

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 February 3, 2001

or

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

For the Transition period from to

Commission File No. 1-11084

KOHL'S CORPORATION  
(Exact name of registrant as specified in its charter)

WISCONSIN 39-1630919  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

N56 W17000 Ridgewood Drive, 53051  
Menomonee Falls, Wisconsin (Zip Code)  
(Address of principal executive  
offices)

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. Yes X No

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

At April 6, 2001 the aggregate market value of the voting stock of the registrant held by stockholders who were not affiliates of the registrant was \$16,760,947,853, (based upon the closing price of Registrant's Common Stock on the New York Stock Exchange on such date). At April 6, 2001, the registrant had issued and outstanding an aggregate of 333,112,720 shares of its Common Stock.

Documents Incorporated by Reference:

1. Portions of Registrant's Proxy Statement dated April 17, 2001 are incorporated into Part III.

PART I

Item 1. Business

The Company currently operates 354 family oriented, specialty department

stores 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 2000 ended on February 3, 2001, and was a 53 week year.

Expansion

Since 1992, the Company has expanded from 79 stores in six states located solely in the Midwest to a current total of 354 stores in 28 states with a presence in six regions of the country: The Midwest, Mid-Atlantic, Northeast, Southcentral, Southeast and Southwest. Kohl's objective is to be a national retailer. The Company's approach is very deliberate, expanding step-by-step into contiguous states and filling in existing markets. Kohl's enters major new markets with critical mass of stores that enables the Company to establish a presence and leverage marketing, regional management and distribution expenses. Once established, the Company adds additional stores to further strengthen market share.

In fiscal 2000, Kohl's opened 61 new stores including a major entry into the Northeast with the opening of 35 stores in New York, New Jersey and Connecticut. Ten stores were added to the Southcentral region including five fill-in stores in the Dallas/Fort Worth market, and an initial entry into Oklahoma with three stores in Tulsa. In addition, four stores were added to the Denver market, seven stores were added to the Midwest region and five stores were added to the Mid-Atlantic and Southeast regions.

Management believes there is substantial opportunity for further growth and intends to open approximately 60 new stores in fiscal 2001. In the first quarter, Kohl's opened 34 stores including entering the Atlanta, GA market with 15 stores and the Fayetteville/Ft. Smith market in Arkansas with three stores. The remaining 16 stores included the addition of four stores in the Northeast in the Hartford/New Haven, CT market and 12 new stores in other existing regions. In the fall of 2001, Kohl's plans to open approximately 26 stores including three stores in the Atlanta, GA market; four stores in the Oklahoma City, OK market; three stores in the Austin, TX market; two stores in the El Paso, TX market; approximately seven stores in the Midwest region and seven additional stores in other existing regions. A fifth distribution center is scheduled to open in New York in fiscal 2001 to support Northeast expansion.

The Kohl's concept has proven to be transferable to markets across the country. The following table summarizes Kohl's regional expansion at key intervals since the Company went public in 1992.

	Number of Stores at Fiscal Year End				
	Actual				Projected
	1992	1997	1999	2000	2001
Midwest.....	79	136	156	163	176
Mid-Atlantic.....	--	28	46	50	55

Northeast.....	--	4	7	42	47
Southcentral.....	--	8	28	38	51
Southeast.....	--	6	16	17	40
Southwest.....	--	--	6	10	11
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Total.....	79	182	259	320	380
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Additionally, Kohl's retailing strategy has proven to be successful in various sized markets. For example, Kohl's successfully operates stores in small single store markets such as Rochester, MN with a population of 120,000 people as well as large markets including the greater New York market with a population in excess of 20 million people. At the end of fiscal 2000, Kohl's operated stores in the following large and intermediate sized markets.

Number of Stores at  
February 3, 2001  
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Greater New York metropolitan area.....	35
Chicago.....	33
Greater Philadelphia metropolitan area.....	20
Dallas/Fort Worth.....	18
Washington DC/Baltimore.....	18
Milwaukee.....	16
Detroit.....	13
Minneapolis/St. Paul.....	13
Cleveland.....	10
Denver.....	10
Indianapolis.....	9
Columbus.....	8
St. Louis.....	8
Charlotte.....	6
Cincinnati.....	6
Kansas City.....	6
Pittsburgh.....	6

Kohl's plans to continue expansion across the country through a combination of new market entry and fill-in stores in existing regions. During 2002, Kohl's plans to open approximately 70 stores including continued expansion in the Northeast and additional expansion in Texas with a significant entry into Houston. The Northeast expansion includes the acquisition of 15 former Bradlees stores of which 12 stores will be an initial entry into the Boston, MA market and three stores are planned to be added as fill-in locations in New Jersey. In 2003, Kohl's plans to begin a major expansion into the Southwest region of the country with an entry into the Los Angeles, CA market. Further expansion into Southern California, Arizona and Nevada is planned for 2003 and 2004. A distribution center will be built to support the Company's growth in the Southwest region.

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.

Merchandising

Kohl's stores feature moderately priced, department store national brand names which provide exceptional value to customers. Kohl's merchandise is targeted to appeal to middle-income customers shopping for their families and homes. 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 women, men and children, 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		
	2000	1999	1998
Womens.....	30.1%	28.8%	27.9%
Mens.....	20.8%	21.0%	21.3%
Home.....	18.8%	19.3%	18.9%
Childrens.....	12.7%	12.9%	13.6%
Footwear.....	9.4%	9.8%	10.2%
Accessories.....	8.2%	8.2%	8.1%

#### Convenience

Convenience is another important cornerstone of Kohl's business model. At Kohl's, convenience begins before the customer enters the store, with a neighborhood location close to home. Other aspects of convenience include easily accessible entry, knowledgeable and friendly associates, wide aisles, a functional store layout, shopping carts/strollers and fast, centralized checkouts. The physical store layout coupled with the Company's focus on strong in-stock position on color and size are aimed at providing a convenient shopping experience for an increasingly time starved customer. In addition, Kohl's plans to introduce on-line shopping on the Company's existing web-site in 2001. Designed as an added service for customers who prefer to shop from their homes, the web-site will offer popular key items, best selling family apparel and home merchandise. The site is designed to provide an easy-to-navigate, on-line shopping environment that compliments the Company's in-store focus on convenience.

#### Distribution

The Company receives substantially all 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 northern Illinois, Wisconsin, Minnesota and North Dakota.

The Company opened a 650,000 square foot distribution center in Findlay, Ohio in 1994. This facility services stores in Ohio, Michigan, Indiana, Kentucky, Tennessee, and West Virginia. This facility is currently being expanded by approximately 100,000 square feet to increase capacity.

The Company opened a distribution center in Winchester, Virginia in 1997. This 400,000 square foot facility services the Company's stores in North Carolina, Pennsylvania, Virginia, Maryland, Connecticut, New York, Delaware and New Jersey.

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The Company opened a 540,000 square foot distribution center in Blue Springs, Missouri in December 1999. The facility services the Company's stores in Iowa, Kansas, Missouri, Nebraska, South Dakota, Texas, Oklahoma, southern Illinois, Colorado, Arkansas and Georgia.

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

The Company opened a 500,000 square foot fulfillment center in Monroe, Ohio in March 2001. The facility will service the Company's e-commerce business.

#### Employees

As of February 3, 2001, the Company had approximately 54,000 employees, including approximately 16,800 full-time and approximately 37,200 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 are 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 16% 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 a wholly-owned subsidiary of the Company, and the Company considers this mark and the accompanying name recognition to be valuable to its business. This subsidiary 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 February 3, 2001, the Company operated 320 stores in 26 states. The Company owned 76 stores, owned 59 stores with ground leases and leased 185 stores under operating leases. The typical ground lease has an initial term of between 20 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 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 February 3, 2001, the average minimum annual rent of the 185 leased stores was \$6.65 per square foot, and the average minimum annual rent of the 59 stores operated under ground leases was \$3.72 per square foot.

The Company's stores are located in strip shopping centers (209), community and regional malls (44), and as free standing units (67). Of the Company's stores, 284 are one story facilities and 36 are two story facilities.

	Number of Stores at February 3, 2001
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Illinois.....	40
Ohio.....	31
Wisconsin.....	28
Pennsylvania.....	24
Michigan.....	22
New Jersey.....	20
Texas.....	18
Indiana.....	17
Minnesota.....	15

New York.....	14
Virginia.....	12
Colorado.....	10
Maryland.....	10
Missouri.....	10
North Carolina.....	10
Connecticut.....	8
Kansas.....	7
Iowa.....	4
Kentucky.....	4
Nebraska.....	4
Oklahoma.....	3
Tennessee.....	3
Delaware.....	2
West Virginia.....	2
North Dakota.....	1
South Dakota.....	1
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Total.....	320
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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 and will own the New York distribution center scheduled to open in fiscal 2001. The Company leases the e-commerce fulfillment center in Monroe, OH.

Item 3. Legal Proceedings

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.

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 2000.

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, 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 date for the stock split was April 7, 2000. The prices in the table set forth below indicate the high and low prices of the Common Stock for each quarter in fiscal 2000 and 1999, adjusted to give effect to the stock split.

	Price Range	
	High	Low
	-----	-----
Fiscal 2000		
First Quarter.....	\$54.78	\$34.06
Second Quarter.....	66.50	44.00
Third Quarter.....	64.75	49.06
Fourth Quarter.....	72.20	48.44
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

(b) Holders

At April 6, 2001, there were 6,128 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 business conditions, including the Company's earnings, financial condition and requirements, restrictions in financing agreements, 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				
	February 3, 2001(a)	January 29, 2000	January 30, 1999	January 31, 1998	February 1, 1997
(Dollars in Thousands, Except Per Share and Per Square Foot Data)					
Statement of Operations					
Data:					
Net sales.....	\$6,151,996	\$4,557,112	\$3,681,763	\$3,060,065	\$2,388,221
Cost of merchandise sold.....	4,056,139	3,014,073	2,447,301	2,046,468	1,608,688
Gross margin.....	2,095,857	1,543,039	1,234,462	1,013,597	779,533
Selling, general and administrative expenses(b).....	1,282,367	975,269	810,162	678,793	536,226
Depreciation and amortization.....	126,986	88,523	70,049	57,380	44,015
Preopening expenses.....	35,189	30,972	16,388	18,589	10,302
Operating income.....	651,315	448,275	337,863	258,835	188,990
Interest expense, net(b).....	46,201	27,163	21,114	23,772	17,622
Income before income taxes.....	605,114	421,112	316,749	235,063	171,368
Provision for income taxes.....	232,966	162,970	124,483	93,790	68,890
Net income.....	\$ 372,148	\$ 258,142	\$ 192,266	\$ 141,273	\$ 102,478
Per share(c):					
Basic.....	\$ 1.13	\$ 0.80	\$ 0.61	\$ 0.46	\$ 0.35
Diluted.....	\$ 1.10	\$ 0.77	\$ 0.59	\$ 0.45	\$ 0.34
Operating Data:					
Comparable store sales growth(d).....	9.0%	7.9%	7.9%	10.0%	11.3%
Net sales per selling square foot(e).....	\$ 281	\$ 270	\$ 265	\$ 267	\$ 261
Total square feet of selling space (in thousands; end of period).....	23,610	18,757	15,111	12,533	10,064
Number of stores open					

(end of period).....	320	259	213	182	150
Balance Sheet Data (end of period):					
Working capital.....	\$1,198,600	\$ 732,111	\$ 559,207	\$ 525,251	\$ 229,339
Property and equipment, net.....	1,726,450	1,352,956	933,011	749,649	596,227
Total assets.....	3,855,154	2,931,047	1,936,095	1,619,721	1,122,483
Total long-term debt....	803,081	494,993	310,912	310,366	312,031
Shareholders' equity....	2,202,639	1,685,503	1,162,779	954,782	517,471

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- (a) Fiscal 2000 contained 53 weeks.
- (b) Fiscal 2000 interest expense related to the sale of accounts receivable totaling \$7.6 million was included in selling, general and administrative expenses in the Company's quarterly financial statements and was reclassified to interest expense at fiscal year end (See Footnote 10 to the Company's consolidated financial statements).
- (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 2000 was calculated based on the comparable 52 week period.
- (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.

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

Item 7. Results of Operations

The Company's net income increased \$114.0 million or 44.2% from \$258.1 million in fiscal 1999 to \$372.1 million in fiscal 2000. This represented the fifth consecutive year of earnings growth over 30%. Net income increased \$65.9 million or 34.3% in fiscal 1999 and \$51.0 million or 36.1% in fiscal 1998.

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		
	2000	1999	1998
Net sales (in thousands).....	\$6,151,996	\$4,557,112	\$3,681,763
Number of stores open (end of period).....	320	259	213
Sales growth--all stores.....	35.0%	23.8%	20.3%
Sales growth--comparable stores(a).....	9.0%	7.9%	7.9%
Net sales per selling square foot(b).....	\$281	\$270	\$265

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- (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. Fiscal 2000 comparable sales growth was calculated based on the comparable 52 week 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 \$1,594.9 million, or 35.0%, from \$4,557.1 million in fiscal 1999 to \$6,152.0 million in fiscal 2000. The increase in sales is attributable to the opening of 61 new stores in fiscal 2000, to the inclusion of a full year of operating results for the 46 stores opened in fiscal 1999, comparable store sales growth of 9.0% and the impact of the 53rd week.

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. The increase in sales is attributable to the opening of 46 new stores in fiscal 1999, to the inclusion of a full year of operating results for 32 stores opened in fiscal 1998 and comparable store sales growth of 7.9%.

#### 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		
	2000	1999	1998
Net sales.....	100.0%	100.0%	100.0%
Cost of merchandise sold.....	65.9	66.1	66.5
Gross margin.....	34.1	33.9	33.5
Selling, general and administrative expenses.....	20.8	21.4	22.0
Depreciation and amortization.....	2.1	1.9	1.9
Preopening expenses.....	0.6	0.7	0.4
Operating income.....	10.6	9.9	9.2
Interest expense, net.....	0.8	0.6	0.6
Income before income taxes.....	9.8	9.3	8.6
Provision for income taxes.....	3.8	3.6	3.4
Net income.....	6.0%	5.7%	5.2%

**Gross Margin.** The Company's gross margin has increased from 33.5% in fiscal 1998 to 34.1% in fiscal 2000. 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 1998 to fiscal 2000 due to the addition of new stores, such expenses decreased as a percent of net sales expenses from 22.0% in fiscal 1998 to 20.8% in fiscal 2000. The decline is primarily attributable to the leveraging of store, distribution and headquarters expenses as a result of the increased sales. At the end of fiscal 2000, \$7.6 million of interest expense related to the sale of accounts receivable that had been included in selling, general and administrative expenses in the Company's quarterly financial statements was reclassified to interest expense (See Footnote 10 to the Company's consolidated financial statements).

**Depreciation and Amortization.** The total amount of depreciation and amortization increased from fiscal 1998 to fiscal 2000 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 1.9% in fiscal 1998 to 2.1% in fiscal 2000.

**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 \$35.2 million of preopening expenses in fiscal 2000 of which approximately \$30.1 million related to the opening of 61 stores in fiscal 2000 and the remaining \$5.1 million was associated with the opening of 34 stores in the spring of 2001. The Company incurred \$31.0 million of preopening expenses in fiscal 1999 of which approximately \$23.6 million related to the opening of 46 stores in fiscal 1999 and the remaining \$7.4 million was associated with the opening of 39 stores in the spring of 2000. The Company incurred \$16.4 million of

preopening expenses in fiscal 1998 of which approximately \$15.4 million related to the opening of 32 stores in fiscal 1998 and the remaining \$1.0 million was associated with the opening of 18 stores in 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 \$203.0 million or 45.3% in fiscal 2000, \$110.4 million or 32.7% in fiscal 1999 and \$79.0 million or 30.5% in fiscal 1998 due to the factors described above.

Interest Expense. Net interest expense increased \$19.0 million to \$46.2 million in fiscal 2000. The increase was primarily attributable to the \$554.4 million Liquid Yield Option Subordinated Notes issued in June 2000 (see Liquidity discussion below) and the \$200 million of non-callable unsecured debentures issued in June 1999 outstanding for a full year. At the end of fiscal 2000, \$7.6 million of interest expense related to the sale of accounts receivable that had been included in selling, general and administrative expenses in the Company's quarterly financial statements was reclassified to interest expense (see Footnote 10 to the Company's consolidated financial statements). 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. 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.

Income Taxes. The Company's effective tax rate was 38.5% in fiscal 2000, 38.7% in fiscal 1999 and 39.3% in fiscal 1998. The overall decline in the effective tax rates in fiscal 2000, 1999 and 1998 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.

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#### Inflation

The Company does not believe that inflation has had a material effect on the results of operations 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 seasonal and new store inventory purchases, the growth in credit card accounts receivable and capital expenditures in connection with expansion and remodeling programs. The Company's primary sources of funds for its business activities are cash flow from operations, financing secured by its proprietary accounts receivable, borrowings under its 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.

The Company's working capital increased to \$1,198.6 million at February 3, 2001, from \$732.1 million at January 29, 2000. The increase was primarily attributable to an increase in inventory, offset in part by increased accounts payable, and an increase in accounts receivable.

The Company's merchandise inventories increased \$208.9 million over the January 29, 2000 balance. The increase was primarily the result of higher merchandise levels required to support existing stores and incremental new store locations. Accounts payable increased \$63.5 million from January 29, 2000. Fluctuations in the level of accounts payable are primarily attributable to the timing and number of new store openings and invoice dating arrangements with vendors.

The Company's accounts receivable increased \$176.2 million over the January 29, 2000 balance. The increase is due to an increase in proprietary credit card sales.

In December 1999, the Company entered into a \$225 million Receivable Purchase Agreement (RPA) with Preferred Receivables Funding Corporation, certain investors and Bank One as agent. The RPA is renewable at the Company's request and investors option, under which it periodically sells, generally with recourse, an undivided interest in the Company's private label credit card receivables. At February 3, 2001, no receivables were sold. At January 29, 2000, proceeds received upon the sale of \$85 million of receivables under the RPA are reflected as short-term debt.

Prior to entering into the RPA in December 1999, the Company's subsidiary, Kohl's Receivables Corporation, had a similar agreement with the same parties pursuant to which it sold an undivided interest in its receivables which 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.

Cash provided by operating activities was \$372.1 million for fiscal 2000 as compared to \$157.5 million for fiscal 1999, and \$240.5 million for fiscal 1998. Excluding changes in operating assets and liabilities, cash provided by operating activities was \$609.6 million for fiscal 2000, \$402.7 million for fiscal 1999 and \$275.6 million for fiscal 1998.

Capital expenditures include costs for new store openings, store remodels, distribution center openings and other base capital needs. These expenditures fluctuate from year to year as a result of the timing of new store capital spending, the mix of owned, leased or acquired stores, the number of stores remodeled and the timing of opening distribution centers. The Company's capital expenditures were \$481.0 million during fiscal 2000, \$625.4 million during fiscal 1999 and \$248.9 million during fiscal 1998.

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Total capital expenditures for fiscal 2001 are currently expected to be approximately \$700 million. This estimate includes the purchase of favorable lease rights for 15 stores from Bradlees Inc., the renovation and refixturing of the properties, the capital required to open the New York distribution facility, new store spending as well as base capital needs. The Company plans to open approximately 60 new stores in fiscal 2001. The Company does not anticipate that its planned expansion will be limited by any restrictive covenants in its financing agreements.

In June 2000, the Company issued \$554.4 million aggregate principal amount of Liquid Yield Option Subordinated Notes (LYONs). The LYONs were issued at a discount to yield an effective interest rate of 2.75% per year and are subordinated to all existing and future senior indebtedness of the Company. Net proceeds, excluding expenses, were \$319.4 million. Each \$1,000 principal amount of LYON is convertible at anytime into 7.156 shares of the Company's common stock. The debt is callable by the Company beginning June 12, 2003, for cash. The holders of the securities can "put" the LYONs back to the Company after three and ten years during specified 30-day windows. The proceeds were initially used to pay off borrowings under the Company's outstanding revolving credit facility and accounts receivables program and for general corporate purposes, including store expansion.

In March 2001, the Company issued \$300 million aggregate principal amount of 6.30% unsecured notes due March 1, 2011. The proceeds will be used for general corporate purposes, including continued store growth.

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, \$225 million of available financing secured by its proprietary credit card accounts receivable, seasonal borrowings under its \$300 million revolving credit facility and other sources of financing. 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.

#### Forward-Looking Information/Risk Factors

Items 1, 2, 5 and 7 of this Form 10-K contain "forward-looking statements," subject to protections under federal law. The Company intends words such as "believes," "anticipates," "plans," "may," "will," "should," "expects" and

similar expressions to identify forward-looking statements. In addition, statements covering the Company's future sales or financial performance and the Company's plans, objectives, expectations or intentions are forward-looking statements, such as statements regarding the Company's liquidity, debt service requirements, planned capital expenditures, future store openings and adequacy of capital resources. There are a number of important factors that could cause the Company's results to differ materially from those indicated by the forward-looking statements, including among others, those risk factors described in Exhibit 99.1 attached to this 10-K and incorporated herein by this reference.

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 February 3, 2001, the Company's long-term debt excluding capital leases was \$773.7 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 February 3, 2001, changed by 100 basis points, the Company's annual interest expense would change by \$7.7 million.

During fiscal 2000, average borrowings under the Company's variable rate revolving credit facility and its short term financing of its proprietary accounts receivable were \$129.4 million. If interest rates on the average fiscal 2000 variable rate debt changed by 100 basis points, the Company's annual interest expense would change by \$1.3 million, assuming comparable borrowing levels.

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Item 8. Financial Statements and Supplementary Data

The financial statements are included in this report beginning on page F-3.

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 7 of Registrant's Proxy Statement dated April 17, 2001 is incorporated herein by reference. The executive officers of the Company are as follows:

Name	Age	Position
----	---	-----
R. Lawrence Montgomery	52	Chief Executive Officer and Director
Kevin Mansell	48	President and Director
Arlene Meier	49	Chief Operating Officer, Treasurer and Director
John Lesko	48	Executive Vice President--Administration
Richard Leto	49	Executive Vice President--General Merchandise Manager and Product Development
Jack Moore	46	Executive Vice President--General Merchandise Manager

Don Sharpin 52 Executive Vice President--Human Resources

Gary Vasques 53 Executive Vice President--Marketing

Mr. Montgomery was promoted to Chief Executive Officer in February 1999. He was appointed to the Board of Directors in 1994 and served as Vice Chairman from March 1996 to November 2000. Mr. Montgomery served as Executive Vice President of Stores from February 1993 to February 1996 after joining the Company as Senior Vice President--Director of Stores in 1988. Mr. Montgomery has 30 years of experience in the retail industry.

Mr. Mansell 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 26 years of experience in the retail industry.

Ms. Meier was promoted to Chief Operating Officer in November 2000. Ms. Meier served as Executive Vice President--Chief Financial Officer from October 1994 to November 2000 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 25 years of experience in the retail industry.

Mr. Lesko served as Executive Vice President--Administration since November 2000 and in other management positions since joining the Company in November 1997. Prior to joining the Company, Mr. Lesko served as Senior Vice President, Information Systems of Jack Eckerd Corporation, a division of the J.C. Penney Company from January 1997 to November 1997. 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 26 years of experience in the retail industry.

Mr. Leto 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 28 years of experience in the retail industry.

Mr. Moore served as Executive Vice President--General Merchandise Manager since February 1999. Mr. Moore served as Senior Vice President of Merchandise Planning and Allocation in 1998. He joined the Company in 1997 as a Vice President--Divisional Merchandise Manager. Prior to joining the Company, Mr. Moore served in various management positions at Dayton Hudson Department Stores. Mr. Moore has 24 years of experience in the retail industry.

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Mr. Sharpin served as Executive Vice President--Human Resources since August 1998 and in other management positions since joining the Company in 1988. Mr. Sharpin has 22 years of experience in the retail industry.

Mr. Vasques served as Executive Vice President--Marketing since 1997. He joined the Company in December 1995 as Senior Vice President, Marketing. Mr. Vasques has 31 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 17, 2001, 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 17, 2001 is incorporated herein by reference.

#### Item 12. Beneficial Ownership of Stock

The information set forth under "Beneficial Ownership of Shares" on page 4 of Registrant's Proxy Statement dated April 17, 2001, 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 17, 2001, is incorporated herein by

reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:

1. Consolidated Financial Statements:

See "Index to Consolidated Financial Statements and Schedule of Kohl's Corporation" on page F-1, the Report of Independent Auditors on page F-2 and the Consolidated Financial Statements and Schedule on pages F-3 to F-18, all of which are incorporated herein by reference.

2. Financial Statement Schedule:

See "Index to Consolidated Financial Statements and Schedule of Kohl's Corporation" on page F-1 and the "Financial Statement Schedule" on page F-18, all of which are incorporated herein by reference.

3. Exhibits:

See "Exhibit Index" of this Form 10-K, which is incorporated herein by reference.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K in the fourth fiscal quarter.

The Exhibit Index has been omitted from this Form 10-K. Shareholders may obtain the Exhibit Index without charge by calling Kohl's investor relations at 262-703-1440.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
AND SCHEDULE OF KOHL'S CORPORATION

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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.

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 February 3, 2001 and January 29, 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended February 3, 2001. 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 February 3, 2001 and January 29, 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 3, 2001, 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 9, 2001, except for Note 12, as to which the date is March 16, 2001

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KOHL'S CORPORATION

CONSOLIDATED BALANCE SHEETS  
(\$ in Thousands, Except Per Share Amounts)

	February 3, 2001	January 29, 2000
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 123,621	\$ 12,608
Short-term investments.....	48,600	27,500
Accounts receivable trade, net of allowance for doubtful accounts of \$9,282 and \$7,171 in 2000 and 1999, respectively.....	681,256	505,010
Merchandise inventories.....	1,003,290	794,439
Deferred income taxes.....	39,531	22,184
Other.....	25,599	21,167
	-----	-----
Total current assets.....	1,921,897	1,382,908
Property and equipment, net.....	1,726,450	1,352,956
Other assets.....	65,634	42,422
Favorable lease rights.....	126,635	133,023
Goodwill.....	14,538	19,738
	-----	-----
Total assets.....	\$3,855,154	\$2,931,047
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable.....	\$ 399,939	\$ 336,432
Accrued liabilities.....	188,863	153,821
Income taxes payable.....	112,927	63,955
Short-term debt.....	5,000	85,000
Current portion of long-term debt.....	16,568	11,589
	-----	-----
Total current liabilities.....	723,297	650,797
Long-term debt.....	803,081	494,993
Deferred income taxes.....	84,256	66,482
Other long-term liabilities.....	41,881	33,272
Shareholders' equity:		
Common stock--\$.01 par value, 800,000,000 shares authorized, 332,167,129 and 326,197,268 shares issued at February 3, 2001 and January 29, 2000 respectively.....		
	3,322	3,262
Paid-in capital.....	912,107	767,179
Retained earnings.....	1,287,210	915,062
	-----	-----
Total shareholders' equity.....	2,202,639	1,685,503
	-----	-----
Total liabilities and shareholders' equity.....	\$3,855,154	\$2,931,047
	=====	=====

See accompanying notes

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KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
	-----	-----	-----
	(In Thousands, Except Per Share Data)		
Net sales.....	\$6,151,996	\$4,557,112	\$3,681,763
Cost of merchandise sold.....	4,056,139	3,014,073	2,447,301
	-----	-----	-----
Gross margin.....	2,095,857	1,543,039	1,234,462
Operating expenses:			
Selling, general and administrative.....	1,282,367	975,269	810,162
Depreciation and amortization.....	121,786	83,323	64,849
Goodwill amortization.....	5,200	5,200	5,200
Preopening expenses.....	35,189	30,972	16,388
	-----	-----	-----
Total operating expenses.....	1,444,542	1,094,764	896,599
	-----	-----	-----
Operating income.....	651,315	448,275	337,863
Other expense (income):			
Interest expense.....	49,332	29,470	22,872
Interest income.....	(3,131)	(2,307)	(1,758)
	-----	-----	-----
Income before income taxes.....	605,114	421,112	316,749
Provision for income taxes.....	232,966	162,970	124,483
	-----	-----	-----
Net income.....	\$ 372,148	\$ 258,142	\$ 192,266
	=====	=====	=====
Net income per share:			
Basic.....	\$1.13	\$0.80	\$0.61
Diluted.....	\$1.10	\$0.77	\$0.59

See accompanying notes

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KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock		Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
(In Thousands)					
Balance at January 31, 1998..	315,515	\$3,155	\$486,973	\$ 464,654	\$ 954,782
Exercise of stock options....	1,274	13	5,873	--	5,886
Income tax benefit from exercise of stock options...	--	--	9,845	--	9,845
Net income.....	--	--	--	192,266	192,266
Balance at January 30, 1999..	316,789	3,168	502,691	656,920	1,162,779
Issuance of common shares....	5,600	56	199,570	--	199,626
Exercise of stock options....	3,808	38	17,610	--	17,648
Income tax benefit from exercise of stock options...	--	--	47,308	--	47,308
Net income.....	--	--	--	258,142	258,142
Balance at January 29, 2000..	326,197	3,262	767,179	915,062	1,685,503
Exercise of stock options....	5,970	60	45,819	--	45,879
Income tax benefit from exercise of stock options...	--	--	99,109	--	99,109
Net income.....	--	--	--	372,148	372,148
Balance at February 3, 2001.....	332,167	\$3,322	\$912,107	\$1,287,210	\$2,202,639

See accompanying notes

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KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
(In Thousands)			
Operating activities			
Net income.....	\$ 372,148	\$ 258,142	\$ 192,266
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	127,491	88,776	70,249
Deferred income taxes.....	427	4,923	886
Other noncash charges.....	4,624	3,536	2,353
Income tax benefit from exercise of stock options.....	99,109	47,308	9,845
Amortization of debt discount.....	5,782	61	--
Changes in operating assets and			

liabilities:			
Accounts receivable trade.....	(176,246)	(232,391)	(30,647)
Merchandise inventories.....	(208,851)	(177,077)	(101,572)
Other current assets.....	(4,432)	(2,527)	(1,937)
Accounts payable.....	63,507	118,447	60,210
Accrued and other long-term liabilities.....	39,544	32,932	28,793
Income taxes payable.....	48,972	15,383	10,090
	-----	-----	-----
Net cash provided by operating activities.....	372,075	157,513	240,536
Investing activities			
Acquisition of property and equipment and favorable lease rights, net.....	(480,981)	(625,392)	(248,878)
Proceeds from sale of property and equipment.....	--	4,350	1,292
Net purchase of short-term investments....	(21,100)	(764)	(26,736)
Other.....	(25,036)	(20,151)	(14,587)
	-----	-----	-----
Net cash used in investing activities.....	(527,117)	(641,957)	(288,909)
Financing activities			
Net (repayments of) proceeds from short-term debt.....	(80,000)	85,000	--
Proceeds from public debt offering, net...	319,379	197,258	--
Net borrowings (repayments) under credit facilities.....	--	(1,600)	1,600
Repayment of other long-term debt, net....	(12,094)	(1,582)	(416)
Payment of financing fees on debt.....	(7,109)	(2,156)	--
Net proceeds from issuance of common shares.....	45,879	217,274	5,886
	-----	-----	-----
Net cash provided by financing activities.....	266,055	494,194	7,070
	-----	-----	-----
Net increase (decrease) in cash and cash and equivalents.....	111,013	9,750	(41,303)
Cash and cash equivalents at beginning of year.....	12,608	2,858	44,161
	-----	-----	-----
Cash and cash equivalents at end of year..	\$ 123,621	\$ 12,608	\$ 2,858
	=====	=====	=====

See accompanying notes

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#### KOHL'S CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### 1. Business and Summary of Accounting Policies

###### Business

As of February 3, 2001, Kohl's Corporation (the Company) operated 320 family oriented, specialty department stores located in 26 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 intercompany accounts and transactions have been eliminated.

###### 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 February 3, 2001 (fiscal 2000), January 29, 2000 (fiscal 1999) and January 30, 1999 (fiscal 1998). Fiscal 2000 includes 53 weeks and fiscal 1999 and 1998 include 52 weeks.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

Reclassifications

Certain reclassifications have been made to prior year's financial statements to conform to the fiscal 2000 presentation.

Cash Equivalents

Cash equivalents represent debt securities with a maturity of three months or less when purchased, which are held to maturity. Debt securities owned 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 \$4,851,000 higher at February 3, 2001, and \$2,983,000 higher at January 29, 2000, 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 locations and depreciates that amount over the lives of the related assets. The total interest capitalized was \$3,478,000, \$4,405,000 and \$1,878,000 in 2000, 1999 and 1998, respectively.

Favorable Lease Rights

Favorable lease rights are generally amortized on a straight-line basis

over the remaining base lease term including options. Accumulated amortization was \$25,259,000 at February 3, 2001, and \$19,327,000 at January 29, 2000.

#### Goodwill

Goodwill is being amortized on a straight-line basis over 15 years. Accumulated amortization was \$62,866,000 at February 3, 2001, and \$57,666,000 at January 29, 2000.

#### Long-Lived Assets

The Company annually considers whether indicators of impairment of long-lived assets held for use (including favorable lease 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 February 3, 2001, and January 29, 2000, and determined that there was no significant impact on the Company's results of operations.

#### Comprehensive Income

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

#### Revenue Recognition

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

#### Advertising

Advertising costs, included in selling, general and administrative expenses, are expensed as incurred and totaled \$223,717,000, \$176,009,000 and \$147,619,000 in fiscal 2000, 1999, and 1998, respectively.

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### KOHL'S CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

#### 1. Business and Summary of Accounting Policies (continued)

##### 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.

##### 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		
	2000	1999	1998
Denominator for basic earnings per share--weighted average shares.....	330,204	324,628	316,134
The impact of dilutive employee stock options.....	7,871	9,228	9,132

(In Thousands)

Denominator for diluted earnings per share.....	338,075	333,856	325,266
	=====	=====	=====

Debt securities that are convertible into 3,967,000 shares of common stock are not included in the computation of diluted earnings per share for the fiscal year as their impact is antidilutive (See Footnote 10 to the Company's consolidated financial statements for quarterly information).

2. Selected Balance Sheet Information

Property and equipment consist of the following:

	February 3, 2001	January 29, 2000
	(In Thousands)	
Land.....	\$ 175,892	\$ 137,900
Buildings and improvements.....	1,097,343	726,846
Store fixtures and equipment.....	609,736	469,247
Property under capital leases.....	54,862	54,862
Construction in progress.....	174,105	243,042
	-----	-----
Total property and equipment.....	2,111,938	1,631,897
Less accumulated depreciation.....	385,488	278,941
	-----	-----
	\$1,726,450	\$1,352,956
	=====	=====

Depreciation expense for property and equipment totaled \$107,083,000, \$76,851,000 and \$60,994,000 for fiscal 2000, 1999 and 1998, respectively.

Accrued liabilities consist of the following:

	February 3, 2001	January 29, 2000
	(In Thousands)	
Payroll and related fringe benefits.....	\$ 35,592	\$ 31,157
Sales and property taxes.....	54,478	45,429
Other accruals.....	98,793	77,235
	-----	-----
	\$188,863	\$153,821
	=====	=====

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

3. Accounts Receivable Financing

On December 23, 1999, the Company entered into an agreement with Preferred Receivables Funding Corporation, certain investors and Bank One as agent, under which the Company periodically sells, generally with recourse, an undivided interest in the revolving pool of its private label credit card receivables up to a maximum of \$225 million. The agreement is renewable at the Company's request and the investors' option. No receivables were sold as of February 3, 2001.

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). Under an agreement, similar to the Company's current agreement, KRC then periodically sold, generally with recourse, an undivided interest in the revolving pool of these receivables to the same investors. 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. Accordingly, interests sold prior to December 23, 1999, were reflected as a reduction of accounts receivable. On December 31, 1999, KRC was merged into the Company. The proceeds received upon sale of \$85 million of receivables as of January 29, 2000, are recorded as short-term debt in the accompanying consolidated balance sheet.

The cost of the financing program is based on the bank's A1/P-1 commercial paper rate, approximately 6.5% and 6.0% at February 3, 2001 and January 29, 2000, respectively, plus certain fees. 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.

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

	Fiscal Year		
	2000	1999	1998
	(In Thousands)		
Average accounts receivable trade:			
Gross accounts receivable.....	\$595,000	\$443,000	\$328,000
Receivables off balance sheet.....	--	86,000	120,000
	-----	-----	-----
Receivables on balance sheet.....	\$595,000	\$357,000	\$208,000
	=====	=====	=====

In the table above, the receivables off balance sheet met the true sale requirements of SFAS No. 125 and therefore the Company had no exposure to bad debts and retained no rights to finance charge income for financial statement purposes. For the receivables on balance sheet, the revenue from the credit program, net of operating expenses is summarized below.

	Fiscal Year		
	2000	1999	1998
	(In Thousands)		
Finance charges and other income.....	\$103,018	\$63,879	\$38,744
Operating expenses:			
Provision for doubtful accounts.....	22,677	13,402	7,831
Other credit and collection expenses.....	29,561	18,264	10,762
	-----	-----	-----
Total operating expenses.....	52,238	31,666	18,593
	-----	-----	-----
Net revenue of credit program included in selling, general and administrative expenses.....	\$ 50,780	\$32,213	\$20,151
	=====	=====	=====

Short-term debt at February 3, 2001, consists of a \$5 million bank note which matures on February 2, 2002, and bears interest at 2.9%.

Long-term debt consists of the following:

Maturing -----	February 3, 2001		January 29, 2000	
	Rate	Amount	Rate	Amount
	-----			
	(\$ In Thousands)			
Notes and debentures:				
Senior debt				
Through 2004.....	6.57%	\$ 50,000	6.57%	\$ 60,000
2006 (a).....	6.70%	100,000	6.70%	100,000
2011 (a).....	7.38%	100,000	7.38%	100,000
2029 (b).....	7.36%	197,411	7.36%	197,319
Subordinated debt				
2020 (c).....	2.75%	325,069		--
-----				
Total notes and debentures.....	5.29% (d)	772,480	7.12% (d)	457,319
Capital lease obligations.....		45,937		47,160
Other.....		1,232		2,103
Less: current portion.....		(16,568)		(11,589)
-----				
Long-term debt.....		\$ 803,081		\$ 494,993
=====				

-----  
(a) Noncallable and unsecured.

(b) In 1999, the Company issued \$200 million of non-callable 7.25% unsecured debentures, which were issued at a discount with a yield to maturity of 7.36%. At February 3, 2001, and January 29, 2000, the net discount was \$2.6 million and \$2.7 million, respectively.

(c) In June, 2000, the Company issued \$554.4 million aggregate principal amount of unsecured Liquid Yield Option Subordinated Notes (LYONs). The zero coupon LYONs were issued at a discount to yield an effective interest rate of 2.75% per year and are subordinated to all existing and future senior indebtedness of the Company. Net proceeds, excluding expenses, were approximately \$319.4 million. At February 3, 2001, the net discount was \$229.3 million. Each \$1,000 principal amount of LYON is convertible at the holder's option, at any time, into 7.156 shares of the Company's common stock. The debt is callable by the Company beginning June 12, 2003 for cash at the issue price, plus all accreted original issue discount. The holders of the securities can "put" the LYONs back to the Company after three years and ten years during specified 30-day windows at specified amounts reflective of the accretion of the original issue discount. The Company has the option to redeem these putted securities for either cash or the Company's common stock, or any combination thereof.

(d) Reflects the weighted-average effective interest rate as of year end.

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 \$807.5 million at February 3, 2001, and \$432 million at January 29, 2000.

The Company has a \$300 million unsecured revolving bank credit facility which matures on June 13, 2003. Depending on the type of advance, amounts borrowed bear interest at competitive bid rates; the LIBOR plus a margin, based on the Company's long-term unsecured debt rating; or the agent bank's base rate. No amounts were outstanding under this facility at February 3, 2001, or January 29, 2000.

4. Debt (continued)

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 \$46,450,000, \$27,038,000 and \$22,950,000 in fiscal 2000, 1999 and 1998, respectively.

Annual maturities of long-term debt, excluding capital lease obligations, for the next five years are: \$15,333,000 in 2001; \$15,340,000 in 2002; \$10,138,000 in 2003; \$10,056,000 in 2004 and \$58,000 in 2005. The annual maturity amounts do not include the amount of convertible debt securities that could be "put" back to the Company in 2003.

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 generally range from two additional five-year periods to eight ten-year periods. Rent expense charged to operations was \$145,617,000, \$111,863,000, and \$89,508,000 in fiscal 2000, 1999 and 1998, respectively. Rent expense includes contingent rents, based on sales, of \$3,521,000, \$3,487,000 and \$4,209,000 in fiscal 2000, 1999 and 1998, respectively.

Property under capital leases consists of the following:

	February 3, 2001	January 29, 2000
	-----	-----
	(In Thousands)	
Buildings and improvements.....	\$54,862	\$54,862
Less accumulated amortization.....	18,209	16,342
	-----	-----
	\$36,653	\$38,520
	=====	=====

Amortization expense related to capital leases totaled \$1,867,000, \$2,004,000 and \$2,266,000 for fiscal 2000, 1999 and 1998, respectively.

Future minimum lease payments at February 3, 2001, under leases that have initial or remaining noncancellable terms in excess of one year, are as follows:

	Capital Leases	Operating Leases
	-----	-----
	(In Thousands)	
Fiscal year:		
2001.....	\$ 5,852	\$ 162,517
2002.....	5,872	171,177
2003.....	5,773	164,867
2004.....	6,002	160,790
2005.....	6,063	160,390
Thereafter.....	62,123	2,026,654
	-----	-----
	91,685	\$2,846,395
	-----	=====
Less amount representing interest.....	45,748	
	-----	
Present value of minimum lease payments.....	\$45,937	
	=====	

Included in the operating lease schedule above is \$619,977,000 of minimum lease payments for stores that will open in 2001 and 2002.

## KOHL'S CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

## 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 \$6,315,000, \$4,408,000 and \$3,300,000 in fiscal 2000, 1999 and 1998, respectively. Shares of Company common stock held by the ESOP are included as shares outstanding for purposes of the net 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 \$3,670,000, \$3,020,000 and \$2,531,000 in fiscal 2000, 1999 and 1998, 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 \$5,198,000, \$4,168,000 and \$3,629,000 in fiscal 2000, 1999 and 1998, respectively.

## 7. Income Taxes

Deferred income taxes consist of the following:

	February 3, 2001	January 29, 2000
	-----	
	(In Thousands)	
Deferred tax liabilities:		
Property and equipment.....	\$103,091	\$80,371
Deferred tax assets:		
Merchandise inventories.....	34,094	18,080
Accrued and other liabilities.....	15,764	11,273
Accrued rent liability.....	8,508	6,720
	-----	-----
	58,366	36,073
	-----	-----
Net deferred tax liability.....	\$ 44,725	\$44,298
	=====	=====

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

	Fiscal Year		
	-----		
	2000	1999	1998
	-----		
	(In Thousands)		
Current Federal.....	\$204,989	\$135,586	\$104,336
Current State.....	27,550	22,461	19,261
Deferred.....	427	4,923	886
	-----	-----	-----
	\$232,966	\$162,970	\$124,483
	=====	=====	=====

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		
	2000	1999	1998
Provision at statutory rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit.....	3.4	3.6	3.9
Goodwill amortization.....	0.3	0.4	0.6
Other.....	(0.2)	(0.3)	(0.2)
Provision for income taxes.....	38.5%	38.7%	39.3%
Amounts paid for income taxes (in thousands).....	\$85,063	\$95,075	\$103,628

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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 29, 2000.....	179,216	11,464,950	320,000	11,964,166
February 3, 2001.....	238,597	9,732,811	308,000	10,279,408

The majority of options granted vest in four equal annual installments. Remaining options granted vest in five to ten year increments. Options which are surrendered or terminated without issuance of shares are available for future grants.

The following table summarizes the Company's stock options at February 3, 2001, January 29, 2000 and January 30, 1999 and the changes for the years then ended:

	Number of Options	Weighted Average Exercise Price
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
Granted.....	2,592,975	63.49
Surrendered.....	(908,217)	23.78
Exercised.....	(5,969,861)	7.68
	-----	-----
Balance at February 3, 2001.....	21,863,319	\$23.01
	=====	=====

Options exercisable at:

	Shares	Weighted Average Exercise Price
	-----	-----
February 3, 2001.....	11,508,871	\$13.20
January 29, 2000.....	13,628,550	\$ 8.60
January 30, 1999.....	14,029,610	\$ 6.06

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KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

8. Preferred and Common Stock (continued)

Exercise prices for options outstanding at February 3, 2001, ranged from \$1.75-\$70.74. Additional information related to these options segregated by exercise price range is as follows:

	Exercise Price Range		
	\$1.75 to \$7.99	\$8.00 to \$30.74	\$30.75 to \$70.74
	-----	-----	-----
Options outstanding.....	7,281,912	7,788,132	6,793,275
Weighted average exercise price of options outstanding.....	\$5.70	\$19.19	\$45.93
Weighted average remaining contractual life of options outstanding.....	3.9	10.5	14.2
Options exercisable.....	5,276,562	5,264,562	967,747
Weighted average exercise price of options exercisable.....	\$5.37	\$17.02	\$35.05

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 2000, 1999 and 1998 were estimated using a Black-Scholes option pricing model to be \$30.00, \$17.27 and \$13.42, respectively. The model used the following assumptions for all years: risk free interest rate between 5.0%-6.0%; dividend yield of 0%; volatility factors of the Company's common stock of 30%; and a 7-8 year expected life of the option.

	Fiscal Year		
	2000	1999	1998
Pro forma net income (in thousands).....	\$348,618	\$246,513	\$183,785
Pro forma net income per share:			
Basic.....	\$1.06	\$0.76	\$0.58
Diluted.....	\$1.04	\$0.74	\$0.57

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.

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### KOHL'S CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

#### 10. Quarterly Financial Information (Unaudited)

##### Financial Information

	Fiscal Year 2000				
	First	Second	Third	Fourth	Total
	(In Thousands Except Per Share Data)				
Net sales.....	\$1,228,666	\$1,255,360	\$1,444,929	\$2,223,041	\$6,151,996
Gross margin.....	425,920	437,953	495,320	736,664	2,095,857
Net income.....	52,618	64,290	76,746	178,494	372,148
Basic shares.....	327,806	329,848	331,196	331,859	330,204
Basic net income per share.....	\$0.16	\$0.19	\$0.23	\$0.54	\$1.13
Diluted shares.....	336,353	338,973	339,693	344,055 (a)	338,075
Diluted net income per share.....	\$0.16	\$0.19	\$0.23	\$0.52 (b)	\$1.10

- 
- (a) Diluted shares include 3,967,000 shares related to the assumed conversion of convertible debt securities.
- (b) The convertible debt securities have a dilutive impact on net income per share for the fourth quarter. In the calculation of diluted net income per share, the numerator is \$179,956,000 which includes \$1,462,000 of interest on convertible debt securities. The denominator is 344,055,000 diluted shares which includes 3,967,000 shares related to the assumed conversion of the convertible debt securities.

	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 shares.....	320,871	325,647	325,906	326,075	324,628
Basic net income per share.....	\$0.12	\$0.14	\$0.16	\$0.37	\$0.80
Diluted shares.....	330,752	335,097	335,350	335,124	333,856
Diluted net income per share.....	\$0.12	\$0.13	\$0.16	\$0.36	\$0.77

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.

LIFO

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	
	2000	1999
	(In Thousands)	
First.....	\$1,844	\$1,363
Second.....	1,884	1,409
Third.....	2,168	1,651
Fourth.....	(4,028)	(3,361)
Total year.....	\$1,868	\$1,062

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)

10. Quarterly Financial Information (Unaudited) (continued)

Interest Reclassification

At February 3, 2001, the Company reclassified fiscal 2000 interest related to the sale of accounts receivable that had been included in selling, general and administrative expenses in the Company's quarterly financial statements to interest expense. The impact by quarter is shown in the following table.

	Fiscal Year 2000									
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total	
	Amount	% of Net Sales	Amount	% of Net Sales						
Selling, general and administrative expense:										
As previously reported..	\$284,256	23.1%	\$289,331	23.0%	\$317,790	22.0%	\$398,576	17.9%	\$1,289,953	21.0%
Reclassification.....	(2,222)		(1,876)		(1,831)		(1,657)		(7,586)	
	<u>\$282,034</u>	<u>23.0%</u>	<u>\$287,455</u>	<u>22.9%</u>	<u>\$315,959</u>	<u>21.9%</u>	<u>\$396,919</u>	<u>17.9%</u>	<u>\$1,282,367</u>	<u>20.8%</u>
Interest expense, net:										
As previously reported..	\$ 8,232	0.7%	\$ 9,962	0.8%	\$ 10,981	0.8%	\$ 9,440	0.4%	\$ 38,615	0.6%
Reclassification.....	2,222		1,876		1,831		1,657		7,586	

\$ 10,454 0.9% \$ 11,838 0.9% \$ 12,812 0.9% \$ 11,097 0.5% \$ 46,201 0.8%

11. Related Parties

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

Rent expense incurred on store leases with various entities owned or controlled by a director of the Company and his affiliates, which is included in the total rent expense above, was \$4,253,000, \$4,353,000 and \$4,323,000 in fiscal 2000, 1999 and 1998, respectively.

12. Subsequent Events

On March 8, 2001, the Company issued \$300 million aggregate principal amount of non-callable 6.30% unsecured senior notes due March 1, 2011. Net proceeds, excluding expenses, were \$297.4 million. The proceeds will be used for general corporate purposes, including continued store growth.

On March 16, 2001, the Company purchased the right to occupy 15 store locations previously operated by Bradlees, Inc. The Company is currently converting the stores into prototypical Kohl's stores and expects that the stores will be open for business in spring 2002.

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KOHL'S CORPORATION

SCHEDULE II

Valuation and Qualifying Accounts  
(Dollars in Thousands)

	Years Ended		
	February 3, 2001	January 29, 2000	January 30, 1999
Accounts Receivable--Allowances:			
Balance at Beginning of Year.....	\$ 7,171	\$ 4,069	\$ 4,669
Charged to Costs and Expenses.....	22,677	13,402	7,831
Deductions--Bad Debts Written off, Net of Recoveries and Other Allowances..	(20,566)	(12,277)	(7,668)
Other (1).....	--	1,977	(763)
Balance at End of Year.....	\$ 9,282	\$ 7,171	\$ 4,069

(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: \_\_\_\_\_  
R. Lawrence Montgomery  
Chief Executive Officer and  
Director

Dated: \_\_\_\_\_

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:

-----  
William S. Kellogg  
Chairman and Director

-----  
Frank Sica  
Director

-----  
Jay H. Baker  
Director

-----  
Herbert Simon  
Director

-----  
John F. Herma  
Director

-----  
Peter M. Sommerhauser  
Director

-----  
R. Lawrence Montgomery  
Chief Executive Officer and Director

-----  
R. Elton White  
Director

-----  
Kevin Mansell  
President and Director

-----  
James D. Ericson  
Director

-----  
Arlene Meier  
Chief Operating Officer (Principal  
Financial and  
Accounting Officer), Treasurer 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, incorporated herein by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2000.
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 Second Supplemental Indenture dated as of March 8, 2001 between the Company and The Bank of New York, as trustee.
- 4.6 Indenture dated as of June 12, 2000, between the Company and The Bank of New York, as trustee, incorporated herein by reference to Exhibit 4.1 of the Company's registration statement on Form S-3 (Reg. No. 333-43988).
- 4.7 Registration Rights Agreement dated June 12, 2000 between the Company and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, incorporated herein by reference to Exhibit 4.2 of the Company's registration statement on Form S-3 (Reg. No. 333-43988).
- 4.8 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 Amended and Restated Executive Deferred Compensation Plan .\*
- 10.2 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.\*
- 10.3 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.\*
- 10.4 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).\*
- 10.5 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).\*
- 10.6 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).\*
- 10.7 Executive Bonus Plan, incorporated herein by reference to Exhibit 10.12 of the Company's registration statement on Form S-1 (File No. 33- 46883).\*
- 10.8 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).\*
- 10.9 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.\*
- 10.10 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.\*
- 10.11 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.\*

- 10.12 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.\*
- 10.13 First Amendment to Employment Agreement between the Company and Mr. Montgomery, dated November 15, 2000. \*
- 10.14 Employment Agreement between the Company and Arlene Meier dated November 15, 2000. \*
- 10.15 Receivables Purchase Agreement dated December 23, 1999 by and among the Company, Kohl's Department Stores, Inc., PREFCO, various Investors and Bank One, NA, as agent, incorporated herein by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K for the Fiscal year ended January 29, 2000.
- 10.16 Amendment No. 1 to Receivables Purchase Agreement dated December 21, 2000 by and among the Company, 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 2000 Annual Report.
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Ernst & Young LLP.
- 99.1 Cautionary Statements Regarding Forward Looking Information and Risk Factors.

\* A management contract or compensatory plan or arrangement.

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KOHL'S CORPORATION

AND

THE BANK OF NEW YORK,

Trustee

-----

Second Supplemental Indenture

Dated as of March 8, 2001

To

Indenture

Dated as of December 1, 1995

-----

-----

SECOND SUPPLEMENTAL INDENTURE, dated as of March 8, 2001 (this "Second Supplemental Indenture"), between Kohl's Corporation, a corporation duly organized and existing under the laws of the State of Wisconsin (herein called the "Company"), having its principal office at N56 W17000 Ridgewood Drive, Menomonee Falls, Wisconsin 53051, and The Bank of New York, a New York banking corporation, as Trustee (herein called the "Trustee") under the Indenture dated as of December 1, 1995 between the Company and the Trustee (the "Original Indenture").

Recitals of the Company

The Company has executed and delivered the Original Indenture to the Trustee to provide for the issuance from time to time of its unsecured debentures, notes or other debt instruments (the "Securities"), to be issued in one or more series as provided in the Indenture.

Pursuant to the terms of the Original Indenture, the Company desires to provide for the establishment of a new series of its Securities to be known as its 6.3% Notes due 2011 (herein called the "Notes"), in this Second Supplemental Indenture.

All things necessary to make this Second Supplemental Indenture a valid agreement of the Company have been done.

Now, Therefore, This Second Supplemental Indenture Witnesseth:

For consideration, the adequacy and sufficiency of which are hereby acknowledged by the parties hereto, each party agrees as follows, for the benefit of the other parties and for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE ONE

DEFINED TERMS

Section 101. Defined Terms . Except as otherwise expressly provided in this Second Supplemental Indenture or in the form of Note or otherwise clearly required by the context hereof or thereof, all capitalized terms used and not

defined herein or in said form of Note that are defined in the Original Indenture shall have the meanings assigned to them in the Original Indenture. The Original Indenture, as supplemented from time to time, including by this Second Supplemental Indenture, is hereafter referred to as the "Indenture". For all purposes of this Second Supplemental Indenture:

"Closing Date" means March 8, 2001.

"Commission" means the Securities and Exchange Commission.

"Exchange Notes" means any securities of the Company containing terms identical to the Notes (except that such Exchange Notes shall be registered under the Securities Act and shall not include the restrictions on transfer) that are issued and

exchanged for the Notes pursuant to the Registration Rights Agreement and the Indenture.

"Exchange Offer Registration Statement" means the Exchange Offer Registration Statement as defined in the Registration Rights Agreement.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as that term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Non-U.S. Person" means a person who is not a U.S. Person (as defined in Regulation S).

"Notes" means any of the securities, as defined in the second paragraph of the recitals hereof, that are authenticated and delivered under the Indenture. For all purposes of the Indenture, the term "Notes" shall include the Notes initially issued on the Closing Date, any Exchange Notes to be issued and exchanged for any Notes pursuant to the Registration Rights Agreement and the Indenture and any other Notes issued after the Closing Date under the Indenture. For purposes of the Indenture, all Notes shall vote together as one series of Notes under the Indenture.

"Private Placement Legend" has the meaning set forth in Section 601.

"Registration Rights Agreement" means the Registration Rights Agreement, dated March 8, 2001, between the Company and Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Lehman Brothers Inc. and certain permitted assigns specified therein.

"Registration Statement" means the Registration Statement as defined and described in the Registration Rights Agreement.

"Regulation S" means Regulation S under the Securities Act.

"Restricted Security" means any Note bearing the Private Placement Legend.

"Rule 144A" means Rule 144A under the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Shelf Registration Statement" means the Shelf Registration Statement as defined in the Registration Rights Agreement.

## ARTICLE TWO

### TERMS OF THE NOTES

Section 201. Establishment of the Notes. There is hereby authorized

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a series of Securities designated the 6.3% Notes due 2011, initially limited in aggregate principal amount to

\$300,000,000 (except as provided in Section 2.3.2 of the Original Indenture, and except that the Company may issue additional Notes of this Series). The Notes shall be substantially in the form set forth in Exhibit A hereto and shall

include the Private Placement Legend, until it is removed in accordance with Section 601.

Section 202. Terms of the Notes. The Stated Maturity of the Notes

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shall be March 1, 2011, and they shall bear interest at the rate of 6.3% per annum, from March 8, 2001 or from the most recent interest payment date to which interest has been paid or duly provided for, as the case may be, payable semiannually (to holders of record of the Notes at the close of business on the February 15 and August 15 immediately preceding the interest payment date) on March 1 and September 1, commencing September 1, 2001 until payment of the principal amount shall have been made or duly provided for.

The principal of and interest on the Notes shall be payable at the office or agency of the Trustee in New York, New York maintained for such purpose and at any other office or agency maintained by the Company for such purpose; provided, however, that at the option of the Company payment of interest may be made by wire transfer or by check mailed to the address of the Person entitled thereto as such address shall appear in the list of Securityholders.

The Notes are redeemable prior to maturity as provided in Article Five hereof and shall not have the benefit of a sinking fund.

The Notes shall rank equal with all other unsecured and unsubordinated debt of the Company.

The Notes shall be subject to defeasance at the option of the Company as provided in Sections 8.3 and 8.4 of the Original Indenture.

Section 203. Denominations. The Notes shall be issued in denominations  
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of \$100,000 and integral multiples of \$1,000.

Section 204. Form. Notes offered and sold in reliance on Rule 144A

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shall be issued initially in the form of one or more permanent global Notes in registered form, substantially in the form set forth in Exhibit A (the "U.S. Global Notes"), registered in the name of the nominee of The Depository Trust Company (the "Depository" or "DTC"), deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as provided in Section 2.4 of the Original Indenture. The aggregate principal amount of the U.S. Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository or its nominee, in accordance with the instructions given by the Holder thereof, as hereinafter provided.

Notes offered and sold in offshore transactions in reliance on Regulation S shall be issued initially in the form of one or more permanent global Notes in registered form substantially in the form set forth in Exhibit A (the "Offshore Global Notes"), registered in the name of the nominee of the Depository, deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as provided in Section 2.4 of the Original Indenture. The aggregate principal amount of the Offshore Global

Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository or its nominee, as hereinafter provided.

Notes offered and sold to Institutional Accredited Investors that are not QIBs (excluding non-U.S. Persons) shall be issued in the form of permanent certificated Notes in registered form substantially in the form set forth in Exhibit A (the "Physical Notes").

The U.S. Global Notes and the Offshore Global Notes are sometimes referred to herein as the "Global Notes".

The definitive Notes shall be typed, printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any securities exchange on which the Notes may be listed, all as determined by the Officers executing such Notes, as evidenced by their execution of such Notes.

## ARTICLE THREE

### AMENDMENTS

Section 301. Article One of the Original Indenture shall be amended by deleting the definition of "Officer" in Section 1.1 and replacing it in its entirety with the following:

"Officer" means the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, the President, any Vice President, the Treasurer, the Secretary or the Controller of the Company."

## ARTICLE FOUR

### REDEMPTION

Subject to the terms of Article Three of the Original Indenture, the Company shall have the right to redeem the Notes, in whole or in part, from time to time and at any time (such redemption, an "Optional Redemption", and the date thereof, the "Optional Redemption Date") upon at least 30 days' notice mailed to the registered address of each holder of the Notes, at a redemption price equal to the sum of (A) the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments thereon discounted to the Optional Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the sum of the Treasury Rate plus twenty basis points, less the Applicable Accrued Interest Amount plus (B) the Applicable Accrued Interest Amount.

"Applicable Accrued Interest Amount" means, at the Optional Redemption Date, the amount of interest accrued and unpaid from the prior interest payment date to the Optional Redemption Date on the Notes subject to the Optional Redemption computed on the basis of a 360-day year of twelve 30-day months.

"Comparable Treasury Issue" means the United States Treasury security, selected by a Reference Treasury Dealer appointed by the Company, as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed pursuant to the Optional Redemption.

"Comparable Treasury Price" means, with respect to the Optional Redemption Date, (1) the average of the Reference Treasury Dealer Quotations for such Optional Redemption Date after excluding the highest and lowest of those Reference Treasury Dealer Quotations, or (2) if the Trustee obtains fewer than five Reference Treasury Dealer Quotations, the average of all quotations.

"Reference Treasury Dealer" means any nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Optional Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Optional Redemption Date.

"Remaining Scheduled Payments" means, for each Note to be redeemed, the remaining scheduled payments of principal and interest on that Note that would be due after the related Optional Redemption Date but for that Optional Redemption. If the Optional Redemption Date is not an interest payment date with respect to that Note, the amount of the next succeeding scheduled interest payment on that Note will be reduced by the amount of interest accrued on the Note to the Optional Redemption Date.

"Treasury Rate" means, with respect to the Optional Redemption Date (if any), the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Optional Redemption Date.

ARTICLE FIVE

ORIGINAL ISSUE OF NOTES

Section 501. Notes in the aggregate principal amount of \$300,000,000, or in such additional principal amount as the Company may issue pursuant to Section 201 of this Second Supplemental Indenture, may, upon execution of this Second Supplemental Indenture, or from time to time thereafter, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes upon a Company Order without any further action by the Company.

Section 502. Exchange Notes. Exchange Notes may from time to time be

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executed by the Company and delivered to the Trustee for authentication and the Trustee shall thereupon authenticate and deliver said Exchange Notes, upon cancellation of an equal amount of Restricted Securities tendered in exchange, upon a Company Order without further action by the Company.

ARTICLE SIX

SPECIAL TRANSFER PROVISIONS

Section 601. Legend on Restricted Securities. Upon the transfer,

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exchange or replacement of Notes not bearing the private placement legend set forth on the face of the Notes (the "Private Placement Legend"), the Registrar shall deliver Notes that do not bear the Private Placement Legend. Upon the transfer, exchange or replacement of any Note bearing the Private Placement Legend, the Registrar shall deliver only Notes that bear the Private Placement Legend unless and until (i) such Note is exchanged for an Exchange Note or sold in connection with an effective Registration Statement pursuant to the Registration Rights Agreement, (ii) with respect to the Offshore Global Notes (A) at least the 41st day after the Closing Date and (B) receipt by the Company and the Trustee of a certificate substantially in the form of Appendix B hereto, (iii) the circumstances contemplated by paragraph (b)(i)(x) or (d)(i) of Section 603 exist or (iv) there is delivered to the Registrar an opinion of counsel acceptable to the Company and the Trustee to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the Securities Act.

Section 602. Book-Entry Provisions for Global Notes (i) be registered

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in the name of the Depository for such Global Notes or the nominee of such Depository, (ii) be delivered to the Trustee as custodian for such Depository and (iii) bear legends, in addition to the Private Placement Legend, as set forth on the face of the form of the Note.

Members of, or participants in, the Depository ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depository, or the Trustee as its custodian, or under such Global Note, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Note.

(b) Transfers of a Global Note shall be limited as specified in Section 2.15.2 of the Original Indenture and the provisions of Section 603. Interests of beneficial owners in Global Notes may be transferred in accordance with the rules and procedures of the Depository and the provisions of Section 603. In addition, Physical Notes shall be transferred to all beneficial owners in exchange for their beneficial interests in the U.S. Global Notes or Offshore Global Notes, as the case may be, as specified in Section 2.15.2 of the Original Indenture.

(c) Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in such other Global Note and, accordingly, will thereafter

be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

(d) In connection with any transfer of a portion of the beneficial interests in a Global Note to beneficial owners pursuant to paragraph (b) of this Section 602, the Registrar shall reflect on its books and records the date and a decrease in the principal amount of such Global Note in an amount equal to the principal amount of the beneficial interest in such Global Note to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Physical Notes of like tenor and amount.

(e) In connection with the transfer of the U.S. Global Notes or the Offshore Global Notes, in whole, to beneficial owners pursuant to paragraph (b) of this Section 602, the U.S. Global Notes or Offshore Global Notes, as the case may be, shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in the U.S. Global Notes or Offshore Global Notes, as the case may be, an equal aggregate principal amount of Physical Notes of authorized denominations.

(f) Any Physical Note delivered in exchange for an interest in the U.S. Global Notes pursuant to paragraph (b), (d) or (e) of this Section 602 shall, except as otherwise provided by Section 601, bear the Private Placement Legend.

(g) The registered holder of a Global Note may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

Section 603. (a) Transfers to QIBs. The following provisions shall  
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apply with respect to the registration of any proposed transfer of a Note constituting a Restricted Security to a qualified institutional buyer as defined in Rule 144A (a "QIB"):

(i) If the Note to be transferred consists of (x) Physical Notes, the Registrar shall register the transfer if such transfer is being made by a proposed transferor who has checked the box provided for on the Note stating, or has otherwise advised the Company and the Registrar in writing, that the sale has been made in compliance with the provisions of Rule 144A to a transferee who has signed the certification provided for on the Note stating, or has otherwise advised the Company and the Registrar in writing, that it is purchasing the Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a QIB within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as it has requested pursuant to Rule 144A or has determined not to request such information

and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A or (y) an interest in the U.S. Global Notes, the transfer of such interest may be effected through the book entry system maintained by the Depositary; and

(ii) (a) If the proposed transferee is an Agent Member and the Notes to be transferred consist of Physical Notes which after transfer are to be evidenced by an interest in the U.S. Global Notes, upon receipt by the Registrar of instructions given in accordance with the Depositary's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the U.S. Global Notes in an amount equal to the principal amount of the Physical Notes to be transferred, and the Trustee shall cancel the Physical Notes so transferred and (b) (1) if the proposed transferor is an Agent Member holding a beneficial interest in the Offshore Global Notes, upon receipt by the Registrar of instructions in accordance with the Depositary's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and a decrease in the principal amount of the Offshore Global Notes in an amount equal to the principal amount of the beneficial interest in the Offshore Global Notes to be transferred, and (b) (2) if the

proposed transferee is an Agent Member, upon receipt by the Registrar of instructions given in accordance with the Depositary's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the U.S. Global Notes in an amount equal to the principal amount of the Offshore Global Notes to be transferred and the Trustee shall decrease the amount of the Offshore Global Notes.

(b) Transfers to Non-QIB Institutional Accredited Investors. The  
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following provisions shall apply with respect to the registration of any proposed transfer of a Note constituting a Restricted Security to any Institutional Accredited Investor which is not a QIB (excluding Non-U.S. Persons):

(i) The Registrar shall register the transfer of any Note, if (x) the requested transfer is after the time period referred to in Rule 144(k) under the Securities Act as in effect with respect to such transfer or (y) the proposed transferee has delivered to the Registrar (A) a certificate substantially in the form of Appendix A hereto and (B) an opinion of counsel acceptable to the Company that such transfer is in compliance with the Securities Act.

(ii) If the proposed transferor is an Agent Member holding a beneficial interest in a Global Note, upon receipt by the Registrar of (x) the documents, if any, required by paragraph (i) above and (y) instructions given in accordance with the Depositary's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and a decrease in the principal amount of the Global Note in an amount equal to the principal amount of the beneficial interest in the Global Note to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Physical Notes of like tenor and amount.

(c) Transfers of Interests in the Offshore Global Notes. The  
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following provisions shall apply with respect to any transfer of interests in Offshore Global Notes:

(i) until the expiration of the 40-day distribution compliance period within the meaning of Rule 903 of Regulation S, any offer or sale of interests in the Offshore Global Note shall be made (a) outside the United States in compliance with Rule 903 or 904 under the Securities Act or to a QIB in compliance with Rule 144A and (b) in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction;

(ii) prior to the removal of the Private Placement Legend from the Offshore Global Notes pursuant to Section 601, the Registrar shall refuse to register such transfer unless such transfer complies with Section 603(c) (i); and

(iii) after such removal, the Registrar shall register the transfer of any such Note without requiring any additional certification.

(d) Transfers to Non-U.S. Persons at Any Time. The following  
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provisions shall apply with respect to any transfer of a Restricted Security to a Non-U.S. Person:

(i) The Registrar shall register any proposed transfer to any Non-U.S. Person if (A) the Note to be transferred is a Physical Note or an interest in the U.S. Global Notes, and (B) the proposed transferor has delivered to the Registrar a certificate substantially in the form of Appendix B hereto and (C) the proposed transferee has delivered to the Registrar an opinion of counsel acceptable to the Company that such transfer is in compliance with the Securities Act.

(ii) (a) If the proposed transferor is an Agent Member holding a beneficial interest in the U.S. Global Notes, upon receipt by the Registrar of (x) the documents, required by paragraph (i) and (y) instructions in accordance with the Depositary's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and a decrease in the principal amount of the U.S. Global Notes in an amount equal to the

principal amount of the beneficial interest in the U.S. Global Notes to be transferred, and (b) if the proposed transferee is an Agent Member, upon receipt by the Registrar of instructions given in accordance with the Depository's and the Registrar's procedures, the Registrar shall reflect on its books and records the date and an increase in the principal amount of the Offshore Global Notes in an amount equal to the principal amount of the Physical Notes or the U.S. Global Notes, as the case may be, to be transferred, and the Trustee shall cancel the Physical Note, if any, so transferred or decrease the amount of the U.S. Global Notes.

Section 604. General. By its acceptance of any Note bearing the

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Private Placement Legend, each Holder of such a Note acknowledges the restrictions on transfer of such Note set forth in the Indenture and in such legend and agrees that it will transfer such Note only as provided in the Indenture.

The Registrar shall not register the transfer of any Note unless such transfer complies with the restrictions on transfer set forth in the Indenture. The Registrar shall retain, in accordance with its customary procedures, copies of all letters, notices and other written communications received pursuant to this Section 604. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

#### ARTICLE SEVEN

#### SUNDRY PROVISIONS

Section 701. No exchange of Notes for Exchange Notes pursuant to Section 2.8 of the Original Indenture shall occur until a Registration Statement shall have been declared effective by the Commission and any Notes that are exchanged for Exchange Notes shall be canceled by the Trustee.

Section 702. The Original Indenture, as supplemented by this Second Supplemental Indenture, is in all respects ratified and confirmed, and this Second Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

In Witness Whereof, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the day and year first above written.

KOHL'S CORPORATION

By: /s/ R. Lawrence Montgomery

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Name: R. Lawrence Montgomery  
Title Chief Executive Officer

THE BANK OF NEW YORK,  
as Trustee

By: /s/ Barbara A. Bevelaqua

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Name: Barbara A. Bevelaqua  
Title Vice President

EXHIBIT A

[Each Global Security, whether or not an Exchange Note, shall bear the following legend: Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Kohl's Corporation or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or to such other entity or in such other name as is requested by an authorized representative of DTC (and any payment hereon is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.]

[Any Global Security issued hereunder shall bear a legend in substantially the following form: This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depository or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by the Depository to a nominee of the Depository by a nominee of the Depository, by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such a successor Depository.]

[Private Placement Legend: THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")), (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPHS (a) (1), (2), (3) or (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR" FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S, (2) AGREES NOT TO OFFER, SELL OR OTHERWISE TRANSFER

SUCH NOTE PRIOR TO THE DATE WHICH IS THE LATER OF (X) TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) OF THE SECURITIES ACT) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR ANY PREDECESSOR OF THIS NOTE) AND THE LAST DATE ON WHICH KOHL'S CORPORATION OR ANY AFFILIATE OF KOHL'S CORPORATION WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE") EXCEPT (A) TO KOHL'S CORPORATION OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A INSIDE THE UNITED STATES, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) OUTSIDE THE UNITED STATES PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION WITHIN THE MEANING AND CONSISTENT WITH THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPHS (a) (1), (2), (3) or (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR" FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT KOHL'S CORPORATION, AND THE TRUSTEE SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO KOHL'S CORPORATION AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "UNITED STATES", "OFFSHORE TRANSACTION" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.]

[Each Offshore Global Note shall bear the following legend: PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF

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REGULATION S, THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON.]

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KOHL'S CORPORATION

6.3% Notes Due 2011

CUSIP No. \_\_\_\_\_

No. \_\_\_\_\_

\$  
Principal Amount

Kohl's Corporation, a corporation duly organized and existing under the laws of the State of Wisconsin (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to [\_\_\_\_\_] [Cede & Co.] or registered assigns, the principal sum of (\$ \_\_\_\_\_) on March 1, 2011, and to pay interest thereon semiannually (to holders of record of the Notes at the close of business on the February 15 and August 15 immediately preceding the interest payment date) on March 1 and September 1 in each year, commencing September 1, 2001, at the rate of 6.3% per annum, until the principal hereof is paid or made available for payment.

The interest so payable, and punctually paid or duly provided for, on any interest payment date, as provided in the Indenture, shall be paid to the Person in whose name this Note (or one or more predecessor Notes) is registered at the close of business on the February 15 or August 15 (whether or not a business day), as the case may be, next preceding such interest payment date. If the Company defaults in a payment of interest, it will pay the defaulted interest plus, to the extent permitted by law, any interest payable on the defaulted interest, to the persons who are Securityholders on a subsequent special record date, determined in accordance with the Indenture. The Company may pay the defaulted interest in any other lawful manner.

The statements set forth in the restrictive legend above are an integral part of the terms of this Note and by acceptance hereof each holder of this Note agrees to be subject to and bound by the terms and provisions set forth in such legend.

Payments of principal and interest on this Note will be made at the office or agency of the Company maintained for that purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by wire transfer or by check mailed on or prior to an interest payment date to the address of the Person entitled thereto as such address shall appear in the list of Securityholders.

Any payment of this Note due on any day which is not a business day in New York, New York need not be made on such day, but may be made on the next succeeding business day with the same force and effect as if made on the due date and no interest shall

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accrue for the period from and after such date, unless such payment is a payment at maturity or upon redemption, in which case interest shall accrue thereon at the stated rate for such additional days.

This Note is one of a duly authorized issue of securities of the Company, designated 6.3% Notes due 2011 (the "Notes"), issued and to be issued in one or more series under an Indenture, dated as of December 1, 1995, as supplemented by the Second Supplemental Indenture, dated as of March 8, 2001 (the "Indenture"), between the Company and The Bank of New York, as Trustee (the

"Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of a series designated on the face hereof, issued initially in the aggregate principal amount of \$300,000,000.

[INCLUDE IF SECURITY IS A GLOBAL NOTE -- This Note is a "book-entry" Note and is being registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), a clearing agency. Subject to the terms of the Indenture, this Note will be held by a clearing agency or its nominee, and beneficial interests will be held by beneficial owners through the book-entry facilities of such clearing agency or its nominee in minimum denominations of \$100,000 and integral multiples of \$1,000. As long as this Note is registered in the name of DTC or its nominee, the Trustee will make payments of principal of and interest on this Note by wire transfer of immediately available funds to DTC or its nominee. Notwithstanding the above, the final payment on this Note will be made after due notice by the Trustee of the pendency of such payment and only upon presentation and surrender of this Note at its principal corporate trust office or such other offices or agencies appointed by the Trustee for that purpose and such other locations provided in the Indenture.]

The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated as of March 8, 2001. In the event that (i) the Company fails to file an Exchange Offer Registration Statement with respect to the Notes with the Commission on or prior to the 135th calendar day following the Closing Date, (ii) the Commission does not declare such Exchange Offer Registration Statement effective on or prior to the 180th calendar day following the Closing Date, (iii) the Exchange Offer is not consummated on or prior to the 45th calendar day following the effective date of the Exchange Offer Registration Statement or (iv) if required, a Shelf Registration Statement with respect to the Notes is not declared effective by the Commission on or prior to the 210th calendar day following the Closing Date (each, a "Registration Default"), the per annum interest rate borne by the Notes shall be increased by one-quarter of one percent (0.25%) per annum from the end of the applicable period giving rise to such Registration Default. The interest rate borne by the Notes will be increased by an additional one-quarter of one percent (0.25%) per annum for each subsequent 90-day period (or portion thereof) during which any such Registration Default continues up to a maximum aggregate increase in the annual interest rate of one-half of one percent (0.50%) per annum. Following the cure of all Registration Defaults, the interest rate borne by the Notes shall be reduced to the original interest rate borne by the Notes. No increase in the rate shall be payable

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for any period during which a Shelf Registration is effective. All accrued additional interest shall be paid to Holders by the Company in the same manner as interest is paid pursuant to the Indenture. All terms used in this Note that are defined in the Registration Rights Agreement shall have the meanings assigned to them in the Registration Rights Agreement.

The Notes do not have the benefit of any sinking fund obligations.

Subject to the terms of Article Three of the Indenture, the Company shall have the right to redeem the Notes, in whole or in part, from time to time and at any time (such redemption, an "Optional Redemption", and the date thereof, the "Optional Redemption Date") upon at least 30 days' notice mailed to the registered address of each holder of the Notes, at a redemption price equal to the sum of (A) the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments thereon discounted to the Optional Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the sum of the Treasury Rate plus twenty basis points, less the Applicable Accrued Interest Amount plus (B) the Applicable Accrued Interest Amount.

"Applicable Accrued Interest Amount" means, at the Optional Redemption Date, the amount of interest accrued and unpaid from the prior interest payment date to the Optional Redemption Date on the Notes subject to the Optional Redemption determined at the rate per annum, computed on the basis of a 360-day year of twelve 30-day months.

"Comparable Treasury Issue" means the United States Treasury security, selected by a Reference Treasury Dealer appointed by the Company, as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed pursuant to the Optional Redemption.

"Comparable Treasury Price" means, with respect to the Optional Redemption Date, (1) the average of the Reference Treasury Dealer Quotations for such Optional Redemption Date after excluding the highest and lowest of those Reference Treasury Dealer Quotations, or (2) if the Trustee obtains fewer than five Reference Treasury Dealer Quotations, the average of all quotations.

"Reference Treasury Dealer" means any nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Optional Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Optional Redemption Date.

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"Remaining Scheduled Payments" means, for each Note to be redeemed, the remaining scheduled payments of principal and interest on that Note that would be due after the related Optional Redemption Date but for that Optional Redemption. If the Optional Redemption Date is not an interest payment date with respect to that Note, the amount of the next succeeding scheduled interest payment on that Note will be reduced by the amount of interest accrued on the Note to the Optional Redemption Date.

"Treasury Rate" means, with respect to the Optional Redemption Date (if any), the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Optional Redemption Date.

If an Event of Default with respect to Notes of this series shall occur and be continuing, the principal of all the Notes of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

[INCLUDE IF SECURITY IS A GLOBAL SECURITY -- In the event of a deposit or withdrawal of an interest in this Note, including an exchange, transfer, repurchase or conversion of this Note in part only, the Trustee, as custodian of the Depositary, shall make an adjustment on its records to reflect such deposit or withdrawal in accordance with the rules and procedures of the Depositary.]

[INCLUDE IF SECURITY IS A RESTRICTED SECURITY -- Subject to certain limitations in the Indenture, at any time when the Company is not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, upon the request of a Holder of a Restricted Security, the Company will promptly furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder of Restricted Securities, or to a prospective purchaser of any such security designated by any such Holder, to the extent required to permit compliance by any such Holder with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). "Rule 144A Information" shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).]

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness of the Company under this Note and (b) certain restrictive covenants and the related defaults and Events of Default applicable to the Company, in each case, upon compliance by the Company with certain conditions set forth in the Indenture, which provisions apply to this Note.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the

consent of the Holders of at least 66% in aggregate principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Securities of each series at the time Outstanding, on behalf of the

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Holders of all Securities of each series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer thereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium, and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in and subject to the provisions of the Indenture, the Holder of this Note shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Notes of this series, the Holders of not less than 25% in principal amount of the Notes of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity and the Trustee shall not have received from the Holders of a majority in principal amount of Notes of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Notes for the enforcement of any payment of principal hereof or any interest hereon on or after the respective due dates expressed herein.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Notes is registrable upon surrender of this Note to the Registrar, for registration of transfer duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Registrar attached hereto duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes, and of like tenor, of authorized denominations and for the same aggregate principal amount, shall be issued to the designated transferee or transferees.

The Notes of this Series are issuable only in fully registered form without coupons in denominations of \$100,000 and any integral multiples of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, the Notes of this Series are exchangeable for a like aggregate principal amount of Notes of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

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Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company, or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and none of the Company, the Trustee or any such agent shall be affected by notice to the contrary.

Interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months.

The Company shall furnish to any Holder of record of Notes, upon written request and without charge, a copy of the Indenture.

The Indenture and this Note each shall be governed by and construed in accordance with the laws of the State of New York.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

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ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common.

UNIF GIFT MIN ACT -- \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

under the Uniform Gifts to Minors Act

\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

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FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s), and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR  
OTHER IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please print or typewrite name and address including postal zip code of assignee

\_\_\_\_\_  
the within Security and all rights thereunder, hereby irrevocably constituting and appointing

\_\_\_\_\_  
attorney to transfer said Security on the books of the Company, with full power of substitution in the premises.

Date: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as written upon the within instrument in ever particular, without alteration or enlargement, or any change whatsoever.

[THE FOLLOWING PROVISION TO BE INCLUDED  
ON ALL NOTES THAT HAVE THE PRIVATE

PLACEMENT LEGEND]

In connection with any transfer of this Note occurring prior to the date which is the earlier of (i) the date the Shelf Registration Statement is declared effective or (ii) the end of the period referred to in Rule 144(k) under the Securities Act, the undersigned confirms that without utilizing any general solicitation or general advertising that:

[Check One]  
-----

(a) this Note is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

or  
--

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(b) this Note is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 603 of the Indenture shall have been satisfied.

Date: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date: \_\_\_\_\_

NOTICE: To be executed by an executive officer

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In Witness Whereof, the Company has caused this instrument to be duly executed

Dated: KOHL'S CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_  
Name:  
Title:

TRUSTEE'S CERTIFICATE  
OF AUTHENTICATION

This is one of the Securities of the Series  
originated therein referred to in the  
within-mentioned Indenture.

THE BANK OF NEW YORK,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

APPENDIX A  
-----

Form of Certificate to Be  
Delivered in Connection with  
Transfers to Non-QIB Accredited Investors  
-----

\_\_\_\_\_,  
The Bank of New York  
101 Barclay Street 21W  
New York, New York 10286  
Attention: Corporate Trust Trustee Administration

Re: Kohl's Corporation (the "Company")  
6.3% Notes due March 1, 2011, (the "Notes") \_\_\_\_\_  
-----

Ladies and Gentlemen:

In connection with our proposed purchase of \$ \_\_\_\_\_ aggregate  
principal amount of the 6.3% Notes due 2011 (the "Notes") of Kohl's Corporation,  
a Wisconsin corporation ("Kohl's"), we confirm that:

1. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act")), purchasing for our own account or for the account of such an institutional "accredited investor," and we are acquiring the Notes for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act or other applicable securities law and we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

2. We understand and acknowledge that the Notes have not been registered under the Securities Act or any other applicable securities law and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth below. We agree on our own behalf and on behalf of any investor account for which we are purchasing Notes to offer, sell or otherwise transfer such Notes prior to (x) the date which is two years (or such shorter period of time as permitted by Rule 144(k) under the Securities Act) after the later of the date of original issue and the last date on which Kohl's or any affiliate of Kohl's was the owner of such Notes (or any predecessor thereto) and (y) such later date, if any, as may be required by applicable law (the "Resale Restriction Termination Date") only (a) to Kohl's or any of Kohl's subsidiaries, (b) pursuant to a registration statement which has been declared

effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person we reasonably believe is a "Qualified Institutional Buyer" within

the meaning of Rule 144A (a "QIB") that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales to non-U.S. persons in an offshore transaction within the meaning and consistent with the terms and conditions of Regulation S under the Securities Act, (e) to an institutional "accredited investor" within the meaning of subparagraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring the Notes for its own account or for the account of such an institutional "accredited investor" for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and to compliance with any applicable state or other securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above prior to the Resale Restriction Termination Date, the transferor shall deliver to the trustee (the "Trustee") a letter from the transferee substantially in the form of this letter, which shall provide, among other things, that the transferee is a person or entity as defined in paragraph 1 of this letter and that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act. We acknowledge that the Company and the Trustee reserve the right prior to any offer, sale or other transfer of the Notes pursuant to clauses (d), (e) or (f) above prior to the Resale Restriction Termination Date to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to Kohl's and the Trustee.

3. We are acquiring the Notes purchased by us for our own account or for one or more accounts as to each of which we exercise sole investment discretion.

4. You are entitled to rely upon this letter and you are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

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Very truly yours,

By: \_\_\_\_\_ (Name of Purchaser)

Date: \_\_\_\_\_

Upon transfer the Notes would be registered in the name of the new beneficial owner as follows:

Name	Address	Taxpayer ID Number
----	-----	-----

APPENDIX B  
-----

Form of Certificate to Be Delivered in  
Connection with Transfers Pursuant to Regulation S  
-----

Kohl's Corporation  
c/o The Bank of New York  
101 Barclay Street 21W  
New York, New York 10286  
Attention: Corporate Trust Trustee Administration

Re: Kohl's Corporation (the "Company")

Dear Sirs:

In connection with our proposed sale of U.S.\$ \_\_\_\_\_ aggregate principal amount of the Notes, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the Securities Act of 1933 and, accordingly, we represent that:

- (1) the offer of the Notes was not made to a person in the United States;
- (2) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States;
- (3) no directed selling efforts have been made by us in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable; and
- (4) the transaction is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act of 1933.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By:

-----  
Authorized Signature

KOHL'S CORPORATION  
AMENDED & RESTATED  
DEFERRED COMPENSATION PLAN

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KOHL'S CORPORATION  
 AMENDED & RESTATED  
 DEFERRED COMPENSATION PLAN

WHEREAS, Kohl's Department Stores, Inc. ("KDS") established the 1993 Non-Qualified Deferred Compensation Plan as amended; and

WHEREAS, Kohl's Corporation desires to amend and restate the Kohl's Corporation Deferred Compensation Plan as a master plan to permit certain of its and its affiliate entities' senior management employees to provide supplemental retirement income benefits through the deferral of salary, bonus and incentive compensation; and

WHEREAS, KDS, a subsidiary of Kohl's Corporation, desires to amend and restate the 1993 Non-Qualified Deferred Compensation Plan, as amended, to conform to the provisions of this Kohl's Corporation Deferred Compensation Plan;

NOW, THEREFORE, Kohl's Corporation and KDS hereby adopt, amend and restate, as the case may be, effective October 1, 1997, as follows:

ARTICLE I

TITLE AND DEFINITIONS  
 -----

1.1. Title. This Plan shall be known as the Kohl's Corporation  
 -----  
 Deferred Compensation Plan.

1.2. Definitions. Whenever the following words and phrases are used  
 -----  
 in this Plan, with the first  
 letter capitalized, they shall have the meaning specified below:

a) "Account" or "Accounts" shall mean a Participant's Deferral Account.

b) "Base Salary" shall mean a Participant's annual base salary, excluding Performance Bonuses, Equity Share Awards and all other remuneration for services rendered to the Company.

c) "Beneficiary" or "Beneficiaries" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Committee to receive the benefits specified hereunder in the event of the death of a Participant. No beneficiary designation shall become effective until it is filed with the Committee. Any designation shall be revocable at any time through a written instrument filed by the Participant with the Committee with or without the consent of the previous Beneficiary. If there is no such designation, then the surviving spouse of the Participant shall be the Beneficiary. If there is no surviving spouse to receive any benefits

payable in accordance with the preceding sentence, the estate of the Participant shall be the Beneficiary. In the event any amount is payable under the Plan to a minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within sixty (60) days after the date the amount becomes payable (or such extended period as the Committee determines is reasonably necessary to allow such guardian to be appointed), payment shall be deposited with the court having jurisdiction over the estate of the minor. The Company may condition any payment hereunder on the receipt of such release as the Company may request. Payment by the Company pursuant to any unrevoked Beneficiary designation, or to the spouse or estate of the Participant if no such designation exists, of all benefits owed hereunder shall terminate any and all liability of Company.

d) "Board of Directors" shall mean the Board of Directors of the Company.

e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

f) "Committee" shall mean the Committee appointed by the Board of the Company to administer the Plan.

g) "Company" shall mean Kohl's Corporation and any successor corporations and each corporation which is an "affiliate" member of a controlled group of corporations (within the meaning of Section 414(b) of the Code) of which Kohl's Corporation is a component member, if the Board of the Company and the Board of Directors of the applicable corporation provides that such corporation shall participate in the Plan.

h) "Compensation" shall mean Base Salary, Performance Bonuses, Equity Share Awards and other compensation that the Participant is entitled to receive for services rendered to the Company.

i) "Competition with the Company" means that a Participant, directly or indirectly, whether as a partner, officer, director, employee, manager, consultant or otherwise, during the one (1) year period following the Participant's Termination of Employment performs services for any organization which is or owns or provides advice to a retail department or retail specialty store selling goods competitive with the Company or any of its affiliates in any area which is within five (5) miles of any retail store operated by the Company or any of its affiliates.

j) "Credit Rate" for each Fund shall mean an amount equal to the net gain or loss on the assets deemed invested in each Fund by the Participant during each month.

k) "Declining Balance Method" is the method by which the Account is to be distributed in installments (a "Distribution") to a Participant or his beneficiary following the Termination of a Participant. According to the Declining Balance Method, a Distribution will be equal to a portion of the Account remaining undistributed immediately prior to the Distribution multiplied by a fraction, the numerator of which shall be one (1) and the denominator of which shall be the number of periods during which Distributions remain to be paid, including the period for which

the Distribution is being computed. Section V below shall govern the duration of each period and the number of periods over which amounts credited to Accounts may be distributed.

l) "Deferral Account" shall mean the bookkeeping account maintained by the Committee for each Participant that is credited with amounts equal to (1) the portion of the Compensation the Participant elects to defer; and (2) net earnings and losses on such amount as provided herein; less (3) prior withdrawals, forfeitures and expenses allocated by the Committee to the Deferral Account of the Participant.

m) "Dependent" shall mean an individual described in Section 152(a) of the Code.

n) "Disability," if the Participant is covered by an individual or group long-term policy paid for by the Company, shall mean total disability as defined in such policy without regard to any waiting period. If the Participant is covered by both an individual and a group policy, Disability occurs under this Plan when total disability occurs under either the individual or the group policy, also without regard to any waiting period. If the Participant is not covered by such a policy, Disability shall mean the Participant is suffering a sickness, accident or injury which, in the judgment of a physician satisfactory to the Committee, prevents the Participant from performing substantially all of his/her normal duties for the Company. As a condition to any benefits, the Committee may require the Participant to submit to such physical or mental evaluations and tests as the Committee deems appropriate.

o) "Distributable Amount" shall mean the amounts credited to the Deferral Account of a Participant.

p) "Early Distribution" (Unscheduled In-Service Withdrawal), "Programmed Early Distribution" (Scheduled In-Service Withdrawals), and "Hardship Withdrawals" shall be in-service withdrawals with different applications. (See Article V, Sections 5.2, 5.3 and 5.4 respectively).

q) "Effective Date" shall mean August 1, 1998, the effective date of this amendment, restatement and adoption.

r) "Eligible Employee" shall mean such management employees that are actively employed by the Company on a full time basis as are designated by the Board for participation in this Plan.

s) "Equity Share Award" shall mean amounts payable to a Participant under the terms of the Equity Incentive Plan of Kohl's Department Stores, Inc., the Management Incentive Plan of Kohl's Department Stores, Inc., and such other incentive compensation arrangements as the Committee determines to be eligible to be included as an Equity Share Award.

t) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

u) "Fund" or "Funds" shall mean one or more of the investment funds selected by the Committee from time to time.

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v) "Initial Election Period" for an Eligible Employee shall mean the period from August 20, 1997 to September 30, 1997, or, if later, the thirty (30) day period following the date the employee initially becomes an Eligible Employee.

w) "Participant" shall mean any Eligible Employee who becomes a Participant in accordance with Article II hereof.

x) "Payment Date" shall mean on March 31 (or such other date determined by the Committee) of the Company's fiscal year which commences after the date of a Participant's Termination of Employment.

y) "Performance Bonuses" shall mean the performance bonus earned during a Plan Year, whether or not paid during such Plan Year as such performance bonuses may be determined by the Company.

z) "Plan" shall mean the Kohl's Corporation Deferred Compensation

Plan set forth herein, as amended from time to time.

aa) "Plan Year" shall mean the twelve (12) consecutive monthly periods beginning on January 1 and ending on December 31 of each year, or such shorter period beginning on the date an Eligible Employee becomes a Participant and ending on the last day of the calendar year.

bb) "Policy" shall mean any insurance policy purchased in connection with this Plan.

cc) "Reasonable Cause" shall mean any of the following with respect to the Participant's position of employment with the Company:

(i) Gross negligence, fraud or willful violation of any law or significant Company policy committed in connection with the position of the Participant with the Company; or

(ii) Failure to substantially perform (for reasons other than Disability) the duties reasonably assigned or appropriate to the position of the Participant.

dd) "Retirement" shall mean:

(i) for employees hired before August 31, 1988, the date on which an employee attains age 65;

(ii) for employees hired after August 31, 1988, the later of the date on which an employee attains age 65 or the fifth anniversary of the employee's participation in the Company's retirement program; or

(iii) such other ages and length of service the Committee shall from time to time determine to allow Participants to qualify for normal retirement under the Plan.

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ee) "Early Retirement" shall mean the date on which an employee has been employed by the Company for ten (10) years on or after the employee attains age 55.

ff) "Termination of Employment" means the Participant ceases to be actively employed by the Company for any reason on a full time basis.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

2.1. Eligibility. The Board shall from time to time determine the ----- employees of the Company that are Eligible Employees. The Committee shall promptly notify each employee of the Company designated as an Eligible Employee of his/her right to participate in the Plan. The designation of an employee of the Company as an Eligible Employee for any Plan Year shall not confer upon such employee a right to continue as an Eligible Employee in any other Plan Year.

2.2. Participant. A Participant in the Kohl's Department Stores, Inc. ----- 1993 Deferred Compensation Plan immediately prior to the Effective Date shall continue such participation as a Participant in this Plan. An employee of the Company who was an Eligible Employee prior to the Effective Date, but not a Participant, may become a Participant in accordance with rules established by the Committee. An employee of the Company who becomes an Eligible Employee may become a Participant in the Plan in accordance with rules established by the Committee.

## ARTICLE III

### DEFERRAL ELECTIONS

3.1. Elections to Defer Compensation. -----

a) General Rule. The amount of Compensation which an Eligible

Employee may elect to defer is Compensation earned on or after the effective date of the election by the Eligible Employee to defer in accordance with this Article III. The Eligible Employee shall generally be eligible to defer a percentage or dollar amount of compensation which shall not exceed one hundred percent (100%) of the Eligible Employee's Compensation, provided that the total amount deferred by a Participant shall be limited in any calendar year, if necessary, to an amount in excess of the amount required to satisfy social security tax (including Medicare and any other applicable tax or similar assessment), income tax and employee benefit plan withholding requirements as determined by the Committee. The minimum deferral that may be made for any Plan Year by an Eligible Employee shall not be less than Five Thousand Dollars (\$5,000.00), provided, however, the minimum deferral for the Initial Election Period for participation pursuant to 3.1 shall be prorated based on the number of months of participation remaining in the calendar year.

b) Initial Election Period. The Committee shall establish rules regarding (i) the participation by employees of the Company who were not Eligible Employees prior to the Effective Date; (ii) the participation of employees of the Company who were Eligible Employees

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prior to the Effective Date but were not Participants; and (iii) additional deferrals of compensation by previous Participants.

c) Annual Election. An employee's election during the Initial Election Period to defer Base Salary shall be in effect for all Plan Years unless on or before December 15th of the year prior to the applicable year the Participant changes or terminates his/her election and such amended election shall be applicable until amended or revoked as provided herein. An Eligible Employee's election during the Initial Election Period to defer any other Compensation shall be in effect only for the Plan Year to which such election relates. Any subsequent election with respect to Compensation must be filed by December 15th of the year prior to the year the Compensation is earned. The failure to make an election with respect to any other Compensation earned during the Plan Year shall result in no deferral of Compensation for such Plan Year. The Committee shall from time to time promulgate rules applicable to elections to defer Compensation.

d) Duration of Compensation Deferral Election. An Eligible Employee's initial election in accordance with this Plan shall be effective on the first day of the first pay period beginning after such Initial Election Period. An Eligible Employee's election after the Initial Election Period in accordance with this Plan shall be effective on the first day of the Plan Year following such election.

### 3.2. Investment Elections. -----

a) The Committee shall from time to time select types of investment Funds and specific Funds available for investment designation by Participants with respect to Deferral Accounts. The Committee shall notify Participants of the type of Funds and the specific Funds selected from time to time. At the time of making the deferral elections described in Section 3.1, each Participant shall designate, on a form provided by the Committee, the types of investment funds the Account of the Participant will be deemed to be invested in for purposes of determining the Credit Rate to be credited to that Account. In making the designation, a Participant may specify that all or any percentage of his/her Deferral Account (in one percent (1%) or more whole percentage increments) be deemed to be invested in one or more of the types of investment funds selected by the Committee. Effective as of the end of any calendar month, a Participant may change the designation made by filing an election, on a form provided by the Committee, at least five (5) days prior to the end of such month. Such change shall be effective as of the beginning of the next calendar month. If a Participant fails to timely elect a type of Fund, he/she shall be deemed to have elected the money market type of investment Fund or such other Fund as the Committee may from time to time designate as the Fund to be employed if no timely election is made. A Participant may make investment elections either prior to or after Termination of Employment, or in the event of a Participant's death, the Beneficiary designated by the Participant may make investment elections.

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b) Although the Participant may designate the type of investment Funds, the Committee shall not be bound to invest such amount in any specific Fund and shall have no liability to Participants for failure to so invest. The Committee shall select from time to time, in its sole discretion, commercially available investment Funds of the investment types determined from time to time by the Committee. The Committee may from time to time select alternate Funds in addition to or in replacement of Funds previously selected. The Credit Rate of each such commercially available investment fund shall be used to determine the amount of earnings or losses to be credited to the Account of the Participant.

#### ARTICLE IV

##### ACCOUNTS AND TRUST FUNDING

4.1. Deferral Accounts. The Committee shall establish and maintain a -----  
Deferral Account for each Participant under the Plan. Each Participant's Deferral Account shall be further divided into separate subaccounts ("Investment Fund Subaccounts"), each of which corresponds to an investment Fund selected by the Participant. A Participant's Deferral Account shall be credited as follows:

a) As of the last day of each month, the Committee shall credit the Participant's Deferral Account with an amount equal to Compensation deferred by the Participant during each pay period occurring in that month in accordance with the deferral election of the Participant. Compensation that the Participant has elected to be deemed to be invested in a certain type of Fund shall be credited to the Investment Fund Subaccount as of the end of the month.

b) As of the last day of each month, each Investment Fund Subaccount of a Participant's Deferral Account shall be credited with earnings or losses in an amount equal to that determined by multiplying the balance credited to such Investment Fund Subaccount as of the last day of the preceding month by the Credit Rate for the applicable month for the corresponding Fund in which the amount is deemed invested.

4.2. Trust Funding. The Company has created a Trust into which the -----  
Company shall deposit amounts equal to the amounts deferred by Participants. The Company shall cause the Trust to be funded each month. The Company shall contribute to the Trust an amount equal to the amount deferred by each Participant for each month during the Plan Year.

Although the principal of the Trust and any earnings thereon shall be held separate and apart from other funds of Company and except as otherwise provided herein, shall be used exclusively for the uses and purposes of Plan Participants and beneficiaries as set forth therein, neither the Participants nor their beneficiaries shall have any preferred claim on, or any beneficial ownership in, any assets of the Trust prior to the time such assets are paid to the Participants or beneficiaries as benefits and all amounts credited under this Plan shall represent unsecured contractual rights of Plan Participants and beneficiaries against the Company. Any assets held in the Trust will be subject to the claims of general creditors of the Company under federal and state law in the event of insolvency as defined in the Trust.

Except as provided above and except for amounts forfeited by a Participant hereunder, the assets of the Plan and Trust shall not inure to the benefit of the Company other than in the case of insolvency as defined in the Trust and the same shall be held for the purpose of providing benefits to Participants and their beneficiaries and defraying reasonable expenses of administering the Plan and Trust.

#### ARTICLE V

##### DISTRIBUTION OF DEFERRED COMPENSATION

5.1. Distribution Due to Termination of Employment. In the case of a -----  
Termination of Employment of a Participant, the Distributable Amount shall be paid to the Participant (and after his/her death to his/her Beneficiary) in the

form of calendar quarterly installments over fifteen years (15) years beginning on his/her Payment Date on the Declining Balance Method. Notwithstanding the foregoing, a Participant described in the preceding sentence may elect one of the following optional forms of distribution provided that his/her election is filed with the Committee at least one (1) year prior to his/her Termination of Employment:

- a) A lump sum distribution on the Participant's Payment Date; or
- b) Calendar quarterly installments over a period of whole years as selected by the Participant which is at least one (1) year but not more than fourteen (14) years beginning on the Participant's Payment Date on the Declining Balance Method.

Notwithstanding any election by a Participant, in the event (X) a Participant's employment is terminated (i) voluntarily by the Participant (but not as a result of Retirement or Early Retirement); or (ii) by the Company for Reasonable Cause, (Y) the Participant engages in Competition with the Company following Termination of Employment, or (Z) the Participant's Distributable Amount at any time following Termination of Employment is not more than Twenty-Five Thousand Dollars (\$25,000.00), the Committee may determine that such Participant Distributable Amount shall be paid in a lump-sum distribution.

c) In the case of a Participant who dies while employed by the Company, the Company will pay the Participant such additional benefit, if any, as the Committee may from time to time determine to pay from insurance benefits as a result of the death of the Participant.

d) In the event a Participant dies after his Termination of Employment and still has a balance in his/her Deferral Account, the balance of such Deferral Account shall continue to be paid in quarterly installments for the remainder of the period as elected by the Participant to the Beneficiary designated by the Participant.

5.2. Early Distribution. A Participant shall be permitted to elect an  
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Early Distribution from his/her Deferral Account prior to the Payment Date, subject to the following restrictions:

- a) The election to take an Early Distribution shall be made by completing a form prescribed by and filed with the Committee prior to the end of any calendar month.
- b) A Participant shall specify the amount the Participant has elected for Early Distribution. The amount of the Early Distribution shall in all cases not exceed ninety percent (90%) of the total Deferral Account as of the end of the calendar month during which request is made. A Participant who elects an Early Distribution shall permanently forfeit an amount equal to ten percent (10%) of the amount elected for Early Distribution from such Participant's Deferral Account. The Company shall have no obligations to the Participant or his/her Beneficiary with respect to any forfeited amount.

c) The amount described in subsection (b) above shall be paid in a single cash lump sum as soon as practicable after the end of the calendar month in which the Early Distribution election is made.

d) If a Participant receives an Early Distribution, the Participant will be ineligible to participate in the Plan for the balance of the Plan year during which the Early Distribution occurs and for the following Plan Year.

5.3. Programmed Early Distributions. A Participant shall be permitted  
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to elect a Programmed Early Distribution from his/her Deferral Account prior to the Payment Date, subject to the following restrictions:

- a) The election to take a Programmed Early Distribution shall be made by filing a form prescribed by and with the Committee prior to the end of any calendar month;
- b) The amount of the Programmed Early Distribution shall be as specified in the form filed with the Committee requesting such Distribution;

c) The amount described in Subsection (b), above, shall be paid on the date set forth in the notice filed with the Committee but in no event before the end of the twenty-fourth (24th) month after such filing.

d) If a Participant receives an Early Distribution, the Participant will be ineligible to participate in the Plan for the balance of the Plan year during which the Early Distribution occurs and for the following Plan Year.

#### 5.4. Hardship Withdrawals.

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a) Any Participant who has been determined by the Committee to have incurred a "Financial Hardship" as defined herein may request and receive a withdrawal of all or part of his/her Account balance.

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b) In the event a Participant desires to withdraw an amount as a Financial Hardship withdrawal:

1) The Participant shall deliver a request for such withdrawal to the Committee setting forth the amount requested and the factual basis for such hardship request. The request for withdrawal shall be in a form which complies with requirements, if any, established by the Committee.

2) If the Participant's request for Financial Hardship withdrawal is approved by the Committee, the distribution shall be made on the last day of the month following such approval and the Participant shall be ineligible to participate in the Plan for the balance of the Plan Year.

3) If the Participant's request for Financial Hardship withdrawal is denied by the Committee, in whole or in part, the Committee shall notify the Participant of such denial.

c) "Financial Hardship" is defined as an immediate and significant financial need of the Participant where such Participant lacks other available resources. Notwithstanding the foregoing, only the following financial needs shall be considered immediate and significant:

1) Expenses incurred due to a sudden and unexpected illness or accident of the Participant or of a dependent of the Participant;

2) Loss of the Participant's property due to casualty; or

3) Such other similar, extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

d) Notwithstanding the foregoing, a distribution will be considered as necessary to satisfy an immediate and significant financial need of the Participant only if such need has not and cannot be relieved:

1) Through reimbursement or compensation by insurance or otherwise;

2) By liquidation of the assets of the Participant, to the extent the liquidation of such assets would not itself cause severe financial hardship;

3) Be cessation of deferrals under the Plan; or

4) By borrowing funds from any source, to the extent such borrowing of funds would not itself cause severe financial hardship.

#### 5.5. Other Amounts. Any amounts not required to be paid to the

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Participants hereunder shall belong to the Company and no Participants shall have any rights thereto.

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ARTICLE VI

ADMINISTRATION

6.1. Committee. The Committee shall be appointed by, and serve at the pleasure of, the Board. The number of members comprising the Committee shall be determined by the Board from time to time. A member of the Committee may resign by delivering a written notice of resignation to the Board. The Board may remove any member. Vacancies in the membership of the Committee shall be filled promptly by the Board.

6.2. Committee Action. The Committee shall act at meetings by affirmative vote of a majority of the members of the Committee. Any action permitted to be taken at a meeting may be taken without a meeting if a written consent to the action is signed by all members of the Committee. A member of the Committee shall not vote or act upon any matter which relates solely to himself/herself as a Participant. The chairman or any other member or members of the Committee designated by the chairman may execute any certificate or other written direction on behalf of the Committee.

6.3. Powers and Duties of the Committee. The Committee shall administer the Plan in accordance with its terms, and shall have all powers necessary to accomplish its purposes including, but not by way of limitation, the following:

- a) To select the types of investments and the Funds in accordance with Section 3.2 hereof;
- b) To construe and interpret the provisions of this Plan;
- c) To compute the amount of benefits payable to Participants and their Beneficiaries.
- d) To maintain all records that may be necessary for the administration of the Plan;
- e) To provide for the disclosure of all information and the filing of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- f) To make and publish rules, definitions and procedures for administration of the Plan;
- g) To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of the Plan as the Committee may from time to time prescribe; and
- h) To take all actions necessary or in its best interests for the administration of the Plan.

6.4. Committee and Interpretation. The Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, which interpretations or construction shall be final and binding on all parties including, but not limited to, the Company and any Participant or Beneficiary.

6.5. Compensation and Expenses.

- a) The members of the Committee shall serve without compensation for their services hereunder.
- b) The Committee is authorized at the expense of the Company to employ such legal counsel as it may deem advisable to assist in the performance of its duties hereunder. The Committee may require Participants to pay expenses and fees incurred in connection with the administration of the Plan. To the extent authorized by Company, expenses and fees in connection with the administration of the Plan shall be paid by the Company.

6.6. Liability. Neither the Committee nor any member of the Committee

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nor the Company nor any other person who is acting on behalf of the Committee or the Company shall be liable for any act or failure to act hereunder except for gross negligence or fraud. Such persons shall be indemnified and held harmless against any and all claims, damages, liabilities, costs and expenses (including attorneys' fees) arising by reason of any good faith error of omission or commission with respect to any responsibility, duty or action hereunder.

6.7. Quarterly Statements. The Committee, under procedures

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established by it, shall provide a statement with respect to each Account of the Participant on a quarterly basis.

6.8. Disputes.

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a) An individual who believes that he/she is being denied a benefit to which he/she is entitled under this Plan (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee setting forth his/her claim. The request must be addressed to the Chairman of the Committee at its then principal place of business.

b) Upon receipt of a claim, the Committee shall deliver a reply within a ninety (90) day period after receipt of the claim. The Committee may, however, extend the reply period for an additional ninety (90) days by notice to the Claimant.

If the claim is denied in whole or in part, the Committee shall inform the Claimant in writing, using language calculated to be understood by the Claimant, setting forth: (i) the specified reason or reasons for such denial; and (ii) appropriate information as to the procedure to be followed if the Claimant wishes to submit the claim for review.

c) Within sixty (60) days after the receipt by the Claimant of the opinion of the Committee, the Claimant may request in writing that the Company review the determination of the Committee. Such request must be addressed to the secretary of the Company at its then principal place of business. The Claimant or his/her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Company. If the Claimant does not request a review within such sixty (60) day period, the Claimant shall be barred and estopped from challenging the Committee's determination.

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d) Within ninety (90) days after the Company's receipt of a request for review, after considering all materials presented by the Claimant, the Company will inform the Participant in writing, in a manner calculated to be understood by the Claimant, of its decision setting forth the specific reasons for the decision. If special circumstances require that the ninety (90) day time period be extended, the Company will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred eighty (180) days after receipt of the request for review. The decision of the Company shall be final, binding and conclusive upon Claimant.

ARTICLE VII

MISCELLANEOUS

7.1. Unsecured General Creditor. Participants and their

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Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims or interest in any specific property or assets of the Company. No assets of the Company shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Deferral Accounts shall remain the Company's assets and shall remain the general unpledged and unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan be unfunded for purposes of the Code and for purposes of Title I of ERISA.

7.2. Restriction Against Assignment. The Company shall pay all  
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amounts payable hereunder only to the person or persons designated according to the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, engagements of any Participant, his/her Beneficiary, or successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, sell, transfer, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, commute, assign, pledge, encumber, or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Committee, in its sole discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

7.3. Withholding. There shall be deducted from each payment made  
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under the Plan or any other Compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or Compensation) by the amount of cash sufficient to provide the amount of said taxes.

7.4. Amendment, Modification, Suspension or Termination. The Company  
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may amend, modify, suspend or terminate the Plan in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts

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allocated to a Participant's Account (neither the Policies themselves, nor the death benefit shall be treated as allocated to any Account). In the event this Plan is terminated, the amounts allocated to a Participant's Account shall be distributed to the Participant or, in the event of his/her death, his/her Beneficiary in a lump sum within thirty (30) days following the date of Plan termination.

7.5. Governing Law. This Plan shall be construed, governed and  
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administered in accordance with the laws of the State of Wisconsin.

7.6. Receipt or Release. Any payment to a Participant or the  
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Participant's Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company. The Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

7.7. Payments on Behalf of Persons Under Incapacity. In the event  
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that any amount becomes payable under the Plan to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefor, the Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person.

7.8. No Continued Right to Employment. The designation of a key  
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employee as an Eligible Employee under this Plan shall not be construed as conferring upon such employee any right to remain employed by the Company or obligate the Company to continue the employment of the employee or limit the right of the Company to discipline the employee or terminate the employee's employment. Termination of Employment of the Participant with the Company for any reason, whether by action of the Company or employee, shall immediately terminate the employee's participation in the Plan and all further obligations of the Company under the Plan to the employee, except for obligations incurred prior to Termination of Employment. In no event shall this Plan, by its terms or implication, constitute an employment contract of any nature between the Company

and the employee.

7.9. Information. Each person, whether a Participant, a duly  
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designated beneficiary of a Participant, a guardian or any other person,  
entitled to receive payment under the Plan shall provide the Committee with such  
information or documents as the Committee may from time to time deem necessary  
or in its best interests in administering the Plan.

FIRST AMENDMENT TO  
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EMPLOYMENT AGREEMENT  
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This First Amendment to the January 31, 1998 Employment Agreement between KOHL'S DEPARTMENT STORES, INC., a Delaware corporation ("Corporation"), and R. Lawrence Montgomery ("Executive") is made as of this 15th day of November, 2000.

1. Article 1 of the Agreement is hereby revised to read, in its entirety, as follows:

ARTICLE I  
Employment Duties

During the term of the Executive's employment hereunder, the Corporation shall employ the Executive and the Executive shall serve as Chief Executive Officer of the Corporation. Subject to the authority and direction of the Board of Directors of the Corporation, the Executive shall have supervision and control over, and responsibility for, the general management and day-to-day operation of the Corporation. The Executive shall also have such other powers and duties as may from time to time be prescribed by the Board of Directors of the Corporation; provided, however, that such duties are reasonably consistent with the duties normally performed by a Chief Executive Officer. The Executive's principal place of employment shall be at the Corporation's headquarters in Menomonee Falls, Wisconsin; provided, however, that the Executive acknowledges and agrees that he may from time to time be required to travel outside Milwaukee, Wisconsin on behalf of the Corporation. The Executive shall devote his entire working time and efforts to the business affairs of the Corporation and its affiliates and shall faithfully and to the best of his ability perform his duties hereunder, provided that Executive may take reasonable amounts of time to serve on corporate, civil or charitable boards or committees if such activities do not interfere with the performance of Executive's duties hereunder. The Executive hereby agrees to serve as an officer of the Corporation and of affiliates of the Corporation as part of his contemplated duties hereunder without additional compensation therefor.

2. Section 8.2 of the Agreement is hereby revised to read, in its entirety, as follows:

8.2. Confidential Information. The Executive agrees that he shall not, at any time while he is employed hereunder and during the Restricted Period, disclose to any person who is not at the time of such disclosure, a person to whom such disclosure has been authorized by the Board any confidential information regarding the Corporation or its business obtained by the Executive while in the employ of the Corporation, including without limitation, financial information, marketing information and pricing information (the "Confidential Information"). The Executive acknowledges that he also understands and agrees that the foregoing shall not constitute a waiver by the Corporation of any right to

protect its trade secrets, including rights under Section 134.90 of the Wisconsin Statutes and any successor provision thereto.

3. Executive expressly agrees that the modifications reflected in this First Amendment shall not be deemed to be changes or occurrences that could constitute or contribute to a claim by Executive for termination of the his employment for "Good Reason" as defined in Section 4.14 of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of November 15/th/, 2000.

KOHL'S DEPARTMENT STORES, INC.

By: /s/ Arlene Meier

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Arlene Meier  
Chief Operating Officer

EXECUTIVE:

/s/ R. Lawrence Montgomery  
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R. Lawrence Montgomery

EMPLOYMENT AGREEMENT

THIS AGREEMENT made and entered into as of the 15th day of November, 2000, by and between KOHL'S DEPARTMENT STORES, INC., a Delaware corporation ("Corporation"), and Arlene Meier ("Executive").

W I T N E S S E T H:

WHEREAS, the Corporation desires to employ the Executive in the capacity and under the terms set forth herein and the Executive desires to be employed by the Corporation on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation and the Executive agree as follows:

ARTICLE I

Employment Duties. During the term of the Executive's employment

hereunder, the Corporation shall employ the Executive and the Executive shall serve as Chief Operating Officer of the Corporation. Subject to the authority and direction of the Chairman, the Chief Executive Officer and Board of Directors of the Corporation, the Executive shall have supervision and control over, and responsibility for such general management and day-to-day operations of the Corporation as may be designated by the Chief Executive Officer. The Executive shall also have such other powers and duties as may from time to time be prescribed by the Board of Directors of the Corporation; provided, however, that such duties are reasonably consistent with the duties normally performed by a Chief Operating Officer. The Executive's principal place of employment shall be at the Corporation's headquarters in Menomonee Falls, Wisconsin; provided, however, that the Executive acknowledges and agrees that she may from time to time be required to travel outside Milwaukee, Wisconsin on behalf of the Corporation. The Executive shall devote her entire working time and efforts to the business affairs of the Corporation and its affiliates and shall faithfully and to the best of her ability perform her duties hereunder, provided that Executive may take reasonable amounts of time to serve on corporate, civil or charitable boards or committees if such activities do not interfere with the performance of Executive's duties hereunder. The Executive hereby agrees to serve as an officer of the Corporation and of affiliates of the Corporation as part of her contemplated duties hereunder without additional compensation therefor.

ARTICLE II

Term. The term of the Executive's employment (the "Employment Term") under

this Agreement shall commence as of the date first above written (the "Anniversary Date"), and shall, except as it may otherwise be subject to termination hereunder, continue thereafter until the third anniversary of such Anniversary Date; provided, however, that at the end of each day during the Employment Term the Employment Term shall be automatically extended for one (1) day unless either party shall give written notice to the other not less than thirty (30) days prior thereto that the Employment Term shall not be so extended.

ARTICLE III

Compensation.  
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3.1. Salary. The Corporation shall pay to the Executive an annual base  
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salary in the amount of Six Hundred Thousand Dollars (\$600,000.00) during the  
Employment Term ("Annual Base Salary"). The Executive's Annual Base Salary shall  
be payable in equal installments not less frequently than monthly. Executive's  
Annual Base Salary shall be reviewed by the Board of Directors of the  
Corporation at least annually and may be increased by such amount as the Board  
of Directors, in its sole discretion, may determine, taking into consideration  
the profitability of the Corporation relative to its business plan and such  
other factors as the Board of Directors may deem relevant for that purpose.  
Annual Base Salary shall not be reduced after any such increase and the term  
Annual Base Salary as utilized in this Agreement shall refer to Annual Base  
Salary as so increased.

3.2. Bonuses. The Executive shall participate in bonus plans established  
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for the executive officers of the Corporation on terms no less favorable than  
those applicable to other employees of the Corporation of comparable status with  
the Executive.

ARTICLE IV  
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Termination of Employment.  
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4.1. Causes for Termination. Notwithstanding the term set forth in Article  
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II, above, Executive's employment hereunder may be terminated prior to the  
expiration of such term upon occurrence of any of the following events:

4.1.1. Death. The Executive's employment shall terminate upon the  
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Executive's death.

4.1.2. Disability. The Executive's employment shall terminate in the event  
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of the Disability of the Executive. For purposes of this Agreement, the term  
"Disability" shall be defined as the inability of the Executive to perform her  
normal duties as a full-time employee of

the Corporation for a continuous period of two hundred seventy (270) consecutive  
days by reason of physical or mental illness or incapacity, or for periods of  
physical or mental illness or incapacity aggregating two hundred fifteen (215)  
business days in any consecutive twelve (12) month period. If the Corporation  
determines in good faith that the Disability of Executive has occurred it may  
give the Executive written notice of its intention to terminate the Executive's  
employment. In such event, Executive's employment with the Corporation shall  
terminate on the thirtieth (30th) day after receipt of such notice by the  
Executive unless within such thirty (30) day period Executive shall have  
returned to full-time performance of her duties or Executive shall deliver  
written notice to the Corporation disagreeing that a Disability has occurred. If  
there is any dispute as to whether Executive is disabled, such question shall be  
submitted to a licensed physician for the purpose of making such determination.  
An examination of the Executive shall be made within thirty (30) days after  
written notice by the Corporation to the Executive by a licensed physician  
appointed by the Corporation. The Executive shall submit to such examination and  
provide such information as such physician may request. If the Executive shall  
disagree with the determination of the physician appointed by the Corporation,  
she may request an examination to be conducted by a physician of her own  
choosing. If the two (2) physicians shall disagree, the two (2) physicians shall  
jointly appoint an independent physician, whose determination shall be binding  
and conclusive on all parties concerned for purposes of this Agreement. The  
termination shall be deemed effective as of the date of the final determination  
of Disability.

4.1.3. Cause. The Corporation may terminate the Executive for "Cause". A

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termination for Cause is a termination upon (a) the continued failure by Executive to substantially perform her duties with the Corporation (other than any such failure resulting from termination by Executive for Good Reason) after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which the Corporation believes that Executive has not substantially performed her duties, and Executive has failed to resume substantial performance of her duties on a continuous basis within sixty (60) days after receiving such demand; (b) the willful engaging by Executive in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise; (c) any dishonest or fraudulent conduct which results or is intended to result in gain to Executive or Executive's personal enrichment at the expense of the Corporation; or (d) Executive's conviction of a felony, misdemeanor or criminal offense (other than traffic violations and other minor offenses).

4.1.4. Good Reason. The Executive may terminate her employment for "Good

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Reason". "Good Reason" shall mean the occurrence of any of the following: (a) A change in the Executive's status, title, position or responsibilities (including reporting responsibilities) which, in the Executive's reasonable judgment, does not represent a promotion from her status, title, position or responsibilities as in effect immediately prior thereto; the assignment to the Executive of any duties or responsibilities which, in the Executive's reasonable judgment, are inconsistent with her status, title, position or responsibilities in effect immediately prior to such assignment; or any removal of the Executive from or failure to reappoint or reelect her to any position, except in connection with the termination of her employment for Disability, Cause, as a result of her death or by the Executive other than for Good Reason. (b) The insolvency or the filing (by any party, including the Corporation) of a petition for bankruptcy of the Corporation. (c) Any material breach by the Corporation of this Agreement. (d) Any purported termination of the

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Executive's employment for Cause by the Corporation which does not comply with the terms of this Agreement. (e) The failure of the Corporation to obtain an agreement, satisfactory to the Executive, from any successor or assign of the Corporation, to assume and agree to perform this Agreement, as contemplated in Section 9.4 hereof. Provided, however, that no termination shall be for Good Reason until the Corporation shall have had at least thirty (30) days to cure any conduct alleged to have caused Good Reason after a written demand shall have been delivered to the Corporation specifying the alleged conduct. The Executive's right to terminate her employment pursuant to this Section 4.1.4 shall not be affected by her incapacity due to physical or mental illness. The Executive's continued employment or failure to give Notice of Termination shall not constitute consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason hereunder. Subject to the thirty (30) day cure period set forth above, any good faith determination of Good Reason made by the Executive shall be conclusive.

4.1.5. Voluntary. The Executive's employment shall terminate upon the

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Executive's voluntary resignation as an employee of the Corporation.

4.2. Notice of Termination. Any purported termination by the Corporation or

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by the Executive (other than by death of the Executive) shall be communicated by Notice of Termination to the other. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) the Termination Date. For purposes of this Agreement, no such purported termination of employment shall be effective without such Notice of Termination.

4.3. Termination Date, etc. "Termination Date" shall mean in the case of

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the Executive's death, her date of death, in the event of Executive's Disability, the date set forth in Section 4.1.2, or in all other cases, the date specified in the Notice of Termination subject to the following: (a) If the Executive's employment is terminated by the Corporation, the date specified in

the Notice of Termination shall be at least thirty (30) days after the date the Notice of Termination is given to the Executive, Provided, however, that in the case of Disability, the Executive shall not have returned to the full-time performance of her duties during such period of at least thirty (30) days. (b) If the Executive's employment is terminated for Good Reason, the date specified in the Notice of Termination shall not be less than thirty (30) nor more than sixty (60) days after the date the Notice of Termination is given to the Corporation. (c) Except in the case of a termination for Disability subject to the provisions of Section 4.1.2, in the event that within thirty (30) days following the date of receipt of the Notice of Termination, one party notifies the other that a dispute exists concerning the basis for termination, the Executive's employment hereunder shall not be terminated except after the dispute is finally resolved and a Termination Date is determined either by a mutual written agreement of the parties, or by a binding and final judgment order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

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ARTICLE V

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Obligations of the Corporation Upon Termination

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5.1. Good Reason; Other Than for Cause, Death or Disability. If, during the

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Employment Term, the Corporation shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

- (a) The Corporation shall pay to the Executive in a lump sum in cash within ten (10) days after the Termination Date the aggregate of the following amounts:
  - (1) The sum of:
    - (i) The Executive's Annual Base Salary through the Termination Date to the extent not theretofore paid;
    - (ii) The product of (x) the sum of the average bonuses paid or payable, including any amounts that were deferred, and the average value of any stock options and stock appreciation rights awarded (computed solely by reference to the difference between the value of the stock to which it relates and the exercise price or base value thereof) to the Executive in respect of the three (3) fiscal years immediately preceding the fiscal year in which the Effective Date occurs (the "Recent Average Bonus") and (y) a fraction, the numerator of which is the number of days completed in the current fiscal year through the Termination Date, and the denominator of which is 365; and
    - (iii) Except as provided in Section 5.1(b), any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid. The sum of the amounts described in clauses (i), (ii) and (iii) shall be hereinafter referred to as the "Accrued Obligations";
  - (2) The amount equal to the product of: (i) the number of days remaining in the Employment Term as of the Termination Date had the Executive's employment not been terminated (the "Remaining Employment Term") divided by 365, and (ii) the sum of (x) the Executive's Annual Base Salary (increased for this purpose by any Section 401(k) deferrals, cafeteria plan elections, or other deferrals that would have increased Executive's Annual Base Salary if paid in cash to Executive when earned) and (y) the Executive's Recent Average Bonus.
- (b) To the extent not theretofore paid or provided, the Corporation shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive after a termination of Employment under any plan, program, Policy or practice or contract or agreement of the Corporation (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

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5.2. Death. If the Executive's employment is terminated by reason of the

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Executive's death during the Employment Term, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, except that the Corporation shall pay or provide the Accrued Obligations, six (6) months of Annual Base Salary, and the other Benefits. The Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within thirty (30) days of the Termination Date. The six (6) months of Annual Base Salary shall be paid during the six (6) month period following the Termination Date on a monthly basis. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this section shall include, and the Executive's family shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Corporation to surviving families of peer executives of the Corporation.

5.3. Disability. If the Executive's employment is terminated by reason of

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the Executive's Disability during the Employment Term, this Agreement shall terminate without further obligations to the Executive, except that the Company shall pay or provide the Accrued Obligations, six (6) months of Annual Base Salary (subject to reduction as provided below) and the Other Benefits. The Accrued Obligations shall be paid to the Executive in a lump sum in cash within thirty (30) days of the Termination Date. The six (6) months of Annual Base Salary shall be paid during the six (6) month period following the termination on a monthly basis. The six (6) months of Annual Base Salary shall be reduced by any amounts paid to the Executive for such six (6) month period under any disability insurance or program paid by the Corporation. The provision of Other Benefits shall include, and the Executive shall be entitled to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Corporation to disabled executives and/or their families to other peer executives and their families.

5.4. Cause; Other Than for Good Reason. If the Executive's employment shall

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be terminated for Cause during the Employment Term, or if the Executive voluntarily terminates employment during the Employment Term for other than Good Reason, this Agreement (other than Section 7.3, if applicable, and Article VIII thereof) shall terminate without further obligations to the Executive other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, any other amounts earned or accrued through the Termination Date, and the amount of any compensation previously deferred by the Executive, in each case to the extent theretofore unpaid; provided that if Executive voluntarily terminates Executive shall receive the benefits normally provided upon normal or early retirement with respect to other peer Executives and their families to the extent she qualifies therefor. All salary or compensation hereunder shall be paid to the Executive in a lump sum in cash within thirty (30) days of the Date of Termination.

5.5. Delinquent Payments. If any of the payments referred to in this

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Article V are not paid within the time specified after the Termination Date (hereinafter a "Delinquent Payment"), in addition to such principal sum, the Corporation will pay to the Executive interest on all such Delinquent Payments computed at the prime rate as announced from time to time by Bankers Trust Company, New York, New York, or its successor, compounded monthly.

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5.6. No Mitigation. In no event shall the Executive be obligated to seek

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other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced (except to the extent expressly set forth herein) whether or not the Executive obtains other employment.

5.7. Excise Tax Payments.

- (a) Notwithstanding anything contained in this Agreement to the contrary, in the event that any payment or distribution to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in connection with, or arising out of, her employment with the Corporation (a

"Payment" or "Payments"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code")), or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any interest and penalties, are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

- (b) A determination shall be made as to whether and when Gross-Up Payment is required pursuant to this Section 5.7 and the amount of such Gross-Up Payment, such determination to be made within fifteen (15) business days of the Termination Date, or such other time as requested by the Corporation or by the Executive (provided the Executive reasonably believes that any of the Payments may be subject to the Excise Tax). Such determination shall be made by a national independent accounting firm selected by the Executive (the "Accounting Firm"). All fees, costs and expenses (including, but not limited to, the cost of retaining experts) of the Accounting Firm shall be borne by the Corporation and the Corporation shall pay such fees, costs and expenses as they become due. The Accounting Firm shall provide detailed supporting calculations, acceptable to the Executive, both to the Company and the Executive. The Gross-Up Payment, if any, as determined pursuant to this Section 5.7(b) shall be paid by the Corporation to the Executive within five (5) business days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive with respect to a Payment or Payments, it shall furnish the Executive with an unqualified opinion that no Excise Tax will be imposed with respect to any such Payment or Payments. Any such initial determination by the Accounting Firm of the Gross-Up Payment shall be binding upon the Corporation and the Executive subject to the application of Section 5.7 (c).
- (c) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Overpayment") or a Gross-Up Payment (or a portion

thereof) which should have been paid will not have been paid (an "Underpayment"). An Underpayment shall be deemed to have occurred upon notice (formal or informal) to the Executive from any governmental taxing authority that the tax liability of the Executive (whether in respect of the then current taxable year of the Executive or in respect of any prior taxable year of the Executive) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which the Company has failed to make a sufficient Gross-Up Payment. An Overpayment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments with respect to which the Executive had previously received a Gross-Up Payment. A Final Determination shall be deemed to have occurred when the Executive has received from the applicable governmental taxing authority a refund of taxes or other reduction in her tax liability by reason of the Overpayment and upon either (i) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds the Executive and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (ii) the expiration of the statute of limitations with respect to the Executive's applicable tax return. If an Underpayment occurs, the Executive shall promptly notify the Corporation and the Corporation shall pay to the Executive at least five (5) business days prior to the date on which the applicable governmental taxing authority has requested payment, an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties imposed on the Underpayment. If an Overpayment occurs, the amount of

the Overpayment shall be treated as a loan by the Corporation to the Executive and the Executive shall, within ten (10) business days of the occurrence of such Overpayment, pay to the Corporation the 11 amount of the Overpayment plus interest at an annual rate equal to the rate provided for in Section 1274 (b) (2) (B) of the Code from the date the Gross- Up Payment (to which the Overpayment relates) was paid to the Executive.

- (d) Notwithstanding anything contained in this Agreement to the contrary, in the event it is determined that an Excise Tax will be imposed on any Payment or Payments, the Corporation shall pay to the applicable governmental taxing authorities as Excise Tax withholding, the amount of the Excise Tax that the Corporation has actually withheld from the Payment or Payments.

#### ARTICLE VI

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Expenses. During the term of the Executive's employment hereunder, the

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Corporation shall promptly pay or reimburse the Executive for all reasonable and necessary business expenses incurred by the Executive in the interest of the Corporation. The Executive shall be required to submit an itemized account of such expenditures and such proof as may be reasonably necessary to establish to the satisfaction of the Corporation that the expenses

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incurred by the Executive were ordinary and necessary business expenses incurred on behalf of the Corporation.

#### ARTICLE VII

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Fringe Benefits.

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7.1. Benefits. During the term of the Executive's employment hereunder, the

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Executive shall be entitled to participate in any benefit plans and programs which the Corporation may from time to time make available to its executive employees, including, without limitation (i) health and dental insurance (family plan); (ii) supplemental executive medical plan (without maximum limit); (iii) long term disability insurance; (iv) annual physical; (v) business travel accident insurance; and (vi) financial consulting (up to Three Thousand Five Hundred Dollars (\$3,500.00) per year). The Executive acknowledges that she shall have no vested rights in any such programs except as expressly provided under the terms thereof and that such programs may be terminated, modified, altered or reduced as well as supplemented.

7.2. Life Insurance. During the term of the Executive's employment

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hereunder, the Corporation shall provide the Executive with term life insurance equal to not less than three (3) times the annual salary of the Executive; provided, however, that the Executive shall have the option to purchase, at her own expense, additional insurance equal to her annual salary under such term life insurance policy.

7.3. Health Insurance. Notwithstanding anything contained herein to the

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contrary, in the event the Executive's employment with the Corporation is terminated (i) at the expiration of the Employment Term, or (ii) prior to such date for any reason other than (A) a termination for Cause, or (B) a voluntary termination by the Executive for any reason other than "Good Reason" or other than approved by the Board of Directors of the Corporation, the Corporation shall continue, until the Executive's death, to provide the Executive and her spouse and dependents with health insurance and a supplemental executive medical plan (with coverage similar to that received by the Executive at the time of such termination and

covering the Executive, her spouse and her dependents (as defined in such insurance and medical plan), provided such insurance is reasonably available to the Corporation with respect to the Executive.

7.4. Automobile. The Executive shall be provided with an automobile of a -----  
quality and value comparable to the automobile provided to Executive as of the date of this Agreement for the Executive's use during the term of this Agreement. Every two(2) years during the term of this Agreement, the Executive shall be entitled to exchange the automobile then in her possession for a new automobile of a quality and value comparable to the vehicle being replaced. The Corporation shall provide or reimburse the Executive for all reasonable insurance and maintenance for such automobile, including repairs, gas and oil.

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7.5. Vacation. The Executive shall be entitled to such vacation time as the -----  
Corporation may from time to time make available to its executive employees.

#### ARTICLE VIII -----

#### Non-Competition and Confidential Information -----

8.1. Non-Competition. The Executive agrees that she shall not at any time -----  
while she is employed hereunder or at any time during the Restricted Period (as hereinafter defined), for any reason, either directly or indirectly, whether as agent, stockholder (except as the holder of not more than five percent (5%) of the stock of a publicly held company, provided the Executive does not participate in the business of such company or render advice or assistance to it), employee, officer, director, trustee, partner, consultant, proprietor or otherwise:

- (i) Engage in, render advice or assistance to, or in any way be connected with any Competitive Entity (as hereinafter defined) located in the Restricted Area (as hereinafter defined).
- (ii) Except on behalf of the Corporation, entice or attempt to entice any of the suppliers or customers of the Corporation, so as to cause, or attempt to cause, any of said suppliers or customers not to do business with the Corporation or to reduce or adversely change the nature of the business done with the Corporation.
- (iii) For purposes of this Section 8, the following definitions shall apply:
  - (A) A "Competitive Entity" shall be defined as any business, person, firm, association, partnership, corporation or other entity which (x) is engaged directly or indirectly in the retail department store business or (y) which competes with the business of the Corporation as such business is conducted from time to time during the course of the Executive's employment hereunder.
  - (B) The term "Restricted Area" shall be defined during the Executive's employment as fifty (50) miles from any store operated by the Corporation from time to time during the course of the Executive's employment, and after the termination of the Executive's employment it shall be defined as fifty (50) miles from any store operated by the Corporation during the one (1) year period prior to the termination of the Executive's employment or during the Restricted Period.
  - (C) The term "Restricted Period" shall be defined as two (2) years from the date of termination of the Executive's employment hereunder; provided, hereunder, that the Restricted Period shall be extended for the period during which it is determined that the Executive is in violation of the provisions of this Sections 8.1 or 8.2.

8.2. Confidential Information. The Executive agrees that she shall not, at -----  
any time while she is employed hereunder and during the Restricted Period,

disclose to any person who

is not at the time of such disclosure, a person to whom such disclosure has been authorized by the Board or Chief Executive officer any confidential information regarding the Corporation or its business obtained by the Executive while in the employ of the Corporation, including without limitation, financial information, marketing information and pricing information (the "Confidential Information"). The Executive acknowledges that she also understands and agrees that the foregoing shall not constitute a waiver by the Corporation of any right to protect its trade secrets, including rights under Section 134.90 of the Wisconsin Statutes and any successor provision thereto.

8.3. Return of Material. The Executive agrees upon termination of her ----- employment with the Corporation immediately to surrender to the Corporation all correspondence, letters, contracts, manuals, mailing lists, marketing data, ledgers, supplies, and all other materials or records of any kind relating to the Corporation or its business then in her possession or under her control, as well as all copies of any of the foregoing.

8.4. Specific Performance. The Executive recognizes that irrevocable injury ----- may result to the Corporation and its business and properties, in the event of a breach by her of the restrictions imposed by this Article VIII and that the Executive's acceptance of such restrictions was a material factor in the Corporation's decision to enter into this Agreement. The Executive agrees that if she shall engage in any acts in violation of this Article VIII, the Corporation shall be entitled, in addition to such other remedies and damages as may be available to it, to an injunction prohibiting Executive from engaging in any such acts.

ARTICLE IX  
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Miscellaneous.  
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9.1. Insurance. The Executive agrees to perform all acts and execute all instruments necessary in connection with the obtaining by the Corporation of life insurance or disability insurance on the Executive.

9.2. Waiver of Breach. No waiver by either party hereto of any breach of ----- any provision of this Agreement shall be deemed a waiver by such party of any subsequent breach.

9.3. Notice. Any notice required or permitted to be given hereunder shall ----- be in writing and shall be deemed to be sufficiently given and received in all respects when personally delivered or when deposited in the United States mail, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

IF TO THE CORPORATION:  
Kohl's Department Stores, Inc.  
N56 W17000 Ridgewood Drive  
Menomonee Falls, WI 53051

Attention: Chief Executive Officer  
Copy To: General Counsel

IF TO THE EXECUTIVE:  
c/o Kohl's Department Stores, Inc.  
N56 W17000 Ridgewood Drive  
Menomonee Falls, WI 53051

9.4. Assignment. This Agreement shall not be assignable by the Corporation

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without the written consent of the Executive, except that if the Corporation shall merge or consolidate with or into or transfer all or substantially all of its assets, including goodwill, to another corporation or other form of business organization, the Corporation shall require any successor corporation in such merger, consolidation or transfer to assume and perform this Agreement. The Executive may not assign, pledge or encumber any interest in this Agreement or any part thereof without the written consent of the Corporation.

9.5. Complete Agreement; Amendment. Once the term of this Agreement

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commences, her Agreement shall contain the full and complete understanding and agreement of the parties and supersede all prior agreements and understandings between the parties with respect to the subject matter hereof. This Agreement may not be modified, amended, terminated or discharged orally.

9.6. Fees and Expenses. The Corporation shall pay all legal fees and related

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expenses (including the costs of experts, evidence and counsel) reasonably incurred by the Executive as they become due as a result of a position taken in good faith by the Executive with respect to (i) the Executive's termination of employment (including all such fees and expenses, if any, incurred in contesting or disputing any such termination of employment), (ii) the Executive's hearing before the Board as contemplated in Section 4.13 of this Agreement, (iii) the Executive's seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by the Corporation under which the Executive is or may be entitled to receive benefits or (iv) a dispute between the Executive and the Internal Revenue Service (or any other taxing authority) with regard to an "Underpayment" (as defined in Section 5.7 of this Agreement).

9.7. Severability. The provisions of this Agreement shall be deemed

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severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

9.8. Withholding Taxes. The Corporation shall deduct from all payments to

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the Executive hereunder any federal, state or local withholding or other taxes or charges which the Corporation is from time to time required to deduct under applicable law, and all amounts payable to the Executive hereunder are stated herein before any such deduction. The Corporation shall have the right to rely upon written opinion of legal counsel, which may be independent legal counsel or legal counsel regularly employed by the Corporation, if any questions should arise as to any such deductions.

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9.9. Governing Law. This Agreement and all questions or its interpretation,

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performance, enforceability and the rights and remedies of the parties hereto shall be governed by and determined in accordance with the laws of the State of Wisconsin.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day, month and year first above written.

KOHL'S DEPARTMENT STORES, INC.

By: /s/ R. Lawrence Montgomery

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Chief Executive Officer

EXECUTIVE:

/s/ Arlene Meier

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Arlene Meier

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AMENDMENT NO. 1 TO RECEIVABLES PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 TO RECEIVABLES PURCHASE AGREEMENT (this "Amendment") is entered into as of December 21, 2000 by and among KOHL'S DEPARTMENT STORES, INC., a Delaware corporation (the "Seller"), the Investors, Preferred Receivables Funding Corporation ("PREFCO") and BANK ONE, NA, as Agent. Unless defined elsewhere herein, capitalized terms used in this Amendment shall have the meanings assigned to such terms in the Existing Purchase Agreement referred to below.

WITNESSETH:

WHEREAS, the parties hereto have entered into a Receivables Purchase Agreement, dated as of December 23, 1999, providing for a receivables purchase facility in an aggregate amount not to exceed \$225,000,000 (the "Existing Purchase Agreement, and as amended by this Amendment, the "Purchase Agreement"); and

WHEREAS, the Seller, PREFCO, the Investors and the Agent desire to make certain amendments and modifications to the Existing Purchase Agreement;

NOW THEREFORE, in consideration of the premises and the mutual agreements set forth herein and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to Existing Purchase Agreement. Subject to and

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conditioned upon the fulfillment of each of the conditions precedent set forth in Section 2 hereto, effective as of the date of this Amendment:

1.1. Section 1. 1 (e) of the Existing Purchase Agreement is amended to delete the phrase "not to exceed 360 days" contained therein and substitute the phrase "not to exceed 364 days" therefor.

1.2. The definition of "Liquidity Termination Date" set forth in Exhibit I to the Existing Purchase Agreement is amended to delete the terms thereof in their entirety and substitute the following therefor:

"Liquidity Termination Date" means December 20, 2001 or such later date to which the Agent and the Purchasers may agree in accordance with Section 1. 1 (e).

2. Conditions Precedent to Amendment Effectiveness. The amendments

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and modifications set forth in Section 1 shall become effective as of date of -----  
this Amendment upon, and are expressly conditioned upon the Agent's receipt of original executed counterparts of this Amendment from the Seller, PREFCO and each Investor.

3. Representations and Warranties. In order to induce the Agent and the Investors to enter into this Amendment, the Seller hereby represents and warrants to the Investors that:

(a) The execution, delivery and performance by the Seller of this Amendment and each other document to be delivered hereunder to which it is a party, 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 is bound, or (iv) any property, and do not result in the creation or imposition of any Adverse Claim on

assets of the Seller. This Amendment has been duly executed and delivered by the Seller.

(b) This Amendment and the Existing Purchase Agreement as amended by this Amendment 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.

(c) The representations and warranties of the Seller set forth in Article 3 of the Purchase and Sale Agreement are correct in all material respects on and as of the date hereof as though made on and as of the date hereof.

(d) As of the effectiveness of this Amendment, no Servicer Default or a Potential Servicer Default has occurred and is continuing.

4. Reference to and Effect Upon the Existing Purchase Agreement.  
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Upon the effectiveness of this Amendment, each reference in the Existing Purchase Agreement to "the Agreement", "hereunder", "hereof", "herein", or words of like import, shall mean and be a reference to the Existing Purchase Agreement in any other Transaction Document shall mean and be a reference to the Existing Purchase Agreement, as amended hereby.

5. Reaffirmation; Consent; Acknowledgement of Modification to Fee  
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Letter. Seller hereby reaffirms to the Agent and each of the Purchasers that,  
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except as modified hereby, the Existing Purchase Agreement and all of the Transaction Documents remain in full force and effect and have not been otherwise waived, modified or amended. Except as expressly modified hereby, all of the terms and conditions of the Existing Purchase Agreement shall remain unaltered and in full force and effect. Notwithstanding the foregoing provisions of this Section 5, each of the parties hereto hereby acknowledges that the Fee letter has been amended and restated of the date hereof and that references to the Fee Letter in the Existing Purchase Agreement and the Transaction Documents shall be deemed to be a reference to such Amended and Restated Fee Letter.

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6. Choice of Law. This Amendment shall be governed by and  
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construed in accordance with the laws and decisions of the State of Illinois without giving effect to the conflicts of law principles thereunder.

7. Counterparts. This Amendment may be executed in one or more  
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counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. One or more counterparts of this Amendment may be delivered by telecopier, with the intention that they shall have the same effect as an original counterpart thereof.

[Signature Pages Follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment 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  
Chief Operating Officer

PREFERRED RECEIVABLES FUNDING CORPORATION

By: /S/  
-----  
Brooks Crankshaw  
Managing Director

INVESTORS:

BANK ONE, NA, as an Investor and as Agent

By: /S/  
-----  
Brooks Crankshaw  
Authorized Signer

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BANK OF NEW YORK

By: /S/  
-----  
Title: Vice President

5

COMERICA BANK

By: /S/  
-----  
Assistant Vice President

6

FIRST UNION NATIONAL BANK

By: /S/  
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Title: William F. Fox, Vice President

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FIRSTAR BANK MILWAUKEE, N.A

By: /S/  
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Title: James Spredemann, Vice President

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Kohl's Corporation  
Ratio of Earnings to Fixed Charges  
(\$000s)

	Fiscal Year (1)				
	2000	1999	1998	1997	1996
<b>Earnings</b>					
Income before income taxes	\$605,114	\$421,112	\$316,749	\$235,063	\$171,368
Fixed charges (2)	116,753	82,835	63,135	57,446	42,806
Less interest capitalized during period	(3,478)	(4,405)	(1,878)	(2,043)	(2,829)
	\$718,389	\$499,542	\$378,006	\$290,466	\$211,345
<b>Fixed Charges</b>					
Interest (expensed or capitalized) (2)	\$52,305	\$33,813	\$24,550	\$26,304	\$20,574
Portion of rent expense representative of interest	63,943	48,769	38,385	30,798	22,031
Amortization of deferred financing fees	505	253	200	344	201
	\$116,753	\$82,835	\$63,135	\$57,446	\$42,806
Ratio of earnings to fixed charges	6.15	6.03	5.99	5.06	4.94

- (1) Fiscal 1999, 1998, 1997 and 1996 are 52 week years and fiscal 2000 is a 53 week year.
- (2) Interest expense for fiscal 1997 and 1996 has been restated to properly reflect interest expense included on the Consolidated Statements of Income.

SUBSIDIARIES

Name	State of Incorporation or Formation
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Kohl's Department Stores, Inc.....	Delaware
Kohl's Investment Corporation.....	Delaware
Kohl's Illinois, Inc.*.....	Nevada
Kohl's Pennsylvania, Inc.*.....	Pennsylvania
Kohl's New York D.C., Inc.....	Nevada
Kohl's Texas, L.L.C.*.....	Delaware
Kohl's Texas Limited Partner, L.L.C.*.....	Delaware
Kohl's Texas, L.P.*.....	Texas

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 \*These subsidiaries are direct or indirect 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, in the Registration Statement (Form S-3 #33-80323) pertaining to the Debt Offering and in the Registration Statement (Form S-3 #333-4398) pertaining to the Liquid Yield Option Subordinated Notes of Kohl's Corporation of our report dated March 9, 2001, except for note 12, as to which the date is March 16, 2001, 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 February 3, 2001.

ERNST & YOUNG LLP

Milwaukee, Wisconsin  
April 13, 2001

Cautionary Statements Relating To Forward-looking Information And Risk Factors. The Company and its representatives may, from time to time, make written or verbal forward-looking statements. Those statements relate to developments, results, conditions or other events the Company expects or anticipates will occur in the future. The Company intends words such as "believes," "anticipates," "plans," "expects" and similar expressions to identify forward-looking statements. Without limiting the foregoing, those statements may relate to future revenues, earnings, store openings, market conditions, new strategies and the competitive environment. Forward-looking statements are based on management's then current views and assumptions and, as a result, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Any such forward-looking statements are qualified by the following important risk factors that could cause actual results to differ materially from those predicted by the forward-looking statements.

An investment in the Company's common stock or other securities carries certain risks. Investors should carefully consider the risks described below and other risks which may be disclosed from time to time in the Company's filings with the SEC before investing in the Company's securities.

#### General Economic Conditions

General economic factors that are beyond the Company's control impact the Company's forecasts and actual performance. These factors include interest rates, recession, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends and other matters that influence consumer confidence and spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. Changes in the economic climate could adversely affect the Company's performance.

#### Competitive Pressures

The retail business is highly competitive. The Company competes for customers, associates, locations, merchandise, services and other important aspects of its business with many other local, regional and national retailers. Those competitors, some of which have a greater market presence than the Company, include traditional store-based retailers, Internet and catalog businesses and other forms of retail commerce. Unanticipated changes in the pricing and other practices of those competitors may adversely affect the Company's performance.

#### Consumer Demand

The Company's business is dependent on the Company's ability to anticipate fluctuations in consumer demand for a wide variety of merchandise. Failure to accurately predict constantly changing consumer tastes, preferences, spending patterns and other lifestyle decisions could create inventory imbalances and adversely affect the Company's performance and long term relationships with its customers.

#### Weather Conditions

Because a significant portion of the Company's business is apparel and subject to weather conditions in its markets, its operating results may be unexpectedly and adversely affected. Frequent or unusually heavy snow, ice or rain storms or extended periods of unseasonable temperatures in its markets could adversely affect the Company's performance.

#### Seasonality

The Company's business is subject to seasonal influences, with a major portion of sales and income historically realized during the second half of the fiscal year, which includes the back-to-school and holiday seasons. This seasonality causes the Company's operating results to vary considerably from quarter to quarter and could materially adversely affect the market price of its securities.

#### Merchandise Sourcing

The merchandise we sell is sourced from a wide variety of domestic and international vendors. All of the Company's vendors must comply with applicable laws and the Company's required standards of conduct. The Company's ability to find qualified vendors and access products in a timely and efficient manner is a significant

challenge which is typically even more difficult with respect to goods sourced outside the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, and the ability to access suitable merchandise on acceptable terms are beyond the Company's control and could adversely impact the Company's performance.

#### Labor Conditions

The Company's performance is dependent on attracting and retaining a large and growing number of quality associates. Many of those associates are in entry level or part time positions with historically high rates of turnover. The Company's ability to meet the Company's labor needs while controlling the Company's costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact the Company's ability to attract and retain quality associates could adversely affect the Company's performance.

#### New Store Growth

The Company's plans to continue to increase the number of its stores will depend in part upon the availability of existing retail stores or store sites on acceptable terms. Increases in real estate, construction and development costs could limit the Company's growth opportunities. There can be no assurance that such stores or sites will be available to the Company for purchase or lease, or that they will be available on terms acceptable to the Company. If the Company is unable to grow its retail business, the Company's financial performance could be adversely affected.

#### New Markets

The Company's growth strategy is dependent upon the Company's ability to successfully execute the Company's retailing concept in new markets and geographic regions. If the Company is unable to successfully execute its retail concept in these new markets and regions, or if consumers are not receptive to the Company's concept in these markets or regions, the Company's financial performance could be adversely affected.

#### Regulatory And Litigation Developments

Various aspects of the Company's operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. Additionally, the Company is regularly involved in various litigation matters that arise in the ordinary course of its business. Litigation or regulatory developments could adversely affect the Company's business operations and financial performance.

#### Other Factors

The foregoing list of risk factors is not exclusive. Other factors and unanticipated events could adversely affect the Company. The Company does not undertake to revise any forward-looking statement to reflect events or circumstances that occur after the date the statement is made.