

United States Senate

WASHINGTON, DC 20510

COMMITTEES:
APPROPRIATIONS
COMMERCE
HEALTH, EDUCATION,
LABOR, AND PENSIONS

March 24, 2022

Kohl's Corporation
N56 W17000 Ridgewood Drive,
Menomonee Falls, WI 53051

Dear Members of the Board:

As you evaluate offers from private equity firms and other investor groups to buy Kohl's Corporation ("Kohl's" or the "Company"), I urge you to consider each bidder's long-term strategy for the Company and reject any offer that includes plans to dramatically increase debt; sell off assets (particularly real estate for a "sale-leaseback"); increase shareholder payouts at the expense of reinvestment; or pursue any other proposal that puts Wisconsin workers and communities at risk by increasing the chance of bankruptcy.

The recent history of Wisconsin retailers being sold to out-of-state investment funds is not a happy one. ShopKo, founded in 1961 in Ashwaubenon, WI, went bankrupt and was liquidated in 2019 after a private equity firm loaded the company up with debt, sold off its real-estate and refused to make any reinvestments—all while the firm paid itself millions in dividends and management fees. ShopKo's roughly 3,000 employees in Wisconsin lost their jobs. Many were promised severance to incentivize them to work until the very end—only to find out that there were not enough funds remaining to pay them. Wisconsinites are rightly concerned that history will repeat itself at Kohl's.

A spokeswoman for Kohl's recently said that "the board will weigh potential bids against remaining independent and will choose the path that maximizes shareholder value."¹ On behalf of the roughly 8,000 Kohl's employees in Wisconsin and the dozens of communities across the state that are home to Kohl's stores, I urge you consider the impact of the sale of the company on a broader universe of stakeholders—specifically Kohl's employees and communities.

I understand that you are under pressure from various investment funds that have recently purchased large blocks of Kohl's outstanding shares. These shareholders are now demanding you "return capital to shareholders." Despite their significant purchases of Company stock on the secondary market, keep in mind that these investment funds have not contributed any actual capital to the Company. Therefore, I believe that the demand that 'their' capital be returned through stock repurchases is a sleight of hand that only serves to enrich short-term shareholders..

¹ Lombardo, Cara. "Sycamore and Hudson's Bay Prepare Kohl's Bids". *The Wall Street Journal*. 16 Mar 2022. Accessible at: https://www.wsj.com/articles/sycamore-and-hudsons-bay-prepare-kohls-bids-11647444676?mod=pls_whats_news_us_business_f

Instead of evaluating offers by the misguided shareholder primacy metric that puts short-term profits ahead of long-term prosperity, I encourage you to consider all of your stakeholders when making your decision—especially the workers and communities that have made significant contributions to the Company and whose futures are tied to the Company’s long-term success. Recently, many of America’s largest companies including several of Kohl’s peers have supported a “stakeholder model” that adopts the belief that a corporation’s purpose is to serve all stakeholders—including employees and communities—and not just shareholders. This is an important perspective and I would urge you to adopt this view as you make your decision. ²

The stakeholder model would take into account Kohl’s special place in the state’s culture. Founded in Brookfield, WI in 1962, Kohl’s employees are active members of the community. As the Milwaukee Journal Sentinel recently noted, “Kohl’s employees have donated literally millions of hours to nonprofits. In Marinette, they’ve volunteered with the Bay Area Medical Center Foundation, Marinette Catholic Central Athletic Club, and St. Thomas Aquinas Academy. In Manitowoc, they’ve volunteered with organizations such as Friends of Manitowoc Public Library, Woodlands Dune Nature Center and Preserve, and Wisconsin D.A.R.E. Officers Association.”³ If you only consider proposals that maximize shareholder value, you risk overlooking contributions like these that make Kohl’s a vital community asset to Wisconsin.

In closing, I ask that you carefully consider each proposal’s long-term strategy and reject any offers that propose a sale-leaseback, increase the risk of bankruptcy, or imperil the jobs and retirement security of thousands of Wisconsin workers.



Tammy Baldwin
United States Senator

² Business Roundtable. “Statement on the Purpose of a Corporation”. *Business Roundtable*. 19 Aug 2019. Accessible at: <https://s3.amazonaws.com/brt.org/BRT-StatementonthePurposeofaCorporationJuly2021.pdf>

³ Barrett, Rick. “Large department stores like JC Penney have left behind Wisconsin small towns, but Kohl’s remains a vital community asset”. *Milwaukee Journal Sentinel*. 9 Feb 2022. Accessible at: <https://www.jsonline.com/story/money/2022/02/09/kohls-stores-fill-retail-employment-gap-small-wisconsin-towns/9305176002/>