

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 1, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
COMMISSION FILE NUMBER 1-11084

KOHL'S CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

WISCONSIN
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

39-1630919
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

N56 W17000 RIDGEWOOD DRIVE
MENOMONEE FALLS, WISCONSIN
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES)

53051
(ZIP CODE)

Registrant's telephone number, including area code (414) 703-7000

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

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$.01 Par Value	New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. X Yes No

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

At March 28, 1997, the aggregate market value of the voting stock of the registrant held by stockholders who were not affiliates of the registrant was \$2,665,870,100 (based upon the closing price of Registrant's Common Stock on the New York Stock Exchange on such date). At March 28, 1997 the registrant had issued and outstanding an aggregate of 74,015,913 shares of its Common

Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of Registrant's Proxy Statement dated April 22, 1997 are incorporated into Part III.

PART I

ITEM 1. BUSINESS

The Company currently operates 170 family oriented, specialty department stores primarily in the Midwest and Mid-Atlantic areas of the United States that feature quality, national brand merchandise which provides exceptional value to customers. The Company's stores sell moderately priced apparel, shoes, accessories, soft home products and housewares targeted to middle-income customers shopping for their families and homes. 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 1996 ended on February 1, 1997 and was a 52 week year.

EXPANSION

Since 1986, the Company has expanded from 40 stores to the current total of 170 stores both by acquiring and converting pre-existing stores and by opening new stores. Management believes there is substantial opportunity for further growth and intends to open approximately 30 new stores in fiscal 1997. Nine opened in March 1997, including eight in the Washington, D.C. market; 11 opened in April, including seven in the Philadelphia market and two in Wilmington, Delaware. The remaining stores will open in the second half of the year.

As demonstrated in the table below, Kohl's expansion strategy is to open additional stores in existing markets, where it can leverage advertising, purchasing, transportation and other regional overhead expenses; in contiguous markets, where it can extend regional operating efficiencies; and in new markets which offer similar opportunity to successfully implement the Kohl's retailing strategy.

STORE EXPANSION

MARKET AREA	TOTAL	FISCAL	FISCAL	FISCAL	TOTAL	ANNOUNCED
	AT 1/29/94	1994	1995	1996	AT 2/1/97	FISCAL 1997
		NEW	NEW	NEW		
Chicago, IL.....	21	2	1	1	25	
Milwaukee, WI.....	11	1			12	
Minneapolis/St. Paul, MN.....	6	2	2	1	11	
Detroit, MI.....	10		(2) (a)		8	
Cleveland, OH.....			4	3	7	
Indianapolis, IN.....	6				6	
Columbus, OH.....	6				6	
Cincinnati, OH.....		3	2		5	
Kansas City, KS, MO.....			3	1	4	
Dayton, OH.....		3			3	

Madison, WI.....	2	1			3	
Charlotte, NC.....				3	3	
Philadelphia, PA.....						7
Washington, DC.....						8
Other.....	28	6	10	13	57	5
	---	---	---	---	---	---
Total.....	90	18	20	22	150	20
	===	===	===	===	===	===

(a) The Company closed two underperforming stores

2

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

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

MERCHANDISING

Kohl's stores feature moderately priced, department store national brands which provide exceptional value to customers. Kohl's merchandise is targeted to appeal to middle-income customers shopping for their families and homes. All of the Company's stores carry a consistent merchandise assortment. The Company's stores emphasize apparel and shoes for children, women and men, soft home products, such as towels, sheets and pillows, and housewares. The Company has completed the elimination of the electronics business in fiscal 1996, which is included in Hardlines in the table below. This business was 0.3% of the total net sales in fiscal 1996, 2.1% in fiscal 1995 and 3.3% in fiscal 1994. The Company's merchandise mix is reflected by the following table:

MERCHANDISE MIX (PERCENT OF NET SALES)

	FISCAL YEAR		
	1996	1995	1994
Apparel.....	60.6%	58.2%	57.0%
Accessories/Shoes.....	19.1%	19.2%	19.3%
Soft Home/Housewares.....	12.5%	12.5%	12.7%
Hardlines.....	7.8%	10.1%	11.0%

DISTRIBUTION

The Company receives 99% of its merchandise at two 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 two existing facilities are capable of supporting up to 200 store locations.

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

The Company opened its second distribution center in August 1994. This 650,000 square foot facility, located in Findlay, Ohio services the Company's stores in Ohio, Michigan, Indiana, Kentucky and West Virginia. In addition, this facility will support stores in the Mid-Atlantic until the opening of the Winchester, Virginia facility.

To support its expansion plans in the Mid-Atlantic area, the Company will open a third distribution center in Winchester, Virginia in the summer of 1997. This 350,000 square foot facility will service the Company's stores in North Carolina, Pennsylvania, Virginia, Maryland, Delaware and New Jersey.

EMPLOYEES

As of February 1, 1997, the Company had approximately 25,500 employees, including approximately 7,600 full-time and approximately 17,900 part-time associates. The number of associates varies during the year,

peaking during the "back-to-school" and Christmas holiday seasons. None of the Company's associates is represented by a collective bargaining unit. The Company believes its relations with its associates are very good.

COMPETITION

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

TRADEMARKS AND SERVICE MARKS

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

ITEM 2. PROPERTIES

As of February 1, 1997, the Company operated 150 stores in 16 states. The Company owned 35 stores, owned 23 stores with ground leases and leased 92 stores under operating leases. The typical lease has an initial term of between 15 and 20 years, with 2 to 6 renewal periods of 5 to 10 years each, exercisable at the Company's option. The typical ground lease has an initial term of between 15 and 25 years, with 2 to 6 renewal periods of 5 to 10 years each, exercisable at the Company's option.

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 half of the leases provide for additional rent based on a percentage of sales to be paid when designated sales levels are achieved. At February 1, 1997, the average minimum annual rent of the 92 leased stores was \$5.80 per square foot, and the average minimum annual rent of the 23 stores operated under ground leases was \$2.28 per square foot.

The Company's stores are located in strip shopping centers (82), community and regional malls (42), and as free standing units (26). Of the Company's stores, 127 are one story facilities and 23 are two story facilities.

NUMBER OF
STORES AT
FEBRUARY 1,
1997

Illinois.....	31
Wisconsin.....	28
Ohio.....	27

Michigan.....	14
Indiana.....	13
Minnesota.....	13
Kansas.....	5
Iowa.....	4
North Carolina.....	3
Missouri.....	3
Nebraska.....	2
Kentucky.....	2
Pennsylvania.....	2
South Dakota.....	1
North Dakota.....	1
West Virginia.....	1

Total.....	150
	===

The Company owns distribution centers in Menomonee Falls, Wisconsin, Findlay, Ohio and the distribution center under construction in Winchester, Virginia. The Company also owns its corporate headquarters in Menomonee Falls, Wisconsin.

ITEM 3. LEGAL PROCEEDINGS

See Note 9 of Notes to Consolidated Financial Statements concerning a certain audit of the Company's federal income tax returns.

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 1996.

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 11, 1996, the Company's Board of Directors declared a 2 for 1 stock split in the form of a stock dividend on the Company's common stock. The record date for the stock split was April 12, 1996. Distribution of the additional shares was made on April 29, 1996. The prices in the table set forth below indicate the high and low prices of the Common Stock for each quarter in fiscal 1996 and 1995, as reported on the New York Stock Exchange Composite Tape adjusted by the Company to give effect retroactively to the stock split.

	PRICE RANGE	
	HIGH	LOW
FISCAL 1996		
First Quarter.....	\$35 1/2	\$28 3/8
Second Quarter.....	37 1/8	26 3/4
Third Quarter.....	41	32 3/8
Fourth Quarter.....	42	36 1/8
FISCAL 1995		
First Quarter.....	\$23 5/8	\$20
Second Quarter.....	26	20
Third Quarter.....	27 3/8	21 1/2
Fourth Quarter.....	29 1/8	22 5/8

(b) Holders

At March 28, 1997, there were 4,462 holders of record of the Common Stock.

(c) Dividends

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

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

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

	FISCAL YEAR ENDED				
	FEBRUARY 1, 1997	FEBRUARY 3, 1996(a)	JANUARY 28, 1995	JANUARY 29, 1994	JANUARY 30, 1993
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND PER SQUARE FOOT DATA)					
STATEMENT OF OPERATIONS DATA:					
Net sales.....	\$2,388,221	\$1,925,669	\$1,554,100	\$1,305,746	\$1,096,856
Cost of merchandise sold.....	1,608,688	1,294,653	1,037,740	869,236	722,610
Gross margin.....	779,533	631,016	516,360	436,510	374,246
Selling, general and administrative expenses.....	536,226	436,442	356,893	305,547	269,158
Incentive compensation charge(b).....	--	--	--	--	17,735
Depreciation and amortization.....	44,015	33,931	27,402	23,201	19,834
Preopening expenses.....	10,302	10,712	8,190	5,360	2,992
Credit operations, non- recurring(c).....	--	14,052	--	--	--
Operating income.....	188,990	135,879	123,875	102,402	64,527
Interest expense, net(d).....	17,622	13,150	6,424	5,711	14,393
Income before income taxes and extraordinary items.....	171,368	122,729	117,451	96,691	50,134
Income taxes.....	68,890	50,077	48,939	41,029	21,442
Income before extraordinary items....	102,478	72,652	68,512	55,662	28,692
Extraordinary items(e)...	--	--	--	(1,769)	(2,121)
Net income.....	\$ 102,478	\$ 72,652	\$ 68,512	\$ 53,893	\$ 26,571
Per common share(f):					
Income before extraordinary items..	\$ 1.39	\$.99	\$.93	\$.76	\$.44
Extraordinary items...	--	--	--	(.02)	(.03)
Net income.....	1.39	.99	.93	.74	.41
OPERATING DATA:					
Comparable store sales growth(g).....	11.3%	5.9%	6.1%	8.3%	10.5%
Net sales per selling square foot(h).....	\$ 261	\$ 257	\$ 258	\$ 255	\$ 239
Total square feet of					

selling space (in thousands; end of period).....	10,064	8,378	6,824	5,523	4,771
Number of stores open (end of period).....	150	128	108	90	79
Capital expenditures including capitalized leases.....	\$ 223,423	\$ 138,797	\$ 132,800	\$ 64,813	\$ 46,337
BALANCE SHEET DATA (END OF PERIOD):					
Working capital.....	\$ 229,339	\$ 175,368	\$ 114,637	\$ 86,856	\$ 105,564
Property and equipment, net.....	596,227	409,168	298,737	186,626	141,196
Total assets.....	1,122,414	805,385	658,717	469,289	444,797
Total long-term debt....	312,031	187,699	108,777	51,852	95,096
Shareholders' equity....	517,471	410,638	334,249	262,502	207,400

See footnotes on next page

6

(footnotes from previous page)

- (a) Fiscal 1995 contained 53 weeks.
- (b) In connection with the Company's initial public offering, the Company amended two incentive plans to set the value of the phantom stock units previously granted thereunder at the initial public offering price of \$7.00 per share. The related non-recurring incentive compensation charge reduced net income by \$10.6 million, or \$.16 per share for fiscal 1992. Distributions, including interest accrued at 6% on the vested portion, are paid out annually with the final payment in 2002.
- (c) Effective September 1, 1995, the Company terminated its agreement with Citicorp Retail Services (CRS) under which it sold its private label credit card receivables to CRS and established its own credit operation. In connection with this transaction, the Company incurred a one-time charge of \$14.1 million (\$8.3 million after-tax). See Note 3 of Notes to Consolidated Financial Statements.
- (d) On June 1, 1992, the Company used the net proceeds of the initial public offering and \$14.6 million of borrowings under its revolving credit facility to redeem all \$105.0 million of its Senior Subordinated Notes and the remaining \$13.2 million of its Junior Subordinated Notes and to pay related accrued interest. If the initial public offering and the related reduction of indebtedness had occurred on February 2, 1992, interest expense for fiscal 1992 would have been reduced by \$3.1 million and income before extraordinary items would have been \$30.7 million, or \$.44 per share.
- (e) The extraordinary items reflect an after-tax charge of \$1.8 million to write-off unamortized deferred financing costs in connection with the termination of certain credit facilities in January 1994, and an after-tax charge of \$2.1 million to write-off unamortized deferred financing fees and the obligations under an interest rate cap agreement associated with the redemption of the Company's Senior Subordinated Notes in June 1992.
- (f) All per share data has been adjusted to reflect the 2 for 1 stock split declared by the Company's Board of Directors on March 11, 1996 and distributed on April 29, 1996.
- (g) Comparable store sales for each period are based on sales of stores (including relocated or expanded stores) open throughout the current and prior year. Comparable store sales growth for fiscal 1996 compares the 52 weeks of fiscal 1996 versus the same 52 week calendar in fiscal 1995 and excludes the discontinued electronics business. Comparable store sales growth for fiscal 1995 has been adjusted to reflect the elimination of the 53rd week in fiscal 1995.
- (h) Net sales per selling square foot is calculated using net sales of stores that have been open for the full period, divided by their square footage of selling space.

7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
ITEM 7. FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net Sales

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

	FISCAL YEAR		
	1996	1995	1994
Net sales (in thousands).....	\$2,388,221	\$1,925,669	\$1,554,100
Number of stores open (end of period).....	150	128	108
Sales growth--all stores.....	24.0%	23.9%	19.0%
Sales growth--comparable stores(a).....	11.3%	5.9%	6.1%
Net sales per selling square foot(b)..... \$	261	\$ 257	\$ 258

(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. Comparable sales growth for fiscal 1996 compares the 52 weeks of fiscal 1996 versus the same 52 week calendar in fiscal 1995 and excludes the discontinued electronics business. Comparable sales growth for fiscal 1995 has been adjusted to reflect the elimination of the 53rd week in fiscal 1995.

(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 store sales growth. Net sales increased \$462.5 million, or 24.0%, from \$1,925.7 million in fiscal 1995 to \$2,388.2 million in fiscal 1996. Of the increase, \$312.4 million is attributable to the opening of 22 new stores in fiscal 1996 and to the inclusion of a full year of operating results for 22 stores opened in fiscal 1995 (net of the two underperforming stores closed in 1995). The remaining \$150.1 million is attributable to the increase in comparable store sales.

Net sales increased \$371.6 million, or 23.9%, from \$1,554.1 million in fiscal 1994 to \$1,925.7 million in fiscal 1995. Of the increase, \$274.6 million is attributable to the opening of 22 new stores in fiscal 1995 and to the inclusion of a full year of operating results for 18 stores opened in fiscal 1994 (net of the two underperforming stores closed in 1995). The remaining \$97.0 million is attributable to the increase in comparable store sales.

Components of Earnings

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

	FISCAL YEAR		
	1996	1995	1994
Net sales.....	100.0%	100.0%	100.0%
Cost of merchandise sold.....	67.4	67.2	66.8
Gross margin.....	32.6	32.8	33.2
Selling, general and administrative expenses.....	22.5	22.7	23.0
Depreciation and amortization.....	1.8	1.7	1.7
Preopening expenses.....	.4	.6	.5
Credit operations, non-recurring.....	--	.7	--
Operating income.....	7.9	7.1	8.0
Interest expense, net.....	.7	.7	.4
Income before income taxes.....	7.2	6.4	7.6
Income taxes.....	2.9	2.6	3.2
Net income.....	4.3%	3.8%	4.4%

Gross Margin. The Company's gross margin has decreased from 33.2% in fiscal 1994 to 32.6% in fiscal 1996. This decrease is primarily attributable to a continued competitive pricing strategy, the final liquidation of the discontinued electronics business, and the changes in LIFO adjustments. A low-cost operating environment and continued focus on expense control allows the Company to profitably offer value to its customers. The impact of LIFO on gross margin was an expense of 0.2%, a credit of 0.1% and no impact in 1996, 1995 and 1994, respectively.

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 1994 to fiscal 1996 due to the addition of new stores, such expenses decreased as a percent of net sales. Selling, general and administrative expenses decreased from 23.0% in fiscal 1994 to 22.5% in fiscal 1996. This decline reflects the leveraging of headquarters expenses as a result of the increased sales.

Depreciation and Amortization. The total amount of depreciation and amortization increased from fiscal 1994 to fiscal 1996 due to the addition of new stores, the remodeling of existing stores, the opening of the distribution center in Findlay, Ohio and the opening of the new corporate office. Depreciation and amortization increased as a percentage of net sales from 1.7% in fiscal 1994 to 1.8% in fiscal 1996.

Preopening Expenses. The Company incurred \$10.3 million of preopening expenses associated with the opening of 22 stores in fiscal 1996, \$10.7 million with the opening of 22 stores in fiscal 1995 and \$8.2 million with the opening of 18 stores in fiscal 1994. These expenses relate to the costs associated with new store openings, including hiring and training costs for new employees, Kohl's charge account solicitation and processing and transporting initial merchandise. The Company's recent experience is that, on average, preopening expenses for a new store are approximately \$0.5 million.

Credit Operations Non-Recurring. In fiscal 1995, the Company terminated its agreement with Citicorp Retail Services (CRS) under which it sold its private label credit card receivables to CRS and established its own credit operations. In connection with this transaction, the Company incurred a one-time charge of \$14.1 million which included contractual amounts due to CRS, establishment of an initial allowance for doubtful accounts for the receivables acquired and other costs related to the credit operation.

Operating Income. Operating income increased \$53.1 million, or 39.1%, in fiscal 1996 and increased \$12.0 million, or 9.7% in fiscal 1995 due to the factors described above. Excluding the \$14.1 million non-recurring credit operations charge in fiscal 1995, operating income increased \$39.0 million or 26.1% in fiscal 1996 compared to fiscal 1995 and fiscal 1995 increased \$26.1 million or 21.0% compared to fiscal 1994.

Interest Expense. Net interest expense increased \$4.5 million to \$17.6 million in fiscal 1996 and increased \$6.7 million to \$13.1 million in fiscal 1995. The increase in fiscal 1996 was due primarily to higher interest rates associated with the \$100 million non-callable 6.7% unsecured senior notes issued in February 1996 and the \$100 million non-callable 7.375% unsecured senior notes issued in October 1996 and increased spending on capital and working capital requirements of new stores. Of the increase in fiscal 1995, \$2.0 million was due to interest associated with capital leases added in 1994 and 1995 and the remainder primarily due to increased average borrowings and higher interest rates. The Company expects interest expense to increase in fiscal 1997. Interest expense on the \$60 million senior notes issued in March 1994, the \$200 million non-callable senior notes issued in 1996 and \$52.3 million capital lease debt is fixed and known until maturity. Other interest expense cannot be quantified because it will depend on a number of factors, including the number of stores opened, the Company's cash flow, interest rates and whether new stores are leased or owned by the Company.

Income Taxes. The Company's effective tax rate was 40.2% in fiscal 1996,

40.8% in fiscal 1995 and 41.7% in fiscal 1994. The overall decline in the effective tax rates in fiscal 1996 and fiscal 1995 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.

SEASONALITY AND INFLATION

The Company's business is seasonal, reflecting increased consumer buying in the "back-to-school" and Christmas seasons. The Company's net sales and income are also affected by the timing of new store openings. Inflation did not materially affect the Company's net income during the periods presented.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary ongoing cash requirements are for inventory purchases, capital expenditures in connection with expansion and remodeling programs and preopening expenses. The Company's primary sources of funds for its business activities are cash flow from operations, borrowings under its revolving credit facility and the availability of the debt securities under the Company's shelf registration statement 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 Christmas selling season.

The Company's working capital increased to \$229.3 million at February 1, 1997 from \$175.4 million at February 3, 1996. The increase was primarily the result of higher merchandise levels required to support existing stores and incremental new store locations offset in part by increased accounts payable. The Company expects working capital levels to continue to grow as new stores are opened.

Cash provided by operating activities was \$105.2 million for fiscal 1996, \$28.7 million for fiscal 1995 and \$95.5 million for fiscal 1994. Excluding changes in operating assets and liabilities, cash provided by operating activities was \$154.7 million for fiscal 1996, \$119.8 million for fiscal 1995 and \$107.5 million for fiscal 1994.

The Company's capital expenditures were \$223.4 million (no additional assets under capital leases) during fiscal 1996, \$138.8 million (including \$6.4 million of assets under capital leases) during fiscal 1995, and \$132.8 million (including \$25.3 million of assets under capital leases) during fiscal 1994. The increase in expenditures from fiscal 1995 to fiscal 1996 is attributable to new store spending for 1996 new stores, 1997 new stores in the Washington, D.C. and Philadelphia markets, the completion of the corporate office and the start of the third distribution center in Winchester, Virginia. The increase in expenditures from fiscal 1994 to fiscal 1995 is attributable to the opening of more new stores, eight of which were owned in fiscal 1995 compared with three in fiscal 1994, offset by the completion of the distribution center in Findlay, Ohio in 1994.

The Company's long-term debt increased from \$187.7 million at February 3, 1996 to \$312.0 million at February 1, 1997. On February 6, 1996, the Company issued \$100 million non-callable 6.70% unsecured senior notes under its \$250 million shelf registration statement. The notes mature on February 1, 2006. On October 15, 1996, the Company issued \$100 million non-callable 7.375% unsecured senior notes under its \$250 million shelf registration statement. The notes mature on October 15, 2011. The proceeds were used to repay borrowings under its \$200 million unsecured revolving credit facility and will support future company growth.

Total capital expenditures for fiscal 1997 are currently expected to be approximately \$200 million (excluding assets under capital leases). The actual amount of the Company's future annual capital expenditures will depend primarily on the number of new stores opened, whether such stores are owned or leased by the Company and the number of existing stores remodeled or refurbished.

The Company plans to open approximately 30 new stores in fiscal 1997. The total cash outlay required for a newly constructed leased store, including capital expenditures, preopening expenses and net working capital, is

approximately \$5.0 million. The additional cash outlay required for new owned stores will vary depending upon land and sitework costs, but is expected to be approximately \$7.5 million per location. The Company does not anticipate that its planned expansion will be limited by any restrictive covenants in its financing agreements.

In June 1996, the Financial Accounting Standards Board issued Statement 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which provides accounting and reporting

10

standards for sales, securitizations and servicing of receivables and other financial assets. Statement 125 was effective for all transactions occurring after December 31, 1996.

In conjunction with the adoption of Statement 125, the Company established Kohl's Receivable Corporation (KRC), a wholly owned subsidiary of the Company. KRC is a special purpose entity and management believes that its assets are legally isolated from the Company. KRC entered into an agreement with a bank, renewable at KRC's request and bank's option, under which it periodically sells, generally with recourse, an undivided interest in a revolving pool of the Company's private label credit card receivables up to a maximum of \$200 million. The cost of the accounts receivable financing program is based upon the bank's A-1/P-1 commercial paper rate plus certain fees. At February 1, 1997, a \$191 million interest had been sold under this agreement and reflected as a reduction of accounts receivable as this sale met the requirements of Statement 125.

The Company anticipates that it will be able to satisfy its current operating needs, planned capital expenditures and debt service requirements with current working capital, cash flows from operations, seasonal borrowings under its \$200 million revolving credit facility, short-term trade credit and other lending facilities.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements are included in this report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

11

PART III.

ITEM 10. EXECUTIVE OFFICERS OF REGISTRANT

The information set forth under "Election of Directors" on pages 1-2 and under "Compliance with Sec. 16(a) of the Exchange Act" on page 5 of Registrant's Proxy Statement dated April 22, 1997 is incorporated herein by reference. The executive officers of the Company are as follows:

NAME - - - - -	AGE ---	POSITION -----
Jay H. Baker	62	President and Director
Caryn Blanc	39	Executive Vice President--Distribution and Store Administration
John F. Herma	49	Chief Operating Officer, Secretary and Director

William S. Kellogg	53	Chairman, Chief Executive Officer and Director
Richard Leto	45	Executive Vice President, General Merchandise Manager
Kevin Mansell	44	Executive Vice President--General Merchandise Manager
Arlene Meier	45	Executive Vice President--Chief Financial Officer
R. Lawrence Montgomery	48	Vice Chairman and Director
Gary Vasques	49	Executive Vice President--Marketing

Mr. Baker has served as President since 1986. In this capacity, Mr. Baker oversees the Company's general merchandising and marketing functions. Mr. Baker has 34 years of experience in the retail industry.

Ms. Blanc has served as Executive Vice President--Distribution and Store Administration since 1991 and in other management positions with the Company since 1988. Ms. Blanc joined the Company in 1978, and has 19 years of experience in the retail industry.

Mr. Herma has served as Chief Operating Officer since 1986. Mr. Herma joined the Company as Director of Human Resources in 1980 and has 26 years of experience in the retail industry.

Mr. Kellogg has served as Chairman and Chief Executive Officer since 1979. Mr. Kellogg joined the Company in 1967, and has 30 years of experience in the retail industry.

Mr. Leto has served as Executive Vice President--General Merchandise Manager since July 1996. Prior to joining the Company, Mr. Leto served as Executive Vice President, Merchandising for the R. H. Macy Corporation. Mr. Leto has 24 years of experience in the retail industry.

Mr. Mansell has served as Executive Vice President--General Merchandise Manager since 1987. Mr. Mansell joined the Company as a Divisional Merchandise Manager in 1982, and has 22 years of experience in the retail industry.

Ms. Meier has served as Executive Vice President--Chief Financial Officer since October 1994. Ms. Meier joined the Company as Vice President--Controller in 1989. Ms. Meier has 21 years of experience in the retail industry.

Mr. Montgomery was appointed Vice Chairman in March 1996. Mr. Montgomery served as Executive Vice President of Stores from February 1993 to February 1996. Mr. Montgomery joined the Company as Senior Vice President--Director of Stores in 1988. Mr. Montgomery has 26 years of experience in the retail industry.

Mr. Vasques has served as Executive Vice President--Marketing since December 1995. Prior to joining the Company, Mr. Vasques served as Senior Vice President--Marketing of Caldor from 1991 to November 1995. Mr. Vasques has 27 years of experience in the retail industry.

12

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under "Executive Compensation" on pages 6-9 of Registrant's Proxy Statement dated April 22, 1997 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 22, 1997 is incorporated herein by reference.

ITEM 12. BENEFICIAL OWNERSHIP OF STOCK

The information set forth under "Beneficial Ownership of Shares" on pages 4-5 of Registrant's Proxy Statement dated April 22, 1997 is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under "Compensation Committee Interlocks and Insider Participation" on page 3, and "Other Agreements" on page 9 of Registrant's Proxy Statement dated April 22, 1997 is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

PAGE

(a) 1. Consolidated Financial Statements of Kohl's Corporation	
Report of Independent Auditors.....	F-2
Consolidated Balance Sheets.....	F-3
Consolidated Statements of Income.....	F-4
Consolidated Statements of Changes in Shareholders' Equity.....	F-5
Consolidated Statements of Cash Flows.....	F-6
Notes to Consolidated Financial Statements.....	F-7
2. Financial Statement Schedules	
Schedules are not included because they are not applicable or required.	
3. Exhibits	
The exhibits to this report are listed in the exhibit index elsewhere herein.	
(b) Reports on Form 8-K	
There were no reports on Form 8-K filed for the three months ended February 1, 1997.	

CONSOLIDATED FINANCIAL STATEMENTS OF KOHL'S CORPORATION

PAGE

Report of Independent Auditors.....	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Income	F-4
Consolidated Statements of Changes in Shareholders' Equity	F-5
Consolidated Statements of Cash Flows.....	F-6
Notes to Consolidated Financial Statements	F-7

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 (the Company) as of February 1, 1997 and February 3, 1996, 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 1, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 Kohl's Corporation at February 1, 1997 and February 3, 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 1, 1997, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
March 7, 1997

F-2

KOHL'S CORPORATION
CONSOLIDATED BALANCE SHEETS

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	-----	-----
ASSETS		

(IN THOUSANDS, EXCEPT SHARE DATA)		
Current assets:		
Cash and cash equivalents.....	\$ 8,906	\$ 2,819
Merchandise inventories.....	423,207	320,572
Other.....	33,045	7,233
	-----	-----
Total current assets.....	465,158	330,624
Property and equipment, at cost.....	725,082	502,406
Less accumulated depreciation.....	128,855	93,238
	-----	-----
Other assets.....	596,227	409,168
Favorable lease rights.....	7,615	4,564
Goodwill.....	18,076	20,491
	-----	-----
Total assets.....	\$ 1,122,414	\$ 805,385
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current liabilities:		
Accounts payable.....	\$ 126,548	\$ 69,270
Accrued liabilities.....	79,594	57,259
Income taxes payable.....	25,470	21,628
Deferred income taxes.....	2,544	5,674
Current portion of long-term debt.....	1,663	1,425
	-----	-----
Total current liabilities.....	235,819	155,256
Long-term debt.....	312,031	187,699
Deferred income taxes.....	38,731	30,731
Other long-term liabilities.....	18,362	21,061
Shareholders' equity:		
Common stock--\$.01 par value, 400,000,000 shares authorized, 73,920,277 and 73,736,670 issued at February 1, 1997 and February 3, 1996, respectively.....	739	737
Paid-in capital.....	193,351	188,998
Retained earnings.....	323,381	220,903
	-----	-----
Total shareholders' equity.....	517,471	410,638
	-----	-----
Total liabilities and shareholders' equity.....	\$ 1,122,414	\$ 805,385
	=====	=====

See accompanying notes

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	FISCAL YEAR ENDED		
	FEBRUARY 1, 1997	FEBRUARY 3, 1996	JANUARY 28, 1995
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net sales.....	\$2,388,221	\$1,925,669	\$1,554,100
Cost of merchandise sold.....	1,608,688	1,294,653	1,037,740
Gross margin.....	779,533	631,016	516,360
Operating expenses:			
Selling, general and administrative.....	536,226	436,442	356,893
Depreciation and amortization.....	38,815	28,731	22,202
Goodwill amortization.....	5,200	5,200	5,200
Preopening expenses.....	10,302	10,712	8,190
Credit operations non-recurring.....	--	14,052	--
Total operating expenses.....	590,543	495,137	392,485
Operating income.....	188,990	135,879	123,875
Other (income) expense:			
Interest expense.....	17,745	13,487	7,308
Amortization of deferred financing costs.....	201	77	70
Interest income.....	(324)	(414)	(954)
Income before income taxes.....	171,368	122,729	117,451
Provision for income taxes.....	68,890	50,077	48,939
Net income.....	\$ 102,478	\$ 72,652	\$ 68,512
Net income per common share.....	\$ 1.39	\$.99	\$.93
Weighted average number of common shares...	73,852	73,585	73,408

See accompanying notes

KOHL'S CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	COMMON STOCK			TOTAL	
	SHARES	AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS	SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)					
Balance at January 29, 1994..	73,306,282	\$733	\$182,030	\$ 79,739	\$262,502
Issuance of common shares to ESOP, net of issuance costs.....	35,340	--	765	--	765
Exercise of stock options....	168,514	2	1,451	--	1,453
Income tax benefit of stock options.....	--	--	1,017	--	1,017
Net Income.....	--	--	--	68,512	68,512
Balance at January 28, 1995..	73,510,136	735	185,263	148,251	334,249

Exercise of stock options....	226,534	2	2,419	--	2,421
Income tax benefit of stock options.....	--	--	1,316	--	1,316
Net income.....	--	--	--	72,652	72,652
	-----	-----	-----	-----	-----
Balance at February 3, 1996..	73,736,670	737	188,998	220,903	410,638
Exercise of stock options....	183,607	2	3,103	--	3,105
Income tax benefit of stock options.....	--	--	1,250	--	1,250
Net income.....	--	--	--	102,478	102,478
	-----	-----	-----	-----	-----
Balance at February 1, 1997..	73,920,277	\$739	\$193,351	\$323,381	\$517,471
	=====	=====	=====	=====	=====

See accompanying notes

F-5

KOHL'S CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FISCAL YEAR ENDED		
	FEBRUARY 1, 1997	FEBRUARY 3, 1996	JANUARY 28, 1995

	(IN THOUSANDS)		
OPERATING ACTIVITIES			
Net income.....	\$ 102,478	\$ 72,652	\$ 68,512
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	44,216	34,008	27,472
Deferred income taxes.....	4,870	10,650	8,240
Other noncash charges.....	3,093	2,531	3,230
Changes in operating assets and liabilities:			
Merchandise inventories.....	(102,635)	(72,359)	(57,497)
Other current assets.....	(25,812)	831	(5,317)
Accounts payable.....	57,278	(29,535)	42,154
Accrued and other long-term liabilities.....	17,827	2,423	8,489
Income taxes payable.....	3,842	7,450	213
	-----	-----	-----
Net cash provided by operating activities.	105,157	28,651	95,496
INVESTING ACTIVITIES			
Acquisition of property and equipment.....	(223,423)	(132,409)	(107,526)
Proceeds from sale of property and equipment.....	752	1,577	945
Other.....	(2,063)	(524)	(485)
	-----	-----	-----
Net cash used in investing activities.....	(224,734)	(131,356)	(107,066)
FINANCING ACTIVITIES			
Proceeds from public debt offering.....	200,000	--	--
Proceeds from senior notes.....	--	--	60,000
Net borrowings (repayments) under Credit Facility.....	(74,000)	74,000	(27,000)
Payment of financing fees on debt.....	(2,011)	--	--
Repayment of other long-term debt.....	(1,430)	(1,303)	(988)
Net proceeds from issuance of common shares.....	3,105	2,421	1,453
	-----	-----	-----
Net cash provided by financing activities.	125,664	75,118	33,465
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	6,087	(27,587)	21,895
Cash and cash equivalents at beginning of period.....	2,819	30,406	8,511

Cash and cash equivalents at end of period.....	----- \$ 8,906 =====	----- \$ 2,819 =====	----- \$ 30,406 =====
---	----------------------------	----------------------------	-----------------------------

See accompanying notes

F-6

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 1, 1997

1. BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

BUSINESS

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

CONSOLIDATION

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

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 1, 1997 (fiscal 1996), February 3, 1996 (fiscal 1995) and January 28, 1995 (fiscal 1994), which include 52 weeks, 53 weeks and 52 weeks, respectively.

CASH EQUIVALENTS

Cash equivalents represent short-term investments with an original maturity of three months or less, which are held to maturity. Short-term investments are stated at cost which approximates market.

INVENTORIES

Merchandise inventories are stated at the lower of cost or market with cost determined by the last-in, first-out (LIFO) method. Inventories would have been \$4,876,000 higher at February 1, 1997, and \$339,000 lower at February 3, 1996 if they had been valued using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

The cost of property and equipment is 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 have been principally computed on a straight-line basis as follows:

Buildings and improvements...	18-40 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.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

1. BUSINESS AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

FAVORABLE LEASE RIGHTS

Favorable lease rights are being amortized over a composite average life, including options, of 20 years and reflect accumulated amortization of \$15,307,000 at February 1, 1997 and \$13,691,000 at February 3, 1996.

GOODWILL

Goodwill is being amortized on a straight-line basis over 15 years. Accumulated amortization was \$42,066,000 at February 1, 1997 and \$36,866,000 at February 3, 1996.

PREOPENING COSTS

Costs associated with the opening of new stores are accumulated for the period prior to opening and expensed over the two week grand opening period. The expenses relate to the costs associated with new store openings, including hiring and training costs for new employees, Kohl's charge account solicitation and processing and transporting initial merchandise.

ADVERTISING

Advertising costs are expensed as incurred and totaled \$90,660,000, \$73,011,000 and \$52,558,000 in fiscal 1996, 1995 and 1994, respectively.

INCOME TAXES

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

NET INCOME PER SHARE

Net income per share is computed by dividing net income by the weighted average number of common shares outstanding during each year. Shareholder's equity, share and per share amounts for all periods presented have been adjusted for the 2 for 1 stock split declared by the Company's Board of Directors on March 11, 1996, effected in the form of a stock dividend. The dilutive effect of stock options on net income per share is immaterial.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain reclassifications have been made to prior years' financial statements to conform to the fiscal 1996 presentation.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

2. SELECTED BALANCE SHEET INFORMATION

Property and equipment consist of the following:

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	-----	-----
	(IN THOUSANDS)	
Land.....	\$ 48,438	\$ 40,902
Buildings and improvements.....	235,346	154,413
Store fixtures and equipment.....	275,632	211,894
Property under capital leases.....	58,569	58,569
Construction in progress.....	107,097	36,628
	-----	-----
	\$725,082	\$502,406
	=====	=====

Accrued liabilities consist of the following:

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	-----	-----
	(IN THOUSANDS)	
Payroll and related fringe benefits.....	\$ 20,364	\$ 11,573
Sales and property taxes.....	20,963	18,199
Other accruals.....	38,267	27,487
	-----	-----
	\$ 79,594	\$ 57,259
	=====	=====

3. ACCOUNTS RECEIVABLE FINANCING

Effective September 1, 1995, the Company terminated its agreement with Citicorp Retail Services (CRS) under which it sold its private label credit card receivables to CRS and established its own credit operation. In connection with this transaction, the Company incurred a one-time charge of \$14.1 million (\$8.3 million after-tax) which included contractual amounts due to CRS (\$5.4 million), establishment of an initial allowance for doubtful accounts for the receivables acquired (\$3.6 million), and other costs related to the credit operation (\$5.1 million).

Concurrent with the September 1, 1995 termination agreement with CRS, the Company entered into a one year agreement with a bank, renewable at the Company's request and bank's option, under which it periodically sold, generally with recourse, an undivided interest in a revolving pool of its private label credit card receivables.

At February 3, 1996, a \$174.5 million interest had been sold under this agreement and reflected as a reduction of accounts receivable in the accompanying consolidated balance sheet. The Company maintained an allowance for doubtful accounts, including an amount for the undivided interest in receivables sold (included in accrued liabilities--other accruals), based upon management's estimates of the Company's risk of credit loss.

From January 29, 1995 through August 31, 1995 and in fiscal 1994, receivables totaling \$202,780,000 and \$330,280,000, respectively, were sold to CRS. From September 1, 1995 through February 3, 1996 and for fiscal 1996, the average interest in receivables sold to the bank was \$165 million and \$168 million, respectively.

In June 1996, the Financial Accounting Standards Board issued Statement 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, which provides accounting and reporting standards for sales, securitizations and servicing of receivables and other financial assets. The adoption of Statement 125, which was effective for all transactions occurring after December 31, 1996, did not have a material effect on the Company.

3. ACCOUNTS RECEIVABLE FINANCING (CONTINUED)

In conjunction with the adoption of Statement 125, the Company established Kohl's Receivable Corporation (KRC), a wholly owned subsidiary of the Company. KRC is a special purpose entity and management believes that its assets are legally isolated from the Company. On January 30, 1997, a wholly owned subsidiary of the Company repurchased the private label credit card receivables previously sold to a bank. The subsidiary then sold or contributed all of its receivables to KRC. Similar to the agreement the subsidiary previously had with a bank, KRC entered into an agreement with the same bank, renewable at KRC's request and bank's option, under which it periodically sells, generally with recourse, an undivided interest in a revolving pool of the Company's private label credit card receivables up to a maximum of \$200 million. The cost of the accounts receivable financing program is based upon the bank's A-1/P-1 commercial paper rate plus certain fees. The agreement contains certain covenants which require the Company to maintain a minimum portfolio quality.

At February 1, 1997, a \$191 million interest had been sold under this agreement and reflected as a reduction of accounts receivable as this sale met the requirements of Statement 125. The remaining \$26.7 million of accounts receivable at February 1, 1997 is classified as other current assets in the accompanying consolidated balance sheet. The Company maintains an allowance for doubtful accounts for retained receivables based upon management's estimates of the Company's risk of credit loss.

The cost of the credit program from February 4, 1996 through January 30, 1997 and from September 1, 1995 through February 3, 1996, net of finance charge income, is summarized below and is included in selling, general and administrative expenses in the accompanying consolidated statements of income.

	FEBRUARY 4, 1996 THROUGH JANUARY 30, 1997	SEPTEMBER 1, 1995 THROUGH FEBRUARY 3, 1996
	----- (IN THOUSANDS) -----	
Finance charges and other income.....	\$ 33,859	\$ 10,376
Operating expenses:		
Cost of financing program.....	10,816	4,452
Provision for doubtful accounts.....	11,493	3,161
Other credit and collection expenses.....	11,375	3,433
	-----	-----
Total operating expenses.....	33,684	11,046
	-----	-----
Net (cost) revenue of credit program..	\$ 175	\$ (670)
	=====	=====

Subsequent to January 30, 1997, this income and expense will only be included in the consolidated statements of income of the Company for receivables not sold by KRC to the bank as described above.

4. DEBT

Debt consists of the following:

	FEBRUARY 1, 1997	FEBRUARY 3, 1996
	----- (IN THOUSANDS) -----	
Senior notes.....	\$ 60,000	\$ 60,000
Public offered debt.....	200,000	--
Borrowings under the revolving credit facility.....	--	74,000
Capital leases.....	52,297	53,532
Other.....	1,397	1,592
	-----	-----
Total debt.....	313,694	189,124
Less current portion.....	1,663	1,425

Total long-term debt.....	----- \$312,031 =====	----- \$187,699 =====
---------------------------	-----------------------------	-----------------------------

F-10

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

4. DEBT (CONTINUED)

On March 31, 1994 the Company issued \$60 million of 6.57% unsecured senior notes. The notes will mature in 2004, with required prepayments due each year beginning March 31, 2000. The notes contain various covenants that limit, among other things, additional indebtedness and payment of dividends, as well as requiring the Company to meet certain financial tests.

On January 25, 1996, the Company filed a \$250 million shelf offering to issue debt securities in the public debt market. On February 6, 1996, the Company issued \$100 million of non-callable 6.70% unsecured senior notes from the shelf which mature on February 1, 2006. On October 15, 1996, the Company issued another \$100 million of non-callable 7.375% unsecured senior notes from the shelf which mature on October 15, 2011. The proceeds were used to repay borrowings under the Credit Facility and will support future Company growth.

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 the senior notes to be approximately \$59 million and the fair value of the publicly offered notes to be approximately \$196 million at February 1, 1997.

The Company has a \$200 million unsecured revolving credit facility (the Credit Facility) which matures on February 28, 2001. The Credit Facility can be extended each year for an additional one year with the bank's consent provided that the Company meets certain financial covenants. Depending on the type of advance, amounts borrowed bear interest at competitive bid rates; the LIBOR plus a margin, depending on the Company's leverage and coverage ratios; or the agent bank's base rate. A facility fee of 0.125% to 0.20%, depending on the Company's leverage, is charged on the entire commitment. As of February 1, 1997, the facility fee was 0.15%. The Credit Facility contains various covenants that limit, among other things, additional indebtedness and payment of dividends, as well as requiring the Company to meet certain financial tests.

During fiscal 1995 and 1994, the Company entered into capital leases having payments with a present value at inception totaling \$6,388,000 and \$25,274,000, respectively. There were no new capital leases entered into in fiscal 1996.

Interest payments were \$11,754,000, \$13,575,000 and \$5,972,000 in fiscal 1996, 1995 and 1994, respectively.

Annual maturities of long-term debt, excluding capital lease obligations, for the next five years are: \$203,000 in 1997; \$216,000 in 1998; \$231,000 in 1999; \$247,000 in 2000 and \$10,210,000 in 2001.

5. COMMITMENTS

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

Rent expense charged to operations was \$52,848,000, \$39,357,000 and \$31,232,000 in fiscal 1996, 1995 and 1994, respectively. Rent expense includes contingent rents, based on sales, of \$3,485,000, \$4,250,000 and \$3,521,000 in fiscal 1996, 1995 and 1994, respectively.

Rent expense incurred on store leases with various entities owned by a director of the Company and his affiliates, which are included in the total rent expense above, were \$3,741,000, \$3,196,000 and \$3,196,000 in fiscal 1996,

1995 and 1994 respectively.

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

5. COMMITMENTS (CONTINUED)

Leased property under capital leases consists of the following:

	FEBRUARY 1, 1997	FEBRUARY 3, 1996

	(IN THOUSANDS)	
Buildings and improvements.....	\$ 58,569	\$ 58,569
Less accumulated amortization.....	12,322	9,875
	-----	-----
	\$ 46,247	\$ 48,694
	=====	=====

Future minimum lease payments at February 1, 1997, 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:		
1997.....	\$ 7,058	\$ 56,673
1998.....	7,047	60,490
1999.....	6,824	55,433
2000.....	6,701	50,727
2001.....	6,587	50,257
Thereafter.....	95,418	656,785
	-----	-----
	129,635	\$930,365
		=====
Less amount representing interest.....	77,338	

Present value of minimum lease payments.....	\$ 52,297	
	=====	

Included in the operating lease schedule above is \$238,743,000 of minimum lease payments for stores that will open in 1997.

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. Expenses are accrued and, subsequently, paid in cash. The Company recorded expenses of \$1,734,000, \$1,700,000 and \$1,192,000 in fiscal 1996, 1995 and 1994, respectively. Shares of Company common stock held by the ESOP are included as shares outstanding for purposes of the income per share computation.

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 contributions expensed were \$1,755,000, \$1,296,000 and \$922,000 in fiscal 1996, 1995 and 1994, respectively. In addition, beginning in 1996 the Company made a defined annual contribution 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 contributions expensed were \$2,395,000 for fiscal 1996.

On April 12, 1996, the Company terminated a defined benefit pension plan, and subsequently settled the accumulated benefit obligation. Employees were offered the choice of transferring the lump sum value of pension benefits to the Kohl's savings plan or having a nonparticipant annuity contract purchased for them. Defined benefits are not provided under any successor plan and the plan ceased to exist as an entity. As a result of the termination, the Company recognized a gain of \$1,540,000 in fiscal 1996. Pension expense, exclusive of the gain on termination, totalled \$470,000, \$1,816,000 and \$1,878,000 in fiscal 1996, 1995 and 1994 respectively.

F-12

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

7. INCOME TAXES

Deferred income taxes consist of the following:

	FEBRUARY 1, 1997	FEBRUARY 3, 1996

(IN THOUSANDS)		
Deferred tax liabilities:		
Merchandise inventories.....	\$ 7,934	\$10,834
Property and equipment.....	40,333	32,743
Other.....	3,799	3,708
	-----	-----
	52,066	47,285
Deferred tax assets:		
Accrued and other liabilities.....	6,830	5,650
Incentive plan liabilities.....	3,961	5,230
	-----	-----
	10,791	10,880
	-----	-----
Total deferred tax liability.....	\$41,275	\$36,405
	=====	=====

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

	FISCAL YEAR		
	1996	1995	1994

(IN THOUSANDS)			
Current Federal.....	\$53,105	\$31,565	\$34,502
Current State.....	10,915	7,862	6,197
Deferred.....	4,870	10,650	8,240
	-----	-----	-----
	\$68,890	\$50,077	\$48,939
	=====	=====	=====

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		
	1996	1995	1994

Provision at statutory rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit.....	4.5	4.9	5.4
Goodwill amortization.....	1.1	1.5	1.6

Other.....	(.4)	(.6)	(.3)
	-----	-----	-----
Provision for income taxes.....	40.2%	40.8%	41.7%
	=====	=====	=====
Amounts paid for income taxes (In Thousands).....	\$58,230	\$30,877	\$39,802
	=====	=====	=====

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 11, 1996, the Company's Board of Directors declared a 2 for 1 stock split in the form of a stock dividend on the Company's common stock. The record date for the stock split was April 12, 1996. Distribution of the additional shares was made on April 29, 1996. All per share, weighted average shares outstanding and stock option data have been adjusted to reflect this dividend.

F-13

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

8. PREFERRED AND COMMON STOCK (CONTINUED)

In accordance with the 1992 Long-Term Compensation Plan, options to purchase 5,700,000 common shares may be granted to officers and key employees. The 1994 Long-Term Compensation Plan provided an additional 6,000,000 shares of common stock for granting of stock options. At February 1, 1997, stock options covering 5,471,288 shares were outstanding (as set forth below). Generally, 25% of the options become exercisable one year after their respective grant date and another 25% becomes exercisable each succeeding year. There were 2,140,714, 1,324,118 and 682,130 options exercisable at February 1, 1997, February 3, 1996 and January 28, 1995, respectively.

Options to purchase shares of common stock related to awards which are surrendered or terminated without issuance of shares will be available for future grants.

SHARES AVAILABLE FOR GRANT

	1992 PLAN	1994 PLAN	TOTAL
	-----	-----	-----
January 28, 1995.....	1,852,932	3,000,000	4,852,932
February 3, 1996.....	810,068	3,000,000	3,810,068
February 1, 1997.....	220,149	5,395,450	5,615,599

OPTIONS

	NUMBER OF SHARES	PRICE PER SHARE
	-----	-----
Balance at January 29, 1994.....	2,529,160	\$ 7.000 - 23.750
Granted.....	1,705,750	\$19.750 - 26.875
Surrendered.....	(422,300)	\$ 7.000 - 26.875
Exercised.....	(168,514)	\$ 7.000 - 17.375
	-----	-----
Balance at January 28, 1995.....	3,644,096	\$ 7.000 - 26.875
Granted.....	1,127,400	\$20.125 - 26.875
Surrendered.....	(84,536)	\$ 7.000 - 26.875
Exercised.....	(226,534)	\$ 7.000 - 24.625
	-----	-----
Balance at February 3, 1996.....	4,460,426	\$ 7.000 - 26.875

Granted.....	1,414,225	\$28.563 - 40.000
Surrendered.....	(219,756)	\$ 7.000 - 26.875
Exercised.....	(183,607)	\$ 7.000 - 26.875
	-----	-----
Balance at February 1, 1997.....	5,471,288	\$ 7.000 - 40.000
	=====	=====

The weighted-average exercise price for all options outstanding is \$23.14, \$19.12 and \$16.99 at February 1, 1997, February 3, 1996 and January 28, 1995, respectively. The weighted-average remaining contractual life of the options at February 1, 1997 is 7.9 years.

The Company has elected 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 because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, Accounting for Stock-Based Compensation, requires use of option valuation models that were not developed for use in valuing 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.

F-14

KOHL'S CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

8. PREFERRED AND COMMON STOCK (CONTINUED)

Pro forma information regarding net income and earnings per share is required by Statement 123, and has been determined as if the Company had accounted for its employee options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for 1996 and 1995: risk free interest rate of 5.0%; dividend yield 0%; volatility factors of the Company's common stock of 30%; and a 7 year expected life of the option. Based on this analysis, the impact on net income and earnings per share is immaterial.

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.

The Internal Revenue Service (the "IRS") has audited the Company's federal income tax returns for fiscal years ended August 1986, 1987 and 1988. In January 1994, the IRS proposed approximately \$20 million of tax consisting primarily of an adjustment to the LIFO inventory method used by the Company. The impact of the proposed adjustments before interest had previously been reflected in the Company's deferred income tax accounts. The Company contested the proposed adjustments vigorously within the administrative appeals process of the IRS and has reached a tentative resolution of the matter which, if finalized, would not have a material adverse impact on the Company's results of operations or liquidity.

10. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Each quarter had 13 weeks with the exception of the fourth quarter of fiscal 1995, which had 14 weeks.

FISCAL YEAR 1996

	FIRST	SECOND	THIRD	FOURTH	TOTAL
(IN THOUSANDS, EXCEPT PER SHARE DATA)					

Net sales.....	\$468,638	\$474,598	\$598,052	\$846,933	\$2,388,221
Gross margin.....	156,802	156,558	198,480	267,693	779,533

Chairman, Chief Executive Officer
and Director

Director

/s/ Jay H. Baker

/s/ Herbert Simon

Jay H. Baker
President and Director

Herbert Simon
Director

/s/ John F. Herma

/s/ Peter M. Sommerhauser

John F. Herma
Chief Operating Officer and Director

Peter M. Sommerhauser
Director

/s/ R. Lawrence Montgomery

/s/ R. Elton White

R. Lawrence Montgomery
Vice Chairman--Director

R. Elton White
Director

/s/ Arlene Meier

Arlene Meier
Chief Financial Officer (Principal
Financial and Accounting Officer)

II-1

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	Articles of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 3, 1996.
3.2	Bylaws of the Company incorporated herein by reference to Exhibit 3.2 of the Company's registration statement on Form 8-B dated June 25, 1993.
4.1	Note Agreements dated January 27, 1994 between Kohl's Department Stores, Inc., Kohl's Corporation, and The Northwestern Mutual Life Insurance Company and between Kohl's Department Stores, Inc., Kohl's Corporation and State of Wisconsin Investment Board, incorporated herein by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 1994.
4.2	Revolving Credit Agreement dated as of February 28, 1994 among Kohl's Department Stores, Inc., various commercial banking institutions and the Bank of New York, as Administrative Agent, the Bank of Nova Scotia, as Agent and The First National Bank of Chicago, as Agent, incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 1994. Amendment No. 1 to Revolving Credit Agreement, dated July 19, 1995; Amendment No. 2 to Revolving Credit Agreement, dated September 29, 1995; and Amendment No. 3 to Revolving Credit Agreement, dated December 21, 1995, all incorporated herein by reference to Exhibits 10.1, 10.2 and 10.3, respectively of the Company's statement on Form S-3 (Reg. No. 33-80323); and Amendment No. 4 to Revolving Credit Agreement, dated July 19, 1996.
4.3	Indenture dated as of December 1, 1995 between the Company and The Bank of New York, as Trustee.
4.4	Certain other long-term debt is described in Note 4 of

the Notes to Consolidated Financial Statements. The Company agrees to furnish to the Commission, upon request, copies of any instruments defining the rights of holders of any such long-term debt described in Note 4 and not filed herewith.

- 10.1 Employment Agreement between the Company and William S. Kellogg incorporated herein by reference to Exhibit 10.6 of the Company's registration statement on Form S-1 (File No. 33-46883).*
- 10.2 Employment Agreement between the Company and Jay H. Baker incorporated herein by reference to Exhibit 10.7 of the Company's registration statement on Form S-1 (File No. 33-46883).*
- 10.3 Employment Agreement between the Company and John F. Herma incorporated herein by reference to Exhibit 10.8 of the Company's registration statement on Form S-1 (File No. 33-46883).*
- 10.4 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 Committee Bonus Plan incorporated herein by reference to Exhibit 10.12 of the Company's registration statement on Form S-1 (File No. 33-46883).*

EXHIBIT NUMBER -----	DESCRIPTION -----
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 10.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1994.
10.10	Amended and Restated Agreements dated December 10, 1995 between the Company and Ms. Blanc.*
10.11	Amended and Restated Agreements dated December 10, 1995 between the Company and Mr. Mansell.*
10.12	Amended and Restated Agreements dated December 10, 1995 between the Company and Mr. Montgomery.*
10.13	Receivables Sale Agreement dated as of January 31, 1997 by and between Kohl's Department Stores, Inc. and Kohl's Receivables Corporation.
10.14	Receivables Purchase Agreement dated as of January 31, 1997 by and among Kohl's Receivables Corporation, Preferred Receivables Funding Corporation and The First National Bank of Chicago, as agent.
11.1	Computation of Per Share Earnings.
12.1	Statement regarding calculation of ratio of earnings to fixed charges.
13.1	1996 Annual Report.
21.1	Subsidiaries of the Registrant.
24.1	Consent of Ernst & Young LLP.
27.0	Financial Data Schedule--Article 5 of Regulation S-X.

- -----
*A management contract or compensatory plan or arrangement.

=====

RECEIVABLES SALE AGREEMENT

DATED AS OF JANUARY 31, 1997

BETWEEN

KOHL'S DEPARTMENT STORES, INC.,
AS THE ORIGINATOR

AND

KOHL'S RECEIVABLES CORPORATION,
AS THE BUYER

=====

TABLE OF CONTENTS

	PAGE

ARTICLE I	
AMOUNTS AND TERMS OF THE PURCHASES.....	1
Section 1.1. Purchases of Receivables.....	1
Section 1.2. Payment for the Purchases.....	2
Section 1.3. Purchase Price Credit Adjustments.....	4
Section 1.4. Payments and Computations, Etc.....	5
Section 1.5. Transfer of Records.....	5
Section 1.6. Characterization.....	5
ARTICLE II	
REPRESENTATIONS AND WARRANTIES.....	6
Section 2.1. Originator Representations and Warranties.....	6
(a) Corporate Existence and Power.....	6
(b) No Conflict.....	6
(c) Governmental Authorization.....	6
(d) Binding Effect.....	6
(e) Accuracy of Information.....	7
(f) Use of Proceeds.....	7
(g) Good Title; Perfection.....	7
(h) Places of Business.....	7
(i) Collection Banks; etc.....	7
(j) Material Adverse Effect.....	8
(k) Names.....	8
(l) Actions, Suits.....	8
(m) Credit and Collection Policy.....	8
(n) Payments to the Originator.....	8
(o) Ownership of the Buyer.....	9
(p) Not an Investment Company.....	9
(q) Purpose.....	9

(r)	Eligibility of Receivables.....	9
-----	---------------------------------	---

	PAGE

ARTICLE III	
CONDITIONS OF PURCHASES.....	9
Section 3.1. Conditions Precedent to Initial Purchase.....	9
Section 3.2. Conditions	
Precedent to All Purchases.....	9
ARTICLE IV	
COVENANTS.....	10
Section 4.1. Affirmative Covenants of Originator.....	10
(a) Financial Reporting.....	10
(i) Annual Reporting.....	10
(ii) Quarterly Reporting.....	10
(iii) Compliance Certificate.....	11
(iv) Shareholders Statements and Reports.....	11
(v) S.E.C. Filings.....	11
(vi) Notices under Transaction Documents.....	11
(vii) Change in Credit and Collection Policy.....	11
(viii) Other Information.....	11
(b) Notices.....	11
(i) Events of Default or Potential Events of Default.	11
(ii) Judgment.....	11
(iii) Downgrade.....	12
(c) Compliance with Laws.....	12
(d) Audits.....	12
(e) Keeping and Marking of Records and Books.....	12
(f) Compliance with Contracts and Credit and Collection Policy.....	13
(g) Ownership Interest.....	13
(h) Purchasers' Reliance.....	13
(i) Collections.....	14
Section 4.2. Negative Covenants of Originator.....	15
(a) Name Change, Offices, Records and Books of Accounts.....	15
(b) Change in Payment Instructions to Obligors.....	16
(c) Modifications to Contracts and Credit and Collection Policy.....	16
(d) Sales, Liens, Etc.....	16
(e) Accounting for Purchases.....	16

ARTICLE V

	PAGE

ADMINISTRATION AND COLLECTION.....	17
Section 5.1. Designation of Sub-Servicer.....	17
Section 5.2. Duties of Sub-Servicer.....	17
Section 5.3. Collection Account Agreements.....	18
Section 5.4. Responsibilities of the Originator.....	19
Section 5.5. Reports.....	19
Section 5.6. Sub-Servicer Fee.....	19

	ARTICLE VI	
	SUB-SERVICER DEFAULTS AND EVENTS OF DEFAULT.....	19
Section 6.1.	Sub-Servicer Defaults.....	19
Section 6.2.	Events of Default.....	20
Section 6.3.	Remedies.....	21

ARTICLE VII
INDEMNIFICATION..... 21

Section 7.1.	Indemnities by the Originator.....	21
Section 7.2.	Other Costs and Expenses.....	23

ARTICLE VIII
MISCELLANEOUS..... 23

Section 8.1.	Waivers and Amendments.....	23
Section 8.2.	Notices.....	24
Section 8.3.	Protection of Buyer's Interests.....	24
Section 8.4.	Confidentiality.....	25
Section 8.5.	Bankruptcy Petition.....	26
Section 8.6.	Limitation of Liability.....	26
Section 8.7.	CHOICE OF LAW.....	26
Section 8.8.	CONSENT TO JURISDICTION.....	27
Section 8.9.	WAIVER OF JURY TRIAL.....	27
Section 8.10.	Binding Effect; Assignability.....	27
Section 8.11.	Subordination.....	28
Section 8.12.	Integration; Survival of Terms.....	28
Section 8.13.	Counterparts; Severability.....	28

		PAGE

EXHIBIT I	DEFINITIONS.....	31
EXHIBIT II	CHIEF EXECUTIVE OFFICE OF THE ORIGINATOR; LOCATIONS OF RECORDS; TRADE NAMES; FEDERAL EMPLOYER IDENTIFICATION NUMBER.	41
EXHIBIT III	COLLECTION ACCOUNTS.....	42
EXHIBIT IV	FORM OF COMPLIANCE CERTIFICATE.....	43
EXHIBIT V	FORM OF COLLECTION ACCOUNT AGREEMENT.....	44
EXHIBIT VI	CREDIT AND COLLECTION POLICY.....	48
EXHIBIT VII	FORM OF CONTRACT(S).....	49
EXHIBIT VIII	FORM OF PERIODIC REPORT.....	50
EXHIBIT IX	FORM OF SUBSCRIPTION AGREEMENT.....	51
Exhibit A	Form of Articles of Incorporation.....	58
Exhibit B	Form of By-laws.....	59
EXHIBIT X	FORM OF SUBORDINATED NOTE.....	60
SCHEDULE A	DOCUMENTS AND RELATED ITEMS TO BE DELIVERED ON OR PRIOR TO THE INITIAL PURCHASE.....	64

THIS RECEIVABLES SALE AGREEMENT, dated as of January 31, 1997, is by and between KOHL'S DEPARTMENT STORES, INC., a Delaware corporation (the "ORIGINATOR"), and KOHL'S RECEIVABLES CORPORATION, a Wisconsin corporation (the "BUYER"). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in EXHIBIT I hereto.

PRELIMINARY STATEMENTS

The Originator now owns, and from time to time hereafter will own, Receivables. The Originator wishes to sell, assign and contribute to the Buyer, and the Buyer wishes to purchase and accept from the Originator, all right, title and interest of the Originator in and to the Receivables now and hereafter arising.

The Originator and the Buyer believe that it is in their mutual best interests for the Originator to sell and contribute the Receivables to the Buyer and for the Buyer to purchase the Receivables.

The Originator and the Buyer intend this transaction to be a true sale of the Receivables from the Originator to the Buyer, providing the Buyer with the full benefits of ownership of the Receivables, and the Originator and the Buyer do not intend this transaction to be, or for any purpose to be characterized as, a loan from the Buyer to the Originator.

ARTICLE I
AMOUNTS AND TERMS OF THE PURCHASES

Section 1.1. Purchases of Receivables.

(a) Effective on the date of the initial Purchase hereunder, in consideration for the Purchase Price and upon the terms and subject to the conditions set forth herein, the Originator does hereby sell, assign, transfer, set-over and otherwise convey to the Buyer, without recourse (except to the extent expressly provided herein), and the Buyer does hereby purchase from the Originator, on the terms and subject to the conditions set forth herein, all of the Originator's right, title and interest in and to all Receivables existing as of the close of business on the date of such initial Purchase and all Receivables thereafter arising, together, in each case, with all Related Security relating thereto and all Collections thereof; PROVIDED, HOWEVER, that in no event shall the Buyer purchase, or the Originator sell, any Receivable arising after the Termination Date. On the date of the initial Purchase, the Buyer shall acquire all of the Originator's right, title and interest in and to all Receivables existing as of the close of business on such date (together with all Related

Security relating thereto and all Collections thereof). On each Business Day thereafter through and including the Termination Date, the Buyer shall acquire all of the Originator's right, title and interest in and to all Receivables which were not previously purchased by the Buyer hereunder upon the creation of such Receivables (together with all Related Security relating thereto and all Collections thereof; PROVIDED THAT the acquisition by the Buyer of such right, title and interest of the Originator in connection with each Purchase hereunder is conditioned upon and subject to the Originator's receipt of the Purchase Price therefor in accordance with SECTION 1.2 below. In connection with consummation of any Purchase hereunder, the Buyer may request that the Originator deliver, and the Originator shall deliver, such approvals, opinions, information, reports or documents as the Buyer may reasonably request.

(b) It is the intention of the parties hereto that each Purchase of Receivables made hereunder shall constitute a "sale of accounts," as such term is used in Article 9 of the UCC, which sales are absolute and irrevocable and provide the Buyer with the full benefits of ownership of the Receivables. Except for the Purchase Price Credits owed pursuant to SECTION 1.3 hereof, each sale of Receivables hereunder is made without recourse to the Originator; PROVIDED, HOWEVER, that (i) the Originator shall be liable to the Buyer for all representations, warranties and covenants made by the Originator pursuant to the terms of the Transaction Documents, and (ii) such sale does not constitute and is not intended to result in an assumption by the Buyer or any assignee thereof of any obligation of the Originator or any other Person arising in connection with the Receivables, the related Contracts and/or other Related Security or any other obligations of the Originator. In view of the intention of the parties hereto that the Purchases of Receivables made hereunder shall constitute sales of such Receivables rather than loans secured by such Receivables, the Originator agrees on or prior to the date hereof to mark its master data processing records relating to the Receivables with a legend, acceptable to the Buyer, evidencing that the Buyer has purchased such Receivables as provided in this Agreement and to note in its financial statements that its Receivables have been sold to the Buyer. Upon the request of the Buyer or any of its assignees, the Originator will execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate to perfect and maintain the perfection of the Buyer's ownership interest in the Receivables, the Related Security and the Collections, or as the Buyer or any of its assignees may reasonably request. In addition, the Originator will, upon request, make available to the Buyer or to the Servicer the original copy of each Contract

under which a Receivable has arisen.

Section 1.2. Payment for the Purchases.

(a) The Purchase Price for the initial Purchase of Receivables shall be payable in full by the Buyer to the Originator on the date of such initial Purchase, and shall be paid to the Originator in the following manner:

2

(i) by delivery of immediately available funds, to the extent of funds available to the Buyer from its Permitted Financings or otherwise,

(ii) by the issuance of equity in the manner contemplated in the Subscription Agreement having a value of not less than \$28,300,000, and

(iii) the balance, with the proceeds of a Subordinated Loan.

The Purchase Price for each Purchase after the initial Purchase shall become due and owing in full by the Buyer to the Originator or its designee on the date of such Purchase (EXCEPT THAT the Buyer may, with respect to any such Purchase, offset against such Purchase Price any amounts owed by the Originator to the Buyer hereunder and which have become due but remain unpaid) and shall be paid to the Originator in the manner provided in the following paragraphs (b) and (c).

(b) With respect to any Purchase (other than the initial Purchase) hereunder, at the time of settlement of the Purchase Price therefor pursuant to paragraph (c) below, the Buyer shall pay the applicable Purchase Price therefor as follows:

FIRST, by delivery of immediately available funds, to the extent of funds available to the Buyer from its Permitted Financings or otherwise;

SECOND, by borrowing a Subordinated Loan from the Originator in an amount not to exceed the lesser of (i) the remaining unpaid portion of such Purchase Price and (ii) the maximum Subordinated Loan that could be borrowed without rendering the Net Worth of the Buyer less than the Required Capital Amount; and

THIRD, unless the Originator has declared the Termination Date to have occurred, by accepting a contribution to its capital pursuant to the Subscription Agreement in an amount equal to the remaining unpaid balance of such Purchase Price.

Subject to the limitations set forth in the preceding clause SECOND, the Originator irrevocably agrees to advance each Subordinated Loan requested by the Buyer. The Subordinated Loans shall be evidenced by, and shall be payable in accordance with the terms and provisions of the Subordinated Note and shall be payable solely from funds which the Buyer is not required under its Permitted Financings to set aside for the benefit of, or otherwise pay over to, the providers of its Permitted Financings.

(c) On each Business Day during a Fiscal Accounting Period after the date of the initial Purchase, all Collections available to the Buyer (after setting aside amounts required to be set aside for the benefit of, or otherwise paid over to, the providers of Permitted Financings) shall be paid directly to the Originator and, subject

3

to receipt by the Originator of the sub-Servicer Fee payable by the Buyer pursuant to SECTION 5.6 hereof for the Fiscal Accounting Period in which such Business Day occurs, shall be applied as payments toward the Purchase Price of Receivables conveyed by the Originator to the Buyer during such Fiscal Accounting Period. Although amounts shall be paid directly to the Originator on a daily basis in accordance with the first sentence of this paragraph, settlement of the Purchase Price between the Buyer and the Originator shall be effected on a monthly basis with respect to all Purchases within the same Fiscal Accounting Period concurrently with the delivery of the Periodic Report relating to such Fiscal Accounting Period pursuant to SECTION 5.5 hereof and based on the information contained therein. In addition to such other information as may be

included therein, each Periodic Report shall set forth the following with respect to the related Fiscal Accounting Period: (i) the aggregate Outstanding Balance of Receivables created and conveyed in Purchases during such Fiscal Accounting Period, (ii) the aggregate Purchase Price payable to the Originator in respect of such Purchases, specifying the Discount Factor or Premium, if any, in effect for such Fiscal Accounting Period and the aggregate Purchase Price Credits deducted in calculating such aggregate Purchase Price, (iii) the aggregate amount of funds received by the Originator during such Fiscal Accounting Period which are to be applied toward the aggregate Purchase Price owing for such Fiscal Accounting Period pursuant to the first sentence of this paragraph, (iv) the increase or decrease in the amount outstanding under the Subordinated Note as of the end of such Fiscal Accounting Period after giving effect to the application of funds toward the aggregate Purchase Price and the restrictions on Subordinated Loans set forth in paragraph (b) above, and (v) the amount of any capital contribution made by the Originator to the Buyer as of the end of such Fiscal Accounting Period pursuant to this SECTION 1.2. Although settlement shall be effected concurrently with the delivery of each Periodic Report, increases or decreases in the amount owing under the Subordinated Note made pursuant to paragraph (b) above and any contribution of capital by the Originator to the Buyer made pursuant to this SECTION 1.2 shall be deemed to have occurred and shall be effective as of the last Business Day of the Fiscal Accounting Period to which such settlement relates.

Section 1.3. Purchase Price Credit Adjustments. If on any day the

Outstanding Balance of a Receivable is either (a) reduced as a result of any defective services or damage to shipped goods, any cash discount or any adjustment by the Originator (whether individually or in its performance of duties as Sub-Servicer), or (b) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction and whether such claim relates to the Originator or any Affiliate thereof) or (c) is otherwise reduced as a result of any of the factors set forth in the definition of Dilutions, then, in such event, the Buyer shall be entitled to a credit (each, a "PURCHASE PRICE CREDIT") against the Purchase Price otherwise payable hereunder equal to the full amount of such reduction or cancellation. If such Purchase Price Credit exceeds the Original Balance of the Receivables to be sold hereunder on any date, then the Originator shall pay the remaining amount of such Purchase Price Credit in cash on the next succeeding Business Day; PROVIDED THAT, if the Termination Date has

not occurred, the Originator shall be allowed to deduct the remaining amount of such Purchase Price Credit from any indebtedness owed to it under the Subordinated Note.

Section 1.4. Payments and Computations, Etc. All amounts to be paid

or deposited by the Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of the Originator designated from time to time by the Originator or as otherwise directed by the Originator. In the event that any payment owed by any Person hereunder becomes due on a day which is not a Business Day, then such payment shall be made on the next succeeding Business Day. Any amount due hereunder which is not paid when due hereunder shall bear interest at the Base Rate as in effect from time to time until paid in full; PROVIDED, HOWEVER, that such interest rate shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

Section 1.5. Transfer of Records.

(a) In connection with the Purchases of Receivables hereunder, the Originator hereby sells, transfers, assigns and otherwise conveys to the Buyer all of the Originator's right and title to and interest in the Records relating to all Receivables sold hereunder, without the need for any further documentation in connection with any Purchase. Because the Records may be maintained in licensed software and intermingled with other records of the Originator, the Originator hereby agrees that the Originator will: (i) at such time as the Originator ceases to be the Sub-Servicer, provide, upon demand, to each of the Buyer and the Servicer, copies of all Records, and (ii) at any time

the Originator is not acting as the Sub-Servicer, download any computerized data comprising all or any portion of the Records in a format which can be utilized by the Buyer and the Servicer.

(b) The Originator shall take such action requested by the Buyer and/or its assignees, from time to time hereafter, that may be necessary or appropriate to ensure that the Buyer and its assignees have an enforceable ownership interest in the Records relating to the Receivables purchased from the Originator hereunder.

Section 1.6. Characterization. If, notwithstanding the intention of -----
the parties expressed in SECTION 1.1(B), the conveyance by the Originator to the Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale, this Agreement shall constitute a security agreement under the UCC and other applicable law. For this purpose, the Originator hereby grants to the Buyer a duly perfected security interest in all of the Originator's right, title and interest in, to and under the Receivables, the Collections, each Collection Account, all Related Security, all payments on or with respect to such Receivables, all other rights relating to and payments made in respect of the Receivables, and all proceeds of any thereof which security interest shall be prior to all other liens on and security interests therein. After an Event of Default, the Buyer and its assignees shall have, in addition to the rights

and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor after default under the UCC and other applicable law, which rights and remedies shall be cumulative.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1. Originator Representations and Warranties. The -----
Originator hereby represents and warrants, individually and in its capacity as Sub-Servicer, to the Buyer and its assignees that:

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

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

(c) Governmental Authorization. Other than the filing of the -----
financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Originator of the Transaction Documents.

(d) Binding Effect. The Transaction Documents constitute the legal, -----
valid and binding obligations of the Originator enforceable against the

Originator in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

6

(e) Accuracy of Information. All relevant information heretofore

furnished by the Originator or any of its Affiliates to the Buyer or any assignee of the Buyer's rights hereunder for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by the Originator or any of its Affiliates to the Buyer or any such assignee will be, true and accurate in every material respect, on the date such information is stated or certified and does not and will not contain any material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.

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

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

(g) Good Title; Perfection. Immediately prior to each Purchase

hereunder, the Originator shall be the legal and beneficial owner of the Receivables and Related Security with respect thereto, free and clear of any Adverse Claim, except as created by the Transaction Documents and except for such Adverse Claims as to which the Buyer has received (i) an estoppel letter stating that upon receipt of immediately available funds in an amount not to exceed the portion of the applicable Purchase Price which the Buyer is able to pay in cash, such Adverse Claims will be automatically terminated and (ii) irrevocable wire transfer instructions from the Originator directing the payment of the applicable Purchase Price (or portion thereof necessary to effect such automatic release of an Adverse Claim) directly to the holder of such Adverse Claim. This Agreement is effective to, and shall, upon each Purchase hereunder, irrevocably transfer to the Buyer legal and equitable title to, with the legal right to sell and encumber, the Receivables, the Collections and the Related Security, free and clear of any Adverse Claim except as otherwise created by the Buyer. Without limiting the foregoing, there has been duly filed all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions (or any comparable law) to perfect the Buyer's ownership interest in such Receivables.

(h) Places of Business. The principal places of business and chief

executive office of the Originator and the offices where the Originator keeps all its Records are located at the address(es) listed on EXHIBIT II or such other locations notified to the Buyer in accordance with SECTION 4.2(A) in jurisdictions where all action required by SECTION 4.2(A) has been taken and completed. The Originator's Federal Employer Identification Number is correctly set forth on EXHIBIT II.

(i) Collection Banks; etc. Except as otherwise notified to the Buyer

in accordance with SECTION 4.2(B):

7

(i) the Originator has instructed all Obligors to pay all Collections directly to a segregated lock-box identified on EXHIBIT III hereto or at one of the Originator's or a Wholly-Owned Subsidiary's stores,

(ii) in the case of all proceeds remitted to any such lock-box which is now or hereafter established, such proceeds will be deposited directly by the applicable Collection Bank into a concentration account or a depository account listed on EXHIBIT III,

(iii) the names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts of the Originator at each Collection Bank, are listed on EXHIBIT III, and

(iv) each lock-box and Collection Account to which Collections are remitted shall be subject to a Collection Account Agreement that is then in full force and effect.

In the case of lock-boxes and Collection Accounts identified on EXHIBIT III, exclusive dominion and control thereof has been transferred to the Buyer. The Originator has not granted any Person, other than the Buyer as contemplated by this Agreement, dominion and control of any lock-box or other Collection Account, or the right to take dominion and control of any lock-box or other Collection Account at a future time or upon the occurrence of a future event.

(j) Material Adverse Effect. Since April 29, 1995, except as

disclosed to the Buyer and its assignees hereunder in writing prior to the date of this Agreement, no event has occurred which would have a Material Adverse Effect.

(k) Names. In the past five years, the Originator has not used any

corporate names, trade names or assumed names other than those listed on EXHIBIT II and names notified to the Buyer and its assignees hereunder after the date of this Agreement in accordance with Section 4.2(a).

(l) Actions, Suits. There are no actions, suits or proceedings

pending, or to the best of the Originator's knowledge, threatened, against or affecting the Originator, or any of the properties of the Originator, in or before any court, arbitrator or other body, which constitute a Material Adverse Effect.

(m) Credit and Collection Policy. With respect to each Receivable,

each of the Originator and the Sub-Servicer has complied in all material respects with the Credit and Collection Policy.

(n) Payments to the Originator. With respect to each Receivable sold

to the Buyer under this Agreement, the Buyer has given reasonably equivalent value to the Originator in consideration for the transfer of such Receivable, its Collections

8

and the Related Security with respect thereto under this Agreement and such transfer was not made for or on account of an antecedent debt. No sale by the Originator to the Buyer of any Receivable is or may be voidable under any Section of the Bankruptcy Reform Act of 1978 (11 U.S.C. (S)(S) 101 et seq.), as amended.

(o) Ownership of the Buyer. The Originator owns one hundred percent

(100%) of the issued and outstanding capital stock of the Buyer. Such capital stock is validly issued, fully paid and nonassessable and there are no options, warrants or other rights to acquire securities of the Buyer. The management of the Originator has determined that the organization of the Buyer and the limited purposes of the Buyer are in the best interests of the Originator.

(p) Not an Investment Company. The Originator is not an "investment

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

(q) Purpose. The Originator has determined that, from a business

viewpoint, the sale of the Receivables to the Buyer contemplated hereby is in the best interests of the Originator.

(r) Eligibility of Receivables. Each of the Receivables sold or

contributed by the Originator to the Buyer on each Business Day prior to the Termination Date which is included in Net Receivables Balance under the Purchase Agreement as reflected in each Periodic Report was an Eligible Receivable on the

Business Day on which it was sold or contributed by the Originator to the Buyer and continued to be an Eligible Receivable as of the date of such Periodic Report.

ARTICLE III
CONDITIONS OF PURCHASES

Section 3.1. Conditions Precedent to Initial Purchase. The initial

Purchase under this Agreement is subject to the conditions precedent that (i) the Buyer shall have received on or before the date of such Purchase those documents listed on SCHEDULE A hereto and (ii) all conditions precedent to the initial purchase under the Purchase Agreement shall have been satisfied and/or waived.

Section 3.2. Conditions Precedent to All Purchases. Each Purchase

shall be subject to the further conditions precedent that (a) on the date of each such Purchase, the following statements shall be true both before and after giving effect to such Purchase (and acceptance of the proceeds of such Purchase shall be deemed a representation and warranty by the Originator that such statements are then true):

(i) the representations and warranties set forth in ARTICLE II are correct on and as of the date of such Purchase as though made on and as of such date;

9

(ii) no event has occurred, or would result from such Purchase, that will constitute an Event of Default, and no event has occurred and is continuing, or would result from such Purchase, that would constitute a Potential Event of Default; and

(iii) the Termination Date shall not have occurred;

and (b) the Buyer shall have received such other approvals, opinions or documents as it may reasonably request.

Notwithstanding the foregoing conditions precedent, upon payment of the Purchase Price for any Purchase (whether by payment of cash, through an increase in the amounts outstanding under the Subordinated Note, by offset of amounts owed to the Buyer and/or by offset of capital contributions to be made under the Subscription Agreement), title to the Receivables and related assets included in such Purchase shall vest in the Buyer, whether or not the conditions precedent to such Purchase were in fact satisfied.

ARTICLE IV
COVENANTS

Section 4.1. Affirmative Covenants of Originator. Until the date

this Agreement shall terminate in accordance with its terms, the Originator hereby covenants, individually and in its capacity as Sub-Servicer, that:

(a) Financial Reporting. The Originator will maintain a system of

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

(i) Annual Reporting. Within 90 days after the close of each of

its fiscal years, consolidated financial statements of Kohl's Corporation for such fiscal year certified in a manner acceptable to the Buyer and its assignees by independent public accountants acceptable to the Buyer and its assignees.

(ii) Quarterly Reporting. Within 45 days after the close of the

first three quarterly periods of each of its fiscal years, consolidated balance sheets of Kohl's Corporation as at the close of each such period and related consolidated statements of income and retained earnings and a

consolidated statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

(iii) Compliance Certificate. Together with the financial statements

required hereunder, a compliance certificate in substantially the form of EXHIBIT IV signed by the Originator's corporate comptroller or chief financial officer and

10

dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports. Promptly upon the

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

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of

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

(vi) Notices under Transaction Documents. Forthwith upon its

receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Buyer and its assignees, copies of the same.

(vii) Change in Credit and Collection Policy. At least 30 days prior

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

(viii) Other Information. Such other relevant information (including

non-financial information) as the Buyer (or any of its assignees) may from time to time reasonably request.

(b) Notices. The Originator will notify the Buyer and its assignees

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

(i) Events of Default or Potential Events of Default. The

occurrence of each Event of Default or each Potential Event of Default, by a statement of the Chief Financial Officer of the Originator.

(ii) Judgment. The entry of any judgment or decree against the

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

(iii) Downgrade. Any downgrading in the rating of any Indebtedness

of the Originator or Kohl's Corporation below investment grade by Standard & Poor's Ratings Group or by Moody's Investors

11

Service, Inc., setting forth the Indebtedness affected and the nature of

such change.

(c) Compliance with Laws. The Originator will comply in all material

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

(d) Audits. The Originator will furnish to the Buyer and its

assignees from time to time such information with respect to it and the Receivables as the Buyer or any of its assignees may reasonably request. The Originator shall, from time to time during regular business hours as requested by the Buyer or any of its assignees upon reasonable notice, permit the Buyer, each of its assignees or their respective agents or representatives: (i) to examine and make copies of and abstracts from all Records in the possession or under the control of the Originator relating to Accounts and/or Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of the Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to the Originator's financial condition or the Accounts, the Receivables and the Related Security or the Originator's performance hereunder or the Originator's performance under the Contracts with any of the officers or employees of the Originator having knowledge of such matters.

(e) Keeping and Marking of Records and Books.

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

(ii) The Originator will (a) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend, acceptable to the Buyer and its assignees, describing the ownership interest of the Buyer therein and further describing the interests of any of its assignees under any Permitted Financing, and (b) upon the request of the Buyer or its assignees following a Sub-Servicer Default: (1) mark each Contract (other than sales receipts) with a legend describing the ownership interest of the Buyer and the interests of any of its assignees under any Permitted Financing and (2) deliver to the Buyer or its assignees all Contracts

12

(including, without limitation, all multiple originals in the Originator's possession of any such Contract which constitutes an instrument, a letter of credit or chattel paper) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. The

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

(g) Ownership Interest. The Originator shall take all necessary

action to establish and maintain in favor of the Buyer a valid and perfected ownership interest in the Receivables and the Related Security, Collections and Collection Accounts with respect thereto, to the full extent contemplated herein, including, without limitation, taking such action to perfect, protect or

more fully evidence the interest of the Buyer hereunder as the Buyer or its assignees may reasonably request.

(h) Purchasers' Reliance. The Originator acknowledges that the

providers of Permitted Financings are entering into such Permitted Financings in reliance upon the Buyer's identity as a separate legal entity from the Originator. Therefore, from and after the date of execution and delivery of this Agreement, the Originator shall take all reasonable steps including, without limitation, all steps that the Buyer or any assignee of the Buyer may from time to time reasonably request, to maintain the Buyer's identity as a separate legal entity and to make it manifest to third parties that the Buyer is an entity with assets and liabilities distinct from those of the Originator and any Affiliates thereof and not just a division of the Originator. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, the Originator shall:

(i) not hold itself out to third parties as liable for the debts of the Buyer nor purport to own the Receivables and other assets acquired by the Buyer;

(ii) cause all tax liabilities arising in connection with the transactions contemplated herein or otherwise to be allocated between the Originator and the Buyer on an arm's-length basis;

(iii) conduct its own business in its own name and require that all full-time employees of the Originator identify themselves as such and not as employees of the Buyer;

(iv) compensate all employees, consultants and agents directly, from the Originator's bank accounts, for services provided to the Originator by such employees, consultants and agents and, to the extent

13

any employee, consultant or agent of the Originator is also an employee, consultant or agent of the Buyer, allocate the compensation of such employee, consultant or agent between the Buyer and the Originator on a basis which reflects the services rendered to the Buyer and the Originator;

(v) if the Buyer's office is located in the offices of the Originator, the Originator shall lease such office to the Buyer at a fair market rent;

(vi) have separate stationery, invoices and checks in the Originator's own name;

(vii) conduct all transactions with the Buyer upon terms that are consistent with those that would be obtained by an unaffiliated entity on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between the Buyer and the Originator on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(viii) observe all corporate formalities as a distinct entity;

(ix) maintain its books and records separate from those of the Buyer and otherwise readily identifiable as its own assets rather than assets of the Buyer;

(x) prepare financial statements separate from those of the Buyer and insure that any of its consolidated financial statements that include the Buyer have detailed notes clearly stating that the Buyer is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of the Buyer;

(xi) except as herein specifically otherwise provided, not commingle funds or other assets of the Originator with those of the Buyer and not maintain bank accounts or other depository accounts to which the Buyer is an account party, into which the Buyer makes deposits or from which the Buyer has the power to make withdrawals except in its capacity as Servicer; and

(xii) not permit the Buyer to pay any of the Originator's operating expenses (except pursuant to allocation arrangements that comply with the requirements of this SECTION 4.1(H)).

(i) Collections. The Originator shall instruct all Obligors to pay

all Collections directly to a segregated lock-box or other Collection Account listed on EXHIBIT III, each of which is subject to a Collection Account Agreement or at one of the Originator's or a Wholly-Owned Subsidiary's stores. In the case of payments remitted to any such lock-box or store, the Originator may credit those payments

14

against the Subordinated Loan and/or retain such payments except to the extent that the Buyer is obligated to pay such amounts to the Agent for the benefit of the Purchasers pursuant to the Purchase Agreement (in which case, such payments shall be paid to a depository account of the Buyer listed on EXHIBIT III hereto). Pursuant to SECTION 5.3 hereof and the Collection Account Agreements, the Originator has transferred and assigned to the Buyer all of its right, title and interest in and to, and exclusive ownership, dominion and control (subject to the terms of this Agreement) to each such lock-box, concentration account and depository account. In the case of any Collections received by the Originator or at one of its or its Wholly-Owned Subsidiary's stores following the occurrence of a Sub-Servicer Default, the Originator shall remit such Collections to a Collection Account of the Buyer not later than the Business Day immediately following the date of receipt of such Collections, and, at all times prior to such remittance, the Originator shall itself hold such Collections in trust, for the exclusive benefit of the Buyer and its assignees. In the case of any remittances received by the Originator in any such lock-box, concentration account or depository account that shall have been identified, to the satisfaction of the Servicer, to not constitute Collections or other proceeds of the Receivables or the Related Security, the Originator shall promptly remit such items to the Person identified to it as being the owner of such remittances. From and after the date the occurrence of a Sub-Servicer Default, the Buyer or its assignees may request that the Originator, and the Originator thereupon promptly shall, direct all Obligors on Receivables to remit all payments thereon to a new depository account (the "NEW CONCENTRATION ACCOUNT") specified by the Buyer or such assignees and, at all times thereafter the Originator shall not deposit or otherwise credit to the New Concentration Account any cash or payment item other than Collections. Alternatively, the Buyer or its assignees may request that the Originator, and the Originator thereupon promptly shall, direct all Persons then making remittances to any account listed on EXHIBIT III which remittances are not payments on Receivables to deliver such remittances to a location other than an account listed on EXHIBIT III.

Section 4.2. Negative Covenants of Originator. Until the date this

Agreement shall terminate in accordance with its terms, the Originator hereby covenants, individually and in its capacity as Sub-Servicer, that:

(a) Name Change, Offices, Records and Books of Accounts. The

Originator will not change its name, identity or corporate structure (within the meaning of Section 9-402(7) of any applicable enactment of the UCC) or relocate its chief executive office or any office where Records are kept unless it shall have: (i) given the Buyer and its assignees at least 45 days prior notice thereof and (ii) delivered to the Buyer all financing statements, instruments and other documents requested by the Buyer or its assignees in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. The Originator will

not add or terminate any bank as a Collection Bank from those listed in EXHIBIT III, or make any change in its instructions to Obligors regarding payments to be made to the Originator or payments to be made to any Collection Account or Collection Bank,

15

unless the Agent shall have received, at least 10 days before the proposed effective date therefor, (i) written notice of such addition, termination or

change and (ii) with respect to the addition of a Collection Bank or a Collection Account, an executed account agreement from, and executed copies of a Collection Account Agreement to, the Collection Bank; provided, however, that the Originator may make changes in instructions to Obligor regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

(c) Modifications to Contracts and Credit and Collection Policy.

Except as provided in SECTION 5.2(C), the Originator, acting as Sub-Servicer or otherwise, will not extend, amend or otherwise modify the economic terms of any Receivable or of any Contract related thereto other than in accordance with the Credit and Collection Policy, or amend any Contract to convert it into "chattel paper", except that the Originator may amend the economic terms of any Contract (and, to the extent applicable, the Credit and Collection Policy) to: (x) comply with applicable laws and regulations from time to time in effect in any state in which the Originator now or hereafter extends consumer credit, (y) increase the interest rate, fees or minimum monthly installments payable thereunder, and/or (z) shorten the maturity of amounts outstanding thereunder (all of the foregoing, "PERMITTED AMENDMENTS") PROVIDED the Originator promptly provides copies of each Permitted Amendment to the Buyer and its assignees.

(d) Sales, Liens, Etc. The Originator shall not sell, assign (by

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

(e) Accounting for Purchases. The Originator will not, and shall not

permit any Affiliate to, account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than the sale of the Receivables and Related Security by the Originator to the Buyer or in any other respect account for or treat the transactions contemplated hereby in any manner other than as a sale of the Receivables and Related Security by the Originator to the Buyer except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

ARTICLE V

16

ADMINISTRATION AND COLLECTION

Section 5.1. Designation of Sub-Servicer. (a) The servicing,

administration and collection of the Receivables shall be conducted by the Servicer so designated from time to time in accordance with SECTION 6.1 of the Purchase Agreement. The Originator is hereby designated as, and hereby agrees to act as sub-servicer (the "SUB-SERVICER") for the Buyer in the Buyer's capacity as the initial Servicer designated pursuant to the terms of the Purchase Agreement, and the Originator agrees in such capacity as Sub-Servicer to perform all of the duties and obligations of the Servicer set forth herein and in the Purchase Agreement with respect to the Receivables, Related Security related thereto and Collections thereof.

(b) The Originator further agrees that, for so long as it is the Sub-Servicer, it shall be directly liable to the Agent and the Purchasers for the full and prompt performance of all such duties and responsibilities of the Servicer, PROVIDED THAT (i) nothing in this Agreement shall eliminate the Buyer's primary liability to the providers of Permitted Financings for its duties as Servicer, (ii) the Buyer and its assignees shall retain sole responsibility and authority for withdrawing funds from the Collection Accounts, and (iii) the Agent and the Purchasers shall be entitled to deal exclusively

with the Buyer in matters relating to the discharge by the Servicer of its duties pursuant to SECTION 6.1 of the Purchase Agreement.

(c) Without the prior written consent of the Buyer and its assignees, the Originator shall not be permitted to delegate any of its duties or responsibilities as Sub-Servicer to any Person; PROVIDED, HOWEVER, no prior written consent shall be required for outsourcing certain servicing activities in accordance with the Originator's existing practices. If at any time the Agent shall designate as Servicer any Person other than the Buyer, all duties and responsibilities theretofore delegated by the Buyer to the Originator may, at the discretion of the Agent, be terminated forthwith on notice given by the Buyer or the Agent (as assignee of the Buyer) to the Originator.

Section 5.2. Duties of Sub-Servicer. (a) The Sub-Servicer shall take

or cause to be taken all such actions as may be necessary or advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Sub-Servicer shall use its best efforts to segregate, on each Business Day following a Sub-Servicer Default, in a manner acceptable to the Buyer and its assignees, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Sub-Servicer prior to the remittance thereof to the Buyer to be administered in accordance with the procedures described herein and in Article I of the Purchase Agreement.

(c) The Sub-Servicer, may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding

Balance of any Receivable as the Sub-Servicer may determine to be appropriate to maximize Collections thereof; PROVIDED, HOWEVER, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Agent or the Purchasers under the Purchase Agreement. Notwithstanding anything to the contrary contained herein, from and after the occurrence of a Sub-Servicer Default, the Buyer shall have the absolute and unlimited right to direct the Sub-Servicer to commence or settle any legal action with respect to any Receivable or to foreclose upon or repossess any Related Security.

(d) The Sub-Servicer shall hold in trust for the Buyer and its assignees, in accordance with their respective interests, all Records that evidence or relate to the Receivables, the related Contracts and Related Security or that are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Buyer following a Sub-Servicer Default, deliver or make available to the Buyer all such Records at the chief executive office of the Originator. The Sub-Servicer shall, as soon as practicable following receipt thereof, turn over to the Buyer all Collections of Receivables, less: (i) at any time when the Originator is not the Sub-Servicer, all reasonable out-of-pocket costs and expenses of the Sub-Servicer of servicing, administering and collecting the Receivables, and (ii) any cash collections or other cash proceeds received with respect to indebtedness not constituting Receivables.

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

Section 5.3. Collection Account Agreements. The Originator hereby

transfers to the Buyer, effective concurrently with the initial Purchase hereunder (or, if any Collection Account is not in existence on such date, concurrently with the opening of such account), the exclusive ownership and control of the Collection Accounts, as evidenced by the Collection Account Agreements, and the Originator shall claim no further right, title and/or interest in and to any such Collection Accounts nor any rights to withdraw funds

therefrom. The Originator hereby authorizes the Buyer, and agrees that, following the occurrence of a Sub-Servicer Default, the Buyer shall be entitled to: (i) endorse the Originator's name on checks and other instruments representing Collections, (ii) enforce the Receivables, the related Contracts and the Related Security, and (iii) take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Buyer and its designees rather than the Originator.

18

Section 5.4. Responsibilities of the Originator. Anything herein to

the contrary notwithstanding, the exercise by the Buyer (or its assignees) of its rights hereunder shall not release the Sub-Servicer or the Originator from any of their duties or obligations with respect to any Receivables or under the related Contracts. Neither the Buyer nor any of its assignees (including any Servicer) shall have any obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of the Originator.

Section 5.5. Reports. On the 20th day of each of the Originator's

(approximately monthly) fiscal accounting periods (or, if such date is not a Business Day, the next succeeding Business Day), and at such times as the Buyer or any of its assignees shall request, the Sub-Servicer shall prepare and forward to the Buyer and its assignees a Periodic Report for the related Fiscal Accounting Period (or other comparable report for such period as may be applicable).

Section 5.6. Sub-Servicer Fee. In consideration of the Sub-

Servicer's agreement to perform the duties and obligations of the Servicer under the Purchase Agreement, the Buyer hereby agrees that, so long as the Originator shall continue to perform as Sub-Servicer hereunder, the Buyer shall pay over to the Originator a monthly fee in an amount equal to a rate agreed to by the Buyer and the Originator from time to time not to exceed (i) at all times while the Originator is acting as the Sub-Servicer, up to 3.0% multiplied by the aggregate

credit sales during the preceding Fiscal Accounting Period, and (ii) at all times while the Originator is not acting as the Sub-Servicer, 2.0% per annum, multiplied by the average Outstanding Balance of the Receivables held by the

Buyer (without taking account of any interests therein conveyed to the providers of Permitted Financings) during the preceding Fiscal Accounting Period, in each case such fee to be calculated to provide the Sub-Servicer reasonable compensation for its servicing activities.

ARTICLE VI
SUB-SERVICER DEFAULTS AND EVENTS OF DEFAULT

Section 6.1. Sub-Servicer Defaults. The occurrence of any one or

more of the following events shall constitute a Sub-Servicer Default:

(a) The Sub-Servicer shall fail (i) to make any payment or deposit required to be made under this Agreement or any Collection Account Agreement on or within one Business Day after the date when required to be made, or (ii) to perform or observe any other term, covenant or agreement under ARTICLE V of this Agreement or any of the Collection Account Agreements, which failure remains unremedied for five Business Days after notice from the Agent, and such failure shall have a Material Adverse Effect.

(b) (i) The Originator or the Sub-Servicer shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts

19

generally or shall make a general assignment for the benefit of creditors; (ii) any proceeding shall be instituted by the Originator or the Sub-Servicer seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up,

reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property (each of the foregoing proceedings being hereinafter referred to as an "INSOLVENCY PROCEEDING"); (iii) any Insolvency Proceeding shall be instituted against the Originator or the Sub-Servicer and either (A) shall result in the entry of an order for relief against the Originator or the Sub-Servicer, or (B) shall continue undischarged, undismissed or unstayed for a period of 60 consecutive days; or (iv) the Originator or the Sub-Servicer shall take any corporate action to authorize any of the actions set forth in clauses (i)-(iii) above in this subsection (b).

(c) The Buyer's duties as Servicer shall be terminated under the Purchase Agreement.

Section 6.2. Events of Default. The occurrence of any one or more of

the following events shall constitute an Event of Default:

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

(b) Any representation, warranty, certification or statement made by the Originator or the Sub-Servicer in this Agreement or in any other document delivered pursuant hereto shall prove to have been incorrect in any material respect when made or deemed made and shall have a Material Adverse Effect.

(c) A Sub-Servicer Default shall occur.

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

(e) The Charge-Off Ratio for the most recent twelve (12) consecutive calendar months shall exceed 8.5%.

(f) A Change of Control shall occur.

(g) Failure of the Originator to pay any Indebtedness in excess of \$10,000,000 when due; or the default by the Originator in the performance of any term, provision or condition contained in any agreement under which any Indebtedness in excess of \$10,000,000 was created or is governed, the effect of which is to cause,

20

or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any Indebtedness in excess of \$10,000,000 of the Originator shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

Section 6.3. Remedies. Upon the occurrence and during the

continuation of a Sub-Servicer Default, the Buyer or its assignees may remove the Originator as Sub-Servicer hereunder. Upon the occurrence and during the continuance of an Event of Default, the Buyer or its assignees may declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by the Originator; PROVIDED, HOWEVER, that upon the occurrence of an Event of Default caused by a Sub-Servicer Default of the type described in SECTION 6.1(B) above or of an actual or deemed entry of an order for relief with respect to the Originator under the Federal Bankruptcy Code, the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by the Originator. Upon the occurrence of the Termination Date for any reason whatsoever, the Buyer and its assignees shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC, which rights shall be cumulative.

ARTICLE VII
INDEMNIFICATION

Section 7.1. Indemnities by the Originator. Without limiting any

other rights which the Buyer or any of its assignees may have hereunder or under applicable law, the Originator hereby agrees to indemnify the Buyer, its assignees and their respective officers, directors, agents and employees (each, an "INDEMNIFIED PARTY") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of an Indemnified Party) and disbursements (all of the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition by the Buyer and its assignees of the Receivables, excluding, however:

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

21

(ii) Indemnified Amounts to the extent the same includes losses in respect of Receivables which prove to be uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; and

(iii) taxes imposed by the country and state or province in which such Indemnified Party's principal executive office is located, on or measured by the overall net income, capital or assets of such Indemnified Party;

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

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

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

(c) any failure of the Originator or (for so long as the Originator shall be the Sub-Servicer) the Sub-Servicer to perform its duties or obligations in accordance with the provisions of this Agreement;

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

(e) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its

terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

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

(g) any investigation, litigation or proceeding related to or arising from this Agreement, the transactions contemplated hereby, the use of the proceeds of a Purchase, the ownership of the Receivables or any other investigation, litigation or proceeding relating to the Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(h) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding; and/or

(i) any Sub-Servicer Default described in Section 6.1(b).

Section 7.2. Other Costs and Expenses. The Originator shall pay to

the Buyer on demand any and all costs and expenses of the Buyer, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Event of Default.

ARTICLE VIII
MISCELLANEOUS

Section 8.1. Waivers and Amendments.

(a) No failure or delay on the part of the Buyer (or any of its assignees) or the Originator in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by the Originator and the Buyer and, to

the extent required under the Purchase Agreement, the Agent, the Investors and/or the Required Investors.

Section 8.2. Notices. Except as otherwise expressly provided herein,

all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other party hereto at its respective address or telecopy number set forth on the signature pages hereof. All such communications and notices shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when received through the mails, transmitted by telecopy, delivered to the telegraph company, confirmed by telex answerback or

delivered to the cable company, respectively.

Section 8.3. Protection of Buyer's Interests.

(a) The Originator agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Buyer (or its assignees) may reasonably request, to perfect, protect or more fully evidence the Buyer's ownership of the Receivables, or to enable the Buyer (or its assignees) to exercise and enforce their rights and remedies hereunder. The Buyer may, or the Buyer may direct the Originator to, notify the Obligors of Receivables, at any time following the replacement of the Originator as Sub-Servicer and at the Originator's expense, of the Buyer's ownership of the Receivables and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Buyer or its designee.

(b) If the Originator or the Sub-Servicer fails to perform any of its obligations hereunder, the Buyer (or any of its assignees) may (but shall not be required to) perform, or cause the performance of, such obligation; and the Buyer's (and any of its assignee's) costs and expenses incurred in connection therewith shall be payable by the Originator or the Sub-Servicer, as applicable, on demand. The Originator and the Sub-Servicer each irrevocably authorizes the Buyer at any time and from time to time in the sole discretion of the Buyer, and appoints the Buyer as its attorney-in-fact, to act on behalf of the Originator and the Sub-Servicer (i) to execute on behalf of the Originator as seller/debtor and to file financing statements necessary or desirable in the Buyer's sole discretion to perfect and to maintain the perfection and priority of the Buyer's ownership interest in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Buyer in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Buyer's ownership interest in the Receivables. This appointment is coupled with an interest and is irrevocable.

Section 8.4. Confidentiality.

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

(b) Each of the Buyer and its assignees shall maintain and shall cause each of its employees and officers to maintain the confidentiality of all nonpublic information concerning the Originator and its business obtained in connection with the Transaction Documents and the transactions contemplated therein; PROVIDED, HOWEVER, that "nonpublic information" shall not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by the Buyer or its assignees; (ii) was available to the Buyer or its assignees on a non-confidential basis prior to its disclosure to the Buyer by the Originator or the Sub-Servicer; or (iii) becomes available

to the Buyer or its assignees on a non-confidential basis from a Person other than the Originator who, to the best knowledge of the Buyer or its assignees, is not otherwise bound by a confidentiality agreement with the Originator or is not otherwise prohibited from transmitting the information to the Buyer and its assignees. Anything herein to the contrary notwithstanding, the Originator hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Buyer, the Agent, the Investors or PREFCO by each other, (ii) by the Buyer, the Agent or the Purchasers to any prospective or actual assignee or participant of any of them who signs a written confidentiality agreement containing terms and conditions consistent with the terms of this Section

8.4(b), or (iii) by the Agent or PREFCO to any rating agency, any of PREFCO's

commercial paper dealers or any provider of a surety, guaranty or credit or liquidity enhancement to PREFCO or to any other financing or securitization conduit for which The First National Bank of Chicago provides managerial services or acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing; PROVIDED such

25

information is kept confidential by such Persons and used solely for evaluating matters pertaining to this Agreement and the Purchase Agreement and the transactions contemplated herein and therein. In addition, the Buyer and its assignees may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 8.5. Bankruptcy Petition.

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

(b) Each of the Originator and the Sub-Servicer hereby covenants and agrees that, prior to the date which is one year and one day after all Aggregate Unpaid (under and as defined in the Purchase Agreement) have been paid, it will not institute against, or join any other Person in instituting against, the Buyer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 8.6. Limitation of Liability. Except with respect to any

claim arising out of the willful misconduct or gross negligence of PREFCO, the Agent or any Investor, no claim may be made by the Originator, the Sub-Servicer or any other Person against PREFCO, the Agent or any Investor or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Originator hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

SECTION 8.7. CHOICE OF LAW. THIS AGREEMENT SHALL BE CONSTRUED IN

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

SECTION 8.8. CONSENT TO JURISDICTION. THE ORIGINATOR HEREBY

IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY THE ORIGINATOR PURSUANT TO THIS AGREEMENT AND THE ORIGINATOR HEREBY IRREVOCABLY AGREES THAT ALL

CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE BUYER (OR THE RIGHTS OF THE AGENT OR ANY PURCHASER AS THE BUYER'S ASSIGNEES) TO BRING PROCEEDINGS AGAINST THE ORIGINATOR IN THE COURTS OF ANY OTHER JURISDICTION WHEREIN ANY ASSETS OF THE ORIGINATOR MAY BE LOCATED. ANY JUDICIAL PROCEEDING BY THE ORIGINATOR AGAINST THE BUYER, THE AGENT OR ANY PURCHASER, ANY AFFILIATE OF THE AGENT OR A PURCHASER, OR ANY OTHER OF THE BUYER'S ASSIGNEES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY THE ORIGINATOR PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

SECTION 8.9. WAIVER OF JURY TRIAL. EACH OF THE ORIGINATOR AND THE

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

Section 8.10. Binding Effect; Assignability. This Agreement shall be

binding upon and inure to the benefit of the Originator, the Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). The Originator may not assign any of its rights and obligations hereunder or any interest herein without the prior written consent of the Buyer and its assignees. The Buyer may assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of the Originator. Without limiting the foregoing, the Originator acknowledges that the Buyer, pursuant to the Purchase Agreement, shall assign to the Agent, for the benefit of the Purchasers, its rights, remedies, powers and privileges hereunder and that the Agent may further assign such rights, remedies, powers and privileges to the extent permitted in the Purchase Agreement. The Originator agrees that the Agent, as the assignee of the Buyer, shall, subject to the terms of the Purchase Agreement, have the right to enforce this Agreement and to exercise directly all of the Buyer's rights and remedies under this Agreement (including, without limitation, the right to give or withhold any consents or approvals of the Buyer to be given or withheld hereunder) and the Originator agrees to cooperate fully with the Agent and the Servicer in the exercise of such rights and remedies. The Originator further agrees to give to the Agent copies of all notices it is required to give to the Buyer hereunder. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and, subject to the proviso in SECTION 1.1(C), shall remain in full force and effect until such time, after the Termination Date, as the Aggregate Unpays shall be equal to zero; PROVIDED, HOWEVER,

that the rights and remedies with respect to (i) any breach of any representation and warranty made by the Originator pursuant to Article II, (ii) the indemnification and payment provisions of Article VII, and (iii) SECTION 8.5 shall be continuing and shall survive any termination of this Agreement.

Section 8.11. Subordination. The Originator agrees that any

indebtedness, obligation or claim it may from time to time hold or otherwise have (other than any obligation or claim with respect to the fees payable by the Buyer under SECTION 5.6) against the Buyer or any assets or properties of the Buyer, whether arising hereunder or otherwise existing, shall be subordinate in right of payment to the prior payment in full of any indebtedness or obligation of the Buyer owing to the Agent or any Purchaser under the Purchase Agreement. The subordination provision contained herein is for the direct benefit of, and may be enforced by, the Agent and the Purchasers and/or any of their assignees under the Purchase Agreement.

Section 8.12. Integration; Survival of Terms. This Agreement, the

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

Section 8.13. Counterparts; Severability. This Agreement may be

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

28

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

ORIGINATOR: KOHL'S DEPARTMENT STORES, INC.

By: /s/ John F. Herma

John F. Herma
Chief Operating Officer

Address for Notices:

Kohl's Department Stores, Inc.
N56 W17000 Ridgewood Drive
Menomonee Falls, Wisconsin 53051

Attn: Arlene Meier
Senior Vice President and Chief Financial
Officer
Phone: (414) 703-1646
Fax: (414) 703-6143

BUYER: KOHL'S RECEIVABLES CORPORATION

By: /s/ Arlene Meier

Arlene Meier
Senior Vice President and
Chief Financial Officer

Address for Notices:

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

Attn: Arlene Meier
Senior Vice President and Chief Financial
Officer
Phone: (414) 703-1646
Fax: (414) 703-6143

29

EXHIBIT I

DEFINITIONS

AS USED IN THIS AGREEMENT, THE FOLLOWING TERMS SHALL HAVE THE FOLLOWING MEANINGS (SUCH MEANINGS TO BE EQUALLY APPLICABLE TO BOTH THE SINGULAR AND PLURAL FORMS OF THE TERMS DEFINED):

"ACCOUNT" means a retail credit or charge card account originated or acquired by the Originator.

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

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

"AGENT" means The First National Bank of Chicago in its capacity as "AGENT" under the Purchase Agreement, and any successor Agent appointed under Article IX of the Purchase Agreement.

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

"AGGREGATE UNPAIDS" has the meaning set forth in the Purchase Agreement.

"BASE RATE" means a rate per annum equal to the corporate base rate, prime rate or base rate of interest, as applicable, announced by the Reference Bank from time to time, changing when and as such rate changes; PROVIDED, HOWEVER, that from and after the occurrence of an Event of Default, the "BASE RATE" shall equal the sum of the corporate base rate, prime rate or base rate of interest, as applicable, announced by the Reference Bank from time to time, plus 2% per annum, changing when and as such rate changes.

"BUSINESS DAY" means any day on which banks are not authorized or required to close in New York, New York or Chicago, Illinois and The Depository Trust Company of New York is open for business.

"CAPITAL" shall have the meaning set forth in the Purchase Agreement.

30

"CHANGE OF CONTROL" means the earliest to occur of (a) the date of a public announcement that a Person or group of affiliated or associated Persons (an "ACQUIRING PERSON") has acquired, or has obtained the right to acquire, legal or beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of voting stock of the Originator; (b) the date an Acquiring Person acquires all or substantially all of the assets of the Originator. For purposes hereof, the term "ACQUIRING PERSON" shall not include (i) Kohl's Corporation or any of its subsidiaries, or (ii) any other Person 60% of the combined voting stock of which is beneficially owned, directly or indirectly, by the Persons who were the holders of the Originator's and Kohl's Corporation's (as the case may be) voting stock immediately prior to such acquisition; and (c) the date on which the Originator ceases to own 100% of the outstanding shares of voting stock of the Buyer.

"CHARGE-OFF RATIO" means, as at the last day of any period of 12 consecutive calendar months, a percentage equal to (i) the aggregate amount of Receivables that became Defaulted Receivables during such period less any cash recoveries received during such period with respect to any Defaulted Receivable, divided by (ii) the average Outstanding Balance of Receivables during such period.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COLLECTION ACCOUNT" means each depository account, lock-box account or similar account of the Buyer in which any Collections are collected or

deposited but excluding any concentration account of the Originator into which Collections are subsequently concentrated.

"COLLECTION ACCOUNT AGREEMENT" means, in the case of any actual or proposed Collection Account, an agreement in substantially the form of EXHIBIT V hereto.

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

"COLLECTION DATE" means that date following the Termination Date which is one year and one day after the date on which (i) the Outstanding Balance of all Receivables sold hereunder has been reduced to zero and (ii) the Originator has paid to the Buyer all indemnities, adjustments and other amounts which may be owed hereunder in connection with the Purchases.

"COLLECTION NOTICE" means a notice, in substantially the form of the Collection Notice contained in EXHIBIT V hereto, from the Agent to a Collection Bank.

"COLLECTIONS" means, with respect to any Account or Receivable, all cash collections and other cash proceeds in respect of such Account or Receivable,

31

including, without limitation, all cash proceeds of Related Security with respect to such Account or Receivable and including, without limitation, all income derived from investments of the foregoing.

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

"CREDIT AND COLLECTION POLICY" means the Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in EXHIBIT VI hereto, as modified from time to time in accordance with this Agreement.

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

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

"DELINQUENT RECEIVABLE" means a Receivable as to which any payment, or part thereof, remains unpaid for 90-179 days from the original due date for such payment.

"DILUTIONS" means, at any time, the aggregate amount of reductions in the Outstanding Balances of the Receivables as a result of any setoff, return, discount, adjustment or otherwise, other than cash Collections on account of the Receivables.

"DISCOUNT FACTOR" means a percentage calculated to provide the Buyer with a reasonable return on its investment in the Receivables after taking account of (a) the time value of money based upon (i) the anticipated dates of collection of the Receivables and (ii) the cost to the Buyer of financing its investment in the Receivables during such period relative to the average yield on the Receivables during such period, (b) the risk of nonpayment by the Obligors, and (c) the costs of sub-servicing performed by the Originator. The Originator and the Buyer may agree from time to time to change the Discount Factor based on changes in one or more of the items affecting the calculation thereof, PROVIDED THAT any change to the Discount Factor shall take effect as of the commencement of a Fiscal Accounting Period, shall apply only prospectively and shall not affect the Purchase Price payment in respect of Purchases which occurred during any Fiscal Accounting Period ending prior to the Fiscal Accounting Period during which the Originator and the Buyer agree to make such change.

"ELIGIBLE ACCOUNT" means, at any time, an Account that:

(a) has been (i) originated by the Originator in the ordinary course of its business, or (ii) acquired by the Originator from another originator acceptable to the Buyer and its assignees,

(b) has not been classified by the Originator as canceled, counterfeit or fraudulent and any credit card issued in connection therewith has not been lost or stolen,

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

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

"ELIGIBLE RECEIVABLE" means, at any time, a Receivable:

(a) which arises under an Eligible Account,

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

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

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

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

(f) which arises under a Contract which (i) does not require the Obligor under such Contract to consent to the transfer, sale or assignment of the rights and duties of the Originator under such Contract and (ii) does not

contain a confidentiality provision that purports to restrict the ability of any Purchaser to exercise its rights under this Agreement, including, without limitation, its right to review the Contract,

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

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

(i) which is not a Defaulted Receivable,

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

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

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

"EVENT OF DEFAULT" has the meaning assigned to that term in SECTION 6.2.

"FACILITY TERMINATION DATE" has the meaning set forth in the Purchase Agreement.

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

"FIRST CHICAGO" means The First National Bank of Chicago in its individual capacity and its successors.

"FISCAL ACCOUNTING PERIOD" means each fiscal accounting period of the Originator (of approximately one month) or portion thereof which elapses during the term of this Agreement. The first Fiscal Accounting Period shall commence on the date of the initial Purchase and the final Fiscal Accounting Period shall terminate on the Termination Date.

34

"INVESTORS" means the financial institutions (other than PREFCO and the Agent) from time to time party to the Purchase Agreement.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (i) the financial condition, business or operations of the Originator, (ii) the ability of the Originator to perform its obligations under any Transaction Document, (iii) the legality, validity or enforceability of this Agreement, any Transaction Document or any Collection Account Agreement or Collection Notice relating to a Collection Account into which a material portion of Collections are deposited, (iv) the Originator's, the Buyer's, the Agent's or any Purchaser's interest in the Receivables generally or in any significant portion of the Accounts, the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"NET RECEIVABLES BALANCE" means, at any time, the Outstanding Balance of all Eligible Receivables at such time.

"NET WORTH" means, as of the last Business Day of the Fiscal Accounting Period preceding any date of determination, the excess, if any, of (a) THE SUM OF (i) the aggregate Outstanding Balance of the "ELIGIBLE RECEIVABLES" under and as defined in the Purchase Agreement at such time, PLUS (ii) up to 97% of the aggregate Outstanding Balance of Receivables which are not "ELIGIBLE RECEIVABLES" under and as defined in the Purchase Agreement at such time, PLUS (iii) 100% of the Buyer's cash on hand and in the bank, OVER (b) THE SUM OF (i) the aggregate Capital outstanding at such time under the Purchase Agreement, PLUS (ii) the aggregate outstanding principal balance of the Subordinated Loans (including any Subordinated Loan proposed to be made on the date of determination).

"OBLIGOR" means a Person obligated to make payments pursuant to a Contract.

"ORIGINAL BALANCE" means, with respect to any Receivable, the Outstanding Balance of such Receivable on the date it was purchased by the Buyer.

"ORIGINATOR" means Kohl's Department Stores, Inc., a Delaware corporation.

"OUTSTANDING BALANCE" of any Receivable at any time means the then outstanding principal balance thereof.

"PARENT DEMAND NOTE" means a demand promissory note made by the

Originator in favor of the Buyer.

"PBGC" means the Pension Benefit Guaranty Corporation created under Section 4002(a) of ERISA or any successor thereto.

35

"PERIODIC REPORT" means a report, in substantially the form of EXHIBIT VIII hereto (appropriately completed), furnished by the Sub-Servicer to the Buyer and the Agent (as the Buyer's assignee) pursuant to SECTION 5.5.

"PERMITTED AMENDMENTS" has the meaning set forth in SECTION 4.2(C).

"PERMITTED FINANCINGS" means the facility contemplated by the Purchase Agreement and any other financing to which each of the parties to the Purchase Agreement gives its prior written consent.

"PERSON" means an individual, partnership, corporation, association, trust, or any other entity, or organization, including a government or political subdivision or agent or instrumentality thereof.

"PLAN" means any defined benefit plan maintained or contributed to by the Originator or any Subsidiary of the Originator or by any trade or business (whether or not incorporated) under common control with the Originator or any Subsidiary of the Originator as defined in Section 4001(b) of ERISA and insured by the PBGC under Title IV of ERISA.

"POTENTIAL EVENT OF DEFAULT" means an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

"PREFCO" means Preferred Receivables Funding Corporation, a Delaware corporation.

"PREMIUM" means a Discount Factor which is expressed as a negative percentage by virtue of the fact that the average yield on the Receivables during any period of computation exceeds the sum of the anticipated losses on the Receivables, the costs to the Buyer of financing its investment in the Receivables and the costs of servicing the Receivables by an amount deemed material by the Originator and the Buyer.

"PURCHASE" means a purchase by the Buyer of the Receivables and the Related Security from the Originator pursuant to SECTION 1.1 of this Agreement.

"PURCHASE AGREEMENT" means that certain Receivables Purchase Agreement dated as of January 31, 1997, among the Buyer, PREFCO, the Investors and the Agent, as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified.

"PURCHASE PRICE" means, with respect to any Purchase on any date, the aggregate price to be paid to the Originator for such Purchase in accordance with SECTION 1.2 of this Agreement for the Receivables and Related Security being sold to the Buyer on such date, which price shall equal (i) the product of (x) the Original Balance of such Receivables TIMES (y) one minus the Discount Factor then in effect,

36

MINUS (ii) any Purchase Price Credits to be credited against the purchase price otherwise payable in accordance with SECTION 1.3 hereof.

"PURCHASE PRICE CREDIT" has the meaning set forth in SECTION 1.3.

"PURCHASER" has the meaning set forth in the Purchase Agreement.

"PURCHASE AGREEMENT" has the meaning set forth in the Preliminary Statement of this Agreement.

"RECEIVABLE" means the indebtedness and other obligations owed to the Originator under an Account (without giving effect to any transfer or conveyance hereunder) whether constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by the Originator or by a Wholly-Owned Subsidiary, and includes, without limitation, the obligation to pay any Finance Charges with respect

thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice or charge-slip, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction.

"RECORDS" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"REFERENCE BANK" means The First National Bank of Chicago or such other bank as the Agent shall designate with the consent of the Buyer.

"RELATED SECURITY" means, with respect to any Receivable:

(a) all other Security Interests or liens and property subject thereto from time to time, if any, purporting to secure payment of the Contract related thereto, whether pursuant to such Contract or otherwise, together with all financing statements and security agreements describing any collateral securing such Contract,

(b) all guaranties, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(c) all service contracts and other contracts and agreements associated with such Receivable,

37

(d) all Records related to such Receivable, and

(e) all proceeds of the foregoing.

"REPORTABLE EVENT" has the meaning set forth in Section 4043 of ERISA.

"REQUIRED CAPITAL AMOUNT" means, on any date of determination, the greater of (a) \$6,000,000 or (b) three percent (3.00%) of the aggregate Capital outstanding at such time under the Purchase Agreement.

"REQUIRED INVESTORS" has the meaning set forth in the Purchase Agreement.

"SECTION" means a numbered section of this Agreement, unless another document is specifically referenced.

"SECURITY INTEREST" has the meaning specified in (S) 1-201(37) of the UCC as in effect in the State of Illinois on the date of this Agreement and includes, without limitation, the interest of a buyer of accounts and chattel paper.

"SERVICER" means at any time the Person then authorized pursuant to Article VI of the Purchase Agreement to service, administer and collect Receivables.

"SERVICER DEFAULT" has the meaning set forth in the Purchase Agreement.

"SUBORDINATED LOAN" means a subordinated revolving loan made by the Originator to the Buyer in the Originator's sole discretion.

"SUBORDINATED NOTE" means a promissory note made by the Buyer in favor of the Originator in substantially the form of EXHIBIT X hereto.

"SUBSCRIPTION AGREEMENT" means the Stockholder and Subscription Agreement in substantially the form of EXHIBIT IX hereto, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"SUB-SERVICER" means the Originator in its capacity as sub-servicer for the Servicer as described in SECTION 5.1 hereof.

"SUB-SERVICER DEFAULT" means an event described in SECTION 6.1 hereof.

"SUBSIDIARY" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be

38

so owned or controlled. Unless otherwise expressly provided, all references herein to a "SUBSIDIARY" shall mean a Subsidiary of the Originator.

"TERMINATION DATE" means, the earliest of (i) the Facility Termination Date, (ii) the date of the declaration or automatic occurrence of the Termination Date pursuant to SECTION 6.2 and (iii) the date designated by the Originator as the Termination Date in a written notice delivered to the Buyer not less than ten days prior to such designated date.

"TRANSACTION DOCUMENTS" means, collectively, this Agreement, each Contract, the Subordinated Note, the Subscription Agreement, each Collection Account Agreement and all other instruments, documents and agreements executed and delivered by the Originator in connection herewith.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"WHOLLY-OWNED SUBSIDIARY" means each existing and future Subsidiary of the Originator in which the Originator owns, directly or indirectly, 100% of the outstanding capital stock.

ALL ACCOUNTING TERMS NOT SPECIFICALLY DEFINED HEREIN SHALL BE CONSTRUED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. ALL TERMS USED IN ARTICLE 9 OF THE UCC IN THE STATE OF ILLINOIS, AND NOT SPECIFICALLY DEFINED HEREIN, ARE USED HEREIN AS DEFINED IN SUCH ARTICLE 9.

39

EXHIBIT II

CHIEF EXECUTIVE OFFICE OF THE ORIGINATOR; LOCATIONS OF RECORDS;
TRADE NAMES; FEDERAL EMPLOYER IDENTIFICATION NUMBER

Chief Executive Office:

Location of Records:

Federal Employer Identification Number:

Trade Names and Assumed Names:

40

EXHIBIT III

COLLECTION ACCOUNTS

None, except:

KOHL'S DEPARTMENT STORES, INC.

TYPE OF ACCT. ACCOUNT # BANK NAME CITY, STATE

KOHL'S RECEIVABLES CORPORATION

41

EXHIBIT IV

FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished pursuant to that certain Receivables Sale Agreement dated as of January 31, 1997, between Kohl's Department Stores, Inc. (the "ORIGINATOR") and Kohl's Receivables Corporation (the "AGREEMENT"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of the Originator;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Originator and its Subsidiaries during the accounting period covered by the attached financial statements; and
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Event of Default or a Potential Event of Default, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Originator has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in SCHEDULE I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ____ day of _____, 19__.

[Name]

42

EXHIBIT V

FORM OF COLLECTION ACCOUNT AGREEMENT

[On letterhead of Buyer]

_____ 19__

[Lock-Box Bank/Concentration Bank/Depository Bank]

Re: Kohl's Receivables Corporation
Kohl's Department Stores, Inc.

Ladies and Gentlemen:

You have exclusive control of P.O. Box # _____ in **[city,
state, zip code]** (the "LOCK-BOX") for the purpose of receiving mail and

- -----
processing payments therefrom pursuant to that certain **[name of lock-box agreement]** between you and Kohl's Department Stores, Inc. dated _____ (the "AGREEMENT"). You hereby confirm your agreement to perform the services described therein. Among the services you have agreed to perform therein, is to endorse all checks and other evidences of payment, and credit such payments to checking account no. _____ maintained with you in the name of Kohl's Department Stores, Inc. (the "LOCK-BOX ACCOUNT").

Kohl's Department Stores, Inc. ("ORIGINATOR") hereby transfers and assigns all of its right, title and interest in and to, and exclusive ownership and control over, the Lock-Box and the Lock-Box Account to Kohl's Receivables Corporation ("SPC"). Originator and SPC hereby request that the name of the Lock-Box Account be changed to the Kohl's Receivables Corporation, as "COLLECTION AGENT" for the benefit of The First National Bank of Chicago ("FNBC"), as agent under that certain Receivables Purchase Agreement (the "RECEIVABLES PURCHASE AGREEMENT") dated as of January 31, 1997 among SPC, Preferred Receivables Funding Corporation, certain financial institutions parties thereto and FNBC.

SPC hereby irrevocably instructs you, and you hereby agree, that upon receiving notice from FNBC in the form attached hereto as Annex A: (i) the name of the Lock-Box Account will be changed to FNBC for itself and as agent (or any designee of FNBC) and FNBC will have exclusive ownership of and access to such Lock-Box Account, and neither Originator, SPC nor any of their respective affiliates will have any control of such Lock-Box Account or any access thereto, (ii) you will either continue to send the funds from the Lock-Box to the Lock-Box Account, or will redirect the funds as FNBC may otherwise request, (iii) you will transfer monies on deposit in the Lock-Box Account, at any time, as directed by FNBC, (iv) all services to be performed by you under the Agreement will be performed on behalf of FNBC,

43

and (v) all correspondence or other mail which you have agreed to send to either Originator or SPC will be sent to FNBC at the following address:

The First National Bank of Chicago
Suite 0079, 21st Floor
One First National Plaza
Chicago, Illinois 60670
Attention: Credit Manager, Asset-Backed Finance

Moreover, upon such notice, FNBC for itself and as agent will have all rights and remedies given to Originator or SPC under the Agreement. Each of Originator and SPC agrees, however, to continue to pay all fees and other assessments due thereunder at any time.

You hereby acknowledge that monies deposited in the Lock-Box Account or any other account established with you by FNBC for the purpose of receiving funds from the Lock-Box are subject to the liens of FNBC for itself and as agent under the Receivables Purchase Agreement, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against Originator or SPC, except that you may debit the Lock-Box Account for any items deposited therein that are returned or otherwise not collected and for all charges, fees, commissions and expenses incurred by you in providing services hereunder, all in accordance with your customary practices for the charge back of returned items and expenses.

This letter agreement and the rights and obligations of the parties hereunder will be governed by and construed and interpreted in accordance with the laws of the State of Illinois. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

This letter agreement contains the entire agreement between the parties, and may not be altered, modified, terminated or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. In the event that any provision in this letter agreement is in conflict with, or inconsistent with, any provision of the Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the

rights of each party hereunder.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement by all parties hereto.

Very truly yours,

KOHL'S DEPARTMENT STORES, INC.

By _____

Title _____

KOHL'S RECEIVABLES CORPORATION

By _____

Title _____

Acknowledged and agreed to
this ____ day of _____, 1997:

[COLLECTION BANK]

By: _____

Title: _____

Acknowledged and agreed to
this ____ day of _____, 1997:

THE FIRST NATIONAL BANK OF CHICAGO (for itself and
as Agent)

By _____
Authorized Agent

ANNEX A
FORM OF COLLECTION NOTICE

[On letterhead of FNBC]

_____, 19__

[Collection Bank/Depository Bank/Concentration Bank]

Re: Kohl's Receivables Corporation

Ladies and Gentlemen:

We hereby notify you that we are exercising our rights pursuant to that certain letter agreement among Kohl's Department Stores, Inc., Kohl's Receivables Corporation, you and us, to have the name of, and to have exclusive ownership and control of, account number _____ (the "LOCK-BOX ACCOUNT") maintained with you, transferred to us. Lock-Box Account will henceforth be a zero-balance account, and funds deposited in the Lock-Box Account should be sent at the end of each day to _____. You have further agreed to perform all other services you are performing under that certain agreement dated _____ between you and Kohl's Department Stores, Inc. on our behalf.

We appreciate your cooperation in this matter.

Very truly yours,

THE FIRST NATIONAL BANK OF CHICAGO
(for itself and as agent)

By: _____
Authorized Agent

46

EXHIBIT VI

CREDIT AND COLLECTION POLICY

[to be provided by the Originator]

47

EXHIBIT VII

FORM OF CONTRACT(S)

[to be provided by the Originator]

48

EXHIBIT VIII

FORM OF PERIODIC REPORT

[to be provided by First Chicago]

49

EXHIBIT IX

FORM OF SUBSCRIPTION AGREEMENT

STOCKHOLDER AND SUBSCRIPTION AGREEMENT

THIS STOCKHOLDER AND SUBSCRIPTION AGREEMENT (this "AGREEMENT"), dated as of January 31, 1997, is entered into by and between Kohl's Receivables Corporation, a Wisconsin corporation (the "SPC"), and Kohl's Department Stores, Inc., a Delaware corporation ("ORIGINATOR"). Except as otherwise specifically provided herein, capitalized terms used in this Agreement have the meanings ascribed thereto in the Receivables Sale Agreement dated as of even date herewith between the SPC and the Originator (as amended, restated, supplemented or otherwise modified from time to time, the "SALE AGREEMENT").

R E C I T A L S

A. The SPC has been organized under the laws of the State of Wisconsin for the purpose of, among other things, purchasing, holding, financing, receiving and transferring accounts receivable and related assets originated or otherwise held by the Originator.

B. Contemporaneously with the execution and delivery of this Agreement: (i) the Originator and the SPC have entered into the Sale Agreement pursuant to which the Originator has, from and after the initial purchase date thereunder and prior to the termination date specified therein, sold all of its Receivables, Collections and Related Security to the SPC and (ii) the SPC, certain financial institutions party thereto as "PURCHASERS," and The First National Bank of Chicago, as the "AGENT," have entered into a Receivables

Purchase Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "PURCHASE AGREEMENT") pursuant to which the SPC will sell "RECEIVABLE INTERESTS" to the Agent for the benefit of the Purchasers.

C. The SPC desires to sell shares of its capital stock to the Originator, and the Originator desires to purchase such shares, on the terms set forth in this Agreement.

NOW, THEREFORE, the SPC and the Originator agree as follows:

1. Purchase and Sale of Capital Stock.

The Originator hereby purchases from the SPC, and the SPC hereby sells to the Originator, 1,000 shares of common stock, par value \$0.01 per share, of the SPC (the "COMMON STOCK") for the purchase price set forth in SECTION 2.1. The

50

shares of Common Stock being purchased under this Agreement are referred to herein as the "SHARES."

Within three (3) Business Days from the date hereof, the SPC shall deliver to the Originator a certificate registered in the Originator's name representing the Shares.

2. Consideration for Shares and Capital Contributions.

2.1 Consideration for Shares.

To induce the SPC to enter into the Sale Agreement and to enable the SPC to fund its obligations thereunder by consummating the transactions contemplated by the Purchase Agreement, and in reliance upon the representations and warranties set forth herein, the Originator hereby pays to the SPC on the date hereof \$30,000,000 (the "STOCK PURCHASE PRICE") in consideration of the purchase of the Shares. The Stock Purchase Price shall take the form of a transfer of cash and/or Receivables, except that the SPC shall, in lieu of cash payment of the Stock Purchase Price, deduct the amount of the Stock Purchase Price from the purchase price otherwise payable by the SPC to the Originator on the initial purchase date pursuant to the Sale Agreement.

2.2 Contributions After Initial Closing Date.

From time to time the Originator may make additional capital contributions to the SPC. All such contributions shall take the form of a cash transfer or contribution of Receivables, except that the SPC agrees to, in lieu of cash payment thereof, deduct the amount of such contributions from the purchase price for Receivables otherwise payable by the SPC to the Originator on the date of such capital contributions. All of the Receivables so paid for through such deductions shall constitute purchased Receivables within the meaning of the Sale Agreement and shall be subject to all of the representations, warranties and indemnities otherwise made hereunder. It is expressly understood and agreed that the Originator has no obligations under this Agreement to make any capital contributions from and after payment of the Stock Purchase Price.

3. Representations and Warranties of the SPC.

The SPC represents and warrants to the Originator as follows:

(a) The SPC is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Wisconsin, and has all requisite corporate power and authority to carry on its business as proposed to be conducted on the date hereof.

51

(b) The SPC has all requisite legal and corporate power to enter into

this Agreement, to issue the Shares and to perform its other obligations under this Agreement.

(c) Upon receipt by the SPC of the Stock Purchase Price and the issuance of the Shares to the Originator, the Shares will be duly authorized, validly issued, fully paid and nonassessable.

(d) The SPC has taken all corporate action necessary for its authorization, execution and delivery of, and, its performance under, this Agreement.

(e) This Agreement constitutes a legally valid and binding obligation of the SPC, enforceable against the SPC in accordance with its terms, except that enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(f) The SPC has filed its Articles of Incorporation in the form attached hereto as Exhibit A with the Secretary of State of Wisconsin and

(ii) adopted By-laws in the form attached hereto as Exhibit B.

(g) The issuance of the Shares by the SPC hereunder is legally permitted by all laws and regulations to which the SPC is subject.

4. Representations and Warranties of the Originator.

The Originator represents and warrants to the SPC as follows:

(a) The Originator is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to carry on its business as conducted on the date hereof.

(b) The Originator has all requisite legal and corporate power to enter into this Agreement, to purchase the Shares and to perform its other obligations under this Agreement.

(c) The Originator has taken all corporate action necessary for its authorization, execution and delivery of, and its performance under, this Agreement.

(d) This Agreement constitutes a legally valid and binding obligation of the Originator, enforceable against the Originator in accordance with its terms, except that enforceability may be limited by bankruptcy, insolvency,

52

reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) The Originator is purchasing the Shares for investment for its own account, not as a nominee or agent, and not with a view to the sale or distribution of any part thereof; and the Originator has no current intention of selling, granting a participation in, or otherwise distributing, the same.

(f) The Originator understands that the Shares have not been registered under the Securities Act of 1933, as amended, or under any other Federal or state law, and that the SPC does not contemplate such a registration.

(g) The Originator has such knowledge, sophistication and experience in financial and business matters that it is capable of evaluating the merits and risks of the transactions contemplated by this Agreement, and has made such investigations in connection herewith as have been deemed necessary or desirable to make such evaluation.

(h) The purchase of the Shares by the Originator is legally permitted by all laws and regulations to which the Originator is subject.

5. Restrictions on Transfer Imposed by the Act; Legend.

5.1 Legend. Each certificate representing any Shares shall be

endorsed with the following legend:

NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND THE RULES AND REGULATIONS IN EFFECT THEREUNDER AND ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS, OR (B) WHERE KOHL'S RECEIVABLES CORPORATION HAS BEEN FURNISHED WITH AN OPINION OF COUNSEL FOR THE HOLDER, WHICH OPINION (IN FORM AND SUBSTANCE) AND WHICH COUNSEL SHALL BE REASONABLY SATISFACTORY TO KOHL'S RECEIVABLES CORPORATION, TO THE EFFECT THAT SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF THE ACT AND ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS. THE HOLDER OF THIS CERTIFICATE, BY ACCEPTANCE OF THIS CERTIFICATE, AGREES TO BE BOUND BY ALL OF THE PROVISIONS OF THE STOCKHOLDER AND SUBSCRIPTION AGREEMENT DATED AS OF JANUARY 31, 1997, AS THE SAME MAY

53

BE AMENDED FROM TIME TO TIME, A COPY OF WHICH IS ON FILE AT THE OFFICE OF KOHL'S RECEIVABLES CORPORATION.

5.2 Registration of Transfers. The SPC need not register a transfer

of any Shares unless the conditions specified in the legend set forth in SECTION 5.1 hereof are satisfied. The SPC may also instruct its transfer agent not to register the transfer of any Shares unless the conditions specified in the legend set forth in SECTION 5.1 hereof are satisfied.

6. Agreement to Vote. The Originator hereby agrees and covenants to

vote all of the shares of Common Stock now or hereafter owned by it, whether beneficially or otherwise, as is necessary at a meeting of stockholders of the SPC, or by written consent in lieu of any such meeting, to cause to be elected to, and maintained on, the SPC's board of directors at least one (1) person (an "INDEPENDENT DIRECTOR") meeting the qualifications and selected in accordance with the provisions of the Articles of Incorporation and By-laws of the SPC.

7. Successors and Assigns.

Each party agrees that it will not assign, sell, transfer, delegate, or otherwise dispose of, whether voluntarily or involuntarily, or by operation of law, any right or obligation under this Agreement except in connection with a transfer of Shares in compliance with the terms and conditions hereof or otherwise in accordance with the terms hereof. Any purported assignment, transfer or delegation in violation of this SECTION 7 shall be null and void AB INITIO. Subject to the foregoing limits on assignment and delegation and except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legatees, executors, administrators, assignees and legal successors.

8. Amendments and Waivers.

Any term hereof may be amended and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the SPC and the Originator. Any amendment or waiver so effected shall be binding upon the SPC and the Originator.

9. Further Acts.

Each party agrees to perform any further acts and execute and deliver

any document which may be reasonably necessary to carry out the provisions of this Agreement.

54

10. Counterparts.

This Agreement may be executed in any number of counterparts, and all of such counterparts together will be deemed one instrument.

11. Notices.

Any and all notices, acceptances, statements and other communications to the Originator in connection herewith shall be in writing, delivered personally, by facsimile or certified mail, return receipt requested, and shall be addressed to the address of the Originator indicated on the stock transfer register of the SPC or, if no address is so indicated, to the address provided to the SPC pursuant to the Sale Agreement unless changed by written notice to the SPC or its successor.

12. Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF WISCONSIN.

13. Entire Agreement.

This Agreement, together with the Sale Agreement and the other documents expressly to be delivered in connection therewith, constitute the full and entire understanding and agreement between the parties hereto with regard to the subject matter hereof and thereof.

14. Severability of this Agreement.

In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[Signature page follows]

55

IN WITNESS WHEREOF, the parties hereto have caused their respective officers thereunto duly authorized to execute this Agreement as of the date first written above.

KOHL'S DEPARTMENT STORES, INC.

By: _____
John F. Herma
Chief Operating Officer

KOHL'S RECEIVABLES CORPORATION

By: _____
Arlene Meier
Senior Vice President and
Chief Financial Officer

56

EXHIBIT A
TO
STOCKHOLDER AND SUBSCRIPTION AGREEMENT

Form of Articles of Incorporation

[to be provided by Godfrey & Kahn]

57

EXHIBIT B
TO
STOCKHOLDER AND SUBSCRIPTION AGREEMENT

Form of By-laws

[to be provided by Godfrey & Kahn]

58

EXHIBIT X
FORM OF SUBORDINATED NOTE
SUBORDINATED NOTE

January 31, 1997

1. Note. FOR VALUE RECEIVED, the undersigned, KOHL'S RECEIVABLES

CORPORATION, a Wisconsin corporation (the "SPC"), hereby unconditionally promises to pay to the order of KOHL'S DEPARTMENT STORES, INC., a Delaware corporation (the "ORIGINATOR"), in lawful money of the United States of America and in immediately available funds, on the "COLLECTION DATE" (as defined in the "SALE AGREEMENT" referred to below) the aggregate unpaid principal sum outstanding of all "SUBORDINATED LOANS" made from time to time by the Originator to the SPC pursuant to and in accordance with the terms of that certain Receivables Sale Agreement dated as of January 31, 1997 between the Originator and the SPC (as amended, restated, supplemented or otherwise modified from time to time, the "SALE AGREEMENT"). Reference to SECTION 1.2 of the Sale Agreement is hereby made for a statement of the terms and conditions under which the loans evidenced hereby have been and will be made. All terms which are capitalized and used herein and which are not otherwise specifically defined herein shall have the meanings ascribed to such terms in the Sale Agreement.

2. Interest. The SPC further promises to pay interest on the

outstanding unpaid principal amount hereof from the date hereof until payment in full hereof at such rates as the SPC and the Originator may mutually agree upon from time to time. Interest shall be payable on the first Business Day of each month in arrears; PROVIDED, HOWEVER, that the SPC may elect on the date any interest payment is due hereunder to defer such payment and upon such election the amount of interest due but unpaid on such date shall constitute principal under this Subordinated Note. The outstanding principal of any loan made under this Subordinated Note shall be due and payable on the Collection Date and may be repaid or prepaid at any time without premium or penalty.

3. Principal Payments. The Originator is authorized and directed by

the SPC to enter on the grid attached hereto, or, at its option, in its books and records, the date and amount of each loan made by it which is evidenced by this Subordinated Note and the amount of each payment of principal made by the SPC, and absent manifest error, such entries shall constitute prima facie evidence of the accuracy of the information so entered; PROVIDED THAT neither the failure of the Originator to make any such entry or any error therein shall expand, limit or affect the obligations of the SPC hereunder.

4. Subordination. The indebtedness evidenced by this Subordinated

Note is subordinated to the prior payment in full of all of the SPC's recourse

59

obligations under that certain Receivables Purchase Agreement dated as of January 31, 1997 by and among the SPC, Preferred Receivables Funding Corporation, certain financial institutions party thereto as "PURCHASERS", and The First National Bank of Chicago, as the "AGENT" (as amended, restated, supplemented or otherwise modified from time to time, the "PURCHASE AGREEMENT"). The subordination provisions contained herein are for the direct benefit of, and may be enforced by, the Agent and the Purchasers and/or any of their respective assignees (collectively, the "SENIOR CLAIMANTS") under the Purchase Agreement. Until the date on which all "CAPITAL" outstanding under the Purchase Agreement has been repaid in full and all other obligations of the SPC (individually or as the Servicer thereunder) and under the "FEE LETTER" referenced therein (all such obligations, collectively, the "SENIOR CLAIM") have been indefeasibly paid and satisfied in full, the Originator shall not demand, accelerate, sue for, take, receive or accept from the SPC, directly or indirectly, in cash or other property or by set-off or any other manner (including, without limitation, from or by way of collateral) any payment or security of all or any of the indebtedness under this Subordinated Note or exercise any remedies or take any action or proceeding to enforce the same; PROVIDED, HOWEVER, that (i) the Originator hereby agrees that it will not institute against the SPC any proceeding of the type described in SECTION 6.1(B) of the Sale Agreement unless and until the Collection Date has occurred and (ii) nothing in this paragraph shall restrict the SPC from paying, or the Originator from requesting, any payments under this Subordinated Note so long as the SPC is not required under the Purchase Agreement to set aside for the benefit of, or otherwise pay over, the funds used for such payments to any of the Senior Claimants and further provided that the making of such payment would not otherwise violate the terms and provisions of the Purchase Agreement. Should any payment, distribution or security or proceeds thereof be received by the Originator in violation of the immediately preceding sentence, the Originator agrees that such payment shall be segregated, received and held in trust for the benefit of, and deemed to be the property of, and shall be immediately paid over and delivered to the Agent for the benefit of the Senior Claimants.

5. Bankruptcy; Insolvency. Upon the occurrence of any Servicer

Default described in SECTION 7.1(B) of the Purchase Agreement involving the SPC as debtor, then and in any such event the Senior Claimants shall receive payment in full of all amounts due or to become due on or in respect of Capital and the Senior Claim (including "DISCOUNT" accruing under the Purchase Agreement after the commencement of any such proceeding, whether or not any or all of such Discount is an allowable claim in any such proceeding) before the Originator is entitled to receive payment on account of this Subordinated Note, and to that end, any payment or distribution of assets of the SPC of any kind or character, whether in cash, securities or other property, in any applicable insolvency proceeding, which would otherwise be payable to or deliverable upon or with respect to any or all indebtedness under this Subordinated Note, is hereby assigned to and shall be paid or delivered by the Person making such payment or delivery (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Agent for

60

application to, or as collateral for the payment of, the Senior Claim until such Senior Claim shall have been paid in full and satisfied.

6. Amendments. This Subordinated Note shall not be amended or

modified except in accordance with SECTION 8.1 of the Sale Agreement. The terms of this Subordinated Note may not be amended or otherwise modified without the prior written consent of the Agent for the benefit of the Purchasers.

7. Governing Law. This Subordinated Note has been delivered at and

shall be deemed to have been made at Chicago, Illinois and shall be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws and decisions of the State of Illinois. Wherever possible each provision of this Subordinated Note shall be interpreted in such manner as to be

SCHEDULE A

DOCUMENTS AND RELATED ITEMS TO BE DELIVERED
ON OR PRIOR TO THE INITIAL PURCHASEI. Receivables Sale Agreement

A. Receivables Sale Agreement dated as of January 31, 1997 (the "SALE AGREEMENT"), by and between Kohl's Department Stores, Inc., a Delaware corporation (the "ORIGINATOR"), and Kohl's Receivables Corporation, a Wisconsin corporation (the "SPC"), with the following exhibits:

Exhibit I	-	Definitions
Exhibit II	- --	Places of Business of the Originator; Locations of Records; Trade Names; Prior Names; Federal Employer I.D. Number
Exhibit III	-	Lockboxes; Collection Accounts; Concentration Accounts; and Depositary Accounts
Exhibit IV	-	Compliance Certificate
Exhibit V	-	Collection Account Agreement
Exhibit VI	-	Credit and Collection Policy
Exhibit VII	-	Form(s) of Contract(s)
Exhibit VIII	-	Periodic Report
Exhibit IX	-	Stockholder and Subscription Agreement
Exhibit X	-	Subordinated Note

B. Revolving Subordinated Note dated January 31, 1997 executed by the SPC in favor of the Originator.

C. Stockholder and Subscription Agreement dated as of January 31, 1997 by and between the Originator and the SPC.

D. Certificate of the Originator's [Assistant] Secretary certifying:

1. An attached copy of the Originator's Articles of Incorporation (certified within 30 days prior to closing by the Delaware Secretary of State)
2. An attached copy of the Originator's By-Laws

3. An attached copy of resolutions of the Originator's Board of Directors authorizing the Originator's execution, delivery and performance of the Sale Agreement and related documents

4. The names, titles and specimen signatures of the Originator's officers authorized to execute and deliver the Sale Agreement and related documents

E. Good standing certificates for the Originator from the following states certified within 30 days prior to closing:

1. Delaware
2. Wisconsin

F. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against the Originator from the following jurisdictions:

1. Wisconsin
2. As applicable for tax and judgment liens, _____ County

G. UCC/PPSA Financing Statements naming the Originator, as debtor, the

SPC, as secured party, and The First National Bank of Chicago, as Agent, as assignee of secured party, for filing in the following jurisdictions:

1. State of Wisconsin
2. Province of Ontario

H. Post-filing UCC lien searches against the Originator from the following jurisdictions:

1. State of Wisconsin.

I. Collection Account Agreement

1. FirstStar

J. Opinion:

1. Corporate/UCC opinion

K. CFO's Certificate re (1) no Event of Default or Potential Event of Default and (2) absence of Material Adverse Effect since November 2, 1996.

64

II. Additional Capitalization of SPC

A. Not less than \$28.53 million in cash invested by Originator in the SPC.

B. Parent Demand Note to evidence loans by the SPC to the Originator.

III. Receivables Purchase Agreement

A. Receivables Purchase Agreement dated as of January 31, 1997 (the "INVESTOR AGREEMENT") by and among the SPC, Preferred Receivables Funding Corporation ("PREFCO"), various Investors, and The First National Bank of Chicago, as Agent (in such capacity, the "AGENT") with the following exhibits:

Exhibit I	-	Definitions
Exhibit II	-	Places of Business of the SPC; Locations of Records; Trade Names; Federal Employer I.D. Number
Exhibit III	-	Lockboxes; Collection Accounts; Concentration Accounts; and Depository Accounts
Exhibit IV	-	Compliance Certificate
Exhibit V	-	Collection Account Agreement
Exhibit VI	-	Credit and Collection Policy
Exhibit VII	-	Form(s) of Contract(s)
Exhibit VIII	-	Periodic Report
Exhibit IX	-	Form of Purchase Notice

B. Fee Letter dated as of January 31, 1997 by and between the SPC and the Agent.

C. Certificate of the SPC's [Assistant] Secretary certifying:

1. An attached copy of the SPC's Articles of Incorporation (certified within 30 days prior to closing by the Wisconsin Secretary of State)
2. An attached copy of the SPC's By-Laws
3. An attached copy of resolutions of the SPC's Board of Directors authorizing the SPC's execution, delivery and performance of the Investor Agreement and related documents
4. The names, titles and specimen signatures of the SPC's officers authorized to execute and deliver the Investor Agreement and related documents

D. Good standing certificates for the SPC from the following states certified within 30 days prior to closing:

1. Wisconsin

E. UCC/PPSA Financing Statements naming the SPC, as debtor, and the Agent, as secured party, for filing in the following jurisdictions:

1. State of Wisconsin
2. Province of Ontario

F. Post-filing UCC lien searches against the SPC from the following jurisdictions:

1. State of Wisconsin

G. Purchase Notice executed by the SPC.

H. Opinion of the SPC's counsel re corporate/UCC issues

I. CFO's Certificate re no Servicer Default, Termination Event, Potential Servicer Default or Potential Termination Event and absence of Material Adverse Effect since November 2, 1996.

IV. Unwinding Existing Receivables Purchase Agreement

A. Certificate of Re-assignment executed by the Agent in favor of the Originator.

B. UCC/PPSA Termination Statements or Assignments:

1. State of Wisconsin
2. Province of Ontario

RECEIVABLES PURCHASE AGREEMENT

DATED AS OF JANUARY 31, 1997

AMONG

KOHL'S RECEIVABLES CORPORATION,
AS THE SELLER,

VARIOUS PURCHASERS,

AND

THE FIRST NATIONAL BANK OF CHICAGO,
AS AGENT

TABLE OF CONTENTS

	PAGE

ARTICLE I	
AMOUNTS AND TERMS OF THE PURCHASES.....	1
Section 1.1. Purchase Facility.....	1
Section 1.2. Making Incremental Purchases.....	3
Section 1.3. Selection of Tranche Periods and Discount Rates.....	4
Section 1.4. Percentage Evidenced by Receivable Interests.....	5
Section 1.5. Dividing or Combining Receivable Interests.....	5
Section 1.6. Reinvestment Purchases and Settlements.....	5
Section 1.7. Liquidation Settlement Procedures.....	6
Section 1.8. Limited Recourse.....	7
Section 1.9. Discount; Payments and Computations, Etc.....	8
Section 1.10. Maximum Aggregate Receivables Interest; Grant of Security Interest.....	9
Section 1.11. Non-Performing Investors.....	9
Section 1.12. Characterization.....	9
Section 1.13. Seller's Extinguishment.....	10
Section 1.14. Servicer Fee.....	10
ARTICLE II	
LIQUIDITY FACILITY.....	10
Section 2.1. Transfer to Investors.....	10

Section 2.2.	Transfer Price Reduction Discount.....	11
Section 2.3.	Payments to PREFCO.....	11
Section 2.4.	Limitation on Commitment to Purchase from PREFCO.....	11
Section 2.5.		
Defaulting Investors.....	11	
Section 2.6.	Representations of the Investors.....	12

ARTICLE III
REPRESENTATIONS AND WARRANTIES..... 12

i

PAGE

Section 3.1.	Seller Representations and Warranties.....	12
(a)	Corporate Existence and Power.....	12
(b)	No Conflict.....	13
(c)	Governmental Authorization.....	13
(d)	Binding Effect.....	13
(e)	Accuracy of Information.....	13
(f)	Use of Proceeds.....	13
(g)	Title to Receivables; Perfection.....	13
(h)	Places of Business.....	14
(i)	Collection Banks; etc.....	14
(j)	Material Adverse Effect.....	15
(k)	Names.....	15
(l)	Actions, Suits.....	15
(m)	Credit and Collection Policy.....	15
(n)	Payments to Originator.....	15
(o)	Ownership of the Seller.....	15
(p)	Not an Investment Company.....	15
(q)	Purpose.....	15
(r)	Net Receivables Balance.....	15
Section 3.2.	Investor Representations and Warranties.....	16
(a)	Existence and Power.....	16
(b)	No Conflict.....	16
(c)	Governmental Authorization.....	16
(d)	Binding Effect.....	16

ARTICLE IV
CONDITIONS OF PURCHASES..... 16

Section 4.1.	Conditions Precedent to Initial Purchase.....	16
Section 4.2.	Conditions Precedent to Purchases and Reinvestments.....	16

ARTICLE V
COVENANTS..... 17

Section 5.1.	Affirmative Covenants of Seller.....	17
(a)	Financial Reporting.....	17
(i)	Annual Reporting.....	17
(ii)	Quarterly Reporting.....	17

ii

Page

(iii)	Compliance Certificate.....	18
-------	-----------------------------	----

	(iv)	Shareholders Statements and Reports.....	18
	(v)	S.E.C. Filings.....	18
	(vi)	Change in Credit and Collection Policy.....	18
(b)		Notices.....	18
	(i)	Termination Events, Servicer Defaults, Potential Termination Events and Potential Servicer Defaults.....	18
	(ii)	Judgment.....	18
(c)		Compliance with Laws.....	19
(d)		Audits.....	19
(e)		Keeping and Marking of Records and Books.....	20
(f)		Compliance with Contracts and Credit and Collection Policy.....	20
(g)		Purchase of Receivables from the Originator.....	20
(h)		Ownership Interest.....	20
(i)		Payment to the Originator.....	21
(j)		Performance and Enforcement of Sale Agreement and Parent Demand Note.....	21
(k)		Purchasers' Reliance.....	21
(l)		Collections.....	23
(m)		Minimum Net Worth.....	23
(n)		Parent Demand Note.....	24
Section 5.2.		Negative Covenants of Seller.....	24
	(a)	Name Change, Offices, Records and Books of Accounts.....	24
	(b)	Change in Payment Instructions to Obligors.....	24
	(c)	Modifications of Receivables and Contracts.....	25
	(d)	Sales, Liens, Etc.....	25
	(e)	Nature of Business; Other Agreements; Other Indebtedness.....	25
	(f)	Amendments to Sale Agreement.....	26
	(g)	Amendments to Corporate Documents.....	26
	(h)	Merger.....	26
	(i)	Restricted Junior Payments.....	27
ARTICLE VI ADMINISTRATION AND COLLECTION.....			27
Section 6.1.		Designation of Servicer.....	27
Section 6.2.		Duties of Servicer.....	27
Section 6.3.		Collection Notices.....	29
Section 6.4.		Responsibilities of the Seller.....	29
Section 6.5.		Reports.....	29

			Page

ARTICLE VII SERVICER DEFAULTS AND TERMINATION EVENTS.....			30
Section 7.1.		Servicer Defaults.....	30
Section 7.2.		Termination Events.....	30
ARTICLE VIII INDEMNIFICATION.....			32
Section 8.1.		Indemnities by the Seller.....	32
Section 8.2.		Increased Costs and Reduced Return.....	34
Section 8.3.		Other Costs and Expenses.....	35
ARTICLE IX THE AGENT.....			36
Section 9.1.		Authorization and Action.....	36
Section 9.2.		Delegation of Duties.....	37
Section 9.3.		Exculpatory Provisions.....	37
Section 9.4.		Reliance by Agent.....	37
Section 9.5.		Non-Reliance on Agent and Other	

	Purchasers.....	38
Section 9.6.	Reimbursement and Indemnification.....	38
Section 9.7.	Agent in its Individual Capacity.....	38
Section 9.8.	Successor Agent.....	38
ARTICLE X		
	ASSIGNMENTS; PARTICIPATIONS.....	39
Section 10.1.	Assignments.....	39
Section 10.2.	Participations.....	40
ARTICLE XI		
	MISCELLANEOUS.....	40
Section 11.1.	Waivers and Amendments.....	40
Section 11.2.	Notices.....	41
Section 11.3.	Ratable Payments.....	42

		Page

Section 11.4.	Protection of Ownership Interests of the Purchasers.....	42
Section 11.5.	Confidentiality.....	43
Section 11.6.	Bankruptcy Petition.....	44
Section 11.7.	Limitation of Liability.....	44
Section 11.8.	CHOICE OF LAW.....	44
Section 11.9.	CONSENT TO JURISDICTION.....	44
Section 11.10.	WAIVER OF JURY TRIAL.....	45
Section 11.11.	Integration; Survival of Terms.....	45
Section 11.12.	Counterparts; Severability.....	45
Section 11.13.	First Chicago Roles.....	45
Section 11.14.	Characterization.....	46
EXHIBIT I	DEFINITIONS.....	49
EXHIBIT II	CHIEF EXECUTIVE OFFICE OF THE SELLER; LOCATIONS OF RECORDS; TRADE NAMES; FEDERAL EMPLOYER IDENTIFICATION NUMBER.....	66
EXHIBIT III	COLLECTION ACCOUNTS.....	67
EXHIBIT IV	FORM OF COMPLIANCE CERTIFICATE.....	68
EXHIBIT V	FORM OF COLLECTION ACCOUNT AGREEMENT.....	69
EXHIBIT VI	CREDIT AND COLLECTION POLICY.....	73
EXHIBIT VII	FORM OF CONTRACT(S).....	74
EXHIBIT VIII	FORM OF PERIODIC REPORT.....	75
SCHEDULE A	DOCUMENTS AND RELATED ITEMS TO BE DELIVERED ON OR PRIOR TO THE INITIAL PURCHASE.....	76

RECEIVABLES PURCHASE AGREEMENT

THIS RECEIVABLES PURCHASE AGREEMENT, dated as of January 31, 1997, is entered into by and among KOHL'S RECEIVABLES CORPORATION, a Wisconsin corporation (the "SELLER"), the INVESTORS (hereinafter defined), PREFERRED RECEIVABLES FUNDING CORPORATION, a Delaware corporation ("PREFCO"), and THE FIRST NATIONAL BANK OF CHICAGO, AS AGENT. Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in EXHIBIT I hereto.

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

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

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

The First National Bank of Chicago has been requested and is willing to act as Agent on behalf of PREFCO and the Investors in accordance with the terms hereof.

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

ARTICLE I
AMOUNTS AND TERMS OF THE PURCHASES

Section 1.1. Purchase Facility.

(a) Upon the terms and subject to the conditions hereof, the Seller may, at its option, sell and assign Receivable Interests to the Agent for the benefit of one or more of the Purchasers. From time to time during the period from the date hereof to but not including the Facility Termination Date: PREFCO may, at its option, instruct the Agent to purchase a particular Receivable Interest on behalf of PREFCO, or if PREFCO does not purchase such Receivable Interest, the Agent shall purchase such Receivable Interest on behalf of the Investors. The Seller hereby

assigns, transfers and conveys to the Agent for the benefit of the relevant Purchaser or Purchasers, and the Agent hereby acquires, all of the Seller's now owned and existing and hereafter arising or acquired right, title and interest in and to the Receivable Interests.

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

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

8.3, the Seller shall not be obligated to reimburse the Agent and the Purchasers
- ---
for more than \$1,000 in expenses per amendment to this Agreement entered into to increase the Purchase Limit in accordance with this Section 1.1(c).

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

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

(ii) not later than 10 Business Days prior to the existing Liquidity Termination Date, the Agent or the Seller may nominate another Investor or Eligible Person who is willing to accept an

2

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

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

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

Section 1.2. Making Incremental Purchases. The Seller shall provide

the Agent with written notice (a "PURCHASE NOTICE") of each Incremental Purchase not later than 9:00 a.m. (Chicago time) on the Business Day of the proposed Incremental Purchase; provided, however, that the Seller shall endeavor to provide each Purchase Notice at least three Business Days prior to the proposed date of the Incremental Purchase. Each Purchase Notice shall, except as set forth below, be irrevocable and shall specify the requested Purchase Price (which shall not be less than \$1,000,000), the date of purchase, the duration of the initial Tranche Period and the initial Discount Rate related thereto, and the Person and bank account to which the Purchase Price should be transferred. Following receipt of a Purchase Notice, the Agent shall determine whether PREFCO agrees to make the purchase. If PREFCO does not make a proposed purchase, the Seller may cancel the Purchase Notice or the Incremental Purchase of the Receivable Interests shall be made by the Investors. On the date of each Incremental Purchase, upon satisfaction of the applicable conditions precedent set forth in Article IV, PREFCO or each Investor, as applicable, shall wire

transfer to the Person and account specified in the applicable Purchase Notice, in immediately available funds, no later than 12:00 noon (Chicago time), an amount equal to (i) in the case of PREFCO, the aggregate of the Purchase Prices of each of the Receivable Interests PREFCO is purchasing, or (ii) in the case of an Investor, such Investor's Pro Rata Share of the Purchase Prices of each of the Receivable Interests the Investors are purchasing.

3

Section 1.3. Selection of Tranche Periods and Discount Rates. (a)

Each Receivable Interest shall at all times have an associated amount of Capital, a Discount Rate and Tranche Period applicable to it. Not less than \$1,000,000 of Capital may be allocated to any single Receivable Interest with respect to which a LIBO Rate applies. The Seller shall request Discount Rates and Tranche Periods for the Receivable Interests of the Purchasers. The Seller may select the CP Rate, with the concurrence of the Agent, or the Base Rate for the Receivable Interests of PREFCO and the LIBO Rate or the Base Rate for the Receivable Interests of the Investors. The Seller shall (i) by 11:00 a.m. (Chicago time) at least three Business Days prior to the expiration of any then existing Tranche Period with respect to which the LIBO Rate is being requested

as a new Discount Rate, (ii) by at least 9:00 a.m. (Chicago time) on the date of expiration of any then existing Tranche Period with respect to which the CP Rate is being requested as a new Discount Rate, and (iii) by at least 9:00 a.m. (Chicago time) on the date of expiration of any then existing Tranche Period with respect to which the Base Rate is being requested as a new Discount Rate, give the Agent irrevocable notice of the new Tranche Period and Discount Rate for the Receivable Interest associated with such expiring Tranche Period. If the Seller fails to request timely a Discount Rate and/or a Tranche Period for any Receivable Interest pursuant to the terms of this SECTION 1.3, the Discount Rate shall be the Base Rate, and the applicable Tranche Period shall be a period of one Business Day commencing on the day requested in the Purchase Notice or the last day of the then expiring Tranche Period for such Receivable Interest, as applicable. Until the Seller gives notice to the Agent of another Discount Rate, the initial Discount Rate for any Receivable Interest transferred to the Investors pursuant to Section 2.1 shall be the Base Rate.

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

4

Section 1.4. Percentage Evidenced by Receivable Interests. Each

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

Section 1.5. Dividing or Combining Receivable Interests. The Seller

or the Agent may, upon notice to and consent by the other received at the time a Tranche Period and Discount Rate is selected pursuant to Section 1.3(a), take

any of the following actions with respect to such Receivable Interest: (i) divide the Receivable Interest into two or more Receivable Interests having aggregate Capital equal to the Capital of such divided Receivable Interest, (ii) combine the Receivable Interest with another Receivable Interest with a Tranche Period ending on the same day, creating a new Receivable Interest having Capital equal to the Capital of the two Receivable Interests combined, or (iii) combine the Receivable Interest with a Receivable Interest to be purchased on such day by such Purchaser, creating a new Receivable Interest having Capital equal to the Capital of the two Receivable Interests combined, provided that a Receivable Interest of PREFCO may not be combined with a Receivable Interest of the Investors.

Section 1.6. Reinvestment Purchases and Settlements. At any time

that any Collection is received by the Servicer after the initial purchase, or any other Incremental Purchase, of a Receivable Interest hereunder and on or prior to the Liquidation Day of such Receivable Interest:

first, at any time the Servicer is not the Seller, the Originator or

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

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

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

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

outstanding amount of Capital of a Receivable Interest (in which case the provisions of SECTION 1.7 shall be applicable to the portion of such Receivable Interest represented by such reduction in Capital), the Seller hereby requests and the Purchasers hereby agree to make, simultaneously with such receipt, a reinvestment (each, a "REINVESTMENT") with that portion of the remainder of such Collection that is part of such Receivable Interest such that after giving effect to such Reinvestment, the amount of the Capital of such Receivable Interest immediately after any such receipt and corresponding

5

Reinvestment shall be equal to the amount of the Capital immediately prior to such receipt;

fourth, if the Servicer is the Seller, the Originator or an Affiliate

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

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

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

Section 1.7. Liquidation Settlement Procedures. On the Liquidation

Day of a Receivable Interest and on each day thereafter:

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

Seller; and

(b) the Servicer shall set aside and hold in trust for the Seller and the holder(s) of such Receivable Interest, as their interests may appear, the remaining portion of the Collections received on such day (the "REMAINING COLLECTIONS").

On the last day of each Tranche Period of a Receivable Interest after the occurrence of its Liquidation Day, the Servicer shall remit to the Agent's account the amounts set aside pursuant to clause (a) above, but not to exceed the sum of (i) the accrued Discount for such Receivable Interest, (ii) the Capital of such Receivable Interest, (iii) the accrued Servicer Fee for such Receivable Interest, and (iv) the aggregate of all other amounts then owed hereunder or under the other Transaction Documents by Seller to the Purchasers. If there shall be insufficient funds on deposit for the Servicer to distribute funds in payment in full of the aforementioned amounts, the Servicer shall distribute funds:

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

enforcement of this Agreement,

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

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

third, in payment of all accrued and unpaid Discount for such

Receivable Interest that are then due and owing,

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

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

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

sixth, to the Servicer (if the Seller, the Originator or an Affiliate

thereof is the Servicer) in payment of all accrued Servicer Fee in respect
of such Receivable Interest.

Collections allocated to the Receivable Interests of the Investors shall be shared ratably by the Investors in accordance with their Pro Rata Shares. Collections applied to the payment of fees, expenses, Discount and all other amounts payable or reimbursable by the Seller to the Agent and/or the Purchasers hereunder or under any of the other Transaction Documents shall be allocated ratably among the Agent and the Purchasers in accordance with such amounts owing to each of them. To the extent Collections are available for such purpose in accordance with the foregoing, the accrued Servicer Fee in respect of each Receivable Interest shall be remitted to the Servicer. Remaining Collections shall be held in trust by the Servicer and invested in Permitted Investments selected from time to time by the Seller, with all income and losses from such Permitted Investments and transaction fees arising in connection with the making or liquidation of such Permitted Investments being for the account of the Seller. If any amount payable by the Seller to the Agent or the Purchasers under this Agreement or any of the other Transaction Documents is not paid within one (1) Business Day after the date when due (such unpaid amount, together with any Default Fee due in respect thereof, being hereinafter referred to as a "DEFICIENCY"), the Servicer shall promptly liquidate a portion of the Permitted Investments in the amount of such Deficiency and shall pay such amount to the Agent for the account of the relevant Purchaser(s). From and after the Business Day on which all Aggregate Unpays have been paid in full, the Servicer shall pay to Seller all remaining Collections.

Section 1.8. Limited Recourse.

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

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

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

(c) If on any day any of the representations or warranties in Section

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

(d) If the Seller receives any Collections or is deemed to receive Collections pursuant to this Section 1.8 or otherwise, the Seller shall

immediately pay such Collections or deemed Collections to the Servicer and, at all times prior to such payment, such Collections shall be held in trust by the Seller for the exclusive benefit of the Purchasers and the Agent.

Section 1.9. Discount; Payments and Computations, Etc.

(a) Discount shall accrue for each Receivable Interest for each day occurring during the Tranche Period for such Receivable Interest. On the last day of each Tranche Period the Seller shall pay to the Agent an amount equal to the accrued and unpaid Discount for such Tranche Period.

(b) Notwithstanding any limitation on recourse contained in this Agreement, the Seller shall pay to the Agent, for the account of the relevant Purchasers, such fees as set forth in the Fee Letter, all amounts payable as Discount, all amounts payable pursuant to Article VIII, if any, all Servicer costs, if any, payable pursuant to SECTION 6.2, any and all issuing and paying agent fees and commissions of commercial paper dealers and, to the extent not duplicative of commercial paper dealer commissions, placement agents in respect of Commercial Paper issued to fund any Receivable Interest of PREFCO hereunder (to the extent each of the foregoing has not been included in the determination of the CP Rate), and on demand therefor, any Early Collection Fee. If any Person fails to pay any amount when due hereunder and such non-payment results in either a Servicer Default under Section 7.1(a) (i) or a Termination Event

under Section 7.2(a) (i), such Person agrees to pay, on demand, the Default Fee.

(c) All amounts to be paid or deposited by any Person hereunder shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (Chicago time) on the day when due in immediately available funds; if such amounts are payable to a Purchaser they shall be paid to the Agent, for the account of such Purchaser, at One First National Plaza, Chicago, Illinois 60670 until otherwise notified by the Agent.

Section 1.10. Maximum Aggregate Receivables Interest; Grant of

Security Interest. The Seller shall ensure that the aggregate Receivable

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

Section 1.11. Non-Performing Investors. If one or more Investors

defaults in its obligation to pay its Pro Rata Share of the Purchase Price for a
Receivables Interest pursuant to Section 1.2(ii) (each such Investor shall be

called a "NON-PERFORMING INVESTOR" and the aggregate amount of such defaulted obligations being herein called the "PURCHASE PRICE DEFICIT"), then upon notice from the Agent, each other Investor (a "PERFORMING INVESTOR") shall promptly pay to the Agent, in immediately available funds, an amount equal to the lesser of (x) such Performing Investor's proportionate share (based upon the relative Commitments of the Performing Investors) of the Purchaser Price Deficit and (y) the unused portion of such Performing Investor's Commitment. A Non-Performing Investor shall forthwith upon demand pay to the Agent for the account of the Performing Investors all amounts paid by each Performing Investor on behalf of

such Non-Performing Investor, together with interest thereon, for each day from the date a payment was made by a Performing Investor until the date such Performing Investor has been paid such amounts in full, at a rate per annum equal to the Federal Funds Effective Rate plus 2%. In addition, without prejudice to any other rights that the Seller may have under applicable law, each Non-Performing Investor shall pay to the Seller forthwith upon demand, the difference between the Purchase Price Deficit and the amount paid with respect thereto pursuant to this Section 1.11 by the Performing Investors, together with

interest thereon, for each day from the date of the Agent's request for such Non-Performing Investor's Pro Rata Share of the Purchase Price pursuant to Section 1.2(ii) until the date the requisite amount is paid to the Seller in

full, at a rate per annum equal to the Federal Funds Effective Rate plus 2%.

Section 1.12. Characterization. If the conveyance by the Seller to

the Purchasers of interests in Receivables hereunder shall be characterized as a secured

9

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

Section 1.13. Seller's Extinguishment. The Seller shall have the

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

Section 1.14. Servicer Fee. On the 20th day of each month hereafter

commencing February 20, 1997, to the extent of available Collections in accordance with the priorities set forth in SECTIONS 1.6 and 1.7, the Servicer shall be paid the Servicer Fee in arrears for the preceding month.

ARTICLE II LIQUIDITY FACILITY

Section 2.1. Transfer to Investors. Each Investor hereby agrees,

subject to Section 2.4, that immediately upon written notice from PREFCO

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

designated by the Agent, for the benefit of PREFCO, its Acquisition Amount. Unless an Investor has notified the Agent that it does not intend to pay its Acquisition Amount, the Agent may assume that such payment has been made and may, but shall not be obligated to, make the amount of such payment available to PREFCO in reliance upon such assumption. PREFCO hereby sells and assigns to the Agent for the ratable benefit of the Investors, and the Agent hereby purchases and assumes from PREFCO, effective upon the receipt by PREFCO of the PREFCO

Transfer Price, the Receivable Interests of PREFCO which are the subject of any transfer pursuant to this Article II.

Section 2.2. Transfer Price Reduction Discount. If the Adjusted

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

Section 2.3. Payments to PREFCO. In consideration for the reduction

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

Section 2.4. Limitation on Commitment to Purchase from PREFCO.

Notwithstanding anything to the contrary in this Agreement, but without limiting the Investors' obligations to the Seller to purchase Receivable Interests under Section 1.1, no Investor shall have any obligation to purchase any Receivable

Interest from PREFCO, pursuant to Section 2.1 or otherwise, if:

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

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

Section 2.5. Defaulting Investors. If one or more Investors defaults

in its obligation to pay its Acquisition Amount pursuant to Section 2.1 (each such Investor shall be called a "DEFAULTING INVESTOR" and the aggregate amount of such defaulted obligations being herein called the "PREFCO TRANSFER PRICE DEFICIT"), then upon notice from the Agent, each Investor other than the Defaulting Investors (a "NON-DEFAULTING INVESTOR") shall promptly pay to the Agent, in immediately available funds, an amount equal to the lesser of (x) such Non-Defaulting Investor's proportionate share (based upon the relative Commitments of the Non-Defaulting Investors) of the PREFCO Transfer Price Deficit and (y) the unused portion of such Non-Defaulting Investor's Commitment. A Defaulting Investor shall forthwith upon demand pay to the Agent for the account of the Non-Defaulting Investors all

amounts paid by each Non-Defaulting Investor on behalf of such Defaulting Investor, together with interest thereon, for each day from the date a payment was made by a Non-Defaulting Investor until the date such Non-Defaulting Investor has been paid such amounts in full, at a rate per annum equal to the Federal Funds Effective Rate plus 2%. In addition, without prejudice to any other rights that PREFCO may have under applicable law, each Defaulting Investor shall pay to PREFCO forthwith upon demand, the difference between such Defaulting Investor's unpaid Acquisition Amount and the amount paid with respect thereto by the non-Defaulting Investors, together with interest thereon, for each day from the date of the Agent's request for such Defaulting Investor's Acquisition Amount pursuant to Section 2.1 until the date the requisite amount

is paid to PREFCO in full, at a rate per annum equal to the Federal Funds Effective Rate plus 2%.

Section 2.6. Representations of the Investors. Each of the Investors

hereby represents and warrants to the Seller, the Agent and PREFCO as follows:

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

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

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

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Section 3.1. Seller Representations and Warranties. The Seller

hereby represents and warrants to the Agent and the Purchasers that:

(a) Corporate Existence and Power. The Seller is a corporation duly

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

12

(b) No Conflict. The execution, delivery and performance by the

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

(c) Governmental Authorization. Other than the filing of the

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

(d) Binding Effect. This Agreement and each Collection Account

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

(e) Accuracy of Information. All relevant information heretofore

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

(f) Use of Proceeds. No proceeds of any Purchase will be used (i)

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

(g) Title to Receivables; Perfection. Each Receivable has been

purchased by the Seller from the Originator in accordance with the terms of the Sale Agreement or contributed to the Seller's capital under the Subscription

13

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

(h) Places of Business. The principal places of business and chief

executive office of the Seller and the offices where the Seller keeps all its Records are located at the address(es) listed on EXHIBIT II or such other locations notified to the Agent in accordance with Section 5.2(a) in

jurisdictions where all action required by Section 5.2(a) has been taken and

completed. The Seller's Federal Employer Identification Number is correctly set forth on EXHIBIT II.

(i) Collection Banks; etc. Except as otherwise notified to the Agent

in accordance with Section 5.2(b), (i) the Seller has instructed, or has

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

event.

14

(j) Material Adverse Effect. Since April 29, 1995, except as disclosed to the Agent in writing prior to the date of this Agreement, no event has occurred which would have a Material Adverse Effect.

(k) Names. In the past five years, the Seller has not used any corporate names, trade names or assumed names other than those listed on EXHIBIT II and names notified to the Agent after the date of this Agreement in accordance with Section 5.2(a).

(l) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of the Seller's knowledge, threatened, against or affecting the Seller or the Originator, or any of the respective properties of the Seller or the Originator, in or before any court, arbitrator or other body, which constitutes a Material Adverse Effect.

(m) Credit and Collection Policy. With respect to each Receivable, each of the Originator, the Seller and the Servicer has complied in all material respects with the Credit and Collection Policy.

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

(o) Ownership of the Seller. The Originator owns, directly or indirectly, 100% of the issued and outstanding capital stock of the Seller. Such capital stock is validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of the Seller.

(p) Not an Investment Company. The Seller is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended from time to time, or any successor statute.

(q) Purpose. The Seller has determined that, from a business viewpoint, the purchase of Receivables and related interests from the Originator under the Sale Agreement, and the sale of Receivable Interests to the Purchasers and the other transactions contemplated herein, are in the best interest of the Seller.

(r) Net Receivables Balance. Both before and after giving effect to each Incremental Purchase and Reinvestment, the Net Receivables Balance exceeds the aggregate Capital then outstanding.

15

Section 3.2. Investor Representations and Warranties. Each Investor hereby represents and warrants to the Agent and PREFCO that:

(a) Existence and Power. Such Investor is a corporation or a banking association duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and has all corporate power to perform its obligations hereunder.

(b) No Conflict. The execution, delivery and performance by such

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

(c) Governmental Authorization. No authorization or approval or -----
other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by such Investor of this Agreement.

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

ARTICLE IV
CONDITIONS OF PURCHASES

Section 4.1. Conditions Precedent to Initial Purchase. The initial -----
purchase of a Receivable Interest under this Agreement is subject to the conditions precedent that the Agent shall have received on or before the date of such purchase those documents listed on SCHEDULE A hereto.

Section 4.2. Conditions Precedent to Purchases and Reinvestments. -----
Each Incremental Purchase of a Receivable Interest (other than pursuant to Section 2.1) and each Reinvestment shall be subject to the further conditions -----
precedent that:

16

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

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

(i) the representations and warranties set forth in SECTION 3.1 are correct on and as of the date of such purchase or Reinvestment as though made on and as of such date;

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

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

ARTICLE V
COVENANTS

Section 5.1. Affirmative Covenants of Seller. Until the date on

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

(a) Financial Reporting. The Seller will maintain a system of

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

(i) Annual Reporting. Within 90 days after the close of each of

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

(ii) Quarterly Reporting. Within 45 days after the close of the

first three quarterly periods of each of its fiscal years, consolidated
balance sheets of Kohl's Corporation as at the close of each such period
and related consolidated statements of income and retained earnings and a
consolidated

17

statement of cash flows for the period from the beginning of such fiscal
year to the end of such quarter, all certified by its chief financial
officer.

(iii) Compliance Certificate. Together with the financial

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

(iv) Shareholders Statements and Reports. Promptly upon the

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

(v) S.E.C. Filings. Promptly upon the filing thereof, copies

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

(vi) Change in Credit and Collection Policy. At least 30 days

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

(vii) Notices under Transaction Documents. Forthwith upon its

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

(b) Notices. The Seller will notify the Agent in writing of any of

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

(i) Termination Events, Servicer Defaults, Potential Termination

Events and Potential Servicer Defaults. The occurrence of each Termination

Event, (for so long as the Seller is the Servicer) Servicer Default or each
Potential Termination Event or (for so long as the Seller is the Servicer)
Potential Servicer Default, by a statement of the corporate comptroller or
senior financial officer of the Seller.

(ii) Judgment. The entry of any judgment or decree against the

Seller if the aggregate amount of all judgments and decrees then outstanding against the Seller exceeds \$10,000,000 after deducting (a) the amount with respect to which the Seller is insured and with respect to which the insurer has assumed responsibility in writing, and (b) the amount for which the

18

Seller is otherwise indemnified if the terms of, and creditworthiness of the provider of, such indemnification are reasonably satisfactory to the Agent.

(iii) Litigation. The institution of any litigation,

arbitration proceeding or governmental proceeding against the Seller or to which the Seller becomes party in excess of \$10,000 (other than litigation as to which the Originator has fully-indemnified the Seller in writing).

(iv) Termination Date under Sale Agreement. The occurrence of

the "TERMINATION DATE" under the Sale Agreement.

(v) Downgrade. Any downgrade in the rating of any

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

(c) Compliance with Laws. The Seller will comply in all respects

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

(d) Audits. The Seller will furnish to the Agent from time to time

such information with respect to it and the Receivables as the Agent may reasonably request. The Seller shall, from time to time during regular business hours as requested by the Agent upon reasonable notice, permit the Agent, or its agents or representatives (and shall require the Originator to permit the Agent or its agents or representatives) at their expense except as hereinafter provided: (i) to examine and make copies of and abstracts from all Records in the possession or under the control of the Seller or the Originator relating to Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of the Seller or the Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to the Seller's or the Originator's financial condition or the Receivables and the Related Security or the Seller's or the Originator's performance under any of the Transaction Documents or the Seller's or the Originator's performance under the Contracts with any of the officers or employees of the Seller or the Originator having knowledge of such matters. Notwithstanding the foregoing, the Seller shall reimburse the Agent for up to \$5,000 of the reasonable costs of each audit conducted by the Agent not more than once every two years. From and after the occurrence of a Servicer Default, the timing and expense limitations contained in the foregoing sentence shall no longer apply.

19

(e) Keeping and Marking of Records and Books.

(i) The Seller will, and will require the Originator to, maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification

of each new Receivable and all Collections of and adjustments to each existing Receivable). The Seller will, and will require the Originator to, give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

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

(f) Compliance with Contracts and Credit and Collection Policy. The

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

(g) Purchase of Receivables from the Originator. With respect to

each Receivable purchased under the Sale Agreement, the Seller shall (or shall require the Originator to) take all actions necessary to vest legal and equitable title to such Receivable and the Related Security irrevocably in the Seller, including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC of all appropriate jurisdictions (or any comparable law) to perfect the Seller's interest in such Receivable and such other action to perfect, protect or more fully evidence the interest of the Seller as the Agent may reasonably request.

(h) Ownership Interest. The Seller shall take all necessary action

to establish and maintain a valid and perfected first priority undivided percentage

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

(i) Payment to the Originator. With respect to any Receivable

purchased by the Seller from the Originator, such sale shall be effected under, and in strict compliance with the terms of, the Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to the Originator in respect of the purchase price for such Receivable.

(j) Performance and Enforcement of Sale Agreement and Parent Demand

Note. The Seller shall timely perform the obligations required to be performed

by the Seller, and shall vigorously enforce the rights and remedies accorded to the Seller, under the Sale Agreement. The Seller shall take all actions to perfect and enforce its rights and interests (and the rights and interests of the Purchasers and the Agents, as assignees of the Seller) under the Sale Agreement, as the Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Sale Agreement. The Seller shall diligently enforce its rights and interests under the Parent Demand Note including, but not limited to, making demand for payment thereunder when required by the terms of this Agreement.

(k) Purchasers' Reliance. The Seller acknowledges that the

Purchasers are entering into the transactions contemplated by this Agreement in reliance upon the Seller's identity as a legal entity that is separate from the Originator. Therefore, from and after the date of execution and delivery of this Agreement, the Seller shall take all reasonable steps including, without limitation, all steps that the Agent or any Purchaser may from time to time reasonably request to maintain the Seller's identity as a separate legal entity and to make it manifest to third parties that the Seller is an entity with assets and liabilities distinct from those of the Originator and any Affiliates thereof and not just a division of the Originator. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, the Seller shall:

(i) conduct its own business in its own name and require that all full-time employees of the Seller, if any, identify themselves as such and not as employees of the Originator (including, without limitation, by means of providing such employees with business or identification cards identifying such employees as the Seller's employees);

(ii) compensate all employees, consultants and agents directly, from the Seller's bank accounts, for services provided to the Seller by such employees, consultants and agents and, to the extent any employee,

21

consultant or agent of the Seller is also an employee, consultant or agent of the Originator, allocate the compensation of such employee, consultant or agent between the Seller and the Originator on a basis which reflects the services rendered to the Seller and the Originator;

(iii) clearly identify its offices (by signage or otherwise) as its offices and, if such office is located in the offices of the Originator, the Seller shall lease such office at a fair market rent;

(iv) have separate stationery, invoices and checks in its own name;

(v) conduct all transactions with the Originator (including, without limitation, any delegation of its obligations hereunder as Servicer) on terms that are consistent with those that would be obtained by an unaffiliated entity on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between the Seller and the Originator on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(vi) at all times have at least one member of its Board of Directors (an "INDEPENDENT DIRECTOR") who is "INDEPENDENT" as provided in the Seller's Articles of Incorporation as in effect on the date hereof;

(vii) observe all corporate formalities as a distinct entity, and ensure that all corporate actions relating to (A) the selection, maintenance or replacement of the Independent Director, (B) the dissolution or liquidation of the Seller or (C) the initiation of participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving the Seller, are duly authorized by unanimous vote of its Board of Directors (including the Independent Director);

(viii) maintain the Seller's books and records separate from those of the Originator and otherwise readily identifiable as its own assets rather than assets of the Originator;

(ix) prepare financial statements separate from those of the Originator and insure that any consolidated financial statements of the Originator or any Affiliate thereof that include the Seller have detailed notes clearly stating that the Seller is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of the Seller;

(x) except as herein specifically otherwise provided, not commingle funds or other assets of the Seller with those of the Originator and not maintain bank accounts or other depository accounts to which the Originator

22

is an account party, into which the Originator makes deposits or from which the Originator has the power to make withdrawals except in its capacity as Sub-Servicer; and

(xi) not permit the Originator to pay any of the Seller's operating expenses (except pursuant to allocation arrangements that comply with the requirements of this SECTION 5.1(K)).

(l) Collections. The Seller shall instruct, or require the

Originator to instruct, all Obligor to pay all Collections directly to (i) a segregated lock-box or other Collection Account listed on EXHIBIT III, each of which is subject to a Collection Account Agreement, or (ii) at one of the Originator's or one of its Wholly-Owned Subsidiaries' stores. In the case of payments remitted to any such lock-box or store, the Originator may credit those payments against the Subordinated Loan and/or retain such payments except to the extent that the Seller is obligated to pay such amounts to the Agent for the benefit of the Purchasers hereunder (in which case, such payments shall be paid to a depository account of the Seller listed on EXHIBIT III hereto). The Seller shall maintain exclusive dominion and control (subject to the terms of this Agreement) to each Collection Account. In the case of any Collections received by the Seller or the Originator or at one of its or its Wholly-Owned Subsidiary's stores following the occurrence of a Servicer Default, the Seller shall remit, or shall require the Originator to remit, such Collections to a Collection Account of the Seller not later than the Business Day immediately following the date of receipt of such Collections, and, at all times prior to such remittance, the Seller or the Originator, as the case may be, shall itself hold such Collections in trust, for the exclusive benefit of the Agent and the Purchasers. In the case of any remittances received by the Seller in any such Collection Account that shall have been identified, to the satisfaction of the Servicer, to not constitute Collections or other proceeds of the Receivables or the Related Security, the Seller shall promptly remit such items to the Person identified to it as being the owner of such remittances. From and after the date the Agent delivers to any of the Collection Banks a Collection Notice pursuant to SECTION 6.3, the Agent may request that the Seller, and the Seller thereupon promptly shall and shall direct the Originator to, direct all Obligor on Receivables to remit all payments thereon to a new depository account (the "NEW CONCENTRATION ACCOUNT") specified by the Agent and, at all times thereafter the Seller shall not deposit or otherwise credit, and shall not permit the Originator or any other Person to deposit or otherwise credit to the New Concentration Account any cash or payment item other than Collections. Alternatively, the Agent may request that the Seller, and the Seller thereupon promptly shall, direct all Persons then making remittances to any Collection Account listed on EXHIBIT III which remittances are not payments on Receivables to deliver such remittances to a location other than an account listed on EXHIBIT III.

(m) Minimum Net Worth. The Seller shall at all times maintain Net

Worth of not less than the Required Capital Amount.

23

(n) Parent Demand Note.

(i) In the event that Kohl's Corporation shall fail to have a senior long-term unsecured debt rating of at least BBB- from Standard & Poor's Corporation, or Kohl's Corporation shall fail to have a long-term senior unsecured debt rating of at least Baa3 from Moody's Investors Service, Inc. or a Trigger Event occurs, the Seller shall demand immediate repayment in full of all principal outstanding under the Parent Demand Note.

(ii) In addition to the foregoing, in the event that Collections in any month following the Facility Termination Date and other funds available to the Seller are insufficient to pay the full amount of Discount, fees due under the Fee Letter and servicing fees and expenses due to the Sub-Servicer under the Sale Agreement, the Seller shall demand payment of a portion of the outstanding principal under the Parent Demand Note, if any, in an amount equal to the lesser of the unpaid principal thereunder or the aggregate amount of Discount, fees due under the Fee Letter and servicing fees and expenses due to the Sub-Servicer under the Sale Agreement which were not paid from such Collections or other funds.

(iii) Lastly, if on any Business Day following the Facility Termination Date, the Seller is unable to pay any deemed Collection due and owing the Agent and the Purchasers under SECTION 1.8 on such day, the Seller shall demand payment of a portion of the outstanding principal under the Parent Demand Note, if any, in an amount equal to the lesser of the unpaid principal thereunder or the aggregate amount of such deemed Collections which the Seller was unable to pay.

Section 5.2. Negative Covenants of Seller. Until the date on which

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

(a) Name Change, Offices, Records and Books of Accounts. The Seller

will not change its name, identity or corporate structure (within the meaning of Section 9-402(7) of any applicable enactment of the UCC), use any new trade name or assumed business name to identify itself, or relocate its chief executive office or any office where Records are kept unless it shall have: (i) given the Agent at least 45 days prior notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents requested by the Agent in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. The Seller will not

add or terminate any bank as a Collection Bank from those listed in EXHIBIT III, or make

24

any change in its instructions to Obligors regarding payments to be made to the Seller or payments to be made to any Collection Account or Collection Bank, unless the Agent shall have received, at least 10 days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account, an executed account agreement from, and executed copies of a Collection Account Agreement to, the Collection Bank; provided, however, that the Seller may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

(c) Modifications of Receivables and Contracts. Except as provided

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

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

(d) Sales, Liens, Etc. The Seller shall not, and shall not authorize

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

(e) Nature of Business; Other Agreements; Other Indebtedness. The

Seller shall not engage in any business or activity of any kind or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, in each case other than the transactions contemplated and authorized by this Agreement and the Sale Agreement. Without limiting the generality of the foregoing, the Seller shall not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than:

25

- (i) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business,
- (ii) the incurrence of obligations under this Agreement,
- (iii) the incurrence of obligations, as expressly contemplated in the Sale Agreement, to make payment to the Originator thereunder for the purchase of Receivables from the Originator under the Sale Agreement, and
- (iv) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated in SECTION 5.1(K) of this Agreement.

In the event the Seller shall at any time borrow a "SUBORDINATED LOAN" under the Sale Agreement, the obligations of the Seller in connection therewith shall be subordinated to the obligations of the Seller to the Purchasers and the Agent under this Agreement, on the terms provided for in the Subordinated Note and the Sale Agreement.

(f) Amendments to Sale Agreement. The Seller shall not, without -----
the prior written consent of the Agent (which consent shall not be unreasonably withheld or delayed):

- (i) cancel or terminate the Sale Agreement,
- (ii) give any consent, waiver, directive or approval under the Sale Agreement,
- (iii) waive any default, action, omission or breach under the Sale Agreement, or otherwise grant any indulgence thereunder, or
- (iv) amend, supplement or otherwise modify any of the terms of the Sale Agreement.

(g) Amendments to Corporate Documents. The Seller shall not -----
amend its Articles of Incorporation or By-Laws in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, SECTION 5.1(K) of this Agreement.

(h) Merger. The Seller shall not merge or consolidate with or -----
into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person.

26

(i) Restricted Junior Payments. The Seller shall not make any -----
Restricted Junior Payment:

- (i) if any Trigger Event exists or would result therefrom; or
- (ii) if (A) the product of the Loss Recourse Percentage times outstanding Capital is greater than (B) the sum of the outstanding principal balance of the Parent Demand Note plus Net Worth;

PROVIDED, HOWEVER, that the Seller may make payments on the Subordinated Note

(as defined in the Sale Agreement) to the extent permitted by the terms thereof following a Termination Event under SECTION 7.2(C).

ARTICLE VI
ADMINISTRATION AND COLLECTION

Section 6.1. Designation of Servicer. (a) The servicing,

administration and collection of the Receivables shall be conducted by such Person (the "SERVICER") so designated from time to time in accordance with this Section 6.1. The Seller is hereby designated as, and hereby agrees to perform

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

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

(c) Without the prior written consent of the Required Investors, (i) the Seller shall not be permitted to delegate any of its duties or responsibilities as Servicer to any Person other than the Originator, and then such delegation shall be limited to the activities of Servicer hereunder as the same may relate to the Receivables originated by the Originator, and (ii) the Originator shall not be permitted to further delegate to any other Person any of the duties or

responsibilities of the Servicer delegated to it by the Seller. If at any time the Agent shall designate as Servicer any Person other than the Seller, all duties and responsibilities theretofore delegated by the Seller to the Originator may, at the discretion of the Agent, be terminated forthwith on notice given by the Agent to the Seller.

Section 6.2. Duties of Servicer. (a) The Servicer shall take or

cause to be taken all such actions as may be necessary or reasonably advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Servicer shall administer the Collections in accordance with the procedures described herein and in Article I. The Servicer shall set aside

and hold in trust for the account of the Seller and the Purchasers their respective shares of the Collections of Receivables in accordance with Section

1.7. The Servicer shall upon the request of the Agent after the occurrence of a

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

required to segregate Collections pursuant to the preceding sentence, the Servicer shall segregate and deposit with a bank designated by the Agent such allocable share of Collections of Receivables set aside for the Purchasers on the first Business Day following receipt by the Servicer of such Collections, duly endorsed or with duly executed instruments of transfer. From and after a

Servicer Default, all Collection Accounts shall be required to be concentrated on a daily basis into a concentration account at the Agent or at another bank but under the Agent's exclusive dominion and control for the benefit of the Seller and the applicable Purchasers, as their interests may appear, to be distributed in accordance with Section 1.7.

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

(d) The Servicer shall hold in trust for the Seller and the Purchasers, in accordance with their respective Receivable Interests, all Records that evidence or relate to the Receivables, the related Contracts and Related Security and/or the Collections or that are otherwise necessary or desirable to collect the Receivables

28

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

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

Section 6.3. Collection Notices. The Agent is authorized at any time

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

Section 6.4. Responsibilities of the Seller. Anything herein to the

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

perform the obligations of the Seller.

Section 6.5. Reports. On the 20th day after each of the Seller's

(approximately monthly) fiscal accounting periods and at such other times as the

29

Agent shall reasonably request, the Servicer shall prepare and forward to the Agent a Periodic Report.

ARTICLE VII
SERVICER DEFAULTS AND TERMINATION EVENTS

Section 7.1. Servicer Defaults. The occurrence of any one or more of

the following events shall constitute a Servicer Default:

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

(b) The Servicer shall fail to perform or observe any term, covenant or agreement under Article VI or Section 11.6, which failure remains

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

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

Section 7.2. Termination Events. The occurrence of any one or more

of the following events shall constitute a Termination Event:

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

(b) Any representation, warranty, certification or statement made by the Seller, the Servicer or the Originator in this Agreement, any other Transaction Document or in any other document delivered pursuant hereto or

30

thereto shall prove to have been incorrect in any material respect when made or deemed made and shall have a Material Adverse Effect.

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

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

(d) A Servicer Default shall occur.

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

(f) The Charge-Off Ratio for the most recent twelve (12) consecutive calendar months shall exceed 8.5%.

(g) A Change of Control shall occur.

(h) (i) The Originator shall fail to perform or observe any term, covenant or agreement contained in any other Transaction Document and such failure shall continue unremedied beyond any applicable grace or cure period provided therein, or (ii) the Originator shall for any reason cease to transfer, or cease to have the legal capacity or otherwise be incapable of transferring, Receivables to the Seller, as purchaser under the Sale Agreement, or (iii) any "EVENT OF DEFAULT" shall occur under the Sale Agreement.

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

31

ARTICLE VIII INDEMNIFICATION

Section 8.1. Indemnities by the Seller. Without limiting any other

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

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

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

(iii) taxes imposed by the country and state or province in which such Indemnified Party's principal executive office is located, on or measured by the overall net income, capital or assets of such Indemnified Party to the extent that the computation of such taxes is consistent with the Intended Characterization;

(iv) attorneys' fees and other expenses incurred in connection

with the making of any assignment, or the sale of any participation, pursuant to Article X;

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

32

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

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

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

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

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

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

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

(e) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on

33

such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

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

(g) any investigation, litigation or proceeding related to or arising from this Agreement, any of the other Transaction Documents, the transactions contemplated hereby or thereby, the use of the proceeds of a purchase, the ownership of the Receivable Interests or any other investigation, litigation or proceeding relating to the Seller or the

Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(h) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

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

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

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

Section 8.2. Increased Costs and Reduced Return.

(a) If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance

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

(b) Each Investor agrees that it shall use its reasonable best efforts to attempt to avoid the incurrence of the increased costs described in Section 8.2(a); PROVIDED THAT such Investor shall not be obligated to take any

action that would, in the reasonable opinion of such Investor, be disadvantageous to such Investor. In the event that any Funding Source claims any increased costs pursuant to Section 8.2(a), the applicable Purchaser will

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

manifest error.

Section 8.3. Other Costs and Expenses. The Seller shall pay to the

Agent and PREFCO on demand all costs and out-of-pocket expenses in connection
with the preparation, execution, delivery, amendment, waiver and administration
of this Agreement, the transactions contemplated hereby and the other documents
to be delivered hereunder, including without limitation, the cost of PREFCO's
auditors auditing the books, records and procedures of the Seller, reasonable
fees and out-of-pocket expenses of legal counsel for PREFCO and the Agent (which
such counsel may be employees of PREFCO or the Agent) with respect thereto and
with respect to advising PREFCO and the Agent as to their respective rights and
remedies under this Agreement; PROVIDED, HOWEVER, that (a) the Seller's
obligation to reimburse the Agent and PREFCO for legal fees in connection with
any

35

amendment to increase the Purchase Limit in accordance with Section 1.1(c) shall

not exceed \$1,000 per amendment, (b) the Seller's obligation to reimburse the
Agent for audit fees shall not exceed \$5,000 for each biennial audit, (c) the
Seller shall not be obligated to reimburse the Agent or any Purchaser for any
legal fees or out-of-pocket expenses incurred in connection with any extension
of the Facility Termination Date and Liquidity Termination Date pursuant to
Section 1.1(d), the making of any assignment or the sale of any participation

pursuant to Article X of this Agreement, or any dispute arising amongst any of

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

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

ARTICLE IX
THE AGENT

Section 9.1. Authorization and Action. Each Purchaser hereby

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

36

Section 9.2. Delegation of Duties. The Agent may execute any of its

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

Section 9.3. Exculpatory Provisions. Neither the Agent nor any of

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

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

Section 9.4. Reliance by Agent. The Agent shall in all cases be

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

37

all of the Purchasers, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Purchasers.

Section 9.5. Non-Reliance on Agent and Other Purchasers. Each

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

Section 9.6. Reimbursement and Indemnification. The Investors agree

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

Section 9.7. Agent in its Individual Capacity. The Agent and its

Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Seller or any Affiliate of the Seller as though the Agent were not the Agent hereunder. With respect to the acquisition of Receivable Interests pursuant to this Agreement, the Agent shall have the same rights and powers under this Agreement as any Purchaser and may exercise the same as though it were not the Agent, and the terms "Investor," "Purchaser," "Investors" and "Purchasers" shall include the Agent in its individual capacity.

Section 9.8. Successor Agent. The Agent may, upon five days' notice

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

38

resignation hereunder as Agent, the retiring Agent shall be discharged from its duties and obligations to the Purchasers hereunder and under the other Transaction Documents, and the provisions of this Article IX and Article VIII

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

ARTICLE X
ASSIGNMENTS; PARTICIPATIONS

Section 10.1. Assignments. (a) The Seller and each Investor hereby

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

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

(b) With the consent of the Seller (which consent shall not be unreasonably withheld) and of PREFCO, any Investor may at any time and from time to time assign to one or more Eligible Persons ("PURCHASING INVESTORS") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement, in a form satisfactory to the Agent (each, an "ASSIGNMENT AGREEMENT") executed by such Purchasing Investor and such selling Investor. Each Purchasing Investor must be an Eligible Person and must deliver to the Agent and the Seller an enforceability opinion in form and substance satisfactory to the Agent prior to the effectiveness of any Assignment

Agreement. Upon delivery of the executed Assignment Agreement to the Agent (with a copy to the Seller), such selling Investor shall be released from its obligations hereunder to the extent of such assignment. Thereafter, the Purchasing Investor shall for all purposes be an Investor party to this Agreement and shall have all the rights and obligations of an Investor under this Agreement to the same extent as if it were an original party hereto and no further consent or action by the Seller, the Purchasers or the Agent shall be required.

(c) Each of the Investors agrees that in the event that it shall cease to be an Eligible Person (an "AFFECTED INVESTOR"), such Affected Investor shall be obliged, at the request of PREFCO, the Seller or the Agent, to assign all of its rights

39

and obligations hereunder to (x) another Investor or (y) another Eligible Person nominated by the Agent or the Seller and willing to participate in this Agreement through the Liquidity Termination Date in the place of such Affected Investor; provided that the Affected Investor receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such Investor's Pro Rata Share of the Capital and Discount owing to the Investors and all accruing but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Receivable Interests.

Section 10.2. Participations. Any Investor may, in the ordinary

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

ARTICLE XI
MISCELLANEOUS

Section 11.1. Waivers and Amendments. (a) No failure or delay on the

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

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

Required Investors, may enter into written modifications or waivers of any provisions of this Agreement, provided, however, that no such modification or waiver shall:

40

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

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

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

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

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

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

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

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

Section 11.2. Notices. Except as provided below, all communications

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

41

confirmation differs from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Section 11.3. Ratable Payments. If any Purchaser, whether by setoff

or otherwise, has payment made to it with respect to any portion of the Aggregate Unpaid owing to such Purchaser (other than payments received pursuant to Section 8.2 or 8.3) in a greater proportion than that received by any other

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

Section 11.4. Protection of Ownership Interests of the Purchasers.

(a) The Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or reasonably desirable, to perfect, protect or more fully evidence the Receivable Interests, or to enable the Agent or the Purchasers to exercise and enforce their rights and remedies hereunder. The Agent may, or the

Agent may direct the Seller to, notify the Obligors of Receivables, at any time following the occurrence of a Servicer Default and at the Seller's expense, of the ownership interests of the Purchasers under this Agreement and, following a Servicer Default, may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee. The Seller shall, at any Purchaser's request, withhold the identity of such Purchaser in any such notification.

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

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

42

Section 11.5. Confidentiality. (a) The Seller shall maintain and

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

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

agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to PREFCO or to any other financing or securitization

conduit for which First Chicago provides managerial services or acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing; PROVIDED such information is kept confidential by such Persons and used solely for evaluating matters pertaining to this Agreement and the transaction contemplated herein. In addition, the Purchasers and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation,

43

direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 11.6. Bankruptcy Petition. The Seller, the Servicer, the

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

Section 11.7. Limitation of Liability. Except with respect to any

claim arising out of the willful misconduct or gross negligence of PREFCO, the Agent or any Investor, no claim may be made by the Seller, the Servicer or any other Person against PREFCO, the Agent or any Investor or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Seller hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

SECTION 11.8. CHOICE OF LAW. THIS AGREEMENT SHALL BE CONSTRUED IN

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

SECTION 11.9. CONSENT TO JURISDICTION. THE SELLER HEREBY IRREVOCABLY

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

44

EXECUTED BY THE SELLER PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

SECTION 11.10. WAIVER OF JURY TRIAL. THE AGENT, THE SELLER AND EACH

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

Section 11.11. Integration; Survival of Terms.

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

(b) The provisions of Article VIII and Section 11.6 shall survive any termination of this Agreement.

Section 11.12. Counterparts; Severability. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.13. First Chicago Roles. Each of the Investors acknowledges that First Chicago acts, or may in the future act, (i) as administrative agent for PREFCO, (ii) as issuing and paying agent for the Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper and (iv) to provide other services from time to time for PREFCO (collectively, the "FIRST CHICAGO ROLES"). Without limiting the generality of this Section 11.13, each Investor hereby acknowledges and consents to any and all First Chicago Roles and agrees that in connection with any First Chicago Role, First Chicago may take, or refrain from taking, any action which it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for PREFCO, the giving of notice to the Agent of a mandatory purchase pursuant to Section 2.1.

45

Section 11.14. Characterization.

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

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

46

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

KOHL'S RECEIVABLES CORPORATION

By: /s/ Arlene Meier

Arlene Meier
Senior Vice President and
Chief Financial Officer

Address:

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

Attn: Arlene Meier
Senior Vice President and Chief
Financial Officer
Phone: (414) 703-1646
Fax: (414) 703-6143

47

PREFERRED RECEIVABLES FUNDING CORPORATION

By: /s/ Mark R. Matthews

Authorized Signatory

Address:

Preferred Receivables Funding Corporation
c/o The First National Bank of Chicago
One First National Plaza
Asset-Backed Markets, 21st Floor
Chicago, Illinois 60670-0596

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

INVESTORS:

Commitment

\$200,000,000.00

THE FIRST NATIONAL BANK OF CHICAGO, as an Investor
and as Agent

By: /s/ Mark R. Matthews

Mark Matthews
Authorized Agent

Address:

The First National Bank of Chicago
One First National Plaza
Asset-Backed Markets, 21st Floor
Chicago, Illinois 60670-0597

Attn: Mark Matthews
Phone: (312) 732-5430

EXHIBIT I

DEFINITIONS

AS USED IN THIS AGREEMENT, THE FOLLOWING TERMS SHALL HAVE THE FOLLOWING MEANINGS (SUCH MEANINGS TO BE EQUALLY APPLICABLE TO BOTH THE SINGULAR AND PLURAL FORMS OF THE TERMS DEFINED):

"ACCOUNT" means a retail credit or charge card account originated by the Originator.

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

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

"ADJUSTED LIQUIDITY PRICE" means, in determining the PREFCO Transfer Price for any Receivable Interest, an amount equal to:

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

where:

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

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

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

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

"AGENT" means First Chicago in its capacity as agent for the Purchasers pursuant to Article IX, and not in its individual capacity as an Investor, and any successor Agent appointed pursuant to Article IX.

"AGGREGATE UNPAIDS" means, at any time, an amount equal to the sum of

all accrued and unpaid Discount, Capital and all other amounts owed (whether due or accrued) hereunder or under the Fee Letter to the Agent and the Purchasers at such time.

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

"AVERAGE COLLECTION PERIOD" means, at any time, that period of days equal to the average maturity of the Receivables as of the last day of the prior month.

"BASE RATE" means a rate per annum equal to the corporate base rate of interest announced by First Chicago from time to time, changing when and as such rate of interest changes (computed for actual days elapsed on the basis of a year consisting of 365, or when appropriate, 366 days).

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

"CAPITAL" of any Receivable Interest means, at any time, the Purchase Price of such Receivable Interest, MINUS the sum of the aggregate amount of Collections and other payments received by the Agent which in each case are applied to reduce such Capital; provided that such Capital shall be restored in the amount of any Collections or payments so received and applied if at any time the

50

distribution of such Collections or payments are rescinded or must otherwise be returned for any reason.

"CHANGE OF CONTROL" means the earlier to occur of (a) the date of a public announcement that a Person or group of affiliated or associated Persons (an "ACQUIRING PERSON") has acquired, or has obtained the right to acquire, legal or beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of voting stock of the Seller; or (b) the date an Acquiring Person acquires all or substantially all of the assets of the Seller. For purposes hereof, the term "ACQUIRING PERSON" shall not include (i) Kohl's Corporation or any of its subsidiaries, or (ii) any other Person 60% of the combined voting stock of which is beneficially owned, directly or indirectly, by the Persons who were the holders of the Seller's and Kohl's Corporation's (as the case may be) voting stock immediately prior to such acquisition.

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

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

"CHARGE-OFF RATIO" means, as at the last day of any period of 12 consecutive calendar months, a percentage equal to (i) the aggregate amount of Receivables that became Defaulted Receivables during such period less any cash recoveries received during such period with respect to any Defaulted Receivable, divided by (ii) the average Outstanding Balance of Receivables during such period.

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

"COLLECTION ACCOUNT AGREEMENT" means, in the case of any actual or proposed Collection Account, an agreement in substantially the form of EXHIBIT V hereto.

"COLLECTION BANK" means, at any time, any of the banks or other

financial institutions holding one or more Collection Accounts.

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

"COLLECTIONS" means, (a) with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all cash proceeds of Related Security with respect to such

51

Receivable including, without limitation, all Permitted Investments made therewith and all amounts payable to the Purchasers by the Seller pursuant to Section 1.8, and (b) all payments of principal and interest made under the

Parent Demand Note.

"COMMERCIAL PAPER" means promissory notes of PREFCO issued by PREFCO in the commercial paper market.

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

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

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

"CP RATE" means, the rate, requested by the Seller and agreed to by PREFCO, equivalent to the rate (or if more than one rate, the weighted average of the rates) at which Commercial Paper having a term equal to the relevant Tranche Period may be sold by any placement agent or commercial paper dealer reasonably selected by PREFCO, as agreed between each such dealer or agent and PREFCO; provided, however, that if the rate (or rates) as agreed between any such agent or dealer and PREFCO is a discount rate (or rates), the "CP RATE" for such Tranche Period shall be the rate (or if more than one rate, the weighted average of the rates) resulting from PREFCO's converting such discount rate (or rates) to an interest-bearing equivalent rate per annum. The CP Rate shall be computed for actual days elapsed on the basis of a year consisting of 360 days.

"CREDIT AND COLLECTION POLICY" means the Seller's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in EXHIBIT VI hereto, as modified from time to time in accordance with this Agreement. It is understood that the Credit and Collection Policy of the Seller in respect of any Receivable shall be the credit and collection policies of the Originator thereof. To the extent the Originator shall not have comprehensively reduced to writing its credit and collection policies, the Credit and

52

Collection Policy in respect of Receivables originated by the Originator shall be those credit and collection policies of the Originator in effect on the date hereof and disclosed to the Agent on or prior to the date hereof.

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

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

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

"DEFAULT FEE" means with respect to any amount due and payable by the Seller hereunder or under the Fee Letter which is not paid when due, an amount equal to interest on any such amount at a rate per annum equal to 2% above the Base Rate, provided, however, that such interest rate will not at any time exceed the maximum rate permitted by applicable law. The Default Fee will be computed for actual days elapsed on the basis of a year consisting of 360 days (unless such Default Fee arises with respect to nonpayment of Discount at the Base Rate, in which case the Default Fee will be computed for actual days elapsed on the basis of a year consisting of 365 or, when appropriate, 366 days).

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

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

"DELINQUENT RECEIVABLE" means a Receivable as to which any payment, or part thereof, remains unpaid for 90-179 days from the original due date for such payment.

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

$$\frac{DR \times C \times AD}{P}$$

where:

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

53

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

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

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

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

"DISCOUNT RATE" means the LIBO Rate, the CP Rate or the Base Rate, as applicable.

"EARLY COLLECTION FEE" means, for any Receivable Interest which has its Capital reduced, or its Tranche Period terminated prior to the date on which it was originally scheduled to end, THE EXCESS, IF ANY, OF (i) the Discount that would have accrued during the remainder of the Tranche Period subsequent to the date of such reduction or termination on the Capital of such Receivable Interest if such reduction or termination had not occurred, OVER (ii) the sum of (a) to the extent all or a portion of such Capital is allocated to another Receivable Interest, the Discount actually accrued during such period on such Capital for the new Receivable Interest, and (b) to the extent such Capital is not allocated to another Receivable Interest, the income, if any, actually received during such period by the holder of such Receivable Interest from investing the portion of such Capital not so allocated. In the event that the amount referred to in clause (ii) exceeds the amount referred to in clause (i), the relevant Purchaser or Purchasers agree to pay to the Seller the amount of such excess.

"ELIGIBLE ACCOUNT" means, at any time, an Account that:

(a) has been (i) originated by the Seller in the ordinary course of its business, (ii) originated by Citicorp Retail Services on behalf of the Seller and acquired by the Seller, or (iii) acquired by the Seller from another originator acceptable to the Agent,

(b) has not been classified by the Seller as canceled, counterfeit or fraudulent and any credit card issued in connection therewith has not been lost or stolen,

54

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

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

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

"ELIGIBLE RECEIVABLE" means, at any time, a Receivable:

(a) which arises under an Eligible Account,

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

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

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

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

(f) which arises under a Contract which (i) does not require the Obligor under such Contract to consent to the transfer, sale or assignment of the rights and duties of the Seller under such Contract and (ii) does not contain a confidentiality provision that purports to restrict the

55

ability of any Purchaser to exercise its rights under this Agreement, including, without limitation, its right to review the Contract,

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

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

(i) which is not a Defaulted Receivable,

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

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

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

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

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

56

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

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

"FIRST CHICAGO" means The First National Bank of Chicago in its individual capacity and its successors.

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

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

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

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

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

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

"LIBO RATE" means the rate per annum equal to the sum of (i) (a) the rate at which deposits in U.S. Dollars are offered by the Reference Bank to first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the relevant Tranche Period, such deposits being in the approximate amount of the Capital of the

57

Receivable Interest to be funded or maintained, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Tranche Period plus (ii) 0.375% per annum. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1% and shall be computed for actual days elapsed on the basis of a year consisting of 360 days.

"LIQUIDATION DAY" means, for any Receivable Interest, the earliest to occur of (i) the fifth consecutive Business Day on which the conditions precedent set forth in Section 4.2 remain unsatisfied, (ii) any Business Day so

designated by the Seller or PREFCO after the occurrence of the Termination Date, and (iii) the Business Day immediately prior to the occurrence of a Servicer Default set forth in Section 7.1(c).

"LIQUIDITY TERMINATION DATE" means January 29, 1998 or such later date to which the Agent and the Purchasers may agree in accordance with Section

1.1(d).

"LOSS RECOURSE PERCENTAGE" means, at any time, the greater of (i) 2.5 times the Charge-off Ratio for the twelve-month period then most recently ended or (ii) 10%.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (i) the financial condition or operations of the Seller or the Originator, (ii) the ability of the Seller or the Originator to perform its obligations under any Transaction Document to which it is a party, (iii) the legality, validity or enforceability of this Agreement, any other Transaction Document or any Collection Account Agreement or Collection Notice relating to a Collection Account into which a material portion of Collections are deposited, (iv) the Seller's or any Purchaser's interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

"NET RECEIVABLES BALANCE" means, at any time, the Outstanding Balance of all Eligible Receivables at such time.

"NET WORTH" means, as of the last Business Day of the Fiscal Accounting Period preceding any date of determination, the excess, if any, of (a) THE SUM OF (i) the aggregate Outstanding Balance of the "ELIGIBLE RECEIVABLES" at such time, PLUS (ii) up to 97% of the aggregate Outstanding Balance of Receivables which are not "ELIGIBLE RECEIVABLES" at such time, PLUS (iii) 100% of the Seller's cash on hand and in the bank, OVER (b) THE SUM OF (i) the aggregate Capital outstanding at such time, PLUS (ii) the aggregate outstanding principal balance of the Subordinated Loans (including any Subordinated Loan proposed to be made on the date of determination).

58

"OBLIGOR" means a Person obligated to make payments pursuant to a Contract.

"ORIGINATOR" means Kohl's Department Stores, Inc., a Delaware corporation, and its successors and assigns.

"OUTSTANDING BALANCE" of any Receivable at any time means the then outstanding balance thereof.

"PARENT DEMAND NOTE" means a demand promissory note made by the Originator in favor of the Seller.

"PERIODIC REPORT" means a report, in substantially the form of EXHIBIT VIII hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 6.5.

"PERMITTED INVESTMENTS" means (i) short-term obligations of, or fully guaranteed by, the United States of America, (ii) commercial paper rated A-1 or better by Standard and Poor's Corporation or P-1 or better by Moody's Investors Service, Inc., (iii) certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) having capital and surplus in excess of \$500,000,000 and short-term certificate of deposit ratings of A-1 or better from Standard and Poor's Corporation and P-1 or better from Moody's Investors Service, Inc., (iv) money market funds investing only in investments of the types described in the foregoing clauses (i)-(iii), and (v) federal funds.

"PERSON" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"POTENTIAL SERVICER DEFAULT" means an event which, with the passage of time or the giving of notice, or both, would constitute a Servicer Default.

"POTENTIAL TERMINATION EVENT" means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

"PREFCO RESIDUAL" means the sum of the PREFCO Transfer Price Reductions.

"PREFCO TRANSFER PRICE" means, with respect to the assignment by PREFCO of one or more Receivable Interests to the Agent for the benefit of the Investors pursuant to Section 2.1, the sum of (i) the lesser of (a) the Capital

of each Receivable Interest and (b) the Adjusted Liquidity Price of each Receivable Interest and (ii) all accrued and unpaid Discount for such Receivable Interests.

59

"PREFCO TRANSFER PRICE REDUCTION" means in connection with the assignment of a Receivable Interest by PREFCO to the Agent for the benefit of the Investors, the positive difference between (i) the Capital of such Receivable Interest and (ii) the Adjusted Liquidity Price for such Receivable Interest.

"PRO RATA SHARE" means, for each Investor, the Commitment of such Investor divided by the Purchase Limit, adjusted as necessary to give affect to the application of the terms of Sections 1.11 and 2.5.

"PURCHASE LIMIT" means the aggregate of the Commitments of the Investors hereunder.

"PURCHASE PRICE" means, with respect to any Purchase, the least of:

(a) the amount of Capital requested by the Seller, and

(b) the remaining unused portion of the Purchase Limit on the date of such Purchase.

"PURCHASER" means PREFCO or an Investor, as applicable.

"RECEIVABLE" means the indebtedness and other obligations owed (at the time it arises, and before giving effect to any transfer or conveyance contemplated under the Sale Agreement or hereunder) to the Originator under an Account, whether constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by the Originator or by a Wholly-Owned Subsidiaries and includes, without limitation, the obligation to pay any Finance Charges with respect

thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice or Charge-slip, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction.

"RECEIVABLE INTEREST" means, at any time, an undivided percentage ownership interest associated with a designated amount of Capital, Discount Rate and Tranche Period selected pursuant to Section 1.3 in (i) all Receivables

arising thereunder prior to the time of the most recent computation or recomputation of such undivided interest pursuant to Section 1.4, (ii) all

Related Security with respect to such Receivables, and (iii) all Collections with respect to, and other proceeds of, such Receivables. Such undivided percentage interest shall equal:

60

C

NRB

where:

C = the Capital of such Receivable Interest.

NRB = the Net Receivables Balance.

"RECORDS" means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

"REDUCTION PERCENTAGE" means, for any Receivable Interest acquired by the Investors from PREFCO for less than the Capital of such Receivable Interest, a percentage equal to (i) one, minus (ii) a fraction the numerator of which is the PREFCO Transfer Price Reduction for such Receivable Interest and the denominator of which is the Capital of such Receivable Interest.

"REFERENCE BANK" means First Chicago or such other bank as the Agent shall designate with the consent of the Seller.

"RELATED SECURITY" means, with respect to any Receivable:

(a) all Security Interests or liens and property subject thereto from time to time, if any, purporting to secure payment of the Contract related thereto, whether pursuant to such Contract or otherwise, together with all financing statements and security agreements describing any collateral securing such Contract,

(b) all guaranties, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(c) all service contracts and other contracts and agreements associated with such Receivables,

(d) all Records related to such Receivables,

(e) all of the Seller's right, title and interest in, to and under the Sale Agreement; and

61

(f) all proceeds of any of the foregoing.

"REQUIRED CAPITAL AMOUNT" means, on any date of determination, the greater of (a) \$6,000,000 or (b) three percent (3.00%) of the aggregate Capital outstanding at such time.

"REQUIRED INVESTORS" means, at any time, Investors with Commitments in excess of 66-2/3% of the Purchase Limit.

"RESERVE REQUIREMENT" means the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed against the Reference Bank in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time.

"RESTRICTED JUNIOR PAYMENT" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of the Seller now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock to the Originator, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of the Seller now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to the Indebtedness evidenced by the Subordinated Note (as defined in the Sale Agreement), (iv) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of the Seller now or hereafter outstanding, and (v) any payment of management fees by the Seller to the Originator or an Affiliate.

"SALE AGREEMENT" means that certain Receivables Sale Agreement of even date herewith between the Seller, as purchaser, and the Originator, as seller, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"SECTION" means a numbered section of this Agreement, unless another document is specifically referenced.

"SECURITY INTEREST" has the meaning specified in (S) 1-201(37) of the UCC as in effect in the State of Illinois on the date of this Agreement and includes, without limitation, the interest of a buyer of accounts and chattel paper.

"SERVICER" means at any time the Person (which may be the Agent) then authorized pursuant to Article VI to service, administer and collect

Receivables.

62

"SERVICER DEFAULT" has the meaning specified in Section 7.1.

"SERVICER FEE" means, for any Fiscal Accounting Period, a servicing and collection fee computed pursuant to the following formula:

$$\text{SFP} \times \text{C}$$

where:

SFP = the Servicer Fee Percentage; and

C = at all times while the Originator is the Sub-Servicer, the aggregate credit sales during the applicable Fiscal Accounting Period, and at all other times, the average Outstanding Balance of all Receivables during such Fiscal Accounting Period.

"SERVICER FEE PERCENTAGE" means (i) at all times while the Originator is acting as the Sub-Servicer, up to 3.0% as agreed between the Originator and the Seller, and (ii) at all times while the Originator is not acting as the Sub-Servicer, 2.0% per annum.

"SUBORDINATED LOAN" means a subordinated revolving loan made by the Originator to the Seller pursuant to the Sale Agreement.

"SUBSIDIARY" of a Person means (i) any corporation more than 50% of

the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "SUBSIDIARY" shall mean a Subsidiary of the Seller.

"TERMINATION DATE" means, for any Receivable Interest, the Facility Termination Date, and, solely with respect to a Receivable Interest of PREFCO, that Business Day so designated by the Seller or PREFCO by notice to the other.

"TERMINATION EVENT" has the meaning specified in Section 7.2.

"TRANCHE PERIOD" means, with respect to any Receivable Interest:

(a) if Discount for such Receivable Interest is calculated with respect to the CP Rate, a period of days not to exceed 270 days commencing on a Business Day requested by the Seller and agreed to by PREFCO;

63

(b) if Discount for such Receivable Interest is calculated on the basis of the LIBO Rate, a period of one, two or three months, or such other period as may be mutually agreeable to the Agent and the Seller, commencing on a Business Day selected by the Seller or the Agent pursuant to this Agreement. Such Tranche Period shall end on the day in the succeeding calendar month which corresponds numerically to the beginning day of such Tranche Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Tranche Period shall end on the last Business Day of such succeeding month; and

(c) if Discount for such Receivable Interest is calculated on the basis of the Base Rate, a period commencing on a Business Day and ending on the effective date of any new Tranche Period under the foregoing clause (b) or (c).

If any Tranche Period would end on a day which is not a Business Day, such Tranche Period shall end on the next succeeding Business Day, provided, however, that in the case of Tranche Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Tranche Period shall end on the immediately preceding Business Day. In the case of any Tranche Period for any Receivable Interest of which commences before the Termination Date and would otherwise end on a date occurring after the Termination Date, such Tranche Period shall end on the Termination Date. The duration of each Tranche Period which commences after the Termination Date shall be of such duration as selected by the Agent.

"TRANSACTION DOCUMENTS" means, collectively, this Agreement, the Sale Agreement, the Fee Letter, each Collection Account Agreement, each Collections Notice and all other instruments, documents and agreements executed and delivered by the Seller or the Originator in connection herewith or with the Sale Agreement.

"TRIGGER EVENT" means the occurrence of any Servicer Default or a Termination Event under SECTION 7.2(C).

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"WHOLLY-OWNED SUBSIDIARY" means each existing and future Subsidiary of the Originator in which the Originator owns, directly or indirectly, 100% of the outstanding capital stock.

ALL ACCOUNTING TERMS NOT SPECIFICALLY DEFINED HEREIN SHALL BE CONSTRUED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. ALL TERMS USED IN ARTICLE 9 OF THE UCC IN THE STATE OF ILLINOIS, AND NOT SPECIFICALLY DEFINED HEREIN, ARE USED HEREIN AS DEFINED IN SUCH ARTICLE 9.

64

CAPITALIZED TERMS USED AND NOT OTHERWISE DEFINED HEREIN ARE USED WITH THE MEANINGS ATTRIBUTED THERETO IN THE SALE AGREEMENT.

65

EXHIBIT II

CHIEF EXECUTIVE OFFICE OF THE SELLER; LOCATIONS OF RECORDS;
TRADE NAMES; FEDERAL EMPLOYER IDENTIFICATION NUMBER

Chief Executive Office:

Location of Records:

Federal Employer Identification Number:

Trade Names and Assumed Names:

66

EXHIBIT III

COLLECTION ACCOUNTS

None, except:

KOHL'S DEPARTMENT STORES, INC.

TYPE OF ACCT.	ACCOUNT #	BANK NAME	CITY, STATE
-----	-----	-----	-----

KOHL'S RECEIVABLES CORPORATION

67

EXHIBIT IV

FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement dated as of January 31, 1997 (the "AGREEMENT"), among Kohl's Receivables Corporation (the "SELLER"), various Purchasers and The First National Bank of Chicago, as Agent. Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of the Seller;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Seller during the accounting period covered by the attached financial statements; and
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Event of Default or a Potential Event of Default, as each such term is

defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Seller has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in SCHEDULE I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ____ day of _____, 19__.

[Name]

68

EXHIBIT V

FORM OF COLLECTION ACCOUNT AGREEMENT

[On letterhead of Seller]

_____ 19__

[Lock-Box Bank/Concentration Bank/Depository Bank]

Re: Kohl's Receivables Corporation
Kohl's Department Stores, Inc.

Ladies and Gentlemen:

You have exclusive control of P.O. Box # _____ in **[city, state, zip code]** (the "LOCK-BOX") for the purpose of receiving mail and processing payments therefrom pursuant to that certain **[name of lock-box agreement]** between you and Kohl's Department Stores, Inc. dated _____ (the "AGREEMENT"). You hereby confirm your agreement to perform the services described therein. Among the services you have agreed to perform therein, is to endorse all checks and other evidences of payment, and credit such payments to checking account no. _____ maintained with you in the name of Kohl's Department Stores, Inc. (the "LOCK-BOX ACCOUNT").

Kohl's Department Stores, Inc. ("ORIGINATOR") hereby transfers and assigns all of its right, title and interest in and to, and exclusive ownership and control over, the Lock-Box and the Lock-Box Account to Kohl's Receivables Corporation ("SPC"). Originator and SPC hereby request that the name of the Lock-Box Account be changed to the Kohl's Receivables Corporation, as "COLLECTION AGENT" for the benefit of The First National Bank of Chicago ("FNBC"), as agent under that certain Receivables Purchase Agreement (the "RECEIVABLES PURCHASE AGREEMENT") dated as of January 31, 1997 among SPC, Preferred Receivables Funding Corporation, certain financial institutions parties thereto and FNBC.

SPC hereby irrevocably instructs you, and you hereby agree, that upon receiving notice from FNBC in the form attached hereto as Annex A: (i) the name of the Lock-Box Account will be changed to FNBC for itself and as agent (or any designee of FNBC) and FNBC will have exclusive ownership of and access to such Lock-Box Account, and neither Originator, SPC nor any of their respective affiliates will have any control of such Lock-Box Account or any access thereto, (ii) you will either continue to send the funds from the Lock-Box to the Lock-Box Account, or will redirect the funds as FNBC may otherwise request, (iii) you will transfer monies on deposit in the Lock-Box Account, at any time, as directed by FNBC, (iv) all

69

services to be performed by you under the Agreement will be performed on behalf

of FNBC, and (v) all correspondence or other mail which you have agreed to send to either Originator or SPC will be sent to FNBC at the following address:

The First National Bank of Chicago
Suite 0079, 21st Floor
One First National Plaza
Chicago, Illinois 60670
Attention: Credit Manager, Asset-Backed Finance

Moreover, upon such notice, FNBC for itself and as agent will have all rights and remedies given to Originator or SPC under the Agreement. Each of Originator and SPC agrees, however, to continue to pay all fees and other assessments due thereunder at any time.

You hereby acknowledge that monies deposited in the Lock-Box Account or any other account established with you by FNBC for the purpose of receiving funds from the Lock-Box are subject to the liens of FNBC for itself and as agent under the Receivables Purchase Agreement, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against Originator or SPC, except that you may debit the Lock-Box Account for any items deposited therein that are returned or otherwise not collected and for all charges, fees, commissions and expenses incurred by you in providing services hereunder, all in accordance with your customary practices for the charge back of returned items and expenses.

This letter agreement and the rights and obligations of the parties hereunder will be governed by and construed and interpreted in accordance with the laws of the State of Illinois. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

This letter agreement contains the entire agreement between the parties, and may not be altered, modified, terminated or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. In the event that any provision in this letter agreement is in conflict with, or inconsistent with, any provision of the Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement by all parties hereto.

Very truly yours,

KOHL'S DEPARTMENT STORES, INC.

By _____

Title _____

KOHL'S RECEIVABLES CORPORATION

By _____

Title _____

Acknowledged and agreed to
this ____ day of _____, 1997:

[COLLECTION BANK]

By: _____

Title: _____

Acknowledged and agreed to
this ____ day of _____, 1997:

THE FIRST NATIONAL BANK OF CHICAGO (for itself and
as Agent)

By _____
Authorized Agent

71

ANNEX A
FORM OF COLLECTION NOTICE

[On letterhead of FNBC]

_____, 19__

[Collection Bank/Depository Bank/Concentration Bank]

Re: Kohl's Receivables Corporation

Ladies and Gentlemen:

We hereby notify you that we are exercising our rights pursuant to that certain letter agreement among Kohl's Department Stores, Inc., Kohl's Receivables Corporation, you and us, to have the name of, and to have exclusive ownership and control of, account number _____ (the "LOCK-BOX ACCOUNT") maintained with you, transferred to us. Lock-Box Account will henceforth be a zero-balance account, and funds deposited in the Lock-Box Account should be sent at the end of each day to _____. You have further agreed to perform all other services you are performing under that certain agreement dated _____ between you and Kohl's Department Stores, Inc. on our behalf.

We appreciate your cooperation in this matter.

Very truly yours,

THE FIRST NATIONAL BANK OF CHICAGO
(for itself and as agent)

By: _____
Authorized Agent

72

EXHIBIT VI

CREDIT AND COLLECTION POLICY

[to be provided by the Seller]

73

EXHIBIT VII

FORM OF CONTRACT(S)

[to be provided by the Seller]

74

EXHIBIT VIII

FORM OF PERIODIC REPORT

[to be provided by First Chicago]

75

SCHEDULE A

DOCUMENTS AND RELATED ITEMS TO BE DELIVERED
ON OR PRIOR TO THE INITIAL PURCHASE

I. Receivables Sale Agreement

A. Receivables Sale Agreement dated as of January 31, 1997 (the "SALE AGREEMENT"), by and between Kohl's Department Stores, Inc., a Delaware corporation (the "ORIGINATOR"), and Kohl's Receivables Corporation, a Wisconsin corporation (the "SPC"), with the following exhibits:

Exhibit I	-	Definitions
Exhibit II	-	Places of Business of the Originator; Locations of Records; Trade Names; Prior Names; Federal Employer I.D. Number
Exhibit III	-	Lockboxes; Collection Accounts; Concentration Accounts; and Depositary Accounts
Exhibit IV	-	Compliance Certificate
Exhibit V	-	Collection Account Agreement
Exhibit VI	-	Credit and Collection Policy
Exhibit VII	-	Form(s) of Contract(s)
Exhibit VIII	-	Periodic Report
Exhibit IX	-	Stockholder and Subscription Agreement
Exhibit X	-	Subordinated Note

B. Revolving Subordinated Note dated January 31, 1997 executed by the SPC in favor of the Originator.

C. Stockholder and Subscription Agreement dated as of January 31, 1997 by and between the Originator and the SPC.

D. Certificate of the Originator's [Assistant] Secretary certifying:

1. An attached copy of the Originator's Certificate of Incorporation (certified within 30 days prior to closing by the Delaware Secretary of State)
2. An attached copy of the Originator's By-Laws

76

3. An attached copy of resolutions of the Originator's Board of Directors authorizing the Originator's execution, delivery and performance of the Sale Agreement and related documents

4. The names, titles and specimen signatures of the Originator's officers authorized to execute and deliver the Sale Agreement and related documents

E. Good standing certificates for the Originator from the following states certified within 30 days prior to closing:

1. Delaware
2. Wisconsin

F. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against the Originator from the following jurisdictions:

1. Wisconsin
2. As applicable for tax and judgment liens, _____ County

G. UCC/PPSA Financing Statements naming the Originator, as debtor, the SPC, as secured party, and The First National Bank of Chicago, as Agent, as assignee of secured party, for filing in the following jurisdictions:

1. State of Wisconsin
2. Province of Ontario

H. Post-filing UCC lien searches against the Originator from the following jurisdictions:

1. State of Wisconsin.

I. Collection Account Agreement

1. FirstStar

J. Opinions:

1. Corporate/UCC opinions
2. True Sale/Non-consolidation opinion

K. CFO's Certificate re (1) no Event of Default or Potential Event of Default and (2) absence of Material Adverse Effect since November 2, 1996.

77

II. Additional Capitalization of SPC

A. Not less than \$28.53 million in cash invested by Originator in the SPC.

B. Parent Demand Note to evidence loans by the SPC to the Originator.

III. Receivables Purchase Agreement

A. Receivables Purchase Agreement dated as of January 31, 1997 (the "INVESTOR AGREEMENT") by and among the SPC, Preferred Receivables Funding Corporation ("PREFCO"), various Investors, and The First National Bank of Chicago, as Agent (in such capacity, the "AGENT") with the following exhibits:

Exhibit I	-	Definitions
Exhibit II	-	Places of Business of the SPC; Locations of Records; Trade Names; Federal Employer I.D. Number
Exhibit III	-	Lockboxes; Collection Accounts; Concentration Accounts; and Depositary Accounts
Exhibit IV	-	Compliance Certificate
Exhibit V	-	Collection Account Agreement
Exhibit VI	-	Credit and Collection Policy
Exhibit VII	-	Form(s) of Contract(s)
Exhibit VIII	-	Periodic Report
Exhibit IX	-	Form of Purchase Notice

B. Fee Letter dated as of January 31, 1997 by and between the SPC and the Agent.

C. Certificate of the SPC's [Assistant] Secretary certifying:

1. An attached copy of the SPC's Articles of Incorporation (certified within 30 days prior to closing by the Wisconsin Secretary of State)

2. An attached copy of the SPC's By-Laws

3. An attached copy of resolutions of the SPC's Board of Directors authorizing the SPC's execution, delivery and performance of the Investor Agreement and related documents

78

4. The names, titles and specimen signatures of the SPC's officers authorized to execute and deliver the Investor Agreement and related documents

D. Good standing certificates for the SPC from the following states certified within 30 days prior to closing:

1. Wisconsin

E. UCC/PPSA Financing Statements naming the SPC, as debtor, and the Agent, as secured party, for filing in the following jurisdictions:

1. State of Wisconsin
2. Province of Ontario

F. Post-filing UCC lien searches against the SPC from the following jurisdictions:

1. State of Wisconsin

G. Purchase Notice executed by the SPC.

H. Opinion of the SPC's counsel re corporate/UCC issues

I. CFO's Certificate re no Servicer Default, Termination Event, Potential Servicer Default or Potential Termination Event and absence of Material Adverse Effect since November 2, 1996.

IV. Unwinding Existing Receivables Purchase Agreement

A. Certificate of Re-assignment executed by the Agent in favor of the Originator.

B. UCC/PPSA Termination Statements or Assignments:

1. State of Wisconsin
2. Province of Ontario

79

KOHL'S CORPORATION
 COMPUTATION OF PER SHARE EARNINGS
 (IN THOUSANDS EXCEPT PER SHARE DATA)

	FISCAL YEAR ENDED FEBRUARY 01, 1997	FISCAL YEAR ENDED FEBRUARY 03, 1996	FISCAL YEAR ENDED JANUARY 28, 1995
NET INCOME	\$102,478	\$72,652	\$68,512

PRIMARY SHARES			

WEIGHTED AVERAGE UNRESTRICTED SHARES OUTSTANDING	73,852	73,585	73,408

PER SHARE AMOUNTS:			
NET INCOME PER COMMON SHARE	\$1.39	\$.99	\$.93

FULLY DILUTED SHARES			

SHARES PER ABOVE	73,852	73,585	73,408
NET OPTION SHARES - BASED ON THE TREASURY STOCK METHOD	1,299	853	524

TOTAL	75,151	74,438	73,932

PER SHARE AMOUNTS:			
NET INCOME PER COMMON SHARE	\$1.36	\$.98	\$.93

SHARE AND PER SHARE AMOUNTS HAVE BEEN ADJUSTED FOR THE 2 FOR 1 STOCK SPLIT
 DECLARED BY THE COMPANY'S BOARD OF DIRECTORS ON MARCH 11, 1996 EFFECTED IN THE
 FORM OF A STOCK DIVIDEND.

EXHIBIT 12.1

KOHL'S CORPORATION
 RATIO OF EARNINGS TO FIXED CHARGES
 (\$000s)

	Fiscal Year (1)				
	1996	1995	1994	1993	1992
Earnings					
Income before income taxes and extraordinary items	\$171,368	\$122,729	\$117,451	\$96,691	\$50,134
Fixed charges	44,054	30,770	19,758	16,144	21,503
Less interest capitalized during period	(2,829)	(1,287)	(603)	(376)	0
	\$212,593	\$152,212	\$136,606	\$112,459	\$71,637
Fixed Charges					
Interest (expensed or capitalized)	\$21,822	\$14,895	\$7,911	\$6,253	\$13,648
Portion of rent expense representative of interest	22,031	15,798	11,777	9,113	6,794
Amortization of deferred financing fees	201	77	70	778	1,061
	44,054	\$30,770	\$19,758	\$16,144	\$21,503
Ratio of earnings to fixed charges	4.83	4.95 (2)	6.91	6.97	3.33

- (1) Fiscal 1996, 1994, 1993 and 1992 are 52 week years and fiscal 1995 is a 53 week year.
- (2) Excluding the credit operations non-recurring expense of \$14,052, the ratio of earnings to fixed charges would be 5.40.

Subsidiaries

Name ----	State of Incorporation -----
Kohl's Department Stores, Inc.	Delaware
Kohl's Investment Corporation	Delaware
Kohl's Illinois Corporation*	Nevada
Kohl's Receivables Corporation*	Wisconsin
Kohl's Pennsylvania, Inc.*	Pennsylvania

*These subsidiaries are wholly owned subsidiaries of Kohl's Department Stores, Inc.

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 #33-46883) pertaining to the Long Term Compensation Plan and the Registration Statement (Form S-3 #33-80323) pertaining to the 1996 Debt Offering of Kohl's Corporation of our report dated March 7, 1997, with respect to the consolidated financial statements of Kohl's Corporation included in the Annual Report (Form 10-K) for the year ended February 1, 1997.

Milwaukee, Wisconsin
April 28 , 1997

ERNST & YOUNG LLP

<ARTICLE> 5
<MULTIPLIER> 1,000

<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		FEB-01-1997
<PERIOD-START>		FEB-04-1996
<PERIOD-END>		FEB-01-1997
<CASH>		8,906
<SECURITIES>		0
<RECEIVABLES>		0
<ALLOWANCES>		0
<INVENTORY>		423,207
<CURRENT-ASSETS>		465,158
<PP&E>		725,082
<DEPRECIATION>		128,855
<TOTAL-ASSETS>		1,122,414
<CURRENT-LIABILITIES>		235,819
<BONDS>		312,031
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		739
<OTHER-SE>		516,732
<TOTAL-LIABILITY-AND-EQUITY>		1,122,414
<SALES>		2,388,221
<TOTAL-REVENUES>		2,388,221
<CGS>		1,608,688
<TOTAL-COSTS>		2,199,231
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		17,622
<INCOME-PRETAX>		171,368
<INCOME-TAX>		68,890
<INCOME-CONTINUING>		102,478
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		102,478
<EPS-PRIMARY>		1.39
<EPS-DILUTED>		1.36