitalization ratio reflects the issuance of \$300 million of debt in September 2013 and lower capitalization, primarily due to share repurchases.

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Debt Covenant Compliance. As of May 3, 2014, we were in compliance with all debt covenants and expect to remain in compliance during fiscal 2014.

	<u>(Dollars in Millions)</u>
Included Indebtedness	
Total debt	\$ 4,831
Permitted exclusions	(8)
Subtotal	4,823
Rent x 8	2,160
Included Indebtedness	<u>\$ 6,983</u>
Rolling 12-month Adjusted Debt Compliance EBITDAR	
Net income	\$ 866
Rent expense	270
Depreciation and amortization	892
Net interest	340
Provision for income taxes	498
EBITDAR	2,866
Stock based compensation	57
Other non-cash revenues and expenses	17
Rolling 12-month Adjusted Debt Compliance EBITDAR	<u>\$ 2,940</u>
Debt Ratio (a)	2.38
Maximum permitted Debt Ratio	3.75
(a) Included Indebtedness divided by Adjusted Debt Compliance EBITDAR	

Contractual Obligations

There have been no significant changes in the contractual obligations disclosed in our 2013 Form 10-K.

Off-Balance Sheet Arrangements

We have not provided any financial guarantees as of May 3, 2014. 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 2013 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in the market risks described in our 2013 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.

Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level. Disclosure controls and procedures are defined by Rule

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13a-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.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended May 3, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There have been no significant changes in our risk factors from those described in our 2013 Form 10-K.

Forward-looking Statements

This report contains statements that may constitute forward-looking statements within the meaning of the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Those statements relate to developments, results, conditions or other events we expect or anticipate will occur in the future. Words such as "believes," "anticipates," "plans," "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

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important risk factors, described in Item 1A of our 2013 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 2013 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 May 3, 2014 which were not registered under the Securities Act.

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 May 3, 2014:

<u>Period</u>	<u>Total Number of Shares Purchased</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)
February 2 – March 1, 2014	1,792,031	\$ 50.93	1,764,409	\$ 2,232
March 2 – April 5, 2014	936,471	55.52	721,902	2,192
April 6 – May 3, 2014	686,715	54.62	685,142	2,155
Total	<u>3,415,217</u>	<u>\$ 52.93</u>	<u>3,171,453</u>	<u>\$ 2,155</u>

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Item 6. Exhibits

Exhibit Number	Description
10.1	Agreement dated as of March 24, 2014 by and between Don Brennan and Kohl's Department Stores, Inc.
10.2	Amendment to Private Label Credit Card Program Agreement dated as of May 13, 2014 by and between Kohl's Department Stores, Inc. and Capital One, National Association.
10.3	Form of Executive Restricted Stock Agreement pursuant to Kohl's Corporation 2010 Long Term Compensation Plan, incorporated herein by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K dated as of January 15, 2014.
10.4	Form of Executive Restricted Stock Agreement pursuant to Kohl's Corporation 2010 Long Term Compensation Plan (March 2014 grant).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted 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.

Kohl's Corporation
(Registrant)

Date: June 6, 2014

/s/ Wesley S. McDonald

Wesley S. McDonald
On behalf of the Registrant and as Senior Executive Vice
President and Chief Financial Officer
(Principal Financial and Chief Accounting Officer)

AGREEMENT

This Agreement ("Agreement") is made as of the last date set forth opposite any signature hereto between **DONALD A. BRENNAN**, ("Executive"), and **KOHL'S DEPARTMENT STORES, INC.**, N56 W17000 Ridgewood Dr., Menomonee Falls, WI 53051, (the "Company").

BACKGROUND

Executive and Company entered into an Amended and Restated Employment Agreement dated as of April 1, 2012 (the "Employment Agreement") whereby Company and Executive agreed to certain aspects of their relationship during and after the period in which Employee is employed by the Company; and

Executive and Company have mutually agreed to sever all aspects of Executive's employment relationship with Company and terminate the Employment Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth, the sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. TERMINATION OF EMPLOYMENT. Notwithstanding any provision in the Employment Agreement, Company and Executive shall voluntarily sever Executive's employment with Company effective April 1, 2014 (the "Separation Date"). Executive hereby resigns from all offices, positions, titles and capacities Executive held with Company and its affiliates, effective on the Separation Date. Company hereby accepts this resignation.

Subject to and conditional upon Executive executing this Agreement and not revoking his acceptance hereof within the timeframes specified below, the rights, duties and obligations of the parties shall be governed by this Agreement, and the Employment Agreement shall be terminated, except as specifically provided therein.

2. BENEFITS TO EXECUTIVE. Subject to and conditional upon Executive executing this Agreement and not revoking his acceptance hereof within the timeframes specified below, Company agrees to provide Executive with the following benefits:

- A. **Final Pay, Final Expenses.** In accordance with the Company's current payroll practices, Executive shall receive his regular salary through the Separation Date, at which time Executive shall be removed from the Company's payroll system and subsequent payments shall be made only as set forth below in 2(B). Executive shall be reimbursed for all documented business expenses that have been incurred by Executive during the course of the performance of his duties while employed by the Company, to the extent such expenses are reimbursable in accordance with the Company's current business expense reimbursement programs.
- B. **Severance Payments.** Company shall pay Executive severance as follows:
- (i) Following the Revocation Period described in Section 4(E) below, but in no event later than May 10, 2014, Company shall make a one-time, lump-sum payment to Executive in the amount of Two Million Seven Hundred Fifty Five Thousand Twenty Five and 00/100 Dollars (\$2,755,025.00), which is the sum of the following:
 - a. Two Million Two Hundred Twenty Five Thousand Two Hundred Eighty and 00/100 Dollars (\$2,225,280.00), which is 2.4 times Executive's current annual salary (\$927,200.00); plus
 - b. Five Hundred Twenty Nine Thousand Seven Hundred Forty Five and 00/100 Dollars (\$529,745.00), which the average of the three (3) most recent annual incentive compensation plan payments paid to Executive prior to the Separation Date (\$278,160.00; \$276,075.00; and \$1,035,000.00);
 - (ii) On the date after October 10, 2014 on which Company first issues payroll checks to its associates, Company shall make a one-time, lump-sum payment to Executive in the amount of Two Hundred

Thirty One Thousand Eight Hundred and 00/100 Dollars (\$231,800.00);

- (iii) Beginning on the date after October 10, 2014 on which Company first issues payroll checks to its associates, Company shall pay to Executive a series of twelve (12) consecutive semi-monthly payments (the "Periodic Severance Payments"), each in the gross amount of:
 - a. Nineteen Thousand Three Hundred Seventeen and 00/100 Dollars (\$19,317.00); plus
 - b. Interest on each Periodic Severance Payment calculated from the Separation Date to the date the Periodic Severance Payment is made at the rate of 1.05% per annum.

The gross aggregate amount of the Periodic Severance Payments shall be Two Hundred Thirty One Thousand Eight Hundred Four and 00/100 Dollars (\$231,804.00), plus interest as calculated in accordance with Section 2(B)(iii)(b). Such Periodic Severance Payments shall be payable semi-monthly in accordance with Company's current payroll practices. Periodic Severance Payments shall be paid directly into Executive's designated bank account in accordance with Company's standard direct deposit procedures; and

- (iv) On or before April 1, 2015, Company shall pay Executive a bonus based on Company's fiscal 2014 financial performance, in the amount which is equal to seventeen percent (17%) of the bonus, if any, that would have otherwise been payable to Executive pursuant to Company's Annual Incentive Plan had Executive been employed in his current position and in good standing at the end of Company's fiscal year 2014.

The above-referenced severance payments are collectively referred to in this Agreement as the "Severance Payments." The Severance Payments shall be subject to applicable federal, state and local withholding or other charges under applicable law, but regardless of the amount of withholding, Executive shall be solely responsible for payment of all personal income taxes, excise taxes, assessments, charges and penalties associated with the receipt and timing of the Severance Payments. Executive has been encouraged to seek the advice of his own tax and legal professionals to determine the extent of any such taxes, assessments or charges.

Executive shall be entitled to no additional compensation or payments of any other sort under the Employment Agreement or otherwise except as specifically set forth in this Agreement.

C. Prior Equity Compensation Awards.

- (i) Executive's outstanding stock option awards shall continue to vest in accordance with their original vesting schedules through March 31, 2017. All of Executive's unvested stock options shall, as of March 31, 2017, be immediately cancelled, null and void.
- (ii) Executive shall have until June 30, 2017 to exercise all stock options that are vested as of March 31, 2017. As of 3:00 pm Central Time on June 30, 2017, all of Executive's vested but unexercised stock options shall be cancelled, null and void.
- (iii) Those shares of restricted stock referenced on EXHIBIT A attached hereto (the "Accelerated Restricted Stock") shall vest in full on the Termination Date. On the Termination Date or as soon as practicable thereafter, Company shall release the Accelerated Restricted Stock to Executive, net of the shares required to satisfy Executive's tax withholding obligations. All of Executive's other unvested restricted stock shall, as of the Termination Date, be immediately cancelled, null and void.
- (iv) Company shall award no additional stock options or restricted stock to Executive from or after the date of this Agreement.

- D. Savings Plan. Company maintains the Kohl's Savings Plan (the 401(k) Plan) for the benefit of eligible employees. The 401(k) Plan is composed of two (2) accounts for each eligible employee: (i) a savings account to which eligible employees are permitted to make voluntary contributions which are matched by Company as provided in the 401(k) Plan; and (ii) a retirement account to which Company makes contributions to eligible employees. In the event Executive has an interest in Company's 401(k) Plan,
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Executive's interest is subject to the terms and conditions of the 401(k) Plan in effect from time to time. Executive authorizes Company to discontinue Executive's voluntary contributions to Executive's savings account in the 401(k) Plan, effective as of the Separation Date and Company shall make no additional matching contributions to Executive's savings account in the 401(k) Plan effective on or after Separation Date. Executive understands that Company shall make no distribution from Executive's 401(k) Plan savings account on or prior to the Separation Date. For purposes of Executive's 401(k) Plan retirement account and matching contributions to Executive's savings account, Company shall credit Executive with employment service commencing on the date Executive was hired by Company and ending on the Separation Date in accordance with the 401(k) Plan terms and conditions.

- E. Deferred Compensation. In the event Executive has an interest in Company's Deferred Compensation Plan ("Deferred Compensation Plan"), Executive's interest is subject to the terms of redemption contained in the Deferred Compensation Plan.
- F. Medical Insurance. Executive may, at his option, continue to participate in Company's executive health insurance program, as provided to Company's executives from time to time (the "Health Insurance Benefits"). In the event of Executive's death, the Health Insurance Benefits shall continue to be provided to Executive's eligible dependents, in each case for as long as each individual would have continued to qualify as an eligible dependent under the terms of the applicable insurance and medical plans had Executive been living.

Company's responsibility to provide the Health Insurance Benefits described in the preceding paragraph shall at all times be contingent upon:

- (1) the Health Insurance Benefits being reasonably available to the Company with respect to Executive and Executive's Eligible Dependents, as the case may be; and
- (2) Executive or Executive's eligible dependents, as the case may be, shall reimburse the Company for all premiums paid for Executive's Health Insurance Benefits, as determined by the Company in good faith from time to time. The Company shall provide Executive a quarterly invoice for such reimbursement, and amounts due hereunder may be withheld from other amounts payable to Executive. The current premium for Executive's Health Insurance Benefits is \$1,208.51 per month.

Company's responsibility to provide the Health Insurance Benefits described in this Section will cease forever on the date on which Executive becomes eligible for health insurance coverage under another employer's group health insurance plan, and, within five (5) calendar days of Executive becoming eligible for health insurance coverage under another employer's group health insurance plan, Executive agrees to inform the Company of such fact in writing.

In no event will the health insurance continuation to be provided by the Company pursuant to this Agreement in one taxable year affect the amount of health insurance continuation to be provided in any other taxable year, nor will Executive's right to this health insurance continuation be subject to liquidation or exchange for another benefit.

Company and Executive acknowledge that following the Separation Date, Executive has the right to elect to continue certain health insurance benefits, with premiums to be paid by Executive, as provided under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). Company shall provide Executive with written notice explaining Executive's COBRA rights which arise from Executive's separation of employment with Company. It is expressly agreed that Executive's COBRA rights shall include the right to continue his Supplemental Executive Medical Coverage. Executive acknowledges and agrees that the Company may deduct amounts that Executive is responsible to pay for health insurance continuation under this Section 2(F) from any Severance Payment payable to Executive pursuant to Section 2(B), above.

- G. ESOP. In the event Executive has an interest in Company's Executive Stock Ownership Plan ("ESOP"), Executive's interest is subject to the terms of redemption contained in the ESOP. Executive shall have the right to redeem all stock and receive prompt and full payment from the Company for the shares, pursuant to the terms of the ESOP.
- H. Outplacement. Executive shall be entitled to outplacement services from an outplacement service company of the Company's choosing at a cost not to exceed Twenty Thousand and no/100 Dollars (\$20,000.00), payable directly to such outplacement service company. Such outplacement services must be performed prior
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to April 1, 2015.

Except as otherwise provided in this Agreement, all other employee benefits shall cease as of the Separation Date.

1. **EXECUTIVE'S OBLIGATIONS.**

A. Waiver and General Release by Executive. In exchange for the benefits and payments to Executive described in this Agreement and to the extent permitted by law, Executive hereby waives and irrevocably and unconditionally releases, acquits, and fully and forever discharges Company, its related corporations and other businesses and each of their past, current and future agents, servants, officers, directors, stockholders, Executives, and attorneys and their respective successors and assigns (the "Released Parties") from and against any and all claims, liabilities, debts, suits, demands, causes of action or controversies of any nature whatsoever, for all injuries, losses and damages (including, but not limited to, punitive damages) whether in law or in equity, contract or tort or whether judicial or administrative in nature, which arose prior to the time Executive signs this Agreement. This release covers claims, whether brought by or on behalf of Executive and whether asserted or unasserted, whether known or unknown or anticipated or unanticipated by Executive. Executive further covenants and agrees not to sue Company for any claims referred to in this paragraph. This release includes, but is not necessarily limited to:

- i. Any and all liability of Company resulting from, arising out of, or connected with the employment relationship existing between Executive and Company or the termination of that relationship, including, but not necessarily limited to, any and all liability based on non-vested salary, vacation, or any other form of compensation or any and all liability related to the termination of the Employment Agreement.
- ii. To the extent any of the following statutes are applicable to Company, any and all liability of Company based on rights or claims arising under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Rehabilitation Act of 1973, the Executive Retirement Income Security Act of 1974, the Fair Labor Standards Act, the National Labor Relations Act, the Labor Management Relations Act, the Federal Family and Medical Leave Act, the employment laws of the state in which Executive is employed by Company, and any other applicable federal, state, or local laws, regulations, and ordinances of any kind;
- iii. Any and all liability of Company arising under any common law claims of wrongful discharge, breach of any express or implied contract, misrepresentation, defamation, interference with contract, intentional or negligent infliction of emotional distress, and any other tort and tort-type claims based on allegations of injury to Executive's reputation and any other tort and tort-type personal injuries; and
- iv. Any and all liability of Company resulting from, arising out of, or connected with any determinations as to the application of Section 409A of the Code to this Agreement, the Employment Agreement or the administration of such agreements based on such determinations.

This release includes any and all matters in connection with or based wholly or partially upon, without limitation by enumeration, acts of age or other discrimination, libel, slander, interference with prospective business relationships, invasion of privacy, or failure to interview, hire or appoint, allegedly committed against Executive by Company, up to and including the date on which Executive signs this Agreement, whether such claims are known or unknown at the time Executive signs this Agreement.

This waiver, release and covenant not to sue does not apply to (i) any benefits under any Company retirement plan which vested as of the Separation Date; (ii) any worker's compensation claim Executive may have against Company; (iii) any rights to indemnification or related expense reimbursement Executive may have under applicable law or pursuant to the Company's organizational documents; or (iv) any benefits to be provided under this Agreement. This release shall not relieve Executive from any obligations Executive may have now or may incur in the future on Executive's Kohl's retail charge account.

B. Waiver of Reinstatement. Executive waives any and all rights to reinstatement to employment, and hereby agrees not to reapply for employment with Company, its successors or related and/or affiliated companies.

- C. Forfeiture of Litigation Benefits. Executive agrees to waive any monetary or other benefits which may be conferred on Executive in any litigation brought against Company or any of the Released Parties respecting any claims waived or released hereunder.
- D. Non-Disparagement. Executive agrees not to engage at any time in any form of conduct or make any statements or representations, or direct any other person or entity to engage in any conduct or make any statements or representations, that disparage, criticize or otherwise impair the reputation of the Company, its affiliates, parents and subsidiaries and their respective past and present officers, directors, stockholders, partners, members, agents and employees. Nothing contained in this Section 3 (D) shall preclude Executive from providing truthful testimony or statements pursuant to subpoena or other legal process or in response to inquiries from any government agency or entity.
- E. Return of Property. Executive agrees to immediately return all Company property under Executive's possession or control, including but not limited to any Company-owned vehicle, computer equipment, corporate credit cards, keys, cellular telephones, and smartphones. Executive shall immediately return to the Company all documents, records, and materials belonging and/or relating to the Company, and all copies of all such materials. Executive further agrees to destroy such records maintained by Executive on Executive's own computer equipment.
- F. Voicemail, Email. Company shall discontinue Executive's voice mail and e-mail privileges, effective on the Separation Date. Executive shall not have access to non-public portions of any of Company's facilities after the Separation Date. At all times between the Separation Date and the date of the last scheduled Severance Payment, Executive shall provide Company's Chairman and Human Resources Department with current contact information including home address, email address and home and mobile telephone numbers.
- G. Covenant Not to Recruit. Executive hereby covenants and agrees that Executive will not at any time prior to the Separation Date, and for a period of one (1) year thereafter, directly or indirectly, whether as an owner, stockholder, director, officer, partner, employee, agent, provider, consultant, independent contractor or otherwise; (i) solicit or recruit, or attempt to solicit or recruit, or assist others in soliciting or recruiting individuals employed by Company as of the date hereof to accept employment elsewhere; provided, however, that this clause shall not prohibit Executive from soliciting or recruiting individuals who, at the time of solicitation or recruiting, no longer work for Company and whose departure from Company was not attributable directly or indirectly to Executive; or (ii) provide employment references with respect to current executives or Executives of Company.
- H. Non-Compete. See Section 10 below.

4. ACCEPTANCE AND REVOCATION RIGHTS. Company desires to ensure that Executive voluntarily agrees to the terms contained in this Agreement and does so only after Executive fully understands them. Accordingly, the following procedures shall apply:

- A. Executive agrees and acknowledges that Executive has read this Agreement, understands its contents, and may agree to the terms of this Agreement by signing and dating it and returning the signed and dated document, via mail, hand delivery, or overnight delivery, so that it is received by Richard D. Schepp, Senior Executive Vice President - Human Resources, General Counsel, within 21 days from the date of Executive's receipt;
 - B. Executive agrees and acknowledges that Executive has been advised by Company to consult with an attorney and tax consultants prior to signing this Agreement;
 - C. Executive agrees and acknowledges that this Agreement provides Executive with benefits from Company which, in their totality, are greater than those to which Executive otherwise would be entitled;
 - D. Executive understands that this Agreement, at Section 3, above, includes a final General Release, including a release of all claims under the Age Discrimination in Employment Act;
 - E. Executive understands that Executive has seven (7) days after signing this Agreement to revoke his acceptance of it. This seven (7) day period is called the "Revocation Period". Such revocation will not be
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effective unless written notice of the revocation is actually delivered via mail, hand delivery, or overnight delivery, to Richard D. Schepp on or before the end of the Revocation Period. If Executive gives timely notice of Executive's intention to revoke Executive's acceptance of the terms set forth in this Agreement, this Agreement shall become null and void, and all rights and claims of the parties which would have existed, but for the acceptance of this Agreement's terms, shall be restored;

- F. This document will not be binding or enforceable unless Executive has signed and delivered it as provided herein, and has not chosen to exercise Executive's revocation rights, as described herein; and
- G. Executive represents and warrants to Company that, in the event Executive chooses to accept the terms of this Agreement by signing below, the date appearing alongside Executive's name on the last page of this document shall be the actual date and time on which Executive has signed the agreement. Notwithstanding Executive's failure to execute this Agreement or Executive's revocation of this Agreement in accordance with this paragraph, the terms of this paragraph will continue to apply.
- H. An executed original of this Agreement shall be returned to Richard D. Schepp, Senior Executive Vice President - Human Resources, General Counsel, Kohl's Department Stores, Inc., N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051.

5. REPRESENTATIONS OF EXECUTIVE. Executive represents and warrants to Company that:

- A. Execution Date. Executive has executed this Agreement on the date set forth opposite Executive's name on the signature page hereof; and
- B. Voluntary and Knowing. This Agreement has been carefully read by Executive following consultation with his legal counsel, and its contents are known and understood by Executive. Executive has signed this Agreement freely and voluntarily and intends to be bound by it.

6. NON-ADMISSION. Neither the negotiations concerning this Agreement, nor the actual provision of consideration set forth in this document, nor Company's drafting or execution of this document shall be construed as an acknowledgment or admission by Company of any liability to Executive or any other individual or entity or of any wrongdoing under federal, state or local law.

7. CONFIDENTIALITY

- A. Acknowledgments. Executive acknowledges and agrees that, as an integral part of its business, the Company has expended a great deal of time, money and effort to develop and maintain confidential, proprietary and trade secret information to compete against similar businesses and that this information, if misused or disclosed, would be harmful to the Company's business and competitive position in the marketplace. Executive further acknowledges and agrees that in Executive's position with the Company, the Company provided Executive with access to its confidential, proprietary and trade secret information, strategies and other confidential business information that would be of considerable value to competitive businesses. As a result, Executive acknowledges and agrees that the restrictions contained in this Section 7 are reasonable, appropriate and necessary for the protection of the Company's confidential, proprietary and trade secret information. For purposes of this Section 7, the term "Company" means Kohl's Department Stores, Inc. and its parent companies, subsidiaries and other affiliates.
 - B. Confidentiality Obligations. Executive will not directly or indirectly use or disclose any Trade Secrets unless such information ceases to be deemed a Trade Secret by means of one of the exceptions set forth in Section 7(C)(3), below. For a period of two (2) years following the Separation Date, Executive will not directly or indirectly use or disclose any Confidential Information, unless such information ceases to be deemed Confidential Information by means of one of the exceptions set forth in Section 7(C)(3), below.
 - C. Definitions.
 - (i) Trade Secret. The term "Trade Secret" shall have that meaning set forth under applicable law. This term is deemed by the Company to specifically include all of Company's computer source, object or other code and any confidential information received from a third party with whom the Company has a binding agreement restricting disclosure of such confidential information.
 - (ii) Confidential Information. The term "Confidential Information" shall mean all non-Trade Secret or
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proprietary information of the Company which has value to the Company and which is not known to the public or the Company's competitors, generally, including, but not limited to, strategic growth plans, pricing policies and strategies, employment records and policies, operational methods, marketing plans and strategies, advertising plans and strategies, product development techniques and plans, business acquisition and divestiture plans, resources, sources of supply, suppliers and supplier contractual relationships and terms, technical processes, designs, inventions, research programs and results, source code, short-term and long-range planning, projections, information systems, sales objectives and performance, profits and profit margins, and seasonal plans, goals and objectives.

(iii) Exclusions. Notwithstanding the foregoing, the terms "Trade Secret" and "Confidential Information" shall not include, and the obligations set forth in this Section 7 shall not apply to, any information which: (i) can be demonstrated by Executive to have been known by Executive prior to Executive's employment by the Company; (ii) is or becomes generally available to the public through no act or omission of Executive; (iii) is obtained by Executive in good faith from a third party who discloses such information to Executive on a non-confidential basis without violating any obligation of confidentiality or secrecy relating to the information disclosed; or (iv) is independently developed by Executive outside the scope of Executive's employment without use of Confidential Information or Trade Secrets.

C. Confidentiality of this Agreement. Executive agrees that Executive will not disclose, directly or indirectly, any non-public terms of this Agreement to any third party; provided, however, that following Executive's obtaining a promise of confidentiality for the benefit of the Company from Executive's tax preparer, accountant, attorney and spouse, Executive may disclose such terms to such of these individuals who have made such a promise of confidentiality. This provision shall not prevent Executive from disclosing such matters in testifying in any hearing, trial or other legal proceeding where Executive is required to do so.

8. ENTIRE AGREEMENT. This Agreement constitutes the complete understanding between the parties concerning all matters affecting Executive's employment with Company and the termination thereof and supersedes all prior agreements, understandings and practices concerning such matters, including, without limitation, any prior Employment or Severance Agreement Executive may have had with Company, the provisions of any Company personnel documents, handbooks or policies and any prior customs or practices of Company with respect to bonuses, severance pay, fringe benefits or otherwise. Notwithstanding the foregoing, it is expressly agreed that Executive shall remain bound by those provisions of Articles IV and VI of the Employment Agreement subsequent to the termination of Executive's employment.

9. NO PREVAILING PARTY DESIGNATION. The parties agree that this Agreement shall not be construed to render Executive or Company a "prevailing party" within the meaning of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, the Fair Labor Standards Act, as amended, the laws of the State within which Executive resides or performs services for Company, Employee Retirement Income Security Act of 1974 (ERISA), as amended, or under any law, statute or ordinance allowing attorneys' fees and/or costs to a party who "prevails" in any manner or sense, nor shall this Agreement be deemed to constitute a factor supporting an award of attorneys' fees and/or costs under any law, statute or ordinance. Except as expressly provided herein, all parties are responsible for their own attorney's fees in connection with the presentation and resolution of their disputes.

10. RESTRICTED SERVICES OBLIGATION

A. Acknowledgments. Executive acknowledges and agrees that the Company is one of the leading retail companies in the United States, with department stores throughout the United States, and that the Company compensates executives like Executive to, among other things, develop and maintain valuable goodwill and relationships on the Company's behalf (including relationships with customers, suppliers, vendors, employees and other associates) and to maintain business information for the Company's exclusive ownership and use. As a result, Executive acknowledges and agrees that the restrictions contained in this Section 10 are reasonable, appropriate and necessary for the protection of the Company's goodwill, customer, supplier, vendor, employee and other associate relationships and Confidential Information and Trade Secrets. Executive further acknowledges and agrees that the restrictions contained in this Section 10 will not pose an undue hardship on Executive or Executive's ability to find gainful employment. For purposes of this Section 10, the term "Company" means Kohl's Department Stores, Inc. and its parent companies, subsidiaries and other affiliates.

B. Restricted Services Obligation. During the Initial Term and the Renewal Term and for the one (1) year period following termination, for whatever reason, of Executive's employment with the Company, Executive will not, directly or indirectly, provide Restricted Services (defined below) for or on behalf of any Competitive Business (defined below) or directly or indirectly, provide any Competitive Business with any advice or counsel in the nature of the Restricted Services.

C. Definitions. For purposes of this Section 10, the following are defined terms:

- (i) **Restricted Services.** "Restricted Services" shall mean services of any kind or character comparable to those Executive provided to the Company during the eighteen (18) month period immediately preceding Executive's last date of employment with the Company.
- (ii) **Competitive Business.** "Competitive Business" shall mean each of the following entities: J.C. Penney Company, Inc., Macy's, Inc., The Gap, Inc., Target Corporation, Sears Holdings Corporation, and any successors, subsidiaries or affiliates of these entities engaged in the operation of national retail department stores.

11. COOPERATION. Following the Separation Date, Executive agrees to take all reasonable steps to make himself/herself available to and to cooperate with the Company, at its request, in connection with any legal proceedings or other matters in which it is or may become involved. Company agrees to pay reasonable compensation to Executive and to pay all reasonable expenses incurred by Executive in connection with Executive's obligations under this Section 11.

12. NO MODIFICATION. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer as may be specifically designated by Company.

13. FEES AND EXPENSES. Each party hereto shall be solely responsible for its own legal, accounting and other professional fees and other expenses incurred in connection with the negotiation, preparation and exercising of this Agreement and the consummation of the transactions contemplated hereby.

14. GOVERNING LAW, SUCCESSORS AND ASSIGNS. This Agreement shall be governed and construed in accordance with the laws of Wisconsin without reference to the rules of conflict of law and shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns. Any action brought hereunder shall be prosecuted in the United States District Court for the Eastern District of Wisconsin or the Circuit Court of Waukesha County, Wisconsin.

15. SEVERABILITY. If any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, this Agreement shall be construed with the invalid or inoperative provisions deleted, and the rights and obligations of the parties shall be construed and enforced accordingly, provided that this provision shall not be construed to contemplate or permit restructuring of any restrictive covenant contained herein.

16. REMEDIES. Executive expressly acknowledges and agrees that a violation of any of the covenants set forth in this Agreement will cause immediate and irreparable harm to the Company, and that if Executive shall engage in any acts in violation of this Agreement, Company shall be entitled, in addition to such other remedies and monetary damages as may be available to it, to an injunction prohibiting Executive from engaging in any such acts. Nothing in this paragraph shall be construed to prohibit Company from availing itself of any other remedy and the parties agree that all remedies available to Company are cumulative.

17. NOTICES. Any and all notices, consents, documents or communications provided for in this Agreement shall be given in writing and shall be personally delivered, mailed by registered or certified mail (return receipt requested) or sent by courier, confirmed by receipt, and addressed as follows (or to such other address as the addressed party may have substituted by notice pursuant to this Section 17):

If to the Company: Kohl's Department Stores, Inc.
N56 W17000 Ridgewood Drive
Menomonee Falls, WI 53051
Attn: Richard D. Schepp, Sr. Executive Vice President- Human Resources, General Counsel

If to Executive: Any notice to be given to the Executive may be addressed to his at the address as it appears on the payroll records of the Company or any subsidiary thereof.

Such notice, consent, document or communication shall be deemed given upon personal delivery or receipt at the address of the party stated above or at any other address specified by such party to the other party in writing, except that if delivery is refused or cannot be made for any reason, then such notice shall be deemed given on the third day after it is sent.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 24th day of March, 2014.

KOHL'S DEPARTMENT STORES, INC.

By: /s/ Richard D. Schepp

Richard D. Schepp

Senior Executive Vice President - Human Resources, General Counsel

EXECUTIVE

/s/ Donald A. Brennan

Donald A. Brennan

EXHIBIT A
ACCELERATED RESTRICTED STOCK*

<u>Grant #</u>	<u>Grant Date</u>	<u>Originally Scheduled Vest Date</u>	<u># of Shares Subject to Accelerated Vesting</u>	
1132	03/01/2011	03/01/2015	22,523	
		03/01/2016	22,523	
1551	03/28/2011	03/28/2015	4,972	
		03/28/2016	4,972	
1959	03/26/2012	03/26/2015	3,610	
		03/26/2016	3,610	
		03/26/2016	3,610	
3419	01/13/2014	01/13/2015	3,274	
		01/13/2016	3,273	
		01/13/2017	3,274	
Subtotal			75,641	
Dividend Shares Attributable to Accelerated Shares			5,426	
Total			81,067	

* In accordance with Section 2(C)(iii) of this Agreement, vesting of these shares will occur on the Separation Date. On that date or as soon as practicable thereafter, Company shall release the Accelerated Restricted Stock to Executive, net of the shares required to satisfy Executive's tax withholding obligations. All of Executive's other unvested restricted stock shall, as of the Separation Date, be immediately cancelled, null and void. With the exception of this accelerated vesting, all restricted stock is subject to the terms and conditions of the applicable Long-Term Incentive Plan and the Award Agreement pursuant to which the award was made.

**AMENDMENT TO PRIVATE LABEL
CREDIT CARD PROGRAM AGREEMENT**

This AMENDMENT TO PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT, entered into and effective as of the 13th day of May, 2014 (this "Amendment"), is by and between Kohl's Department Stores, Inc., a Delaware corporation with its principal offices at Menomonee Falls, Wisconsin ("Kohl's"), and Capital One, National Association, a national banking association having its home office in McLean, Virginia ("Bank").

WHEREAS, Kohl's and Bank entered into that certain Private Label Credit Card Program Agreement, dated as of August 11, 2010 (as so amended through the date hereof, the "Agreement");

WHEREAS, Kohl's and Bank desire to extend the term of the Agreement, to further amend the Agreement, and to modify certain terms, conditions and obligations contemplated by the Agreement, in each case as set forth in this Amendment;

WHEREAS, Section 18.7 of the Agreement provides that, except as otherwise provided therein, the Agreement may not be amended except by a written instrument executed and delivered by Bank and Kohl's; and

WHEREAS, Bank and Kohl's desire to amend and modify the Agreement as set forth in this Amendment;

NOW, THEREFORE, in consideration of the foregoing and mutual covenants and promises set forth herein, the parties hereby agree as follows:

Defined Terms. Unless otherwise defined herein, all capitalized terms used in this Amendment have the meanings ascribed to them in the Agreement.

1. **Section 1.1 (Definitions: Generally).** The definition of "Enhancement Products" in Section 1.1 of the Agreement is hereby amended by deleting such definition in its entirety and inserting in lieu thereof the following:

""**Enhancement Products**" means the Credit Card enhancement products or services that are offered to Cardholders as mutually agreed by the parties from time to time. For avoidance of doubt the Enhancement Products do not include merchandise purchased by Cardholders through Kohl's Channels."

2. **Schedule 4.3 (Bank Obligations).** **Schedule 4.3** of the Agreement is hereby amended by deleting such Schedule in its entirety and inserting in lieu thereof an amended **Schedule 4.3** in the form attached hereto as **Exhibit A**.
3. **Schedule 4.6(a) (Risk Management/Credit Standards).** **Schedule 4.6(a)** of the Agreement is hereby amended as set forth in **Exhibit B** hereto.
4. **Schedule 4.6(b) (Agreed Risk Management Policies).** **Schedule 4.6(b)** of the Agreement is hereby amended as set forth in **Exhibit C** hereto.
5. **Section 4.7/Schedule 4.7(a) (Exception Accounts).**

- a. Section 4.7(a) of the Agreement is hereby amended by deleting such Section in its entirety and inserting in lieu thereof the following:

"Notwithstanding the foregoing, Bank shall, upon request by Kohl's, offer a Private Label Credit Card and Account to any customer that does not satisfy Bank's credit standards; provided that Kohl's shall not process, and Bank shall have no obligation to issue, such a Private Label Credit Card and Account if, at the time Kohl's makes such a request to Bank: (i) the number of Accounts approved under this Section 4.7(a) exceeds the percentage set forth on **Schedule 4.7(a)**, or (ii) the issuance of such a Private Label Credit Card and Account would violate Applicable Law."

- b. Schedule 4.7(a) of the Agreement is amended by deleting such Schedule in its entirety and inserting in lieu thereof an amended Schedule 4.7(a) in the form attached hereto as Exhibit D.
6. Schedule 4.10 (Systems), Schedule 4.10 of the Agreement is hereby amended as set forth in Exhibit E.
7. Section 5.1 (Kohl's Responsibility to Market the Program). Section 5.1(b) of the Agreement is hereby amended by inserting at the end of such Section the following:
- “Kohl’s shall provide such information about any Value Proposition, including information relating to the administration and fulfillment of any Value Proposition, as Bank may request from time to time in order to ensure compliance with Applicable Law. The Bank Compliance Manager shall be provided the opportunity to review any materials or documentation relating to a Value Proposition in accordance with Section 3.2(d). Notwithstanding anything stated herein to the contrary, Kohl’s shall not be required to provide any information, documentation or materials to Bank concerning any current or future rewards program to the extent that any such rewards programs do not make reference to an Account.”
8. Schedule 6.3 (Cardholder Data).
- a. Subsection (c) of Schedule 6.3 of the Agreement is hereby amended as set forth in Exhibit F.
- b. Prior to the first use of Cardholder Data as contemplated by subsection (c)(iii) of Schedule 6.3 (as amended by this Amendment), the parties agree that the Program Privacy Policy shall be amended to read substantially as set forth in Exhibit G (taking into consideration any other changes to the Program Privacy Policy as shall have been made prior to such amendment), or as otherwise agreed by the parties.
9. Kohl’s Account EaseSM/Schedule 6.3(c) (Bank Enhancement Products).
- a. The debt cancellation or debt deferment service referred to as “Kohl’s Account EaseSM” (“KAE”) shall not be offered to new Cardholders or to any existing Cardholders that do not currently subscribe to KAE. In the event that the subscription of any existing Cardholder to KAE expires, Bank shall not offer KAE to any such Cardholder. Notwithstanding the foregoing, Bank shall continue to support KAE for existing subscribed Cardholders.
- b. The Agreement is hereby amended by deleting Schedule 6.3(c) in its entirety.
10. Section 7.3 (Customer Service). Section 7.3 of the Agreement is hereby amended by inserting a new Section 7.3(g) as follows:
- “Kohl’s shall continue to record all telephone activities related to (i) outbound telemarketing or selling activities in respect of the Private Label Credit Card, the Program or any Enhancement Product, and (ii) requests for cancellation or termination of any Private Label Credit Card or any Enhancement Product (including, without limitation, the previously marketed debt cancellation or debt deferment service referred to as “Kohl’s Account EaseSM”), and any associated retention-related activities, and shall, in each case, provide such recordings to Bank on a weekly basis or as mutually agreed by Kohl’s and Bank. Notwithstanding anything stated herein to the contrary, any additional telephone recording activities proposed by Bank after May 13, 2014 shall be discussed by the parties to ensure that such activities are consistent with and in support of the parties’ commitment to comply with Applicable Law.”
11. Section 7.9/Schedule 7.9 (Training).
- a. The Agreement is hereby amended by adding a new Section 7.9 as follows:
- “7.9 Training.
- The parties agree as set forth in Schedule 7.9 with respect to training.”
- b. The Agreement is hereby amended to include a new Schedule 7.9, in the form attached hereto as Exhibit H.
12. Section 8.4(b) (Settlement Procedures). The Agreement is hereby amended by deleting clause (ii) of Section 8.4(b) in its entirety and inserting in lieu thereof an amended clause (ii) as follows:
-

“(ii) the total amount of any Cardholder payments received and deposited by Kohl's into an account or accounts maintained and/or controlled by Kohl's (the “Net Settlement Amount”).”

13. Schedule 9.2 (Compensation). Schedule 9.2 of the Agreement is hereby amended by deleting such Schedule in its entirety and inserting in lieu thereof an amended Schedule 9.2 in the form attached hereto as Exhibit I.
 14. Section 11.3(i) (General Covenants of Kohl's)/Schedule 11.3(i) (Incentive-Based Compensation).
 - a. Section 11.3 of the Agreement is hereby amended by inserting a new Section 11.3(i), as follows:

“(i) Incentive-Based Compensation. The parties agree as set forth in Schedule 11.3(i) with respect to Incentive-Based Compensation.”
 - b. The Agreement is hereby amended to include a new Schedule 11.3(i) in the form attached hereto as Exhibit J.
 15. Section 12.2 (Use and Disclosure of Confidential Information)/Schedule 12.2(d) (Use and Disclosure of Confidential Information).
 - a. Section 12.2 of the Agreement is hereby amended by adding a new Section 12.2(d) as follows:

“(d) The parties further agree as set forth in Schedule 12.2(d) with respect to the use of Bank Confidential Information.”
 - b. The Agreement is hereby amended to include a new Schedule 12.2(d) in the form attached hereto as Exhibit K.
 16. Section 15.1 (Term). Section 15.1 of the Agreement is hereby amended by deleting the first sentence of such Section in its entirety and inserting in lieu thereof the following:

“This Agreement shall continue in full force and effect for twelve (12) years from the Effective Date (the “Initial Term”).”
 17. Section 18.2 (Precautionary Security Interest)/Schedule 18.2 (Deposit of Cardholder Payments).
 - a. Section 18.2 of the Agreement is hereby amended by inserting at the end of such Section the following:

“The parties further agree as set forth in Schedule 18.2 with respect to the deposit of Cardholder payments received by Cardholders on Accounts.”
 - b. The Agreement is hereby amended to include a new Schedule 18.2 in the form attached hereto as Exhibit L.
 18. Section 18.6 (Subcontracting).
 - a. Section 18.6 of the Agreement is hereby amended by inserting at the end of such Section the following:

“To the extent either party utilizes its Affiliates or other Persons to fulfill its obligations under this Agreement, the parties further agree as set forth on Schedule 18.6.”
 - b. The Agreement shall be amended to include a new Schedule 18.6, in the form attached hereto as Exhibit M.
 19. Amendment. This Amendment may not be amended or otherwise modified except as provided in the Agreement.
 20. Full Force and Effect. Except as amended hereby, the terms and conditions of the Agreement shall remain in full force and effect.
 21. Governing Law. This Amendment and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to internal principles of conflicts of laws, and applicable federal law.
-

22. Counterparts/Facsimiles/PDF E-Mails. This Amendment may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile or PDF e-mailed version of an executed counterpart shall be deemed an original.

[Signature page follows.]

IN WITNESS WHEREOF, each of the parties has caused this Amendment to be duly executed as of the date first above written.

KOHL'S DEPARTMENT STORES, INC.

By: /s/ Wesley McDonald
Name: Wesley McDonald
Title: CFO

CAPITAL ONE, NATIONAL ASSOCIATION

By: /s/ Richard D. Fairbank
Name: Richard D. Fairbank
Title: Chief Executive Officer and President

RESTRICTED STOCK AGREEMENT

<u>Executive</u> <u>Restricted Shares</u>	<u>Employee ID</u>	<u>Grant Date</u>	<u>Number of</u>

RECITALS:

The Compensation Committee of the Board of Directors (the "Committee") has determined to award to the Executive shares of the common stock of the Company ("Common Stock"), subject to the restrictions contained herein, pursuant to the Company's 2010 Long-Term Compensation Plan (the "Plan"). All terms used herein and not otherwise defined shall have the same meaning as set forth in the Plan.

NOW, THEREFORE, for good and valuable consideration, including the mutual promises set forth in this agreement and the benefits that the Company expects to derive in connection with the services to be hereafter rendered to it or its subsidiaries by the Executive, the Company and the Executive hereby agree as follows:

ARTICLE I

Restricted Shares

1.1 Award of Restricted Shares. The Company hereby awards to the Executive the number of shares of Common Stock listed above under the heading "Number of Restricted Shares" (the "Restricted Shares"), subject to the restrictions contained herein and the provisions of the Plan.

1. Vesting of the Restricted Shares. Subject to the terms of this Agreement, the Restricted Shares shall vest in accordance with the following schedule:

	Shares Vesting
1 st Anniversary Date	50%
2 nd Anniversary Date	50%

(a) Termination of Employment. Notwithstanding any provision in any executive compensation agreement between the Executive and the Company to the contrary, if Executive's employment is terminated by the Company or by Executive, except as otherwise provided in Section 1.2(b) or 1.2(c) of this Agreement, the vesting of the Restricted Shares shall, on the date of such termination, cease and any unvested Restricted Shares shall be forfeited by Executive and revert to the Company.

(b) Termination Due to Executive's Death or Disability. If Executive's employment is terminated due to Executive's death or due to Disability (as defined in any executive compensation agreement between the executive and the Company in effect as of the Grant Date, if any), the Restricted Shares shall, upon such termination, vest immediately.

(c) Change of Control. In the event of a Change of Control, any outstanding Restricted Shares shall be subject to the provisions set forth in Paragraph 19 of the Plan, provided, however, any references to "cause" and "good reason" used in Paragraph 19 of the Plan shall be interpreted by applying the definitions of "cause" and "good reason" contained in any executive compensation agreement between the Executive and the Company in effect as of the Grant Date, if any.

Any Restricted Shares which do not vest shall be forfeited by Executive and revert to the Company. The period during which the Restricted Shares are unvested is referred to herein as the Restricted Period.

1.3 Shareholder Status. Prior to the vesting of the Restricted Shares, Executive shall have the right to vote the Restricted Shares and except as expressly provided otherwise herein, all other rights as a holder of outstanding shares of Common Stock. In lieu of any regular cash dividends, on the declared payment date of each regular cash dividend otherwise payable on the Restricted Shares ("Payment Date"), the Company shall issue Executive a number of additional shares of Restricted Stock with a Payment Date market value equal to: (i) the per-share dollar amount of the declared dividend multiplied by (ii) the number of Executive's unvested Restricted Shares as of the declared record date for the dividend. For purposes of calculating the "Payment Date market value" in the preceding sentence, the Company shall use the closing price of a share of the Company's Common Stock on the New York Stock Exchange on the Payment Date. Such additional Restricted Shares shall be issued in fractional shares, and shall vest on the same terms and conditions as the underlying Restricted Shares to which dividends would have been attributable. Any such additional Restricted Shares shall be subject to the terms of this Agreement. Further, notwithstanding the foregoing, the Executive shall not have the right to vote with respect to the Restricted Shares with respect to record dates occurring after any of the Restricted Shares revert to the Company pursuant to Section 1.2 hereof. Until the Restricted Shares vest pursuant to Sections 1.2 hereof, the Company shall retain custody of the stock certificates representing the Restricted Shares. As soon as practicable after the lapse of the restrictions, the Company shall issue or release or cause to be issued or released certificate(s) representing the shares, less any shares used to satisfy the obligation to withhold income and/or employment taxes in connection with the vesting of any Restricted Shares.

1.4 Prohibition Against Transfer. During the Restricted Period, the Restricted Shares may not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) by the Executive, or be subject to execution, attachment or similar process. Any transfer in violation of this Section 1.4 shall be void and of no further effect.

ARTICLE II

Miscellaneous

2.1 Provisions of the Plan Control. This Agreement shall be governed by the provisions of the Plan, the terms and conditions of which are incorporated herein by reference. The Plan empowers the Committee to make interpretations, rules and regulations thereunder, and, in general, provides that determinations of such Committee with respect to the Plan shall be binding upon the Executive. A copy of the Plan will be delivered to the Executive upon reasonable request.

2.2 Taxes. The Company may require payment of or withhold any income or employment tax which it believes is payable as a result of the grant or vesting of the Restricted Shares or any payments thereon or in connection therewith, and the Company may defer making delivery with respect to the shares until arrangements satisfactory to the Company have been made with regard to any such withholding obligation. In accordance with the Plan, the Company may withhold shares of Common Stock to satisfy such withholding obligations.

2.3 No Employment Rights. The award of the Restricted Shares pursuant to this Agreement shall not give the Executive any right to remain employed by the Company or any affiliate thereof.

2.4 Notices. Any notice to be given to the Company under the terms of this Agreement shall be given in writing to the Company in care of its General Counsel at Kohl's Department Stores, Inc., N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin, 53051. Any notice to be given to the Executive may be addressed to him/her at the address as it appears on the payroll records of the Company or any subsidiary thereof. Any such notice shall be deemed to have been duly given if and when actually received by the party to whom it is addressed, as evidenced by a written receipt to that effect.

2.5 Governing Law. This Agreement and all questions arising hereunder or in connection herewith shall be determined in accordance with the laws of the State of Wisconsin without giving effect to its conflicts of law provisions.

IN WITNESS WHEREOF, the parties have caused this Agreement to be effective as of the date first written above.

KOHL'S CORPORATION

By: _____
Kevin Mansell
Chairman, President, CEO

Executive

**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 6, 2014

/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 6, 2014

/s/ Wesley S. McDonald

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. This Quarterly Report on Form 10-Q of the Company for the quarterly period ended May 3, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. That the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 6, 2014

/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, Wes 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. This Quarterly Report on Form 10-Q of the Company for the quarterly period ended May 3, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. That the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 6, 2014

/s/ Wesley S. McDonald

Wesley S. McDonald

Senior Executive Vice President and Chief Financial
Officer

(Principal Financial and Chief Accounting Officer)