

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended January 29, 2000

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 CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark 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. X Yes No

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

At April 5, 2000 the aggregate market value of the voting stock of the registrant held by stockholders who were not affiliates of the registrant was \$14,371,757,081 (based upon the closing price of Registrant's Common Stock on the New York Stock Exchange on such date). At April 5, 2000, the registrant had issued and outstanding an aggregate of 164,500,996 shares of its Common Stock.

Documents Incorporated by Reference:

1. Portions of Registrant's Proxy Statement dated April 13, 2000 are incorporated into Part III.

PART I

Item 1. Business

The Company currently operates 298 family oriented, specialty department stores primarily in the Midwest, Mid-Atlantic and Northeast areas of the United States that feature quality, national brand merchandise priced to

provide exceptional value to customers. The Company's stores sell moderately priced apparel, shoes, accessories and home products targeted to middle-income customers shopping for their families and homes. Kohl's offers a convenient shopping experience through easily accessible locations, well laid out stores, central checkout and good in-stock position which allows the customer to get in and out quickly. Kohl's stores have fewer departments than traditional, full-line department stores, but offer customers dominant assortments of merchandise displayed in complete selections of styles, colors and sizes. Central to the Company's pricing strategy and overall profitability is a culture focused on maintaining a low cost structure. Critical elements of this low cost structure are the Company's unique store format, lean staffing levels, sophisticated management information systems and operating efficiencies resulting from centralized buying, advertising and distribution.

As used herein, the term the "Company" and "Kohl's" refer to Kohl's Corporation, its consolidated subsidiaries and predecessors. The Company's fiscal year ends on the Saturday closest to January 31. Fiscal 1999 ended on January 29, 2000 and was a 52 week year.

Expansion

Since 1986, the Company has expanded from 40 stores in three states to the current total of 298 stores in 25 states both by acquiring and converting pre-existing stores and by opening new stores. Kohl's expansion strategy is to open a mix of new market, contiguous market and fill-in stores. This allows the Company to balance the cost of new market entry by leveraging advertising, purchasing, transportation and regional overhead expenses in fill-in markets. In fiscal 1999, Kohl's opened 46 new stores which included 25 stores in new markets and 21 stores in fill-in or contiguous markets. New markets entered included Denver, CO with six stores, St. Louis, MO with six stores and Dallas/Ft. Worth, TX with 13 stores. Fill-in or contiguous stores included 11 midwest, 8 mid-Atlantic and 2 southeast stores.

Management believes there is substantial opportunity for further growth and intends to open approximately 60 new stores in fiscal 2000. In the first quarter of fiscal 2000, Kohl's opened 39 stores including the conversion of 33 stores previously operated by Caldor Corp. in New York, New Jersey, Connecticut and Maryland. In addition, four new stores in the Dallas/Fort Worth, TX market and one new store each in Rochester, MN and Arnold, MO were opened. In fall of 2000, Kohl's plans to open approximately 21 additional stores, entering the Oklahoma market for the first time with three stores in the Tulsa market and expansion in a number of existing markets including Chicago, Denver, Dallas and New York. Kohl's expansion plan for 2001 is to open 55-60 new stores, including entering the Atlanta market with approximately 12 stores.

Kohl's retailing strategy has proven to be readily transferable to all size markets. For example, Kohl's successfully operates stores in small markets such as Kalamazoo and Green Bay, intermediate markets such as Kansas City and Denver and large markets such as Chicago and Dallas. In addition, the Kohl's concept has been successful in multiple retailing formats: strip shopping centers, community and regional malls and free-standing stores. Management believes the transferability of the Kohl's retailing strategy, the Company's experience in acquiring and converting pre-existing stores and in building new stores, combined with the Company's substantial investment in management information systems, centralized distribution and headquarters functions provide a solid foundation for further expansion.

In determining where to open new stores, the Company evaluates: demographic information, the availability of prime real estate locations, existing and potential competitors, and the potential impact on existing stores. In addition, the Company develops pro forma projections that must meet internal hurdle rates taking into account the economies of scale available in advertising, distribution and regional expenses.

Merchandising

Kohl's stores feature moderately priced, department store national brands which provide exceptional value to customers. Kohl's merchandise is targeted to appeal to middle-income customers shopping for their families and homes. All of the Company's stores generally carry a consistent merchandise assortment with some differences attributable to regional preferences. The

Company's stores emphasize apparel and shoes for children, women and men, soft home products, such as towels, sheets and pillows, and housewares. The Company's merchandise mix is reflected by the following table:

	Merchandise Mix (percent of net sales)		
	Fiscal Year		
	1999	1998	1997
Womens.....	28.8%	27.9%	26.4%
Mens.....	21.0%	21.3%	22.2%
Home.....	19.3%	18.9%	18.9%
Childrens.....	12.9%	13.6%	13.7%
Footwear.....	9.8%	10.2%	10.9%
Accessories.....	8.2%	8.1%	7.9%

The Company purchases approximately 87% of its merchandise from domestic suppliers.

Distribution

The Company receives 99% of its merchandise at four distribution centers, with the balance delivered directly to the stores by vendors or their distributors. The distribution centers ship merchandise to each store by contract carrier several times a week.

The Menomonee Falls, Wisconsin distribution center opened in 1981. This 500,000 square foot facility services the Company's stores in Illinois, Iowa, Wisconsin, Minnesota and North Dakota.

The Findlay, Ohio distribution center opened in August 1994. This 650,000 square foot facility services the Company's stores in Ohio, Michigan, Indiana, Kentucky, Tennessee and West Virginia.

The Company opened a 350,000 square foot distribution center in Winchester, Virginia in the summer of 1997. This facility was expanded during 1999 by approximately 50,000 square feet to increase its capacity. The facility services the Company's stores in North Carolina, Pennsylvania, Virginia, Maryland, Connecticut, New York, Delaware and New Jersey.

The Company opened a 540,000 square foot distribution center in Blue Springs, Missouri in December of 1999. The facility was built to handle approximately 100 stores and is servicing the Company's stores in Colorado, Iowa, Kansas, Missouri, Nebraska, South Dakota, and Texas.

These four facilities are capable of supporting approximately 400 stores. The Company plans to open its fifth distribution center in New York in 2001.

Employees

As of January 29, 2000, the Company had approximately 43,000 employees, including approximately 13,100 full-time and approximately 29,900 part-time associates. The number of associates varies during the year, peaking during the "back-to-school" and Christmas holiday seasons. None of the Company's associates is represented by a collective bargaining unit. The Company believes its relations with its associates are very good.

Competition

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

Seasonality

The Company's business, like that of most retailers, is subject to seasonal influences, with the major portion of sales and income realized during the last half of each fiscal year, which includes the back-to-school and holiday seasons. Approximately 17% and 30% of sales occur during the back-to-school and holiday seasons, respectively. Because of the seasonality of the Company's 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 depend significantly upon the timing and amount of revenues and costs associated with the opening of new stores.

Trademarks and Service Marks

The name "Kohl's", written in its distinctive block style, is a registered service mark of the Company, and the Company considers this mark and the accompanying name recognition to be valuable to its business. The Company has approximately 40 additional trademarks, trade names and service marks, most of which are used in its private label program.

Item 2. Properties

As of January 29, 2000, the Company operated 259 stores in 24 states. The Company owned 67 stores, owned 50 stores with ground leases and leased 142 stores under operating leases. The typical ground lease has an initial term of between 15 and 25 years, with 2 to 6 renewal periods of 5 to 10 years each, exercisable at the Company's option. The typical operating lease has an initial term of between 15 and 20 years, with 2 to 8 renewal periods of 5 to 10 years each, exercisable at the Company's option.

Substantially all of the Company's leases provide for a minimum annual rent that is fixed or adjusts to set levels during the lease term, including renewals. Approximately 52% of the leases provide for additional rent based on a percentage of sales to be paid when designated sales levels are achieved. At January 29, 2000, the average minimum annual rent of the 142 leased stores was \$6.53 per square foot, and the average minimum annual rent of the 50 stores operated under ground leases was \$2.78 per square foot.

The Company's stores are located in strip shopping centers (159), community and regional malls (43), and as free standing units (57). Of the Company's stores, 228 are one story facilities and 31 are two story facilities.

	Number of Stores at January 29, 2000 -----
Illinois.....	37
Ohio.....	31
Wisconsin.....	27
Pennsylvania.....	21
Michigan.....	20
Indiana.....	17
Minnesota.....	14
Texas.....	13
Virginia.....	12
Maryland.....	9
North Carolina.....	9
Missouri.....	8
Kansas.....	7
Colorado.....	6
New Jersey.....	6
Iowa.....	4
Kentucky.....	4
Nebraska.....	4
Tennessee.....	3
Delaware.....	2
West Virginia.....	2
New York.....	1
North Dakota.....	1

South Dakota.....	1

Total.....	259
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The Company owns its distribution centers in Menomonee Falls, Wisconsin; Findlay, Ohio; Winchester, Virginia and Blue Springs, Missouri. The Company also owns its corporate headquarters in Menomonee Falls, Wisconsin.

Item 3. Legal Proceedings

See Note 9 to the Company's Consolidated Financial Statements concerning routine legal matters.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's security holders during the last quarter of fiscal 1999.

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PART II

Item 5. Market for Registrant's Common Stock and Related Stockholder Matters

(a) Market information

The Common Stock has been traded on the New York Stock Exchange since May 19, 1992, under the symbol "KSS." On March 6, 2000 and March 9, 1998, the Company's Board of Directors declared a 2 for 1 stock split effected in the form of a stock dividend on the Company's common stock. The record dates for the stock splits were April 7, 2000 and April 10, 1998, respectively. The prices in the table set forth below indicate the high and low prices of the Common Stock for each quarter in fiscal 1999 and 1998, adjusted by the Company to retroactively give effect to the stock splits.

	Price Range	
	High	Low
Fiscal 1999		
First Quarter.....	\$39.00	\$31.38
Second Quarter.....	40.63	31.75
Third Quarter.....	39.97	30.75
Fourth Quarter.....	39.22	31.47
Fiscal 1998		
First Quarter.....	\$21.73	\$17.34
Second Quarter.....	28.81	20.25
Third Quarter.....	29.47	17.03
Fourth Quarter.....	33.88	22.56

(b) Holders

At April 5, 2000, there were 5,794 holders of record of the Common Stock.

(c) Dividends

The Company has never paid a cash dividend, has no current plans to pay dividends on its Common Stock and intends to retain all earnings for investment in and growth of the Company's business. In addition, financial covenants and other restrictions in the Company's financing agreements limit the payment of dividends on the Common Stock. The payment of future dividends, if any, will be determined by the Board of Directors in light of existing conditions, including the Company's earnings, financial condition and requirements, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors.

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Item 6. Selected Consolidated Financial Data

The selected consolidated financial data presented below should be read in conjunction with the consolidated financial statements of the Company and related notes included elsewhere in this document. The selected consolidated financial data, except for the operating data, has been derived from the audited consolidated financial statements of the Company, which have been audited by Ernst & Young LLP, independent auditors.

	Fiscal Year Ended				
	January 29, 2000	January 30, 1999	January 31, 1998	February 1, 1997	February 3, 1996 (a)
(Dollars in Thousands, Except Per Share and Per Square Foot Data)					
Statement of Operations					
Data:					
Net sales.....	\$ 4,557,112	\$ 3,681,763	\$ 3,060,065	\$ 2,388,221	\$ 1,925,669
Cost of merchandise sold..	3,014,073	2,447,301	2,046,468	1,608,688	1,294,653
Gross margin.....	1,543,039	1,234,462	1,013,597	779,533	631,016
Selling, general and administrative expenses..	975,269	810,162	678,793	536,226	436,442
Depreciation and amortization.....	88,523	70,049	57,380	44,015	33,931
Preopening expenses.....	30,972	16,388	18,589	10,302	10,712
Credit operations, non- recurring(b).....	--	--	--	--	14,052
Operating income.....	448,275	337,863	258,835	188,990	135,879
Interest expense, net.....	27,163	21,114	23,772	17,622	13,150
Income before income taxes.....	421,112	316,749	235,063	171,368	122,729
Provision for income taxes.....	162,970	124,483	93,790	68,890	50,077
Net income.....	\$ 258,142	\$ 192,266	\$ 141,273	\$ 102,478	\$ 72,652
Per share(c):					
Basic.....	\$ 0.80	\$ 0.61	\$ 0.46	\$ 0.35	\$ 0.25
Diluted.....	\$ 0.77	\$ 0.59	\$ 0.45	\$ 0.34	\$ 0.24
Operating Data:					
Comparable store sales growth(d).....	7.9%	7.9%	10.0%	11.3%	5.9%
Net sales per selling square foot(e).....	\$ 270	\$ 265	\$ 267	\$ 261	\$ 257
Total square feet of selling space (in thousands; end of period).....	18,757	15,111	12,533	10,064	8,378
Number of stores open (end of period).....	259	213	182	150	128
Balance Sheet Data (end of period):					
Working capital.....	\$ 732,111	\$ 559,207	\$ 525,251	\$ 229,339	\$ 175,368
Property and equipment, net.....	1,352,956	933,011	749,649	596,227	409,168
Total assets.....	2,914,662	1,936,095	1,619,721	1,122,483	805,385
Total long-term debt.....	494,993	310,912	310,366	312,031	187,699
Shareholders' equity.....	1,685,503	1,162,779	954,782	517,471	410,638

(a) Fiscal 1995 contained 53 weeks.

(b) Effective September 1, 1995, the Company terminated its agreement with Citicorp Retail Services (CRS) under which it sold its private label credit card receivables to CRS and established its own credit operation. In connection with this transaction, the Company incurred a one-time charge of \$14.1 million (\$8.3 million after-tax).

(c) All per share data has been adjusted to reflect the 2 for 1 stock splits effected in April 2000, April 1998 and April 1996.

- (d) Comparable store sales for each period are based on sales of stores (including relocated or expanded stores) open throughout the full period and throughout the full prior period. Comparable store sales growth for fiscal 1996 compares the 52 weeks of fiscal 1996 versus the same 52 week calendar in fiscal 1995 and excludes the discontinued electronics business. Comparable store sales growth for fiscal 1995 has been adjusted to reflect the elimination of the 53rd week in fiscal 1995.
- (e) Net sales per selling square foot is calculated using net sales of stores that have been open for the full year divided by their square footage of selling space.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 7. Results of Operations

Net Sales

Net sales for the last three years, number of stores, sales growth and net sales per selling square foot by year were as follows:

	Fiscal Year		
	1999	1998	1997
Net sales (in thousands).....	\$4,557,112	\$3,681,763	\$3,060,065
Number of stores open (end of period).....	259	213	182
Sales growth--all stores.....	23.8%	20.3%	28.1%
Sales growth--comparable stores(a).....	7.9%	7.9%	10.0%
Net sales per selling square foot(b).....	\$270	\$265	\$267

- (a) Comparable store sales growth for each period is based on sales of stores (including relocated or expanded stores) open throughout the full period and throughout the full prior period.
- (b) Net sales per selling square foot is calculated using net sales of stores that have been open for the full year divided by their square footage of selling space.

Increases in net sales primarily reflect new store openings and comparable stores sales growth. Net sales increased \$875.3 million, or 23.8%, from \$3,681.8 million in fiscal 1998 to \$4,557.1 million in fiscal 1999. Of the increase, \$608.9 million is attributable to the opening of 46 new stores in fiscal 1999 and to the inclusion of a full year of operating results for the 32 stores opened in fiscal 1998. The remaining \$266.4 million is attributable to the increase in comparable store sales.

Net sales increased \$621.7 million, or 20.3%, from \$3,060.1 million in fiscal 1997 to \$3,681.8 million in fiscal 1998. Of the increase, \$408.6 million is attributable to the opening of 32 new stores in fiscal 1998 and to the inclusion of a full year of operating results for 32 stores opened in fiscal 1997. The remaining \$213.1 million is attributable to the increase in comparable store sales.

Components of Earnings

The following table sets forth statement of operations data as a percentage of net sales for each of the last three years:

Fiscal Year		
1999	1998	1997
-----	-----	-----

Net sales.....	100.0%	100.0%	100.0%
Cost of merchandise sold.....	66.1	66.5	66.9
	-----	-----	-----
Gross margin.....	33.9	33.5	33.1
Selling, general and administrative expenses.....	21.4	22.0	22.2
Depreciation and amortization.....	1.9	1.9	1.8
Preopening expenses.....	.7	.4	.6
	-----	-----	-----
Operating income.....	9.9	9.2	8.5
Interest expense, net.....	.6	.6	.8
	-----	-----	-----
Income before income taxes.....	9.3	8.6	7.7
Income taxes.....	3.6	3.4	3.1
	-----	-----	-----
Net income.....	5.7%	5.2%	4.6%
	=====	=====	=====

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Gross Margin. The Company's gross margin has increased from 33.1% in fiscal 1997 to 33.9% in fiscal 1999. This increase is primarily attributable to a change in merchandise mix and improvements related to inventory management.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include all direct store expenses such as payroll, occupancy and store supplies and all costs associated with the Company's distribution centers, advertising and headquarters functions, but exclude depreciation and amortization. Although the total amount of selling, general, and administrative expenses increased from fiscal 1997 to fiscal 1999 due to the addition of new stores, such expenses decreased as a percent of net sales. Selling, general and administrative expenses decreased from 22.2% in fiscal 1997 to 21.4% in fiscal 1999. This decline reflects the leveraging of store, distribution and headquarters expenses as a result of the increased sales.

Depreciation and Amortization. The total amount of depreciation and amortization increased from fiscal 1997 to fiscal 1999 due to the addition of new stores, the remodeling of existing stores and the mix of owned versus leased stores. Depreciation and amortization increased as a percentage of net sales from 1.8% in fiscal 1997 to 1.9% in fiscal 1999.

Preopening Expenses. Effective January 30, 1999, the Company implemented SOP 98-5, "Reporting on the Costs of Start-Up Activities", which requires preopening costs to be expensed as incurred. The Company incurred \$31.0 million of preopening expenses in fiscal 1999. Approximately \$23.6 million related to the opening of 46 stores in fiscal 1999. The remaining \$7.4 million is associated with the opening of 39 stores in the spring of 2000. The Company incurred \$16.4 million of preopening expenses in fiscal 1998. Approximately, \$15.4 million related to the opening of 32 stores in fiscal 1998. The remaining \$1.0 million is associated with the opening of 18 stores in the spring of 1999. These expenses relate to the costs associated with new store openings, including advertising, hiring and training costs for new employees and processing and transporting initial merchandise.

Operating Income. Operating income increased \$110.4 million, or 32.7% in fiscal 1999, \$79.0 million, or 30.5%, in fiscal 1998 and \$69.8 million, or 37.0%, in fiscal 1997 due to the factors described above.

Interest Expense. Net interest expense increased \$6.1 million to \$27.2 million in fiscal 1999. The increase in fiscal 1999 was primarily due to the \$200 million of non-callable unsecured debentures issued in June 1999 to help finance the Company's continued store growth. Net interest decreased \$2.7 million to \$21.1 million in fiscal 1998. The decrease in fiscal 1998 was primarily due to a reduction in borrowings under its revolving credit facility and increased interest income on short-term investments that resulted from cash generated from a 1997 public equity offering. Net interest expense increased \$6.2 million to \$23.8 million in fiscal 1997. The increase in fiscal 1997 was due primarily to the \$100 million non-callable unsecured senior notes issued in 1996.

Income Taxes. The Company's effective tax rate was 38.7% in fiscal 1999, 39.3% in fiscal 1998 and 39.9% in fiscal 1997. The overall decline in the effective tax rates in fiscal 1999, fiscal 1998 and fiscal 1997 was primarily due to the decrease in state income taxes, net of federal tax benefits and

non-deductible goodwill amortization as a percentage of income before taxes.

Impact of Year 2000

In prior years, the Company discussed the nature and progress of its plan to ensure that appropriate systems would be Year 2000 compliant. In late 1999, the Company completed its remediation and testing of systems. As a result of those planning and implementation efforts, the Company experienced no significant disruptions in mission critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. The Company incurred total costs of approximately \$8.5 million in connection with remediating its systems including \$3.1 million in 1999. Of the total project cost, \$7.1 million was attributable to the purchase of new hardware and software and related development costs that was

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capitalized. The remaining \$1.4 million of programming and testing costs was expensed as incurred and did not have a material effect on the results of operations. The Company is not aware of any material problems resulting from Year 2000 issues, either with our products, our internal systems or the products and services of third parties. The Company will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

Inflation

The Company does not believe that inflation has had a material effect on the results during the periods presented. However, there can be no assurance that the Company's business will not be affected in the future.

Liquidity and Capital Resources

The Company's primary ongoing cash requirements are for inventory purchases, the growth in the accounts receivable file and capital expenditures in connection with expansion and remodeling programs and preopening expenses. The Company's primary sources of funds for its business activities are cash flow from operations, sale of its proprietary accounts receivable, borrowings under its \$300 million revolving credit facility and short-term trade credit. Short-term trade credit, in the form of extended payment terms for inventory purchases or third-party factor financing, represents a significant source of financing for merchandise inventories. The Company's working capital and inventory levels typically build throughout the fall, peaking during the holiday selling season. In addition, the Company periodically accesses the capital markets, as needed, to finance its growth. In March 1999, the Company issued 5,600,000 shares (2,800,000 shares pre-split) of common stock to the public with net proceeds of approximately \$200 million. The Company also issued \$200 million of non-callable, unsecured 30 year public debentures on June 1, 1999.

The Company's working capital increased to \$732.1 million at January 29, 2000 from \$559.2 million at January 31, 1999. Of this increase, \$145.5 million is attributable to higher credit card receivables, net of the amounts financed by a bank, as the Company internally financed a larger balance of receivables in fiscal 1999. The remaining increase was primarily the result of higher merchandise levels required to support existing stores and incremental new store locations offset in part by increased accounts payable.

Cash provided by operating activities was \$110.2 million for fiscal 1999 as compared to \$230.7 million for fiscal 1998 and cash used in operating activities of \$50.2 million for fiscal 1997. The decrease is mainly attributable to the on balance sheet financing of the Company's accounts receivables in 1999. Excluding changes in operating assets and liabilities, cash provided by operating activities was \$355.4 million for fiscal 1999, \$265.8 million for fiscal 1998 and \$199.0 million for fiscal 1997.

In December 1999, the Company entered into a one year \$225 million Receivable Purchase Agreement (RPA) with a bank, renewable at the Company's request and bank's option, under which it periodically sells, generally with recourse, an undivided interest in the Company's private label credit card receivables. This sale does not meet the true sale requirements of SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and

Extinguishments of Liabilities". At January 29, 2000, proceeds received upon the sale of \$85 million of receivables to the bank are reflected as short-term debt.

Prior to entering into the RPA in December 1999, the Company's subsidiary, KRC, had a similar agreement with the same bank in which it sold an undivided interest in its receivables. This transaction was structured in a way that receivable interests sold to the bank met the true sale requirements of SFAS No. 125. Accordingly, the \$113.0 million interest sold at January 30, 1999 is reflected as a reduction of accounts receivable.

The Company's capital expenditures were \$625.4 million during fiscal 1999, \$248.9 during fiscal 1998 and \$202.7 during fiscal 1997. The increase in capital expenditures in 1999 is primarily attributable to new store spending, the construction of a new distribution center in Blue Springs, Missouri, the purchase of rights to

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occupy 32 stores previously operated by Caldor Corporation and the related expenditures to renovate and refixture these locations. The increase in capital expenditures in 1998 is primarily attributable to the Company's remodeling program and new store spending in fiscal 1998.

The Company recorded favorable lease rights of \$121.6 million in 1999 from the purchase of the rights of Caldor Corporation's leases. The rights will be amortized on a straight line basis over the composite average life of the leases.

Total capital expenditures for fiscal 2000 are currently expected to range between \$450-\$500 million. The actual amount of the Company's future annual capital expenditures will depend primarily on the number of new stores opened, whether such stores are owned or leased by the Company and the number of existing stores remodeled or refurbished.

The Company plans to open approximately 60 new stores in fiscal 2000. The total cash outlay required for a newly constructed leased store, including capital expenditures, preopening expenses and net working capital, is approximately \$5.5 million. The additional cash outlay required for new owned stores will vary depending upon land and sitework costs, but is expected to be approximately \$7.5 million per location. The Company does not anticipate that its planned expansion will be limited by any restrictive covenants in its financing agreements.

The Company anticipates that it will be able to satisfy its working capital requirements, planned capital expenditures and debt service requirements with proceeds from cash flows from operations, short-term trade credit, ongoing sales of receivables under the RPA and seasonal borrowings under its \$300 million revolving credit facility. The Company expects to generate adequate cash flows from operating activities to sustain current levels of operations. The Company maintains favorable banking relations and anticipates that the necessary credit agreements will be extended or new agreements will be entered into in order to provide future borrowing requirements as needed.

Information in this document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to store openings, debt service requirements and planned capital expenditures. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "plans", "may", "will", "should" or "anticipates" or the negative thereof or other variations thereon. No assurance can be given that the future results covered by the forward-looking statements will be achieved.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary exposure to market risk consists of changes in interest rates or borrowings. At January 29, 2000, the Company's long-term debt excluding capital leases was \$459.4 million, all of which is fixed rate debt.

Long-term fixed rate debt is utilized as a primary source of capital. When these debt instruments mature, the Company intends to refinance such debt at then existing market interest rates which may be more or less than interest rates on the maturing debt. If interest rates on the existing fixed rate debt

outstanding at January 29, 2000, changed by 100 basis points for fiscal 2000, the Company's interest rate would change by \$4.6 million.

During fiscal 1999, average borrowings under the Company's variable rate revolving credit facility were \$7.0 million. If interest rates on the average fiscal 1999 variable rate debt changed by 100 basis points for fiscal 2000, the Company's interest expense would change by \$70,000.

Item 8. Financial Statements and Supplementary Data

The financial statements are included in this report beginning on page 16.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None

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PART III

Item 10. Executive Officers of Registrant

The information set forth under "Election of Directors" on pages 1-2 and under "Compliance with Sec. 16(a) of the Exchange Act" on page 5 of Registrant's Proxy Statement dated April 13, 2000 is incorporated herein by reference. The executive officers of the Company are as follows:

Name	Age	Position
----	---	-----
Caryn Blanc	42	Executive Vice President--Merchandise Planning and Logistics
William S. Kellogg	56	Chairman and Director
John Lesko	47	Executive Vice President--Chief Information Officer
Richard Leto	48	Executive Vice President--General Merchandise Manager and Product Development
Kevin Mansell	47	President and Director
Arlene Meier	48	Executive Vice President--Chief Financial Officer, Secretary and Director
R. Lawrence Montgomery	51	Vice Chairman, Chief Executive Officer and Director
Jack Moore	45	Executive Vice President--General Merchandise Manager
Jeffrey Rusinow	45	Executive Vice President--Regional Director of Stores and Store Administration
Don Sharpin	51	Executive Vice President--Human Resources
Gary Vasques	52	Executive Vice President--Marketing

Ms. Blanc has served as Executive Vice President--Logistics since 1991 and added Merchandise Planning to her existing responsibilities in February 1999. Ms. Blanc has served in other management positions with the Company since 1988. Ms. Blanc joined the Company in 1978, and has 22 years of experience in the retail industry.

Mr. Kellogg has served as Chairman since 1979 and served as Chief Executive Officer from 1979 to 1998. Mr. Kellogg joined the Company in 1967, and has 33 years of experience in the retail industry.

Mr. Lesko joined the Company in November 1997. From January 1997 to November 1997, Mr. Lesko served as Senior Vice President, Information Systems of Jack Eckerd Corporation, a division of the J.C. Penney Company. Prior to 1997, Mr. Lesko served as Executive Vice President, Marketing and Information Systems for Thrift Drug, a wholly owned subsidiary of J.C. Penney Company. Mr. Lesko has 25 years of experience in the retail industry.

Mr. Leto has served as Executive Vice President--General Merchandise Manager since July 1996 and added Product Development to his existing responsibilities in February 1999. Prior to joining the Company, Mr. Leto served as Executive Vice President, Merchandising for the R. H. Macy Corporation. Mr. Leto has 27

years of experience in the retail industry.

Mr. Mansell has served as President and Director since February 1999. Mr. Mansell served as Executive Vice President--General Merchandise Manager from 1987 to 1998. Mr. Mansell joined the Company as a Divisional Merchandise Manager in 1982, and has 25 years of experience in the retail industry.

Ms. Meier has served as Executive Vice President--Chief Financial Officer since October 1994 and was appointed to the Board of Directors in March 2000. Ms. Meier joined the Company as Vice President--Controller in 1989. Ms. Meier has 24 years of experience in the retail industry.

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Mr. Montgomery has served as Chief Executive Officer since February 1999 and has served as Vice Chairman since March 1996. Mr. Montgomery served as Executive Vice President of Stores from February 1993 to February 1996. Mr. Montgomery joined the Company as Senior Vice President--Director of Stores in 1988. Mr. Montgomery has 29 years of experience in the retail industry.

Mr. Moore has served as Executive Vice President--General Merchandise Manager since February 1999. Mr. Moore joined the Company in 1997 as a Vice President--Divisional Merchandise Manager. Mr. Moore also served as Senior Vice President of Merchandise Planning and Allocation. Prior to joining the Company, Mr. Moore served in various management positions at Dayton Hudson Department Stores. Mr. Moore has 23 years of experience in the retail industry.

Mr. Rusinow has served as Executive Vice President--Regional Manager of Stores since January 1998 and added Store Administration to his existing responsibilities in February 1999. Mr. Rusinow has served in other management positions with the Company since joining the Company in 1994. Mr. Rusinow has 22 years of experience in the retail industry.

Mr. Sharpin has served as Executive Vice President--Human Resources since August 1998 and in other management positions with the Company since joining the Company in 1988. Mr. Sharpin has 21 years of experience in the retail industry.

Mr. Vasques has served as Executive Vice President--Marketing since December 1995. Prior to joining the Company, Mr. Vasques served as Senior Vice President--Marketing of Caldor from 1991 to November 1995. Mr. Vasques has 30 years of experience in the retail industry.

Item 11. Executive Compensation

The information set forth under "Executive Compensation" on pages 6-9 of Registrant's Proxy Statement dated April 13, 2000 is incorporated herein by reference. Compensation of directors as set forth under "Director Committees and Compensation" on page 3 of Registrant's Proxy Statement dated April 13, 2000 is incorporated herein by reference.

Item 12. Beneficial Ownership of Stock

The information set forth under "Beneficial Ownership of Shares" on pages 4-5 of Registrant's Proxy Statement dated April 13, 2000 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information set forth under "Other Transactions" on page 9 of Registrant's Proxy Statement dated April 13, 2000 is incorporated herein by reference.

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Consolidated Financial Statements	
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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Kohl's Corporation

We have audited the accompanying consolidated balance sheets of Kohl's Corporation and subsidiaries (the Company) as of January 29, 2000 and January 30, 1999, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended January 29, 2000. Our audits also included the financial statement schedule listed in the Index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at January 29, 2000 and January 30, 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 29, 2000, in conformity with accounting practices generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
March 3, 2000

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KOHL'S CORPORATION

CONSOLIDATED BALANCE SHEETS

	January 29,	January 30,
	2000	1999
	-----	-----

(In Thousands)

ASSETS

Current assets:

Cash and cash equivalents.....	\$ 12,608	\$ 2,858
Short-term investments.....	27,500	26,736
Accounts receivable trade, net.....	501,162	270,704
Merchandise inventories.....	794,439	617,362
Deferred income taxes.....	22,184	14,412
Other.....	8,630	7,366
	-----	-----
Total current assets.....	1,366,523	939,438
Property and equipment, net.....	1,352,956	933,011
Other assets.....	42,422	25,027
Favorable lease rights.....	133,023	13,681
Goodwill.....	19,738	24,938
	-----	-----
Total assets.....	\$2,914,662	\$1,936,095
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 330,084	\$ 212,926
Accrued liabilities.....	143,784	117,200
Income taxes payable.....	63,955	48,572
Short-term debt.....	85,000	--
Current portion of long-term debt.....	11,589	1,533
	-----	-----
Total current liabilities.....	634,412	380,231
Long-term debt.....	494,993	310,912
Deferred income taxes.....	66,482	53,787
Other long-term liabilities.....	33,272	28,386
Shareholders' equity:		
Common stock--\$.01 par value, 800,000,000 shares authorized, 326,197,268 and 316,789,470 shares issued at January 29, 2000 and January 30, 1999, respectively.....	3,262	3,168
Paid-in capital.....	767,179	502,691
Retained earnings.....	915,062	656,920
	-----	-----
Total shareholders' equity.....	1,685,503	1,162,779
	-----	-----
Total liabilities and shareholders' equity.....	\$2,914,662	\$1,936,095
	=====	=====

See accompanying notes

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KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	January 29, 2000	January 30, 1999	January 31, 1998
	-----	-----	-----
	(In Thousands, Except Per Share Data)		
Net sales.....	\$ 4,557,112	\$ 3,681,763	\$ 3,060,065
Cost of merchandise sold.....	3,014,073	2,447,301	2,046,468
	-----	-----	-----
Gross margin.....	1,543,039	1,234,462	1,013,597
Operating expenses:			
Selling, general and administrative.....	975,269	810,162	678,793
Depreciation and amortization.....	83,323	64,849	52,180
Goodwill amortization.....	5,200	5,200	5,200
Preopening expenses.....	30,972	16,388	18,589
	-----	-----	-----
Total operating expenses.....	1,094,764	896,599	754,762
	-----	-----	-----
Operating income.....	448,275	337,863	258,835
Other expense (income):			
Interest expense.....	29,470	22,872	24,605

Net income.....	\$ 258,142	\$ 192,266	\$ 141,273
Adjustments to reconcile net income to net cash provided			
by (used in) operating activities:			
Depreciation and amortization.....	88,837	70,249	57,724
Deferred income taxes.....	4,923	886	(2,786)
Other noncash charges.....	3,536	2,353	2,784
Changes in operating assets and liabilities:			
Accounts receivable trade.....	(230,458)	(31,087)	(212,906)
Merchandise inventories.....	(177,077)	(101,572)	(92,583)
Other current assets.....	(1,264)	(2,107)	1,144
Accounts payable.....	117,158	62,247	24,318
Accrued and other long-term liabilities.....	31,025	27,366	17,795
Income taxes payable.....	15,383	10,090	13,012
	-----	-----	-----
Net cash provided by (used in) operating activities.....	110,205	230,691	(50,225)
Investing activities			
Acquisition of property and equipment and favorable lease rights.....	(625,392)	(248,878)	(202,735)
Proceeds from sale of property and equipment.....	4,350	1,292	295
Purchase of short-term investments, net...	(764)	(26,736)	--
Other.....	(20,151)	(14,587)	(6,534)
	-----	-----	-----
Net cash used in investing activities.....	(641,957)	(288,909)	(208,974)
Financing activities			
Proceeds from short-term debt.....	85,000	--	--
Proceeds from public debt offering.....	197,258	--	--
Net borrowings (repayments) under credit facilities.....	(1,600)	1,600	--
Repayment of other long-term debt, net...	(1,582)	(416)	(1,483)
Payment of financing fees on debt.....	(2,156)	--	(101)
Net proceeds from issuance of common shares.....	264,582	15,731	296,038
	-----	-----	-----
Net cash provided by financing activities.....	541,502	16,915	294,454
	-----	-----	-----
Net increase (decrease) in cash and cash and equivalents.....	9,750	(41,303)	35,255
Cash and cash equivalents at beginning of period.....	2,858	44,161	8,906
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 12,608	\$ 2,858	\$ 44,161
	=====	=====	=====

See accompanying notes

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Accounting Policies

Business

Kohl's Corporation (the Company) operates family oriented, specialty department stores primarily in the Midwest and Mid-Atlantic areas of the United States that feature national brand apparel, shoes, accessories, soft home products and housewares targeted to middle-income customers.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

Revenue from sales of the Company's merchandise is recognized at the time of sale, net of any returns.

Accounting Period

The Company's fiscal year end is the Saturday closest to January 31. The financial statements reflect the results of operations and cash flows for the fiscal years ended January 29, 2000 (fiscal 1999), January 30, 1999 (fiscal 1998) and January 31, 1998 (fiscal 1997), which all include 52 weeks.

Cash Equivalents

Cash equivalents represent debt securities with an original maturity of three months or less, which are held to maturity. Debt securities are stated at cost which approximates market value.

Short-term Investments

Short-term investments are classified as available-for-sale securities and are highly liquid debt instruments. These securities have a put option feature that allows the Company to liquidate the investments at its discretion. These investments are stated at cost, which approximates market value.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market with cost determined by the last-in, first-out (LIFO) method. Inventories would have been \$2,983,000 higher at January 29, 2000, and \$1,921,000 higher at January 30, 1999 if they had been valued using the first-in, first-out (FIFO) method.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

1. Business and Summary of Accounting Policies (continued)

Property and Equipment

Property and equipment is carried at cost and generally depreciated on a straight-line basis over the estimated useful lives of the assets. Property rights under capital leases and improvements to leased property are amortized on a straight-line basis over the term of the lease or useful life of the assets, whichever is less. The annual provisions for depreciation and amortization have been principally computed using the following ranges of useful lives:

Buildings and improvements.....	20-40 years
Store fixtures and equipment.....	3-20 years
Property under capital leases.....	20-40 years

Construction in progress includes land and improvements for locations not yet opened at the end of each fiscal year.

Capitalized Interest

The Company capitalizes interest on the acquisition and construction of new stores and depreciates that amount over the lives of the related assets. The total interest capitalized was \$4,405,000, \$1,878,000 and \$2,043,000 in 1999, 1998 and 1997, respectively.

Favorable Lease Rights

Favorable lease rights are amortized on a straight-line basis over a composite average life, including options and reflect accumulated amortization of \$19,327,000 at January 29, 2000 and \$18,820,000 at January 30, 1999. The favorable lease rights balance at January 29, 2000 includes \$121,600,000

related to a 1999 acquisition. The related stores are expected to open in 2000 and amortization will begin at that time. The composite average life of favorable lease rights as of January 29, 2000 is 22 years.

Goodwill

Goodwill is being amortized on a straight-line basis over 15 years. Accumulated amortization is \$57,666,000 at January 29, 2000 and \$52,466,000 at January 30, 1999.

Long-Lived Assets

The Company annually considers whether indicators of impairment of long-lived assets held for use (including favorable leasehold rights and goodwill) are present and determines that if such indicators are present whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amounts. The Company evaluated the ongoing value of its property and equipment and other long-lived assets as of January 29, 2000 and January 30, 1999, and determined that there was no significant impact on the Company's results of operations.

Preopening Costs

Preopening expenses, which are expensed as incurred, relate to the costs associated with new store openings, including advertising, hiring and training costs for new employees, and processing and transporting initial merchandise. All previously deferred preopening costs were written-off effective January 30, 1999.

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

1. Business and Summary of Accounting Policies (continued)

Advertising

Advertising costs included in selling, general and administrative are expensed as incurred and totaled \$176,009,000, \$147,619,000 and \$117,879,000 in fiscal 1999, 1998 and 1997, respectively.

Income Taxes

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes.

Net Income Per Share

The numerator for the calculation of basic and diluted net income per share is net income. The denominator is summarized as follows:

	Fiscal Year		
	1999	1998	1997
	(In Thousands)		
Denominator for basic earnings per share--weighted average shares.....	324,628	316,134	304,942
Employee stock options.....	9,228	9,132	7,212
Denominator for diluted earnings per share.....	333,856	325,266	312,154
	=====	=====	=====

Shareholders' equity, share and per share amounts for all periods presented have been adjusted for the 2 for 1 stock split declared by the Company's Board of Directors on March 6, 2000, effected in the form of a stock dividend.

Comprehensive Income

Net income for all years presented is the same as comprehensive income.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. Selected Balance Sheet Information

Property and equipment consist of the following:

	January 29, 2000	January 30, 1999
	-----	-----
	(In Thousands)	
Land.....	\$ 137,900	\$ 98,491
Buildings and improvements.....	726,846	505,475
Store fixtures and equipment.....	469,247	377,772
Property under capital leases.....	54,862	55,700
Construction in progress.....	243,042	104,042
	-----	-----
Property and equipment, at cost.....	1,631,897	1,141,480
Less accumulated depreciation.....	278,941	208,469
	-----	-----
	\$1,352,956	\$ 933,011
	=====	=====

Depreciation expense for property and equipment totaled \$76,851,000, \$60,994,000 and \$48,802,000 for fiscal 1999, 1998 and 1997, respectively.

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. Selected Balance Sheet Information (continued)

Accrued liabilities consist of the following:

	January 29, 2000	January 30, 1999
	-----	-----
	(In Thousands)	
Payroll and related fringe benefits.....	\$ 29,332	\$ 24,565
Sales and property taxes.....	45,429	33,761
Other accruals.....	69,023	58,874
	-----	-----
	\$143,784	\$117,200
	=====	=====

3. Accounts Receivable Financing

Prior to December 23, 1999, the Company's private label credit card receivables were sold without recourse or were contributed to its wholly owned subsidiary and special purpose entity, Kohl's Receivables Corporation (KRC). KRC then periodically sold, generally with recourse, an undivided interest in the revolving pool of these receivables to a bank, up to a maximum of \$225

million. Based on this two-tier structure of selling receivables, and a supporting legal opinion, the true sale accounting requirements were met, as defined by SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". Accordingly, the \$113 million interest sold under this agreement at January 30, 1999, is reflected as a reduction of accounts receivable.

On December 23, 1999, the Company entered into a new one year agreement with the same bank, similar to the agreement KRC had with the bank, under which the Company periodically sells, generally with recourse, an undivided interest in the revolving pool of its private label credit card receivables directly to the bank. The agreement is renewable at the Company's request and the bank's option. The structure of this transaction no longer meets the true sale requirements of SFAS No. 125. Thus, the proceeds received upon sale of \$85 million of receivables to the bank as of January 29, 2000, is recorded as short-term debt in the accompanying consolidated balance sheet. On December 31, 1999, KRC was merged into the Company.

The cost of the financing program is based on the bank's A1/P-1 commercial paper rate, approximately 6.0% at January 29, 2000, plus certain fees and is included in selling, general and administrative expenses beginning December 23, 1999. The agreement is secured by interests in the receivables and contains covenants which require the Company to maintain a minimum portfolio quality and meet certain financial tests.

The Company maintains an allowance for doubtful accounts for all receivables on the balance sheet based upon management's estimates of the Company's risk of credit loss, as summarized below:

	January 29, 2000	January 30, 1999

(In Thousands)		
Accounts Receivable Trade:		
Gross receivables.....	\$508,333	\$387,773
Receivables off balance sheet.....	--	113,000
	-----	-----
Total accounts receivable on balance sheet.....	508,333	274,773
Allowance for doubtful accounts.....	7,171	4,069
	-----	-----
Net.....	\$501,162	\$270,704
	=====	=====

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

3. Accounts Receivable Financing (continued)

Average accounts receivable balances both on and off balance sheet are summarized below:

	Fiscal Year		
	1999	1998	1997

(In Thousands)			
Average accounts receivable trade:			
Gross accounts receivable.....	\$443,000	\$328,000	\$242,000
Receivables off-balance sheet.....	86,000	120,000	154,000
	-----	-----	-----
Receivables on-balance sheet.....	\$357,000	\$208,000	\$ 88,000
	=====	=====	=====

The revenue from the credit program, net of expenses, is summarized below for all receivables accounted for on-balance sheet and is included in selling, general and administrative expenses in the accompanying consolidated statements of income. Pursuant to SFAS No. 125, once receivables are sold to the bank and the true sale requirements are met, the Company has no exposure to bad debts and retains no rights to finance charge income for financial statement purposes. Because the true sale requirements were met prior to December 23, 1999, all income and expense items with respect to receivables sold prior to December 23, 1999, are not presented as part of the Company's results of operations.

	Fiscal Year		
	1999	1998	1997
	(In Thousands)		
Finance charges and other income.....	\$63,879	\$38,744	\$16,528
Operating expenses:			
Cost of financing program.....	191	--	--
Provision for doubtful accounts.....	13,402	7,831	4,502
Other credit and collection expenses.....	18,636	10,740	5,477
Total operating expenses.....	32,229	18,571	9,979
Net revenue of credit program included in selling, general and administrative expenses.....	\$31,650	\$20,173	\$ 6,549

4. Debt

Debt consists of the following:

	January 29, 2000	January 30, 1999
	(In Thousands)	
Senior notes.....	\$ 60,000	\$ 60,000
Public offered debt, net of discount of \$2,681 in 1999.....	397,319	200,000
Capital leases.....	47,160	48,392
Other.....	2,103	4,053
Total.....	506,582	312,445
Less current portion.....	11,589	1,533
Long-term debt.....	\$494,993	\$310,912

The Company has issued \$60 million of 6.57% unsecured senior notes. The notes will mature in 2004 with required annual prepayments beginning March 31, 2000.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

4. Debt (continued)

The public offered debt includes \$100 million of non-callable 6.70% unsecured senior notes which mature on February 1, 2006 and \$100 million of non-callable 7.375% unsecured senior notes which mature on October 15, 2011.

Additionally on June 1, 1999, the Company issued \$200 million of non-callable 7.25% unsecured debentures, which mature June 1, 2029. The debentures were issued at a discount with a yield to maturity of 7.36%.

The Company, using discounted cash flow analyses based upon the Company's current incremental borrowing rates for similar types of borrowing arrangements, estimates the fair value of long-term debt, including current portion and excluding capital leases, to be approximately \$432 million at January 29, 2000.

The Company has a \$300 million unsecured revolving bank credit facility (the Credit Facility) which matures on June 13, 2003. The Credit Facility can be extended each year for an additional one year with the banks' consents provided that the Company meets certain financial covenants. Depending on the type of advance, amounts borrowed bear interest at competitive bid rates; the LIBOR plus a margin, depending on the Company's long-term unsecured debt rating; or the agent bank's base rate. No amounts were outstanding under this facility at January 29, 2000 or January 30, 1999.

The various debt agreements contain certain covenants that limit, among other things, additional indebtedness and payment of dividends, as well as requiring the Company to meet certain financial tests.

Interest payments, net of amounts capitalized, were \$27,038,000, \$22,950,000 and \$24,158,000 in fiscal 1999, 1998 and 1997, respectively.

Annual maturities of long-term debt, excluding capital lease obligations, for the next five years are: \$10,367,000 in 2000; \$15,333,000 in 2001; \$15,340,000 in 2002; \$10,138,000 in 2003 and \$10,056,000 in 2004.

5. Commitments

The Company leases property and equipment. Many of the store leases obligate the Company to pay real estate taxes, insurance and maintenance costs, and contain multiple renewal options, exercisable at the Company's option, that range from two additional five-year periods to eight ten-year periods.

Rent expense charged to operations was \$111,863,000, \$89,508,000 and \$72,286,000 in fiscal 1999, 1998 and 1997, respectively. Rent expense includes contingent rents, based on sales, of \$3,487,000, \$4,209,000 and \$3,847,000 in fiscal 1999, 1998 and 1997, respectively.

Property under capital leases consists of the following:

	January 29, 2000	January 30, 1999

	(In Thousands)	
Buildings and improvements.....	\$54,862	\$55,700
Less accumulated amortization.....	16,342	15,177
	-----	-----
	\$38,520	\$40,523
	=====	=====

Amortization expense related to capital leases totaled \$2,004,000, \$2,266,000 and \$2,428,000 for fiscal 1999, 1998 and 1997, respectively.

5. Commitments (continued)

Future minimum lease payments at January 29, 2000, under leases that have initial or remaining noncancellable terms in excess of one year, are as follows:

	Capital Leases	Operating Leases
	-----	-----
Fiscal year:		
2000.....	\$ 6,641	\$ 128,886
2001.....	6,613	143,162
2002.....	6,631	139,823
2003.....	6,525	138,754
2004.....	6,846	138,270
Thereafter.....	80,699	1,824,927
	-----	-----
	113,955	\$2,513,822
		=====
Less amount representing interest.....	66,795	

Present value of minimum lease payments.....	\$ 47,160	
	=====	

Included in the operating lease schedule above is \$761,264,000 of minimum lease payments for stores that will open in 2000 and 2001.

6. Benefit Plans

The Company has an Employee Stock Ownership Plan (ESOP) for the benefit of its associates other than executive officers. Contributions are made at the discretion of the Board of Directors. The Company recorded expenses of \$4,408,000 \$3,300,000 and \$2,610,000 in fiscal 1999, 1998 and 1997, respectively. Shares of Company common stock held by the ESOP are included as shares outstanding for purposes of the income per share computations.

The Company also has a defined contribution savings plan covering all full-time and certain part-time associates which provides for monthly employer contributions based on a percentage of qualifying contributions made by participating associates. Total expense was \$3,020,000, \$2,531,000 and \$2,221,000 in fiscal 1999, 1998 and 1997, respectively. In addition, the Company made defined annual contributions to the savings plan on the behalf of all qualifying full-time and part-time associates based on a percentage of qualifying payroll earnings. Total expense was \$4,168,000, \$3,629,000 and \$2,978,000 in fiscal 1999, 1998 and 1997, respectively.

7. Income Taxes

Deferred income taxes consist of the following:

	January 29, 2000	January 30, 1999
	-----	-----
	(In Thousands)	
Deferred tax liabilities:		
Property and equipment.....	\$80,371	\$65,773
Deferred tax assets:		
Merchandise inventories.....	18,080	9,684
Accrued and other liabilities.....	11,273	11,360
Accrued rent liability.....	6,720	5,354
	-----	-----
	36,073	26,398
	-----	-----
Net deferred tax liability.....	\$44,298	\$39,375
	=====	=====

7. Income Taxes (continued)

The components of the provision for income taxes are as follows:

	Fiscal Year		
	1999	1998	1997
	(In Thousands)		
Current Federal.....	\$135,586	\$104,336	\$82,184
Current State.....	22,461	19,261	14,392
Deferred.....	4,923	886	(2,786)
	=====	=====	=====
	\$162,970	\$124,483	\$93,790

The provision for income taxes differs from the amount that would be provided by applying the statutory U.S. corporate tax rate due to the following items:

	Fiscal Year		
	1999	1998	1997
Provision at statutory rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit.....	3.6	3.9	4.2
Goodwill amortization.....	0.4	0.6	0.8
Other.....	(.3)	(.2)	(.1)
	-----	-----	-----
Provision for income taxes.....	38.7%	39.3%	39.9%
	-----	-----	-----
Amounts paid for income taxes (in thousands).....	\$95,075	\$103,628	\$74,826
	=====	=====	=====

8. Preferred and Common Stock

The Company's authorized capital stock includes 10,000,000 shares of \$.01 par value preferred stock of which none have been issued.

On March 6, 2000 and March 9, 1998, the Company's Board of Directors declared 2 for 1 stock splits which were effected in the form of a stock dividend on the Company's common stock. Shareholders' equity, and all share and per share amounts have been retroactively adjusted to reflect these dividends.

The 1992 and 1994 Long-Term Compensation Plans provide for the granting of options to purchase shares of the Company's common stock to officers and key employees. The 1997 Stock Option Plan provides for granting of similar stock options to outside directors. The following table presents the number of options initially authorized and options available to grant under each of the plans:

	1992 Plan	1994 Plan	1997 Plan	Total
Options initially authorized.....	22,800,000	24,000,000	400,000	47,200,000
Options available for grant:				
January 30, 1999.....	105,478	15,455,050	320,000	15,880,528
January 29, 2000.....	179,216	11,464,950	320,000	11,964,166

The majority of options granted vest in four equal annual installments.

Remaining options granted vest in either five or seven year increments. Options which are surrendered or terminated without issuance of shares are available for future grants.

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

8. Preferred and Common Stock (continued)

The following table summarizes the Company's stock options at January 29, 2000, January 30, 1999 and January 31, 1998 and the changes for the years then ended:

	Number of Options	Weighted Average Exercise Price
	-----	-----
Balance at February 1, 1997.....	21,885,152	\$ 5.79
Granted.....	4,451,820	16.56
Surrendered.....	(558,620)	7.32
Exercised.....	(1,553,604)	4.68
	-----	-----
Balance at January 31, 1998.....	24,224,748	7.79
Granted.....	3,418,250	28.85
Surrendered.....	(329,582)	13.28
Exercised.....	(1,273,558)	5.00
	-----	-----
Balance at January 30, 1999.....	26,039,858	10.64
Granted.....	4,434,750	35.13
Surrendered.....	(518,388)	14.95
Exercised.....	(3,807,798)	5.04
	-----	-----
Balance at January 29, 2000.....	26,148,422	\$15.53
	=====	=====

Options exercisable at:

	Shares	Weighted Average Exercise Price
	-----	-----
January 29, 2000.....	13,628,550	\$8.60
January 30, 1999.....	14,029,610	\$6.06
January 31, 1998.....	11,044,000	\$4.85

Exercise prices for options outstanding at January 29, 2000, ranged from \$1.75--\$40.44. Additional information related to these options segregated by exercise price range is as follows:

Exercise Price Range		
-----	-----	-----
\$1.75 to	\$6.50 to	\$17.50 to
\$6.49	\$17.49	\$40.44
-----	-----	-----

Options outstanding..... 8,912,552 9,474,016 7,761,854

Weighted average exercise price of options outstanding.....	\$4.88	\$11.70	\$32.42
Weighted average remaining contractual life of options outstanding.....	4.3	9.0	14.3
Options exercisable.....	8,121,202	4,762,032	745,316
Weighted average exercise price of options exercisable.....	\$4.92	\$11.62	\$29.34

The Company continues to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related Interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

As required by SFAS No. 123, Accounting for Stock-Based Compensation, the Company calculated the pro forma effect on net income and net income per share of accounting for employee stock options under the fair value method prescribed by SFAS No. 123 in the table below. The weighted-average fair values of options granted during fiscal 1999, 1998 and 1997 were estimated using a Black-Scholes option pricing model to be \$11.64, \$9.57 and \$5.43, respectively. The model used the following assumptions for all years: risk free interest rate between 5.0%--6.0%; dividend yield 0%; volatility factors of the Company's common stock of 30%; and a 7-8 year expected life of the option.

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

8. Preferred and Common Stock (continued)

	Fiscal Year		
	1999	1998	1997
Pro forma net income.....	\$246,513	\$183,785	\$137,320
Pro forma net income per share:			
Basic.....	\$0.76	\$0.58	\$0.45
Diluted.....	\$0.74	\$0.57	\$0.44

The SFAS No. 123 expense reflected above only includes options granted since fiscal 1995 and, therefore, may not be representative of future expense.

9. Contingencies

The Company is involved in various legal matters arising in the normal course of business. In the opinion of management, the outcome of such proceedings and litigation will not have a material adverse impact on the Company's financial position or results of operations.

10. Quarterly Financial Information (Unaudited)

	Fiscal Year 1999				
	First	Second	Third	Fourth	Total
(in thousands except per share data)					
Net sales.....	\$910,256	\$939,503	\$1,099,852	\$1,607,501	\$4,557,112
Gross margin.....	313,128	325,304	375,659	528,948	1,543,039
Net income.....	39,319	45,233	53,014	120,576	258,142
Basic net income per					

share.....	.12	.14	.16	.37	.80
Diluted net income per					
share.....	.12	.13	.16	.36	.77

Fiscal Year 1998

	First	Second	Third	Fourth	Total
(in thousands except per share data)					
Net sales.....	\$744,571	\$758,747	\$888,897	\$1,289,548	\$3,681,763
Gross margin.....	253,469	256,577	299,622	424,794	1,234,462
Net income.....	26,848	31,348	40,008	94,062	192,266
Basic net income per share...	.09	.10	.13	.30	.61
Diluted net income per					
share.....	.08	.10	.12	.29	.59

Due to changes in stock prices during the year and timing of issuance of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

The Company uses the LIFO method of accounting for merchandise inventories because it results in a better matching of costs and revenues. The following information is provided to show the effects of the LIFO provision on each quarter, as well as to provide users with the information to compare to other companies not on LIFO.

LIFO Expense (Credit)	Fiscal Year	
	1999	1998
	(In Thousands)	
First.....	\$ 1,363	\$ 1,861
Second.....	1,409	1,896
Third.....	1,651	1,900
Fourth.....	(3,361)	(8,519)
Total year.....	\$ 1,062	\$(2,862)

The Company estimates its LIFO provision throughout the year based on expected inflation. The provision is adjusted to actual inflation indices at year-end.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

11. Related Parties

A director of the Company is also a shareholder of a law firm which performs legal services for the Company.

A director of the Company is also the chief executive officer of an insurance company which provides \$40 million of the senior notes to the Company (see Note 4). Total interest expense incurred on the senior notes totaled \$2.6 million in 1999, 1998 and 1997.

Another director was previously affiliated with an investment bank which performed services for the Company. Investment banking fees incurred with this investment bank totaled approximately \$8.8 million in fiscal 1997 and no fees were paid in fiscal 1998. The director retired from the investment bank in

1998.

Rent expense incurred on store leases with various entities owned by a director of the Company and his affiliates, which is included in the total rent expense above, was \$4,353,000, \$4,323,000 and \$3,789,000 in fiscal 1999, 1998 and 1997, respectively.

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KOHL'S CORPORATION

SCHEDULE II

Valuation and Qualifying Accounts
(Dollars in Thousands)

	Years Ended		
	January 29, 2000	January 30, 1999	January 31, 1998
Accounts Receivable--Allowances:			
Balance at Beginning of Period.....	\$ 4,069	\$ 4,669	\$ 700
Charged to Costs and Expenses.....	13,402	7,831	4,502
Deductions--Bad Debts Written off, Net of Recoveries and Other Allowances.....	(12,277)	(7,668)	(4,357)
Other (1).....	1,977	(763)	3,824
	-----	-----	-----
Balance at End of Period.....	\$ 7,171	\$ 4,069	\$ 4,669
	=====	=====	=====

(1) Adjustments to the accounts receivable allowance for receivables sold pursuant to SFAS No. 125.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned

Kohl's Corporation

By: /s/ William S. Kellogg

William S. Kellogg
Chairman and Director

Dated: April 17, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ William S. Kellogg

William S. Kellogg
Chairman and Director

Frank Sica
Director

/s/ Jay H. Baker

Jay H. Baker
Director

Herbert Simon
Director

/s/ John F. Herma

/s/ Peter M. Sommerhauser

John F. Herma
Director

Peter M. Sommerhauser
Director

/s/ R. Lawrence Montgomery

R. Lawrence Montgomery
Vice Chairman, Chief Executive Officer
and Director

/s/ Elton White

R. Elton White
Director

/s/ Kevin Mansell

Kevin Mansell
President and Director

/s/ James Ericson

James Ericson
Director

/s/ Arlene Meier

Arlene Meier
Chief Financial Officer (Principal
Financial and Accounting Officer),
Secretary and Director

Wayne Embry
Director

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EXHIBIT INDEX

Exhibit Number -----	Description -----
3.1	Articles of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 1999.
3.2	Bylaws of the Company.
4.1	Revolving Credit Agreement dated as of June 13, 1997 among Kohl's Corporation, Kohl's Department Stores, Inc., various commercial banking institutions, The Bank of New York, as Administrative Agent, and The First National Bank of Chicago, as Syndication Agent, incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 1997.
4.2	Amendment to Revolving Credit Agreement dated as of June 5, 1998, incorporated herein by reference to Exhibit 4.1 of the Company's registration statement on Form S-3 (File No. 333-73257).
4.3	Indenture dated as of December 1, 1995 between the Company and The Bank of New York as trustee, incorporated herein by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1996.
4.4	First Supplemental Indenture dated as of June 1, 1999 between the Company and The Bank of New York, incorporated herein by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-4 (Reg. No. 333-83031).
4.5	Certain other long-term debt is described in Note 4 of the Notes to Consolidated Financial Statements. The Company agrees to furnish to the Commission, upon request, copies of any instruments defining the rights of holders of any such long-term debt described in Note 4 and not filed herewith.
10.1	Employment Agreement between the Company and William S. Kellogg, incorporated herein by reference to Exhibit 10.6 of the Company's registration statement on Form S-1 (File No. 33-46883).*
10.2	Employment Agreement between the Company and Jay H. Baker, incorporated herein by reference to Exhibit 10.7 of the Company's registration statement on Form S-1 (File No. 33-46883).*

- 10.3 Employment Agreement between the Company and John F. Herma, incorporated herein by reference to Exhibit 10.8 of the Company's registration statement on Form S-1 (File No. 33-46883).*
- 10.4 Employment Agreement between the Company and R. Lawrence Montgomery, incorporated herein by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1998.*
- 10.5 Employment Agreement between the Company and Kevin Mansell, incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 1, 1999.*
- 10.6 Executive Medical Plan, incorporated herein by reference to Exhibit 10.9 of the Company's registration statement on Form S-1 (File No. 33- 46883).*
- 10.7 Executive Life Insurance Plan, incorporated herein by reference to Exhibit 10.10 of the Company's registration statement on Form S-1 (File No. 33-46883).*
- 10.8 Executive Accidental Death and Dismemberment Plan, incorporated herein by reference to Exhibit 10.11 of the Company's registration statement on Form S-1 (File No. 33-46883).*
- 10.9 Executive Committee Bonus Plan, incorporated herein by reference to Exhibit 10.12 of the Company's registration statement on Form S-1 (File No. 33-46883).*
- 10.10 1992 Long Term Compensation Plan, incorporated herein by reference to Exhibit 10.13 of the Company's registration statement on Form S-1 (File No. 33-46883).*
- 10.11 1994 Long-Term Compensation Plan, incorporated herein by reference to Exhibit 10.15 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 1996.*

Exhibit
Number

Description

- 10.12 1997 Stock Option Plan for Outside Directors, incorporated herein by reference to Exhibit 4.4 of the Company's registration statement on Form S-8 (File No. 333-26409), filed on May 2, 1997.*
- 10.13 Amended and Restated Agreements dated December 10, 1998 between the Company and Ms. Blanc, incorporated herein by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1999.*
- 10.14 Amended and Restated Agreements dated December 10, 1998 between the Company and Mr. Mansell, incorporated herein by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1999.*
- 10.15 Amended and Restated Agreements dated December 10, 1998 between the Company and Mr. Montgomery, incorporated herein by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1999.*
- 10.16 Receivables Purchase Agreement dated December 23, 1999 by and among Kohl's Corporation, Kohl's Department Stores, Inc., PREFCO, various Investors and Bank One, NA, as agent.
- 12.1 Statement regarding calculation of ratio of earnings to fixed charges.
- 13.1 1999 Annual Report.

21.1 Subsidiaries of the Registrant.

24.1 Consent of Ernst & Young LLP.

27. Financial Data Schedules--Article 5 of Regulation S-X, 12 months ended January 29, 2000.

* A management contract or compensatory plan or arrangement.

BYLAWS
OF
KOHL'S CORPORATION

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BYLAWS
OF
KOHL'S CORPORATION

ARTICLE I.

OFFICES; RECORDS

1.01. Principal and Business Offices. The corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the corporation may require from time to time.

1.02. Registered Office. The registered office of the corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin. The address of the registered office may be changed from time to time by any officer or by the registered agent. The office of the registered agent of the corporation shall be identical to such registered office.

1.03. Corporate Records . The following documents and records shall be kept at the corporation's principal office or at such other reasonable location as may be specified by the corporation:

- (a) Minutes of shareholders' and Board of Directors' meetings and any written notices thereof.
- (b) Records of actions taken by the shareholders or directors without a meeting.
- (c) Records of actions taken by committees of the Board of Directors.
- (d) Accounting records.
- (e) Records of its shareholders.
- (f) Current Bylaws.
- (g) Written waivers of notice by shareholders or directors (if any).
- (h) Written consents by shareholders or directors for actions without a meeting (if any).
- (i) Voting trust agreements (if any).
- (j) Stock transfer agreements to which the corporation is a party or of which it has notice (if any).

ARTICLE II.
SHAREHOLDERS

2.01. Annual Meeting. The annual meeting of the shareholders shall be held on such date and at such time as may be fixed by or under the authority of the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors is not held on the day fixed as herein provided for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a meeting of the shareholders as soon thereafter as may be convenient.

At an annual meeting of the shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors; (b) otherwise brought before the meeting by or at the direction of the Board of Directors; or (c) brought before the meeting by a shareholder pursuant to this Section 2.01. Any business brought by a shareholder must be a proper subject for action by shareholders under Wisconsin law.

Only persons who are nominated in accordance with the procedures set forth in this Section 2.01 shall be eligible for election as directors, except as may otherwise be provided by the terms of the corporation's Articles of Incorporation with respect to the rights of holders of any series of Preferred Stock to elect directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of shareholders by or at the direction of the Board of Directors or by any shareholder of the corporation entitled to vote for the election of directors at the meeting who complies with the procedures set forth in this bylaw.

For business to be properly brought before an annual meeting by a shareholder, and for nominations by shareholders for the election of directors, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation. All notices given pursuant to this Section shall be in writing and must be received by the Secretary of the corporation not later than 120 days prior to the anniversary date of the annual meeting of shareholders in the immediately preceding year; provided, however, that if during the prior year the corporation did not hold an annual meeting or if the date of the annual meeting has changed more than 30 days from the prior year, then notice must be received by the later of (i) the date 90 days prior to the date of the annual meeting for which such proposal or nomination is made and (ii) the date 10 Business Days after the first public announcement of the date of the annual meeting for which such proposal or nomination is made. Notwithstanding the foregoing, that to be timely for the 2000 Annual Meeting, a shareholder's notice must be received by the Secretary of the Corporation not later than February 25, 2000. All such notices shall include (i) a representation that the person sending the notice is a shareholder of record and will remain such through the Meeting Record Date (defined in Section 2.05); (ii) the name and address, as they appear on the corporation's books, of such shareholder and the beneficial owner or owners, if any, on whose behalf the proposal is made; (iii) the class and number of the corporation's shares which are owned beneficially and of record by such shareholder and any such beneficial owner or owners; and (iv) a representation that such shareholder intends to appear in person or by proxy at such meeting to make the nomination or move the consideration of other business set forth in the notice. Notice as to proposals with respect to any business to be brought before the meeting other than election of directors shall also set forth the text of the proposal and may set forth any statement in support thereof that the shareholder wishes to bring to the attention of the corporation, and shall specify any material interest of such shareholder in such business. The person providing the notice shall also be required to provide such further information as may be requested by the corporation to comply with federal securities laws, rules and regulations. Notice as to nominations shall set forth the name(s) of the nominee(s), address and principal occupation or employment of each, a description of all arrangements or understandings between the shareholder and each nominee and any person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder, the written consent of each nominee to serve as a director if so elected and such other information as would be required to be included in a proxy statement soliciting proxies for the election of the nominee(s) of such shareholder.

The chairman of the meeting shall refuse to acknowledge the nomination of any person or the consideration of any business not made in compliance with the foregoing procedures.

For purposes of these Bylaws, "public announcement" shall mean disclosure in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or in a press release reported by the Dow Jones News Service, Reuters Economic Services, Associated Press or comparable national news service. Notwithstanding the foregoing provisions of this Section 2.01, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.01. Nothing in this Section 2.01 shall be deemed to expand or limit the corporation's obligations under Rule 14a-8 under the Exchange Act.

2.02. Special Meetings. (a) A special meeting of shareholders (a "Special Meeting") may be called only by the Board of Directors pursuant to a resolution adopted by the Board of Directors and shall be called by the Board of Directors upon the demand, in accordance with this Section 2.02, of the holders of record of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the Special Meeting.

(b) In order that the corporation may determine the shareholders entitled to demand a Special Meeting, the Board of Directors may fix a record date to determine the shareholders entitled to make such a demand (the "Demand Record Date"). The Demand Record Date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors and shall not be more than 10 days after the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors. Any shareholder of record seeking to have shareholders demand a Special Meeting shall, by sending written notice to the Secretary of the corporation by hand or by certified or registered mail, return receipt requested, request the Board of

Directors to fix a Demand Record Date. The Board of Directors shall promptly, but in all events within 30 days after the date on which a valid request to fix a Demand Record Date is received, adopt a resolution fixing the Demand Record Date and shall make a public announcement of such Demand Record Date. If no Demand Record Date has been fixed by the Board of Directors within 30 days after the date on which such request is received by the Secretary, the Demand Record Date shall be the

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30th day after the first day on which a valid written request to set a Demand Record Date is received by the Secretary. To be valid, such written request shall set forth the purpose or purposes for which the Special Meeting is to be held, shall be signed by one or more shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative) and shall set forth all information about each such shareholder and about the beneficial owner or owners, if any, on whose behalf the request is made that would be required to be set forth in a shareholder's notice described in Section 2.01. Any business proposed to be brought before the meeting must be a subject for which a special meeting must be called under Wisconsin law upon the demand of a 10% shareholder.

(c) In order for a shareholder or shareholders to demand a Special Meeting, a written demand or demands for a Special Meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the Special Meeting must be delivered to the corporation. To be valid, each written demand by a shareholder for a Special Meeting shall set forth the specific purpose or purposes for which the Special Meeting is to be held (which purpose or purposes shall be limited to the purpose or purposes set forth in the written request to set a Demand Record Date received by the corporation pursuant to paragraph (b) of this Section 2.02), shall be signed by one or more persons who as of the Demand Record Date are shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative), shall set forth the name and address, as they appear in the corporation's books, of each shareholder signing such demand and the class or series and number of shares of the corporation which are owned of record and beneficially by each such shareholder, shall be sent to the Secretary by hand or by certified or registered mail, return receipt requested, and shall be received by the Secretary not before and within 70 days after the Demand Record Date.

(d) The corporation shall not be required to call a Special Meeting upon shareholder demand unless, in addition to the documents required by paragraph (c) of this Section 2.02, the Secretary receives a written agreement signed by each Soliciting Shareholder (as defined herein), pursuant to which each Soliciting Shareholder, jointly and severally, agrees to pay the corporation's costs of holding the Special Meeting, including the costs of preparing and mailing proxy materials for the corporation's own solicitation, provided that if each of the resolutions introduced by any Soliciting Shareholder at such meeting is adopted, and each of the individuals nominated by or on behalf of any Soliciting Shareholder for election as director at such meeting is elected, then the Soliciting Shareholders shall not be required to pay such costs. For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) "Affiliate" shall have the meaning assigned to such term in Rule 12b-2 promulgated under the Exchange Act.

(ii) "Participant" shall have the meaning assigned to such term in Item 4 of Schedule 14A promulgated under the Exchange Act.

(iii) "Person" shall mean any individual, firm, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.

(iv) "Proxy" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.

(v) "Solicitation" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.

(vi) "Soliciting Shareholder" shall mean, with respect to any Special

Meeting demanded by a shareholder or shareholders, any of the following Persons:

(A) if the number of shareholders signing the demand or demands for a meeting delivered to the corporation pursuant to paragraph (c) of this Section 2.02 is 10 or fewer, each shareholder signing any such demand;

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(B) if the number of shareholders signing the demand or demands for a meeting delivered to the corporation pursuant to paragraph (c) of this Section 2.02 is more than 10, each Person who is or intends to be a Participant in a Solicitation in connection with the Special Meeting (other than a Solicitation of Proxies on behalf of the corporation); or

(C) any Affiliate of a Soliciting Shareholder, if a majority of the directors then in office determine, in good faith, that such Affiliate should be required to sign the written notice described in paragraph (c) of this Section 2.02 and/or the written agreement described in this paragraph (d) in order to prevent the purposes of this Section 2.02 from being evaded.

(e) Except as provided in the following sentence, any Special Meeting shall be held at such hour and day as may be designated by the Board of Directors. In the case of any Special Meeting called by the Board of Directors upon the demand of shareholders (a "Demand Special Meeting"), the date of the Demand Special Meeting shall be not more than 70 days after the Meeting Record Date (as defined in Section 2.05 of these Bylaws); provided that in the event that the directors then in office fail to designate an hour and date for a Demand Special Meeting within 30 days after the date that valid written demands for such meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the Special Meeting, as well as the agreement described in paragraph (d), are delivered to the corporation (the "Delivery Date"), then such meeting shall be held at 2:00 p.m. (local time) on the 100th day after the Delivery Date or, if such 100th day is not a Business Day (as defined below), on the first preceding Business Day. In fixing a meeting date for any Special Meeting, the Board of Directors may consider such factors as it deems relevant within the good faith exercise of its business judgment, including, without limitation, the nature of the action proposed to be taken, the facts and circumstances surrounding any demand for such meeting, and any plan of the Board of Directors to call an Annual Meeting or a Special Meeting.

(f) The corporation may engage independent inspectors of elections to act as an agent of the corporation for the purpose of promptly performing a ministerial review of the validity of any purported written demand or demands for a Special Meeting received by the Secretary. For the purpose of permitting the inspectors to perform such review, no purported demand shall be deemed to have been delivered to the corporation until the earlier of (i) 5 Business Days following receipt by the Secretary of such purported demand and (ii) such date as the independent inspectors certify to the corporation that the valid demands received by the Secretary represent at least 10% of all the votes entitled to be cast on each issue proposed to be considered at the Special Meeting. Nothing contained in this paragraph shall in any way be construed to limit the ability of the Board of Directors or any shareholder to contest the validity of any demand, whether during or after such 5 Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto).

(g) Only business within the purpose described in the meeting notice given in accordance with Section 2.04 of these Bylaws may be conducted at a Special Meeting.

(h) Only such business shall be conducted at a Special Meeting as shall have been brought before such meeting in accordance with the procedures set forth in this Section 2.02. If the chairman of the meeting shall determine that any business proposed to be brought before the Special Meeting was not properly brought in accordance with the procedures set forth in this Section 2.02, then the chairman shall so declare to the meeting and such business shall not be considered.

(i) Notwithstanding the foregoing provisions of this Section 2.02, a

shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.02. Nothing in this Section 2.02 shall be deemed to expand or limit the corporation's obligations under Rule 14a-8 under the Exchange Act.

(j) For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Wisconsin are authorized or obligated by law or executive order to close.

2.03. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual meeting or any special meeting. If no designation is made, the

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place of meeting shall be the principal office of the corporation. Any meeting may be adjourned to reconvene at any place designated by vote of the Board of Directors.

2.04. Notices to Shareholders.

(a) Required Notice. The corporation shall provide written notice stating the place, day and hour of the meeting and, in case of a Special Meeting, the purpose or purposes for which the meeting is called, not less than ten (10) days nor more than seventy (70) days before the date of the meeting (unless a different time is provided by law or the Articles of Incorporation), to each shareholder entitled to vote at such meeting or, for the fundamental transactions described in subsections (e)(1) to (4) below (for which the Wisconsin Business Corporation Law requires that notice be given to shareholders not entitled to vote), to all shareholders. If mailed, such notice is effective when deposited in the United States mail, and shall be addressed to the shareholder's address shown in the current record of shareholders of the corporation, with postage thereon prepaid. At least twenty (20) days' notice shall be provided if the purpose, or one of the purposes, of the meeting is to consider a plan of merger or share exchange for which shareholder approval is required by law, or the sale, lease, exchange or other disposition of all or substantially all of the corporation's property, with or without goodwill, otherwise than in the usual and regular course of business.

(b) Adjourned Meeting. Except as provided in the next sentence, if any shareholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is or must be fixed, then notice must be given pursuant to the requirements of paragraph (a) of this Section 2.04, to those persons who are shareholders as of the new record date.

(c) Waiver of Notice. A shareholder may waive notice in accordance with Article VI of these Bylaws.

(d) Contents of Notice. The notice of each Special Meeting shall include a description of the purpose or purposes for which the meeting is called. Except as otherwise provided in these Bylaws, in the Articles of Incorporation, or in the Wisconsin Business Corporation Law, the notice of an annual shareholder meeting need not include a description of the purpose or purposes for which the meeting is called.

(e) Fundamental Transactions. If a purpose of any shareholder meeting is to consider either: (1) a proposed amendment to the Articles of Incorporation (including any restated articles); (2) a plan of merger or share exchange for which shareholder approval is required by law; (3) the sale, lease, exchange or other disposition of all or substantially all of the corporation's property, with or without goodwill, otherwise than in the usual and regular course of business; (4) the dissolution of the corporation; or (5) the removal of a director, the notice must so state and in cases (1), (2) and (3) above must be accompanied by, respectively, a copy or summary of the: (1) proposed articles of amendment or a copy of the restated articles that identifies any amendment or other change; (2) proposed plan of merger or share exchange; or (3) proposed transaction for disposition of all or substantially all of the corporation's property. If the proposed corporate action creates dissenters' rights, the notice must state that shareholders and beneficial shareholders are or may be entitled to assert dissenters' rights, and must be accompanied by a copy of Sections 180.1301 to 180.1331 of the Wisconsin Business Corporation Law.

2.05. Fixing of Record Date. (a) Meetings. The Board of Directors may fix in advance a date as the record date for any determination of shareholders entitled to notice of, and to vote at, a shareholders' meeting, such date in any case to be not more than seventy (70) days prior to the meeting (the "Meeting Record Date"). In the case of any Demand Special Meeting, (i) the Meeting Record Date shall be not later than the 30th day after the Delivery Date and (ii) if the Board of Directors fails to fix the Meeting Record Date within 30 days after the Delivery Date, then the close of business on such 30th day shall be the Meeting Record Date. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in these Bylaws, such determination shall be applied to any adjournment thereof unless the Board of Directors fixes a new record date and except as otherwise required by law. A new record date must be set if a meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(b) Distributions. The Board may also fix in advance a date as the record date for determining shareholders entitled to

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receive a dividend or distribution. If no record date is fixed for the determination of shareholders entitled to receive a share dividend or distribution (other than a distribution involving a purchase, redemption or other acquisition of the corporation's shares), the close of business on the day on which the resolution of the Board of Directors is adopted declaring the dividend or distribution shall be the record date.

2.06. Shareholder List. The officer or agent having charge of the stock transfer books for shares of the corporation shall, before each meeting of shareholders, make a complete record of the shareholders entitled to notice of such meeting, arranged by class or series of shares and showing the address of and the number of shares held by each shareholder. The shareholder list shall be available at the meeting and may be inspected by any shareholder or his or her agent or attorney at any time during the meeting or any adjournment. Any shareholder or his or her agent or attorney may inspect the shareholder list beginning two (2) business days after the notice of the meeting is given and continuing to the date of the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held and, subject to Section 180.1602(2)(b) 3 to 5 of the Wisconsin Business Corporation Law, may copy the list, during regular business hours and at his or her expense, during the period that it is available for inspection hereunder. The original stock transfer books and nominee certificates on file with the corporation (if any) shall be prima facie evidence as to who are the shareholders entitled to inspect the shareholder list or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

2.07. Quorum. Except as otherwise provided in the Articles of Incorporation or in the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast by shares entitled to vote as a separate voting group on a matter, represented in person or by proxy, shall constitute a quorum of that voting group for action on that matter at a meeting of shareholders. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that meeting.

2.08. Conduct of Meetings. The Chairman of the Board or, in his or her absence, any Officer or Director chosen by the Board of Directors shall call the meeting of the shareholders to order and shall act as Chairman of the meeting, and the Secretary shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.09. Proxies. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing by the shareholder or by his or her duly authorized attorney-in-fact. All proxy appointment forms shall be filed with the Secretary or other officer or agent of the corporation authorized to tabulate votes before or at the time of the meeting. Unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest, a proxy appointment may be revoked at any time. The presence of a shareholder who has filed a proxy appointment shall not of itself

constitute a revocation. No proxy appointment shall be valid after eleven months from the date of its execution, unless otherwise expressly provided in the appointment form. The Board of Directors shall have the power and authority to make rules that are not inconsistent with the Wisconsin Business Corporation Law as to the validity and sufficiency of proxy appointments.

2.10. Voting of Shares. Each outstanding share shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights of the shares are enlarged, limited or denied by the Articles of Incorporation or the Wisconsin Business Corporation Law. Shares of this corporation owned directly or indirectly by another corporation are not entitled to vote if this corporation owns, directly or indirectly, sufficient shares to elect a majority of the directors of such other corporation. However, the prior sentence shall not limit the power of the corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

2.11. No Nominee Procedures. The corporation has not established, and nothing in these Bylaws shall be deemed to establish, any procedure by which a beneficial owner of the corporation's shares that are registered in the name of a nominee is recognized by the corporation as the shareholder under Section 180.0723 of the Wisconsin Business Corporation Law.

ARTICLE III.

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BOARD OF DIRECTORS

3.01. General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, its Board of Directors.

3.02. Resignations and Qualifications. A director may resign at any time by delivering a written resignation to the Board of Directors, to the Chairman of the Board, or to the corporation through the Secretary or otherwise. Directors need not be residents of the State of Wisconsin or shareholders of the corporation.

3.03. Regular Meetings. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Wisconsin, for the holding of regular meetings without other notice than such resolution.

3.04. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board or any two (2) directors. Special meetings of any committee may be called by or at the request of the foregoing persons or the Chairman of the committee. The persons calling any special meeting of the Board of Directors or committee may fix any place, either within or without the State of Wisconsin, as the place for holding any special meeting called by them, and if no other place is fixed the place of meeting shall be the principal office of the corporation in the State of Wisconsin.

3.05. Meetings By Telephone or Other Communication Technology. (a) Any or all directors may participate in a regular or special meeting or in a committee meeting of the Board of Directors by, or conduct the meeting through the use of, telephone or any other means of communication by which either: (i) all participating directors may simultaneously hear each other during the meeting or (ii) all communication during the meeting is immediately transmitted to each participating director, and each participating director is able to immediately send messages to all other participating directors.

(b) If a meeting will be conducted through the use of any means described in paragraph (a), all participating directors shall be informed that a meeting is taking place at which official business may be transacted. A director participating in a meeting by any means described in paragraph (a) is deemed to be present in person at the meeting.

3.06. Notice of Meetings. Except as otherwise provided in the Articles of Incorporation or the Wisconsin Business Corporation Law, notice of the date, time and place of any special meeting of the Board of Directors and of any special meeting of a committee of the Board shall be given orally or in writing

to each director or committee member at least by the calendar day prior to the meeting. The notice need not describe the purpose of the meeting. Notice may be communicated in person, by telephone, telegraph, facsimile or other form of wire or wireless communication, or by mail or private carrier. Oral notice is effective when communicated to the director or to any person answering the director's business or home telephone, or when left on the director's answering machine or voice-mail system at home or place of business. Written notice is effective at the earliest of the following: (a) when received; (b) five days after its deposit in the U.S. Mail, if mailed postpaid and correctly addressed; (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; (d) at the time a facsimile transmission is completed, if sent by facsimile to the director's home or place of business.

3.07. Quorum. Except as otherwise provided by the Wisconsin Business Corporation Law, a majority of the number of directors specified in accordance with the Articles of Incorporation shall constitute a quorum of the Board of Directors. Except as otherwise provided by the Wisconsin Business Corporation Law, a majority of the number of directors appointed to serve on a committee shall constitute a quorum of the committee.

3.08. Manner of Acting . Except as otherwise provided by the Wisconsin Business Corporation Law or the Articles of Incorporation, the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors or any committee thereof.

3.09. Conduct of Meetings. The Chairman of the Board, or in his or her absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall chair the meeting. The Secretary of the corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the

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presiding officer may appoint any assistant secretary or any director or other person present to act as secretary of the meeting.

3.10. Vacancies. Any vacancy occurring in the Board of Directors shall be filled in the manner provided in the Articles of Incorporation.

3.11. Compensation. The Board of Directors, irrespective of any personal interest of any of its members, may fix the compensation of directors.

3.12. Presumption of Assent. A director who is present and is announced as present at a meeting of the Board of Directors or a committee thereof at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless otherwise specified in Section 180.0824(4) of the Wisconsin Business Corporation Law. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

3.13. Committees. Unless the Articles of Incorporation otherwise provide, the Board of Directors, by resolution adopted by the affirmative vote of a majority of all the directors then in office, may create one (1) or more committees, each committee to consist of two (2) or more directors as members, which to the extent provided in the resolution as initially adopted, and as thereafter supplemented or amended by further resolution adopted by a like vote, may exercise the authority of the Board of Directors, except that no committee may: (a) authorize distributions; (b) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires be approved by shareholders; (c) fill vacancies on the Board of Directors or any of its committees, except that the Board of Directors may provide by resolution that any vacancies on a committee shall be filled by the affirmative vote of a majority of the remaining committee members; (d) amend the Articles of Incorporation; (e) adopt, amend or repeal Bylaws; (f) approve a plan of merger not requiring shareholder approval; (g) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; or (h) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except within limits prescribed by the Board of Directors. The Board of Directors may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee, upon request by the Chairman of the Board or the Chairman of such meeting. Each such committee shall fix its own rules (consistent with the Wisconsin Business Corporation Law, the

Articles of Incorporation and these Bylaws) governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request. Unless otherwise provided by the Board of Directors in creating a committee, a committee may employ counsel, accountants and other consultants to assist it in the exercise of authority.

ARTICLE IV.
OFFICERS

4.01. Appointment. The principal officers may include a Chairman of the Board, a Vice Chairman, a Chief Executive Officer, a President, a Chief Operating Officer, a Secretary, a Treasurer and such other officers if any, as may be deemed necessary by the Board of Directors, each of whom shall be appointed by the Board of Directors. The officers may also include one or more Vice Presidents who may be appointed and have such designations as are determined by or at the direction of the Board of Directors or the Chairman of the Board, Vice Chairman, Chief Executive Officer, President or Chief Operating Officer. Any two or more offices may be held by the same person.

4.02. Resignation and Removal. An officer shall hold office until he or she resigns, dies, is removed hereunder, or a different person is appointed to the office. An officer may resign at any time by delivering an appropriate written notice to the corporation. The resignation is effective when the notice is delivered, unless the notice specifies a later effective date and the corporation accepts the later effective date. Any officer may be removed by the Board of Directors with or without cause and notwithstanding the contract rights, if any, of the person removed. The Chairman of the Board, Vice Chairman, Chief Executive Officer, President or Chief Operating Officer may also remove any of the other officers with or without cause and notwithstanding the contract rights, if any, of the person removed. Except as provided in the preceding sentence, the resignation or removal is subject to any remedies provided by any contract between the officer and the corporation or otherwise provided by law. Appointment shall not of itself create contract rights.

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4.03. Chairman of the Board. The Chairman of the Board shall preside at all annual and special meetings of shareholders and all regular and special meetings of the Board of Directors, shall advise and counsel with the Chief Executive Officer and shall be responsible for the administration and management of the areas of the business and affairs of the corporation assigned to him or her from time to time by the Board of Directors.

4.04. Vice Chairman. The Vice Chairman shall advise and counsel with the Chief Executive Officer and shall be responsible for the administration and management of the areas of the business and affairs of the corporation assigned to him or her from time to time by the Board of Directors.

4.05. Chief Executive Officer. The Chief Executive Officer shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall have general supervision and control of the business and affairs of the corporation and its officers. The Chief Executive Officer shall have the authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the corporation as the Chief Executive Officer deems necessary, prescribe their powers, duties and compensation, and delegate authority to them. Such agents and employees shall hold offices at the discretion of the Chief Executive Officer. In general, the Chief Executive Officer shall have all authority and perform all duties incident to the office of the chief executive officer and such other duties as may be prescribed by the Board of Directors, Chairman of the Board or Vice Chairman from time to time.

4.06. President. In the absence of the Chief Executive Officer or in the event of his death, inability or refusal to act, the President shall perform the duties of the Chief Executive Officer, and when so acting shall have all the powers and duties of the Chief Executive Officer. In addition, the President shall be responsible for the administration and management of the areas of the business and affairs of the Corporation assigned to him from time to time by the Board of Directors or the Chief Executive Officer.

4.07. Chief Operating Officer. The Chief Operating Officer shall be the chief operating officer of the corporation. He shall supervise the day to day operations of the corporation's business, manage the administrative and

operating affairs of the corporation, and direct and assign duties to those officers and agents of the corporation who are engaged in the administrative and operating affairs of the corporation. He shall have the authority, subject to such rules, directions or orders as may be prescribed by the Chief Executive Officer or the Board of Directors, to appoint and terminate the appointment of such agents and employees of the corporation as he shall deem necessary, to prescribe their power, duties and compensation and to delegate authority to them. The Chief Operating Officer shall perform such other duties as may be prescribed from time to time by the Chief Executive Officer or the Board of Directors.

4.08. Shared Duties of Chairman of the Board, Vice Chairman, Chief Executive Officer, President and Chief Operating Officer. The Chairman of the Board, Vice Chairman, Chief Executive Officer, President and Chief Operating Officer are each severally authorized to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or directed by the Board of Directors, the Chairman of the Board, Vice Chairman, Chief Executive Officer, President and Chief Operating Officer may authorize any Vice President or other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his or her place and stead.

4.09. Vice Presidents. One or more of the Vice Presidents may be designated as Executive Vice President or Senior Vice President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice Presidents in the order designated at the time of their election, shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign with the Secretary or Assistant Secretary certificates for shares of the corporation. Any Vice President shall have charge of such divisions or departments of the corporation and perform such other duties and have such authority as are incident to the office of Vice President or as may be delegated or assigned from time to time by the Board of Directors, the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President or the Chief Operating Officer. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence, as to third parties, of the Vice President's authority to act and to execute such instrument.

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4.10. Secretary. The Secretary shall: (a) keep (or cause to be kept) regular minutes of all meetings of the shareholders, the Board of Directors and any committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation, if any, and see that the seal of the corporation, if any, is affixed to all documents which are authorized to be executed on behalf of the corporation under its seal; (d) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him or her by the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, the Chief Operating Officer or the Board of Directors.

4.11. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected by the corporation; and (c) in general perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him or her by the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, the Chief Operating Officer or the Board of Directors.

4.12. Assistants and Acting Officers. The Board of Directors and the Chief

Executive Officer, President and Chief Operating Officer shall each have the power to appoint any person to act as assistant to any officer, or as agent for the corporation in the officer's stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed shall have the power to perform all the duties of the office to which that person is so appointed to be assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors, Chief Executive Officer, President or Chief Operating Officer.

4.13. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that such officer is also a director of the corporation or a member of such committee.

ARTICLE V.
CERTIFICATES FOR SHARES AND THEIR TRANSFER

5.01. Certificates for Shares. All shares of this corporation shall be represented by certificates. Certificates representing shares of the corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such certificates shall be signed, either manually or in facsimile, by any one or more of the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, the Chief Operating Officer or a Vice President. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except as provided in Section 5.05.

5.02. Signature by Former Officer, Transfer Agent or Registrar. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any certificate for shares has ceased to be such officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the corporation with the same effect as if that person were still an officer, transfer agent or registrar at the date of its issue.

5.03. Transfer of Shares. Prior to due presentment of a certificate for shares for registration of transfer, and unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the shareholder, the corporation may treat the registered owner of such shares as the

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person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and power of an owner. The corporation may require reasonable assurance that all transfer endorsements are genuine and effective and in compliance with all regulations prescribed by or under the authority of the Board of Directors.

5.04. Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction upon the transfer of such shares imposed by the corporation.

5.05. Lost, Destroyed or Stolen Certificates. Where the owner claims that his or her certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the corporation has notice that such shares have been acquired by a bona fide purchaser; and (b) if required by the corporation, files with the corporation a sufficient indemnity bond; and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

5.06. Consideration for Shares. The shares of the corporation may be issued for such consideration as shall be fixed from time to time and determined to be adequate by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof.

The consideration may consist of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the corporation. When the corporation receives the consideration for which the Board of Directors authorized the issuance of shares, such shares shall be deemed to be fully paid and nonassessable.

5.07. Stock Regulations. The Board of Directors shall have the power and authority to make all such rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the corporation, including the appointment or designation of one or more stock transfer agents and one or more registrars.

ARTICLE VI.
WAIVER OF NOTICE

6.01. Shareholder Written Waiver. A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, shall contain the same information that would have been required in the notice under the Wisconsin Business Corporation Law except that the time and place of meeting need not be stated, and shall be delivered to the corporation for inclusion in the corporate records.

6.02. Shareholder Waiver by Attendance. A shareholder's attendance at a meeting, in person or by proxy, waives objection to both of the following:

(a) Lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting.

(b) Consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

6.03. Director Written Waiver. A director may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing, signed by the director entitled to the notice and retained by the corporation.

6.04. Director Waiver by Attendance. A director's attendance at or participation in a meeting of the Board of Directors or any committee thereof waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

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ARTICLE VII.
ACTION WITHOUT MEETINGS

7.01. Director Action Without Meeting. Unless the Articles of Incorporation provide otherwise, action required or permitted by the Wisconsin Business Corporation Law to be taken at a Board of Directors meeting or committee meeting may be taken without a meeting if the action is taken by all members of the Board or committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director and retained by the corporation. Action taken hereunder is effective when the last director signs the consent, unless the consent specifies a different effective date. A consent signed hereunder has the effect of a unanimous vote taken at a meeting at which all directors or committee members were present, and may be described as such in any document.

ARTICLE VIII.
INDEMNIFICATION

8.01. Indemnification for Successful Defense. Within twenty (20) days after receipt of a written request pursuant to Section 8.03, the corporation

shall indemnify a director or officer, to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses incurred in the proceeding if the director or officer was a party because he or she is a director or officer of the corporation.

8.02. Other Indemnification. (a) In cases not included under Section 8.01, the corporation shall indemnify a director or officer against all liabilities and expenses incurred by the director or officer in a proceeding to which the director or officer was a party because he or she is a director or officer of the corporation, unless liability was incurred because the director or officer breached or failed to perform a duty he or she owes to the corporation and the breach or failure to perform constitutes any of the following:

(1) A willful failure to deal fairly with the corporation or its shareholders in connection with a matter in which the director or officer has a material conflict of interest.

(2) A violation of criminal law, unless the director or officer had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful.

(3) A transaction from which the director or officer derived an improper personal profit.

(4) Willful misconduct.

(b) Determination of whether indemnification is required under this Section shall be made pursuant to Section 8.05.

(c) The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the director or officer is not required under this Section.

8.03. Written Request. A director or officer who seeks indemnification under Sections 8.01 or 8.02 shall make a written request to the corporation.

8.04. Nonduplication. The corporation shall not indemnify a director or officer under Sections 8.01 or 8.02 if the director or officer has previously received indemnification or allowance of expenses from any person, including the corporation, in connection with the same proceeding. However, the director or officer has no duty to look to any other person for indemnification.

8.05. Determination of Right to Indemnification. (a) Unless otherwise provided by the Articles of Incorporation or by written agreement between the director or officer and the corporation, the director or officer seeking

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indemnification under Section 8.02 shall select one of the following means for determining his or her right to indemnification:

(1) By a majority vote of a quorum of the Board of Directors consisting of directors not at the time parties to the same or related proceedings. If a quorum of disinterested directors cannot be obtained, by majority vote of a committee duly appointed by the Board of Directors and consisting solely of two (2) or more directors who are not at the time parties to the same or related proceedings. Directors who are parties to the same or related proceedings may participate in the designation of members of the committee.

(2) By independent legal counsel selected by a quorum of the Board of Directors or its committee in the manner prescribed in sub. (1) or, if unable to obtain such a quorum or committee, by a majority vote of the full Board of Directors, including directors who are parties to the same or related proceedings.

(3) By a panel of three (3) arbitrators consisting of one arbitrator selected by those directors entitled under sub. (2) to select independent legal counsel, one arbitrator selected by the director or officer seeking indemnification and one arbitrator selected by the two (2) arbitrators previously selected.

(4) By an affirmative vote of shares represented at a meeting of

shareholders at which a quorum of the voting group entitled to vote thereon is present. Shares owned by, or voted under the control of, persons who are at the time parties to the same or related proceedings, whether as plaintiffs or defendants or in any other capacity, may not be voted in making the determination.

(5) By a court under Section 8.08.

(6) By any other method provided for in any additional right to indemnification permitted under Section 8.07.

(b) In any determination under (a), the burden of proof is on the corporation to prove by clear and convincing evidence that indemnification under Section 8.02 should not be allowed.

(c) A written determination as to a director's or officer's indemnification under Section 8.02 shall be submitted to both the corporation and the director or officer within 60 days of the selection made under (a).

(d) If it is determined that indemnification is required under Section 8.02, the corporation shall pay all liabilities and expenses not prohibited by Section 8.04 within ten (10) days after receipt of the written determination under (c). The corporation shall also pay all expenses incurred by the director or officer in the determination process under (a).

8.06. Advance of Expenses. Within ten (10) days after receipt of a written request by a director or officer who is a party to a proceeding, the corporation shall pay or reimburse his or her reasonable expenses as incurred if the director or officer provides the corporation with all of the following:

(1) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the corporation.

(2) A written undertaking, executed personally or on his or her behalf, to repay the allowance to the extent that it is ultimately determined under Section 8.05 that indemnification under Section 8.02 is not required and that indemnification is not ordered by a court. The undertaking under this subsection shall be an unlimited general obligation of the director or officer and may be accepted without reference to his or her ability to repay the allowance. The undertaking may be unsecured.

8.07. Nonexclusivity. (a) Except as provided in (b), Sections 8.01, 8.02 and 8.06 do not preclude any additional right to indemnification or allowance of expenses that a director or officer may have under any of the following:

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(1) The Articles of Incorporation.

(2) A written agreement between the director or officer and the corporation.

(3) A resolution of the Board of Directors.

(4) A resolution, after notice, adopted by a majority vote of all of the corporation's voting shares then issued and outstanding.

(b) Regardless of the existence of an additional right under (a), the corporation shall not indemnify a director or officer, or permit a director or officer to retain any allowance of expenses unless it is determined by or on behalf of the corporation that the director or officer did not breach or fail to perform a duty he or she owes to the corporation which constitutes conduct under Section 8.02(a)(1), (2), (3) or (4). A director or officer who is a party to the same or related proceedings for which indemnification or an allowance of expenses is sought may not participate in a determination under this subsection.

(c) Sections 8.01 to 8.14 do not affect the corporation's power to pay or reimburse expenses incurred by a director or officer in any of the following circumstances.

(1) As a witness in a proceeding to which he or she is not a party.

(2) As a plaintiff or petitioner in a proceeding because he or she

is or was an employee, agent, director or officer of the corporation.

8.08. Court-Ordered Indemnification. (a) Except as provided otherwise by written agreement between the director or officer and the corporation, a director or officer who is a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. Application shall be made for an initial determination by the court under Section 8.05(a)(5) or for review by the court of an adverse determination under Section 8.05(a)(1), (2), (3), (4) or (6).

(b) If the court determines that the director or officer is entitled to indemnification, the corporation shall pay the director's or officer's expenses incurred to obtain the court-ordered indemnification.

8.09. Indemnification and Allowance of Expenses of Employees and Agents. The corporation shall indemnify an employee of the corporation who is not a director or officer of the corporation, to the extent that he or she has been successful on the merits or otherwise in defense of a proceeding, for all reasonable expenses incurred in the proceeding if the employee was a party because he or she was an employee of the corporation. In addition, the corporation may indemnify and allow reasonable expenses of an employee or agent who is not a director or officer of the corporation to the extent provided by the Articles of Incorporation or these Bylaws, by general or specific action of the Board of Directors or by contract.

8.10. Insurance. The corporation may purchase and maintain insurance on behalf of an individual who is an employee, agent, director or officer of the corporation against liability asserted against or incurred by the individual in his or her capacity as an employee, agent, director or officer, regardless of whether the corporation is required or authorized to indemnify or allow expenses to the individual against the same liability under Sections 8.01, 8.02, 8.06, 8.07 and 8.09.

8.11. Securities Law Claims.

(a) Pursuant to the public policy of the State of Wisconsin, the corporation shall provide indemnification and allowance of expenses and may insure for any liability incurred in connection with a proceeding involving securities regulation described under (b) to the extent required or permitted under Sections 8.01 to 8.10.

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(b) Sections 8.01 to 8.10 apply, to the extent applicable to any other proceeding, to any proceeding involving a federal or state statute, rule or regulation regulating the offer, sale or purchase of securities, securities brokers or dealers, or investment companies or investment advisers.

8.12. Liberal Construction. In order for the corporation to obtain and retain qualified directors, officers and employees, the foregoing provisions shall be liberally administered in order to afford maximum indemnification of directors, officers and, where Section 8.09 of these Bylaws applies, employees. The indemnification above provided for shall be granted in all applicable cases unless to do so would clearly contravene law, controlling precedent or public policy.

8.13. Definitions Applicable to this Article. For purposes of this Article:

(a) "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the corporation.

(b) "Corporation" means this corporation and any domestic or foreign predecessor of this corporation where the predecessor corporation's existence ceased upon the consummation of a merger or other transaction.

(c) "Director or officer" means any of the following:

(1) An individual who is or was a director or officer of this corporation.

(2) An individual who, while a director or officer of this

corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of another corporation or foreign corporation, partnership, joint venture, trust or other enterprise.

(3) An individual who, while a director or officer of this corporation, is or was serving an employee benefit plan because his or her duties to the corporation also impose duties on, or otherwise involve services by, the person to the plan or to participants in or beneficiaries of the plan.

(4) Unless the context requires otherwise, the estate or personal representative of a director or officer.

For purposes of this Article, it shall be conclusively presumed that any director or officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an affiliate shall be so serving at the request of the corporation.

(d) "Expenses" include fees, costs, charges, disbursements, attorney fees and other expenses incurred in connection with a proceeding.

(e) "Liability" includes the obligation to pay a judgment, settlement, penalty, assessment, forfeiture or fine, including an excise tax assessed with respect to an employee benefit plan, and reasonable expenses.

(f) "Party" includes an individual who was or is, or who is threatened to be made, a named defendant or respondent in a proceeding.

(g) "Proceeding" means any threatened, pending or completed civil, criminal, administrative or investigative action, suit, arbitration or other proceeding, whether formal or informal, which involves foreign, federal, state or local law and which is brought by or in the right of the corporation or by any other person.

ARTICLE IX.

SEAL

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9.01. Seal. The Board of Directors may provide a corporate seal which may be circular in form and have inscribed thereon the name of the corporation and the state of incorporation and the words "Corporate Seal."

ARTICLE X.

AMENDMENTS

10.01. By Shareholders. These Bylaws may be amended or repealed and new Bylaws may be adopted by the shareholders.

10.02. By Directors. Except as the Articles of Incorporation may otherwise provide, these Bylaws may also be amended or repealed and new Bylaws may be adopted by the Board of Directors by the vote provided in Section 3.08, but (a) no Bylaw adopted by the shareholders shall be amended, repealed or readopted by the Board of Directors if the Bylaw so adopted so provides and (b) a Bylaw adopted or amended by the shareholders that fixes a greater or lower quorum requirement or a greater voting requirement for the Board of Directors than otherwise is provided in the Wisconsin Business Corporation Law may not be amended or repealed by the Board of Directors unless the Bylaw expressly provides that it may be amended or repealed by a specified vote of the Board of Directors. Action by the Board of Directors to adopt or amend a Bylaw that changes the quorum or voting requirement for the Board of Directors must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect, unless a different voting requirement is specified as provided by the preceding sentence. A Bylaw that fixes a greater or lower quorum requirement or a greater voting requirement for shareholders or voting groups of shareholders than otherwise is provided in the Wisconsin Business Corporation Law may not be adopted, amended or repealed by the Board of Directors.

10.03. Implied Amendments. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the

Bylaws then in effect but is taken or authorized by a vote that would be sufficient to amend the Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as though the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

RECEIVABLES PURCHASE AGREEMENT

Dated as of December 23, 1999

Among

KOHL'S DEPARTMENT STORES, INC.,

as the Seller,

VARIOUS PURCHASERS,

and

BANK ONE, NA,

as Agent

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RECEIVABLES PURCHASE AGREEMENT

THIS RECEIVABLES PURCHASE AGREEMENT, dated as of December 23, 1999, is entered into by and among KOHL'S DEPARTMENT STORES, INC., a Delaware corporation (the "Seller"), the INVESTORS (hereinafter defined), PREFERRED RECEIVABLES FUNDING CORPORATION, a Delaware corporation ("PREFCO"), and BANK ONE, NA, as Agent. Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I hereto.

PRELIMINARY STATEMENTS

The Seller desires to transfer and assign Receivable Interests to the Purchasers from time to time.

PREFCO may, in its absolute and sole discretion, purchase Receivable Interests from the Seller from time to time.

The Investors shall, at the request of the Seller, purchase Receivable Interests from time to time. In addition, the Investors have agreed to provide a liquidity facility to PREFCO.

Bank One, NA has been requested and is willing to act as Agent on behalf of PREFCO and the Investors in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as

follows:

AMOUNTS AND TERMS OF THE PURCHASES

Purchase Facility Upon the terms and subject to the conditions hereof, the

Seller may, at its option, sell and assign Receivable Interests to the Agent for the benefit of one or more of the Purchasers. From time to time during the period from the date hereof to but not including the Facility Termination Date: PREFCO may, at its option, instruct the Agent to purchase a particular Receivable Interest on behalf of PREFCO, or if PREFCO does not purchase such Receivable Interest, the Agent shall purchase such Receivable Interest on behalf of the Investors. The Seller hereby assigns, transfers and conveys to the Agent for the benefit of the relevant Purchaser or Purchasers, and the Agent hereby acquires all of the Seller's now owned and existing and hereafter arising or acquired right, title and interest in and to the Receivable Interests.

The Seller may, upon at least five (5) days' notice to the Agent, terminate in whole or reduce in part, ratably among the Investors, the unused portion of the Purchase Limit; provided that each partial reduction of the Purchase Limit shall be in an amount equal to \$5,000,000 or an integral multiple thereof.

The Seller may, upon at least thirty (30) days' notice (or less, if mutually agreed upon) to the Agent, request one or more increases in the Purchase Limit in a minimum amount of \$25,000,000 (or a larger integral multiple of \$1,000,000). If the Agent and all of the Investors agree to such increase, such increase shall become effective on the Business Day on which all conditions precedent to the amendment to this Agreement giving effect to such increase have been satisfied. Notwithstanding anything to the contrary contained in Section

8.3, the Seller shall not be obligated to reimburse the Agent and the Purchasers

for more than \$1,000 in expenses per amendment to this Agreement entered into to increase the Purchase Limit in accordance with this Section 1.1(c).

Seller shall provide the Agent with prior written notice in conformity with the Required Notice Period (a "Reduction Notice") of any proposed reduction of Aggregate Capital from Collections. Such Reduction Notice shall designate (i) the date (the "Proposed Reduction Date") upon which any such reduction of Aggregate Capital shall occur (which date shall give effect to the applicable Required Notice Period), and (ii) the amount of Aggregate Capital to be reduced which shall be applied ratably to the Receivable Interests of PREFCO and the Investors in accordance with the amount of Capital (if any) owing to PREFCO, on the one hand, and the amount of Capital (if any) owing to the Investors (ratably, based on their respective Pro Rata Shares), on the other hand (the "Aggregate Reduction"). Only one (1) Reduction Notice shall be outstanding at any time. No Aggregate Reduction will be made following the occurrence of the Liquidation Day without the consent of the Agent.

The Seller may, by written notice to the Agent given not less than 60 days nor more than 180 days prior to the Liquidity Termination Date as in effect at the time of such notice (each such notice, an "Extension Request"), request that the Liquidity Termination Date be extended for a period not to exceed 360 days from the date of such Extension Request. The Agent shall promptly provide copies of each Extension Request to the Purchasers. Provided each of the Purchasers gives its written consent to an Extension Request on or within 30 days after such Purchaser's receipt of a copy of such Extension Request, the existing Liquidity Termination Date shall be extended to the date specified in such written consent. The Seller acknowledges that any consent to an Extension Request will be subject to each Purchaser's receipt of all necessary credit approvals and must be in writing signed by all of the Purchasers and acknowledged by the Agent. In the event that any Investor does not give its written consent to an Extension Request:

the Agent will notify the Seller and the remaining Purchasers of such fact and will use its reasonable best efforts to find another Investor or Eligible Person who is willing to accept an assignment of such dissenting Investor's Commitment and Pro Rata Share of the Receivable Interests pursuant to an Assignment Agreement,

not later than 10 Business Days prior to the existing Liquidity Termination Date, the Agent or the Seller may nominate another Investor or Eligible Person

who is willing to accept an assignment of such dissenting Investor's Commitment and Pro Rata Share of the Receivable Interests pursuant to an Assignment Agreement, and

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if the Agent or the Seller is able to find another Investor or Eligible Person who is willing to enter into an Assignment Agreement, the dissenting Investor shall assign the same pursuant to an Assignment Agreement effective as of the existing Liquidity Termination Date and executed and delivered to the Agent and the Seller not later than 2 Business Days prior to the existing Liquidity Termination Date; provided that the assigning Investor receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such assigning Investor's Pro Rata Share of the Capital and Discount owing to the Investors and all accrued but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Receivable Interests, and

upon the Agent's receipt of an executed Assignment Agreement in accordance with the preceding clause (iii), the Agent shall notify the remaining Purchasers and the Seller that the Liquidity Termination Date will be extended as per their above-described written consent, and the Liquidity Termination Date shall be so extended.

Making Incremental Purchases. The Seller shall provide the Agent with written

notice (a "Purchase Notice") of each Incremental Purchase not later than 12:00 noon (Chicago time) on the Business Day immediately prior to the date of the proposed Incremental Purchase; provided, however, that the Seller shall endeavor to provide each Purchase Notice at least three Business Days prior to the proposed date of the Incremental Purchase. Each Purchase Notice shall, except as set forth below, be irrevocable and shall specify the requested Purchase Price (which shall not be less than \$1,000,000) and the date of purchase (which shall be a Business Day). Following receipt of a Purchase Notice, the Agent shall determine whether PREFCO agrees to make the purchase. If PREFCO does not make a proposed purchase, the Seller may cancel the Purchase Notice or the Incremental Purchase of the Receivable Interests shall be made by the Investors (in which case the Seller, prior to such Incremental Purchase, shall notify the Agent in writing of the duration of the initial Tranche Period and the initial Discount Rate related thereto). On the date of each Incremental Purchase, upon satisfaction of the applicable conditions precedent set forth in Article 4,

PREFCO or each Investor, as applicable, shall initiate a wire transfer (or in the case of a transfer from PREFCO, or Bank One, an intrabank transfer) to the Facility Account, of immediately available funds, no later than 11:00 a.m. (Chicago time), in an amount equal to (i) in the case of PREFCO, the aggregate of the Purchase Prices of each of the Receivable Interests PREFCO is purchasing, or (ii) in the case of an Investor, such Investor's Pro Rata Share of the Purchase Prices of each of the Receivable Interests the Investors are purchasing.

PREFCO Funding. Seller shall pay CP Costs with respect to the Capital

associated with each Receivable Interest of PREFCO for each day that any Capital in respect of such Receivable Interest is outstanding. Each Receivable Interest funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share the Capital in respect of such Receivable Interest represents in relation to all assets held by PREFCO and funded substantially with Pooled Commercial Paper.

On each Settlement Date, Seller shall pay to the Agent (for the benefit of PREFCO) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the Capital associated with all Receivable Interests of PREFCO for the immediately preceding Accrual Period in accordance herewith.

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On the third Business Day immediately preceding each Settlement Date, PREFCO shall calculate the aggregate amount of CP Costs for the applicable Accrual Period and shall notify Seller of such aggregate amount.

Investor Funding. Each Receivable Interest of the Investors shall accrue

Discount for each day during its Tranche Period at either the LIBO Rate or the

Prime Rate in accordance with the terms and conditions hereof. Until Seller gives notice to the Agent of another Discount Rate in accordance with Section 1.4(d), the initial Discount Rate for any Receivable Interest transferred to the Investors pursuant to the terms and conditions hereof shall be the Prime Rate. If the Investors acquire by assignment from PREFCO any Receivable Interest pursuant to Article 2, each Receivable Interest so assigned shall each be deemed to have a new Tranche Period commencing on the date of any such assignment.

On the Settlement Date for each Receivable Interest of the Investors, Seller shall pay to the Agent (for the benefit of the Investors) an aggregate amount equal to the accrued and unpaid Discount for the entire Tranche Period of each such Receivable Interest in accordance herewith.

(i) With consultation from (and approval by) the Agent, Seller shall from time to time request Tranche Periods for the Receivable Interests of the Investors.

(ii) Seller or the Agent, upon notice to and consent by the other received at least three (3) Business Days prior to the end of a Tranche Period (the "Terminating Tranche") for any Receivable Interest, may, effective on the last day of the Terminating Tranche: (i) divide any such Receivable Interest into multiple Receivable Interests, (ii) combine any such Receivable Interest with one or more other Receivable Interests that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Receivable Interest with a new Receivable Interest to be purchased on the day such Terminating Tranche ends, provided, that in no event may a Receivable Interest of PREFCO be combined with a Receivable Interest of the Investors.

Seller may select the LIBO Rate or the Prime Rate for each Receivable Interest of the Investors. Seller shall (i) by 11:00 a.m. (Chicago time): at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a new Discount Rate and (ii) by at least 9:00 a.m. (Chicago time) on the date of expiration of any Terminating Tranche with respect to which the Prime Rate is being requested as a new Discount Rate, give the Agent irrevocable notice of the new Discount Rate for the Receivable Interest associated with such Terminating Tranche. Until Seller gives notice to the Agent of another Discount Rate, the initial Discount Rate for any Receivable Interest transferred to the Investors pursuant to the terms and conditions hereof shall be the Prime Rate.

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If any Investor notifies the Agent that it has determined that funding its Pro Rata Share of the Receivable Interests of the Investors at a LIBO Rate would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Receivable Interests at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Receivable Interest at such LIBO Rate, then the Agent shall suspend the availability of such LIBO Rate and require Seller to select the Prime Rate for any Receivable Interest accruing Discount at such LIBO Rate. In the event of any such notice by an Investor, at Seller's request, such Investor shall assign its rights and obligations under this Agreement to (x) another Investor (if any such Investor is willing to accept such assignment) or (y) another Eligible Person nominated by the Seller who is willing to participate in this Agreement through the Liquidity Termination Date; provided that the assigning Investor receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such assigning Investor's Pro Rata Share of the Capital and Discount owing to the Investors and all accrued but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Receivable Interests.

Percentage Evidenced by Receivable Interests. Each Receivable Interest shall be -----
initially computed on its date of purchase. Thereafter, until its Liquidation Day, each Receivable Interest shall be automatically recomputed (or deemed to be recomputed) on each day prior to its Liquidation Day. The variable percentage represented by any Receivable Interest as computed (or deemed recomputed) as of the close of business on the day immediately preceding its Liquidation Day shall remain constant at all times after such Liquidation Day.

Reinvestment Purchases and Settlements. At any time that any Collection is -----
received by the Servicer after the initial purchase, or any other Incremental Purchase, of a Receivable Interest hereunder and on or prior to the Liquidation

Day of such Receivable Interest:

first, at any time the Servicer is not the Seller or an Affiliate

thereof, the Servicer may retain a portion of such Collection in payment of any Servicer Fee that is then due and owing;

second, the Servicer is hereby directed to pay a portion of the

remainder, if any, of such Collection to the Agent in payment of any accrued and unpaid CP Costs and Discount that is then due and owing;

third, except to the extent the Seller wishes to reduce the

outstanding amount of Capital of a Receivable Interest (in which case the provisions of Section 1.7 shall be applicable to the portion of such

Receivable Interest represented by such reduction in Capital), the Seller hereby requests and the Purchasers hereby agree to make, simultaneously with such receipt, a reinvestment (each, a "Reinvestment") with that portion of the remainder of such Collection that is part of such Receivable Interest such that after giving effect to such Reinvestment, the amount of the Capital of such Receivable Interest immediately after any such receipt and corresponding Reinvestment shall be equal to the amount of the Capital immediately prior to such receipt; and

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fourth, any remaining portion of such Collection may be applied to

making an additional Incremental Purchase in accordance with the terms of this Agreement or paid to the Seller, in either case, as the Seller may direct.

Liquidation Settlement Procedures. On the Liquidation Day of a Receivable

Interest and on each day thereafter (a) the Servicer shall set aside and hold in trust for the holder(s) of such Receivable Interest, the percentage evidenced by such Receivable Interest of all Collections received on such day, including, but not limited to, Collections deemed to have been received on or prior to such day pursuant to Section 1.8 which have not otherwise been paid by the Seller and (b)

the Servicer shall set aside and hold in trust for the Seller and the holder(s) of such Receivable Interest, as their interests may appear, the remaining portion of the Collections received on such day (the "Remaining Collections"). On and after the Liquidation Day, the Servicer shall, at any time upon the request by (or pursuant to standing instructions from) the Agent (i) remit to the Agent's account the amounts set aside pursuant to the preceding sentence, and (ii) apply such amounts to reduce the Capital associated with each such Purchaser Interest and any other Aggregate Unpaid. If there shall be insufficient funds on deposit for the Servicer to distribute funds in payment in full of the aforementioned amounts, the Servicer shall distribute funds:

first, to reimbursement of the Agent's costs of collection and

enforcement of this Agreement,

second, to the Servicer (if the Servicer is not the Seller or an

Affiliate thereof) in payment of all accrued Servicer Fee in respect of such Receivable Interest,

third, in payment of all accrued and unpaid CP Costs or Discount, as

applicable for such Receivable Interest that are then due and owing,

fourth, in reduction of the Capital of such Receivable Interest, and

fifth, in payment of all other amounts (including, without limitation,

Deemed Collections, Early Collection Fees and Default Fees, if any), that are then due and owing to the Purchasers.

Collections allocated to the Receivable Interests of the Investors shall be shared ratably by the Investors in accordance with their Pro Rata Shares. Collections applied to the payment of fees, expenses, CP Costs, Discount and all other amounts payable or reimbursable by the Seller to the Agent and/or the Purchasers hereunder or under any of the other Transaction Documents shall be allocated ratably among the Agent and the Purchasers in accordance with such amounts owing to each of them. To the extent Collections are available for such purpose in accordance with the foregoing, the accrued Servicer Fee in respect of each Receivable Interest shall be remitted to the Servicer. Remaining Collections shall be held in trust by the Servicer and invested in Permitted Investments selected from time to time by the Seller, with all income and losses from such Permitted Investments and transaction fees arising in connection with the making or liquidation of such Permitted Investments being for the account of the Seller. If any amount payable by the Seller to the Agent or the Purchasers under this Agreement or any of the other Transaction

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Documents is not paid within one (1) Business Day after the date when due (such unpaid amount, together with any Default Fee due in respect thereof, being hereinafter referred to as a "Deficiency"), the Servicer shall promptly liquidate a portion of the Permitted Investments in the amount of such Deficiency and shall pay such amount to the Agent for the account of the relevant Purchaser(s). From and after the Business Day on which all Aggregate Unpays have been paid in full, the Servicer shall pay to Seller all remaining Collections.

Limited Recourse. If on any day the Outstanding Balance of a Receivable is (i) -----
reduced as a result of any rejected or returned goods or services, any cash discount or any adjustment by the Seller, or (ii) reduced or cancelled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), the Seller shall be deemed to have received on the following Business Day a Collection of such Receivable in the amount of such reduction or cancellation.

If on any day on or after the Facility Termination Date the Outstanding Balance of a Receivable is charged-off as uncollectible, the Seller shall be deemed to have received on the following Business Day a Collection of such Receivable; provided, however, that the aggregate amount of Collections the Seller shall be deemed to have received under this Section 1.8(b) shall not exceed the Loss

Recourse Percentage of the aggregate Capital outstanding on the Facility Termination Date.

If on any day any of the representations or warranties in Section 3.1 is no -----
longer true with respect to a Receivable, the Seller shall be deemed to have received on the following Business Day a Collection of such Receivable in full.

If the Seller receives any Collections or is deemed to receive Collections pursuant to this Section 1.8 or otherwise, the Seller shall immediately pay such -----
Collections or deemed Collections to the Servicer and, at all times prior to such payment, such Collections shall be held in trust by the Seller for the exclusive benefit of the Purchasers and the Agent.

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Payments and Computations, Etc. Notwithstanding any limitation on recourse -----
contained in this Agreement, the Seller shall pay to the Agent, for the account of the relevant Purchasers, such fees as set forth in the Fee Letter, all CP Costs, all amounts payable as Discount, all amounts payable pursuant to Article -----
8, if any, all Servicer costs, if any, payable pursuant to Section 6.2, any and -----
all issuing and paying agent fees and commissions of commercial paper dealers and, to the extent not duplicative of commercial paper dealer commissions, placement agents in respect of Commercial Paper issued to fund any Receivable Interest of PREFCO hereunder (to the extent each of the foregoing has not been included in the determination of the CP Rate), and on demand therefor, any Early Collection Fee. If any Person fails to pay any amount when due hereunder and

such non-payment results in either a Servicer Default under Section 7.1(a)(i) or

a Termination Event under Section 7.2(a)(i), such Person agrees to pay, on

demand, the Default Fee.

All amounts to be paid or deposited by any Person hereunder shall be paid or deposited in accordance with the terms hereof no later than 11:00 A.M. (Chicago time) on the day when due in immediately available funds; if such amounts are payable (i) to a Purchaser they shall be paid to the Agent, for the account of such Purchaser, at 1 Bank One Plaza, Chicago, Illinois 60670 until otherwise notified by the Agent or (ii) to the Seller, they shall be paid or deposited to the Facility Account until otherwise notified by the Seller. In addition, the Seller hereby authorizes, until further written notice is actually received by Bank One, Bank One to debit the Facility Account for amounts due hereunder and to distribute such amounts to the applicable Persons.

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Maximum Aggregate Receivables Interest; Grant of Security Interest. The Seller

shall ensure that the aggregate Receivable Interests of the Purchasers shall at no time exceed 100%. If, on any day, the aggregate Receivable Interests of the Purchasers exceeds 100%, the Seller shall immediately pay to the Agent an amount to be applied to reduce the Capital of the Receivable Interests, such that after giving effect to such payment the aggregate of the Receivable Interest equals or is less than 100%. Such amount shall be applied to the reduction of the Capital of the Receivable Interests ratably in accordance with the percentages of the Receivable Interests. Any amounts received by the Investors pursuant to the preceding sentence shall be applied ratably in accordance with their Pro Rata Shares. The Seller hereby grants to the Agent for the ratable benefit of the Purchasers a security interest in all of its now existing and hereafter arising or acquired right, title and interest in and to the Receivables, the Related Security, the Collection Accounts, the Collections and all proceeds of the foregoing to secure payment of the Aggregate Unpaid, including its indemnity obligations under Article 8 and all other obligations owed hereunder and under

the Fee Letter to the Agent and/or the Purchasers.

Non-Performing Investors. If one or more Investors defaults in its obligation

to pay its Pro Rata Share of the Purchase Price for a Receivables Interest pursuant to Section 1.2(ii) (each such Investor shall be called a "Non-

Performing Investor" and the aggregate amount of such defaulted obligations being herein called the "Purchase Price Deficit"), then upon notice from the Agent, each other Investor (a "Performing Investor") shall promptly pay to the Agent, in immediately available funds, an amount equal to the lesser of (x) such Performing Investor's proportionate share (based upon the relative Commitments of the Performing Investors) of the Purchaser Price Deficit and (y) the unused portion of such Performing Investor's Commitment. A Non-Performing Investor shall forthwith upon demand pay to the Agent for the account of the Performing Investors all amounts paid by each Performing Investor on behalf of such Non-Performing Investor, together with interest thereon, for each day from the date a payment was made by a Performing Investor until the date such Performing Investor has been paid such amounts in full, at a rate per annum equal to the Federal Funds Effective Rate plus 2%. In addition, without prejudice to any other rights that the Seller may have under applicable law, each Non-Performing Investor shall pay to the Seller forthwith upon demand, the difference between the Purchase Price Deficit and the amount paid with respect thereto pursuant to this Section 1.11 by the Performing Investors, together with interest thereon,

for each day from the date of the Agent's request for such Non-Performing Investor's Pro Rata Share of the Purchase Price pursuant to Section 1.2(ii)

until the date the requisite amount is paid to the Seller in full, at a rate per annum equal to the Federal Funds Effective Rate plus 2%.

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Characterization. If the conveyance by the Seller to the Purchasers of

interests in Receivables hereunder shall be characterized as a secured loan and

not a sale, it is the intention of the parties hereto that this Agreement shall constitute a security agreement under applicable law, and that the Seller shall be deemed to have granted to the Agent for the ratable benefit of the Purchasers a duly perfected Security Interest in all of the Seller's right, title and interest in, to and under the Receivables, the Collections, each Collection Account, all Related Security, all payments on or with respect to such Receivables, all other rights relating to and payments made in respect of the Receivables, and all proceeds of any thereof, prior to all other Security Interests therein. After a Termination Event, the Agent and the Purchasers shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor after default under the UCC and other applicable law, which rights and remedies shall be cumulative.

Seller's Extinguishment. The Seller shall have the right, on not less than

thirty (30) Business Days' written notice to the Agent, at any time following the reduction of the Capital to a level that is less than 5.0% of the original Purchase Limit, to repurchase from the Purchasers all, but not less than all, of the then outstanding Receivable Interests. The purchase price in respect thereof shall be an amount equal to the Aggregate Unpaid through the date of such repurchase, payable in immediately available funds. Such repurchase shall be without representation, warranty or recourse of any kind by, on the part of, or against any Purchaser or the Agent.

LIQUIDITY FACILITY

Transfer to Investors. Each Investor hereby agrees, subject to Section 2.4,

that immediately upon written notice from PREFCO delivered on or prior to the Liquidity Termination Date, it shall acquire by assignment from PREFCO, without recourse or warranty, its Pro Rata Share of one or more of the Receivable Interests of PREFCO as specified by PREFCO. The Agent shall promptly notify the Seller of each notice from PREFCO received under this Section 2.1. Each Investor

shall promptly pay to the Agent at an account designated by the Agent, for the benefit of PREFCO, its Acquisition Amount. Unless an Investor has notified the Agent that it does not intend to pay its Acquisition Amount, the Agent may assume that such payment has been made and may, but shall not be obligated to, make the amount of such payment available to PREFCO in reliance upon such assumption. PREFCO hereby sells and assigns to the Agent for the ratable benefit of the Investors, and the Agent hereby purchases and assumes from PREFCO, effective upon the receipt by PREFCO of the PREFCO Transfer Price, the Receivable Interests of PREFCO which are the subject of any transfer pursuant to this Article 2.

Transfer Price Reduction Discount. If the Adjusted Liquidity Price is included

in the calculation of the PREFCO Transfer Price for any Receivable Interest, each Investor agrees that the Agent shall pay to PREFCO the Reduction Percentage of any Discount received by the Agent with respect to such Receivable Interest.

Payments to PREFCO. In consideration for the reduction of the PREFCO Transfer

Prices by the PREFCO Transfer Price Reductions, effective only at such time as the aggregate amount of the Capital of the Receivable Interests of the Investors equals the PREFCO Residual, each Investor hereby agrees that the Agent shall not distribute to the Investors and shall immediately remit to PREFCO any Discount, Collections or other payments received by it to be applied pursuant to the terms hereof or otherwise to reduce the Capital of the Receivable Interests of the Investors.

Limitation on Commitment to Purchase from PREFCO. Notwithstanding anything to

the contrary in this Agreement, but without limiting the Investors' obligations to the Seller to purchase Receivable Interests under Section 1.1, no Investor

shall have any obligation to purchase any Receivable Interest from PREFCO, pursuant to Section 2.1 or otherwise, if:

PREFCO shall have voluntarily commenced any proceeding or filed any petition under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of PREFCO or taken any corporate action for the purpose of effectuating any of the foregoing; or

involuntary proceedings or an involuntary petition shall have been commenced or filed against PREFCO by any Person under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of PREFCO and such proceeding or petition shall have not been dismissed.

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Defaulting Investors. If one or more Investors defaults in its obligation to -----
pay its Acquisition Amount pursuant to Section 2.1 (each such Investor shall be -----
called a "Defaulting Investor" and the aggregate amount of such defaulted obligations being herein called the "PREFCO Transfer Price Deficit"), then upon notice from the Agent, each Investor other than the Defaulting Investors (a "Non-Defaulting Investor") shall promptly pay to the Agent, in immediately available funds, an amount equal to the lesser of (x) such Non-Defaulting Investor's proportionate share (based upon the relative Commitments of the Non-Defaulting Investors) of the PREFCO Transfer Price Deficit and (y) the unused portion of such Non-Defaulting Investor's Commitment. A Defaulting Investor shall forthwith upon demand pay to the Agent for the account of the Non-Defaulting Investors all amounts paid by each Non-Defaulting Investor on behalf of such Defaulting Investor, together with interest thereon, for each day from the date a payment was made by a Non-Defaulting Investor until the date such Non-Defaulting Investor has been paid such amounts in full, at a rate per annum equal to the Federal Funds Effective Rate plus 2%. In addition, without prejudice to any other rights that PREFCO may have under applicable law, each Defaulting Investor shall pay to PREFCO forthwith upon demand, the difference between such Defaulting Investor's unpaid Acquisition Amount and the amount paid with respect thereto by the non-Defaulting Investors, together with interest thereon, for each day from the date of the Agent's request for such Defaulting Investor's Acquisition Amount pursuant to Section 2.1 until the date the -----
requisite amount is paid to PREFCO in full, at a rate per annum equal to the Federal Funds Effective Rate plus 2%.

Representations of the Investors. Each of the Investors hereby represents and -----
warrants to the Seller, the Agent and PREFCO as follows:

This Agreement has been duly executed and delivered by such Investor,

The execution, delivery and performance by such Investor of this Agreement have been duly authorized by all necessary corporate action,

Assuming the due authorization, execution and delivery of this Agreement by each of the other parties hereto, this Agreement constitutes the legal, valid and binding obligation of such Investor enforceable against such Investor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

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REPRESENTATIONS AND WARRANTIES

Seller Representations and Warranties. The Seller hereby represents and -----
warrants to the Agent and the Purchasers that:

Corporate Existence and Power. The Seller is a corporation duly organized, -----
validly existing and in good standing under the laws of its state of incorporation, and has all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted, except for such failures which will not, individually or in the aggregate, have a Material Adverse Effect.

No Conflict. The execution, delivery and performance by the Seller of this

Agreement and each other document to be delivered hereunder to which it is a party, and the Seller's use of the proceeds of purchases made hereunder, are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of the Seller (except created hereunder); and no transaction contemplated hereby requires compliance with any bulk sales act or similar law. This Agreement and each other document to be executed and delivered by the Seller hereunder has been duly executed and delivered by the Seller.

Governmental Authorization. Other than the filing of the financing statements

required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Seller of this Agreement, any Collection Account Agreement or any other document to be delivered hereunder.

Binding Effect. This Agreement and each Collection Account Agreement

constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

Accuracy of Information. All relevant information heretofore furnished by the

Seller or any of its Affiliates to the Agent or the Purchasers for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Seller to the Purchasers will be, true and accurate in every material respect, on the date such information is stated or certified and does not and will not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

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Use of Proceeds. No proceeds of any Purchase will be used (i) for a purpose

which violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended.

Title to Receivables; Perfection. The Seller has legal and equitable title to,

and has the legal right to sell and encumber, each Receivable, its Collections and the Related Security. Each such Receivable has been originated by the Seller. Without limiting the foregoing, there has been duly filed all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions (or any comparable law) to perfect the Seller's ownership interest in such Receivable. Immediately prior to each purchase hereunder, the Seller shall be the legal and beneficial owner of the Receivables and Collections and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by this Agreement and the documents entered into in connection herewith and except for such Adverse Claims as to which the Agent has received (i) an estoppel letter stating that upon receipt of immediately available funds in an amount not to exceed the applicable Purchase Price, such Adverse Claim(s) will be automatically terminated, and (ii) irrevocable wire transfer instructions from the Seller directing the payment of the applicable Purchase Price (or portion thereof necessary to effect such automatic release of an Adverse Claim) directly to the holder of such Adverse Claim. This Agreement is effective to, and shall, upon each purchase hereunder, transfer to the relevant Purchaser or Purchasers (and such Purchaser or Purchasers shall acquire from the Seller) a valid and perfected first priority Security Interest in each Receivable existing or hereafter arising and in the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, except as created by this Agreement and the documents entered

into in connection herewith.

Places of Business. The principal places of business and chief executive office

of the Seller and the primary office where the Seller keeps Records is located at the address(es) listed on Exhibit II or such other locations notified to the Agent in accordance with Section 5.2(a) in jurisdictions where all action

required by Section 5.2(a) has been taken and completed. The Seller's Federal

Employer Identification Number is correctly set forth on Exhibit II.

Collection Banks; etc. Except as otherwise notified to the Agent in accordance

with Section 5.2(b), (i) the Seller has instructed all Obligor to pay all

Collections (A) directly to a lock-box listed on Exhibit III over which the Seller has exclusive dominion and control or (B) at one of the Seller's or one of its Wholly-Owned Subsidiaries' stores, (ii) all proceeds from such lock-boxes are deposited directly by a Collection Bank into one of the depository accounts listed on Exhibit III, (iii) the names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts of the Seller at each Collection Bank, are listed on Exhibit III. The Seller has not granted any Person, other than the Agent as contemplated by this Agreement, dominion and control of any Collection Account, or the right to take dominion and control of any Collection Account at a future time or upon the occurrence of a future event.

Material Adverse Effect. Since April 29, 1995, except as disclosed to the Agent

in writing prior to the date of this Agreement, no event has occurred which would have a Material Adverse Effect.

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Names. In the past five years, the Seller has not used any corporate names,

trade names or assumed names other than those listed on Exhibit II and names notified to the Agent after the date of this Agreement in accordance with Section 5.2(a).

Actions, Suits. There are no actions, suits or proceedings pending, or to the

best of the Seller's knowledge, threatened, against or affecting the Seller, or any of the respective properties of the Seller, in or before any court, arbitrator or other body, which constitutes a Material Adverse Effect.

Credit and Collection Policy. With respect to each Receivable, each of the

Seller and the Servicer has complied in all material respects with the Credit and Collection Policy.

Payments to SPC. With respect to each Receivable sold to the Seller by the SPC,

the Seller has given reasonably equivalent value to the SPC in consideration for such Receivable and the Related Security with respect thereto and such transfer was not made for or on account of an antecedent debt. No transfer by the SPC of any Receivable is or may be voidable under any Section of the Bankruptcy Reform Act of 1978 (11 U.S.C. (S) 101 et seq.), as amended.

Not an Investment Company. The Seller is not an "investment company" within the

meaning of the Investment Company Act of 1940, as amended from time to time, or any successor statute.

Purpose. The Seller has determined that, from a business viewpoint, the sale of

Receivable Interests to the Purchasers and the other transactions contemplated herein, are in the best interest of the Seller.

Net Receivables Balance. Both before and after giving effect to each

Incremental Purchase and Reinvestment, the Net Receivables Balance exceeds the

aggregate Capital then outstanding.

Investor Representations and Warranties. Each Investor hereby represents and

warrants to the Agent and PREFCO that:

Existence and Power. Such Investor is a corporation or a banking association

duly organized, validly existing and in good standing under the laws of its
jurisdiction of incorporation or organization, and has all corporate power to
perform its obligations hereunder.

No Conflict. The execution, delivery and performance by such Investor of this

Agreement are within its corporate powers, have been duly authorized by all
necessary corporate action, do not contravene or violate (i) its certificate or
articles of incorporation or association or by-laws, (ii) any law, rule or
regulation applicable to it, (iii) any restrictions under any agreement,
contract or instrument to which it is a party or any of its property is bound,
or (iv) any order, writ, judgment, award, injunction or decree binding on or
affecting it or its property, and do not result in the creation or imposition of
any Adverse Claim on its assets. This Agreement has been duly authorized,
executed and delivered by such Investor.

Governmental Authorization. No authorization or approval or other action by,

and no notice to or filing with, any governmental authority or regulatory body
is required for the due execution, delivery and performance by such Investor of
this Agreement.

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Binding Effect. This Agreement constitutes the legal, valid and binding

obligation of such Investor enforceable against such Investor in accordance with
its terms, except as such enforcement may be limited by applicable bankruptcy,
insolvency, reorganization or other similar laws relating to or limiting
creditors' rights generally.

CONDITIONS OF PURCHASES

Conditions Precedent to Initial Purchase. The initial purchase of a Receivable

Interest under this Agreement is subject to the conditions precedent that the
Agent shall have received on or before the date of such purchase those documents
listed on Schedule A hereto.

Conditions Precedent to Purchases and Reinvestments. Each Incremental Purchase

of a Receivable Interest (other than pursuant to Section 2.1) and each

Reinvestment shall be subject to the further conditions precedent that:

in the case of each such Incremental Purchase, the Servicer shall have delivered
to the Agent on or prior to the date of such purchase, in form and substance
satisfactory to the Agent, all Periodic Reports due under Section 6.5;

on the date of each such Incremental Purchase and each Reinvestment, the
following statements shall be true both before and after giving effect to such
Incremental Purchase or Reinvestment (and acceptance of the proceeds of such
Incremental Purchase or Reinvestment shall be deemed a representation and
warranty by the Seller that such statements are then true):

the representations and warranties set forth in Section 3.1 are correct on and

as of the date of such purchase or Reinvestment as though made on and as of such
date;

no event has occurred, or would result from such purchase or Reinvestment, that
will constitute a Termination Event, and, in the case of an Incremental
Purchase, no event has occurred and is continuing, or would result from such
Incremental Purchase that would constitute a Potential Termination Event; and

the Liquidity Termination Date shall not have occurred and the aggregate Receivable Interests shall not exceed 100% and the aggregate outstanding Capital does not exceed the Purchase Limit.

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COVENANTS

Affirmative Covenants of Seller. Until the date on which the Aggregate Unpaid

have been indefeasibly paid in full, the Seller hereby covenants that:

Financial Reporting. The Seller will maintain a system of accounting

established and administered in accordance with generally accepted accounting principles, and furnish to the Agent:

Annual Reporting. Within 90 days after the close of each of its fiscal years,

consolidated financial statements of Kohl's Corporation for such fiscal year certified in a manner acceptable to the Agent by independent public accountants acceptable to the Agent.

Quarterly Reporting. Within 45 days after the close of the first three

quarterly periods of each of its fiscal years, consolidated balance sheets of Kohl's Corporation as at the close of each such period and related consolidated statements of income and retained earnings and a consolidated statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

Compliance Certificate. Together with the financial statements required

hereunder, a compliance certificate in substantially the form of Exhibit IV signed by the Seller's corporate comptroller or chief financial officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

Shareholders Statements and Reports. Promptly upon the furnishing thereof to

the shareholders of Kohl's Corporation, copies of all financial statements, reports and proxy statements so furnished.

S.E.C. Filings. Promptly upon the filing thereof, copies of all registration

statements and annual, quarterly, monthly or other regular reports which the Seller or Kohl's Corporation files with the Securities and Exchange Commission.

Change in Credit and Collection Policy. At least 30 days prior to the

effectiveness of any material change in or amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice indicating such change or amendment.

Notices under Transaction Documents. Forthwith upon its receipt of any notice,

request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Agent or PREFCO, copies of the same.

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Notices. The Seller will notify the Agent in writing of any of the following

immediately upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

Termination Events, Servicer Defaults, Potential Termination Events and

Potential Servicer Defaults. The occurrence of each Termination Event, (for so

long as the Seller is the Servicer) Servicer Default or each Potential Termination Event or (for so long as the Seller is the Servicer) Potential

Servicer Default, by a statement of the corporate comptroller or senior financial officer of the Seller.

Judgment. The entry of any judgment or decree against the Seller if the

aggregate amount of all judgments and decrees then outstanding against the Seller exceeds \$10,000,000 after deducting (a) the amount with respect to which the Seller is insured and with respect to which the insurer has assumed responsibility in writing, and (b) the amount for which the Seller is otherwise indemnified if the terms of, and creditworthiness of the provider of, such indemnification are reasonably satisfactory to the Agent.

Downgrade. Any downgrade in the rating of any Indebtedness of the Seller or any

downgrade below investment grade in the rating of any Indebtedness of Kohl's Corporation by Standard & Poor's Ratings Group or by Moody's Investors Service, Inc., setting forth the Indebtedness affected and the nature of such change.

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Compliance with Laws. The Seller will comply in all respects with all

applicable laws, rules, regulations, orders writs, judgments, injunctions, decrees or awards to which it may be subject, the failure to comply with which, individually or in the aggregate, will or could reasonably be expected to have a Material Adverse Effect.

Audits. The Seller will furnish to the Agent from time to time such information

with respect to it and the Receivables as the Agent may reasonably request. The Seller shall, from time to time during regular business hours as requested by the Agent upon reasonable notice, permit the Agent, or its agents or representatives at their expense except as hereinafter provided: (i) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller relating to Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of the Seller for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to the Seller's financial condition or the Receivables and the Related Security or the Seller's performance under any of the Transaction Documents or the Seller's performance under the Contracts with any of the officers or employees of the Seller having knowledge of such matters. Notwithstanding the foregoing, the Seller shall reimburse the Agent for up to \$7,500 of the reasonable costs of each audit conducted by the Agent not more than once every two years. From and after the occurrence of a Servicer Default, the timing and expense limitations contained in the foregoing sentence shall no longer apply.

Keeping and Marking of Records and Books.

The Seller will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Seller will give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

The Seller will (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivable Interests with a legend stating that the Receivables are subject to a Security Interest in favor of the Agent for the benefit of the Purchasers and (B) upon the request of the Agent following a Servicer Default: (1) mark each Contract (other than sales receipts) with a legend describing the Security Interest of the Agent and (2) deliver to the Agent all Contracts (including, without limitation, all multiple originals in the Seller's possession of any such Contract which constitutes an instrument, a letter of credit or chattel paper) relating to the Receivables.

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Compliance with Contracts and Credit and Collection Policy. The Seller will

timely and fully (i) perform and comply with all provisions, covenants and other
promises required to be observed by it under the Contracts related to the
Receivables, and (ii) comply in all material respects with the Credit and
Collection Policy in regard to each Receivable and the related Contract. The
Seller will pay when due any sales, use, excise, stamp or other transactional
taxes payable in connection with the Receivables or the sale of goods or
services giving rise thereto.

Ownership Interest. The Seller shall take all necessary action to establish and

maintain a valid and perfected first priority undivided percentage ownership
interest in the Receivables and the Related Security and Collections with
respect thereto, to the full extent contemplated herein, in favor of the Agent
and the Purchasers, including, without limitation, taking such action to
perfect, protect or more fully evidence the interest of the Agent and the
Purchasers hereunder as the Agent may reasonably request.

Collections. The Seller shall instruct all Obligor to pay all Collections

directly to (i) a segregated lock-box or other Collection Account listed on
Exhibit III, each of which is subject to a Collection Account Agreement, or (ii)
at one of the Seller's or one of its Wholly-Owned Subsidiaries' stores. The
Seller shall maintain exclusive dominion and control (subject to the terms of
this Agreement) to each Collection Account. In the case of any Collections
received by the Seller or at one of its or its Wholly-Owned Subsidiary's stores
following the occurrence of a Servicer Default, the Seller shall remit such
Collections to a Collection Account of the Seller not later than the Business
Day immediately following the date of receipt of such Collections, and, at all
times prior to such remittance, the Seller shall itself hold such Collections in
trust, for the exclusive benefit of the Agent and the Purchasers. In the case of
any remittances received by the Seller in any such Collection Account that shall
have been identified, to the satisfaction of the Servicer, to not constitute
Collections or other proceeds of the Receivables or the Related Security, the
Seller shall promptly remit such items to the Person identified to it as being
the owner of such remittances. From and after the date the Agent delivers to any
of the Collection Banks a Collection Notice pursuant to Section 6.3, the Agent

may request that the Seller direct all Obligor on Receivables to remit all
payments thereon to a new depository account (the "New Concentration Account")
specified by the Agent and, at all times thereafter the Seller shall not deposit
or otherwise credit, and shall not permit any Person to deposit or otherwise
credit to the New Concentration Account any cash or payment item other than
Collections. Alternatively, the Agent may request that the Seller, and the
Seller thereupon promptly shall, direct all Persons then making remittances to
any Collection Account listed on Exhibit III which remittances are not payments
on Receivables to deliver such remittances to a location other than an account
listed on Exhibit III.

Negative Covenants of Seller. Until the date on which the Aggregate Unpaid

have been indefeasibly paid in full, the Seller hereby covenants that:

Name Change, Offices, Records and Books of Accounts. The Seller will not change

its name, identity or corporate structure (within the meaning of Section
9-402(7) of any applicable enactment of the UCC), use any new trade name or
assumed business name to identify itself, or relocate its chief executive office
or any office where Records are kept unless it shall have: (i) given the Agent
at least 45 days prior notice thereof and (ii) delivered to the Agent all
financing statements, instruments and other documents requested by the Agent in
connection with such change or relocation.

Change in Payment Instructions to Obligor. The Seller will not add or terminate

any bank as a Collection Bank from those listed in Exhibit III, or make any
change in its instructions to Obligor regarding payments to be made to the
Seller or payments to be made to any Collection Account or Collection Bank,
unless the Agent shall have received, at least 10 days before the proposed
effective date therefor, (i) written notice of such addition, termination or
change and (ii) with respect to the addition of a Collection Bank or a

Collection Account, an executed account agreement from, and executed copies of a Collection Account Agreement to, the Collection Bank; provided, however, that the Seller may make changes in instructions to Obligor regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

Modifications of Receivables and Contracts. Except as provided in Section

6.2(c), the Seller, acting as Servicer or otherwise, will not extend, amend or

otherwise modify the economic terms of any Receivable or of any Contract related thereto other than in accordance with the Credit and Collection Policy, or amend any Contract to convert it into "chattel paper", except that the Seller may amend the economic terms of any Contract (and, to the extent applicable, the Credit and Collection Policy) to: (x) comply with applicable laws and regulations from time to time in effect in any state in which the Seller now or hereafter extends consumer credit, (y) increase the interest rate, fees or minimum monthly installments payable thereunder, and/or (z) shorten the maturity of amounts outstanding thereunder (all of the foregoing, "Permitted Amendments") provided the Seller promptly provides copies of each Permitted Amendment to the Agent for distribution to the Purchasers.

Sales, Liens, Etc. The Seller shall not sell, assign (by operation of law or

otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable or Related Security or Collections in respect thereof, or upon or with respect to any Contract under which any Receivable arises, or any lock-box or Collection Account or assign any right to receive income in respect thereof (other than, in each case, the creation of the interests therein in favor of the Agent and the Purchasers provided for herein), and the Seller shall defend the right, title and interest of the Agent and the Purchasers in, to and under any of the foregoing property, against all claims of third parties claiming through or under the Seller.

Amendments to Corporate Documents. The Seller shall not amend its Articles of

Incorporation or By-Laws in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents.

ADMINISTRATION AND COLLECTION

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Designation of Servicer The servicing, administration and collection of the

Receivables shall be conducted by such Person (the "Servicer") so designated from time to time in accordance with this Section 6.1. The Seller is hereby

designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement. The Agent may at any time following a Servicer Default designate as Servicer any Person to succeed the Seller or any successor Servicer.

The Seller is permitted to delegate, with the prior written consent of the Required Investors, which consent shall not be unreasonably withheld, certain of its duties and responsibilities as Servicer hereunder. Notwithstanding the foregoing, (i) the Seller shall be and remain primarily liable to the Agent and the Purchasers for the full and prompt performance of all duties and responsibilities of the Servicer hereunder and (ii) the Agent and the Purchasers shall be entitled to deal exclusively with the Seller in matters relating to the discharge by the Servicer of its duties and responsibilities hereunder, and the Agent and the Purchasers shall not be required to give notice, demand or other communication to any Person other than the Seller in order for communication to the Servicer and its subservicer or other delegate in respect thereof to be accomplished. The Seller, at all times that it is the Servicer, shall be responsible for providing its subservicer or other delegate with any notice given under this Agreement.

Duties of Servicer. The Servicer shall take or cause to be taken all such

actions as may be necessary or reasonably advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and

regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

The Servicer shall administer the Collections in accordance with the procedures described herein and in Article 1. The Servicer shall set aside and hold in

trust for the account of the Seller and the Purchasers their respective shares of the Collections of Receivables in accordance with Section 1.7. The Servicer

shall upon the request of the Agent after the occurrence of a Termination Event, segregate, in a manner acceptable to the Agent, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Servicer or the Seller prior to the remittance thereof in accordance with Section 1.7. If the Servicer shall be required to segregate

Collections pursuant to the preceding sentence, the Servicer shall segregate and deposit with a bank designated by the Agent such allocable share of Collections of Receivables set aside for the Purchasers on the first Business Day following receipt by the Servicer of such Collections, duly endorsed or with duly executed instruments of transfer. From and after a Servicer Default, all Collection Accounts shall be required to be concentrated on a daily basis into a concentration account at the Agent or at another bank but under the Agent's exclusive dominion and control for the benefit of the Seller and the applicable Purchasers, as their interests may appear, to be distributed in accordance with Section 1.7.

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The Servicer, may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Servicer may determine to be appropriate to maximize Collections thereof; provided, however, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Seller, the Agent or the Purchasers under this Agreement. Notwithstanding anything to the contrary contained herein, following the occurrence of a Servicer Default, the Agent shall have the absolute and unlimited right to direct the Servicer to commence or settle any legal action with respect to any Receivable or to foreclose upon or repossess any Related Security.

The Servicer shall hold in trust for the Seller and the Purchasers, in accordance with their respective Receivable Interests, all Records that evidence or relate to the Receivables, the related Contracts and Related Security and/or the Collections or that are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Agent following a Servicer Default, deliver or make available to the Agent all such Records, at a place selected by the Agent. The Servicer shall, as soon as practicable following receipt thereof, turn over to the Seller (i) that portion of Collections of Receivables representing the Seller's undivided fractional ownership interest therein, less, in the event the Seller is not the Servicer, all reasonable out-of-pocket costs and expenses of the Servicer of servicing, administering and collecting the Receivables, and (ii) any cash collections or other cash proceeds received with respect to Indebtedness not constituting Receivables. The Servicer shall, from time to time at the request of any Purchaser, furnish to the Purchasers (promptly after any such request) a calculation of the amounts set aside for the Purchasers pursuant to Section 1.7.

Any payment by an Obligor in respect of any indebtedness owed by it to the Seller shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

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Collection Notices. The Agent is authorized at any time after a Servicer Default

to date and to deliver to the Collection Banks, the Collection Notices. The Seller hereby transfers to the Agent for the benefit of the Purchasers,

effective when the Agent delivers such notice, the exclusive ownership and control of the Collection Accounts. In case any authorized signatory of the Seller whose signature appears on a Collection Account Agreement shall cease to have such authority before the delivery of such Collection Notice, such Collection Notice shall nevertheless be valid as if such authority had remained in force. The Seller hereby authorizes the Agent, and agrees that at any time and from time to time following a Servicer Default, the Agent shall be entitled to: (i) endorse the Seller's name on checks and other instruments representing Collections, (ii) enforce the Receivables, the related Contracts and the Related Security, and (iii) take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Agent rather than the Seller.

Responsibilities of the Seller. Anything herein to the contrary notwithstanding,

the exercise by the Agent and the Purchasers of their rights hereunder shall not release the Servicer or the Seller from any of their duties or obligations with respect to any Receivables or under the related Contracts. The Purchasers shall have no obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of the Seller.

Reports. On the 20th day after each of the Seller's (approximately monthly)

fiscal accounting periods and at such other times as the Agent shall reasonably request, the Servicer shall prepare and forward to the Agent a Periodic Report.

SERVICER DEFAULTS AND TERMINATION EVENTS

Servicer Defaults. The occurrence of any one or more of the following events

shall constitute a Servicer Default:

The Servicer shall fail to make any payment or deposit required hereunder on or within one Business Day after the date when required to be made.

The Servicer shall fail to perform or observe any term, covenant or agreement under Article 6 or Section 11.6, which failure remains unremedied for five

Business Days after notice from the Agent, and such failure shall have a Material Adverse Effect.

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(i) The Seller or the Servicer shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; (ii) any proceeding shall be instituted by the Seller or the Servicer seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property (each of the foregoing proceedings being hereinafter referred to as an "Insolvency Proceeding"); (iii) any Insolvency Proceeding shall be instituted against the Seller and either (A) shall result in the entry of an order for relief against the Seller, or (B) shall continue undischarged, undismissed or unstayed for a period of 60 consecutive days; or (iv) the Seller or the Servicer shall take any corporate action to authorize any of the actions set forth in clauses (i)-(iii) above in this subsection (c).

Termination Events. The occurrence of any one or more of the following events

shall constitute a Termination Event:

The Seller shall fail (i) to make any payment or deposit required under this Agreement or any of the other Transaction Documents on or within one Business Day after the date when required to be made, or (ii) to perform or observe any term, covenant or agreement hereunder and such failure shall remain unremedied for five Business Days after notice from the Agent.

Any representation, warranty, certification or statement made by the Seller, or the Servicer in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto or thereto shall prove to have been incorrect

in any material respect when made or deemed made and shall have a Material Adverse Effect.

(i) Failure of the Seller to pay any Indebtedness in excess of \$10,000,000 when due; or the default by the Seller in the performance of any term, provision or condition contained in any agreement under which any Indebtedness in excess of \$10,000,000 was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any Indebtedness in excess of \$10,000,000 of the Seller shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

A Servicer Default shall occur.

The average of the Delinquency Ratios for the most recent three (3) consecutive calendar months shall exceed 4.5%.

The Loss-to-Liquidation Ratio for the three most recent consecutive calendar months shall exceed 3.5%.

A Change of Control shall occur.

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The Seller shall fail to perform or observe any term, covenant or agreement contained in the Transaction Documents and such failure shall continue unremedied beyond any applicable grace or cure period provided therein.

The aggregate Receivable Interests hereunder shall at any time exceed 100%.

Kohl's Corporation fails to maintain any of the financial ratios set forth in Section 7.8 of the Credit Agreement as in effect on the date hereof and as hereafter waived, amended, restated, or otherwise modified or replaced from time to time with the consent of the Agent (and, if any such modification or replacement makes such financial ratios more restrictive to or more burdensome on Kohl's Corporation, the consent of the Seller) (it being agreed that if any of such financial ratios are modified or replaced and any consent contemplated by this clause (j) has not been obtained, the financial ratios for the purposes of this clause (j) shall mean the financial ratios without giving effect to such modification or replacement).

INDEMNIFICATION

Indemnities by the Seller. Without limiting any other rights which the Agent

or any Purchaser may have hereunder or under applicable law, the Seller hereby agrees to indemnify the Agent and each Purchaser and their respective officers, directors, agents and employees (each, an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of the Agent or such Purchaser) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or actually incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by a Purchaser of an interest in the Receivables, excluding, however:

Indemnified Amounts to the extent final judgment of a court of competent jurisdiction holds that (A) such Indemnified Amounts resulted primarily from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification, or (B) such Indemnified Amounts resulted primarily from, arose primarily out of, or would not have occurred but for: (x) any representation or warranty of such Indemnified Party being materially incorrect, (y) the failure by such Indemnified Party to perform or observe any covenant in this Agreement required to be performed or observed by it, and (z) any breach by the Agent or any Investor of its duties and obligations hereunder;

Indemnified Amounts to the extent the same includes losses in respect of Eligible Receivables which are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor and the aggregate amount of such uncollectible Eligible Receivables exceeds the Loss Recourse Percentage of the Capital outstanding on the Facility Termination Date;

taxes imposed by the country and state or province in which such Indemnified

Party's principal executive office is located, on or measured by the overall net income, capital or assets of such Indemnified Party to the extent that the computation of such taxes is consistent with the Intended Characterization;

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attorneys' fees and other expenses incurred in connection with the making of any assignment, or the sale of any participation, pursuant to Article 10;

Indemnified Amounts arising with respect to events occurring after payment in full of the Aggregate Unpays and termination of this Agreement; and

Indemnified Amounts to the extent the same (1) duplicate other Aggregate Unpays which have been paid pursuant to another provision of this Agreement, or (2) represent expenses of the types addressed in Section 8.3 of this Agreement to

the extent such expenses (A) exceed the applicable limitations set forth therein or (B) are excluded from the Seller's reimbursement obligations thereunder;

provided, however, that nothing contained in this sentence shall limit the liability of the Seller or the Servicer or limit the recourse of the Purchasers to the Seller or Servicer for amounts otherwise specifically provided to be paid by the Seller or (for so long as the Seller shall be the Servicer) the Servicer under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, the Seller shall indemnify the Agent and the Purchasers for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to the Seller or the Servicer) relating to or resulting from:

(a) any representation or warranty made by the Seller or (for so long as the Seller shall be the Servicer) the Servicer (or any officers of the Seller or (for so long as the Seller shall be the Servicer) the Servicer) under or in connection with this Agreement, any other Transaction Document, any Periodic Report or any other information or report delivered by the Seller or (for so long as the Seller shall be the Servicer) the Servicer pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(b) the failure by the Seller or (for so long as the Seller shall be the Servicer) the Servicer to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation;

(c) any failure of the Seller or (for so long as the Seller shall be the Servicer) the Servicer to perform its duties or obligations in accordance with the provisions of this Agreement or any of the other Transaction Documents;

(d) any products liability or similar claim arising out of or in connection with merchandise, insurance or services which are the subject of any Contract;

(e) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

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(f) the commingling of Collections of Receivables at any time with other funds;

(g) any investigation, litigation or proceeding related to or arising from this Agreement, any of the other Transaction Documents, the transactions contemplated hereby or thereby, the use of the proceeds of a purchase, the ownership of the Receivable Interests or any other investigation, litigation or proceeding relating to the Seller in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(h) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial

law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(i) any Servicer Default described in Section 7.1(c);

(j) the failure to vest and maintain vested in the Agent and the Purchasers, or to transfer to the Agent and the Purchasers, legal and equitable title to, and ownership of, a first priority perfected undivided percentage ownership (to the extent of the Receivable Interests contemplated hereunder) in the Receivables, the Related Security and the Collections, free and clear of any Adverse Claim; or

(k) any failure of the Seller to give reasonably equivalent value to the SPC in consideration of the transfer by the SPC of any Receivable, or any attempt by any Person to void any such transfer under statutory provisions or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code.

Increased Costs and Reduced Return.

If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency (a "Regulatory Change"): (i) which subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source) or (ii) which imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) which imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the Agent, the Seller shall pay to the Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or compensate such Funding Source for such reduction; provided, however, that the Seller shall not be obligated to reimburse any Funding Source other than an Investor for any of the increased costs described in the foregoing clauses (i), (ii) or (iii) unless such Funding Source is entitled to seek and, in fact demands, reimbursement therefor from a Purchaser or its assets.

Each Investor agrees that it shall use its reasonable best efforts to attempt to avoid the incurrence of the increased costs described in Section 8.2(a);

provided that such Investor shall not be obligated to take any action that would, in the reasonable opinion of such Investor, be disadvantageous to such Investor. In the event that any Funding Source claims any increased costs pursuant to Section 8.2(a), the applicable Purchaser will furnish to the Agent a

certificate setting forth the basis and amount of each request for reimbursement by such Funding Source. Determinations by a Purchaser of increased costs referred to in Section 8.2(a) shall be conclusive, absent manifest error.

Other Costs and Expenses. The Seller shall pay to the Agent and PREFCO on

demand all costs and out-of-pocket expenses in connection with the preparation, execution, delivery, amendment, waiver and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the cost of PREFCO's auditors auditing the books, records and procedures of the Seller, reasonable fees and out-of-pocket expenses of legal counsel for PREFCO and the Agent (which such counsel may be employees of PREFCO or the Agent) with respect thereto and with respect to advising PREFCO and the Agent as to their respective rights and remedies under this Agreement; provided, however, that (a) the Seller's obligation to reimburse the Agent and PREFCO for legal fees in connection with any amendment to increase the Purchase Limit in accordance with Section 1.1(c) shall not

exceed \$1,000 per amendment, (b) the Seller's obligation to reimburse the Agent for audit fees shall not exceed \$7,500 for each biennial audit, (c) the Seller shall not be obligated to reimburse the Agent or any Purchaser for any legal fees or out-of-pocket expenses incurred in connection with any extension of the Facility Termination Date and Liquidity Termination Date pursuant to Section

1.1(e), the making of any assignment or the sale of any participation pursuant

to Article 10 of this Agreement, or any dispute arising amongst any of the Purchasers and/or between any Purchaser(s) and the Agent, and (d) the Seller shall not be obligated to reimburse the Agent or any Purchaser for any fees or expenses which are expressly excluded from the indemnifications set forth in Sections 8.2 and 8.3. From and after the occurrence of a Servicer Default, the

timing and expense limitations on future audits contained in the foregoing clause (c) shall no longer apply. The Seller shall pay to the Agent on demand any and all costs and expenses of the Agent and the Purchasers, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Servicer Default.

THE AGENT

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Authorization and Action. Each Purchaser hereby designates and appoints Bank

One to act as its agent hereunder and under each other Transaction Document, and authorizes the Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of this Agreement and the other Transaction Documents together with such powers as are reasonably incidental thereto. The Agent shall not have any duties or responsibilities, except those expressly set forth herein or in any other Transaction Document, or any fiduciary relationship with any Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into this Agreement or any other Transaction Document or otherwise exist for the Agent. In performing its functions and duties hereunder and under the other Transaction Documents, the Agent shall act solely as agent for the Purchasers and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Seller or any of its successors or assigns. The Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement, any other Transaction Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all Aggregate Unpaid. Each Purchaser hereby authorizes the Agent to execute each of the Uniform Commercial Code financing statements and the Collections Notices on behalf of such Purchaser (the terms of which shall be binding on such Purchaser).

Delegation of Duties. The Agent may execute any of its duties under this

Agreement and each other Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible to any Purchaser for the negligence or misconduct of any agents or attorneys-in-fact selected by the Agent with reasonable care.

Exculpatory Provisions. Neither the Agent nor any of its directors, officers,

agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement or any

other Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Purchasers for any recitals, statements, representations or warranties made by the Seller contained in this Agreement, any other Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement, or any other Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, or any other Transaction Document or any other document furnished in connection herewith or therewith, or for any failure of the Seller to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in Article 4, or

for the perfection, priority, condition, value or sufficiency or any collateral pledged in connection herewith. The Agent shall not be under any obligation to any Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Seller. The Agent shall not be deemed to have knowledge of any Servicer Default, Potential Servicer Default, Termination Event or Potential Termination Event unless the Agent has received notice from the Seller or a Purchaser.

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Reliance by Agent. The Agent shall in all cases be entitled to rely, and shall

be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Seller), independent accountants and other experts selected by the Agent. Each of the Purchasers hereby agrees that: (a) the Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of PREFCO or the Required Investors or all of the Purchasers, as applicable, as it deems appropriate and it shall first be indemnified to its satisfaction by the Purchasers, provided that unless and until the Agent shall have received such advice, the Agent may take or refrain from taking any action, as the Agent shall deem advisable and in the best interests of the Purchasers, and (b) the Agent shall in all cases be fully protected from any claims brought by or on behalf of any Purchaser(s) in acting, or in refraining from acting, in accordance with a request of PREFCO or the Required Investors or all of the Purchasers, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Purchasers.

Non-Reliance on Agent and Other Purchasers. Each Purchaser expressly

acknowledges that neither the Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including, without limitation, any review of the affairs of the Seller, shall be deemed to constitute any representation or warranty by the Agent. Each Purchaser represents and warrants to the Agent that it has and will, independently and without reliance upon the Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller and made its own decision to enter into this Agreement, the other Transaction Documents and all other documents related hereto or thereto.

Reimbursement and Indemnification. The Investors agree to reimburse and

indemnify the Agent and its officers, directors, employees, representatives and agents ratably according to their Pro Rata Shares, to the extent not paid or reimbursed by the Seller (i) for any amounts for which the Agent, acting in its capacity as Agent, is entitled to reimbursement by the Seller hereunder and (ii) for any other expenses incurred by the Agent, in its capacity as Agent and acting on behalf of the Purchasers, in connection with the administration and enforcement of this Agreement and the other Transaction Documents.

Agent in its Individual Capacity. The Agent and its Affiliates may make loans

to, accept deposits from and generally engage in any kind of business with the Seller or any Affiliate of the Seller as though the Agent were not the Agent

hereunder. With respect to the acquisition of Receivable Interests pursuant to this Agreement, the Agent shall have the same rights and powers under this Agreement as any Purchaser and may exercise the same as though it were not the Agent, and the terms "Investor," "Purchaser," "Investors" and "Purchasers" shall include the Agent in its individual capacity.

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Successor Agent. The Agent may, upon five days' notice to the Seller and the

Purchasers, and the Agent will, upon the direction of all of the Purchasers (other than the Agent, in its individual capacity) resign as Agent. If the Agent shall resign, then the Required Investors during such five-day period shall appoint from among the Purchasers a successor agent. If for any reason no successor Agent is appointed by the Required Investors during such five-day period, then, effective upon the termination of such five day period, the Purchasers shall perform all of the duties of the Agent hereunder and under the other Transaction Documents and the Seller shall make all payments in respect of the Aggregate Unpaid directly to the applicable Purchasers and for all purposes shall deal directly with the Purchasers. After the effectiveness of any retiring Agent's resignation hereunder as Agent, the retiring Agent shall be discharged from its duties and obligations to the Purchasers hereunder and under the other Transaction Documents, and the provisions of this Article 9 and Article 8 shall

continue in effect for its benefit with respect to any actions taken or omitted to be taken by it while it was Agent under this Agreement and under the other Transaction Documents.

ASSIGNMENTS; PARTICIPATIONS

Assignments. The Seller and each Investor hereby agree and consent to the

complete or partial assignment by PREFCO of all of its rights under, interest in, title to and obligations under this Agreement to the Investors pursuant to Section 2.1, and upon such assignment, PREFCO shall be released from its

obligations so assigned. Each Investor hereby further agrees and consents to the complete or partial assignment by PREFCO of all of its rights under, interest in, title to and obligations under this Agreement to any other Eligible Person, and upon such assignment, PREFCO shall be released from its obligations so assigned. Further, the Seller and each Investor hereby agree that any assignee of PREFCO of this Agreement or all or any of the Receivable Interests of PREFCO shall have all of the rights and benefits under this Agreement as if the term "PREFCO" explicitly referred to such party, and no such assignment shall in any way impair the rights and benefits of PREFCO hereunder. The Seller shall not have the right to assign its rights or obligations under this Agreement.

With the consent of the Seller (which consent shall not be unreasonably withheld) and of PREFCO, any Investor may at any time and from time to time assign to one or more Eligible Persons ("Purchasing Investors") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement, in a form satisfactory to the Agent (each, an "Assignment Agreement") executed by such Purchasing Investor and such selling Investor. Each Purchasing Investor must be an Eligible Person and must deliver to the Agent and the Seller an enforceability opinion in form and substance satisfactory to the Agent prior to the effectiveness of any Assignment Agreement. Upon delivery of the executed Assignment Agreement to the Agent (with a copy to the Seller), such selling Investor shall be released from its obligations hereunder to the extent of such assignment. Thereafter, the Purchasing Investor shall for all purposes be an Investor party to this Agreement and shall have all the rights and obligations of an Investor under this Agreement to the same extent as if it were an original party hereto and no further consent or action by the Seller, the Purchasers or the Agent shall be required.

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Each of the Investors agrees that in the event that it shall cease to be an Eligible Person (an "Affected Investor"), such Affected Investor shall be obliged, at the request of PREFCO, the Seller or the Agent, to assign all of its rights and obligations hereunder to (x) another Investor or (y) another Eligible Person nominated by the Agent or the Seller and willing to participate in this Agreement through the Liquidity Termination Date in the place of such Affected Investor; provided that the Affected Investor receives payment in full, pursuant

to an Assignment Agreement, of an amount equal to such Investor's Pro Rata Share of the Capital and Discount owing to the Investors and all accruing but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Receivable Interests.

Participations. Any Investor may, in the ordinary course of its business at any -----

time sell to one or more Eligible Persons (each, a "Participant") participating interests in its Pro Rata Share of the Receivable Interests of the Investors, its obligation to pay PREFCO its Acquisition Amounts or any other interest of such Investor hereunder. Notwithstanding any such sale by an Investor of a participating interest to a Participant, such Investor's rights and obligations under this Agreement shall remain unchanged, such Investor shall remain solely responsible for the performance of its obligations hereunder, and the Seller, PREFCO and the Agent shall continue to deal solely and directly with such Investor in connection with such Investor's rights and obligations under this Agreement. Each Investor agrees that any agreement between such Investor and any such Participant in respect of such participating interest shall not restrict such Investor's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in clause (i) of Section 11.1(b).

MISCELLANEOUS

Waivers and Amendments. No failure or delay on the part of any party hereto in -----

exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 11.1(b).

PREFCO, the Seller and the Agent, at the direction of the Required Investors, may enter into written modifications or waivers of any provisions of this Agreement, provided, however, that no such modification or waiver shall:

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without the consent of each affected Purchaser, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by the Seller or the Servicer, (B) reduce the rate or extend the time of payment of CP Costs or Discount (or any component thereof), (C) reduce any fee payable to the Agent for the benefit of the Purchasers, (D) except pursuant to Article 10 -----

hereof, change the amount of the Capital of any Purchaser, an Investor's Pro Rata Share or an Investor's Commitment, (E) amend, modify or waive any provision of the definition of Required Investors or this Section 11.1(b) or release all -----

or any substantial portion of the Receivable Interests, (F) consent to or permit the assignment or transfer by the Seller of any of its rights and obligations under this Agreement, (G) change the definition of "Eligible Receivable" or "Loss Recourse Percentage," or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner which would circumvent the intention of the restrictions set forth in such clauses; or

without the written consent of the then Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Agent.

Notwithstanding the foregoing, (i) without the consent of the Investors, the Agent may, with the consent of the Seller, amend this Agreement solely to add additional Persons as Investors hereunder and (ii) without the consent of the Seller, the Agent, the Required Investors and PREFCO may enter into amendments to modify any of the terms or provisions of Article 2, Article 9, Article 10 or -----

Section 11.13, provided that such amendment has no negative impact upon the -----

Seller and the Seller promptly receives a copy of each such amendment. Any modification or waiver made in accordance with this Section 11.1 shall apply to

each of the Purchasers equally and shall be binding upon the Seller, the Purchasers and the Agent.

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Notices. Except as provided below, all communications and notices provided

for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof. The Seller hereby authorizes the Agent to effect purchases and Tranche Period and Discount Rate selections based on telephonic notices made by any Person who identifies himself or herself as an individual who has been identified in writing as an authorized representative of the Seller by its chairman, president or senior vice president and chief financial officer and whom the Agent in good faith believes to be such authorized representative. The Seller agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized representative of the Seller. However, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Ratable Payments. If any Purchaser, whether by setoff or otherwise, has payment

made to it with respect to any portion of the Aggregate Unpays owing to such Purchaser (other than payments received pursuant to Section 8.2 or 8.3) in a

greater proportion than that received by any other Purchaser entitled to receive a ratable share of such Aggregate Unpays, such Purchaser agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of the Aggregate Unpays held by the other Purchasers so that after such purchase each Purchaser will hold its ratable proportion of the Aggregate Unpays; provided that if all or any portion of such excess amount is thereafter recovered from such Purchaser, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Protection of Ownership Interests of the Purchasers. The Seller agrees that from

time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or reasonably desirable, to perfect, protect or more fully evidence the Receivable Interests, or to enable the Agent or the Purchasers to exercise and enforce their rights and remedies hereunder. The Agent may, or the Agent may direct the Seller to, notify the Obligors of Receivables, at any time following the occurrence of a Servicer Default and at the Seller's expense, of the ownership interests of the Purchasers under this Agreement and, following a Servicer Default, may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee. The Seller shall, at any Purchaser's request, withhold the identity of such Purchaser in any such notification.

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If the Seller or the Servicer fails to perform any of its obligations hereunder, the Agent or any Purchaser may (but shall not be required to) perform, or cause performance of, such obligation; and the Agent's or such Purchaser's costs and expenses incurred in connection therewith shall be payable by the Seller (if the Servicer that fails to so perform is the Seller or an Affiliate thereof) as provided in Section 8.3, as applicable. The Seller and the Servicer each

irrevocably authorizes the Agent in the sole discretion of the Agent, and appoints the Agent as its attorney-in-fact, to act on behalf of the Seller and the Servicer at any time or times before the payment in full of the Aggregate Unpays: (i) to execute on behalf of the Seller as debtor and to file financing statements necessary or desirable in the Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Purchasers in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of

the interests of the Purchasers in the Receivables. This appointment is coupled with an interest and is irrevocable.

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Confidentiality. The Seller shall maintain and shall cause each of its

employees and officers to maintain the confidentiality of this Agreement and the other confidential proprietary information with respect to the Agent and PREFCO and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that the Seller and its officers and employees may disclose such information to the Seller's external accountants and attorneys, to other Persons conducting due diligence with respect to the Seller, to the Seller's and such other Person's officers, directors, employees, outside consultants and attorneys so long as such information is kept confidential by them, and as required by any applicable law or order of any judicial or administrative proceeding; provided, however, that "confidential proprietary information" shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by the Seller; (ii) was available to the Seller on a non-confidential basis prior to its disclosure to the Seller by a Purchaser or the Agent; or (iii) becomes available to the Seller on a non-confidential basis from a Person other than the Agent or PREFCO who, to the best knowledge of the Seller, is not otherwise bound by a confidentiality agreement with the Agent or any Purchaser or is not otherwise prohibited from transmitting the information to the Seller.

Each of the Agent and the Purchasers shall maintain and shall cause each of its employees and officers to maintain the confidentiality of all nonpublic information concerning the Seller and its business obtained in connection with this Agreement and the transactions contemplated herein; provided, however, that "nonpublic information" shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by the Agent or such Purchaser; (ii) was available to the Agent or such Purchaser on a non-confidential basis prior to its disclosure to the Agent or such Purchaser by the Seller; or (iii) becomes available to the Agent or a Purchaser on a non-confidential basis from a Person other than the Seller who, to the best knowledge of the Agent or such Purchaser, is not otherwise bound by a confidentiality agreement with the Seller or is not otherwise prohibited from transmitting the information to the Agent or such Purchaser. Anything herein to the contrary notwithstanding, the Seller hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agent, the Investors or PREFCO by each other, (ii) by the Agent or the Purchasers to any prospective or actual assignee or participant of any of them who signs a written confidentiality agreement containing terms and conditions consistent with the terms of this Section 11.5(b), or (iii) by the Agent to any rating agency,

Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to PREFCO or to any other financing or securitization conduit for which Bank One provides managerial services or acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing; provided such information is kept confidential by such Persons and used solely for evaluating matters pertaining to this Agreement and the transaction contemplated herein. In addition, the Purchasers and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

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Bankruptcy Petition. The Seller, the Servicer, the Agent and each Investor

hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all outstanding senior Indebtedness of PREFCO, it will not institute against, or join any other Person in instituting against, PREFCO any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Limitation of Liability. Except with respect to any claim arising out of the

willful misconduct or gross negligence of PREFCO, the Agent or any Investor, no

claim may be made by the Seller, the Servicer or any other Person against PREFCO, the Agent or any Investor or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Seller hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

CHOICE OF LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL

LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS.

CONSENT TO JURISDICTION. THE SELLER HEREBY IRREVOCABLY SUBMITS TO THE

NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY THE SELLER PURSUANT TO THIS AGREEMENT AND THE SELLER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY PURCHASER TO BRING PROCEEDINGS AGAINST THE SELLER IN THE COURTS OF ANY OTHER JURISDICTION WHEREIN ANY ASSETS OF THE SELLER MAY BE LOCATED. ANY JUDICIAL PROCEEDING BY THE SELLER AGAINST THE AGENT OR ANY PURCHASER OR ANY AFFILIATE OF THE AGENT OR A PURCHASER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY THE SELLER PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

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WAIVER OF JURY TRIAL. THE AGENT, THE SELLER AND EACH PURCHASER HEREBY WAIVES

TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY THE SELLER PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Integration; Survival of Terms.

This Agreement, the Collection Account Agreements and the Fee Letter contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

The provisions of Article 8 and Section 11.6 shall survive any termination of

this Agreement.

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Counterparts; Severability. This Agreement may be executed in any number of

counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Bank One Roles. Each of the Investors acknowledges that Bank One acts, or may

in the future act, (i) as administrative agent for PREFCO, (ii) as issuing and paying agent for the Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper and (iv) to provide

other services from time to time for PREFCO (collectively, the "Bank One Roles"). Without limiting the generality of this Section 11.13, each Investor

hereby acknowledges and consents to any and all Bank One Roles and agrees that in connection with any Bank One Role, Bank One may take, or refrain from taking, any action which it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for PREFCO, the giving of notice to the Agent of a mandatory purchase pursuant to Section 2.1.

Characterization. It is the intention of the parties hereto that each purchase

hereunder shall constitute an absolute and irrevocable sale, which purchase shall provide the applicable Purchaser with the full benefits of ownership of the applicable Receivable Interest. Except as specifically provided in this Agreement, each sale of a Receivable Interest hereunder is made without recourse to the Seller; provided, however, that (i) the Seller shall be liable to each Purchaser and the Agent for all representations, warranties and covenants made by the Seller pursuant to the terms of this Agreement, and (ii) such sale does not constitute and is not intended to result in an assumption by any Purchaser or the Agent or any assignee thereof of any obligation of the Seller or any other person arising in connection with the Receivables, the Related Security, or the related Contracts, or any other obligations of the Seller.

If the conveyance by the Seller to the Purchasers of interests in Receivables hereunder shall be characterized as a secured loan and not a sale, it is the intention of the parties hereto that this Agreement shall constitute a security agreement under applicable law, and that the Seller shall be deemed to have granted to the Agent for the ratable benefit of the Purchasers a duly perfected security interest in all of the Seller's right, title and interest in, to and under the Receivables, the Collections, each Collection Account, all Related Security, all payments on or with respect to such Receivables, all other rights relating to and payments made in respect of the Receivables, and all proceeds of any thereof prior to all other liens on and security interests therein. After a Servicer Default, the Agent and the Purchasers shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor after default under the UCC and other applicable law, which rights and remedies shall be cumulative.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers or representatives as of the date hereof.

KOHL'S DEPARTMENT STORES, INC.

By: /s/ Arlene Meier

Arlene Meier
Executive Vice President and
Chief Financial Officer

Address:

N56 W17000 Ridgewood Drive
Menomonee Falls, Wisconsin 53051

Attn: Arlene Meier
Executive Vice President and Chief
Financial Officer
Phone: (262) 703-1646
Fax: (262) 703-6143

PREFERRED RECEIVABLES FUNDING CORPORATION

By: /s/ Elizabeth R. Cohen

Elizabeth R. Cohen
Director

Address:

Preferred Receivables Funding Corporation
c/o Bank One, NA
1 Bank One Plaza
Asset-Backed Markets, 21st Floor
Chicago, Illinois 60670-0596

Attn: Lynn Baugh
Phone: (312) 732-3632
Fax: (312) 732-4487

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INVESTORS:

Commitment

\$155,000,000.00

BANK ONE, NA, as an Investor and as Agent

By: /s/ Elizabeth R. Cohen

Elizabeth R. Cohen
Vice President

Address:

Bank One, NA
1 Bank One Plaza
Asset-Backed Markets, 21st Floor
Chicago, Illinois 60670-0597

Attn: Brooks Crankshaw
Phone: (312) 732-5528
Fax: (312) 732-8165

Commitment

\$15,000,000.00

THE BANK OF NEW YORK

By: /s/ William Barnum

Title: Vice President

Address:

The Bank of New York
1 Wall Street, 22nd/ Floor
New York, New York 10286

Attn: William Barnum
Phone: (212) 635-1019
Fax: (212) 635-6434

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Commitment

\$25,000,000

COMERICA BANK

By: /s/ Harve C. Light

Title: Vice President

Address:

Comerica Bank
Comerica Tower, Detroit Center
500 Woodward Avenue
Detroit, Michigan 48226

Attn: Harve C. Light
Phone: (313) 222-6198
Fax: (313) 222-9516

Commitment

\$15,000,000

FIRST UNION NATIONAL BANK

By: /s/ Mary Amatore

Title: Vice President

Address:

First Union National Bank
301 S. College Street, 4DC-5
Charlotte, North Carolina 28288-0735

Attn: Mary Amatore
Bill Fox
Phone: (704) 374-2641
Fax: (704) 383-7236

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Commitment

\$15,000,000

FIRSTAR BANK MILWAUKEE, N.A.

By: /s/ James Spredemann

Title: Vice President

Address:

Firstar Bank Milwaukee, N.A.
777 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202

Attn: John Franceschi
Phone: (414) 765-5656
Fax: (414) 765-5367

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EXHIBIT I

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Account" means a retail credit or charge card account originated by the Seller.

"Accrual Period" means each calendar month, provided that the initial Accrual Period hereunder means the period from (and including) the date of the initial purchase hereunder to (and including) the last day of the calendar month thereafter.

"Acquisition Amount" means, on the date of any purchase from PREFCO of Receivable Interests pursuant to Section 2.1, (i) with respect to each Investor

other than Bank One, the lesser of (a) such Investor's Pro Rata Share of the PREFCO Transfer Price and (b) such Investor's unused Commitment and (ii) with respect to Bank One, the difference between (a) the PREFCO Transfer Price and (b) the aggregate amount payable by all other Investors on such date pursuant to clause (i) above.

"Adjusted Liquidity Price" means, in determining the PREFCO Transfer Price for any Receivable Interest, an amount equal to:

$$RI \times [(i) DC + (ii) NDR + USR]$$

where:

RI = the undivided percentage interest evidenced by such Receivable Interest.
DC = the Deemed Collections.
NDR = the Outstanding Balance of all non-Defaulted Receivables.
USR = the unused amount of any Seller recourse, i.e., the excess of (a) the Loss Recourse Percentage of the aggregate Capital outstanding on the Facility Termination Date over (b) the amount of Collections deemed to have been received by the Seller pursuant to Section 1.8(b).

Each of the foregoing shall be determined from the most recent Periodic Report received from the Servicer.

"Adverse Claim" means a lien, Security Interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"Affiliate" means any Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, another Person or any Subsidiary of such other Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" means Bank One, NA in its capacity as agent for the Purchasers pursuant to Article 9, and not in its individual capacity as an Investor, and any

successor Agent appointed pursuant to Article 9.

"Aggregate Capital" means, on any date of determination, the aggregate amount of Capital of all Receivable Interests outstanding on such date.

"Aggregate Reduction" has the meaning specified in Section 1.1(d).

"Aggregate Unpays" means, at any time, an amount equal to the sum of all accrued and unpaid CP Costs, Discount, Capital and all other amounts owed (whether due or accrued) hereunder or under the Fee Letter to the Agent and the Purchasers at such time.

"Agreement" means this Receivables Purchase Agreement, as it may be amended or modified and in effect from time to time.

"Average Collection Period" means, at any time, that period of days equal to the average maturity of the Receivables as of the last day of the prior month.

"Bank One" means Bank One, NA in its individual capacity and its successors.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York or Chicago, Illinois and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

"Capital" of any Receivable Interest means, at any time, the Purchase Price of

such Receivable Interest, minus the sum of the aggregate amount of Collections and other payments received by the Agent which in each case are applied to reduce such Capital; provided that such Capital shall be restored in the amount of any Collections or payments so received and applied if at any time the distribution of such Collections or payments are rescinded or must otherwise be returned for any reason.

"Change of Control" means the earlier to occur of (a) the date of a public announcement that a Person or group of affiliated or associated Persons (an "Acquiring Person") has acquired, or has obtained the right to acquire, legal or beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of voting stock of the Seller; or (b) the date an Acquiring Person acquires all or substantially all of the assets of the Seller. For purposes hereof, the term

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"Acquiring Person" shall not include (i) Kohl's Corporation or any of its subsidiaries, or (ii) any other Person 60% of the combined voting stock of which is beneficially owned, directly or indirectly, by the Persons who were the holders of the Seller's and Kohl's Corporation's (as the case may be) voting stock immediately prior to such acquisition.

"Charged-Off Receivable" means a Receivable: (i) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 7.1(c) (as if references to the Seller therein refer to such Obligor),

(ii) which, consistent with the Credit and Collection Policy, would be written off the Seller's books as uncollectible, (iii) which has been identified by the Seller as uncollectible, or (iv) which is a Defaulted Receivable.

"Collection Account" means each New Concentration Account, depository account, lock-box account or similar account of the Seller in which any Collections are collected or deposited.

"Collection Account Agreement" means, in the case of any actual or proposed Collection Account, an agreement in substantially the form of Exhibit V hereto.

"Collection Bank" means, at any time, any of the banks or other financial institutions holding one or more Collection Accounts.

"Collection Notice" means a notice, in substantially the form attached to the Collection Account Agreement, from the Agent to a Collection Bank.

"Collections" means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all cash proceeds of Related Security with respect to such Receivable including, without limitation, all Permitted Investments made therewith and all amounts payable to the Purchasers by the Seller pursuant to Section 1.8.

"Commercial Paper" means promissory notes of PREFCO issued by PREFCO in the commercial paper market.

"Commitment" means, for each Investor, the commitment of such Investor to purchase its Pro Rata Share of Receivable Interests from (i) the Seller and (ii) PREFCO, such Pro Rata Share not to exceed, in the aggregate, the amount set forth opposite such Investor's name on the signature pages of this Agreement, as such amount may be modified in accordance with the terms hereof.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

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"Contract" means, with respect to any Receivable, any and all account agreements and other agreements, instruments, charge slips, invoices or other writings pursuant to which such Receivable arises or which evidences such Receivable.

"CP Costs" means, for each day, the sum of (i) discount or yield accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs related to the prepayment of any Purchaser Interest of Company pursuant to the terms of any receivable purchase facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if Seller shall request any Incremental Purchase during any period of time determined by the Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Incremental Purchase, the Capital associated with any such Incremental Purchase shall, during such period, be deemed to be funded by Company in a special pool (which may include capital associated with other receivable purchase facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such Capital.

"Credit Agreement" means that certain Credit Agreement dated as of July 13, 1997, by and among Kohl's Corporation, the Seller, various lenders, Bank One, NA (formerly known as The First National Bank of Chicago), as Syndication Agent and The Bank of New York, as Swing Line Lender and as Administrative Agent with BNY Capital Markets, Inc., as Arranger.

"Credit and Collection Policy" means the Seller's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit VI hereto, as modified from time to time in accordance with this Agreement. It is understood that the Credit and Collection Policy of the Seller in respect of any Receivable shall be the credit and collection policies of the originator thereof. To the extent the Seller shall not have comprehensively reduced to writing its credit and collection policies, the Credit and Collection Policy in respect of Receivables originated by the Seller shall be those credit and collection policies of the Seller in effect on the date hereof and disclosed to the Agent on or prior to the date hereof.

"Deemed Collections" means, in connection with the transfer by PREFCO of one or more Receivable Interests to the Investors pursuant to Section 2.1, the

aggregate of all amounts owing to PREFCO pursuant to Sections 1.8 and 8.1

relating to the Receivable Interests which are the subject of such transfer.

"Default Fee" means with respect to any amount due and payable by the Seller hereunder or under the Fee Letter which is not paid when due, an amount equal to interest on any such amount at a rate per annum equal to 2% above the Prime Rate, provided, however, that such interest rate will not at any time exceed the maximum rate permitted by applicable law. The Default Fee will

computed for actual days elapsed on the basis of a year consisting of 360 days (unless such Default Fee arises with respect to nonpayment of Discount at the Prime Rate, in which case the Default Fee will be computed for actual days elapsed on the basis of a year consisting of 365 or, when appropriate, 366 days).

"Defaulted Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for 180 days or more from the original due date for such payment.

"Delinquency Ratio" means, for any month of determination, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that were Delinquent Receivables on the last day of such month divided by (ii) the average aggregate Outstanding Balance of all Receivables during such month.

"Delinquent Receivable" means a Receivable as to which any payment, or part

thereof, remains unpaid for 90-179 days from the original due date for such payment.

"Discount" means, for each Receivable Interest for any Tranche Period:

DR X C X AD
--
P

where:

DR = the Discount Rate for such Receivable Interest for such Tranche Period;

C = the Capital of such Receivable Interest during such Tranche Period; and

AD = the actual number of days elapsed during such Tranche Period;

P = 360 for Tranche Periods for which the Discount Rate is a LIBO Rate and 365 (or, as appropriate, 366) for Tranche Periods for which the Discount Rate is the Prime Rate

provided that no provision of this Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and provided, further, that Discount for any Tranche Period shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

"Discount Rate" means the LIBO Rate or the Prime Rate, as applicable.

"Early Collection Fee" means for any Receivable Interest which (i) has its Capital reduced without compliance by Seller with the notice requirements hereunder or (ii) does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice or (iii) is assigned under Article 2 or terminated prior to the date on which it was originally scheduled to

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end, an amount equal to the excess, if any, of (A) the CP Costs or Discount (as applicable) that would have accrued during the remainder of the Tranche Periods or the tranche periods for Commercial Paper determined by the Agent to relate to such Receivable Interest (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the Capital of such Receivable Interest if such reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such Capital is allocated to another Receivable Interest, the amount of CP Costs or Discount actually accrued during the remainder of such period on such Capital for the new Receivable Interest, and (y) to the extent such Capital is not allocated to another Receivable Interest, the income, if any, actually received during the remainder of such period by the holder of such Receivable Interest from investing the portion of such Capital not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the relevant Purchaser or Purchasers agree to pay to Seller the amount of such excess. All Early Collection Fees shall be due and payable hereunder upon demand.

"Eligible Account" means, at any time, an Account that:

- (a) has been (i) originated by the Seller in the ordinary course of its business, (ii) originated by Citicorp Retail Services on behalf of the Seller and acquired by the Seller, or (iii) acquired by the Seller from another originator acceptable to the Agent,
- (b) has not been classified by the Seller as canceled, counterfeit or fraudulent and any credit card issued in connection therewith has not been lost or stolen,
- (c) is held by (i) a natural person who is a resident of the United States or

Canada, and is not deceased; (ii) a corporation or other business organization organized under the laws of the United States or any political subdivision thereof that has its chief executive office in the United States; and (iii) a Person who is not a government or a governmental subdivision or agency, and

(d) which is denominated and payable only in United States dollars in the United States.

"Eligible Person" means a financial institution with a short-term debt rating of A-1 or better by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc. which: (i) is reasonably acceptable to PREFCO, (ii) is approved by the Seller (such approval not to be unreasonably withheld or delayed), (iii) does not have an Affiliate in the retailing business, and (iv) is incorporated or otherwise formed under the laws of the United States or has executed and delivered to the Agent and the Seller United States Internal Revenue Service Form 1001 or 4224, or any successor form(s) thereto.

"Eligible Receivable" means, at any time, a Receivable:

(a) which arises under an Eligible Account,

(b) which is an "eligible asset" as defined in Rule 3a-7(b)(1) promulgated by the Securities and Exchange Commission under the Investment Company Act of 1940, as amended,

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(c) a purchase of which with the proceeds of notes would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended,

(d) which is an "account" within the meaning of Section 9-106 of the UCC of all applicable jurisdictions,

(e) which arises under a Contract in substantially the form of one of the form contracts set forth on Exhibit VII hereto (subject to any Permitted Amendments that may be made thereto) or otherwise approved by the Agent in writing, which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset or offset arrangement, counterclaim or other defense,

(f) which arises under a Contract which (i) does not require the Obligor under such Contract to consent to the transfer, sale or assignment of the rights and duties of the Seller under such Contract and (ii) does not contain a confidentiality provision that purports to restrict the ability of any Purchaser to exercise its rights under this Agreement, including, without limitation, its right to review the Contract,

(g) which was generated in the ordinary course of the Seller's business and relates to the retail sale of goods or services by one of the Seller's or one of its Wholly-Owned Subsidiaries' stores,

(h) which satisfies all applicable requirements of the Credit and Collection Policy,

(i) which is not a Defaulted Receivable,

(j) which, together with the Contract related thereto, does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the Contract related thereto is in violation of any such law, rule or regulation, and

(k) the Outstanding Balance of which, if it arises under an Eligible Account held by a resident of Canada, does not, when aggregated with the Outstanding Balance of all other such Receivables, exceed 1% of the Net Receivables Balance.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Facility Account" means the Seller's account number 020002318 at Bank One, NA, or such other account at BankOne as the Seller may notify the other parties

hereto in writing of from time to time.

"Facility Termination Date" means the earliest to occur of (a) the Liquidity Termination Date, (b) a Termination Event, or (c) the 30th day following written notice by the Seller to the Agent that the Seller wishes to terminate this Agreement.

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"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period equal to (a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:30 a.m. (Chicago time) for such day on such transactions received by the Reference Bank from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means that certain letter agreement dated as of the date hereof between the Seller and the Agent, as it may be amended or modified and in effect from time to time.

"Finance Charges" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Funding Agreement" means this Agreement and any agreement or instrument executed by any Funding Source with or for the benefit of PREFCO.

"Funding Source" means (i) any Investor or (ii) any insurance company, bank or other financial institution providing liquidity, credit enhancement or back-up purchase support or facilities to PREFCO.

"Incremental Purchase" means a purchase of one or more Receivable Interests which increases the total outstanding Capital hereunder.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Intended Characterization" means, for income tax purposes, the characterization of the acquisition by the Purchasers of Receivable Interests as a loan or loans by the Purchasers to the Seller secured by the Receivables, the Related Security and the Collections.

"Investors" means the financial institutions listed on the signature pages of this Agreement under the heading "Investors" and their respective successors and assigns.

"Kohl's Corporation" means Kohl's Corporation, a Wisconsin corporation.

"LIBO Rate" means the rate per annum equal to the sum of (i) (a) the rate at which deposits in U.S. Dollars are offered by the Reference Bank to first-class banks in the London interbank

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market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the relevant Tranche Period, such deposits being in the approximate amount of the Capital of the Receivable Interest to be funded or maintained, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Tranche Period plus (ii) 0.300% per annum. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1% and shall be computed for actual days elapsed on the basis of a year consisting of 360 days.

"Liquidation Day" means, for any Receivable Interest, the earliest to occur of (i) the fifth consecutive Business Day on which the conditions precedent set forth in Section 4.2 remain unsatisfied, (ii) any Business Day so designated by

the Seller or PREFCO after the occurrence of the Termination Date, and (iii) the Business Day immediately prior to the occurrence of a Servicer Default set forth in Section 7.1(c).

"Liquidity Termination Date" means December 22, 2000 or such later date to which the Agent and the Purchasers may agree in accordance with Section 1.1(e).

"Loss Recourse Percentage" means, at any time, the greater of (i) 3 times the Loss-to-Liquidation Ratio for the three-month period then most recently ended, or (ii) 10%.

"Loss-to-Liquidation Ratio" means, as of any date of determination, a percentage equal to (i) the amount of Receivables which became Charged-Off Receivables during the period of 3 consecutive calendar months then most recently ended less any cash recoveries received during such period with respect to any Charged-Off Receivables, divided by (ii) the aggregate amount of Collections during such 3-month period.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or operations of the Seller, (ii) the ability of the Seller to perform its obligations under any Transaction Document to which it is a party, (iii) the legality, validity or enforceability of this Agreement, any other Transaction Document or any Collection Account Agreement or Collection Notice relating to a Collection Account into which a material portion of Collections are deposited, (iv) the Seller's or any Purchaser's interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"Net Receivables Balance" means, at any time, the Outstanding Balance of all Eligible Receivables at such time.

"Obligor" means a Person obligated to make payments pursuant to a Contract.

"Outstanding Balance" of any Receivable at any time means the then outstanding balance thereof.

"Periodic Report" means a report, in substantially the form of Exhibit VIII hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 6.5.

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"Permitted Investments" means (i) short-term obligations of, or fully guaranteed by, the United States of America, (ii) commercial paper rated A-1 or better by Standard and Poor's Corporation or P-1 or better by Moody's Investors Service, Inc., (iii) certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) having capital and surplus in excess of \$500,000,000 and short-term certificate of deposit ratings of A-1 or better from Standard and Poor's Corporation and P-1 or better from Moody's Investors Service, Inc., (iv) money market funds investing only in investments of the types described in the foregoing clauses (i)-(iii), and (v) federal funds.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pooled Commercial Paper" means Commercial Paper of PREFCO subject to any particular pooling arrangement by PREFCO, but excluding Commercial Paper issued by PREFCO for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by PREFCO.

"Potential Servicer Default" means an event which, with the passage of time or the giving of notice, or both, would constitute a Servicer Default.

"Potential Termination Event" means an event which, with the passage of time or

the giving of notice, or both, would constitute a Termination Event.

"PREFCO Residual" means the sum of the PREFCO Transfer Price Reductions.

"PREFCO Transfer Price" means, with respect to the assignment by PREFCO of one or more Receivable Interests to the Agent for the benefit of the Investors pursuant to Section 2.1, the sum of (i) the lesser of (a) the Capital of each

Receivable Interest and (b) the Adjusted Liquidity Price of each Receivable Interest and (ii) all accrued and unpaid CP Costs for such Receivable Interests.

"PREFCO Transfer Price Reduction" means in connection with the assignment of a Receivable Interest by PREFCO to the Agent for the benefit of the Investors, the positive difference between (i) the Capital of such Receivable Interest and (ii) the Adjusted Liquidity Price for such Receivable Interest.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or Bank One Corporation (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes computed for actual number of days elapsed on the basis of a year consisting of 365, or when appropriate, 366 days).

"Pro Rata Share" means, for each Investor, the Commitment of such Investor divided by the Purchase Limit, adjusted as necessary to give affect to the application of the terms of Sections 1.11 and 2.5.

"Purchase Limit" means the aggregate of the Commitments of the Investors hereunder.

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"Purchase Price" means, with respect to any Purchase, the least of:

- (a) the amount of Capital requested by the Seller, and
- (b) the remaining unused portion of the Purchase Limit on the date of such Purchase.

"Purchaser" means PREFCO or an Investor, as applicable.

"Receivable" means the indebtedness and other obligations owed (at the time it arises, and before giving effect to any transfer or conveyance contemplated hereby) to the Seller under an Account, whether constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by the Seller or by a Wholly-Owned Subsidiary and includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice or Charge-slip, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction.

"Receivable Interest" means, at any time, an undivided percentage ownership interest associated with a designated amount of Capital in (i) all Receivables arising thereunder prior to the time of the most recent computation or recomputation of such undivided interest pursuant to Section 1.5, (ii) all

Related Security with respect to such Receivables, and (iii) all Collections with respect to, and other proceeds of, such Receivables. Such undivided percentage interest shall equal:

C

NRB

where:

- C = the Capital of such Receivable Interest.
- NRB = the Net Receivables Balance.

"Records" means, with respect to any Receivable, all Contracts and other

documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"Reduction Percentage" means, for any Receivable Interest acquired by the Investors from PREFCO for less than the Capital of such Receivable Interest, a percentage equal to (i) one, minus (ii) a fraction the numerator of which is the PREFCO Transfer Price Reduction for such Receivable Interest and the denominator of which is the Capital of such Receivable Interest.

"Reference Bank" means Bank One or such other bank as the Agent shall designate with the consent of the Seller.

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"Related Security" means, with respect to any Receivable:

- (a) all Security Interests or liens and property subject thereto from time to time, if any, purporting to secure payment of the Contract related thereto, whether pursuant to such Contract or otherwise, together with all financing statements and security agreements describing any collateral securing such Contract,
- (b) all guaranties, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,
- (c) all service contracts and other contracts and agreements associated with such Receivables,
- (d) all Records related to such Receivables, and
- (e) all proceeds of any of the foregoing.

"Required Investors" means, at any time, Investors with Commitments in excess of 66-2/3% of the Purchase Limit, but in no event comprising fewer than two (2) Investors, if there are two or more Investors.

"Required Notice Period" means the number of days required notice set forth below applicable to the Aggregate Reduction indicated below:

Aggregate Reduction	Required Notice Period
----- \$50,000,000 or less	----- one Business Day
over \$50,000,000 but less than or equal to \$100,000,000	two Business Days
over \$100,000,000	three Business Days.

"Reserve Requirement" means the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed against the Reference Bank in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time.

"Section" means a numbered Section of this Agreement, unless another document is specifically referenced.

"Security Interest" has the meaning specified in 1-201(37) of the UCC as in effect in the State of Illinois on the date of this Agreement and includes, without limitation, the interest of a buyer of accounts and chattel paper.

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"Seller" means Kohl's Department Stores, Inc., a Delaware corporation, and its successors and assigns.

"Servicer" means at any time the Person (which may be the Agent) then authorized pursuant to Article 6 to service, administer and collect Receivables.

"Servicer Default" has the meaning specified in Section 7.1.

"Servicer Fee" means, for any Fiscal Accounting Period, a servicing and collection fee.

"Settlement Date" means (A) the fifth Business Day of each month with respect to Pooled Commercial Paper funding, and (B) the last day of the relevant Tranche Period in respect of each Receivable Interest of the Investors with respect to Investor funding.

"Settlement Period" means (A) in respect of each Receivable Interest of PREFCO, the immediately preceding Accrual Period, and (B) in respect of each Receivable Interest of the Investors, the entire Tranche Period of such Receivable Interest.

"SPC" means Kohl's Receivables Corporation, a Wisconsin corporation.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Seller.

"Termination Date" means, for any Receivable Interest, the Facility Termination Date, and, solely with respect to a Receivable Interest of PREFCO, that Business Day so designated by the Seller or PREFCO by notice to the other.

"Termination Event" has the meaning specified in Section 7.2.

"Tranche Period" means, with respect to any Receivable Interest held by an Investor:

(a) if Discount for such Receivable Interest is calculated on the basis of the LIBO Rate, a period of one, two or three months, or such other period as may be mutually agreeable to the Agent and the Seller, commencing on a Business Day selected by the Seller or the Agent pursuant to this Agreement; and

(b) if Discount for such Receivable Interest is calculated on the basis of the Prime Rate, a period commencing on a Business Day and ending on the effective date of any new Tranche Period under the foregoing clause (a).

If any Tranche Period would end on a day which is not a Business Day, such Tranche Period shall end on the next succeeding Business Day, provided, however, that in the case of Tranche

Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Tranche Period shall end on the immediately preceding Business Day. In the case of any Tranche Period for any Receivable Interest of which commences before the Termination Date and would otherwise end on a date occurring after the Termination Date, such Tranche Period shall end on the Termination Date. The duration of each Tranche Period which commences after the Termination Date shall be of such duration as selected by the Agent.

"Transaction Documents" means, collectively, this Agreement, the Fee Letter, each Collection Account Agreement, each Collections Notice and all other instruments, documents and agreements executed and delivered by the Seller in connection herewith.

"Trigger Event" means the occurrence of any Servicer Default or a Termination Event under Section 7.2(c).

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Wholly-Owned Subsidiary" means each existing and future Subsidiary of the Seller in which the Seller owns, directly or indirectly, 100% of the outstanding capital stock.

All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of Illinois, and not specifically defined herein, are used herein as defined in such Article 9.

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EXHIBIT II

CHIEF EXECUTIVE OFFICE OF THE SELLER; LOCATIONS OF RECORDS;
TRADE NAMES; FEDERAL EMPLOYER IDENTIFICATION NUMBER

Chief Executive Office: Kohl's Department Stores, Inc.
N56 W17000 Ridgewood Drive
Menomonee Falls, WI 53051

Location of Records: Kohl's Department Stores, Inc.
N56 W17000 Ridgewood Drive
Menomonee Falls, WI 53051

Federal Employer Identification Number: 13-3357362

Trade Names and Assumed Names: Kohl's

EXHIBIT III

COLLECTION ACCOUNTS

None, except:

KOHL'S DEPARTMENT STORES, INC.

TYPE OF ACCT. -----	ACCOUNT # -----	BANK NAME -----	CITY, STATE -----
Lockbox Account	121664-030	Firststar Bank Milwaukee, N.A.	Milwaukee, Wisconsin

EXHIBIT IV

FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement dated as of December 23, 1999 (the "Agreement"), among Kohl's Department Stores, Inc. (the "Seller"), various Purchasers and Bank One, NA, as Agent. Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of the Seller;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Seller during the accounting period covered by the attached financial statements; and
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Event of Default or a Potential Event of Default, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Seller has taken, is taking, or proposes to

take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 19__.

[Name]

EXHIBIT V

FORM OF COLLECTION ACCOUNT AGREEMENT

[On letterhead of Seller]

_____ 19

[Lock-Box Bank/Concentration Bank/Depository Bank]

Re: Kohl's Receivables Corporation
Kohl's Department Stores, Inc.

Ladies and Gentlemen:

You have exclusive control of P.O. Box # _____ in **[city, state, zip code]** (the "Lock-Box") for the purpose of receiving mail and processing payments therefrom pursuant to that certain **[name of lock-box agreement]** between you and Kohl's Department Stores, Inc. dated _____ (the "Agreement"). You hereby confirm your agreement to perform the services described therein. Among the services you have agreed to perform therein, is to endorse all checks and other evidences of payment, and credit such payments to checking account no. _____ maintained with you in the name of Kohl's Department Stores, Inc. (the "Lock-Box Account").

Kohl's Receivables Corporation ("SPC") hereby transfers and assigns all of its right, title and interest in and to, and exclusive ownership and control over, the Lock-Box and the Lock-Box Account to Kohl's Department Stores, Inc. ("Seller"). Seller and SPC hereby request that the name of the Lock-Box Account be changed to the Kohl's Department Stores, Inc., as "Collection Agent" for the benefit of Bank One, NA ("Bank One"), as agent under that certain Receivables Purchase Agreement (the "Receivables Purchase Agreement") dated as of December 23, 1999 among Seller, Preferred Receivables Funding Corporation, certain financial institutions parties thereto and Bank One.

Seller hereby irrevocably instructs you, and you hereby agree, that upon receiving notice from Bank One in the form attached hereto as Annex A: (i) the name of the Lock-Box Account will be changed to Bank One for itself and as agent (or any designee of Bank One) and Bank One will have exclusive ownership of and access to such Lock-Box Account, and neither Seller nor any of its affiliates will have any control of such Lock-Box Account or any access thereto, (ii) you will either continue to send the funds from the Lock-Box to the Lock-Box Account, or will redirect the funds as Bank One may otherwise request, (iii) you will transfer monies on deposit in the Lock-Box Account, at any time, as directed by Bank One, (iv) all services to be performed by you under the Agreement will be performed on behalf of Bank One, and (v) all correspondence or other mail which you have agreed to send to Seller will be sent to Bank One at the following address:

Bank One, NA
Suite 0079, 21st Floor
1 Bank One Plaza
Chicago, Illinois 60670
Attention: Credit Manager, Asset-Backed Finance

Moreover, upon such notice, Bank One for itself and as agent will have all rights and remedies given to Seller under the Agreement. Seller agrees, however, to continue to pay all fees and other assessments due thereunder at any time.

You hereby acknowledge that monies deposited in the Lock-Box Account or any other account established with you by Bank One for the purpose of receiving

funds from the Lock-Box are subject to the liens of Bank One for itself and as agent under the Receivables Purchase Agreement, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against Seller, except that you may debit the Lock-Box Account for any items deposited therein that are returned or otherwise not collected and for all charges, fees, commissions and expenses incurred by you in providing services hereunder, all in accordance with your customary practices for the charge back of returned items and expenses.

This letter agreement and the rights and obligations of the parties hereunder will be governed by and construed and interpreted in accordance with the laws of the State of Illinois. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

This letter agreement contains the entire agreement between the parties, and may not be altered, modified, terminated or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. In the event that any provision in this letter agreement is in conflict with, or inconsistent with, any provision of the Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement by all parties hereto.

Very truly yours,

KOHL'S DEPARTMENT STORES, INC.

By _____

Title _____

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KOHL'S RECEIVABLES CORPORATION

By _____

Title _____

Acknowledged and agreed to
this _____ day of _____, 1999:

[COLLECTION BANK]

By: _____

Title: _____

Acknowledged and agreed to
this _____ day of _____, 1999:

BANK ONE, NA (for itself and as Agent)

By _____

Authorized Agent

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ANNEX A

FORM OF COLLECTION NOTICE

[On letterhead of Bank One]

[Collection Bank/Depository Bank/Concentration Bank]

Re: Kohl's Department Stores, Inc.

Ladies and Gentlemen:

We hereby notify you that we are exercising our rights pursuant to that certain letter agreement among Kohl's Department Stores, Inc., you and us, to have the name of, and to have exclusive ownership and control of, account number _____ (the "Lock-Box Account") maintained with you, transferred to us. Lock-Box Account will henceforth be a zero-balance account, and funds deposited in the Lock-Box Account should be sent at the end of each day to _____. You have further agreed to perform all other services you are performing under that certain agreement dated _____ between you and Kohl's Department Stores, Inc. on our behalf.

We appreciate your cooperation in this matter.

Very truly yours,

BANK ONE, NA
(for itself and as agent)

By: _____
Authorized Agent

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EXHIBIT VI

CREDIT AND COLLECTION POLICY

[omitted]

Exhibit 12.1

Kohl's Corporation
Ratio of Earnings to Fixed Charges
(\$000s)

	Fiscal Year (1)				
	1999	1998	1997	1996	1995
Earnings					
Income before income taxes	\$421,112	\$316,749	\$235,063	\$171,368	\$122,729
Fixed charges (3)	82,835	63,135	57,446	42,806	30,649
Less interest capitalized during period	(4,405)	(1,878)	(2,043)	(2,829)	(1,287)
	\$499,542	\$378,006	\$290,466	\$211,345	\$152,091
Fixed Charges					
Interest (expensed or capitalized) (3)	\$33,813	\$24,550	\$26,304	\$20,574	\$14,774
Portion of rent expense representative of interest	48,769	38,385	30,798	22,031	15,798
Amortization of deferred financing fees	253	200	344	201	77
	\$82,835	\$63,135	\$57,446	\$42,806	\$30,649
Ratio of earnings to fixed charges	6.03	5.99	5.06	4.94	4.96 (2)

- (1) Fiscal 1999, 1998, 1997 and 1996 are 52 week years and fiscal 1995 is a 53 week year.
- (2) Excluding the credit operations non-recurring expense of \$14,052, the ratio of earnings to fixed charges would be 5.40.
- (3) Interest expense for fiscal 1997, 1996, and 1995 has been restated to properly reflect interest expense included on the Consolidated Statements of Income.

Subsidiaries

Name ----	State of Incorporation -----
Kohl's Department Stores, Inc.	Delaware
Kohl's Investment Corporation	Delaware
Kohl's Illinois Corporation*	Nevada
Kohl's Pennsylvania, Inc.*	Pennsylvania

*These subsidiaries are wholly owned subsidiaries of Kohl's Department Stores, Inc.

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 #33-49886) pertaining to the 1992 Long Term Compensation Plan, in the Registration Statement (Form S-8 #333-26409) pertaining to the 1994 Long Term Compensation Plan and 1997 Stock Option Plan for Outside Directors, in the Registration Statement (Form S-8 #33-84558) pertaining to the Kohl's Corporation Employee Savings Plan and in the Registration Statement (Form S-3 #33-80323) pertaining to the Debt Offering of Kohl's Corporation of our report dated March 3, 2000, with respect to the consolidated financial statements and schedule of Kohl's Corporation included in this Annual Report (Form 10-K) for the year ended January 29, 2000.

Milwaukee, Wisconsin
April 17, 2000

ERNST & YOUNG LLP

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