

KOHL'S CORPORATION
Form DEF 14A
March 21, 2003

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

Kohl's Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Edgar Filing: KOHLS CORPORATION - Form DEF 14A

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

Reg. (S) 240.14a-101.

SEC 1913 (3-99)

KOHL S CORPORATION
N56 W17000 Ridgewood Drive
Menomonee Falls, Wisconsin 53051

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 1, 2003

To Our Shareholders:

The Annual Meeting of Shareholders of Kohl's Corporation, a Wisconsin corporation (the "Company"), will be held at the Midwest Airlines Center, 400 West Wisconsin Avenue, Milwaukee, Wisconsin 53203, on Thursday, May 1, 2003, at 10:30 a.m., for the following purposes:

1. To elect five directors to serve for a three-year term;
2. To ratify the appointment of Ernst & Young LLP as independent auditors;
3. To approve the Company's 2003 Long-Term Compensation Plan;
4. To vote on the shareholder proposals described herein, if properly presented at the meeting; and
5. To act upon any other business that may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on March 5, 2003 are entitled to notice of and to vote at the meeting.

You are cordially invited to attend the meeting. Your vote is important no matter how large or small your holdings may be. **Please vote as soon as possible in one of these three ways, whether or not you plan to attend the meeting:**

Edgar Filing: KOHLS CORPORATION - Form DEF 14A

Visit the web site shown on your proxy card to vote over the internet;

Use the toll-free telephone number shown on your proxy card to vote over the telephone; or

Complete, sign, date and return your proxy card in the reply envelope provided.

If you submit your proxy and then decide to attend the meeting to vote in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the proxy statement.

By Order of the Board of Directors

Richard D. Schepp

Secretary

Menomonee Falls, Wisconsin

March 31, 2003

KOHL S CORPORATION
N56 W17000 Ridgewood Drive
Menomonee Falls, Wisconsin 53051

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

May 1, 2003

The Board of Directors of Kohl s Corporation (the Company) solicits the enclosed proxy for the Annual Meeting of Shareholders to be held on May 1, 2003, or any adjournment(s) thereof, at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. The Company has one class of capital stock outstanding; its \$0.01 par value common stock (Common Stock). Only holders of record of the 337,355,777 shares of Common Stock outstanding at the close of business on March 5, 2003 will be entitled to notice of and to vote at the meeting. The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on March 5, 2003 is required for a quorum with respect to the matters on which action is to be taken at the meeting. Each such shareholder is entitled to one (1) vote for each share of Common Stock registered in their name and may vote such shares either in person or by proxy.

The shares represented by each valid proxy received in time will be voted at the annual meeting in accordance with the directions and specifications contained therein. A proxy may be revoked at any time before it is exercised by filing with the Secretary of the Company a proxy dated at a later time or a written revocation dated after the date of the proxy. A proxy will be revoked if the shareholder who executed it is present at the meeting and elects to vote in person.

References in this proxy statement or the accompanying proxy to a fiscal year are to the calendar year in which the fiscal year begins. For example, the fiscal year ended February 1, 2003 is referred to as fiscal 2002 .

This proxy statement, the accompanying proxy and the Company s Annual Report for fiscal 2002 are being furnished to shareholders beginning on or about March 31, 2003.

ITEM ONE

ELECTION OF DIRECTORS

Edgar Filing: KOHLS CORPORATION - Form DEF 14A

Proxies solicited by the Board of Directors will, unless otherwise directed, be voted for the election of five nominees to serve as Class II directors for a three-year term expiring in 2006, and until their successors are elected and qualified. The five Class II nominees are Jay H. Baker, Steven A. Burd, Kevin Mansell, Peter M. Sommerhauser and Judith A. Sprieser.

The Company's Articles of Incorporation provide that the Company's Board of Directors shall consist of not less than five nor more than fifteen persons. The Board of Directors currently consists of thirteen members. Seven of the thirteen current members will be independent on the effective date of the proposed rules of the New York Stock Exchange, as submitted to the SEC on August 16, 2002. Directors are divided into three classes (Class I, Class II and Class III), and each class is elected for a term of three years. There are five Class II directors, whose terms expire at this Annual Meeting. There are four Class III directors, whose terms expire at the 2004 Annual Meeting; and there are four Class I directors, whose terms expire at the 2005 Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS

VOTE FOR THE ELECTION OF THE NOMINEES TO SERVE AS DIRECTORS.

Following is information regarding the nominees and continuing directors, as furnished by them. Unless otherwise indicated, the nominees and directors have had the indicated principal occupation for at least the past five years.

	Age	Director Since
Nominees for Election of Class II Directors		
(Terms to expire in 2006)		
Jay H. Baker Formerly President of the Company. Mr. Baker retired from the Company effective February 2000, after 13 years of service. Mr. Baker is also a director of Briggs & Stratton Corporation, a manufacturer of engines and power equipment.	68	1988
Steven A. Burd Chairman, President and Chief Executive Officer of Safeway Inc., an operator of grocery store chains. Mr. Burd has served as Safeway's Chairman of the Board of Directors since 1998, Chief Executive Officer since 1993 and President since 1992.	53	2001
Kevin Mansell President of the Company since February 1999. Mr. Mansell served as Executive Vice President General Merchandise Manager from 1987 to 1998. He joined the Company in 1982.	50	1999
Peter M. Sommerhauser Shareholder of the law firm of Godfrey & Kahn, S.C., Milwaukee, Wisconsin.	60	1988
Judith A. Sprieser Chief Executive Officer since 2000 of Transora, Inc., a global eMarketplace for consumer packaged goods. Ms. Sprieser was with Sara Lee Corporation, a provider of packaged food and consumer products from 1987 to 2000, serving as Executive Vice President and Chief Executive Officer of its food group from 1999 to 2000 and Executive Vice President and Chief Financial Officer from 1998 to 1999. She also is a director of USG Corporation and Allstate Insurance Company.	49	2003
Class III Directors		
(Terms to expire in 2004)		
Wayne Embry Consultant to the Cleveland Cavaliers, a professional basketball team. Mr. Embry served in several executive positions with the Cleveland Cavaliers from 1986 until his retirement in June, 2000, including over 13 years as General Manager and Team Division President and Chief Operating Officer. Mr. Embry is also a director of PolyOne Corporation, a polymer services company.	66	2000
John F. Herma Formerly Chief Operating Officer and Secretary of the Company. Mr. Herma retired from the Company effective June 1999, after 21 years of service.	55	1988
R. Lawrence Montgomery Chief Executive Officer of the Company since February 1999, and Chairman since February 2003. Mr. Montgomery served as Vice Chairman from March 1996 to November 2000 and as Executive Vice President of Stores from February 1993 to February 1996. He joined the Company in 1988.	54	1994
Frank V. Sica Managing Director of Soros Fund Management LLC and Managing Partner of Soros Private Equity Partners. Mr Sica is also a director of CSG Systems International, Inc., a computer software company, Emmis Communications Corporation, a diversified media company and Jet Blue Airways Corporation, a commercial airline. He was a Managing Director in the Merchant Banking Division of Morgan Stanley & Co. Incorporated from 1988 to 1998.	52	1988

	<u>Age</u>	<u>Director Since</u>
Class I Directors (Terms to expire in 2005)		
James D. Ericson Former Chairman and Chief Executive Officer of The Northwestern Mutual Life Insurance Company. Mr. Ericson is a Trustee of The Northwestern Mutual Life Insurance Company, and a director of The Marcus Corporation, a lodging and theater business.	67	1997
William S. Kellogg Former Chairman and Chief Executive Officer of the Company. Mr. Kellogg retired from the Company at the end of fiscal 2000, after 34 years of service.	59	1988
Arlene Meier Chief Operating Officer of the Company since November 2000. Ms. Meier served as Executive Vice President Chief Financial Officer from October 1994 to November 2000. She joined the Company in 1989.	50	2000
R. Elton White Former President of NCR Corporation, a technology and services provider. Mr. White is also a director of Keithley Instruments, Inc., a provider of analytical testing equipment.	60	1994

The Board of Directors has no reason to believe that a nominee is not available or will not serve if elected. If for any reason a nominee becomes unavailable for election, the Board of Directors may reduce the number of directors or may designate a substitute nominee, in which event the shares represented by the proxies returned to the Company will be voted for such substitute nominee, unless an instruction to the contrary is indicated on the proxy.

The Company's Board of Directors held five formal meetings during fiscal 2002. During fiscal 2002, each incumbent director attended 75 percent or more of the full board meetings and meetings of committees on which such director served.

Director Committees and Compensation

The Company's Board of Directors has three standing committees: a Compensation Committee, a Governance and Nominating Committee and an Audit Committee. All committee members are independent under the current listing standards of the New York Stock Exchange. Each committee operates under a written charter which is reviewed annually by the Board. A copy of the Audit Committee charter is attached as Annex A.

Compensation Committee

The duties of the Compensation Committee are to discharge the Board's responsibilities related to compensation of the Company's directors and officers, as well as those with respect to the general employee compensation and benefit policies and practices of the Company to ensure that they meet corporate objectives. The Compensation Committee has overall responsibility for evaluating and approving the executive officer benefit, bonus, incentive compensation, equity based or other compensation plans, policies and programs of the Company. The Compensation Committee also approves goals for incentive plans and evaluates performance against these goals. During fiscal 2002, the Compensation Committee formally met two times and otherwise accomplished its business without formal meetings. The members of the Compensation Committee for fiscal 2003 are Messrs. Burd, Ericson and Sica. Mr. Ericson chairs this committee.

Governance and Nominating Committee

The duties of the Governance and Nominating Committee are to (i) provide assistance to the Board of Directors in the selection of candidates for election and re-election to the Board and its committees, (ii) advise the Board on corporate governance matters and practices, including developing, recommending, and thereafter periodically reviewing the Corporate Governance Guidelines and principles applicable to the Company, and (iii) coordinate an annual evaluation of the performance of the Board and each of its standing committees. The Governance and Nominating Committee has not established procedures for shareholders to recommend nominees for directors beyond those contained in the Company's By-Laws. The Governance and Nominating Committee was established in late fiscal 2002, when the duties of the Nominating Committee were expanded to include corporate governance matters. During fiscal 2002, the Nominating Committee and the Governance and Nominating Committee accomplished their respective business without formal meetings. The members of the Nominating Committee for fiscal 2003 are Ms. Spreiser and Messrs. Burd, Embry, Ericson, Herma, Sica and White. Mr. Herma chairs this committee.

Audit Committee

It is the responsibility of the Audit Committee to oversee the Company's financial reporting process on behalf of the Board of Directors and report the results of their activities to the Board. The specific duties of the Audit Committee are to monitor the integrity of the Company's financial process and systems of internal controls regarding finance, accounting and legal compliance; monitor the independence and performance of the Company's independent auditors and internal auditing functions; and provide an avenue of communication among the independent auditors, management, the internal auditing functions and the Board of Directors. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the Company. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. The Audit Committee met six times during fiscal 2002, and otherwise accomplished its business without formal meetings. The members of the Audit Committee for fiscal 2003 are Ms. Spreiser and Messrs. Embry, Herma and White. Mr. White chairs this committee, and he has been deemed by the Board of Directors to be an audit committee financial expert.

Director Compensation

Directors who are not employees of the Company or its subsidiaries receive an annual retainer fee of \$15,000. Committee chairpersons receive an additional \$5,000 retainer fee. Non-employee directors also receive \$1,000 for each full Board and committee meeting attended in person (\$500 if the director participates via teleconference). Stock options are granted to non-employee directors from time to time. These grants are typically made at the time the director joins the Board or is re-elected by the shareholders to serve a three year term. Ten-year options to purchase 3,000 shares of the Company's Common Stock were granted to each of Messrs. Ericson, Kellogg and White upon their re-elections to the Board in fiscal 2002. Directors are also reimbursed for travel and other expenses related to attendance at Board and committee meetings or educational seminars approved in advance by the Governance and Nominating Committee.

Meetings of Non-Management Directors

The non-management members of the Board of Directors regularly meet in executive session without any members of management. The Board of Directors, upon the recommendation of the Governance and Nominating Committee, has appointed Mr. Kellogg as the Presiding Director of these meetings.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee is or has been an officer or employee of the Company.

BENEFICIAL OWNERSHIP OF SHARES

The following information is furnished as of February 1, 2003 (unless otherwise noted) to indicate beneficial ownership of shares of the Company's Common Stock by each director, each executive officer listed in the Summary Compensation Table, each person who is known to the Company to own beneficially more than 5% of the Company's Common Stock, and all executive officers and directors of the Company as a group. Unless otherwise indicated, beneficial ownership is direct and the person indicated has sole voting and investment power. Indicated options are all exercisable within 60 days of February 1, 2003.

Name of Beneficial Owner	Amount	
	Beneficially Owned	Percent of Class
Jay H. Baker	7,104,352 ⁽¹⁾	2.1%
Steven A. Burd	15,945 ⁽²⁾	*
Wayne Embry	4,000 ⁽³⁾	*
James D. Ericson	22,000 ⁽⁴⁾	*
John F. Herma	10,020,246 ⁽⁵⁾	3.0%
William S. Kellogg	18,273,190 ⁽⁶⁾	5.4%
Frank V. Sica	33,000 ⁽⁷⁾	*
Judith A. Spreiser	0	*
Peter M. Sommerhauser	32,407,128 ⁽⁸⁾	9.6%
R. Elton White	25,000 ⁽⁹⁾	*
Kevin Mansell	1,564,885 ⁽¹⁰⁾	*
Arlene Meier	1,484,285 ⁽¹¹⁾	*
R. Lawrence Montgomery	2,774,948 ⁽¹²⁾	*
Richard B. Leto	477,480 ⁽¹³⁾	*
Donald A. Brennan	29,250 ⁽¹⁴⁾	*
All Directors and Executive Officers as a group (22 Persons)	42,150,391 ⁽¹⁵⁾	12.3%
AXA Financial, Inc. 1290 Avenue of the Americas New York, NY 10104	50,914,562 ⁽¹⁶⁾	15.1%

* Less than 1%.

- (1) Includes 1,651,800 shares held in trust for the benefit of Mr. Baker's family but as to which Mr. Kellogg and Mr. Sommerhauser have shared voting and investment power, 39,500 shares held by a charitable foundation for which Mr. Baker serves as a director and president, 5,410,992 shares held in trusts for the benefit of Mr. Baker and his spouse for which Mr. Sommerhauser is sole trustee, and 2,000 shares represented by options.
- (2) Includes 1,000 shares represented by stock options.
- (3) Includes 4,000 shares represented by stock options.
- (4) Includes 16,000 shares represented by stock options.
- (5) Includes 8,603,406 shares held in trust for the benefit of Mr. Herma's family but as to which Mr. Sommerhauser has sole voting and investment power, 157,300 shares held by a charitable foundation for which Mr. Herma serves as a director and president and 1,000 shares represented by stock options.
- (6) Includes 14,944,690 shares held in trust for the benefit of Mr. Kellogg's family but as to which Mr. Sommerhauser has sole voting and investment power, 342,520 shares held by a charitable foundation for which Mr. Kellogg serves as a director and president and 1,651,800 shares held in trust for the benefit of Mr. Baker's family and as to which Mr. Kellogg and Mr. Sommerhauser have shared voting and investment power, but no pecuniary interest.
- (7) Includes 17,000 shares represented by stock options and 16,000 shares held by Mr. Sica's spouse, individually and as trustee of a trust for the benefit of Mr. Sica's children.
- (8) Includes 31,865,764 shares held in trust for the benefit of the families of current and former executive officers of the Company or in charitable foundations established by executive officers of the Company for

which Mr. Sommerhauser has sole or shared voting and investment power but no pecuniary interest. Includes 151,427 shares held in trusts for the benefit of Mr. Sommerhauser's family as to which Mr. Sommerhauser has no voting or investment power. Includes 11,150 shares held by a charitable foundation for which Mr. Sommerhauser acts as president and a director, and 18,000 shares represented by stock options.

(9) Includes 16,000 shares represented by stock options.

(10) Includes 276,000 shares held in trust for the benefit of Mr. Mansell's family but as to which Mr. Sommerhauser has sole voting and investment power. Also includes 44,000 shares held in trusts for the benefit of Mr. Mansell and his spouse, for which Mr. Mansell or his spouse is a trustee, and 1,008,221 shares represented by stock options.

(11) Includes 1,470,285 shares represented by stock options.

(12) Includes 251,896 shares held in trust for the benefit of Mr. Montgomery's family but as to which Mr. Sommerhauser has sole voting and investment power. Also includes 44,000 shares held in trusts for the benefit of Mr. Montgomery and his spouse, for which Mr. Montgomery or his spouse is a trustee, 12,600 shares held by a charitable foundation for which Mr. Montgomery acts as president and a director and 2,269,334 shares represented by stock options.

(13) Includes 477,480 shares represented by stock options.

(14) Includes 29,250 shares represented by stock options.

(15) Includes 6,760,816 shares represented by stock options.

(16) Based upon information as of December 31, 2002 set forth in Amendment No. 9 to Schedule 13G. According to their joint filing, AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Conseil Vie Assurance Mutuelle, and AXA Courtage Assurance Mutuelle, AXA and their subsidiaries, including AXA Financial, Inc., collectively have sole voting power with respect to 24,309,017 shares, shared voting power with respect to 8,225,608 shares, sole dispositive power with respect to 50,908,559 shares and shared dispositive power with respect to 6,003 shares. AXA Financial, Inc. and its subsidiaries have sole voting power with respect to 24,287,917 shares, shared voting power with respect to 8,225,608 shares, sole dispositive power with respect to 50,890,159 shares and shared dispositive power with respect to 3,303 shares.

EXECUTIVE COMPENSATION

The table below summarizes information concerning compensation for the last three fiscal years of those persons who were at February 1, 2003: (i) the chief executive officer, and (ii) the other four most highly compensated executive officers of the Company.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation ⁽¹⁾	
		Salary	Bonus	Other Annual Compensation	Shares	
					Underlying Stock Options(#)	All Other Compensation ⁽²⁾
R. Lawrence Montgomery Chief Executive Officer	2002	\$ 967,919	\$ 273,140	\$ 0	0	\$ 9,457
	2001	\$ 919,167	\$ 306,900	\$ 9,470	130,000	\$ 8,355
	2000	\$ 845,833	\$ 285,450	\$ 22,380	130,000	\$ 8,050
Kevin Mansell President	2002	\$ 770,165	\$ 217,336	\$ 0	0	\$ 8,979
	2001	\$ 726,667	\$ 244,200	\$ 7,949	97,500	\$ 8,144
	2000	\$ 643,333	\$ 217,800	\$ 26,128	97,500	\$ 8,189
Arlene Meier Chief Operating Officer	2002	\$ 630,583	\$ 178,276	\$ 0	0	\$ 8,615
	2001	\$ 600,000	\$ 198,000	\$ 0	97,500	\$ 7,825
	2000	\$ 472,917	\$ 198,000	\$ 0	190,000	\$ 7,858
Richard B. Leto Executive Vice President/ General Merchandise Manager & Product Development	2002	\$ 557,501	\$ 157,360	\$ 0	0	\$ 7,828
	2001	\$ 529,167	\$ 176,550	\$ 0	55,000	\$ 7,322
	2000	\$ 493,333	\$ 165,000	\$ 0	55,000	\$ 7,415
Donald A. Brennan Executive Vice President, Planning & Allocation ⁽³⁾	2002	\$ 416,667	\$ 117,600	\$ 0	0	\$ 4,666
	2001	\$ 333,333	\$ 132,000	\$ 0	103,000	\$ 53,200

⁽¹⁾ In prior years, annual stock option awards were considered by the Compensation and Stock Option Committee in January. In fiscal 2002, the Compensation and Stock Option Committee determined that annual awards to the Company's executive officers will now be considered in the first quarter of each year. Therefore, annual awards for fiscal 2002 to all of the Company's executives were granted subsequent to the end of fiscal 2002. None of the named executive officers held restricted stock at the end of fiscal 2002.

⁽²⁾ Includes contributions by the Company for fiscal 2002 under the Company's defined contribution plans in the following amounts: Mr. Montgomery (\$6,316), Mr. Mansell (\$6,317), Ms. Meier (\$6,305), Mr. Leto (\$6,304), and Mr. Brennan (\$3,426). Also includes the following amounts paid by the Company during fiscal 2002 for term life, long term disability and accidental death and dismemberment insurance under the Company's life insurance plan: Mr. Montgomery (\$3,141), Mr. Mansell (\$2,662), Ms. Meier (\$2,310), Mr. Leto (\$1,524), and Mr. Brennan (\$1,240).

⁽³⁾ Mr. Brennan joined the Company on April 1, 2001.

Option Grants In Last Fiscal Year

Edgar Filing: KOHLS CORPORATION - Form DEF 14A

The Company has adopted a 1992 Long-Term Compensation Plan (the 1992 Plan), a 1994 Long-Term Compensation Plan (the 1994 Plan) and a 1997 Stock Option Plan for Outside Directors (the 1997 Plan). Awards under the 1992 Plan and the 1994 Plan may be in the form of stock options; stock appreciation rights; Common Stock, including restricted stock; Common Stock units; performance units; and performance shares. Awards under the 1997 Plan may be in the form of stock options only.

In prior years, annual stock option awards were considered by the Compensation and Stock Option Committee in January. In fiscal 2002, the Compensation and Stock Option Committee determined that annual awards to the Company's executive officers will now be considered in the first quarter of each year. Therefore, annual awards for fiscal 2002 to the persons named in the Summary Compensation Table were granted subsequent to the end of fiscal 2002. All awards to outside directors during fiscal 2002 were granted under the 1997 Plan.

Aggregate Option Exercises In Last Fiscal Year and Fiscal Year End Option Values

The table below provides information regarding exercises of stock options during fiscal 2002 and the value of stock options held at February 1, 2003 by the persons named in the Summary Compensation Table.

Name	Shares Acquired On Exercise	Value Realized	Number of Shares Underlying Unexercised Options		Value of Unexercised In-the-Money Options	
			at Fiscal Year End		at Fiscal Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
R. Lawrence Montgomery	171,172	\$ 10,990,867	2,109,334	783,700	\$ 75,235,690	\$ 22,434,628
Kevin Mansell	106,960	\$ 6,844,986	1,008,221	219,375	\$ 32,235,843	\$ 1,772,325
Arlene Meier	96,404	\$ 6,104,205	1,462,785	227,411	\$ 56,988,409	\$ 565,384
Richard B. Leto	81,870	\$ 4,938,316	477,480	508,750	\$ 14,526,914	\$ 18,999,050
Donald A. Brennan	0	\$ 0	8,250	94,750	\$ 0	\$ 0

The Company has established executive stock sale guidelines that restrict the percentage of an executive's vested stock options or shares of Common Stock that may be sold by the executive in any fiscal year. Compliance with these guidelines is monitored by the Compensation Committee of the Board of Directors, and exceptions are granted by such Committee only in extraordinary circumstances, such as when strict compliance with the guidelines would result in the expiration of vested and unexercised stock options. From time to time, the Company's executive officers will engage in sales of Common Stock in accordance with these guidelines. These sales may be accomplished pursuant to SEC Rule 144 during the Company's scheduled insider trading window periods or pursuant to pre-arranged trading plans adopted in accordance with Rule 10b5-1 of the Exchange Act.

Mr. Montgomery and Ms. Meier have been granted exceptions to the stock sale guidelines to avoid expiration of certain vested and unexercised stock options. These exceptions will allow Ms. Meier and Mr. Montgomery to exercise all of the stock options that would otherwise expire over the next two years. Each would then be permitted to sell the number of shares otherwise permitted under the guidelines plus the number of shares necessary to pay the personal income taxes and exercise price of all other options exercised.

Equity Compensation Plan Information

The following table provides information as of February 1, 2003 regarding shares outstanding and available for issuance under the Company's existing equity compensation plans.

Edgar Filing: KOHLS CORPORATION - Form DEF 14A

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)</u>
Equity compensation plans approved by security holders	18,909,268	\$ 31.70	7,774,710
Equity compensation plans not approved by security holders ⁽¹⁾			
Total	18,909,268	\$ 31.70	7,774,710

⁽¹⁾ All of the Company's existing equity compensation plans have been approved by shareholders.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers to file reports with the SEC disclosing their ownership, and changes in their ownership, of the Company's stock. Copies of these reports must also be furnished to the Company. Based solely upon its review of these copies, the Company believes that during fiscal 2002, all of such forms were filed on a timely basis by reporting persons.

Employment Agreements

The Company has Employment Agreements with Mr. Montgomery, Mr. Mansell and Ms. Meier. As of the end of fiscal 2002, Mr. Montgomery's Employment Agreement provided for an annual base salary of \$975,500, Mr. Mansell's Employment Agreement provided for an annual base salary of \$776,200, and Ms. Meier's Employment Agreement provided for an annual base salary of \$636,700, in each case subject to increase by the Company's Board of Directors. Mr. Montgomery, Mr. Mansell and Ms. Meier are also entitled to participate in such bonus plans as the Company may establish from time to time. Each of the Employment Agreements has a three-year term, and the term is extended on a daily basis until either party to such contract gives notice that the term shall no longer be so extended. Under the Employment Agreements, each executive, the executive's spouse and dependents are entitled to post-retirement health insurance benefits and a supplemental executive medical plan with coverage similar to that received by the executive at the time of the executive's retirement. Under each of the Employment Agreements, the employment of the executive in question may be terminated upon death, as a result of disability, by the Company for Cause (as defined in the Employment Agreements), by the executive for Good Reason (as defined in the Employment Agreements but which does not include a change-of-control of the Company), or by the executive upon voluntary termination of employment. If the employment of any of the executives is terminated upon the executive's death, such executive's estate will receive the executive's then annual base salary for a period of six months. If the employment of any of the executives is terminated as a result of disability, such executive will continue to receive his or her then base salary (less benefits paid under such disability insurance as the Company may provide from time to time) for a period of six months. Except for the health insurance benefits noted above, the Employment Agreements do not provide for any post-termination payment other than amounts earned through the date of termination if an executive's employment is terminated by the Company for Cause or as a result of the voluntary resignation of the executive. If the employment of an executive is terminated by the executive for Good Reason or by the Company in violation of the Employment Agreement, the executive will be entitled to a lump-sum payment within ten days of the date of termination or resignation equal generally to the sum of the following: (i) all accrued or deferred amounts not previously paid to the executive; (ii) a pro rata portion of the anticipated bonus and option awards for the current year (determined on the basis of awards made over the prior three years) and (iii) the salary, bonus and incentive compensation payable to the executive for the then remaining term of the Employment Agreement (determined on the basis of the executive's then current salary and average bonus and option awards for the prior three years). If any amount payable under the Employment Agreements upon the termination of an executive's employment would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the Code), or any interest or penalties would be incurred by the executive with respect to such excise tax, then such executive would be entitled to receive an additional amount so that after payment by the executive of all such excise taxes, interest and penalties, such executive would retain an amount equal to such excise taxes, interest and penalties. Under the Employment Agreements, each executive agrees not to compete with the Company for a period of two years following the termination of the executive's employment.

Prior to their retirement from the Company, Messrs. Baker, Herma and Kellogg had employment agreements providing the former executives, their spouses and dependents post-retirement health insurance benefits and a supplemental executive medical plan with coverage similar to the benefits to which they were entitled at the time of their retirement. Messrs. Baker, Herma and Kellogg all currently receive these benefits.

Other Transactions

Edgar Filing: KOHLS CORPORATION - Form DEF 14A

The Company occupies 11 stores that it leases from entities owned or managed by Herbert Simon, his brother and their affiliates. Mr. Simon was a director of the Company until his resignation on February 5, 2003.

During fiscal 2002, the Company incurred rent expense of \$5,752,000 in connection with such leases. The Company believes that the terms and conditions of such leases are at least as favorable to the Company as could be obtained from unaffiliated parties.

Mr. Sommerhauser is a shareholder of the law firm of Godfrey & Kahn, S.C., which performs legal services for the Company.

Code of Ethical Standards

The Company has adopted a code of ethical standards that describes the ethical and legal responsibilities of the Company's employees and, to the extent applicable, members of the Company's Board of Directors. This code includes (but is not limited to) the requirements of the Sarbanes-Oxley Act of 2002 pertaining to codes of ethics for chief executives and senior financial and accounting officers. The Board of Directors, through its Governance and Nominating Committee, has reviewed and approved this code. The Company provides educational seminars with respect to the code, and Company employees agree in writing to comply with the code at commencement of employment and periodically thereafter. Company employees are encouraged to report suspected violations of the code through various means, including through the use of an anonymous toll-free hotline.

COMPENSATION COMMITTEE

REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors of Kohl's Corporation (the Compensation Committee) is pleased to present its report on executive compensation. This report documents the components of the Company's executive officer compensation programs and describes the basis on which compensation determinations for fiscal 2002 were made by the Compensation Committee with respect to the executive officers of the Company.

Compensation Philosophy

It is the philosophy of the Company that executive compensation be directly linked to corporate performance and increases in shareholder value. The following objectives have been adopted by the Compensation Committee as guidelines for compensation decisions:

Provide a competitive total compensation package that enables the Company to attract and retain key personnel.

Provide variable compensation opportunities, primarily on an annual basis, that are directly linked to corporate performance goals.

Provide long-term compensation opportunities, primarily through stock options, that align executive compensation with value received by shareholders.

Every Company executive is expected to uphold and comply with the social and ethical responsibilities set forth in the Company's written code of ethical standards. This code describes every executive's responsibilities to the Company's associates, customers, investors, business partners

and the communities in which the Company does business. Upholding these ethical standards contributes to the success of the individual executive, and to the Company as a whole. An executive's performance in meeting these standards is taken into account for purposes of determining the executive's compensation level and stock option awards.

Compensation Program Components

The particular elements of the Company's compensation program for executive officers are explained below.

Base Salary. Under the terms of their respective employment agreements the base salaries of Ms. Meier and Messrs. Montgomery and Mansell cannot be reduced without their consent. The Compensation Committee determines, in its discretion, whether increases in salaries for these individuals is warranted. Increases in base salary, if any, are based upon (i) the Compensation Committee's assessment of overall corporate performance, including the Company's income and return on investment, (ii) individual performance criteria, including leadership and vision, long-term strategic planning, succession planning, communication with the Board of Directors, and the Company's record of social responsibility and (iii) a review of salaries paid to executives of a representative group of domestic retailers and general industry, adjusted for the size of the companies, corporate growth rates, and the scope of the executives' responsibilities. During fiscal 2002, Mr. Montgomery's base salary increased 4.9% from \$930,000 to \$975,500; Mr. Mansell's salary increased 4.9% from \$740,000 to \$776,200; and Ms. Meier's salary increased 6.1% from \$600,000 to \$636,700.

Base salaries and salary ranges for the other executive officers of the Company are initially established based on a review of salaries paid to executives of a representative group of domestic retailers and general industry, adjusted for the size of the companies, corporate growth rates, and the scope of the executives' responsibilities. Increases in base salary result from promotions, job scope expansion, increased responsibilities, company growth and from merit increases determined by the executive's personal performance and the executive's position in the applicable salary range. Merit increase guidelines are established each year based on current economic and market conditions.

Ms. Meier and Messrs. Montgomery and Mansell generally determine, in their discretion, based primarily on individual performance evaluations, the appropriate merit increases for the other executive officers, but the Compensation Committee reviews and approves their decisions. Salary increases for executive officers generally range from 3% to 8.5%, but in some cases may increase more than 8.5% to reflect increased responsibilities or to raise an executive officer's salary to a level commensurate with the person's position within the Company. The Compensation Committee, Messrs. Montgomery and Mansell and Ms. Meier rely on certain information described below under Summary and on the judgment of the Company's Human Resources Department that salary levels of executive officers are generally competitive. Base salary merit increases granted to all executive officers during fiscal 2002 averaged 5.7%.

Annual Incentive Compensation. The Company maintains an executive bonus plan for the benefit of its Management Board members, buyers, store managers and other key executives such as sales support managers and merchandise planners. The Management Board is comprised of the Company's executive officers, senior vice presidents, vice presidents, directors, district managers and divisional merchandise managers. Under the plan, the Compensation Committee fixes income goals for the Company for each fiscal year. Participants receive a cash bonus equal to a predetermined percentage of their base pay depending upon the income level achieved. The maximum payouts as a percentage of the individuals base salaries are 33% in the case of the Company's executive officers, 28% in the case of the Company's Senior Vice Presidents and 22.5% for other eligible employees. The income levels are set sufficiently high in order to link corporate performance with bonus levels, and the plan is intended to tie compensation levels to increases in shareholder value which should occur if the income levels are achieved. At the end of the last fiscal year, approximately 915 associates participated in the plan. For fiscal 2002, Messrs. Montgomery and Mansell and Ms. Meier each received bonuses under the plan aggregating approximately 28% of their respective annual salaries, the same percentage received by all other executive officers participating in the plan.

Long-Term Compensation. The Company's Long-Term Compensation Plans are intended to motivate key associates to put forth maximum efforts toward the continued growth, profitability and success of the Company by providing incentives through the ownership and performance of the Company's Common Stock. The plans are designed to provide benefits to key associates only to the extent that shareholders enjoy increases in value. The Company views stock options as an effective way to motivate key associates and align their interests with those of shareholders. While the plans permit the grant of, among other things, stock options, stock appreciation rights and restricted stock, only stock options were granted during fiscal 2002.

Stock options are granted under the plan at the prevailing market price and will only have value if the Company's stock price increases after the grant. Stock options granted for performance vest over a period of four

years. Stock options granted to executive officers and senior vice presidents upon recruitment and to recognize increased responsibilities vest over a period of seven years. Participants must be employed by the Company at the time of vesting in order to exercise the options except that participants are required to exercise vested stock options within a specified time period in the event of termination of employment, disability or death.

The Compensation Committee determines, in its discretion, the number of options to be granted to executive officers based on individual performance contributions, the Company's financial performance (including return on investment), the dilutive effect on the Company's other shareholders and potential realizable value for the participants. Outstanding historical performance and anticipated future contributions by an individual are recognized in part through larger option grants. The Compensation Committee regularly requests and receives recommendations from the Chief Executive Officer, President and Chief Operating Officer regarding option grants for the other executive officers.

In prior years, annual stock option awards were considered by the Compensation Committee in January. In fiscal 2002, the Compensation Committee determined that annual awards to the Company's executives will now be considered in the first quarter of each year. Therefore, no awards were granted to the persons named in the Summary Compensation Table during fiscal 2002.

Tax Law Limitation on Deductibility of Compensation

The Compensation Committee is aware of the limitations imposed by Section 162(m) of the Internal Revenue Code of 1986, as amended, on the deductibility of non-performance based compensation paid to certain executive officers of the Company to the extent it exceeds \$1 million per executive. The Compensation Committee currently intends to recommend compensation amounts and plans which meet the requirements for deductibility, and the Compensation Committee expects that Section 162(m) will not limit the deductibility of any compensation expense in fiscal 2002. Messrs. Montgomery and Mansell deferred a portion of their compensation in fiscal 2002.

Summary

The Compensation Committee has the responsibility for ensuring that the Company's compensation program continues to be in the best interest of its shareholders. The Compensation Committee regularly reviews the Company's compensation programs to determine that pay levels and incentive opportunities for executive officers reflect the performance of the Company and of the individual.

In order to ascertain that compensation levels of executive officers are generally reasonable and competitive, the Compensation Committee reviews compensation surveys and certain publicly available compensation information disclosed by comparable companies and other retailers in their proxy statements. The fiscal 2002 salary and bonus of the named executive officers of the Company were comparable to the 2001 mean salary and bonus of their comparable position in the retail compensation surveys reviewed by the Compensation Committee, when adjusted for company performance, size and growth rates, and the individuals' respective scope of responsibilities. Finally, the Company's compensation programs providing stock based compensation to executive officers have been submitted to shareholders for review and approval.

After a review of all existing programs, the Compensation Committee believes that the total compensation program for executive officers is consistent with the Compensation Committee's compensation philosophy. Base salaries are set at levels that the Compensation Committee considers to be reasonable. The executive bonus plan provides variable compensation opportunities to key associates that are directly linked to annual operating results of the Company. The Company's Long-Term Compensation Plans provide opportunities to participants that are consistent with increases in value realized by shareholders. The Compensation Committee considers the overall executive compensation package an important reason for the Company's success to date.

Fiscal 2002 Compensation Committee:

Steven A. Burd

James D. Ericson

Frank V. Sica

STOCK PRICE PERFORMANCE GRAPH

The following graph shows changes from January 31, 1998 through February 1, 2003 (the last day in fiscal 2002) in the value of \$100 invested in (1) the Company, (2) the Standard & Poor's 500 Index and (3) the S&P-500 Department Stores Index, as calculated by Standard & Poor's Compustat Services, Inc. The values of each investment are based on share price appreciation plus, in the case of the indices, dividends paid in cash, with the dividends reinvested. The calculations exclude trading commissions and taxes.

<u>DATE</u>	KOHL'S	S&P - 500	
	<u>CORPORATION</u>	<u>S&P 500 INDEX</u>	<u>DEPARTMENT STORES</u>
01/31/98	\$ 100.00	\$ 100.00	\$ 100.00
01/30/99	\$ 195.31	\$ 132.28	\$ 98.88
01/29/00	\$ 198.37	\$ 143.47	\$ 78.20
02/03/01	\$ 394.89	\$ 143.22	\$ 102.04
02/02/02	\$ 377.65	\$ 120.72	\$ 112.31
02/01/03	\$ 301.94	\$ 93.60	\$ 76.78

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors and selects the Company's independent auditors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The Board of Directors has adopted a written charter under which the Audit Committee operates (the latest version of which is attached as Annex A) and has determined that all of the Audit Committee members are independent under the applicable rules of the New York Stock Exchange.

As part of its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee by Statements on Auditing Standards No. 61 Communications with Audit Committees, as then in effect. In addition, the Audit Committee obtained from Ernst & Young LLP a formal written statement required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended, by the Independence Standards Board and discussed with the auditors any relationships that may impact their objectivity and independence. The Audit Committee has also considered whether the provision of non-audit services by Ernst & Young LLP is compatible with maintaining Ernst & Young LLP's independence, and has satisfied itself with respect to the auditors' independence.

As provided in Item 306 of SEC Regulation S-K, in reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended February 1, 2003 for filing with the Securities and Exchange Commission. The Audit Committee and the Board have selected, subject to shareholder approval, the re-appointment of Ernst & Young LLP as the Company's independent auditors for fiscal 2003.

Fiscal 2002 Audit Committee:

R. Elton White, Chair

Steven A. Burd

Wayne Embry

Frank V. Sica

ITEM TWO**RATIFICATION OF AUDITORS**

Upon the recommendation and approval of the Audit Committee, the Board of Directors has approved the selection of Ernst & Young LLP as independent auditors of the Company and its subsidiaries for fiscal 2003. This selection is being presented to the shareholders for their ratification. Proxies solicited by the Board of Directors will, unless otherwise directed, be voted to ratify the appointment by the Board of Directors of Ernst & Young LLP as independent auditors of the Company and its subsidiaries for fiscal 2003. Ernst & Young LLP has been the Company's independent auditors since the Company's incorporation in 1988. The Company has been advised by Ernst & Young LLP that they are independent auditors with respect to the Company within the meaning of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated under such act.

A representative from Ernst & Young LLP is expected to be at the annual meeting and will have the opportunity to make a statement if such representative so desires and will be available to respond to appropriate questions during the meeting.

Fees Paid to Ernst & Young LLP

The Company paid the following fees to Ernst & Young LLP for fiscal 2002 and fiscal 2001:

	Fiscal 2002	Fiscal 2001
	<u> </u>	<u> </u>
Audit Fees	\$ 367,000	\$ 348,000
Audit-Related Fees	29,000	29,000
Tax Fees	437,000	160,000
All Other Fees	161,000	114,000
	<u> </u>	<u> </u>
TOTAL	\$ 994,000	\$ 651,000
	<u> </u>	<u> </u>

Audit fees include fees associated with the annual audit, reviews of the Company's quarterly reports on Form 10-Q and reviews of the Company's registration statements. Audit-related services generally include benefit plan audits. Tax services primarily include assistance provided to the Company for incentives related to new store locations (\$343,000 and \$90,000 in fiscal 2002 and fiscal 2001, respectively). Pursuant to an October 2000 engagement letter, Ernst & Young has assisted the Company in identifying, assessing, negotiating and filing for various governmental incentives for new Company store locations. The benefits provided by these projects have been significant and are a multiple of the associated costs. Certain of the incentives projects are ongoing and the Company expects additional fees to be paid in 2003. Other services include cash management consulting and miscellaneous other items. The Company did not pay any fees to Ernst & Young LLP during the last two fiscal years for financial system design and implementation. Pursuant to the Audit Committee's charter and policies adopted pursuant to the charter, all non-audit services performed for the Company by Ernst & Young must be reviewed and approved in advance by the Audit Committee. Since July 30, 2002, all new engagements of audit and non-audit services were approved in advance by the Audit Committee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT

Edgar Filing: KOHLS CORPORATION - Form DEF 14A
**SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT
OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS.**

15

ITEM THREE

APPROVAL OF THE KOHL S CORPORATION 2003 LONG-TERM COMPENSATION PLAN

The following discussion is qualified in its entirety by the text of the 2003 Long Term Compensation Plan which is attached to this proxy statement as Annex B.

General

The purpose of the 2003 Long Term Compensation Plan (the Plan) is to allow the Company to attract and retain key employees and directors of the Company and its subsidiaries and to provide motivation to these individuals to put forth maximum efforts toward the continued growth, profitability, and success of the Company and its subsidiaries by providing incentives through the ownership and performance of the Company s Common Stock. The Compensation Committee (the Committee) and the Board of Directors adopted the Plan on March 3, 2003, subject to shareholder approval. Key features of the Plan include the following:

the plan is administered by the Compensation Committee, which is comprised solely of independent directors;

the aggregate number of shares of Common Stock authorized under the Plan is 15,000,000;

there is a cap of 7,500,000 on stock awards, performance units and performance shares;

no participant may receive options or stock appreciation rights for more than 1,500,000 shares in any twelve-month period;

no participant may receive stock awards, performance units or performance shares in an amount in excess of \$2.5 million during any twelve-month period;

the exercise price of options may not be less than the fair market value of the Common Stock on the date of grant; and

options may not be repriced after the date of grant without shareholder approval, except as provided in the Plan for stock splits, recapitalization and similar events.

Administration

The Board of Directors has delegated administration of the Plan to the Committee, which is comprised solely of independent Directors. The Committee has final authority, subject to the express provisions of the Plan, to: (a) interpret the Plan; (b) establish such rules and regulations as it deems necessary for the proper operations and administration of the Plan; (c) select persons to receive awards under the Plan; (d) determine the form of awards and the number of shares or other units subject to awards, (e) determine the terms, conditions, restrictions and/or limitations, if

Edgar Filing: KOHLS CORPORATION - Form DEF 14A

any, of awards, including the time and conditions of exercise or vesting, (f) determine the performance goals, if any, which will be applicable to awards, (g) grant waivers of Plan terms, conditions, restrictions, and limitations as deemed appropriate, (h) accelerate the vesting, exercise, or payment of awards or the performance period of awards when such action or actions would be in the best interest of the Company, and (i) take any and all other action the Committee deems necessary or advisable for the proper operation or administration of the Plan. The Committee, in its discretion, may delegate its authority and duties under the Plan to the chief executive officer and/or to other senior officers of the Company; provided, however, only the Committee may select and grant awards to senior officers and directors.

Eligibility

Any employee or member of the Board of Directors of the Company or a Company subsidiary is eligible to receive an Award. The Company has approximately 75,000 employees, of which approximately 1,200 are anticipated to be eligible for participation in the Plan. As of the date of this proxy statement, no awards have been granted under the Plan. No awards may be granted pursuant to the Plan after March 1, 2013.

General Terms and Conditions of Awards

Under the Plan, the Committee may grant various forms of incentive awards, including: (i) stock options, (ii) stock appreciation rights, (iii) stock awards, (iv) performance units, or (v) performance shares. The term of these awards may be up to 15 years from the date the award is granted, with the exception of incentive stock options, where the term shall not exceed ten years, or five years in the case of an award to a holder of greater than ten percent of the Company's Common Stock. The general terms and conditions of these awards are described below:

Stock options

Stock options granted under the Plan may be incentive stock options (ISOs) within the meaning of Section 422 of the Internal Revenue Code or nonqualified stock options, which are options that do not qualify as ISOs. Stock options entitle the holder to purchase shares of Common Stock during a specified period at a purchase price set by the Committee, which must be at least 100% of the fair market value of the Common Stock on the grant date. On March 17, 2003, the closing price of the Common Stock on the New York Stock Exchange was \$59.09.

Stock appreciation rights

A stock appreciation right (SAR), is the right, denominated in shares of Common Stock, to receive upon exercise, without payment to the Company, an amount equal to the excess of the fair market value of the Common Stock on the exercise date over the fair market value of the stock on the grant date. The Committee may grant SARs to participants as either freestanding awards or as awards related to stock options. For SARs related to an option, the terms and conditions of the grant will be substantially the same as the terms and conditions applicable to the related option, and exercise of either the SAR or the option will cause the cancellation of the other. The Committee will determine the terms and conditions applicable to awards of freestanding SARs.

Stock awards

Stock awards may be in the form of shares of Common Stock, restricted shares of Common Stock or stock units , which are bookkeeping entries representing such shares. Restricted shares of Common Stock are shares that are transferred by the Company to a participant and that are subject to a substantial risk of forfeiture and to restrictions on sale or transfer for a period of time. The Committee will determine the amounts, terms, and conditions (including the attainment of performance goals, restrictions on transfer and continued employment) of any grant of restricted stock. The Committee may, in its discretion, grant to the participants to whom restricted shares have been awarded all or any of the rights of a shareholder with respect to such shares, including the right to vote such shares and to receive dividends. Stock units are similar to shares of restricted Common Stock, except that the shares of stock are not issued to the participant until after the end of the restriction period and any other applicable conditions are satisfied. Stock Awards may also be paid in cash rather than stock, or in a combination of cash and stock.

Performance units

Performance units are the right to receive a payment upon the attainment of specified criteria. The Committee will establish the applicable criteria and all other terms applicable to the grant at the time the performance units are awarded.

Performance shares

Performance shares represent the right to receive a payment at a future date based on the value of Common Stock in accordance with the terms of the grant and upon the attainment of specified performance goals. The Committee shall establish the applicable criteria and all other terms applicable to the grant at the time the performance shares are awarded.

Shares Of Common Stock Available; Award Limits

The maximum number of shares of Common Stock subject to awards granted under the Plan is 15,000,000 shares, all of which may be incentive stock options. The maximum number of such shares subject to awards that are not stock options and stock appreciation rights is 7,500,000 shares. No Plan participant will be eligible to receive options and stock appreciation rights for more than 1,500,000 shares during any twelve-month period, and no Plan participant shall be eligible to receive an aggregate amount of awards, other than options or stock appreciation rights, in an amount in excess of \$2,500,000 during any twelve-month period. If there is any change in the number of outstanding shares of Common Stock through the declaration of stock dividends, stock splits or the like, the number of shares available for awards, the shares subject to any award and the option prices or exercise prices of awards shall be automatically adjusted. In the event of other changes in the capital structure of the Company, the Compensation Committee shall make appropriate adjustments in the maximum number of shares of Common Stock which may be issued under the Plan and any adjustments and/or modifications to outstanding awards as it deems appropriate.

Effect of Change of Control

In the event of a change in control of the Company (as defined in the Plan), all outstanding awards shall become immediately vested and fully exercisable and, if there were performance goals, that such performance goals had been attained at the target level or the equivalent thereof; (ii) all awards which are not paid in Common Stock will be cashed out at the Change of Control Price (as defined in the Plan) reduced by the exercise price, if any, applicable to such awards; and (iii) the Committee may, in its discretion, make such other provision relating to any award, which the Committee may deem equitable.

Amendments

Except where shareholder approval is required by law, the Plan may be suspended or terminated by the Board of Directors at any time, but the termination or suspension shall not, without the consent of a participant, adversely affect the rights of such participant under an outstanding award. The Committee may at any time unilaterally amend or terminate and cash out any unexercised or unpaid award, whether earned or unearned, including awards earned but not yet paid, or substitute another award of the same or different type, to the extent it deems appropriate; provided, however, that any amendment to (but not termination of) an outstanding award which, in the opinion of the Committee, is materially adverse to the participant, or any amendment or termination which, in the opinion of the Committee, may subject the participant to liability under Section 16 of the Exchange Act, shall require the participant's consent. The exercise price of a stock option shall not be reduced by the Committee without the consent of the Company's shareholders, other than in the event of changes in the capital structure of the Company, as set forth above.

Certain Federal Income Tax Consequences

The following is a summary of U.S. federal income tax consequences relating to awards granted under the plan. The summary below does not contain a complete analysis of all the potential tax consequences relating to awards granted under the plan, including state, local or foreign tax consequences.

Non-qualified Options

The grant of a non-qualified option will have no federal income tax consequences to the Company or to a participant. A participant will recognize taxable ordinary income at the time of exercise of the option in an amount equal to the excess of the fair market value of the shares acquired at the time of exercise over the option price, and the Company will ordinarily be entitled to a deduction for such amount. The holder of shares acquired upon exercise of a non-qualified option will, upon a subsequent disposition of such shares, generally recognize a short-term or long term capital gain or loss, depending upon the holding period of the shares, equal to the difference between the amount realized on the sale and the basis in such shares (the sum of the option price and the amount taxed as ordinary income at the time of exercise).

ISOs

Neither the grant nor exercise of an ISO will generally have any federal income tax consequences for a participant. The amount by which the fair market value of the shares acquired upon the exercise of any ISO exceeds the option price as of the date of exercise, however, is an item of tax preference for purposes of computing the alternative minimum tax on individuals. If a participant has held the shares acquired on the exercise of an ISO for at least two years from the date of the grant of the option and at least one year from the date of exercise, the participant will recognize taxable long-term capital gain or loss upon a subsequent disposition of the shares. In such circumstances, no deduction would be allowed to the Company for federal income tax purposes in connection with the grant or exercise of the option or the transfer of shares acquired upon such exercise. If, however, the participant disposes of his or her shares within the holding periods described above, (i) the participant will recognize ordinary income in an amount equal to the difference between the fair market value of such shares on the date of exercise and the option price, provided that, if the disposition is a sale or exchange with respect to which a loss (if sustained) would be recognized by the participant and the amount realized from such sale or exchange is less than the fair market value on the exercise date, then the ordinary income will be limited to the excess of the amount realized upon the sale or exchange of the shares over the option price; (ii) the Company will be entitled to a deduction for such year in the amount of the ordinary income so recognized; and (iii) the participant will recognize capital gain or loss, as the case may be, in an amount equal to the difference between the amount realized upon such sale or exchange of the shares and the sum of the option price plus the amount of ordinary income, if any, recognized upon such disposition.

SARs

The grant of a SAR will have no federal income tax consequences to the Company or to a participant. Upon the exercise of a SAR, a participant generally will be deemed to have received income, taxable for federal income tax purposes at ordinary income rates, equal to the fair market value at the time of exercise of any Common Stock received plus the amount of any cash received, and the Company will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income recognized by the participant as a result of such exercise. The basis of shares received upon the exercise of a SAR will equal the fair market value of the shares at the time of exercise. Gain or loss recognized by the participant on a subsequent disposition of any such shares will be capital gain or loss if such shares constitute a capital asset in the hands of the participant.

Stock Awards

The grant of restricted shares is not a taxable event to a participant, absent an election under Section 83(b) of the Internal Revenue Code. If no election is made, the participant will recognize income, taxable for income tax purposes at ordinary rates, upon the lapse of the restrictions governing the shares. The amount of the income will equal the fair market value of the shares when the restriction lapse, less any amount paid by the participant for the shares. If the participant makes a Section 83(b) election within 30 days of the date of grant, he or she will be deemed to have received ordinary income at the time of the grant of the restricted shares equal to their fair market value at the date of grant less any amount paid by the participant for the shares, determined without regard to the restrictions imposed thereon. If the restricted shares are subsequently forfeited after a Section 83(b) election and before the restrictions lapse, the participant is not entitled to claim the loss for income tax purposes. The Company or a subsidiary will be entitled to a deduction for income tax purposes when the participant recognizes ordinary income, either as a result of a Section 83(b) election or because of the lapse of the restrictions. The amount of the deduction will equal the amount of ordinary income recognized by the participant.

Performance Units and Performance Shares

A participant will not be deemed to have received taxable income upon the grant of performance units or performance shares. Upon distribution of Common Stock or cash in respect of the performance units or

performance shares, a participant will be deemed to have received taxable ordinary income in an amount equal to the fair market value of the shares of Common Stock received on the date they are distributed to the participant or the amount of cash received. The basis of the shares of Common Stock received will equal the amount of taxable ordinary income recognized by the participant upon receipt of such shares. Gain or loss recognized by the participant on a subsequent disposition of any such shares will be capital gain or loss if such shares constitute a capital asset in the hands of the participant. Upon the distribution of such shares of Common Stock or cash, the Company or a subsidiary will generally be entitled to a deduction for federal income tax purposes in an amount equal to the taxable ordinary income recognized by the participant.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS

**THAT SHAREHOLDERS VOTE FOR THE APPROVAL OF
THE 2003 LONG TERM COMPENSATION PLAN.**

ITEM FOUR

SHAREHOLDER PROPOSAL

The following shareholder proposal was submitted by Financial Investors Trust, on behalf of the United Association S&P 500 Index Fund (the Proponent). The Proponent claims to beneficially own 23,946 shares of the Company's Common Stock. If a representative of the Proponent who is qualified under state law is present and submits the proposal for a vote at the Annual Meeting, then the proposal will be voted upon. In accordance with federal securities regulations, the proposal is set forth below exactly as submitted by the Proponents. To ensure that readers can easily distinguish between material provided by the Proponent and material provided by the Company, materials provided by the Proponent are shown in italics.

RESOLVED: the shareholders of Kohl's Corporation (Company) urge the Board of Directors to amend the Company's by laws to require that an independent director as defined by the rules of the New York Stock Exchange (NYSE) who has not served as an officer of the Company be its Chairman of the Board of Directors.

SUPPORTING STATEMENT

The recent wave of corporate scandals at such companies as Enron, WorldCom and Tyco has resulted in renewed emphasis on the importance of independent directors. For example, both the NYSE and the NASDAQ have proposed new rules that would require corporations that wish to be traded on them to have a majority of independent directors.

Unfortunately, having a majority of independent directors alone is clearly not enough to prevent the type of scandals that have afflicted Enron, WorldCom and Tyco. All of these corporations had a majority of independent directors on their boards when the scandals occurred.

All of these corporations also had a Chairman of the Board who was also an insider, usually the Chief Executive Officer (CEO) or a former CEO, or some other officer. We believe that, no matter how many independent directors there are on a board, that board is less likely to protect shareholder interests by providing independent oversight of the officers if the Chairman of that board is also the CEO, former CEO or some other officer of the company.

We respectfully urge the board of our Company to dramatically change its corporate governance structure and the public's perception of it by having an independent director serve as its chairman who is not a former CEO or some other officer of the company.

Although this change would be dramatic, it would hardly be radical. According to the Investor Responsibility Research Center, in the United Kingdom it is common to separate the offices of Chairman and CEO. See IRRC Corporate Governance Service 2002 Background Report L: The Election of Directors,

Board Independence and Related Issues. In 1996, a blue ribbon commission on Director Professionalism of the National Association of Corporate Directors recommended that an independent director should be charged with organizing the board's evaluation of the CEO and providing continuous ongoing feedback; chairing executive sessions of the board; setting the agenda with the CEO, and leading the board in anticipating and responding to crises.

STATEMENT OF THE BOARD OF DIRECTORS AND MANAGEMENT IN OPPOSITION TO SHAREHOLDER PROPOSAL

The Board of Directors strongly endorses the view that one of its primary functions is to protect shareholders' interests by providing independent oversight of management. However, the Board does not believe that mandating a particular structure, such as a separate chairman and CEO, is necessary to achieve effective oversight. **The Board of Directors therefore recommends that the shareholders vote AGAINST**