



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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2002

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 0-6074

Nordstrom, Inc.

(Exact name of Registrant as specified in its charter)

Washington

91-0515058

(State or other jurisdiction of  
incorporation or organization)

(IRS employer  
Identification No.)

1617 Sixth Avenue, Seattle, Washington 98101

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: 206-628-2111

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

| Title of each class             | Name of each exchange on<br>which registered |
|---------------------------------|--|
| Common Stock, without par value | New York Stock Exchange                      |

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  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.

On March 18, 2002, 134,612,925 shares of common stock were outstanding, and the aggregate market value of those shares (based upon the closing price as reported by NYSE) held by non-affiliates was approximately \$2.3 billion.

Documents Incorporated by Reference:

Portions of Nordstrom, Inc. 2001 Annual Report to Shareholders

(Parts I, II and IV)

Portions of Proxy Statement for 2002 Annual Meeting of Shareholders

(Part III)

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PART I

Item 1. Business.

Nordstrom, Inc. (the "Company") was incorporated in the State of Washington in 1946 as successor to a retail shoe business started in 1901. As of January 31, 2002, the Company operated 80 large specialty stores in Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Maryland, Michigan, Minnesota, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia and Washington, selling a wide selection of apparel, shoes and accessories for women, men and children.

The Company also operated 45 stores under the name "Nordstrom Rack" and one clearance store under the name "Last Chance." The Nordstrom Rack stores purchase merchandise directly from manufacturers, as well as serving, in part, as outlets for clearance merchandise from the Company's large specialty stores. The Nordstrom Rack stores are located in Arizona, California, Colorado, Georgia, Hawaii, Illinois, Maryland, Michigan, Minnesota, Nevada, New York, Oregon, Pennsylvania, Texas, Utah, Virginia and Washington.

The Company also operated 2 free-standing shoe stores under the name "Nordstrom" located in Hawaii and 4 Specialty Boutiques in California, New York and Texas under the name "Façonnable". As a result of the acquisition of Façonnable, S.A. of Nice, France in October 2000, the Company also operated 24 Façonnable boutiques located primarily in Europe. Façonnable is a wholesaler and retailer of high quality men's and women's apparel and accessories.

In March 2002, the Company opened three large specialty stores in Durham, North Carolina; Los Angeles, California and Orem, Utah. A new Nordstrom Rack store is scheduled to open in Fresno, California in April 2002. In addition, the Company plans to open Full-line stores in Dulles, Virginia; Des Peres, Missouri; Coral Gables, Florida; Orlando, Florida and Las Vegas, Nevada as well as Nordstrom Rack stores in King of Prussia, Pennsylvania; Ontario, California and Long Beach, California during fiscal 2002.

The west coast and the east coast of the United States are the markets in which the Company has the largest presence. An economic downturn or other significant event within one of these markets may have a material effect on the Company's operating results.

The Company purchases merchandise from many suppliers, no one of which accounted for more than 2% of 2001 net purchases. The Company believes that it is not dependent on any one supplier, and considers its relations with its suppliers to be satisfactory.

The Company has approximately 92 registered trademarks. The loss or abandonment of the Federally registered names "Nordstrom" or "Façonnable" would materially impact the business of the Company. The loss or abandonment of the Federally registered trademarks "Brass Plum", "Caslon", "Classiques Entier" and "Halogen" may impact the business of the Company, but not in a material manner. With the exception of the above mentioned Federally registered trademarks, the loss or abandonment of any particular trademark would have little, if any, impact on the business of the Company.

Due to the Company's anniversary sale in July and holidays in December, sales are higher in the second and fourth quarters of the fiscal year than in the first and third quarters. During the fiscal year ended January 31, 2002, the Company regularly employed on a full or part-time basis an average of approximately 43,000 employees. Due to the seasonal nature of the Company's business, employment increased to approximately 50,000 employees in July, 2001 and 45,000 in December, 2001.

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Item 1. Business (continued)

The Company's business is highly competitive. Its stores compete with other national, regional and local retail establishments within its operating areas which carry similar lines of merchandise, including department stores, specialty stores, boutiques, and mail order and Internet businesses. The Company's specific competitors vary from market to market. The Company believes the principal methods of competing in its industry include customer service, value, fashion, advertising, store location and depth of selection.

Certain other information required under Item 1 is contained within the following sections of the Company's 2001 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Management's Discussion and Analysis

Note 1 in Notes to Consolidated Financial Statements

Note 17 in Notes to Consolidated Financial Statements

Note 20 in Notes to Consolidated Financial Statements

Retail Store Facilities

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## Executive Officers of the Registrant\*

| Name                 | Age | Title  | Officer Since | Family Relationship   |
|----------------------|-----|--|---------------|---|
| Jammie Baugh         | 48  | Executive Vice President   | 1990          | None  |
| Laurie M. Black      | 42  | Executive Vice President   | 1997          | None  |
| Mark S. Brashear     | 40  | Executive Vice President   | 2001          | None  |
| Dale Cameron         | 53  | Executive Vice President   | 1985          | None  |
| Robert E. Campbell   | 46  | Vice President and Treasurer   | 1999          | None  |
| Linda Toschi Finn    | 54  | Executive Vice President   | 1998          | None  |
| Kevin T. Knight      | 46  | Executive Vice President, Chairman and Chief Executive Officer of Nordstrom fsb, and President of Nordstrom Credit, Inc. | 1998          | None  |
| Michael G. Koppel    | 45  | Executive Vice President and Chief Financial Officer   | 1999          | None  |
| Llynn (Len) A. Kuntz | 41  | Executive Vice President   | 1998          | None  |
| Robert J. Middlemas  | 45  | Executive Vice President   | 1993          | None  |
| Blake W. Nordstrom   | 41  | President  | 1991          | Brother of Erik B. and Peter E. Nordstrom; son of Bruce A. Nordstrom, a Director of the Company; and nephew of D. Wayne Gittinger, a Director of the Company.                   |
| Bruce A. Nordstrom   | 68  | Chairman of the Board of Directors   | 1966          | Father of Blake W., Erik B. and Peter E. Nordstrom; cousin of John N. Nordstrom, a Director of the Company and Brother-in-law of D. Wayne Gittinger, a Director of the Company. |
| Erik B. Nordstrom    | 38  | Executive Vice President   | 1995          | Brother of Blake W. and Peter E. Nordstrom; son of Bruce A. Nordstrom, a Director of the Company; and nephew of D. Wayne Gittinger, a Director of the Company.                  |

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## Executive Officers of the Registrant\* (continued)

|                       |    |  |      |  |
|-----------------------|----|--|------|--|
| Peter E. Nordstrom    | 39 | Executive Vice<br>President                                  | 1995 | Brother of Blake W. and Erik B. Nordstrom;<br>son of Bruce A. Nordstrom, a Director of the<br>Company; and nephew of D. Wayne<br>Gittinger, a Director of the Company. |
| James R. O'Neal       | 43 | Executive Vice<br>President                                  | 1997 | None   |
| R. Michael Richardson | 45 | Vice President and Chief Information Officer                 | 2001 | None   |
| K.C. (Karen) Shaffer  | 47 | Executive Vice<br>President                                  | 2001 | None   |
| Joel T. Stinson       | 52 | Executive Vice President and Chief<br>Administrative Officer | 1996 | None   |
| Delena M. Sunday      | 41 | Executive Vice<br>President                                  | 1998 | None   |
| Geevy S.K. Thomas     | 37 | Executive Vice<br>President                                  | 1998 | None   |

Jammie Baugh was named Executive Vice President of Human Resources in February 2000. Prior thereto, she served as Executive Vice President and Northwest General Manager since May 1997, Executive Vice President and General Manager Southern California since 1991, and Vice President and General Manager Southern California since 1990.

Laurie M. Black was named Executive Vice President and President of Nordstrom Rack in December 2001. Prior thereto, she served as Vice President and Corporate Merchandise Manager for Specialized from May 2000 to December 2001, as Vice President and Northwest Divisional Merchandise Manager for Specialized and Accessories from April 1999 to April 2000, and as Vice President and Northwest/Southwest Divisional Merchandise Manager for Specialized from February 1997 to March 1999. Prior thereto Ms. Black held various merchandise management positions within the Company since 1988.

Mark S. Brashear was named Executive Vice President and President of Façonnable in December 2001. Prior thereto, he served as Executive Vice President and Southwest General Manager of the Full-line Store Group from February 2001 to December 2001, and as Division Vice President and Strategic Planning Manager of the Southwest Business Unit from April 1999 to February 2001. Mr. Brashear has been responsible for strategic planning since February 1998, when he was named Strategic Planning Manager for California and the Southwest. Prior thereto, Mr. Brashear held various store management positions with the Company.

Dale Cameron was named Executive Vice President and Corporate Merchandise Manager, Cosmetics, in February 1998. Prior thereto, she served as Vice President, and Corporate Merchandise Manager, Cosmetics and Gifts since March 1985.



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### Executive Officers of the Registrant\* (continued)

Robert E. Campbell was named Vice President of Strategy and Planning and Treasurer in May 1999. Prior thereto, he was involved with corporate strategy and planning and was responsible for the Company's investor relations function since March 1998, and served as Manager of Financial Analysis since February 1997. Prior to joining Nordstrom Inc., Mr. Campbell served in a number of financial positions with restaurant and retail companies based on the West Coast.

Linda Toschi Finn was named Executive Vice President of Marketing in September 2000. She was promoted to Vice President and Marketing Director for the Full-line Stores Group in October 1999. Ms. Finn has been responsible for the development of the Company's marketing strategies since February 1998 when she was named Vice President of Sales Promotion. Prior thereto, she held various management positions with the Company in the areas of corporate advertising and sales promotion.

Kevin T. Knight has been an Executive Vice President of Nordstrom, Inc. since September 2000, and also serves as Chairman and Chief Executive Officer of Nordstrom fsb, President of Nordstrom Credit, Inc., and, as of February 2000, President of Nordstrom Credit Group. Prior thereto, he served as Vice President of Nordstrom, Inc. and President of Nordstrom fsb (formerly Nordstrom National Credit Bank), President of Nordstrom Credit, Inc., and General Manager of the credit business unit since April 1998. Prior to joining Nordstrom, he was Senior Vice President of Retailer Financial Services, a unit of General Electric Capital Corporation, since 1995. Prior thereto, he held various positions with General Electric since 1977.

Michael G. Koppel was named Executive Vice President and Chief Financial Officer in May 2001. Prior thereto he served as Vice President, Corporate Controller and Principal Accounting Officer from August 1999 to May 2001. Prior to joining Nordstrom, Mr. Koppel served as Chief Operating Officer of CML Group, a specialty retail holding company. From 1997 through 1998, he was Chief Financial Officer of Lids Corporation, a mall based specialty retailer, and from 1984 through 1997 he held a number of financial positions with the May Department Stores, most recently as Vice President-Controller of its Filenes division.

Llynn (Len) A. Kuntz was named Executive Vice President and Washington/Alaska Regional Manager in November 2001. Prior thereto he served as Executive Vice President and Northwest General Manager of the Full-line Stores Group from February 2001 to November 2001, as Vice President and Director of the Full-line Stores Strategy Group from May 1999 to February 2001, as Vice President and East Coast Regional Manager from February 1998 to May 1999, and as General Manager of the Northeast Region from 1995 to February 1998.

Robert J. Middlemas was named Executive Vice President and Central States Regional Manager in November 2001. Prior thereto he served as Executive Vice President and Central States General Manager from November 1997 to November 2001, and as Vice President and Central States General Manager from 1993 to November 1997.

Blake W. Nordstrom was named President of the Company in August 2000. From February 2000 until his appointment as President, he served as Executive Vice President and President of Nordstrom Rack. Prior thereto, he served as Co-President responsible for credit, community relations, operations, shoes and Nordstrom Rack business units since June 1995 and as Vice President and General Manager Washington/Alaska since 1991.

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### Executive Officers of the Registrant\* (continued)

Bruce A. Nordstrom was named Chairman of the Board of Directors in August 2000. He has served as a Director of the Company since 1966, and served as Co-Chairman of the Board of Directors from 1971 until 1995. Mr. Nordstrom is the grandson of the Company founder and, with his cousins John N. Nordstrom and James F. Nordstrom and his former brother-in-law John A. McMillan, he assumed leadership of the Company from the second generation in 1968.

Erik B. Nordstrom was named Executive Vice President of Full-line Stores in August 2000. Prior thereto, he served as Executive Vice President and Northwest General Manager since February 2000, as Co-President responsible for Nordstrom Product Group since June 1995 and as Store/Regional Manager - Minnesota since 1992.

Peter E. Nordstrom was named Executive Vice President and President of Full-line Stores in September 2000. Prior thereto, he served as Executive Vice President and Director of Full-line Store Merchandise Strategy for children's apparel, cosmetics, junior apparel, lingerie, hosiery, men's apparel and women's active wear since February 2000, as Co-President responsible for sales promotion, human resources, and diversity affairs since June 1995, and as Regional Manager of the Orange County area since 1991.

James R. O'Neal was named Executive Vice President and President of Nordstrom Product Group in December 2001. From August 2000 until December 2001 he served as Executive Vice President and General Manager of the East Coast. Prior thereto, he served as Executive Vice President and Southwest General Manager since November 1997, as Vice President — Northern California since February 1997, as General Manager Northern California from 1995 to 1997, and as City Regional Manager from 1993 to 1995.

R. Michael Richardson was named Vice President and Chief Information Officer in February 2001. Prior thereto, he served as Chief Information Officer since September 2000. From April 2000 to September 2000 Mr. Richardson was not employed by the Company. Prior to his departure from the Company, he served as Division Vice President of Enterprise Development and Architecture since October 1998, and as IT Development Manager of the Nordstrom Product Group since October 1997. Mr. Richardson has also served as IT Development Manager for various corporate departments since 1992.

K.C. (Karen) Shaffer was named Executive Vice President and Nordstrom Rack Northwest Regional Manager in December 2001. Prior thereto she served as Executive Vice President and Nordstrom Rack General Merchandise Manager from February 2001 to December 2001, as Division Vice President and Nordstrom Rack Northwest Regional Manager from April 1999 to February 2001, and as Nordstrom Rack Northwest Regional Manager from June 1998 to April 1999. Prior thereto, Ms. Shaffer held various management positions with the Company at the department, store and regional levels.

Joel T. Stinson was named Executive Vice President and Chief Administrative Officer in September 2000. Prior thereto, he served as Vice President of Operations since May 1995 and as Corporate Operations Manager since 1993.

Delena M. Sunday was named Executive Vice President of Diversity Affairs in September 2000. Ms. Sunday has been responsible for the Company's diversity initiatives since 1996 when she was named Director of Diversity Affairs and then promoted to Vice President of Diversity Affairs in February 1998. Prior thereto, Ms. Sunday held various management positions with the Company at the department, store and regional levels.

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Executive Officers of the Registrant\* (continued)

Geevy S.K. Thomas was named Executive Vice President and South Regional Manager in November 2001. Prior thereto he served as Executive Vice President and General Merchandise Manager of Full-line Stores from February 2001 to November 2001, as Executive Vice President of Full-line Stores and Director of Merchandising Strategy from February 2000 to February 2001, as Vice President and Director of Merchandising Strategy from May 1999 to February 2000, as Vice President and Regional Manager of Orange County and Los Angeles from February 1998 to May 1999, and as General Manager of Los Angeles from February 1997 to February 1998. Prior to February 1997 Mr. Thomas held various general, regional and store management positions with the Company.

The officers are appointed annually by the Board of Directors following each year's Annual Meeting of Shareholders. Officers serve at the discretion of the Board of Directors.

\*As of January 31, 2002.

Item 2. Properties.

The following table summarizes the number of retail stores owned or operated by the Company and the percentage of total store area represented by each listed category at January 31, 2002:

|                              | Number of<br>stores | % of total store<br>square footage |
|------------------------------|---------------------|------------------------------------|
| Owned stores                 | 26                  | 24%                                |
| Leased stores                | 95                  | 34                                 |
| Owned on leased land         | 33                  | 40                                 |
| Partly owned & partly leased | 2                   | 2                                  |
|                              | 156                 | 100%                               |

The Company also operates 7 merchandise distribution centers located throughout the U.S. which are utilized by the Retail Stores segment, six of which are owned and one of which is leased. The Catalog/Internet segment utilizes one fulfillment center which is owned on leased land. The Company owns its principal offices in Seattle, Washington, and an office building in the Denver, Colorado metropolitan area that serves as the principal offices of Nordstrom fsb and Nordstrom Credit, Inc.

Certain other information required under this item is included in the following sections of the Company's 2001 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Note 10 in Notes to Consolidated Financial Statements

Note 13 in Notes to Consolidated Financial Statements

Retail Store Facilities

Item 3. Legal Proceedings.

The information required under this item is included in the following section of the Company's 2001 Annual Report to Shareholders, which section is incorporated by reference herein from Exhibit 13.1 of this report:

Note 21 in Notes to Consolidated Financial Statements

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

None

PART II

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

The Company's Common Stock, without par value, is traded on the New York Stock Exchange under the symbol "JWN." The approximate number of holders of Common Stock as of March 18, 2002 was 76,000.

Certain other information required under this item with respect to stock prices and dividends is included in the following sections of the Company's 2001 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Financial Highlights

Consolidated Statements of Shareholders' Equity

Note 22 in Notes to Consolidated Financial Statements

Item 6. Selected Financial Data.

The information required under this item is included in the following sections of the Company's 2001 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Note 1 in Notes to Consolidated Financial Statements

Eleven-Year Statistical Summary

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required under this item is included in the following section of the Company's 2001 Annual Report to Shareholders, which section is incorporated by reference herein from Exhibit 13.1 of this report:

Management's Discussion and Analysis

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in interest rates. In seeking to minimize risk, the Company manages exposure through its regular operating and financing activities. The Company does not use financial instruments for trading or other speculative purposes and is not party to any leveraged financial instruments.

The Company manages interest rate exposure through its mix of fixed and variable rate borrowings. Short-term borrowing and investing activities generally bear interest at variable rates, but because they have maturities of three months or less, the Company believes that the risk of material loss is low, and that the carrying amount approximates fair value.

In addition, the Company has outstanding at January 31, 2002 a variable rate construction loan obligation and \$300 million of 8.95% fixed-rate debt converted to variable rate through the use of an interest rate swap. The Company is currently refinancing the construction loan obligation and expects the agreement to close in April 2002 with a fixed interest rate. The interest rate swap reduces interest payments on the Company's highest fixed-rate debt by taking advantage of the current low interest rates. A shift in future interest rates could adversely affect the amount of interest paid through this swap agreement.

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## Item 7A. Quantitative and Qualitative Disclosures About Market Risk (continued)

The majority of the Company's revenue, expense and capital expenditures are transacted in United States dollars. However, the Company periodically enters into foreign currency purchase orders for apparel and shoes denominated in Euros. The Company uses forward contracts to hedge against fluctuations in foreign currency prices. The amounts of these contracts are immaterial. The use of derivatives is limited to only those financial instruments that have been authorized by the Company's Chief Financial Officer and approved by the Finance Committee.

In addition, the functional currency of Façonnable, S.A. of Nice, France is the Euro. Assets and liabilities of Façonnable are translated into U.S. dollars at the exchange rate prevailing at the end of the period. Income and expenses are translated into U.S. dollars at the exchange rate prevailing on the respective dates of the transactions. The effects of changes in foreign currency exchange rates are included in other comprehensive earnings.

The table below presents information about our financial instruments that are sensitive to changes in interest rates, which consist of debt obligations and interest rate swaps for the year ended January 31, 2002. For debt obligations, the table presents principal amounts, at book value, by maturity date, and related weighted average interest rates, excluding construction loan obligations. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contracts.

| Dollars in thousands  | 2002     | 2003    | 2004    | 2005      | 2006      | Thereafter | Total at<br>January 31,<br>2002 | Fair Value<br>of liabilities<br>January 31,<br>2002 |
|-----------------------|----------|---------|---------|-----------|-----------|------------|---------------------------------|---|
| Long-term debt        |          |         |         |           |           |            |                                 |   |
| Fixed                 | \$78,227 | \$1,854 | \$1,812 | \$400,794 | \$300,608 | \$556,797  | \$1,340,092                     | \$1,289,000   |
| Average interest rate | 7.2%     | 6.7%    | 6.8%    | 8.4%      | 4.8%      | 6.4%       | 6.7%                            |   |
| Interest rate swap    |          |         |         |           |           |            |                                 |   |
| Fixed to variable     | —        | —       | —       | \$300,000 | —         | —          | \$ 300,000                      | \$ 5,000  |
| Average pay rate      |          |         |         | 6.9%      |           |            | 6.9%                            |   |
| Average receive rate  |          |         |         | 9.0%      |           |            | 9.0%                            |   |

Certain other information required under this item is included in the following sections of the Company's 2001 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Note 1 in Notes to Consolidated Financial Statements

Note 7 in Notes to Consolidated Financial Statements

Note 11 in Notes to Consolidated Financial Statements

Note 12 in Notes to Consolidated Financial Statements

Note 22 in Notes to Consolidated Financial Statements

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Item 8. Financial Statements and Supplementary Data.

The information required under this item is included in the following sections of the Company's 2001 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Consolidated Statements of Earnings

Consolidated Balance Sheets

Consolidated Statements of Shareholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Independent Auditors' Report

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

None

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required under this item with respect to the Company's Directors and compliance with Section 16(a) of the Exchange Act is included in the following sections of the Company's Proxy Statement for its 2002 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of the Company's fiscal year:

Election of Directors

Compliance with Section 16 of the Exchange Act of 1934

The information required under this item with respect to the Company's Executive Officers is incorporated by reference from Part I, Item 1 of this report under "Executive Officers of the Registrant."

Item 11. Executive Compensation.

The information required under this item is included in the following sections of the Company's Proxy Statement for its 2002 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of the Company's fiscal year:

Compensation of Executive Officers in the Year Ended January 31, 2002

Compensation and Stock Option Committee Report on the Fiscal Year Ended January 31, 2002

Stock Price Performance

Compensation of Directors

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required under this item is included in the following section of the Company's Proxy Statement for its 2002 Annual Meeting of Shareholders, which section is incorporated by reference herein and will be filed within 120 days after the end of the Company's fiscal year:

Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions.

The information required under this item is included in the following sections of the Company's Proxy Statement for its 2002 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of the Company's fiscal year:

Election of Directors

Certain Relationships and Related Transactions

PART IV

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

(a)1. Financial Statements

The following consolidated financial information and statements of Nordstrom, Inc. and its subsidiaries and the Independent Auditors' Report are incorporated by reference herein from Exhibit 13.1 of this report:

- Consolidated Statements of Earnings
- Consolidated Balance Sheets
- Consolidated Statements of Shareholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Independent Auditors' Report

(a)2. Financial Statement Schedules

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|---|------|
| Independent Auditors' Consent and Report on Schedule  | 21   |
| Schedule II — Valuation and Qualifying Accounts   | 22   |
| Other schedules for which provision is made in Regulation S-X are not required, are inapplicable, or the information is included in the Company's 2001 Annual Report to Shareholders as incorporated by reference herein from Exhibit 13.1 of this report |      |

(a)3. Exhibits

- (3.1) Articles of Incorporation of the Registrant, as amended and restated, are hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 3.1.
- (3.2) By-laws of the Registrant, as amended and restated on February 25, 2002, are filed herein as an Exhibit.
- (4.1) Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated March 11, 1998 is hereby incorporated by reference from Registration No. 333-47035, Exhibit 4.1.
- (4.2) Senior indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999 is hereby incorporated by reference from Registration No. 333-69281, Exhibit 4.3.
- (4.3) Form of Subordinated Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999 is hereby incorporated by reference from Registration No. 333-69281, Exhibit 4.4.



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(a)3. Exhibits (continued)

- (10.1) Merchant Agreement dated August 30, 1991 between Registrant and Nordstrom National Credit Bank is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1991, Exhibit 10.1.
- (10.2) The Nordstrom Supplemental Retirement Plan is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1993, Exhibit 10.3.
- (10.3) The 1993 Non-Employee Director Stock Incentive Plan is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1994, Exhibit 10.4.
- (10.4) Investment Agreement dated October 8, 1984 between the Registrant and Nordstrom Credit, Inc. is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10, Exhibit 10.1.
- (10.5) Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.1.
- (10.6) First Amendment to the Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom fsb and Wells Fargo Bank West, N.A., as trustee, dated March 1, 2000 is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.4.
- (10.7) Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Nordstrom Credit, Inc. and Norwest Bank Colorado, N.A., as trustee, is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.2.
- (10.8) First amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Nordstrom Credit, Inc. and Norwest Bank Colorado, N.A., as trustee, dated December 10, 1997 is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 1998, Exhibit 10.13.
- (10.9) Second Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated February 25, 1999, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1.
- (10.10) Third Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated October 1, 2001 is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.11.

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(a)3. Exhibits (continued)

- (10.11) Transfer and Administration Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Enterprise Funding Corporation and Nationsbank, N.A. is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.3.
- (10.12) First Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated August 19, 1997 is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1.
- (10.13) Second Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated July 23, 1998 is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.2.
- (10.14) Third Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated August 11, 1999 is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.1.
- (10.15) Fourth Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom fsb, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated March 1, 2000 is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.2.
- (10.16) Fifth Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom fsb, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated July 20, 2000 is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.3.
- (10.17) Receivables Purchase Agreement dated August 14, 1996 between Registrant and Nordstrom Credit, Inc. is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1997, Exhibit 10.12.
- (10.18) The Nordstrom, Inc. 1997 Stock Option Plan is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.4.
- (10.19) The Nordstrom, Inc. Profit Sharing and Employee Deferral Retirement Plan is hereby incorporated by reference from the Registrant's Report on Form S-8, Registration No. 333-79791 filed on June 2, 1999.

(a)3. Exhibits (continued)

- (10.20) Amended and Restated Revolving Credit Facility between Registrant and a group of commercial banks, dated October 15, 1999 is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended October 31, 1999, Exhibit 10.1.
- (10.21) Commercial Paper Dealer Agreement dated October 2, 1997 between Registrant and Bancamerica Securities, Inc. is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.1.
- (10.22) Commercial Paper Agreement dated October 2, 1997 between Registrant and Credit Suisse First Boston Corporation is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.2.
- (10.23) Issuing and Paying Agency Agreement dated October 2, 1997 between Registrant and First Trust of New York, N.A. is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.3.
- (10.24) Joint Venture Agreement between Nordstrom, Inc. and Nordstrom.com, Inc. dated as of August 24, 1999 is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.21.
- (10.25) Credit Agreement dated as of February 29, 2000, between 1700 Seventh L.P., several lenders from time to time party thereto, with Bank of America, N.A. as Administrative Agent and as Project Administrative Agent, is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.22.
- (10.26) Guaranty Agreement dated as of February 29, 2000, between Registrant, Bank of America, N.A., and the Lenders party to the Credit Agreement (described in 10.25 above), is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.23.
- (10.27) Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A., is hereby incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-3, Registration No. 333-50028 filed on November 15, 2000.
- (10.28) Amendment to the Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A., dated October 20, 2000 is hereby incorporated by reference to Exhibit 2.2 to the Registrant's Registration Statement on Form S-3, Registration No. 333-50028 filed on November 15, 2000.
- (10.29) The Put Agreement dated November 1, 1999 between Nordstrom, Inc. and the holders of the Series C Preferred Stock of Nordstrom.com, Inc. is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2000, Exhibit 10.3.

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(a)3. Exhibits (continued)

- (10.30) Amended and Restated Revolving Credit Facility between Registrant and a group of commercial banks, dated November 20, 2001 is filed herein as an Exhibit.
- (10.31) Receivables Purchase Agreement dated October 1, 2001 between Nordstrom Credit, Inc. and Nordstrom Private Label Receivables, LLC is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.21.
- (10.32) Transfer and Servicing Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Wells Fargo Bank Minnesota, N.A., and Nordstrom Private Label Credit Card Master Note Trust is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.22.
- (10.33) Master Indenture dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.23.
- (10.34) Series 2001-1 Indenture Supplement dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.24.
- (10.35) Series 2001-2 Indenture Supplement dated December 4, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.25.
- (10.36) Amended and Restated Trust Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, and Wilmington Trust Company, as trustee, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.26.
- (10.37) Performance Undertaking dated September 28, 2001 between Registrant and Bank One, N.A., is filed herein as an Exhibit.
- (10.38) Performance Undertaking dated December 4, 2001 between Registrant and Bank One, N.A., is filed herein as an Exhibit.
- (13.1) The Company's 2001 Annual Report to Shareholders is filed herein as an Exhibit.
- (21.1) List of the Registrant's Subsidiaries is filed herein as an Exhibit.
- (23.1) Independent Auditors' Consent and Report on Schedule is on page 21 of this report.

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(a)3. Exhibits (continued)

All other exhibits are omitted because they are not applicable, not required, or because the required information is included in the Company's 2001 Annual Report to Shareholders.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the period for which this report is filed.

Signatures

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

NORDSTROM, INC.  
(Registrant)

/s/ Michael G. Koppel  
Michael G. Koppel  
Executive Vice President and  
Chief Financial Officer

Date: April 18, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Principal Financial and Accounting Officer:

/s/ Michael G. Koppel  
Michael G. Koppel  
Executive Vice President  
and Chief Financial Officer

Principal Executive Officer:

/s/ Bruce A. Nordstrom  
Bruce A. Nordstrom  
Chairman of the Board  
of Directors and Director

Directors:

/s/ D. Wayne Gittinger  
D. Wayne Gittinger  
Director

/s/ John N. Nordstrom  
John N. Nordstrom  
Director

/s/ Enrique Hernandez, Jr.  
Enrique Hernandez, Jr.  
Director

/s/ Alfred E. Osborne, Jr.  
Alfred E. Osborne, Jr.  
Director

/s/ Alison A. Winter  
Alison A. Winter  
Director

/s/ William D. Ruckelshaus  
William D. Ruckelshaus  
Director

/s/ John A. McMillan  
John A. McMillan  
Director

/s/ Bruce G. Willison  
Bruce G. Willison  
Director

Date: April 18, 2002

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULE

Shareholders and Board of Directors  
Nordstrom, Inc.

We consent to the incorporation by reference in Registration Statement Nos. 33-18321, 333-63403, 333-40064, 333-40066 and 333-79791 on Form S-8 and in Registration Statement Nos. 333-69281 and 333-50028 on Form S-3 of Nordstrom, Inc. of our reports dated March 25, 2002 appearing in and incorporated by reference in this Annual Report on Form 10-K of Nordstrom, Inc. and subsidiaries for the year ended January 31, 2002.

We have audited the consolidated financial statements of Nordstrom, Inc. and subsidiaries as of January 31, 2002 and 2001, and for each of the three years in the period ended January 31, 2002, and have issued our report thereon dated March 25, 2002; such financial statements and report are included in your 2001 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of Nordstrom, Inc. and subsidiaries, listed in Item 14(a)2. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Deloitte & Touche LLP  
Seattle, Washington  
April 18, 2002

## NORDSTROM, INC. AND SUBSIDIARIES

## SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

| Column A                                | Column B                       | Column C                      | Column D     | Column E                 |
|---|--------------------------------|-------------------------------|--------------|--------------------------|
| Description                             | Balance at beginning of period | Additions                     | Deductions   | Balance at end of period |
|   |                                | Charged to costs and expenses |              |                          |
| <b>Allowance for doubtful accounts:</b> |                                |                               |              |                          |
| Year ended:                             |                                |                               |              |                          |
| January 31, 2002                        | \$16,531                       | \$ 34,750                     | \$ 27,003(A) | \$24,278                 |
| January 31, 2001                        | \$15,838                       | \$ 20,369                     | \$ 19,676(A) | \$16,531                 |
| January 31, 2000                        | \$24,543                       | \$ 11,707                     | \$ 20,412(A) | \$15,838                 |
| <b>Allowance for sales return, net:</b> |                                |                               |              |                          |
| Year ended:                             |                                |                               |              |                          |
| January 31, 2002                        | \$33,702                       | \$497,662                     | \$499,643(B) | \$31,721                 |
| January 31, 2001                        | \$25,981                       | \$520,080                     | \$512,359(B) | \$33,702                 |
| January 31, 2000                        | \$28,123                       | \$466,352                     | \$468,494(B) | \$25,981                 |

(A) Deductions consist of write-offs of uncollectible accounts, net of recoveries

(B) Deductions consist of actual returns net of related costs and commissions



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## NORDSTROM INC. AND SUBSIDIARIES

## Exhibit Index

|      | Exhibit   | Method of Filing   |
|------|---|--|
| 3.1  | Articles of Incorporation as amended and restated   | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 3.1.                       |
| 3.2  | By-laws, as amended and restated on February 25, 2002   | Filed herewith electronically  |
| 4.1  | Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated March 11, 1998  | Incorporated by reference from Registration No. 333- 47035, Exhibit 4.1  |
| 4.2  | Senior indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999   | Incorporated by reference from Registration No. 333- 69281, Exhibit 4.3  |
| 4.3  | Form of Subordinated Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999   | Incorporated by reference from Registration No. 333- 69281, Exhibit 4.4  |
| 10.1 | Merchant Agreement dated August 30, 1991 between Registrant and Nordstrom National Credit Bank  | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1991, Exhibit 10.1    |
| 10.2 | Nordstrom Supplemental Retirement Plan  | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1993, Exhibit 10.3                        |
| 10.3 | 1993 Non-Employee Director Stock Incentive Plan   | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1994, Exhibit 10.4                        |
| 10.4 | Investment Agreement dated October 8, 1984 between the Registrant and Nordstrom Credit, Inc.  | Incorporated by reference from the Nordstrom Credit, Inc. Form 10, Exhibit 10.1.   |
| 10.5 | Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee                             | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.1 |
| 10.6 | First Amendment to the Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom fsb and Wells Fargo Bank West, N.A., as trustee, dated March 1, 2000 | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.4                        |

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|       | Exhibit   | Method of Filing   |
|-------|---|--|
| 10.7  | Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Nordstrom Credit, Inc. and Norwest Bank Colorado, N.A., as trustee   | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.2 |
| 10.8  | First amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Nordstrom Credit, Inc. and Norwest Bank Colorado, N.A., as trustee, dated December 10, 1997                   | Incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 1998, Exhibit 10.13             |
| 10.9  | Second Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated February 25, 1999                 | Incorporated by reference from the Nordstrom Credit, Inc. Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1             |
| 10.10 | Third Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated October 1, 2001                    | Incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.11             |
| 10.11 | Transfer and Administration Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Enterprise Funding Corporation and Nationsbank, N.A   | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.3 |
| 10.12 | First Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated August 19, 1997 | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1                       |
| 10.13 | Second Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated July 23, 1998  | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.2                       |

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| Exhibit | Method of Filing  |  |
|---------|---|--|
| 10.14   | Third Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated August 11, 1999 | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.1                        |
| 10.15   | Fourth Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom fsb, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated March 1, 2000                   | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.2                        |
| 10.16   | Fifth Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom fsb, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated July 20, 2000                    | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.3                        |
| 10.17   | Receivables Purchase Agreement dated August 14, 1996 between Registrant and Nordstrom Credit, Inc.  | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1997, Exhibit 10.12                       |
| 10.18   | 1997 Nordstrom Stock Option Plan  | Incorporated by reference from the Registrant's Form 10-Q for the quarter Ended April 30, 1999, Exhibit 10.4                       |
| 10.19   | The Nordstrom, Inc. Profit Sharing and Employee Deferral Retirement Plan  | Incorporated by reference from the Registrant's Report on Form S-8, Registration No. 333-79791 filed on June 2, 1999               |
| 10.20   | Amended and Restated Revolving Credit Facility between Registrant and a group of commercial banks, dated October 15, 1999   | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended October 31, 1999, Exhibit 10.1                     |
| 10.21   | Commercial Paper Dealer Agreement dated October 2, 1997 between Registrant and Bancamerica Securities, Inc.   | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.1 |
| 10.22   | Commercial Paper Agreement dated October 2, 1997 between Registrant and Credit Suisse First Boston Corporation  | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.2 |

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| Exhibit | Method of Filing   |  |
|---------|--|--|
| 10.23   | Issuing and Paying Agency Agreement dated October 2, 1997 between Registrant and First Trust of New York, N.A  | Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.3 |
| 10.24   | Joint Venture Agreement between Nordstrom, Inc. and Nordstrom.com, Inc. dated as of August 24, 1999  | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.21                       |
| 10.25   | Credit Agreement dated as of February 29, 2000, between 1700 Seventh L.P., several lenders from time to time party thereto, with Bank of America, N.A. as Administrative Agent and as Project Administrative Agent                 | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.22                       |
| 10.26   | Guaranty Agreement dated as of February 29, 2000, between Registrant, Bank of America, N.A., and the Lenders party to the Credit Agreement(described in 10.25 above)   | Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.23                       |
| 10.27   | Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders Of Façonnable, S.A.  | Incorporated by reference from the Registrant's Form S-3, Registration No. 333- 50028 filed on November 15, 2000, Exhibit 2.1      |
| 10.28   | Amendment to the Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A., dated October 20, 2000 | Incorporated by reference from the Registrant's Form S-3, Registration No. 333- 50028 filed on November 15, 2000, Exhibit 2.2      |
| 10.29   | The Put Agreement dated November 1, 1999 between Nordstrom, Inc. and the holders of the Series C Preferred Stock of Nordstrom.com, Inc.  | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended October 31, 2000, Exhibit 10.3                     |
| 10.30   | Amended and Restated Revolving Credit Facility between Registrant and a group of commercial banks, dated November 20, 2001   | Filed herewith electronically  |
| 10.31   | Receivables Purchase Agreement dated October 1, 2001 between Nordstrom, Credit, Inc. and Nordstrom Private Label Receivables, LLC  | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.21                 |
| 10.32   | Transfer and Servicing Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Wells Fargo Bank Minnesota, N.A., and Nordstrom Private Label Credit Card Master Note Trust                | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.22                 |

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|       | Exhibit  | Method of Filing   |
|-------|--|--|
| 10.33 | Master Indenture dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee                    | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.23 |
| 10.34 | Series 2001-1 Indenture Supplement dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee  | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.24 |
| 10.35 | Series 2001-2 Indenture Supplement dated December 4, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.25 |
| 10.36 | Amended and Restated Trust Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, and Wilmington Trust Company, as trustee                    | Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.26 |
| 10.37 | Performance Undertaking dated September 28, 2001 between Registrant and Bank One, N.A.   | Filed herewith electronically  |
| 10.38 | Performance Undertaking dated December 4, 2001 between Registrant and Bank One, N.A.   | Filed herewith electronically  |
| 13.1  | 2001 Annual Report to Shareholders   | Filed herewith electronically  |
| 21.1  | Subsidiaries of the Registrant   | Filed herewith electronically  |
| 23.1  | Independent Auditors' Consent and Report on Schedule   | Filed as page 21 of this report  |

BYLAWS  
OF  
NORDSTROM, INC.

(Amended and Restated as of February 25, 2002)

ARTICLE I  
Offices

The principal office of the corporation in the state of Washington shall be located in the city of Seattle. The corporation may have such other offices, either within or without the state of Washington, as the Board of Directors may designate or as the business of the corporation may require from time to time.

The registered office of the corporation required by the Washington Business Corporation Act to be maintained in the state of Washington may be, but need not be, identical with the principal office in the state of Washington and the address of the registered office may be changed from time to time by the Board of Directors or by officers designated by the Board of Directors.

ARTICLE II  
Shareholders

Section 1. Annual Meetings. The annual meeting of the shareholders shall be held on the third Tuesday in the month of May each year, at the hour of 11:00 a.m., unless the Board of Directors shall have designated a different hour and day in the month of May to hold said meeting. The meeting shall be for the purpose of electing directors and the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the state of Washington and if the Board of Directors has not designated some other day in the month of May for such meeting, such meeting shall be held at the same hour and place on the next succeeding business day not a holiday. The failure to hold an annual meeting at the time stated in these Bylaws does not affect the validity of any corporate action. If the election of directors shall not be held on the day designated herein or by the Board of Directors for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be.

Section 2. Special Meetings. Special meetings of the shareholders may be called for any purpose or purposes, unless otherwise prescribed by statute, at any time by the Chairman (or any Co-Chairman) of the Board of Directors, by the President (or any Co-President) if there is not then a Chairman (or Co-Chairman) of the Board of Directors or by the Board of Directors and shall be called by the Chairman (or any Co-Chairman) of the Board of Directors or the President (or any Co-President) at the request of holders of not less than 15% of all outstanding shares of the corporation entitled to vote on any issue proposed to be considered at the meeting. Only

business within the purpose or purposes described in the meeting notice may be conducted at a special shareholder's meeting.

Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the state of Washington, as the place of meeting for any annual meeting or for any special meeting of the corporation. If no such designation is made, the place of meeting shall be the principal offices of the corporation in the state of Washington.

Section 4. Notice of Meetings. Written notice of annual or special meetings of shareholders stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by the Secretary, or persons authorized to call the meeting, to each shareholder of record entitled to vote at the meeting, not less than ten (10) nor more than sixty (60) days prior to the date of the meeting, unless otherwise prescribed by statute.

Section 5. Waiver of Notice. Notice of the time, place and purpose of any meeting may be waived in writing (either before or after such meeting) and will be waived by any shareholder by attendance of the shareholder in person or by proxy, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting. Any shareholder waiving notice of a meeting shall be bound by the proceedings of the meeting in all respects as if due notice thereof had been given.

Section 6. Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a record date for any such determination of shareholders, such date to be not more than seventy (70) days and, in the case of a meeting of shareholders, not less than ten (10) days, prior to the date on which the particular action requiring such determination of shareholders is to be taken. If no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the day before the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section, the determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 7. Voting Lists. After fixing a record date for a shareholders' meeting, the corporation shall prepare an alphabetical list of the names of all shareholders on the record date who are entitled to notice of the shareholders' meeting. The list shall show the address of and number of shares held by each shareholder. A shareholder, shareholder's agent, or a shareholder's attorney may inspect the shareholder list, at the shareholder's expense, beginning ten days prior to the shareholders' meeting and continuing through the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the

meeting will be held during regular business hours. The shareholder list shall be kept open for inspection at the time and place of such meeting or any adjournment.

Section 8. Quorum and Adjourned Meetings. Unless the Articles of Incorporation or applicable law provide otherwise, a majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. Once a share is represented at a meeting, other than to object to holding the meeting or transacting business, it is deemed to be present for the remainder of the meeting and any adjournment thereof unless a new record date is set or is required to be set for the adjourned meeting. A majority of the shares represented at a meeting, even if less than a quorum, may adjourn the meeting from time to time without further notice. At a reconvened meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the original meeting. Business may continue to be conducted at a duly organized meeting and at any adjournment of such meeting (unless a new record date is or must be set for the adjourned meeting), notwithstanding the withdrawal of enough shares from either meeting to leave less than a quorum.

Section 9. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by the shareholder's duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 10. Voting of Shares. Every shareholder of record shall have the right at every shareholders' meeting to one vote for every share standing in the shareholder's name on the books of the corporation. If a quorum exists, action on a matter, other than election of directors, is approved by the shareholders if the votes cast favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation or applicable law require a greater number of affirmative votes. Notwithstanding the foregoing, shares of the corporation may not be voted if they are owned, directly or indirectly, by another corporation and the corporation owns, directly or indirectly, a majority of shares of the other corporation entitled to vote for directors of the other corporation.

Section 11. Acceptance of Votes. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of a shareholder of the corporation, the corporation may accept the vote, consent, waiver or proxy appointment and give effect to it as the act of the shareholder if: (i) the shareholder is an entity and the name signed purports to be that of an officer, partner or agent of the entity; (ii) the name signed purports to be that of an administrator, executor, guardian or conservator representing the shareholder; (iii) the name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder; (iv) the name signed purports to be that of a pledgee, beneficial owner or attorney-in-fact of the shareholder; or (v) two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all co-owners.



Section 12. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any shareholder of the corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 10 and on the record date for the determination of shareholders entitled to vote at the annual meeting and (ii) who timely complies with the notice procedures and form of notice set forth in this Section 12.

To be timely, a shareholder's notice must be given to the Secretary of this corporation and must be delivered to or mailed and received at the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after the anniversary date, or no annual meeting was held in the immediately preceding year, notice by the shareholder in order to be timely must be so received no later than the close of business on the tenth (10th) days following the day on which the notice of the annual meeting date was mailed to shareholders.

To be in the proper form, a shareholder's notice must be in written form and must set forth (a) as to each person whom the shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations proxies for election of director pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Act") and the rules and regulations promulgated thereunder and (b) as to the shareholder giving the notice (i) the name and record address of the shareholder, (ii) the class or series and number of shares of capital stock of the corporation which are owned beneficially or by record by the shareholder, (iii) a description of all arrangements or understandings between the shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by the shareholder, (iv) a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person named in its notice, and (v) any other information relating to the shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. The notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 12. If the chairman of the annual meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and the defective nomination shall be disregarded.

Section 13. Business at Annual Meetings. No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the annual meeting by any shareholder of the corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 13 and on the record date for the determination of shareholders of record on the date for the determination of shareholders entitled to vote at the annual meeting and (ii) who timely complies with the notice procedures and form of notice set forth in this Section 13.

To be timely, a shareholder's notice must be given to the Secretary of the corporation and must be delivered to or mailed and received at the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after the anniversary date, notice by the shareholder in order to be timely must be so received no later than the close of business on the tenth (10th) day following the day on which the notice of the annual meeting date was mailed to shareholders.

To be in proper form, a shareholder's notice must be in written form and must set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for documenting the business at the annual meeting, (ii) the name and record address of the shareholder, (iii) the number of shares of capital stock of the corporation which are owned beneficially or of record by each shareholder, (iv) a description of all arrangements or understandings between the shareholder and any other person or persons (including their names) in connection with the proposal of the business and (v) a representation that the shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 13; provided, however, that, once the business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 13 shall be deemed to preclude discussion by any shareholder of any such business. If the chairman of the annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and the business shall not be transacted.

ARTICLE III  
Board of Directors

Section 1. General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction

of, its Board of Directors, except as may be otherwise provided in these Bylaws, the Amended and Restated Articles of Incorporation or the Washington Business Corporation Act.

Section 2. Number, Tenure and Qualifications. The number of directors of the corporation shall be nine (9). Each director shall hold office until the next annual meeting of shareholders and until his successors shall have been elected and qualified. Directors need not be residents of the state of Washington or shareholders of the corporation.

Section 3. Regular Meeting. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after and at the same place as, the annual meeting of shareholders. Regular meetings of the Board of Directors shall be held at such place and on such day and hour as shall from time to time be fixed by the Chairman (or any Co-Chairman) of the Board of Directors, the President (or any Co-President) or the Board of Directors. No other notice of regular meeting of the Board of Directors shall be necessary.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman (or any Co-Chairman) of the Board of Directors, the President (or any Co-President) or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the state of Washington, as the place for holding any special meeting of the Board of Directors called by them.

Section 5. Notice. Notice of any special meeting shall be given at least two days previously thereto by either oral or written notice. Any director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 6. Quorum. A majority of the number of directors fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 7. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 8. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. A vacancy on the Board of Directors created by reason of an increase in the number of directors may be filled by election by the Board of Directors for a term of the office continuing only until the next election of directors by the shareholders.

Section 9. Compensation. By resolution of the Board of Directors, each director may be paid his expenses, if any, of attendance at each meeting of the Board of Directors and at each meeting of a committee of the Board of Directors and may be paid a stated salary as director, a fixed sum for attendance at each such meeting, or both. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 10. Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting, or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof, or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 11. Committees. The Board of Directors, by resolution adopted by the greater of a majority of the Board of Directors then in office and the number of directors required to take action in accordance these Bylaws, may create standing or temporary committees, including an Executive Committee, and appoint members form its own number and invest such committees with such powers as it may see fit, subject to such conditions as may be prescribed by the Board of Directors, the Articles of Incorporation, these Bylaws and applicable law. Each committee must have two or more members, who shall serve at the pleasure of the Board of Directors.

Section 11.1. Authority of Committees. Except for the executive committee which, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolutions appointing the executive committee, each committee shall have and may exercise all of the authority of the Board of Directors to the extent provided in the resolution of the Board of Directors creating the committee and any subsequent resolutions adopted in like manner, except that no such committee shall have the authority to: (1) authorize or approve a distribution except according to a general formula or method prescribed by the Board of Directors, (2) approve or propose to shareholders sections or proposal required by the Washington Business Corporation Act to be approved by shareholders, (3) fill vacancies on the Board or any committee thereof, (4) amend the Articles of Incorporation pursuant to RCW 23B.10.020, (5) adopt, amend or repeal Bylaws, (6) approve a plan of merger not requiring shareholder approval, or (7) authorize or approve the issuance or sale or contact for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares except that the Board may authorize a committee or a senior executive officer of the corporation to do so within limits specifically prescribed by the Board.

Section 11.2. Removal. The Board of Directors may remove any member of any committee elected or appointed by it but only by the affirmative vote of the greater of a majority of the directors then in office and the number of directors required to take action in accordance with these Bylaws.

Section 11.3. Minutes of Meetings. All committees shall keep regular minutes of their meetings and shall cause them to be recorded in books kept for that purpose.

ARTICLE IV  
Special Measures Applying to Both  
Shareholder and Director Meetings

Section 1. Actions by Written Consent. Any corporate action required or permitted by the Articles of Incorporation, Bylaws, or the laws under which the corporation is formed, to be voted upon or approved at a duly called meeting of the directors, committee of directors, or shareholders may be accomplished without a meeting if one or more unanimous written consents of the respective directors or shareholders, setting forth the actions so taken, shall be signed, either before or after the action taken, by all the directors, committee members or shareholders, as the case may be. Action taken by unanimous written consent of the directors or a committee of the Board of Directors is effective when the last director or committee member signs the consent, unless the consent specifies a later effective date. Action taken by unanimous written consent of the shareholders is effective when all consents have been delivered to the corporation, unless the consent specifies a later effective date.

Section 2. Meetings by Conference Telephone. Members of the Board of Directors, members of a committee of directors, or shareholders may participate in their respective meetings by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time; participation in a meeting by such means shall constitute presence in person at such meeting.

Section 3. Written or Oral Notice. Oral notice may be communicated in person, or by telephone, wire or wireless equipment, which does not transmit a facsimile of the notice. Oral notice is effective when communicated. Written notice may be transmitted by mail, private carrier, or personal delivery; telegraph or teletype; or telephone, wire or wireless equipment which transmits a facsimile of the notice. Written notice to a shareholder is effective when mailed, if mailed with first class postage prepaid and correctly addressed to the shareholder's address shown in the corporation's current record of shareholders. In all other instances, written notice is effective on the earliest of the following: (a) when dispatched to the person's address, telephone number, or other number appearing on the records of the corporation by telegraph, teletype or facsimile equipment; (b) when received; (c) five days after deposit in the United States mail, as evidenced by the postmark, if mailed with first class postage, prepaid and correctly addressed; or (d) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested and the receipt is signed by or on behalf of the addressee. In addition, notice may be given in any manner not inconsistent with the foregoing provisions and applicable law.

ARTICLE V  
Officers

Section 1. Number. The offices and officers of the corporation shall be as designated from time to time by the Board of Directors. Such offices may include a Chairman or two or

more Co-Chairmen of the Board of Directors, a President or two or more Co-Presidents, one or more Vice Presidents, a Secretary and a Treasurer. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same persons.

Section 2. Election and Term of Office. The officers of the corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until a successor shall have been duly elected and qualified, or until the officer's death or resignation, or the officer has been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment, the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Chairman of the Board of Directors. The Chairman or Co-Chairmen of the Board of Directors, subject to the authority of the Board of Directors, shall preside at meetings of shareholders and directors and, together with the President and Co-Presidents, shall have general supervision and control over the business and affairs of the corporation. The Chairman or a Co-Chairman of the Board of Directors may sign any and all documents, deeds, mortgages, bonds, contracts, leases, or other instruments in the ordinary course of business with or without the signature of a second corporate officer, may sign certificates for shares of the corporation with the Secretary or Assistant Secretary of the corporation and may sign any documents which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general may perform all duties which are normally incident to the office of Chairman of the Board of Directors or President and such other duties, authority and responsibilities as may be prescribed by the Board of Directors from time to time.

Section 6. President. The President or Co-Presidents, together with the Chairman or Co-Chairmen of the Board of Directors, shall have general supervision and control over the business and affairs of the corporation subject to the authority of the Chairman or Co-Chairmen of the Board of Directors and the Board of Directors. The President or a Co-President may sign any and all documents, mortgages, bonds, contracts, leases, or other instruments in the ordinary course of business with or without the signature of a second corporate officer, may sign certificates for shares of the corporation with the Secretary or Assistant Secretary of the corporation and may sign any documents which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the corporation, or

shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties, authority and responsibilities as may be prescribed by the Chairman or Co-Chairmen of the Board of Directors or the Board of Directors from time to time.

Section 7. The Vice President. In the absence of the President and all Co-Presidents, or in the event of their death, inability or refusal to act, the Executive Vice President, if one is designated and otherwise the Vice Presidents in the order designated at the time of their election or in the absence of any designation, then in the order of their election, shall perform the duties of the President and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties as from time to time may be assigned to the Vice President by the Chairman or Co-Chairmen of the Board of Directors, President or any Co-President, or by the Board of Directors.

Section 8. The Secretary. The Secretary shall: (a) keep the minutes of the proceedings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents and the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholders; (e) sign with the Chairman or Co-Chairmen of the Board of Directors, President or a Co-President, or with a Vice President, certificates for shares of the corporation, or contracts, deeds or mortgages the issuance or execution of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation subject to the authority delegated to a transfer agent or registrar if appointed; and (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Chairman or Co-Chairmen of the Board of Directors, President or any Co-President, or by the Board of Directors.

Section 9. The Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for monies due and payable to the corporation from any source whatsoever and deposit all such monies in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article VII of these Bylaws; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Chairman or Co-Chairmen of the Board of Directors, President or any Co-President, or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 10. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the Chairman or Co-Chairmen of the Board of Directors, President or a Co-President, or with a Vice President, certificates for shares of the corporation or contracts, deeds or mortgages, the issuance or execution of which shall have

been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the Chairman or Co-Chairmen of the Board of Directors, President or any Co-President, or by the Board of Directors.

ARTICLE VI  
Contracts, Loans, Checks and Deposits

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks. Drafts. etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officers, agent or agents of the corporation and in such manner as shall from time to time be determined by the Board of Directors.

Section 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII  
Certificates for Shares and Their Transfer

Section 1. Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman (or any Co-Chairman) of the Board of Directors, the President (or any Co-President) or a Vice President and by the Secretary or an Assistant Secretary and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the corporation itself or one of its employees. If any officer who signed a certificate, either manually or in facsimile, no longer holds such office when the certificate is issued, the certificate is nevertheless valid. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or



mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation, or with its transfer agent, if any, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

ARTICLE VIII  
Fiscal Year

The fiscal year of the corporation shall begin on the first day of February and end on the thirty-first day of January in each year.

ARTICLE IX  
Dividends

The Board of Directors may, from time to time, declare and the corporation may pay dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its articles of incorporation.

ARTICLE X  
Corporate Seal

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

ARTICLE XI  
Indemnification of Directors, Officers and Others

Section 1. Right to Indemnification. Each person (including a person's personal representative) who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or by or in the right of the corporation, or otherwise (hereinafter a "proceeding") by reason of the fact that he or she (or a person of whom he or she is a personal representative) is or was a director or officer of the corporation or an officer of a division of the corporation, or is or was acting at the request of the corporation as a director, officer, partner, trustee, employee, agent or in any other relationship

or capacity whatsoever, of any other foreign or domestic corporation, partnership, joint venture, employee benefit plan or trust or other trust, enterprise or other private or governmental entity, agency, board, commission, body or other unit whatsoever (hereinafter an "indemnatee"), whether the basis of such proceeding is alleged action or inaction in an official capacity as a director, officer, partner, trustee, employee, agent or in any other relationship or capacity whatsoever, shall be indemnified and held harmless by the corporation to the fullest extent not prohibited by the Washington Business Corporation Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment does not prohibit the corporation from providing broader indemnification rights than prior to the amendment), against all expenses, liabilities and losses (including but not limited to attorneys' fees, judgments, claims, fines, ERISA and other excise and other taxes and penalties and other adverse effects and amounts paid in settlement), reasonably incurred or suffered by the indemnatee; provided, however, that no such indemnity shall indemnify any person from or on account of acts or omissions of such person finally adjudged to be intentional misconduct or a knowing violation of law, or from or on account of conduct of a director finally adjudged to be in violation of RCW 23B.08.310, or from or on account of any transaction with respect to which it was finally adjudged that such person personally received a benefit in money, property, or services to which the person was not legally entitled; and further provided, however, that except as provided in Section 2 of this Article with respect to suits relating to rights to indemnification, the corporation shall indemnify any indemnatee in connection with a proceeding (or part thereof) initiated by the indemnatee only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation.

The right to indemnification granted in this Article is a contract right and includes the right to payment by, and the right to receive reimbursement from, the corporation of all expenses as they are incurred in connection with any proceeding in advance of its final disposition (hereinafter an "advance of expenses"); provided, however, that an advance of expenses received by an indemnatee in his or her capacity as a director or officer of the corporation, as an officer of a division of the corporation, or, acting at the request of the corporation, as director or officer of any other foreign or domestic corporation, partnership, joint venture, employee benefit plan or trust or other trust, enterprise or other private or governmental entity, agency, board, commission, body or other unit whatsoever (and not in any other capacity in which service was or is rendered by such indemnatee unless such service was authorized by the Board of Directors) shall be made only upon (i) receipt by the corporation of a written undertaking (hereinafter an "undertaking") by or on behalf of such indemnatee, to repay advances of expenses if and to the extent it shall ultimately be determined by order of a court having jurisdiction (which determination shall become final upon expiration of all rights to appeal), hereinafter a "final adjudication", that the indemnatee is not entitled to be indemnified for such expenses under this Article, (ii) receipt by the corporation of written affirmation by the indemnatee of his or her good faith belief that he or she has met the standard of conduct applicable (if any) under the Washington Business Corporation Act necessary for indemnification by the corporation under this Article, and (iii) a determination of the Board of Directors, in its good faith belief, that the indemnatee has met the standard of conduct applicable (if any) under the Washington Business Corporation Act necessary for indemnification by the corporation under this Article.

Section 2. Right of Indemnitee to Bring Suit. If any claim for indemnification under Section 1 of this Article is not paid in full by the corporation within sixty days after a written claim has been received by the corporation, except in the case of a claim for an advance of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If the indemnitee is successful in whole or in part in any such suit, or in any suit in which the corporation seeks to recover an advance of expenses, the corporation shall also pay to the indemnitee all the indemnitee's expenses in connection with such suit. The indemnitee shall be presumed to be entitled to indemnification under this Article upon the corporation's receipt of indemnitee's written claim (and in any suits relating to rights to indemnification where the required undertaking and affirmation have been received by the corporation) and thereafter the corporation shall have the burden of proof to overcome that presumption. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or shareholders) to have made a determination prior to other commencement of such suit that the indemnitee is entitled to indemnification, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or shareholders) that the indemnitee is not entitled to indemnification, shall be a defense to the suit or create a presumption that the indemnitee is not so entitled. It shall be a defense to a claim for an amount of indemnification under this Article (other than a claim for advances of expenses prior to final disposition of a proceeding where the required undertaking and affirmation have been received by the corporation) that the claimant has not met the standards of conduct applicable (if any) under the Washington Business Corporation Act to entitle the claimant to the amount claimed, but the corporation shall have the burden of proving such defense. If requested by the indemnitee, determination of the right to indemnity and amount of indemnity shall be made by final adjudication (as defined above) and such final adjudication shall supersede any determination made in accordance with RCW 23B.08.550.

Section 3. Non-Exclusivity of Rights. The rights to indemnification (including, but not limited to, payment, reimbursement and advances of expenses) granted in this Article shall not be exclusive of any other powers or obligations of the corporation or of any other rights which any person may have or hereafter acquire under any statute, the common law, the corporation's Articles of Incorporation or Bylaws, agreement, vote of shareholders or disinterested directors, or otherwise. Notwithstanding any amendment to or repeal of this Article, any indemnitee shall be entitled to indemnification in accordance with the provisions hereof with respect to any acts or omissions of such indemnitee occurring prior to such amendment or repeal.

Section 4. Insurance, Contracts and Funding. The corporation may purchase and maintain insurance, at its expense, to protect itself and any person (including a person's personal representative) who is or was a director, officer, employee or agent of the corporation or who is or was a director, officer, partner, trustee, employee, agent, or in any other relationship or capacity whatsoever, of any other foreign or domestic corporation, partnership, joint venture, employee benefit plan or trust or other trust, enterprise or other private or governmental entity, agency, board, commission, body or other unit whatsoever, against any expense, liability or loss, whether or not the power to indemnify such person against such expense, liability or loss is now or hereafter granted to the corporation under the Washington Business Corporation Act. The corporation may enter into contracts granting indemnity, to any such person whether or not in furtherance of the provisions of this Article and may create trust funds, grant security interests

and use other means (including, without limitation, letters of credit) to secure and ensure the payment of indemnification amounts.

Section 5. Indemnification of Employees and Agents. The corporation may, by action of the Board of Directors, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agent of the corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the corporation or pursuant to rights granted under, or provided by, the Washington Business Corporation Act or otherwise.

Section 6. Separability of Provisions. If any provision or provisions of this Article shall be held to be invalid, illegal or unenforceable for any reason whatsoever (i) the validity, legality and enforceability of the remaining provisions of this Article (including without limitation, all portions of any sections of this Article containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Article (including, without limitation, all portions of any paragraph of this Article containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 7. Partial Indemnification. If an indemnitee is entitled to indemnification by the corporation for some or a portion of expenses, liabilities or losses, but not for the total amount thereof, the corporation shall nevertheless indemnify the indemnitee for the portion of such expenses, liabilities and losses to which the indemnitee is entitled.

Section 8. Successors and Assigns. All obligations of the corporation to indemnify any indemnitee: (i) shall be binding upon all successors and assigns of the corporation (including any transferee of all or substantially all of its assets and any successor by merger or otherwise by operation of law), (ii) shall be binding on and inure to the benefit of the spouse, heirs, personal representatives and estate of the indemnitee, and (iii) shall continue as to any indemnitee who has ceased to be a director, officer, partner, trustee, employee or agent (or other relationship or capacity).

## ARTICLE XII Books and Records

Section 1. Books of Accounts, Minutes and Share Register. The corporation shall keep as permanent records minutes of all meetings of its shareholders and Board of Directors, a record of all actions taken by the shareholders or Board of Directors without a meeting and a record of all actions taken by a committee of the Board of Directors exercising the authority of the Board of Directors on behalf of the corporation. The corporation shall maintain appropriate accounting records. The corporation or its agent shall maintain a record of its shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order showing the number and class of shares held by each. The corporation shall keep a copy of the

following records at its principal office: the Articles or Restated Articles of Incorporation and all amendments currently in effect; the Bylaws or Restated Bylaws and all amendments currently in effect; the minutes of all shareholders' meetings and records of all actions taken by shareholders without a meeting, for the past three years; its financial statements for the past three years, including balance sheets showing in reasonable detail the financial condition of the corporation as of the close of each fiscal year and an income statement showing the results of its operations during each fiscal year prepared on the basis of generally accepted accounting principles or, if not, prepared on a basis explained therein; all written communications to shareholders generally within the past three years; a list of the names and business addresses of its current directors and officers; and its most recent annual report delivered to the Secretary of State of the State of Washington.

Section 2. Copies of Resolutions. Any person dealing with the corporation may rely upon a copy of any of the records of the proceedings, resolutions, or votes of the Board of Directors or shareholders, when certified by the Chairman (or any Co-Chairman) of the Board of Directors, President (or any Co-President) or Secretary.

ARTICLE XIII  
Amendment of Bylaws

These Bylaws may be amended, altered, or repealed by the affirmative vote of a majority of the full Board of Directors at any regular or special meeting of the Board of Directors.

=====

\$300,000,000

AMENDED AND RESTATED  
REVOLVING CREDIT FACILITY

DATED AS OF NOVEMBER 20, 2001

AMONG

NORDSTROM, INC.,

AS BORROWER,

THE FINANCIAL INSTITUTIONS NAMED HEREIN,

AS LENDERS,

BANK OF AMERICA, N.A.,

AS ADMINISTRATIVE AGENT,

BANK ONE, NA,

AS SYNDICATION AGENT

AND

U.S. BANK NATIONAL ASSOCIATION,

AS DOCUMENTATION AGENT

=====

BANC OF AMERICA SECURITIES LLC,  
AS SOLE LEAD ARRANGER AND BOOK MANAGER

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AMENDED AND RESTATED  
CREDIT AGREEMENT

AMENDED AND RESTATED CREDIT AGREEMENT, dated as of November 20, 2001 (as amended, supplemented or otherwise modified from time to time, the "Agreement"), by and among NORDSTROM, INC., a Washington corporation (the "Borrower"), the banks and other financial institutions that either now or in the future are parties hereto (collectively the "Lenders" and each individually a "Lender"), BANK ONE, NA, as Syndication Agent (in such capacity, the "Syndication Agent"), U.S. BANK NATIONAL ASSOCIATION, as Documentation Agent (in such capacity, the "Documentation Agent"), and BANK OF AMERICA, N.A., as administrative agent for the Lenders (in such capacity, and any successor in such capacity, the "Agent"). The Lenders, the Syndication Agent, the Documentation Agent and the Agent are collectively referred to herein as the "Lender Parties" and each individually as a "Lender Party."

RECITALS

WHEREAS, the Borrower has requested that the Lenders provide a revolving credit facility in an aggregate amount of \$300,000,000 (the "Credit Facility") for the purposes hereinafter set forth;

WHEREAS, the Lenders have agreed to make the requested Credit Facility available to the Borrower on the terms and conditions hereinafter set forth; and

WHEREAS, this Agreement amends and restates the Existing Credit Agreement.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS AND RELATED MATTERS

SECTION 1.1. DEFINITIONS.

The following terms with initial capital letters have the following meanings:

"Absolute Rate" is defined in Section 2.2(b)(iii).

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. The term "control" means the possession, directly or indirectly, of the power, whether or not exercised, to direct or cause the direction of the management or policies of a Person, whether through the ownership of

Capital Stock, by contract or otherwise, and the terms "controlled" and "common control" have correlative meanings. Unless otherwise indicated, "Affiliate" refers to an Affiliate of the Borrower. Notwithstanding the foregoing, in no event shall any Lender Party or any Affiliate of any Lender Party be deemed to be an Affiliate of the Borrower. For the avoidance of doubt, the parties agree that, as of the date hereof, 1700 Seventh LP, a Washington limited partnership, is not an Affiliate of the Borrower.

"Agent" means Bank of America or any successor agent appointed in accordance with Section 8.9.

"Agent-Related Persons" means the Agent (including any successor administrative agent), together with its Affiliates (including, in the case of Bank of America in its capacity as the Agent, BAS), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Agent's Account" means the account of the Agent identified as such on Schedule 1.1(a), or such other account as the Agent may hereafter designate by notice to the Borrower and each Lender Party.

"Agent's Office" means the office of the Agent identified as such on Schedule 1.1(a), or such other office as the Agent may hereafter designate by notice to the Borrower and each Lender Party.

"Agreement" means this Credit Agreement as it may be amended or modified from time to time and including all Schedules and Exhibits.

"Applicable Law" means all applicable provisions of all (i) constitutions, treaties, statutes, laws, rules, regulations and ordinances of any Governmental Authority, (ii) Governmental Approvals and (iii) orders, decisions, judgments, awards and decrees of any Governmental Authority.

"Applicable Lending Office" means, with respect to any Lender, (i) in the case of any payment with respect to Euro-Dollar Rate Loans, such Lender's Euro-Dollar Lending Office and (ii) in the case of any payment with respect to Base Rate Loans or Bid Loans or any other payment under the Loan Documents, such Lender's Domestic Lending Office.

"Applicable Margin" means, at any time, with respect to Facility Fees, Utilization Fees, or Euro-Dollar Rate Loans, as applicable, the appropriate applicable percentage corresponding to the long term, senior, unsecured, non-credit enhanced debt rating of the Borrower in effect from time to time as shown below:

| Level | Long Term, Senior,<br>Unsecured, Non-Credit<br>Enhanced Debt Rating of Borrower | Applicable Margin for<br>Euro-Dollar Rate Loans | Applicable Margin<br>for Facility Fees | Applicable Margin<br>for Utilization Fees |
|-------|---|---|--|---|
| I.    | >= A from S&P<br>or<br>>= A2 from Moody's                                       | .320%   | 0.08%                                  | .100%                                     |
| II.   | >= A- but < A from S&P<br>or<br>>= A3 but < A2 from Moody's                     | .400%   | .100%                                  | .125%                                     |
| III.  | >= BBB+ but < A- from S&P<br>or<br>>= Baa1 but < A3 from Moody's                | .500%   | .125%                                  | .125%                                     |
| IV.   | >= BBB but < BBB+ from S&P<br>or<br>>= Baa2 but < Baa1 from Moody's             | .575%   | .175%                                  | .250%                                     |

V.

"Base Rate" means a fluctuating rate of interest per annum equal to the higher of (i) the Federal Funds Rate plus one-half of one percent (.50%) or (ii) the Prime Rate.

"Base Rate Loan" means a Revolving Loan, or portion thereof, that bears interest by reference to the Base Rate.

"Bid Loan" is defined in Section 2.2(a).

"Bid Loan Borrowing" is defined in Section 2.2(a).

"Bid Loan Note" means a Bid Loan Note made by the Borrower, in substantially the form of Exhibit 2.5(a)(ii), payable to the order of a Lender, evidencing the obligation of the Borrower to repay the Bid Loans made by such Lender, and includes any Bid Loan Note issued in exchange or substitution therefor.

"Bid Loan Quote" is defined in Section 2.2(b)(ii).

"Bid Loan Quote Request" is defined in Section 2.2(b)(i).

"Borrower" means Nordstrom, Inc., a Washington corporation, and its successors and permitted assigns.

"Borrower Account" means the account of the Borrower identified as such on Schedule 9.5, or such other account as the Borrower may hereafter designate by notice to the Agent, with the prior consent of the Agent (such consent not to be withheld, conditioned or delayed so long as the designation of such account would not prevent the Agent from satisfying its obligations hereunder in a timely manner).

"Borrowing" means a contemporaneous borrowing of Loans of the same Type.

"Business Day" means any day that (i) is not a Saturday, Sunday or other day on which banks in Seattle, Washington, San Francisco, California or Charlotte, North Carolina are authorized or obligated to close and (ii) if the applicable Business Day relates to any Euro-Dollar Rate Loans, is a Euro-Dollar Business Day.

"Capital Stock" means, with respect to any Person, all (i) shares, interests, participations or other equivalents (howsoever designated) of capital stock and other equity or ownership interests of such Person and (ii) rights (other than debt securities convertible into capital stock or other equity interests), warrants or options to acquire any such capital stock or other equity interests.

"Capitalized Leases" means, as to any Person, all leases of such Person of real or personal property that in accordance with GAAP are or should be capitalized on the balance sheet of such Persons. The amount of any Capitalized Lease shall be the capitalized amount thereof as determined in accordance with GAAP.

"Change of Control" means that any Person or two or more Persons acting in concert (other than the Controlling Stockholders) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 40% or more of the combined voting power of all Voting Stock of the Borrower.

"Closing Date" means the date of this Agreement.

"Code" means the Internal Revenue Code of 1986 and the rules and regulations promulgated thereunder, as amended, modified, succeeded or replaced from time to time.

"Compliance Certificate" is defined in Section 5.1(c).

"Contingent Obligation" means, as to any Person, any obligation, direct or indirect, contingent or otherwise, of such Person which does or would reasonably be expected to result in the direct payment of money (i) with respect to any Debt or other obligation of another Person, including any direct or indirect guarantee of such Debt (other than any endorsement for collection in the ordinary course of business) or any other direct or indirect obligation, by agreement or otherwise, to purchase or repurchase any such Debt or obligation or any security therefor, or to provide funds for the payment or discharge of any such Debt or obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), (ii) to provide funds to maintain the financial condition of any other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the holders of Debt or other obligations of another Person or (iv) otherwise to assure or hold harmless the holders of Debt or other obligations of another Person against loss in respect thereof. The amount of any Contingent Obligation shall be the greater of (a) the amount of the Debt or obligation guaranteed or otherwise supported thereby or (b) the maximum amount guaranteed or supported by the Contingent Obligation. The term "Contingent Obligation," as used with respect to the Borrower or any Subsidiary, shall not include (1) the obligations of the Borrower under any obligation which the Borrower does or may have to sell to, repurchase from or indemnify the purchaser with respect to accounts discounted or sold by the Borrower or any Subsidiary in the ordinary course of its business (but any such other obligation shall be excluded only to the extent that such other obligation is for the benefit, directly or indirectly, of any Person that is a Wholly-Owned Subsidiary (direct or indirect) of the Borrower); or (2) any obligation which a Subsidiary does or may have to sell to, repurchase from or indemnify the purchaser with respect to accounts discounted or sold by the Borrower or such Subsidiary in the ordinary course of its business (but any such other obligation shall be excluded only to the extent that such obligation is for the benefit, directly or indirectly, of any Person that is a Wholly-Owned Subsidiary (direct or indirect) of the Borrower); (3) supply, service or licensing agreements (A) between or among Nordstrom.com LLC, a Delaware limited liability company, and its successors on the one hand, and the Borrower or its other Subsidiaries, on the other hand, and

(B) between or among the Borrower or its Subsidiaries and any Affiliate(s), in each case, so long as such agreements comply with Section 6.6; (4) environmental indemnities routinely given as part of sale, lease or other disposition or acquisition of real estate, or (5) "indemnities" for attorneys' fees and costs which are incidental to another transaction and/or damages arising from breach of the terms of such transaction.

"Contractual Obligation" means, as applied to any Person, any provision of any security issued by that Person or of any indenture, agreement or other instrument to which that Person is a party or by which it or any of the properties owned or leased by it is bound or otherwise subject.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (irrespective of whether incorporated) that, together with the Borrower or any Subsidiary, are or were treated as a single employer under Section 414 of the Code.

"Controlling Stockholders" means the individuals listed on Schedule 1.1(b) hereto and the spouse and lineal descendants of any such individual.

"Coverage Ratio" is defined in Section 6.3(a).

"CP Adjusted LIBOR Rate" means with respect to any Euro-Dollar Rate Loan for any Interest Period that begins during the calendar month of December and ends on or after January 1 of the immediately succeeding calendar year, the rate per annum equal to the A1/P1 or A2/P2 (as applicable, based on the Borrower's then applicable commercial paper rating) non-financial commercial paper-index (as quoted by BAS and U.S. Bank, National Association).

"Debt" means, with respect to any Person, the aggregate amount of, without duplication: (i) all obligations for borrowed money (including, except as otherwise provided in subpart (iii) below, purchase money indebtedness) other than funds borrowed by the Borrower or any Subsidiary from the Borrower or another Subsidiary; (ii) all obligations evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations to pay the deferred purchase price of property or services, except trade accounts payable (which trade payables are deemed to include any consignment purchases) arising in the ordinary course of business that are not overdue; (iv) the principal portion of all obligations under (a) Capitalized Leases and (b) any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of such Person where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP; (v) all obligations of others secured by a Lien on any asset owned by such Person or Persons whether or not such obligation or liability is assumed; (vi) all obligations of such Person or Persons, contingent or otherwise, in respect of any letters of credit or bankers' acceptances; (vii) all Contingent Obligations; (viii) the aggregate amount paid to, or borrowed by, such Person as of such date under a sale of receivables or similar transaction (regardless of whether such transaction is effected without recourse to such

Person or in a manner that would not be reflected on the balance sheet of such Person in accordance with GAAP); (ix) all Debt of any partnership or unincorporated joint venture to the extent such Person is legally obligated with respect thereto; and (x) all net obligations with respect to interest rate protection agreements, foreign currency exchange agreements, commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements.

"Default" means any condition or event that, with the giving of notice or lapse of time or both, would, unless cured or waived, become an Event of Default.

"Documentation Agent" means U.S. Bank National Association or any successor thereto.

"Dollars" and "\$" mean lawful money of the United States of America.

"Domestic Lending Office" means the office, branch or Affiliate of any Lender identified on Schedule 1.1(a) as its Domestic Lending Office or such other office, branch or Affiliate as the Lender may hereafter designate as its Domestic Lending Office for one or more Types of Loans by notice to the Borrower and the Agent.

"EBITDAR" means, for any period with respect to the Borrower and its consolidated Subsidiaries, Net Income plus, to the extent deducted in determining such Net Income, the sum of (a) Interest Expense, (b) income tax expense, (c) depreciation expense, (d) amortization expense and (e) Rent Expense, in each case as determined in accordance with GAAP.

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

"ERISA Event" means (i) (a) the occurrence of a reportable event, within the meaning of Section 4043(c) of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC (provided that a reportable event arising from the disqualification of a Plan or the distress termination of a Plan under ERISA Section 4041(c) shall be deemed to be an ERISA Event without regard to any waiver of notice by the PBGC by regulation or otherwise), or (b) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (ii) an application is filed with the Internal Revenue Service for a minimum funding waiver under Section 412 of the Code with respect to a Plan; (iii) the provision by the administrator of a Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (iv) the cessation of operations at a facility of the Borrower or any member of the Controlled Group in the circumstances described in Section 4062(e) of ERISA; (v) the withdrawal by the

Borrower or any member of the Controlled Group from a Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (vi) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (vii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (viii) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Euro-Dollar Business Day" means any Business Day on which commercial banks are open for international business (including dealings in interbank Dollar deposits) in London, England.

"Euro-Dollar Lending Office" means the office, branch or Affiliate of any Lender identified on Schedule 1.1(a) as its Euro-Dollar Lending Office or, subject to the terms hereof, such other office, branch or Affiliate as such Lender may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Agent.

"Euro-Dollar Rate" means with respect to any Euro-Dollar Rate Loan (i) for any Interest Period beginning during the calendar month of December and ending on or after January 1 of the immediately succeeding calendar year, the greater of (a) the CP Adjusted LIBOR Rate or (b) the Euro-Dollar Rate determined pursuant to clause (ii) below, and (ii) for any other Interest Period, a rate per annum determined by the Agent to be equal to the quotient obtained by dividing (a) the Interbank Offered Rate by (b) 1 minus the Euro-Dollar Reserve Requirement.

"Euro-Dollar Rate Loan" means a Revolving Loan, or portion thereof, that bears interest at a rate determined by reference to a Euro-Dollar Rate (and as to which a single Interest Period is applicable).

"Euro-Dollar Reserve Requirement" means, for any day during any Interest Period, the reserve percentage (expressed as a decimal) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Federal Reserve Board of Governors for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"). The Euro-Dollar Rate for each outstanding Euro-Dollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Euro-Dollar Reserve Requirement.

"Event of Default" means any of the events specified in Section 7.1.

"Excluded Tax" means, with respect to any payment to any Lender Party, (i) any taxes imposed on or measured by the overall net income (including a franchise tax based on net income) of such Lender Party by any Governmental Authority or taxing authority



thereof or therein, and (ii) any taxes imposed on or measured by the overall net income (including a franchise tax based on net income) of such Lender Party or its Agent's Office or Applicable Lending Office in respect of which the payment is made, by any Governmental Authority in the jurisdiction in which it is incorporated, maintains its principal executive office or in which such Agent's Office or Applicable Lending Office is located.

"Existing Credit Agreement" means that certain Amended and Restated Credit Agreement, dated as of October 15, 1999, by and among the Borrower, the financial institutions party thereto as lenders thereunder and Bank of America, N.A., as agent for such lenders, as it has been amended, supplemented or otherwise modified from time to time.

"Existing Liens" means the Liens described on Schedule 1.1(c).

"Facility Fee" is defined in Section 2.6(a).

"Federal Funds Rate" means, for any period, a fluctuating per annum interest rate equal to, for each day during such period, (i) 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; or (ii) if the rate in clause (i) above is not so published for any day which is a Business Day, the Federal Funds Rate for such day shall be the discount rate charged to Bank of America by the Federal Reserve Bank on such day on such transactions as determined by the Agent.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any successor thereto.

"Fee Letter" means that certain letter agreement, dated as of September 21, 2001, among the Borrower, the Agent and BAS regarding certain fees relating to this Agreement, as the same may be amended, supplemented or otherwise modified in writing from time to time by the Borrower, the Agent and BAS.

"Fees" means, collectively, the fees defined in or referenced in Section 2.6.

"Fiscal Year" means the fiscal year of the Borrower, which shall be the 12 month-period ending on January 31 in each year or such other period as the Borrower may designate and the Agent may approve in writing. "Fiscal Quarter" or "fiscal quarter" means any quarter of a Fiscal Year.

"Funded Debt" means, with respect to any Person, the aggregate amount of, without duplication: (i) all obligations for borrowed money (including, except as otherwise provided in subpart (iii) below, purchase money indebtedness) other than funds borrowed by the Borrower or any Subsidiary from the Borrower or another Subsidiary;

(ii) all obligations evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations to pay the deferred purchase price of property or services, except trade accounts payable (which trade payables are deemed to include any consignment purchases) arising in the ordinary course of business that are not overdue; (iv) the principal portion of all obligations under (a) Capitalized Leases and (b) any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of such Person where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP; (v) all obligations of others secured by a Lien on any asset owned by such Person or Persons whether or not such obligation or liability is assumed; and (vi) the aggregate amount paid to, or borrowed by, such Person as of such date under a sale of receivables or similar transaction (regardless of whether such transaction is effected without recourse to such Person or in a manner that would not be reflected on the balance sheet of such Person in accordance with GAAP).

"Funding Date" means any date on which a Loan is (or is requested to be) made.

"GAAP" means generally accepted accounting principles as in effect in the United States of America from time to time and applied on a consistent basis.

"Governmental Approval" means an authorization, consent, approval, permit or license issued by, or a registration, qualification or filing with, any Governmental Authority.

"Governmental Authority" means any nation and any state or political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any tribunal or arbitrator of competent jurisdiction.

"Indemnified Liabilities" is defined in Section 9.2(a).

"Interbank Offered Rate" means for any Interest Period with respect to any Euro-Dollar Rate Loan: (i) the rate per annum equal to the rate determined by the Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period, or (ii) if the rate referenced in the preceding clause (i) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period.

"Interest Expense" means the consolidated interest expense (including the amortization of debt discount and premium, the interest component under Capitalized Leases and the implied interest component under synthetic leases, tax retention operating leases, off-balance sheet loans or similar off-balance sheet financing products) of the Borrower and its Subsidiaries, as determined in accordance with GAAP.

"Interest Period" means, subject to the conditions set forth below:

(i) with respect to each Euro-Dollar Rate Loan, the period commencing on the Funding Date specified in the related Notice of Borrowing or Notice of Conversion/Continuation and ending (subject to availability to all Lenders) one, two, three or six months thereafter, as the Borrower may elect, as applicable; and

(ii) with respect to any Bid Loan, the period commencing on the Funding Date specified in the related Bid Loan Quote Request and ending on any Business Day not less than seven and not more than 30 days thereafter, as the Borrower may request as provided in Section 2.2(b)(i).

Notwithstanding the foregoing: (a) if a Euro-Dollar Rate Loan is continued, the Interest Period applicable to the continued Euro-Dollar Rate Loan shall commence on the day on which the Interest Period applicable to such Euro-Dollar Rate Loan ends; (b) any Interest Period applicable to a Euro-Dollar Rate Loan (1) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day, unless such succeeding Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day or (2) that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month; and (c) no Interest Period shall end after the Maturity Date.

"Investment Agreement" means the Investment Agreement, dated as of October 8, 1984, between the Borrower and Nordstrom Credit, Inc., a Colorado corporation, as amended from time to time.

"Lender" means each of those banks and other financial institutions identified as such on the signature pages hereto and such other institutions that may become Lenders pursuant to Section 9.6(b).

"Lender Party" means each of the Lenders, the Agent, the Syndication Agent and the Documentation Agent.

"Leverage Margin" means, with respect to Euro-Dollar Rate Loans and Base Rate Loans outstanding during the fiscal quarter immediately following the dates set forth below, (i) if the actual Leverage Ratio as of such date is less than or equal to the corresponding Leverage Ratio set forth below or for any period subsequent to October 31, 2002, 0% and (ii) if the actual Leverage Ratio as of such date is greater than the corresponding Leverage Ratio set forth below, .125%.

| Last Day of Fiscal Quarter<br>-----                   | Leverage Ratio<br>----- |
|---|-------------------------|
| October 31, 2001, January 31, 2002 and April 30, 2002 | 4.5 to 1.0              |
| July 31, 2002   | 4.25 to 1.0             |
| October 31, 2002                                      | 4.00 to 1.0             |

"Leverage Ratio" is defined in Section 6.3(b).

"Lien" means any lien, mortgage, pledge, security interest, charge, or encumbrance of any kind (including any conditional sale or other title retention agreement or any lease in the nature thereof) and any agreement to give any lien, mortgage, pledge, security interest, charge, or other encumbrance of any kind.

"Loan" means a Base Rate Loan, Euro-Dollar Rate Loan or Bid Loan, each of which constitutes a "Type" of Loan.

"Loan Documents" means, collectively, this Agreement, the Notes, and any other agreement, instrument or other writing executed or delivered by the Borrower in connection herewith, and all amendments, exhibits and schedules to any of the foregoing.

"Margin Regulations" means Regulations T, U and X of the Federal Reserve Board, as amended from time to time, or any successor regulations.

"Margin Stock" means "margin stock" as defined in the Margin Regulations.

"Material Adverse Effect" or "Material Adverse Change" means (i) a material adverse effect on or (ii) a material adverse change in, as the case may be, any one or more of the following: (A) the business, assets, liabilities, results of operations or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole or (B) the ability of the Borrower to perform its obligations under any Loan Document to which it is a party or (C) the actual material rights and remedies of any Lender Party under any Loan Document.

"Material Contractual Obligation" means a Contractual Obligation, the violation of which could reasonably be expected to have a Material Adverse Effect.

"Maturity Date" means November 20, 2004.

"Moody's" means Moody's Investors Service, Inc. and any successor or assignee of the business of such company in the business of rating debt.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA.

"Net Income" means, for any period with respect to the Borrower and its consolidated Subsidiaries, net income (or net loss), excluding the effect of extraordinary or other non-recurring gains and losses, as determined in accordance with GAAP.

"Note" means a Revolving Loan Note or Bid Loan Note.

"Notice of Borrowing" is defined in Section 2.1(c)(i).

"Notice of Conversion/Continuation" is defined in Section 2.4(b)(ii).

"Notice of Responsible Officers" is defined in Section 2.1(c)(iii).

"Obligations" means all present and future obligations and liabilities of the Borrower of every type and description arising under or in connection with the Loan Documents due or to become due to the Lender Parties or any Person entitled to indemnification under the Loan Documents, or any of their respective successors, transferees or assigns, whether for principal, interest, Fees, expenses, indemnities or other amounts (including attorneys' fees and expenses) and whether due or not due, direct or indirect, joint and/or several, absolute or contingent, voluntary, or involuntary, liquidated or unliquidated, determined or undetermined, and whether now or hereafter existing, renewed or restructured.

"Participation" is defined in Section 9.6(c).

"PBGC" means the Pension Benefit Guaranty Corporation, as defined in Title IV of ERISA, or any successor.

"Permitted Liens" means, with respect to any asset, the Liens (if any) permitted to exist on such asset in accordance with Section 6.1.

"Person" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means, at any time, any employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and that is either (i) maintained by the Borrower or any member of a Controlled Group for employees of the Borrower or such Controlled Group or was formerly so

maintained and in respect of which the Borrower or any member of the Controlled Group could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated or (ii) maintained for employees of the Borrower or any member of the Controlled Group and at least one Person other than the Borrower and the members of the Controlled Group or was formerly so maintained and in respect of which the Borrower or any member of the Controlled Group could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Post-Default Rate" means (i) with respect to all Base Rate Loans and any other amounts (other than then outstanding Euro-Dollar Rate Loans) owing hereunder not paid when due, a rate per annum equal at all times to the rate otherwise applicable to Base Rate Loans plus 2.00% per annum, and (ii) with respect to each then outstanding Euro-Dollar Rate Loan, a rate per annum equal at all times to the rate otherwise applicable to such Euro-Dollar Rate Loan plus 2.00% per annum.

"Prime Rate" means the per annum rate of interest established from time to time by Bank of America as its "Prime Rate." Such rate is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Recourse Agreement" means the Recourse Agreement, dated as of March 1, 2001, between the Borrower and Nordstrom Credit, Inc., a Colorado corporation, for the benefit of Nordstrom fsb, a federal savings bank, as amended from time to time.

"Regulation D" means Regulation D of the Federal Reserve Board, as amended from time to time.

"Regulatory Change" means (i) the adoption or becoming effective after the date hereof of any treaty, law, rule or regulation, (ii) any change in any such treaty, law, rule or regulation (including Regulation D), or any change in the administration or enforcement thereof, by any Governmental Authority, central bank or other monetary, authority charged with the interpretation or administration thereof, in each case after the date hereof, or (iii) compliance after the date hereof by any Lender Party (or its Applicable Lending Office or, in the case of capital adequacy requirements, any holding company of any Lender Party) with any interpretation, directive, request, order or decree (whether or not having the force of law) of any such Governmental Authority, central bank or other monetary authority.

"Rent Expense" means the consolidated rent expense of the Borrower and its Subsidiaries, as determined in accordance with GAAP.

"Required Lenders" means Lenders having more than 50% of the Revolving Commitments or, if the Revolving Commitments have terminated, Lenders holding more

than 50% of the aggregate unpaid principal amount of the Loans.

"Responsible Officer" is defined in Section 2.1(c)(iii).

"Restricted Payment" means (i) any dividend or other distribution, direct or indirect, on account of any Capital Stock of the Borrower or any Subsidiary now or hereafter outstanding, except (a) a dividend or other distribution payable solely in shares or equivalents of Capital Stock of the same class as the Capital Stock on account of which the dividend or distribution is being paid or made, and (b) the issuance of equity interests upon the exercise of outstanding warrants, options or other rights, or (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any Capital Stock of the Borrower or any Subsidiary now or hereafter outstanding.

"Revolving Commitment" means, with respect to each Lender, the amount set forth for such Lender on Schedule 1.1(d), as modified or terminated from time to time pursuant to the terms hereof.

"Revolving Commitment Percentage" means, for each Lender, the percentage identified on Schedule 1.1(d) opposite such Lender's name, as such percentage may be modified in accordance with the terms hereof.

"Revolving Commitment Termination Date" is defined in Section 2.7(a).

"Revolving Committed Amount" means THREE HUNDRED MILLION DOLLARS (\$300,000,000), as such amount may be reduced in accordance with Section 2.7.

"Revolving Loan Note" means a Revolving Loan Note made by the Borrower, in substantially in the form of Exhibit 2.5(a)(i), payable to the order of a Lender, evidencing the obligation of the Borrower to repay the Revolving Loans made by such Lender and includes any Revolving Loan Note issued in exchange or substitution therefor.

"Revolving Loans" is defined in Section 2.1(a)(i).

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor or assignee of the business of such division in the business of rating debt.

"SEC" means the United States Securities and Exchange Commission, and any successor thereto.

"Senior Officer" means, with respect to the Borrower, the chairman of the board of directors, the president, the chief executive officer, the chief operating officer, the chief financial officer, or the vice president and treasurer of the Borrower.

"Solvent" and "Solvency" mean, with respect to any Person as of a particular date, that on such date (a) such Person is able to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (b) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature in their ordinary course, (c) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's assets would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is about to engage, (d) the fair value of the assets of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person and (e) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Subsidiary" means, with respect to any Person, any other Person of which more than 50% of the Voting Stock is at the time directly or indirectly owned by such first Person. Unless otherwise indicated, "Subsidiary" refers to a Subsidiary of the Borrower.

"Syndication Agent" means Bank One, NA or any successors thereto.

"Taxes" means any income, stamp, excise, property and other taxes, charges, fees, levies, duties, imposts, withholdings or other assessments, together with any interest and penalties, additions to tax and additional amounts imposed by any federal, state, local or foreign taxing authority upon any Person.

"Type" is defined in the definition of "Loan."

"Utilization Fee" is defined in Section 2.6(b).

"Voting Stock" means Capital Stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right to so vote has been suspended by the happening of such a contingency.

"Wholly-Owned" means, with respect to any Subsidiary, that all the Capital Stock (except for directors' qualifying shares) of such Subsidiary are directly or indirectly owned by the Borrower; provided, however, that with respect to Nordstrom.com LLC, such Subsidiary shall be deemed Wholly-Owned at such time as the Borrower, directly or indirectly, owns not less than 90% of all Capital Stock of such Subsidiary, the remaining Capital Stock being held by senior management or previous senior management of Nordstrom.com, LLC or its upstream owners.



SECTION 1.2. RELATED MATTERS.

(a) Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, the singular includes the plural, the part includes the whole, "including" is not limiting, and "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "hereto," "hereby," "hereunder" and similar terms in this Agreement refer to this Agreement as a whole (including the Preamble, the Recitals, the Schedules and the Exhibits) and not to any particular provision of this Agreement. References in this Agreement to "Articles," "Sections," "Subsections," "Exhibits," "Schedules," "Recitals" and "Preambles" are to this Agreement unless otherwise specified. References in this Agreement to any agreement, other document or law "as amended" or "as amended from time to time," or to amendments of any document or law, shall include any amendments, supplements, replacements, renewals, waivers or other modifications. References in this Agreement to any law (or any part thereof) include any rules and regulations promulgated thereunder (or with respect to such part) by the relevant Governmental Authority, as amended from time to time.

(b) Determinations. Any determination or calculation contemplated by this Agreement that is made by any Lender Party in good faith and reasonably shall be final and conclusive and binding upon the Borrower and, in the case of determinations by the Agent, also the other Lender Parties, in the absence of manifest error. All consents and other actions of any Lender Party contemplated by this Agreement may be given, taken, withheld or not taken in such Lender Party's discretion (whether or not so expressed), except as otherwise expressly provided herein.

(c) Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared on a consolidated basis in accordance with GAAP. In the event that any "Accounting Change" (as defined below) shall occur and such change results in a material change in the resulting financial covenants, standards or terms in this Agreement, then the Borrower and the Lender Parties agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Changes as they would be if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

(d) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY,

AND CONSTRUED IN ACCORDANCE WITH, THE LAWS (OTHER THAN THE RULES REGARDING CONFLICTS OF LAWS) OF THE STATE OF WASHINGTON.

(e) Headings. The Article and Section headings used in this Agreement are for convenience of reference only and shall not affect the construction hereof.

(f) Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable under Applicable Law in any jurisdiction, such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability, which shall not affect any other provisions hereof or the validity, legality or enforceability of such provision in any other jurisdiction.

(g) Time. All references to time herein shall be references to Pacific Standard Time or Pacific Daylight Time, as the case may be, unless specified otherwise.

## ARTICLE 2

### AMOUNTS AND TERMS OF THE CREDIT FACILITIES

#### SECTION 2.1. REVOLVING LOANS.

##### (a) General Terms.

(i) Each Lender severally agrees, upon the terms and subject to the conditions set forth in this Agreement, at any time from and after the Closing Date until the Business Day next preceding the Revolving Commitment Termination Date, to make revolving loans (each a "Revolving Loan") to the Borrower; provided that (A) the sum of all Revolving Loans outstanding plus all Bid Loans outstanding shall not exceed the Revolving Committed Amount and (B) with respect to each individual Lender, such Lender's pro rata share of outstanding Revolving Loans shall not exceed such Lender's Revolving Commitment Percentage of the Revolving Committed Amount.

(ii) Revolving Loans may be voluntarily prepaid pursuant to Section 2.8(c) and, subject to the provisions of this Agreement, any amounts so prepaid or otherwise repaid in accordance with their terms may be re-borrowed, up to the amount available under this Section 2.1 at the time of such reborrowing.

##### (b) Type of Loans and Amounts.

(i) Loans made under this Section 2.1 may be Base Rate Loans or Euro-Dollar Rate Loans, subject, however, to Sections 2.4(c) and 2.11.

(ii) Each Borrowing of Revolving Loans shall be in a minimum

aggregate amount of \$1,000,000 and integral multiples of \$100,000 in excess thereof, in the case of a Borrowing of Base Rate Loans, or a minimum aggregate amount of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof, in the case of a Borrowing of Euro-Dollar Rate Loans.

(c) Notice of Borrowing.

(i) When the Borrower desires to borrow Revolving Loans pursuant to this Section 2.1, it shall provide telephonic notice to the Agent followed promptly by a written Notice of Borrowing substantially in the form of Exhibit 2.1(c), duly completed and executed by a Responsible Officer (a "Notice of Borrowing"), (A) no later than 10:00 a.m. on the proposed Funding Date, in the case of a Borrowing of Base Rate Loans, or (B) no later than 10:00 a.m. at least three Euro-Dollar Business Days before the proposed Funding Date, in the case of a Borrowing of Euro-Dollar Rate Loans.

(ii) No Lender Party shall incur any liability to the Borrower or the other Lender Parties in acting upon any telephonic notice that such Lender Party believes to have been given by a Responsible Officer or for otherwise acting in good faith under this Section 2.1 and in making any Loan in accordance with this Agreement pursuant to any telephonic notice and, upon funding of Revolving Loans by any Lender in accordance with this Agreement pursuant to any such telephonic notice, the Borrower shall have effected Revolving Loans hereunder.

(iii) The Borrower shall notify the Agent of the names of its officers and employees authorized to request and take other actions with respect to Loans on behalf of the Borrower (each a "Responsible Officer") by providing the Agent with a Notice of Responsible Officers substantially in the form of Exhibit 2.1(c)(iii), duly completed and executed by a Senior Officer (a "Notice of Responsible Officers"). The Agent shall be entitled to rely conclusively on a Responsible Officer's authority to request and take other actions with respect to Loans on behalf of the Borrower until the Agent receives a new Notice of Responsible Officers that no longer designates such Person as a Responsible Officer. The Agent shall have no duty to verify the authenticity of the signature appearing on any Notice of Borrowing, Notice of Responsible Officers, Notice of Continuation/Conversion or any other notice given under the Loan Documents to the extent the Agent believes in good faith that such signature is of a Senior Officer or a Responsible Officer of the Borrower.

(iv) Any Notice of Borrowing (or telephonic notice) delivered pursuant to this Section 2.1 shall be irrevocable and, subject to Section 2.12(a), the Borrower shall be bound to make a Borrowing in accordance therewith.

(v) The Agent shall promptly notify each Lender of the contents of any Notice of Borrowing (or telephonic notice) received by it, and such Lender's pro rata portion of the Borrowing requested. Prior to 11:00 a.m. on the date

specified in such notice as the Funding Date, each Lender, subject to the terms and conditions hereof, shall make its pro rata portion of the Borrowing available, in Dollars and in immediately available funds, to the Agent at the Agent's Account.

(d) Funding. Not later than 1:00 p.m. on the applicable Funding Date or such later time as may be agreed to by the Borrower and the Agent, and subject to and upon satisfaction of the applicable conditions set forth in Article 3 as determined by the Agent, the Agent shall, upon receipt of the proceeds of the requested Loans, make such proceeds available to the Borrower in Dollars in immediately available funds in the Borrower Account.

(e) Several Obligations. No Lender shall be responsible for the failure or delay by any other Lender in its obligation to make Revolving Loans hereunder; provided, however, that the failure of any Lender to fulfill its obligations hereunder shall not relieve any other Lender of its obligations hereunder. Unless the Agent shall have been notified by any Lender prior to the date of any such Revolving Loan that such Lender does not intend to make available to the Agent its portion of the Revolving Loans to be made on such date, the Agent may assume that such Lender has made such amount available to the Agent on the date of such Loans, and the Agent, in reliance upon such assumption, may (in its sole discretion but without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Agent, the Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount upon the Agent's demand therefor, the Agent will promptly notify the Borrower, and the Borrower shall pay such corresponding amount to the Agent not later than the Business Day after receipt of such notice from the Agent. The Agent shall also be entitled to recover from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Agent to the Borrower to the date such corresponding amount is recovered by the Agent at a per annum rate equal to (i) from the Borrower at the applicable rate for such Revolving Loan pursuant to the Notice of Borrowing or (ii) from such Lender, at a rate per annum equal to, during the period to but excluding the date two Business Days after demand therefor, the Federal Funds Rate, and, thereafter, the Base Rate plus two percent (2%) per annum. Notwithstanding anything else contained in this Agreement or the other Loan Documents, in the event the Borrower is required to make any payment in accordance with this Section 2.1(e) which causes payment prior to the end of an Interest Period, such repayment shall be without any cost or fee described in Section 2.14.

#### SECTION 2.2. BID LOANS.

(a) General Terms. At any time prior to the Business Day immediately preceding the Revolving Commitment Termination Date, the Borrower may request the Lenders to make offers to make bid loans to the Borrower (each a "Bid Loan"); provided that (i) the sum of all Bid Loans outstanding plus all Revolving Loans outstanding shall not exceed the Revolving Committed Amount; (ii) the aggregate amount of Bid Loans

requested for any Funding Date and with the same Interest Period (each a "Bid Loan Borrowing") shall be at least \$2,000,000 and in integral multiples of \$1,000,000 in excess thereof; and (iii) all Interest Periods applicable to Bid Loans shall be subject to Section 2.4(c). The Lenders may, but shall have no obligation to, make such offers, and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.2.

(b) Bid Loan Procedures.

(i) When the Borrower wishes to request offers to make Bid Loans, it shall provide telephonic notice to the Agent (which shall promptly notify the Lenders) followed promptly by written notice substantially in the form of Exhibit 2.2(b)(i), duly completed and executed by a Responsible Officer (a "Bid Loan Quote Request"), so as to be received no later than 10:00 a.m. on the second Business Day before the proposed Funding Date (or such other time and date as the Borrower and the Agent, with the consent of the Required Lenders, may agree). Subject to Section 2.4(c), the Borrower may request offers for up to three different Bid Loan Borrowings in a single Bid Loan Quote Request, in which case such Bid Loan Quote Request shall be deemed a separate Bid Loan Quote Request for each such Borrowing. Except as otherwise provided in this Section 2.2, no Bid Loan Quote Request shall be given within five Business Days (or such other number of days as the Borrower and the Agent, with the consent of the Required Lenders, may agree) of any other Bid Loan Quote Request.

(ii) Each Lender may, but shall not be obligated to, in response to any Bid Loan Quote Request submit one or more written quotes substantially in the form of Exhibit 2.2(b)(ii), duly completed (each a "Bid Loan Quote"), each containing an offer to make a Bid Loan for the Interest Period requested and setting forth the Absolute Rate to be applicable to the Bid Loan; provided that (A) a Lender may make a single submission containing one or more Bid Loan Quotes in response to several Bid Loan Quote Requests given at the same time; and (B) the principal amount of the Bid Loan for which each such offer is being made shall be at least \$2,000,000 and multiples of \$1,000,000 in excess thereof; provided that the aggregate principal amount of all Bid Loans for which a Lender submits Bid Loan Quotes (1) may be greater or less than the Revolving Commitment of such Lender but (2) may not exceed the principal amount of the Bid Loan Borrowing for which offers were requested. Each Bid Loan Quote by a Lender other than the Agent must be submitted to the Agent by fax not later than 8:00 a.m. on the Funding Date (or such other time and date as the Borrower and the Agent, with the consent of the Required Lenders, may agree); provided that any Bid Loan Quote may be submitted by the Agent, in its capacity as a Lender, (or its Applicable Lending Office) only if the Agent (or such Applicable Lending Office) notifies the Borrower of the terms of the offer contained therein not later than 7:45 a.m. on the Funding Date. Subject to Sections 3 and 7.2, any Bid Loan Quote so made shall be irrevocable except with the consent of the Agent given on the instructions of the Borrower. Unless otherwise agreed by the Agent and the

Borrower, no Bid Loan Quote shall contain qualifying, conditional or similar language or propose terms other than or in addition to those set forth in the applicable Bid Loan Quote Request and, in particular, no Bid Loan Quote may be conditioned upon acceptance by the Borrower of all (or some specified minimum) of the principal amount of the Bid Loan for which such Bid Loan Quote is being made.

(iii) The Agent shall, as promptly as practicable after any Bid Loan Quote is submitted (but in any event not later than 8:30 a.m. on the Funding Date, or 7:45 a.m. on the Funding Date with respect to any Bid Loan Quote submitted by the Agent, in its capacity as a Lender, (or its Applicable Lending Office)), notify the Borrower of the terms (A) of any Bid Loan Quote submitted by a Lender that is in accordance with Section 2.2(b)(ii) and (B) of any Bid Loan Quote that amends, modifies or is otherwise inconsistent with a previous Bid Loan Quote submitted by such Lender with respect to the same Bid Loan Quote Request. Any subsequent Bid Loan Quote shall be disregarded by the Agent unless the subsequent Bid Loan Quote is submitted solely to correct a manifest error in a former Bid Loan Quote. The Agent's notice to the Borrower shall specify (1) the aggregate principal amount of the Bid Loan Borrowing for which offers have been received and (2) (A) the respective principal amounts and (B) the rates of interest (which shall be expressed as an absolute number and not in terms of a specified margin over the quoting Lender's cost of funds) (the "Absolute Rate") so offered by each Lender (identifying the Lender that made each such Bid Loan Quote).

(iv) Not later than 9:00 a.m. on the Funding Date (or such other time and date as the Borrower and the Agent, with the consent of each Lender that has submitted a Bid Loan Quote may agree), the Borrower shall notify the Agent of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.2(b)(iii) (and the failure of the Borrower to give such notice by such time shall constitute nonacceptance), and the Agent shall promptly notify each affected Lender. In the case of acceptance, such notice shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept any Bid Loan Quote in whole or in part; provided that (A) any Bid Loan Quote accepted in part shall be at least \$1,000,000 and multiples of \$1,000,000 in excess thereof; (B) the aggregate principal amount of each Bid Loan Borrowing may not exceed the applicable amount set forth in the related Bid Loan Quote Request; (C) the aggregate principal amount of each Bid Loan Borrowing shall be at least \$2,000,000 and multiples of \$1,000,000 and shall not cause the limits specified in Section 2.2(a) to be violated; (D) acceptance of offers may be made only in ascending order of Absolute Rates, beginning with the lowest rate so offered; and (E) the Borrower may not accept any offer where the Agent has advised the Borrower that such offer fails to comply with Section 2.2(b)(ii) or otherwise fails to comply with the requirements of this Agreement (including Section 2.2(a)). If offers are made by two or more Lenders with the same Absolute Rates for a greater aggregate principal amount than the

amount in respect of which offers are accepted for the related Interest Period, the principal amount of Bid Loans in respect of which such offers are accepted shall be allocated by the Borrower among such Lenders as nearly as possible (in amounts of at least \$1,000,000 and multiples of \$500,000 in excess thereof) in proportion to the aggregate principal amount of such offers. Determinations by the Borrower of the amounts of Bid Loans shall be conclusive in the absence of manifest error.

(v) Subject to the terms set forth in this Agreement, any Lender whose offer to make any Bid Loan has been accepted shall, prior to 10:00 a.m. on the date specified for the making of such Loan, make the amount of such Loan available to the Agent at the Agent's Account in immediately available funds, for the account of the Borrower. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, be made available to the Borrower on or before 11:00 a.m. on such date by depositing the same, in immediately available funds, in the Borrower Account.

#### SECTION 2.3. USE OF PROCEEDS.

The proceeds of the Loans shall be used by the Borrower only for general corporate purposes of the Borrower and its Subsidiaries (including loans made by the Borrower to its Subsidiaries), including the payment of commercial paper. No part of the proceeds of the Loans shall be used directly or indirectly for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock or maintaining or extending credit to others for such purpose or for any other purpose that otherwise violates the Margin Regulations. Notwithstanding the foregoing, the proceeds of the Loans shall not be used to finance any acquisition of all or substantially all of the Capital Stock of another Person unless the board of directors (or other comparable governing body) of such Person has duly approved such acquisition.

#### SECTION 2.4. INTEREST; INTEREST PERIODS; CONVERSION/CONTINUATION.

##### (a) Interest Rate and Payment.

(i) Each Loan shall bear interest on the unpaid principal amount thereof, from and including the date of the making of such Loan to and excluding the due date or the date of any repayment thereof, at the following rates per annum: (A) for so long as and to the extent that such Loan is a Base Rate Loan, at the Base Rate plus the Leverage Margin; (B) for so long as and to the extent that such Loan is a Euro-Dollar Rate Loan, at the Euro-Dollar Rate for each Interest Period applicable thereto plus the Applicable Margin plus the Leverage Margin; and (C) if such Loan is a Bid Loan, at the Absolute Rate quoted by the Lender making such Bid Loan pursuant to Section 2.2(b)(ii).

(ii) Notwithstanding the foregoing provisions of this Section 2.4(a), during the existence of an Event of Default, any principal, overdue interest or

other amount payable under this Agreement and the other Loan Documents shall bear interest at a rate per annum equal to the Post-Default Rate, without notice or demand of any kind.

(iii) Accrued interest shall be payable in arrears (A) in the case of a Base Rate Loan, on the last Business Day of each month; (B) in the case of a Euro-Dollar Rate Loan, on the last day of each Interest Period applicable thereto; provided that if the Interest Period applicable to a Euro-Dollar Rate Loan is longer than three months, interest also shall be payable on the last day of the third month of such Interest Period; (C) in the case of a Bid Loan, on the last day of the Interest Period applicable thereto; and (D) in the case of any Loan, when the Loan shall become due, whether by reason of maturity, mandatory prepayment, acceleration or otherwise. The Agent shall provide a billing to the Borrower setting forth the amount of interest payable in sufficient time for the Borrower to make timely payments of the correct amount without incurring any penalty or interest at the Post-Default Rate.

(b) Conversion or Continuation of Revolving Loans.

(i) Subject to this Section 2.4(b) and Sections 2.4(c) and 2.14, the Borrower shall have the option (A) at any time, to convert all or any part of its outstanding Base Rate Loans to Euro-Dollar Rate Loans, and (B) on the last day of the Interest Period applicable thereto, to (1) convert all or any part of its outstanding Euro-Dollar Rate Loans to Base Rate Loans, or (2) to continue all or any part of its Euro-Dollar Rate Loans as Loans of the same Type; provided that, in the case of clause (A) or (B) (2), there does not exist a Default or an Event of Default at such time. If a Default or an Event of Default shall exist upon the expiration of the Interest Period applicable to any Euro-Dollar Rate Loan, such Euro-Dollar Rate Loan automatically shall be converted into a Base Rate Loan.

(ii) If the Borrower elects to convert or continue a Revolving Loan under this Section 2.4(b), it shall provide telephonic notice to the Agent (which shall promptly notify, the Lenders) followed promptly by a written Notice of Conversion/Continuation substantially in the form of Exhibit 2.4(b)(ii), duly completed and executed by a Responsible Officer (a "Notice of Continuation/Conversion") (A) not later than 10:00 a.m. at least three Euro-Dollar Business Days before the proposed conversion or continuation date, if the Borrower proposes to convert into, or to continue, a Euro-Dollar Rate Loan, and (B) otherwise not later than 10:00 a.m. on the Business Day next preceding the proposed conversion or continuation date.

(iii) No Lender Party shall incur any liability to the Borrower or any other Lender Party in acting upon any telephonic notice that such Lender Party believes to have been given by a Responsible Officer or for otherwise acting in good faith under this Section 2.4(b) in converting or continuing any Loan (or a part thereof) pursuant to any telephonic notice.



(iv) Any Notice of Conversion/Continuation (or telephonic notice) shall be irrevocable and the Borrower shall be bound to convert or continue in accordance therewith. If any request for the conversion or continuation of a Loan is not made in accordance with this Section 2.4(b), or if no notice is so given with respect to a Euro-Dollar Rate Loan as to which the Interest Period expires, then such Euro-Dollar Rate Loan automatically shall be converted into a Base Rate Loan.

(v) Bid Loans may not be continued or converted but instead must be repaid in full at the end of the applicable Interest Period.

(c) Interest Periods and Minimum Amounts. Notwithstanding anything herein to the contrary, (i) all Interest Periods applicable to Euro-Dollar Rate Loans and Bid Loans shall comply with the definition of "Interest Period," and (ii) there may be no more than five different Interest Periods for all Euro-Dollar Rate Loans and Bid Loans outstanding at any one time. For purposes of the foregoing clause (ii), Interest Periods applicable to Loans of different Types shall constitute different Interest Periods even if they are coterminous.

(d) Computations. Interest on each Loan and all Fees and other amounts payable hereunder or under the other Loan Documents shall be computed on the basis of a 360-day year or, in the case of interest on Base Rate Loans that are based upon the Prime Rate, a 365 or 366-day year, as the case may be, for the actual number of days elapsed including the first day but excluding the last day on which such Loan is outstanding (it being understood and agreed that if a Loan is borrowed and repaid on the same day, one day's interest shall be payable with respect to such Loan). Any change in the interest rate on any Loan or other amount resulting from a change in the rate applicable thereto (or any component thereof, including the Applicable Margin or the Leverage Margin) pursuant to the terms hereof shall become effective as of the opening of business on the day on which such change in the applicable rate (or component) shall become effective. Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on all parties for all purposes, in the absence of manifest error.

(e) Maximum Lawful Rate of Interest. The rate of interest payable on any Loan or other amount shall in no event exceed the maximum rate of non-usurious interest permissible under Applicable Law. If the rate of interest payable on any Loan or other amount is ever reduced as a result of this Section 2.4(e) and at any time thereafter the maximum rate permitted by Applicable Law shall exceed the rate of interest provided for in this Agreement, then the rate provided for in this Agreement shall be increased to the maximum rate provided by Applicable Law for such period as is required so that the total amount of interest received by the Lenders is that which would have been received by the Lenders but for the operation of the first sentence of this Section 2.4(e).

SECTION 2.5. NOTES, ETC.

(a) Loans Evidenced by Notes. The Revolving Loans made by each Lender shall be evidenced by a single Revolving Loan Note payable to such Lender. The Bid Loans made by each Lender shall be evidenced by a single Bid Loan Note payable to such Lender. Each Note shall, by its terms, mature in accordance with the provisions of this Agreement applicable to the relevant Loans.

(b) Notation of Amounts and Maturities, Etc. Each Lender is hereby irrevocably authorized to record on the schedule attached to its Notes (or a continuation thereof) the information contemplated by such schedule. The failure to record, or any error in recording, any such information shall not, however, affect the obligations of the Borrower hereunder or under any Note to repay the principal amount of the Loans evidenced thereby, together with all interest accrued thereon. All such notations shall constitute conclusive evidence of the accuracy of the information so recorded, in the absence of manifest error.

SECTION 2.6. FEES.

(a) Facility Fee. The Borrower shall pay to the Agent, for the pro rata benefit of the Lenders, a per annum facility fee (the "Facility Fee") equal to the Applicable Margin for the Facility Fee, in effect from time to time, based upon the then Revolving Commitments, whether or not used, for each day from and after the Closing Date until the Revolving Commitment Termination Date. The Facility Fee shall be payable quarterly in arrears on the last day of each calendar quarter and on the Revolving Commitment Termination Date. The Agent shall provide a billing to the Borrower setting forth the amount of the Facility Fee payable in sufficient time for the Borrower to make timely payments of the correct amount without incurring any penalty or interest at the Post-Default Rate.

(b) Utilization Fee. If, on any day, the aggregate principal amount of all Loans outstanding exceeds 50% of the Revolving Committed Amount, the Borrower shall pay to the Agent, for the pro rata benefit of the Lenders, a per annum utilization fee (the "Utilization Fee") equal to (a) the Applicable Margin for the Utilization Fee, in effect from time to time, multiplied by (b) the aggregate principal amount of all Loans outstanding on such day. The Utilization Fee shall be payable quarterly in arrears on the last day of each calendar quarter and on the Revolving Commitment Termination Date. The Agent shall provide a billing to the Borrower setting forth the amount of each Utilization Fee payable in sufficient time for the Borrower to make timely payments of the correct amount without incurring any penalty or interest at the Post-Default Rate.

(c) Other Fees. On the Closing Date and from time to time thereafter as specified in the Fee Letter, the Borrower shall pay to the Agent the fees specified in the Fee Letter.

(d) Fees Non-Refundable. All Fees shall be fully earned when payable

hereunder or under the Fee Letter and shall be non-refundable.

#### SECTION 2.7. TERMINATION AND REDUCTION OF REVOLVING COMMITMENTS.

(a) Each Lender's Revolving Commitment shall terminate without further action on the part of such Lender on the earlier to occur of (i) the Maturity Date, and (ii) the date of complete (but not partial) termination of the Revolving Commitments pursuant to Section 2.7(b) or Section 7.2 (such earlier date being referred to herein as the "Revolving Commitment Termination Date").

(b) Upon not less than five Business Days' prior written notice to the Agent, the Borrower shall have the right, at any time or from time to time after the Closing Date, to terminate in whole or permanently reduce in part, without premium or penalty, the Revolving Committed Amount to an amount not less than the then aggregate principal amount of all outstanding Loans. Any such termination or partial reduction shall be effective on the date specified in the Borrower's notice, and any such partial reduction shall be in a minimum amount of \$10,000,000 and in integral multiples of \$1,000,000 in excess thereof.

#### SECTION 2.8. REPAYMENTS AND PREPAYMENTS.

(a) Repayment. The unpaid principal amount of all Loans, together with accrued but unpaid interest and all other sums owing thereunder shall be due and payable in full on the Revolving Commitment Termination Date.

(b) Excess Revolving Loans. If at any time the aggregate principal amount of all outstanding Loans exceeds the Revolving Committed Amount, the Borrower shall, not later than the Business Day after the Borrower learns or is notified of the excess, make mandatory prepayments of the Revolving Loans as may be necessary so that, after such prepayment, such excess is eliminated.

##### (c) Optional Prepayments.

(i) Subject to this Section 2.8(c), the Borrower may, at its option, at any time or from time to time, prepay Revolving Loans in whole or in part, without premium or penalty, provided that (A) any prepayment shall be in an aggregate principal amount of at least \$5,000,000 and in integral multiples of \$1,000,000 in excess thereof (or, alternatively, the whole amount of Revolving Loans then outstanding) and (B) any prepayment of a Euro-Dollar Rate Loan on a day other than the last day of the Interest Period applicable thereto shall be made together with the amounts payable pursuant to Section 2.14. Bid Loans may not be voluntarily prepaid at any time.

(ii) If the Borrower elects to prepay a Revolving Loan under this Section 2.8(c), it shall deliver to the Agent a notice of optional prepayment (A) with respect to a Base Rate Loan, not later than 10:00 a.m. on the proposed

repayment date or (B) with respect to a Euro-Dollar Rate Loan, not later than 10:00 a.m. at least three Euro-Dollar Business Days before the proposed prepayment date. Any notice of optional prepayment shall be irrevocable, and the payment amount specified in such notice shall be due and payable on the date specified in such notice, together with interest accrued thereon to such date.

(d) Payments Set Aside. To the extent the Agent or any Lender receives payment of any amount under the Loan Documents, whether by way of payment by the Borrower, set-off or otherwise, which payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, other law or equitable cause, in whole or in part, then, to the extent of such payment received, the Obligations or part thereof intended to be satisfied thereby shall be revived and continue in full force and effect.

#### SECTION 2.9. MANNER OF PAYMENT.

(a) Except as otherwise expressly provided, the Borrower shall make each payment under the Loan Documents to the Agent, in Dollars and in immediately available funds, without any deduction whatsoever, including any deduction for any setoff, recoupment, counterclaim, or defense at the Agent's Office, for the account of the Applicable Lending Offices of the Lenders entitled to such payment, by depositing such payment in the Agent's Account not later than 11:00 a.m. on the due date thereof. Any payments received after 11:00 a.m. on any Business Day shall be deemed received on the next succeeding Business Day. Not later than 12:00 Noon on the day such payment is made, the Agent shall deliver to each Lender, for the account of the Lender's Applicable Lending Office, in Dollars and in immediately available funds, such Lender's share of the payment so made. Delivery shall be made in accordance with the written instructions satisfactory to the Agent from time to time given to the Agent by each Lender.

(b) If the Agent shall fail to deliver to any other Lender Party its share of any payment received from the Borrower as and when required by Section 2.9(a), the Agent shall pay to such Lender its share of such payment together with interest on such amount at the Federal Funds Rate, for each day from the date such amount was required to be paid to such Lender until the date the Agent pays such amount to such Lender.

(c) Subject to Sections 2.10 and 7.3, all payments made by the Borrower under the Loan Documents shall be applied to the Obligations as the Borrower may direct; provided that if the Borrower does not provide any such direction to the Agent, all amounts paid or received shall be applied, subject to Section 2.10, as the Agent may reasonably deem appropriate.

(d) Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall instead be made on the next succeeding Business Day (subject to accrual of interest and fees for the period of extension), except that, in the case of Euro-Dollar Rate Loans, if the extension would cause the payment to be made in the next following calendar month, then such payment

shall instead be made on the preceding Business Day.

SECTION 2.10. PRO RATA TREATMENT.

Except to the extent otherwise expressly provided herein,

(a) Revolving Loans shall be made by the Lenders pro rata according to their respective Revolving Commitment Percentages.

(b) Each reduction of the Revolving Committed Amount and each payment of Revolving Loans, interest on Revolving Loans, Facility Fees and Utilization Fees shall be applied pro rata among the Lenders according to their respective Revolving Commitment Percentages.

(c) Each payment by the Borrower of principal of Bid Loans made as part of the same Borrowing shall be made and applied for the account of the Lenders holding such Bid Loans pro rata according to the respective unpaid principal amount of such Bid Loans owed to such Lenders and each payment by the Borrower of interest on Bid Loans shall be made and applied for the account of the Lenders holding such Bid Loans pro rata according to the respective accrued but unpaid interest on the Bid Loans owed to such Lenders.

SECTION 2.11. SHARING OF PAYMENTS.

The Lenders agree among themselves that, except to the extent otherwise provided herein, in the event that any Lender shall obtain payment in respect of any Loan, or any other obligation owing to such Lender under this Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its pro rata share of such payment as provided for in this Agreement, such Lender shall promptly pay in cash or purchase from the other Lenders a participation in such Loans and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by payment in cash or a repurchase of a participation theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. Except as otherwise expressly provided in this Agreement, if any Lender or the Agent shall fail to remit to any other Lender an amount payable by such Lender or the Agent to such other Lender pursuant to this Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other

similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 2.11 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 2.11 to share in the benefits of any recovery on such secured claim.

#### SECTION 2.12. MANDATORY SUSPENSION AND CONVERSION OF EURO-DOLLAR RATE LOANS.

Each Lender's obligation to make, continue or convert Loans into Euro-Dollar Rate Loans shall be suspended, all outstanding Euro-Dollar Rate Loans shall be converted into Base Rate Loans on the last day of the respective Interest Periods applicable thereto (or, if earlier, in the case of Section 2.12(b), on the last day that such Lender can lawfully continue to maintain Euro-Dollar Rate Loans) and all pending requests for the making or continuation of, or conversion into, Euro-Dollar Rate Loans shall be considered requests for the making or conversion into Base Rate Loans (or, in the case of requests for conversion, disregarded) on the same Funding Date or the end of the currently applicable Interest Period, as applicable, if:

(a) on or prior to the determination of the interest rate for a Euro-Dollar Rate Loan for any Interest Period, the Agent determines that for any reason appropriate quotations (as referenced in the definition of "Interbank Offered Rate" appearing in Section 1.1) are not available to the Agent in the relevant interbank market for purposes of determining the Euro-Dollar Rate or a Lender advises the Agent (which shall thereupon notify the Borrower and the other Lenders) that such rate would not accurately reflect the cost to such Lender of making, continuing, or converting a Loan into, a Euro-Dollar Rate Loan for such Interest Period; or

(b) after the date hereof a Lender notifies the Agent (which shall thereupon notify the Borrower and the other Lenders) of its determination that any Regulatory Change makes it unlawful or impossible for such Lender or its Euro-Dollar Lending Office to make or maintain any Euro-Dollar Rate Loan, or to comply with its obligations hereunder in respect thereof.

#### SECTION 2.13. REGULATORY CHANGES.

(a) Increased Costs. If, on or after the date hereof, any Regulatory Change shall impose, modify, or deem applicable any reserve, special deposit, compulsory loan, insurance or similar requirement (other than any such requirement with respect to any Euro-Dollar Rate Loan to the extent included in the Euro-Dollar Reserve Requirement), against, or any fees or charges in respect of, assets held by, deposits with or other liabilities for the account of, commitments of, advances or Loans by or other credit extended by, any Lender Party (or its Applicable Lending Office) or shall impose on any Lender Party (or its Applicable Lending Office) or on the relevant interbank market any other condition affecting any Euro-Dollar Rate Loan, or any obligation to make Euro-Dollar Rate Loans, and the effect of the foregoing is (i) to increase the cost to such Lender Party (or its Applicable Lending Office) of making, issuing, renewing or maintaining any Euro-Dollar Rate Loan or its Revolving Commitment in respect thereof or (ii) to reduce the amount of any sum received or receivable by such Lender Party (or

its Applicable Lending Office) hereunder or under any other Loan Document with respect thereto, then, the Borrower shall from time to time pay to such Lender Party, within 15 days after request by such Lender Party, such additional amounts as are necessary, in such Lender Party's reasonable determination, to compensate such Lender Party for such increased cost or reduction; provided, however, that if the Euro-Dollar Lending Office of any affected Lender is other than the affected Lender's main office, before giving such notice, such affected Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not be otherwise materially disadvantageous to such Lender.

(b) Capital Costs. If a Regulatory Change after the date hereof regarding capital adequacy (including the adoption or becoming effective of any treaty, law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards") has or would have the effect of reducing the rate of return on the capital of or maintained by any Lender Party or any company controlling such Lender Party as a consequence of such Lender Party's Loans or obligations hereunder and other commitments of this type to a level below that which such Lender Party or company could have achieved but for such Regulatory Change (taking into account such Lender Party's or company's policies with respect to capital adequacy), then the Borrower shall from time to time pay to such Lender Party, within 15 days after request by such Lender Party, such additional amounts as are necessary in such Lender Party's reasonable determination to compensate such Lender Party or company for such reduction in return, to the extent such Lender Party or company determines such reduction to be attributable to the existence of obligations for the account of the Borrower.

#### SECTION 2.14. COMPENSATION FOR FUNDING LOSSES.

The Borrower shall pay to any Lender, upon demand by such Lender, such amount or amounts as such Lender reasonably determines is or are necessary to compensate it for any loss, cost, expense or liabilities incurred (including any loss, cost, expense or liability incurred by reason of the liquidation or redeployment of deposits) by it as a result of (a) any payment, prepayment or conversion of any Euro-Dollar Rate Loan for any reason (including by reason of a prepayment pursuant to Section 2.8(b) or an acceleration pursuant to Section 7.2, but excluding any prepayment pursuant to Section 2.1(e)) on a date other than the last day of an Interest Period applicable to such Euro-Dollar Rate Loan, or (b) any Euro-Dollar Rate Loan for any reason not being made (other than a wrongful failure to fund by such Lender or failure to make such a Loan due to circumstances described in Section 2.12), converted or continued, or any payment of principal of or interest thereon not being made, on the date therefor determined in accordance with the applicable provisions of this Agreement. Notwithstanding the foregoing, the Borrower shall not be responsible to any Lender for any costs hereunder that result from the application of Section 2.12 or from any wrongful actions or omissions or default (including under Section 2.1(e)) of such Lender.

SECTION 2.15. CERTIFICATES REGARDING YIELD PROTECTION, ETC.

Any request by any Lender Party for payment of additional amounts pursuant to Sections 2.13, 2.14 and 2.16 shall be accompanied by a certificate of such Lender Party setting forth the basis and amount of such request. In determining the amount of such payment, such Lender Party may use such reasonable attribution or averaging methods as it deems appropriate and practical.

SECTION 2.16. TAXES.

(a) Tax Liabilities Imposed on a Lender. Any and all payments by the Borrower hereunder or under any of the Loan Documents shall be made, in accordance with the terms hereof and thereof, subject to the provisions of this Section 2.16 and Section 2.17, free and clear of and without deduction for any and all Taxes other than Excluded Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.16) such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law, and (iv) the Borrower shall deliver to such Lender evidence of such payment to the relevant Governmental Authority. Notwithstanding any other provision of this Section 2.16, the Borrower shall not be required to pay any additional amounts pursuant to this Section 2.16(a) with respect to Taxes that are attributable to such Lender's failure to fully comply with Section 2.16(c) and/or the certifications provided by such Lender being inaccurate.

(b) Other Taxes. In addition, the Borrower agrees to pay, upon written notice from a Lender and prior to the date when penalties attach thereto, all other Taxes (other than Excluded Taxes) that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement.

(c) Foreign Lender. Each Lender (which, for purposes of this Section 2.16, shall include any Affiliate of a Lender that makes any Euro-Dollar Loan pursuant to the terms of this Agreement) that is not a "United States person" (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Agent on or before the Closing Date (or, in the case of a Person that becomes a Lender after the Closing Date by assignment, promptly upon such assignment), two duly completed and signed copies of (A) either (1) Form W-8BEN or Form W-8ECI of the United States Internal Revenue Service, or a successor applicable form, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces to zero the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States, or (B) an Internal Revenue Service Form W-8 or W-9, or a successor applicable form, entitling such Lender to receive a complete exemption from



United States backup withholding tax. Each such Lender shall, from time to time after submitting either such form, submit to the Borrower and the Agent such additional duly completed and signed copies of such forms (or such successor forms or other documents as shall be adopted from time to time by the relevant United States taxing authorities) as may be (1) reasonably requested in writing by the Borrower or the Agent and (2) appropriate under then current United States laws or regulations. Upon the reasonable request of the Borrower or the Agent, each Lender that has not provided the forms or other documents, as provided above, on the basis of being a United States person shall submit to the Borrower and the Agent a certificate to the effect that it is such a "United States person."

SECTION 2.17. APPLICABLE LENDING OFFICE; DISCRETION OF LENDERS AS TO MANNER OF FUNDING.

Each Lender may make, carry or transfer Euro-Dollar Rate Loans at, to, or for the account of an Affiliate of the Lender, provided that such Lender shall not be entitled to receive, nor shall the Borrower be required to pay, any greater amount under Sections 2.13 or 2.16 as a result of the transfer of any such Loan than such Lender would be entitled to receive, or the Borrower obligated to pay, immediately prior thereto unless (a) such transfer occurred at a time when circumstances giving rise to the claim for such greater amount did not exist or (b) such claim would have arisen even if such transfer had not occurred. Notwithstanding any other provision of this Agreement, each Lender shall be entitled to fund and maintain its funding of all or any part of its Euro-Dollar Rate Loans in any manner it sees fit, it being understood, however, that for purposes of this Agreement, all determinations hereunder shall be made as if each Lender had actually funded and maintained each Euro-Dollar Rate Loan through the purchase of deposits in the relevant interbank market having a maturity corresponding to such Loan's Interest Period and bearing interest at the applicable rate.

ARTICLE 3

CONDITIONS TO LOANS

SECTION 3.1. CLOSING CONDITIONS.

The obligation of the Lenders to enter into this Credit Agreement shall be subject to satisfaction (or waiver) of the following conditions:

(a) Loan Documents. The Agent shall have received duly executed copies of (i) this Agreement and (ii) the Notes, all of which shall be in form and substance satisfactory to the Agent.

(b) Corporate Documents. The Agent shall have received the following:

(i) Charter Documents. Copies of the articles or certificate of incorporation of the Borrower certified to be true and complete as of a recent date by

the appropriate Governmental Authority of the state of its incorporation and certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(ii) Bylaws. A copy of the bylaws of the Borrower certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(iii) Resolutions. Copies of resolutions of the board of directors of the Borrower or an authorized committee thereof, approving and adopting the transactions contemplated herein and authorizing execution and delivery of the Loan Documents, certified by a secretary or assistant secretary of the Borrower to be true and correct and in full force and effect as of the Closing Date.

(iv) Good Standing. Copies of a certificate of good standing, existence or its equivalent with respect to the Borrower certified as of a recent date by the appropriate Governmental Authority of the state of its incorporation.

(v) Incumbency. An incumbency certificate of the Borrower certified by a secretary or assistant secretary of the Borrower to be true and correct as of the Closing Date.

(c) Opinion of Counsel. The Agent shall have received an opinion or opinions (which shall cover, among other things, authority, legality, validity, binding effect and enforceability), satisfactory to the Agent, addressed to the Lender Parties and dated as of the Closing Date, from legal counsel to the Borrower.

(d) Closing Officer's Certificate. The Agent shall have received a certificate executed by the chief financial officer of the Borrower in the form of Exhibit 3.1(d).

(e) Material Adverse Change. There shall not have occurred a Material Adverse Change since January 31, 2001.

(f) Litigation. Except as disclosed in Schedule 4.5, there are no actions, suits or proceedings pending or, to the best knowledge of the Borrower, threatened against or affecting the Borrower, any Subsidiary or any of its properties before any Governmental Authority (i) in which there is a reasonable possibility of an adverse determination that could result in a material liability or have a Material Adverse Effect or (ii) that in any manner draws into question the validity, legality or enforceability of any Loan Document or any transaction contemplated thereby.

(g) Fees, Expenses and Interest Paid. The Borrower shall have paid all Fees and expenses due and owing pursuant to the terms of this Agreement for which the Borrower shall have been billed on or before the Closing Date.

(h) General. All other documents and legal matters in connection with the

transactions contemplated by this Agreement shall have been delivered or executed or recorded in form and substance satisfactory to the Agent, and the Agent shall have received all such counterpart originals or certified copies thereof as the Agent may reasonably request.

#### SECTION 3.2. CONDITIONS PRECEDENT TO LOANS.

The obligation of the Lenders to make any Loan on any Funding Date shall be subject to the following conditions precedent:

(a) Closing Date. The conditions precedent set forth in Section 3.1 shall have been satisfied or waived in writing by the Lenders as of the Closing Date.

(b) Notice of Borrowing. The Borrower shall have delivered to the Agent, (i) in the case of a Revolving Loan, a Notice of Borrowing, duly executed and completed in accordance with Section 2.1, and the Borrower shall have otherwise complied with all of the terms of Section 2.1 or (ii) in the case of a Bid Loan, a Bid Loan Quote Request, duly executed and completed, in accordance with Section 2.2, and the Borrower shall have otherwise complied with all of the terms of Section 2.2.

(c) Representations and Warranties. All of the representations and warranties of the Borrower contained in the Loan Documents shall be true and correct in all material respects on and as of the Funding Date as though made on and as of that date.

(d) No Default. No Default or Event of Default shall exist or result from the making of the Loan.

(e) Satisfaction of Conditions. Each borrowing of a Loan shall constitute a representation and warranty by the Borrower as of the Funding Date that the conditions contained in Sections 3.2(c) and 3.2(d) have been satisfied.

### ARTICLE 4

#### REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender Parties as follows:

##### SECTION 4.1. ORGANIZATION, POWERS AND GOOD STANDING.

Each of the Borrower and, except as would not reasonably be expected to have a Material Adverse Effect, its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, as shown on Schedule 4.1, and (b) has all requisite power and authority and the legal right to own and operate its properties, to carry on its business as heretofore conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated hereby and thereby. Except as would not reasonably be expected

to have a Material Adverse Effect, each of the Borrower and its Subsidiaries possesses all Governmental Approvals, in full force and effect, free from burdensome restrictions, that are necessary for the ownership, maintenance and operation of its properties and conduct of its business as now conducted, and is not in violation thereof. Each of the Borrower and its Subsidiaries is duly qualified, in good standing and authorized to do business in each state or other jurisdiction where the nature of its business activities conducted or properties owned or leased requires it to be so qualified and where any failure to be so qualified, individually or in the aggregate, could have a Material Adverse Effect. All Subsidiaries of the Borrower are listed on Schedule 4.1, which may be updated by the Borrower from time to time.

#### SECTION 4.2. AUTHORIZATION, BINDING EFFECT, NO CONFLICT, ETC.

(a) Authorization, Binding Effect, Etc. The execution, delivery and performance by the Borrower of each Loan Document have been duly authorized by all necessary corporate action on the part of the Borrower; and each such Loan Document has been duly executed and delivered by the Borrower and is the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, except as enforcement may be limited by equitable principles and by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to creditors' rights generally.

(b) No Conflict. The execution, delivery and performance by the Borrower of each Loan Document, and the consummation of the transactions contemplated thereby, do not and will not (i) violate any provision of the charter or other organizational documents of the Borrower, (ii) except for consents that have been obtained and are in full force and effect, conflict with, result in a breach of, or constitute (or, with the giving of notice or lapse of time or both, would constitute) a default under, or require the approval or consent of any Person pursuant to, any Material Contractual Obligation of the Borrower (including the Investment Agreement), (iii) violate any Applicable Law binding on the Borrower, or (iv) result in or require the creation or imposition of any Lien on any assets or properties of the Borrower or any of its Subsidiaries.

(c) Governmental Approvals. No Governmental Approval is or will be required in connection with the execution, delivery and performance by the Borrower of any Loan Document or the transactions contemplated thereby.

#### SECTION 4.3. FINANCIAL INFORMATION.

(a) The balance sheets of the Borrower and its consolidated Subsidiaries as of January 31, 2000 and January 31, 2001 and the related statements of earnings, stockholder's equity and cash flow for the Fiscal Years then ended, certified by the Borrower's independent certified public accountants, which are included in the Borrower's Annual Report on Form 10-K for the Fiscal Year ended January 31, 2001, were prepared in accordance with GAAP consistently applied and fairly present the financial position of the Borrower and its consolidated Subsidiaries as of the respective dates thereof and the results of operations and cash flow for the periods then ended. Neither the Borrower nor any of its consolidated Subsidiaries on such dates had any

liabilities for Taxes or long-term leases, forward or long-term commitments or unrealized losses from any unfavorable commitments that are not reflected in the foregoing statements or in the notes thereto and that, individually or in the aggregate, are material.

(b) The unaudited balance sheet of the Borrower and its consolidated Subsidiaries as of July 31, 2001 and the related statements of earnings, stockholder's equity and cash flow for the periods then ended, certified by the chief financial officer of the Borrower, which are included in the Borrower's Quarterly Report on Form 10-Q for the Fiscal Quarter ended July 31, 2001, were prepared in accordance with GAAP consistently applied (except to the extent noted therein) and fairly present the financial position of the Borrower and its consolidated Subsidiaries as of such date and the results of operations and cash flow for the periods covered thereby, subject to normal year-end audit adjustments. Neither the Borrower nor any of its consolidated Subsidiaries on such date had any liabilities for Taxes or long-term leases, forward or long-term commitments or unrealized losses from any unfavorable commitments that are not reflected in the foregoing statements or in the notes thereto and that, individually or in the aggregate, are material.

#### SECTION 4.4. NO MATERIAL ADVERSE CHANGES.

Since January 31, 2001, there has been no Material Adverse Change.

#### SECTION 4.5. LITIGATION.

Except as disclosed in Schedule 4.5, there are no actions, suits or proceedings pending or, to the best knowledge of the Borrower, threatened against or affecting the Borrower, any Subsidiary or any of its properties before any Governmental Authority (a) in which there is a reasonable possibility of an adverse determination that could result in a material liability or have a Material Adverse Effect or (b) that in any manner draws into question the validity, legality or enforceability of any Loan Document or any transaction contemplated thereby.

#### SECTION 4.6. AGREEMENTS: APPLICABLE LAW.

Neither the Borrower nor any Subsidiary is in violation of any Applicable Law, or in default under its charter documents, bylaws or other organizational or governing documents or any of its Material Contractual Obligations.

#### SECTION 4.7. TAXES.

All United States federal income tax returns and all other material tax returns required to be filed by the Borrower or any Subsidiary have been filed and all Taxes due pursuant to such returns have been paid, except such Taxes, if any, as are being contested in good faith and as to which adequate reserves have been established in accordance with GAAP. To the best knowledge of the Borrower, there has not been asserted or proposed to be asserted any Tax deficiency against the Borrower or any Subsidiary that would be material to the Borrower and its Subsidiaries taken as a whole and that is not reserved against on the financial books of the

Borrower.

#### SECTION 4.8. GOVERNMENTAL REGULATION.

The Borrower is neither an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or a company controlled by such a company, nor is the Borrower subject to any federal or state, statute or regulation limiting its ability to incur Debt for money borrowed (other than the Margin Regulations).

#### SECTION 4.9. MARGIN REGULATIONS.

Neither the Borrower nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying Margin Stock. The value of all Margin Stock held by the Borrower and its Subsidiaries constitutes less than 25% of the value, as determined in accordance with the Margin Regulations, of all assets of the Borrower. The proceeds of the Loans have been used solely in accordance with Section 2.3.

#### SECTION 4.10. EMPLOYEE BENEFIT PLANS.

The Borrower and all members of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA with respect to each Plan and have not incurred any liability to the PBGC in connection with any Plan.

During the five-year period prior to the date this representation is made or deemed made, no ERISA Event has occurred and is continuing with respect to any Plan (whether or not terminated). Neither the Borrower nor any member of the Controlled Group is required to make or accrue a contribution or has within any of the preceding five plan years made or accrued an obligation to make contributions to any Multiemployer Plan. The fair market value of the assets of each Plan is at least equal to the present value of the "benefit liabilities" (within the meaning of Section 4001(a)(16) of ERISA), whether or not vested, under such Plan determined in accordance with Financial Accounting Standards Board Statement 87 using the actuarial assumptions and methods used by the actuary to such Plan in its valuation of such Plan.

#### SECTION 4.11. DISCLOSURE.

All information in any document, certificate or written statement furnished to the Lender Parties by or on behalf of the Borrower with respect to the business, assets, prospects, results of operation or financial condition of the Borrower or any Subsidiary for use in connection with the transactions contemplated by this Agreement has been true and correct in all material respects on and as of the date made or given and has not omitted a material fact necessary in order to make such information not misleading in light of the circumstances under which such information was furnished. There is no fact known to the Borrower (other than matters of a general economic nature) that has had or could reasonably be expected to have a Material Adverse Effect and that has not been disclosed herein or in such other documents, certificates or statements.

SECTION 4.12. SOLVENCY.

The Borrower is, individually and on a consolidated basis with its Subsidiaries, Solvent.

SECTION 4.13. TITLE TO PROPERTIES.

The Borrower and each of its Subsidiaries is the owner of, and has good and marketable title to, or has a valid license or lease to use, all of its material properties and assets, and none of such properties or assets is subject to any Liens other than Permitted Liens.

ARTICLE 5

AFFIRMATIVE COVENANTS OF THE BORROWER

So long as any portion of the Revolving Commitments shall be in effect and until all Obligations are paid and performed in full:

SECTION 5.1. FINANCIAL STATEMENTS AND OTHER REPORTS.

The Borrower shall deliver to the Agent (which shall promptly provide copies to each Lender), for the benefit of the Lenders:

(a) as soon as practicable and in any event within 120 days after the end of each Fiscal Year, the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as of the end of such year and the related statements of earnings, stockholder's equity and cash flow for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all in reasonable detail and accompanied by an unqualified report thereon of Deloitte & Touche LLP or other independent certified public accountants of recognized national standing selected by the Borrower and reasonably satisfactory to the Required Lenders, which report shall state that such financial statements fairly present the financial position of the Borrower and its consolidated Subsidiaries as of the date indicated and its results of operations and cash flows for the periods indicated in conformity with GAAP (except as otherwise stated therein) and that the examination by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards.

(b) as soon as practicable and in any event within 60 days after the end of each Fiscal Quarter (other than the last Fiscal Quarter of any Fiscal Year) a consolidated balance sheet of the Borrower and its consolidated Subsidiaries as of the end of such quarter and the related statements of earnings, stockholder's equity and cash flow for such quarter and the portion of the Fiscal Year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding periods of the prior Fiscal Year, all in reasonable detail and certified by the Borrower's chief financial officer as fairly presenting the financial condition of the Borrower and its consolidated Subsidiaries as of the dates indicated and its results of operations and cash flows for the

periods indicated, subject to normal year-end adjustments.

(c) together with each delivery of financial statements pursuant to Sections 5.1(a) and 5.1(b), a certificate of the chief financial officer or the president of the Borrower, substantially in the form of Exhibit 5.1(c) (a "Compliance Certificate"), duly executed and completed, setting forth the calculations required to establish compliance with Section 6.3, as of the date of such financial statements. The financial statements required by Sections 5.1(a) and 5.1(b) and the Compliance Certificate required by this Section 5.1(c) shall be delivered in printed form.

(d) within five Business Days after the Borrower becomes aware of the occurrence of any Default or Event of Default, a certificate of a Senior Officer of the Borrower setting forth the details thereof and the action that the Borrower is taking or proposes to take with respect thereto.

(e) promptly upon their becoming available, copies of all material reports, notices and proxy statements sent or made available by the Borrower to its security holders, and all material registration statements (other than the exhibits thereto) and annual, quarterly or monthly reports, if any, filed by the Borrower with the SEC.

(f) within five Business Days after the Borrower becomes aware of the occurrence of an ERISA Event, a statement of a Senior Officer of the Borrower setting forth the details thereof and the action that the Borrower is taking or proposes to take with respect thereto, together with a copy of the notice, if any, of such event given or required to be given to the PBGC; within five days of the date the Borrower or any member of the Controlled Group becomes obliged to make or accrue a contribution to a Multiemployer Plan, a statement of a Senior Officer of the Borrower setting forth the details thereof and the action that the Borrower is taking or proposes to take with respect thereto.

(g) within five Business Days after the Borrower obtains knowledge thereof, notice of all litigation or proceedings commenced or threatened affecting the Borrower or any Subsidiary (i) that could reasonably be expected to have a Material Adverse Effect or (ii) that questions the validity or enforceability of any Loan Document.

(h) promptly notify the Agent of any move of its principal executive office from the State of Washington.

(i) from time to time such additional information regarding the Borrower and its Subsidiaries or the business, assets, liabilities, prospects, results of operation or financial condition of any such Person as the Agent, on behalf of any Lender Party, may reasonably request.

## SECTION 5.2. RECORDS AND INSPECTION.

The Borrower shall, and shall cause each Subsidiary to, maintain adequate books, records



and accounts as may be required or necessary to permit the preparation of financial statements required to be delivered hereunder in accordance with sound business practices and GAAP. The Borrower shall, and shall cause each Subsidiary to, permit such Persons as the Agent may designate, at reasonable times during the Borrower's regular office hours as often as may reasonably be requested and under reasonable circumstances, to (a) visit and inspect any of its properties, (b) inspect and copy its books and records, and (c) discuss with its officers and its independent accountants, its business, assets, liabilities, results of operation or financial condition.

#### SECTION 5.3. CORPORATE EXISTENCE, ETC.

The Borrower shall, and shall (except as otherwise permitted under Section 6.4) cause each Subsidiary to, at all times preserve and keep in full force and effect its corporate existence and all rights and franchises material to the Borrower and to the Borrower and its Subsidiaries taken as a whole.

#### SECTION 5.4 PAYMENT OF TAXES AND CLAIMS.

The Borrower shall, and shall cause each Subsidiary to, pay and discharge (a) all Taxes imposed upon it or any of its properties or in respect of any of its franchises, business, income or property before any material penalty shall be incurred with respect to such Taxes, and (b) all claims of any kind (including claims for labor, material and supplies) that, if unpaid, might by Applicable Law become a Lien upon any material portion of the property of the Borrower and its Subsidiaries; provided, however, that, unless and until foreclosure, distraint, levy, sale or similar proceedings shall have commenced, the Borrower need not pay or discharge any such Tax or claim so long as the validity or amount thereof is being contested in good faith and by appropriate proceedings and so long as any reserves or other appropriate provisions as may be required by GAAP shall have been made therefor.

#### SECTION 5.5. MAINTENANCE OF PROPERTIES.

The Borrower shall, and shall cause each Subsidiary to, maintain or cause to be maintained in good repair, working order and condition (ordinary wear and tear excepted), all properties and other assets useful or necessary to its business, and from time to time the Borrower shall make or cause to be made all appropriate repairs, renewals and replacements thereto except, in each case, to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect. The Borrower shall, and shall cause each of its Subsidiaries to, use reasonable efforts to prevent offsets of and defenses to its receivables and other rights to payment.

#### SECTION 5.6. MAINTENANCE OF INSURANCE.

The Borrower shall, and shall cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance (or adequate self insurance) in at least such amounts, of such character and against at least such risks as is usually maintained by companies of established repute engaged in the same or a similar business in the same general area.

SECTION 5.7. CONDUCT OF BUSINESS; COMPLIANCE WITH LAW.

The Borrower shall not change the general character of its business as conducted at the Closing Date or engage, directly or through a Subsidiary, in any type of business not reasonably related to its business as normally conducted. The Borrower shall maintain its right to carry on business in any jurisdiction where it is doing business at such time and remain in and continuously operate the same lines of business presently engaged in except for periodic shutdown in the ordinary course of business and interruptions caused by strike, labor dispute, catastrophe, acts of war or terrorism or any other events over which it has no control. The Borrower shall, and shall cause each of its Subsidiaries to, conduct its business in compliance in all material respects with all Applicable Law and all its Material Contractual Obligations.

SECTION 5.8. FURTHER ASSURANCES.

At any time and from time to time, upon the request of the Agent, the Borrower shall execute and deliver such further documents and do such other acts and things as the Agent may reasonably request in order to effect fully the purposes of the Loan Documents and any other agreement contemplated thereby and to provide for payment and performance of the Obligations in accordance with the terms of the Loan Documents.

SECTION 5.9. FUTURE INFORMATION.

All data, certificates, reports, statements, documents and other information the Borrower shall furnish to the Lender Parties in connection with the Loan Documents shall, at the time the information is furnished, not contain any untrue statement of a material fact, shall be complete and correct in all material respects to the extent necessary to give the Lender Parties sufficient and accurate knowledge of the subject matter thereof, and shall not omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such information is furnished.

SECTION 5.10. SUBORDINATION OF INTERCOMPANY DEBT.

Except for Debt evidenced by the Recourse Agreement, the Borrower shall cause all Debt of the Borrower to any of its Affiliates to be subordinated to the prior payment in full in cash of the Obligations on terms of subordination no less favorable to the Lender Parties than the terms of subordination set forth in the Investment Agreement as in effect on July 24, 1997.

ARTICLE 6

NEGATIVE COVENANTS OF THE BORROWER

So long as any portion of the Revolving Commitments shall be in effect and until all Obligations are paid and performed in full:

SECTION 6.1. LIENS.

The Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any asset of the Borrower or any Subsidiary, whether now owned or hereafter acquired, except:

(a) Liens securing the Obligations and Existing Liens;

(b) (i) Liens for Taxes, assessments or charges of any Governmental Authority for claims that are not material and are not yet due or are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP (and as to which foreclosure, distraint, levy, sale or similar proceedings have not yet commenced with respect to the property subject to any such Lien on account thereof); (ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, bankers and other Liens imposed by law and created in the ordinary course of business for amounts that are not material and are not yet due or are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP (and as to which foreclosure, distraint, levy, sale or similar proceedings have not yet commenced with respect to the property subject to any such Lien on account thereof); (iii) Liens incurred and deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance (including by way of surety bonds or appeal bonds) of tenders, bids, leases, contracts, statutory obligations or similar obligations or arising as a result of progress payments under contracts, in each case in the ordinary course of business and not relating to the repayment of Debt; (iv) easements, rights-of-way, covenants, consents, reservations, encroachments, variations and other restrictions, conditions (including those conditions commonly referred to as "CC&Rs"), charges or encumbrances (whether or not recorded) that do not materially interfere with the ordinary conduct of the Borrower's business; (v) building restrictions, zoning laws and other statutes, laws, rules, regulations, ordinances and restrictions; (vi) leases, subleases, easements or similar use rights granted in the ordinary course of business to others not materially interfering with the business of, and consistent with past practices of, the Borrower and (vii) construction, operation and reciprocal easement agreements entered into in the ordinary course of business that do not materially interfere with the ordinary conduct of the Borrower's business and not relating to the repayment of Debt;

(c) any attachment or judgment Lien, not otherwise constituting an Event of

Default, in existence less than 30 days after the entry thereof or with respect to which (i) execution has been stayed, (ii) payment is covered in full by insurance and the insurer has not denied coverage, or (iii) the Borrower is in good faith prosecuting an appeal or other appropriate proceedings for review and has set aside on its books such reserves as may be required by GAAP with respect to such judgment or award;

(d) precautionary Uniform Commercial Code financing statements regarding consignments, provided that any such financing statements do not describe any property other than the assets acquired through the consignment and proceeds thereof;

(e) Liens securing Debt of the Borrower or any Subsidiary, including Capitalized Leases, used to finance the acquisition of fixed assets (including, without limitation, equipment and vehicles) of the Borrower or such Subsidiary, the construction of additional buildings or the expansion otherwise of their respective facilities, provided that such Debt (i) does not exceed the cost to the Borrower or such Subsidiary of the assets acquired with the proceeds of such Debt, (ii) in the case of new construction or expansion of existing facilities, is either a construction or permanent loan secured by the facilities constructed and/or the real property on which such facilities are located and related equipment and fixtures, leases, rents, reserves and other personal property (which for this purpose shall not include inventory and intellectual property) to the extent located on or commonly considered to be part of the real property as applicable, and (iii) in the case of other asset financing, is incurred within twelve months following the date of the acquisition (which for this purpose shall, in the case of a construction project, be the date that construction is completed and the asset constructed is placed into service); provided that any such Lien does not encumber any property other than the assets acquired with the proceeds of such Debt, related reserve funds, related personal property (which for this purpose shall not include inventory and intellectual property) and proceeds of any of the foregoing;

(f) Liens existing on assets of any Person at the time such assets are acquired; provided such Lien does not encumber any assets other than the assets subject to such Lien at the time such assets are acquired and proceeds thereof and such Lien was not created in contemplation of such acquisition;

(g) Liens arising from the sale or securitization of receivables, to the extent the Debt arising from such securitization is permitted hereunder at the time such Debt was incurred;

(h) any Lien constituting a renewal, extension or replacement of any Existing Lien or any Lien permitted by clauses (e) or (f) of this Section 6.1, provided such Lien is limited to all or a part of the property subject to the Lien extended, renewed or replaced;

(i) Liens granted by a Subsidiary of the Borrower in favor of the Borrower or another Subsidiary of the Borrower;

(j) covenants contained in the following agreements which require the grant of

security for the obligations evidenced thereby if security is given for some other obligation: (i) that certain Indenture dated as of March 11, 1998 between the Borrower and Wells Fargo Bank West, National Association (formerly known as Norwest Bank Colorado, National Association), as Trustee, as in effect on the Closing Date, (ii) that certain senior Indenture dated as of January 13, 1999 between the Borrower and Wells Fargo Bank West, National Association, as Trustee, as in effect on the Closing Date; (iii) that certain subordinated Indenture dated as of January 13, 1999 between the Borrower and Wells Fargo Bank West, National Association, as Trustee, as in effect on the Closing Date; and (iv) that certain Indenture dated as of November 15, 1984 between Nordstrom Credit, Inc. and Wells Fargo Bank West, National Association (formerly known as First Interstate Bank of Denver, N.A.), as Trustee, as in effect on the Closing Date; provided, however, that this clause (j) shall not be deemed to restrict additional Debt from being issued under any of the foregoing agreements or any supplement thereto so long as the covenants contained therein relating to the grant of security therefore are not modified in a manner adverse to the Lenders;

(k) leases, licenses, subleases or sublicenses granted to others (including, without limitation, licenses of intellectual property) not interfering in any material respect with the business of the Borrower and its Subsidiaries; and

(l) other Liens incidental to the conduct of the business or the ownership of the assets of the Borrower or any Subsidiary that (i) were not incurred in connection with borrowed money, (ii) do not in the aggregate materially detract from the value of the assets subject thereto or materially impair the use thereof in the operation of such business, (iii) do not encumber intellectual property and (iv) do not secure obligations aggregating in excess of \$100,000,000.

#### SECTION 6.2. RESTRICTED PAYMENTS.

The Borrower shall not, and shall not permit any Subsidiary to, declare, pay or make, or agree to declare, pay or make, any Restricted Payment, except (a) Restricted Payments by any Subsidiary to the Borrower, (b) Restricted Payments (other than purchases or other acquisition for value of any of any Capital Stock of the Borrower or any Subsidiary) so long as no Default or Event of Default then exists or would result therefrom (assuming for this purpose that compliance with Section 6.3 is being measured as of the end of the immediately preceding Fiscal Quarter giving pro forma effect to the Restricted Payment) and (c) purchases or other acquisitions for value of any of any Capital Stock of the Borrower or any Subsidiary; provided that the aggregate consideration paid for all such purchases and other acquisitions after the Closing Date shall not exceed (i) if the Leverage Ratio has been less than 3.5 to 1.0 as of the last day of the two most recently ended Fiscal Quarters, the sum of \$200,000,000 plus 50% of Net Income earned since October 31, 2001 or (ii) if the Leverage Ratio has not been less than 3.5 to 1.0 as of the last day of the two most recently ended Fiscal Quarters, the sum of \$100,000,000 plus 25% of Net Income earned since October 31, 2001.

#### SECTION 6.3. FINANCIAL COVENANTS.

(a) Coverage Ratio. As of the last day of each Fiscal Quarter, for the twelve

month period ending on such date, the Borrower shall not permit the ratio of (i) EBITDAR for such period to (ii) the sum of (A) Interest Expense for such period plus (B) Rent Expense for such period (the "Coverage Ratio") to be less than the amount set forth below for the corresponding dates:

| Last Day of Fiscal Quarter<br>-----                                     | Coverage Ratio<br>----- |
|---|-------------------------|
| October 31, 2001, January 31, 2002,<br>April 30, 2002 and July 31, 2002 | 2.7 to 1.0              |
| October 31, 2002  | 2.8 to 1.0              |
| January 31, 2003 and thereafter   | 3.0 to 1.0              |

(b) Leverage Ratio. As of the last day of each Fiscal Quarter, for the twelve month period ending on such date, the Borrower shall not permit the ratio of (i) the sum of (A) Funded Debt as of the last day of such period and (B) the product of (1) Rent Expense for such period times (2) six to (ii) EBITDAR for such period (the "Leverage Ratio") to be greater than the amount set forth below for the corresponding dates:

| Last Day of Fiscal Quarter<br>-----                      | Leverage Ratio<br>----- |
|--|-------------------------|
| October 31, 2001, January 31, 2002 and<br>April 30, 2002 | 4.75 to 1.0             |
| July 31, 2002  | 4.50 to 1.0             |
| October 31, 2002   | 4.25 to 1.0             |
| January 31, 2003 and thereafter                          | 4.00 to 1.0             |

#### SECTION 6.4. RESTRICTION ON FUNDAMENTAL CHANGES.

The Borrower shall not, and shall not permit any Subsidiary to enter into any merger, consolidation, reorganization or recapitalization, liquidate, wind up or dissolve or sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or substantially all of its or their business or assets, whether now owned or hereafter acquired; provided that as long as no Default or Event of Default shall exist either before or after giving effect thereto (a) any Solvent Subsidiary or other Solvent Person (other than the Borrower) may be merged or consolidated with or into the Borrower (so long as the Borrower is the surviving entity) or any Subsidiary, (b) any Subsidiary may be liquidated, wound up or dissolved so long as it does not cause or could not be reasonably expected to cause a Material Adverse Effect, (c) the Borrower's interest (direct or indirect) in Nordstrom.com, LLC may be sold or transferred, and (d) in addition to transactions permitted under Section 6.5 (which permitted transactions shall not be restricted by this Section 6.4), all or substantially all of any Subsidiary's business or assets may be sold, leased, transferred or otherwise disposed of, in one transaction or a series of

transactions, to the Borrower or another Subsidiary.

#### SECTION 6.5. ASSET DISPOSITIONS.

The Borrower shall not, and shall not (except as permitted by Section 6.4(c)) permit any Subsidiary to, sell, lease, transfer or otherwise dispose of during any Fiscal Year property or other assets (other than (a) sales of inventory in the ordinary course of business, (b) the sale or disposition (direct or indirect) of Nordstrom.com, LLC and (c) the sale or disposition of the Borrower's interest in 1700 Seventh LP) constituting, in the aggregate, 10% or more of the consolidated assets of the Borrower and its Subsidiaries, as calculated on a book value basis. Notwithstanding the foregoing limitation, the Borrower and its Subsidiaries shall be permitted to sell their receivables in a transaction to securitize such receivables, and such sales of receivables shall not be included in the computation above.

#### SECTION 6.6. TRANSACTIONS WITH AFFILIATES.

The Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly, enter into any transaction (including the purchase, sale, lease, or exchange of any property or the rendering of any service) with any Affiliate of the Borrower, unless (a) such transaction is not otherwise prohibited by this Agreement, (b) such transaction is in the ordinary course of business and (c) if such transaction is other than with a Wholly-Owned Subsidiary, such transaction is on fair and reasonable terms no less favorable to the Borrower or its Subsidiary, as the case may be, than those terms which might be obtained at the time in a comparable arm's length transaction with a Person who is not an Affiliate or, if such transaction is not one which by its nature could be obtained from such other Person, is on fair and reasonable terms and was negotiated in good faith; provided that this Section 6.6 shall not restrict (i) dividends, distributions and other payments and transfers on account of any shares of Capital Stock of the Borrower or any Subsidiary otherwise permissible hereunder, (ii) transactions pursuant to (A) the Investment Agreement, (B) the Recourse Agreement and (C) any agreement between the Borrower and any Affiliate of the Borrower pursuant to which the Borrower sells or discounts accounts receivable in the ordinary course of its business (including agreements under which the Borrower has an obligation to repurchase from or indemnify the purchaser with respect to accounts discounted or sold by the Borrower) and (iii) so long as Nordstrom.com, LLC, a Delaware limited liability company, is subject to subpart (c) of this Section 6.6, supply, service or licensing agreements between or among Nordstrom.com LLC and its successors on the one hand, and the Borrower and its other Subsidiaries, on the other hand, so long as such agreements are fair and reasonable to the Borrower and such other Subsidiaries under the circumstances.

#### SECTION 6.7. LIMITATION ON NEGATIVE PLEDGES.

The Borrower will not, nor will it permit its Subsidiaries to, enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its inventory, patents, copyrights and/or trademarks, whether now owned or hereafter acquired (but not including such assets which are licensed from third parties to the Borrower or any Subsidiary), or requiring the grant of any security interest in any of its inventory and/or intellectual property for such obligation if security is given for some other obligation except (a) as set forth in

the Loan Documents, and (b) as set forth in that Guaranty Agreement dated as of February 29, 2000 with respect to extensions of credit made to 1700 Seventh L.P., which guaranty is given by the Borrower in favor of Bank of America, N.A., as administrative agent, and (c) in connection with any Lien permitted by Section 6.1 or any document or instrument governing any such Lien, provided that any such restriction relates only to the asset or assets subject to such Lien.

SECTION 6.8. LIMITATION ON INVESTMENTS IN NORDSTROM.COM, LLC.

So long as Nordstrom.com, LLC is not a Wholly-Owned Subsidiary, the Borrower will not, nor will it permit its Subsidiaries to, directly or indirectly, (A) lend money or extend credit or make advances to, or guaranty any Debt owed by, Nordstrom.com, LLC, or (B) purchase or acquire any Capital Stock, obligations or securities of, or any other interest in, or make capital contributions to, or otherwise make investments in, Nordstrom.com, LLC in an aggregate amount exceeding \$175,000,000 for all such extensions of credit or investments occurring after the Closing Date.

ARTICLE 7

EVENTS OF DEFAULT, ETC.

SECTION 7.1. EVENTS OF DEFAULT.

The occurrence of any one or more of the following events, acts or occurrences shall constitute an event of default (each an "Event of Default"):

(a) Failure to Make Payments. The Borrower (i) shall fail to pay as and when due (whether at stated maturity, upon acceleration, upon required prepayment or otherwise) any principal of any Loan, or (ii) shall fail to pay any interest, Fees or other amounts (other than principal) payable under the Loan Documents within five days of the date when due under the Loan Documents;

(b) Default in Other Debt. (i) The Borrower or any Subsidiary shall default in the payment (whether at stated maturity, upon acceleration, upon required prepayment or otherwise), beyond any period of grace provided therefor, of any principal of or interest on any other Debt with a principal amount (individually or in the aggregate) in excess of \$10,000,000, or (ii) any other breach or default (or other event or condition), beyond any period of grace provided therefor, shall occur under any agreement, indenture or instrument relating to any such other Debt with a principal amount (individually or in the aggregate) in excess of \$10,000,000, if the effect of such breach or default (or such other event or condition) is to cause, or to permit, the holder or holders of such other Debt (or a Person on behalf of such holder or holders) to cause (upon the giving of notice or otherwise), such other Debt to become or be declared due and payable, or required to be prepaid, redeemed, purchased or defeased (or an offer of prepayment, redemption, purchase or defeasance be made), prior to its stated maturity (other than by a scheduled mandatory prepayment); provided, however, that if any such breach or default described



in this Section 7.1(b) is cured or waived prior to any action being taken pursuant to Section 7.2(a) or 7.2(b), the Event of Default under this Agreement in respect of such breach or default shall be deemed cured to the extent of such cure or waiver;

(c) Breach of Certain Covenants.

(i) The Borrower shall fail to perform, comply with or observe any agreement, covenant or obligation under Section 2.3, under Sections 6.2 through 6.5 inclusive, or under Section 5.1(d) or 5.3 (insofar as it requires the preservation of the corporate existence of the Borrower);

(ii) The Borrower shall fail to perform, comply with or observe any agreement, covenant or obligation under Section 6.1 or under Sections 6.6 through 6.8 inclusive and such failure shall not have been remedied within ten days; or

(iii) The Borrower shall fail to perform, comply with or observe any agreement, covenant or obligation under Sections 5.1(a), (b) or (c) and such failure shall not have been remedied within five days;

(d) Other Defaults Under Loan Documents. The Borrower shall fail to perform, comply with or observe any agreement, covenant or obligation under any provision of any Loan Document (other than those provisions referred to in Sections 7.1(a), 7.1(b) and 7.1(c)) and such failure shall not have been remedied within 30 days after the earlier to occur of (i) the Borrower's knowledge thereof or (ii) written notice thereof by the Agent to the Borrower; or

(e) Breach of Representation or Warranty. Any representation or warranty or certification made or furnished by the Borrower under any Loan Document shall prove to have been false or incorrect in any material respect when made (or deemed made);

(f) Involuntary Bankruptcy; Appointment of Receiver, Etc. There shall be commenced against the Borrower or any of its Subsidiaries, an involuntary case seeking the liquidation or reorganization of the Borrower or any of its Subsidiaries under Chapter 7 or Chapter 11, respectively, of the Bankruptcy Code or any similar proceeding under any other Applicable Law or an involuntary case or proceeding seeking the appointment of a receiver, liquidator, sequestrator, custodian, trustee or other officer having similar powers over the Borrower or any of its Subsidiaries or to take possession of all or a substantial portion of its property or to operate all or a substantial portion of its business, and any of the following events occurs: (i) the Borrower or any of its Subsidiaries consents to the institution of the involuntary case or proceeding; (ii) the petition commencing the involuntary case or proceeding is not timely controverted; (iii) the petition commencing the involuntary case or proceeding remains undismitted and unstayed for a period of 60 days; or (iv) an order for relief is issued or entered therein;

(g) Voluntary Bankruptcy; Appointment of Receiver, Etc. The Borrower or any of its Subsidiaries shall institute a voluntary case seeking liquidation or reorganization under Chapter 7 or Chapter 11, respectively, of the Bankruptcy Code or any similar proceeding under any other Applicable Law, or shall consent thereto; or shall consent to the conversion of an involuntary case to a voluntary case; or shall file a petition, answer a complaint or otherwise institute any proceeding seeking, or shall consent to or acquiesce in the appointment of, a receiver, liquidator, sequestrator, custodian, trustee or other officer with similar powers over the Borrower or any of its Subsidiaries or to take possession of all or a substantial portion of its property or to operate all or a substantial portion of its business; or shall make a general assignment for the benefit of creditors; or shall generally not pay, or shall admit in writing its inability to pay, its debts as they become due; or the board of directors of the Borrower or any of its Subsidiaries (or any committee thereof) shall adopt any resolution or otherwise authorize action to approve any of the foregoing;

(h) Judgments and Attachments. The Borrower or any Subsidiary shall suffer any money judgments, writs or warrants of attachment or similar processes that, individually or in the aggregate, involve an amount or value in excess of \$10,000,000 and such judgments, writs, warrants or other orders shall continue unsatisfied or unstayed for a period of 60 days;

(i) ERISA. The Borrower or any member of the Controlled Group shall fail to pay when due any material amount or amounts that it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or a proceeding shall be instituted by a fiduciary of any such Plan or Plans against the Borrower or any member of the Controlled Group to enforce Section 515 of ERISA; or any ERISA Event shall occur which could reasonably be expected to have a Material Adverse Effect; or the Borrower or any member of the Controlled Group shall partially or completely withdraw from any Multiemployer Plan; or any Multiemployer Plan to which Borrower or any member of its Controlled Group becomes obligated to make or accrue a contribution is placed in reorganization or terminates;

(j) Change of Control. A Change of Control shall occur; or

(k) Termination of Loan Documents, Etc. Any Loan Document, or any material provision thereof, shall cease to be in full force and effect for any reason, or the Borrower shall contest or purport to repudiate or disavow any of its obligations under, or the validity of enforceability of, any Loan Document or any material provision thereof.

#### SECTION 7.2. REMEDIES.

Upon the occurrence of an Event of Default:

(a) If an Event of Default occurs under Section 7.1(f) or 7.1(g), then the Revolving Commitments shall automatically and immediately terminate, and the obligation of the Lenders to make any Loan hereunder shall cease, and the unpaid

principal amount of the Loans and all other Obligations shall automatically become immediately due and payable, without presentment, demand, protest, notice or other requirements of any kind, all of which are hereby expressly waived by the Borrower.

(b) If an Event of Default occurs, other than under Section 7.1(f) or 7.1(g), the Agent shall (i) with the consent of the Required Lenders, by written notice to the Borrower, declare that the Revolving Commitments and all pending Bid Loan Quotes (whether or not accepted) are terminated, whereupon the obligation of the Lender Parties to make any Loan hereunder shall cease, and/or (ii) with the consent of the Required Lenders, declare the unpaid principal amount of the Loans and all other Obligations to be, and the same shall thereupon become, due and payable, without presentment, demand, protest, any additional notice or other requirements of any kind, all of which are hereby expressly waived by the Borrower.

(c) The Agent shall, with the consent of the Required Lenders, enforce any and all rights and interests created and existing under the Loan Documents, including, without limitation, all rights of set-off.

Notwithstanding the fact that enforcement powers reside primarily with the Agent, each Lender has, to the extent permitted by law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning, and for the purposes, of Section 101(5) of the Bankruptcy Code or any other insolvency statute.

#### SECTION 7.3 ALLOCATION OF PAYMENTS AFTER EVENT OF DEFAULT.

Notwithstanding any other provisions of this Agreement, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Agent or any Lender on account of amounts outstanding under any of the Loan Documents shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Agent or any of the Lenders in connection with enforcing the rights of the Lenders under the Loan Documents and any protective advances made by the Agent or any of the Lenders, pro rata as set forth below;

SECOND, to the payment of any fees owed to the Agent or any Lender, pro rata as set forth below;

THIRD, to the payment of all accrued interest payable to the Lenders hereunder, pro rata as set forth below;

FOURTH, to the payment of the outstanding principal amount of the Loans and all other obligations which shall have become due and payable under the Loan Documents, pro rata as set forth below; and

FIFTH, the payment of the surplus, if any, to whoever may be lawfully entitled to

receive such surplus.

In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category and (b) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding Loans held by such Lender bears to the aggregate then outstanding Loans) of amounts available to be applied.

## ARTICLE 8

### THE AGENT AND THE LENDERS

#### SECTION 8.1 APPOINTMENT AND AUTHORIZATION OF AGENT.

Each Lender hereby irrevocably (subject to Section 8.9) appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent. Without limiting the generality of the foregoing sentence, the use of the term "Agent" herein and in the other Loan Documents with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

#### SECTION 8.2 DELEGATION OF DUTIES.

The Lender Parties agree that the Agent may execute any of its duties under this Agreement or any other Loan Document with respect to the Lender Parties by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Lender Parties agree that the Agent shall not be responsible to the other Lender Parties for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

#### SECTION 8.3 LIABILITY OF AGENT.

No Agent-Related Person shall (a) be liable to any Lender Party for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby and thereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or

(b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by the Borrower or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any Affiliate thereof.

#### SECTION 8.4 RELIANCE BY AGENT.

(a) The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other 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 counsel to the Borrower), independent accountants and other experts selected by the Agent. As among the Lender Parties, the Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders or all the Lenders, if required hereunder, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and participants. Where this Agreement expressly permits or prohibits an action unless the Required Lenders otherwise determine, the Agent shall, and in all other instances, the Agent may, but shall not be required to, initiate any solicitation for the consent or a vote of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 3.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender.

#### SECTION 8.5. NOTICE OF DEFAULT.

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Lenders, unless the Agent shall

have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Agent will notify the Lenders of its receipt of any such notice. The Agent shall take such action with respect to such Default or Event of Default as may be directed by the Required Lenders in accordance with Section 7.2; provided, however, that unless and until the Agent has received any such direction, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

#### SECTION 8.6. CREDIT DECISION; DISCLOSURE OF INFORMATION BY AGENT.

Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Borrower or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all Applicable Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent herein, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower or any of its Affiliates which may come into the possession of any Agent-Related Person.

#### SECTION 8.7. INDEMNIFICATION OF AGENT.

Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all claims, damages, losses, liabilities, costs, and expenses (including, without limitation, reasonable attorneys' fees) that may be incurred by or asserted or awarded against any Agent-Related Person, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation, or proceeding or preparation of defense in connection therewith) the Loan Documents, any of the transactions contemplated herein and therein or the actual or proposed use of the proceeds of the Loans, except to the extent such claim, damage,

loss, liability, cost, or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 8.7. Without limitation of the foregoing, each Lender shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including reasonable attorneys fees and the allocated costs of internal counsel) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein and therein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section 8.7 shall survive termination of the Revolving Commitments, the payment of all Obligations hereunder and the resignation or replacement of the Agent.

#### SECTION 8.8. AGENT IN ITS INDIVIDUAL CAPACITY.

Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Affiliates as though Bank of America were not the Agent hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Affiliate) and acknowledge that the Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Agent, and the terms "Lender" and "Lenders" include Bank of America in its individual capacity.

#### SECTION 8.9. SUCCESSOR AGENT.

The Agent may resign as Agent upon 30 days' notice to the Lenders and the Borrower. If the Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders the appointment of which successor administrative agent shall require the consent of the Borrower at all times other than during the existence of a Default or an Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor administrative agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article 8 and Sections 9.4 and 9.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under

this Agreement. If no successor administrative agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Agent hereunder until such time, if any, as the Required Lenders appoint a successor administrative agent with the consent of the Borrower as provided for above.

SECTION 8.10. LENDER PARTIES.

The provisions of this Article 8 are solely for the benefit of the Agent and the other Lender Parties and the Borrower shall not have any rights to rely on or enforce or be obligated under any of the provisions hereof (except that the provisions of Section 8.9 are also for the benefit of the Borrower). In performing its functions and duties under the Loan Documents, the Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for the Borrower.

SECTION 8.11. ENFORCEMENT BY THE AGENT.

Each Lender agrees that, except with the prior written consent of the Agent or as provided in Section 9.7, no Lender Party shall have any right individually to enforce any Loan Document or any provision thereof, or make demand thereunder, it being agreed that such rights and remedies may only be exercised by the Agent for the ratable benefit of the Lenders upon the terms of this Agreement.

SECTION 8.12. SYNDICATION AGENT AND DOCUMENTATION AGENT.

Neither the Syndication Agent nor the Documentation Agent, in such capacity, shall have any right, power, obligation, liability, duty or responsibility whatsoever under the Loan Documents, and neither the Syndication Agent nor the Documentation Agent shall be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on either the Syndication Agent or the Documentation Agent in deciding to enter into this Agreement or in taking or not taking any action hereunder.

ARTICLE 9

MISCELLANEOUS

SECTION 9.1. EXPENSES.

The Borrower shall pay on demand:

(a) any and all attorneys' fees and disbursements (including allocated costs of in-house counsel) and out-of-pocket costs and expenses incurred by the Agent in connection with the development, drafting, negotiation and administration of the Loan Documents, any amendments thereto and the syndication and closing of the transactions



contemplated thereby (subject to, with respect to the expenses incurred prior to the Closing Date, the limitations agreed to in writing between the Agent and the Borrower); and

(b) all costs and expenses (including fees and disbursements of in-house and other attorneys, appraisers and consultants) incurred by the Lender Parties in any workout, restructuring or similar arrangements or, after an Event of Default, in connection with the protection, preservation, exercise or enforcement of any of the terms of the Loan Documents or in connection with any foreclosure, collection or bankruptcy proceedings.

#### SECTION 9.2. INDEMNITY.

(a) The Borrower shall indemnify, defend and hold harmless each Lender Party and its Affiliates and the officers, directors, employees, agents, attorneys, successors and assigns of each Lender Party and its Affiliates (collectively, the "Indemnitees") from and against (i) subject to the provisions of Section 2.16, any and all transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of the Loan Documents or the making of the Loans (provided that any Lender claiming any additional amounts payable pursuant to this Section 9.2(a)(i) shall use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise materially disadvantageous to such Lender), and (ii) any and all liabilities, losses, damages, penalties, judgments, claims, costs and expenses of any kind or nature whatsoever (including reasonable attorneys' fees, including allocated costs of in-house counsel, and disbursements in connection with any actual or threatened investigative, administrative or judicial proceeding, whether or not such Indemnatee shall be designated a party thereto) that may be imposed on, incurred by or asserted against such Indemnatee, in any manner relating to or arising out of the Loan Documents, the Loans, or the use or intended use of the proceeds of the Loans (the "Indemnified Liabilities"); provided that no Indemnatee shall have the right to be indemnified or held harmless hereunder for its own gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) To the extent that the undertaking to indemnify and hold harmless set forth in Section 9.2(a) may be unenforceable as violative of any Applicable Law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under Applicable Law. All Indemnified Liabilities shall be payable on demand.

#### SECTION 9.3. WAIVERS; MODIFICATIONS IN WRITING.

No amendment of any provision of this Agreement or any other Loan Document (including a waiver thereof or consent relating thereto) shall be effective unless the same shall be

in writing and signed by the Agent and the Required Lenders and, except as to a waiver or consent requested by or to the benefit of the Borrower, the Borrower, provided further:

(a) no amendment, waiver, consent, forbearance or other agreement that has the effect of (i) reducing the rate or amount, or extending the stated maturity or due date, of any amount payable by the Borrower to any Lender Party under the Loan Documents, (other than as a result of waiving the applicability of the Post-Default Rate of interest), (ii) increasing the amount, or extending the stated termination or reduction date, of any Lender's Revolving Commitment hereunder or subjecting any Lender Party to any additional obligation to extend credit (it being understood and agreed that a waiver of any Default or Event of Default or a waiver of any mandatory reduction in the Revolving Commitments shall not constitute a change in the terms of any Revolving Commitment of any Lender), (iii) altering the rights and obligations of the Borrower to prepay the Loans, or (iv) changing this Section 9.3 or the definition of the term "Required Lenders" or any other percentage of Lenders specified in this Agreement to be the applicable percentage to act on specified matters shall be effective unless the same shall be signed by or on behalf of each of the Lenders affected thereby;

(b) no amendment that has the effect of (i) increasing the duties or obligations of the Agent, (ii) increasing the standard of care or performance required on the part of the Agent, or (iii) reducing or eliminating the indemnities or immunities to which the Agent is entitled (including any amendment of this Section 9.3), shall be effective unless the same shall be signed by or on behalf of the Agent; and

(c) any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Except as required herein, no notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances. Any amendment effected in accordance with this Section 9.3 shall be binding upon each present and future Lender Party and the Borrower.

#### SECTION 9.4. CUMULATIVE REMEDIES: FAILURE OR DELAYS.

The rights and remedies provided for under this Agreement are cumulative and are not exclusive of any rights and remedies that may be available to the Lender Parties under Applicable Law or otherwise. No failure or delay on the part of any Lender Party in the exercise of any power, right or remedy under the Loan Documents shall impair such power, right or remedy or operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude other or further exercise thereof or of any other power, right or remedy.

#### SECTION 9.5. NOTICES, ETC.

All notices and other communications under this Agreement shall be in writing and (except for financial statements, other related informational documents, materials sent to security holders and/or to the SEC and routine communications, which may be sent by first-class mail,

postage prepaid) shall be personally delivered or sent by prepaid courier, by overnight, registered or certified mail (postage prepaid), or by telex or telecopy, and shall be deemed effective when delivered to the intended recipient thereof. Unless otherwise specified in a notice sent or delivered in accordance with this Section 9.5, all notices and other communications shall be given to the parties hereto at their respective addresses (or to their respective telex or telecopier numbers) indicated on Schedule 1.1(a) (in the case of the Lender Parties) or Schedule 9.5 (in the case of the Borrower).

SECTION 9.6. SUCCESSORS AND ASSIGNS; DESIGNATIONS.

(a) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Borrower may not assign or transfer any interest hereunder without the prior written consent of each Lender Party.

(b) Subject to the terms of this Section 9.6(b), each Lender shall have the right at any time to assign (an "Assignment") all or any portion of such Lender's Revolving Commitment and Loans to one or more banks or other financial institutions; provided, however, that (i) each Assignment to any Person that is not then a Lender with a Revolving Commitment shall be of a portion of the Loans and Revolving Commitments at least equal to \$10,000,000 (or, if less, all of the assigning Lender's Loans and Revolving Commitment) and, unless otherwise agreed by the Agent, shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations under this Agreement and the other Loan Documents; (ii) no Assignment (other than an Assignment to a Person that is then a Lender with a Revolving Commitment or an Affiliate of such a Lender) shall be effective without the consent of the Borrower (unless a Default or Event of Default then exists in which case no consent of the Borrower is required) and the Agent, which consents shall not be unreasonably withheld or delayed; (iii) the parties to the Assignment shall execute and deliver to the Agent an Assignment and Assumption substantially in the form of Exhibit 9.6(b) (an "Assignment and Assumption"); and (iv) the assignee shall pay to the Agent a processing and recordation fee of \$3,500. From and after the date on which the conditions in the foregoing clauses and the Assignment and Assumption have been satisfied, the assignee shall be a "Lender" hereunder and, to the extent that rights and obligations hereunder have been assigned to it, shall have the rights and obligations of the assigning Lender hereunder, and the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an assignment covering all or the remaining portion of the assigning Lender's rights and obligations under this Agreement, shall cease to be a party hereto).

(c) Each Lender shall have the right at any time to grant or sell participations (each a "Participation") in all or any portion of such Lender's Revolving Commitment and Loans to one or more banks or other financial institutions without the consent of the Borrower or any other Lender Party, subject to the terms and conditions set forth in this Section 9.6(c). If any Lender sells or grants a Participation, (i) such Lender shall make

and receive all payments for the account of its participant, (ii) such Lender's obligations under this Agreement shall remain unchanged, (iii) such Lender shall continue to be the sole holder of its Notes and other Loan Documents subject to the Participation and shall have the sole right to enforce its rights and remedies under the Loan Documents, (iv) the Borrower and the other Lender Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents, and (v) the agreement evidencing the Participation shall not restrict such Lender's ability to agree to any amendment of the terms of the Loan Documents, or to exercise or refrain from exercising any powers or rights that such Lender may have under or in respect of the Loan Documents, except that the participant may be granted the right to consent to (A) any reduction of the rate or amount, or any extension of the stated maturity or due date, of any principal, interest or Fees payable by the Borrower and subject to the Participation, or (B) any increase in the amount or extension of the stated termination or reduction date of the affected Revolving Commitment. A participant shall have the rights of the Lenders under Sections 2.12, 2.13, 2.14 and 2.16 subject to the obligations imposed by such Sections; provided that amounts payable to any participant shall not exceed the amounts that would have been payable under such Sections to the Lender granting the Participation, had such Participation not been granted.

(d) Each Lender may at any time assign or pledge any portion of its rights under the Loan Documents to a Federal Reserve Bank and no such assignment or pledge shall be subject to the provisions of Sections 9.6(b) or 9.6(c).

(e) Subject to the terms and conditions of Section 9.13, each Lender shall have the right at any time to furnish one or more potential assignees or participants with any information concerning the Borrower and its Subsidiaries that has been supplied by the Borrower or any such Subsidiary to any Lender Party. The Borrower shall supply all reasonably requested information and execute and deliver all such instruments and take all such further action (including, in the case of an Assignment, the execution and delivery of replacement Notes) as the Agent may reasonably request in connection with any Assignment or Participation arrangement.

(f) Notwithstanding anything to the contrary contained herein, so long as any action in accordance with this Section 9.6(f) does not cause increased costs or expenses for the Borrower, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") the option to fund all or any part of any Loan that such Granting Lender would otherwise be obligated to fund pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan, (ii) if an SPC elects not to exercise such option or otherwise fails to fund all or any part of such Loan, the Granting Lender shall be obligated to fund such Loan pursuant to the terms hereof, (iii) no SPC shall have any voting rights pursuant to Section 9.3 and (iv) with respect to notices, payments and other matters hereunder, the Borrower, the Agent and the Lenders shall not be obligated to deal with an SPC, but may limit their communications and other dealings relevant to such SPC to the applicable Granting Lender. The funding of a Loan by an SPC hereunder shall utilize the Revolving Commitment of the Granting Lender to the same extent that, and as if, such Loan were

funded by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or payment under this Agreement for which a Lender would otherwise be liable for so long as, and to the extent, the Granting Lender provides such indemnity or makes such payment. Notwithstanding anything to the contrary contained in this Agreement, any SPC may disclose any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee to such SPC so long as such disclosure is clearly designated as being made on a confidential basis. This Section 9.6(f) may not be amended without the prior written consent of each Granting Lender, all or any part of whose Loan is being funded by an SPC at the time of such amendment.

#### SECTION 9.7. SET OFF.

In addition to any rights now or hereafter granted under Applicable Law and to the extent not prohibited by law or Contractual Obligation of such Lender Party, during the existence of any Event of Default, each Lender Party is hereby irrevocably authorized by the Borrower, at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other indebtedness, in each case whether direct or indirect or contingent or matured or unmatured at any time held or owing by such Lender Party to or for the credit or the account of the Borrower, against and on account of the Obligations, irrespective of whether or not such Lender Party shall have made any demand for payment, provided that such Lender Party shall, promptly following such set off or application, give notice to the Borrower thereof, which notice shall contain an explanation of the basis for the set off or application.

#### SECTION 9.8. SURVIVAL OF AGREEMENTS, REPRESENTATIONS AND WARRANTIES.

All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and the other Loan Documents, the closing and the extensions of credit hereunder and shall continue until payment and performance of any and all Obligations. Any investigation at any time made by or on behalf of the Lender Parties shall not diminish the right of the Lender Parties to rely on such agreements, representations and warranties made herein. Without limitation, the agreements and obligations of the Borrower contained in Sections 2.13, 2.16, 9.1, and 9.2 and the obligations of the Lenders under Section 8.7 shall survive the payment in full of all other Obligations.

#### SECTION 9.9. EXECUTION IN COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement. Faxed signatures to this Agreement shall be binding for all purposes.

SECTION 9.10. COMPLETE AGREEMENT.

This Agreement, together with the other Loan Documents and the Fee Letter, represents the entire agreement of the parties hereto and supercedes all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Loan Documents or the transactions contemplated therein.

SECTION 9.11. LIMITATION OF LIABILITY.

No claim shall be made by the Borrower or any Lender Party against any party hereto or the Affiliates, directors, officers, employees or agents of any party hereto for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or under 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 Borrower and each Lender Party 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 9.12. WAIVER OF TRIAL BY JURY.

THE BORROWER AND THE LENDER PARTIES WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION UNDER THIS AGREEMENT OR ANY ACTION ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, REGARDLESS OF WHICH PARTY INITIATES SUCH ACTION OR ACTIONS.

SECTION 9.13. CONFIDENTIALITY.

Each Lender Party agrees that it shall keep confidential any non-public information from time to time supplied to it under any Loan Document; provided, however, that nothing herein shall prevent the disclosure of any such information to (a) the extent a Lender Party in good faith believes such disclosure is required by Applicable Law, (b) counsel for a Lender Party or to its accountants, (c) bank examiners or auditors or comparable Persons, (d) any Affiliate of a Lender Party with reason to need to know such information pursuant to such Lender Party's performance under the Loan Documents, (e) any other Lender Party, or any assignee, transferee or participant, or any potential assignee, transferee or participant, of all or any portion of any Lender Party's rights under this Agreement who is notified of the confidential nature of the information or (f) any other Person in connection with any litigation concerning this Agreement or the transactions contemplated hereby to which any one or more of the Lender Parties is a party and for which such disclosure is necessary in the prosecution or defense of such case; provided, however, that disclosures under subparts (b), (c), (d) and (e) shall be made with a clear designation that the information is being disclosed on a confidential basis. No Lender Party shall have any obligation under this Section 9.13 to the extent any such information becomes available on a non-confidential basis from a source other than the Borrower which source such Lender Party reasonably believes to be authorized to make such information public.

SECTION 9.14. BINDING EFFECT; CONTINUING AGREEMENT.

(a) This Agreement shall become effective at such time when all of the conditions set forth in Section 3.1 have been satisfied or waived by the Lenders and it shall have been executed by the Borrower, the Agent, and each Lender, and thereafter this Agreement shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns.

(b) This Agreement shall be a continuing agreement and shall remain in full force and effect until all Loans, interest, Fees and other Obligations have been paid in full and the Revolving Commitments are terminated. Upon termination, the Borrower shall have no further obligations (other than the indemnification provisions that survive) under the Loan Documents; provided that should any payment, in whole or in part, of the Obligations be rescinded or otherwise required to be restored or returned by the Agent or any Lender, whether as a result of any proceedings in bankruptcy or reorganization or any similar reason, then the Loan Documents shall automatically be reinstated and all amounts required to be restored or returned and all costs and expenses incurred by the Agent or any Lender in connection therewith shall be deemed included as part of the Obligations.

SECTION 9.15. NO ORAL AGREEMENTS.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.





SIGNATURE PAGE  
NORDSTROM, INC.  
AMENDED AND RESTATED CREDIT AGREEMENT

AGENT:

BANK OF AMERICA, N.A.,

By: /s/ Amy Krovocheck  
-----  
Name: Amy Krovocheck  
-----  
Title: Vice-President  
-----

LENDERS:

BANK OF AMERICA, N.A.

By: /s/ Amy Krovocheck  
-----  
Name: Amy Krovocheck  
-----  
Title: Vice-President  
-----

SIGNATURE PAGE  
NORDSTROM, INC.  
AMENDED AND RESTATED CREDIT AGREEMENT

BANK ONE, NA, individually as a Lender  
and in its capacity as Syndication Agent

By: /s/ Catherine A. Muszynski  
-----  
Name: Catherine A. Muszynski  
-----  
Title: Vice-President  
-----

SIGNATURE PAGE  
NORDSTROM, INC.  
AMENDED AND RESTATED CREDIT AGREEMENT

U.S. BANK NATIONAL ASSOCIATION,  
individually as a Lender and in its capacity  
as Documentation Agent

By: /s/ James R. Farmer  
-----  
Name: James R. Farmer  
-----  
Title: Vice-President  
-----

SIGNATURE PAGE  
NORDSTROM, INC.  
AMENDED AND RESTATED CREDIT AGREEMENT

KEY BANK NATIONAL ASSOCIATION

By: /s/ Kevin D. Smith  
-----  
Name: Kevin D. Smith  
-----  
Title: Vice-President  
-----

SIGNATURE PAGE  
NORDSTROM, INC.  
AMENDED AND RESTATED CREDIT AGREEMENT

WELLS FARGO BANK, N.A.

By: /s/ Steven J. Anderson  
-----  
Name: Steven J. Anderson  
-----  
Title: Senior Vice-President  
-----

SIGNATURE PAGE  
NORDSTROM, INC.  
AMENDED AND RESTATED CREDIT AGREEMENT

THE BANK OF NEW YORK

By: /s/ Charlotte Sohn Fuiks  
-----  
Name: Charlotte Sohn Fuiks  
-----  
Title: Vice-President  
-----

SIGNATURE PAGE  
NORDSTROM, INC.  
AMENDED AND RESTATED CREDIT AGREEMENT

FIFTH THIRD BANK

By: /s/ Jeff Assenmacher  
-----  
Name: Jeff Assenmacher  
-----  
Title: Large Corporate Officer  
-----

SIGNATURE PAGE  
NORDSTROM, INC.  
AMENDED AND RESTATED CREDIT AGREEMENT

THE NORTHERN TRUST COMPANY

By: /s/ Melissa A. Whitson  
-----  
Name: Melissa A. Whitson  
-----  
Title: Vice-President  
-----



## PERFORMANCE UNDERTAKING

This Performance Undertaking (this "Undertaking"), dated as of September 28, 2001, is executed by Nordstrom, Inc., a Washington corporation (the "Provider"), in favor of Bank One, NA (Main Office Chicago), a national banking association ("Bank One" or "Agent"), as Agent (together with its successors and assigns, "Recipient").

## RECITALS

1. Nordstrom fsb (formerly Nordstrom National Credit Bank), a federal savings bank association ("Transferor"), and Wells Fargo Bank West, National Association (formerly Norwest Bank Colorado, National Association), a national banking association ("Wells Fargo"), have entered into a Master Pooling and Servicing Agreement, dated as of August 14, 1996, as amended by the First Amendment thereto, dated as of March 1, 2000 (as so amended and as further amended, restated, supplemented or otherwise modified from time to time, the "Agreement"), pursuant to which Transferor, subject to the terms and conditions contained therein, sold its right, title and interest in certain of its accounts receivable to the Nordstrom Credit Card Master Trust, a Colorado common law trust (the "Trust"), for which Wells Fargo acts as trustee.

2. Nordstrom Credit, Inc., a Colorado corporation ("NCI"), the Transferor and Wells Fargo have entered into a Series 1996-A Supplement, dated as of August 14, 1996, as amended by the First Amendment thereto, dated as of December 23, 1997, by the Second Amendment thereto, dated as of February 28, 1999, and by the Third Amendment thereto, dated as of September 28, 2001 (as so amended and as further amended, restated, supplemented or otherwise modified from time to time, the "Series Supplement"), which supplements the Agreement. Pursuant to the Series Supplement and the Agreement, NCI, subject to the terms and conditions contained therein, makes certain representations, warranties and covenants, including agreeing to pay certain costs, fees and other amounts, all for the benefit of the Certificateholders (as defined in the Agreement), including Falcon Asset Securitization Corporation, a Delaware corporation ("Falcon").

3. Each of Transferor and NCI is a Subsidiary of Provider and Provider has and will continue to receive substantial direct and indirect benefits from the sale of accounts receivable by Transferor to the Trust pursuant to the Agreement (which benefits are hereby acknowledged).

4. As an inducement for Falcon to accept assignment of the Certificates issued by the Trust and for Bank One to become agent, each pursuant to the Assignment Agreement, dated as of September 28, 2001, among Enterprise Funding Corporation, Bank of America, National Association (formerly NationsBank, N.A.), Falcon, Recipient, Transferor, NCI and Wells Fargo, Provider has agreed to guaranty the due and punctual performance by (i) Transferor of its obligations, individually and in its capacity as Servicer, under the Agreement, the Transfer and Administration Agreement (as hereinafter defined) and the Series Supplement and (ii) NCI of its obligations under the Series Supplement and the Agreement.

5. Provider wishes to guaranty the due and punctual performance by (i) Transferor of its obligations, individually and in its capacity as Servicer, under the Agreement, the Transfer and Administration Agreement and the Series Supplement and (ii) NCI of its obligations under the Series Supplement and the Agreement, each as provided herein.

#### AGREEMENT

NOW, THEREFORE, Provider hereby agrees as follows:

Section 1. Definitions. Capitalized terms used herein and not defined herein shall have the respective meanings assigned thereto in the Transfer and Administration Agreement. In addition:

"Obligations" means, collectively, (i) all covenants, agreements, terms, conditions and indemnities to be performed and observed by Transferor, individually and in its capacity as Servicer, under and pursuant to the Agreement, the Transfer and Administration Agreement, the Series Supplement and each other document executed and delivered by Transferor pursuant to the Agreement, the Transfer and Administration Agreement or the Series Supplement, as each such agreement is in effect on the date of this Undertaking, including, without limitation, the due and punctual payment of all sums which are or may become due and owing by Transferor or Servicer under the Agreement, the Transfer and Administration Agreement or the Series Supplement, whether for fees, expenses (including counsel fees), indemnified amounts or otherwise, whether upon any termination or for any other reason (including amounts that would become due but for the operation of the discretionary stay under Section 11(c)(12) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1821(a)(12), as amended) and (ii) all covenants, agreements, terms, conditions and indemnities to be performed and observed by NCI under and pursuant to the Agree-

ment, the Series Supplement and each other document executed and delivered by NCI pursuant to the Agreement or the Series Supplement, as each such agreement is in effect on the date of this Undertaking, including, without limitation, the due and punctual payment of all sums which are or may become due and owing by NCI under the Agreement or the Series Supplement, whether for fees, expenses (including counsel fees), indemnified amounts or otherwise, whether upon any termination or for any other reason (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section 362(a), as amended).

As used herein, "Transfer and Administration Agreement" means the Amended and Restated Transfer and Administration Agreement, dated as of September 28, 2001, by and among Transferor, the Bank Investors party thereto from time to time, Falcon and Bank One, as amended, restated or otherwise modified from time to time.

Section 2. Guaranty of Performance of Obligations. Provider hereby guarantees to Recipient, the full and punctual payment and performance by each of Transferor and NCI of its respective Obligations. This Undertaking is an absolute, unconditional and continuing guaranty of the full and punctual performance of all of the Obligations of (i) Transferor under the Agreement, the Transfer and Administration Agreement, the Series Supplement and each other document executed and delivered by Transferor pursuant thereto and (ii) NCI under the Agreement, the Series Supplement and each other document executed and delivered by NCI pursuant thereto. This Undertaking is in no way conditioned upon any requirement that Recipient first attempt to collect any amounts owing by Transferor or NCI to Recipient, the Bank Investors or from any other Person or resort to any collateral security, any balance of any deposit account or credit on the books of Recipient or any Bank Investor in favor of Transferor, NCI or any other Person or other means of obtaining payment. Should Transferor or NCI default in the payment or performance of any of its respective Obligations, Recipient (or its assigns) may, upon three Business Days' written notice to Provider, cause the immediate performance by Provider of such Obligations and cause any payment Obligations to become forthwith due and payable to Recipient (or its assigns), without demand or notice of any nature (other than as expressly provided herein), all of which are hereby expressly waived by Provider. Notwithstanding the foregoing, (i) Provider is not obligated to make any payments in respect of its obligations under this Undertaking to the extent that such payments exceed, in the aggregate, \$200,000,000; (ii) this Undertaking is not a guarantee of the payment by an Obligor or collection of any of the Receivables

(as defined in the Agreement); and (iii) Provider shall not be responsible for any Obligations to the extent the failure to perform such Obligations by Transferor or NCI results from Receivables being uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor (as defined in the Agreement); provided, that nothing herein shall relieve Transferor from performing in full its Obligations as Servicer or Provider of its undertaking hereunder with respect to the full performance of such duties. Any payment by the Provider hereunder shall discharge all of the Provider's liability for the amounts so paid.

Section 3. Provider's Further Agreements to Pay. Provider further agrees, as the principal obligor and not as a guarantor only, to pay to Recipient (and its assigns), forthwith upon demand in funds immediately available to Recipient, all reasonable costs and expenses (including court costs and legal expenses) incurred or expended by Recipient in connection with the enforcement of the Obligations and this Undertaking, together with interest on amounts recoverable under this Undertaking from the time when such amounts become due until payment, at a rate of interest (computed for the actual number of days elapsed based on a 360 day year) equal to the Prime Rate (as defined in the Series Supplement) plus 2% per annum, such rate of interest changing when and as the Prime Rate changes.

Section 4. Waivers by Provider. To the extent permitted by law, Provider waives notice of acceptance of this Undertaking, notice of any action taken or omitted by Recipient (or its assigns) in reliance on this Undertaking, and any requirement that Recipient (or its assigns) be diligent or prompt in making demands under this Undertaking, giving notice of any Termination Event or other default or omission by Transferor or NCI or asserting any other rights of Recipient under this Undertaking. Provider warrants that it has adequate means to obtain from Transferor and NCI, on a continuing basis, information concerning the financial condition of Transferor and NCI, and that it is not relying on Recipient to provide such information, now or in the future. To the extent permitted by law, Provider also irrevocably waives all defenses (i) that at any time may be available in respect of the Obligations by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect or (ii) that arise under the law of suretyship, including impairment of collateral. Recipient (and its assigns) shall be at liberty, without giving notice to or obtaining the assent of Provider (to the extent permitted by law), and without relieving Provider of any liability under this Undertaking (to the extent permitted by law), to deal with Transferor, NCI and with each other party who now is or after the date hereof becomes liable in any manner for any of the Obligations, in such manner as Recipient in its sole discretion deems fit, and to this end

Provider agrees, to the extent permitted by law, that the validity and enforceability of this Undertaking, including without limitation, the provisions of Section 7 hereof, shall not be impaired or affected by any of the following: (a) any extension or renewal of, or indulgence with respect to, or substitutions for, the Obligations or any part thereof or any agreement relating thereto at any time; (b) any failure or omission to enforce any right, power or remedy with respect to the Obligations or any part thereof or any agreement relating thereto, or any collateral securing the Obligations or any part thereof; (c) any waiver of any right, power or remedy or of any Termination Event or default with respect to the Obligations or any part thereof or any agreement relating thereto; (d) any release, surrender, compromise, settlement, waiver, subordination or modification, with or without consideration, of any other obligation of any person or entity with respect to the Obligations or any part thereof; (e) the enforceability or validity of the Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to the Obligations or any part thereof; (f) the application of payments received from any source to the payment of any payment Obligations of Transferor or NCI or any part thereof or amounts which are not covered by this Undertaking even though Recipient (or its assigns) might lawfully have elected to apply such payments to any part or all of the payment Obligations of Transferor or NCI or to amounts which are not covered by this Undertaking; (g) the existence of any claim, setoff or other rights which Provider may have at any time against Transferor or NCI in connection herewith or any unrelated transaction; (h) subject to the last sentence of Section 2 hereof, any assignment or transfer of the Obligations or any part thereof; or (i) any failure on the part of Transferor or NCI to perform or comply with any term of the Agreement, the Transfer and Administration Agreement, the Series Supplement or any other document executed in connection therewith or delivered thereunder, all whether or not Provider shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (a) through (i) of this Section 4.

Section 5. Unenforceability of Obligations Against Transferor or NCI. To the extent permitted by law, notwithstanding (a) any change of ownership of Transferor or NCI or the insolvency, bankruptcy or any other change in the legal status of Transferor or NCI; (b) the change in or the imposition of any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Obligations; (c) the failure of Transferor, NCI or Provider to maintain in full force, validity or effect or to obtain or renew when required all governmental and other approvals, licenses or consents required in connection with the Obligations or this Undertaking, or to take any other action required in connection with the performance of all

obligations pursuant to the Obligations or this Undertaking; or (d) if any of the moneys included in the Obligations have become irrecoverable from Transferor or NCI for any other reason other than final payment in full of the payment Obligations in accordance with their terms, this Undertaking shall nevertheless be binding on Provider. This Undertaking shall be in addition to any other guaranty or other security for the Obligations, and it shall not be rendered unenforceable by the invalidity of any such other guaranty or security. In the event that acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of Transferor or NCI or for any other reason with respect to Transferor or NCI, all such amounts then due and owing with respect to the Obligations under the terms of the Agreement, the Transfer and Administration Agreement, the Series Supplement or any other agreement evidencing, securing or otherwise executed in connection with the Obligations, shall be immediately due and payable by Provider.

Section 6. Representations and Warranties. Provider hereby represents and warrants to Recipient that:

(a) Existence and Standing. Provider is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction 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.

(b) Authorization, Execution and Delivery; Binding Effect. Provider has the corporate power and authority and legal right to execute and deliver this Undertaking, perform its obligations hereunder and consummate the transactions herein contemplated. The execution and delivery by Provider of this Undertaking, the performance of its obligations and consummation of the transactions contemplated hereunder have been duly authorized by proper corporate proceedings, and Provider has duly executed and delivered this Undertaking. This Undertaking constitutes the legal, valid and binding obligation of Provider enforceable against Provider in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

(c) No Conflict; Government Consent. The execution and delivery by Provider of this Undertaking and the performance of its obligations hereunder are within its corporate powers, have been duly authorized by all neces-

sary corporate action, do not contravene or violate (i) its 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 or any of its Subsidiaries is a party or by which it, any of its Subsidiaries or any of their respective property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its Subsidiaries or any of their respective property and, do not result in the creation or imposition of any Adverse Claim on assets of Provider or any of its Subsidiaries.

(d) Financial Statements. The consolidated financial statements of Provider and its consolidated Subsidiaries dated as of January 31, 2001 heretofore delivered to Recipient have been prepared in accordance with generally accepted accounting principles consistently applied and fairly present in all material respects the consolidated financial condition and results of operations of Provider and its consolidated Subsidiaries as of such date and for the period ended on such date. Since the later of (i) July 31, 2001 and (ii) the last time this representation was made or deemed made, no event has occurred which would or could reasonably be expected to have a material adverse effect on the business, operations, properties or condition (financial or otherwise) of Provider or the ability of Provider to perform its obligations hereunder.

(e) Taxes. Provider has filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by Provider or any of its Subsidiaries, except such taxes, if any, as are being contested in good faith by appropriate proceedings by Provider or such Subsidiary and as to which adequate reserves have been provided on the books of Provider or such Subsidiary in accordance with general accepted accounting principles. The United States income tax returns of Provider have been audited by the Internal Revenue Service through the fiscal year ended January 31, 2001. No federal or state tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of Provider in respect of any taxes or other governmental charges are adequate.

(f) Litigation and Contingent Obligations. There are no actions, suits or proceedings pending or, to the best of Provider's knowledge threatened against or affecting Provider, any of its Subsidiaries or any of their respective properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a material adverse effect on (i) the business, properties, condition

(financial or otherwise) or results of operations of Provider and its Subsidiaries taken as a whole, (ii) the ability of Provider to perform its obligations under this Undertaking, or (iii) the validity or enforceability of any of this Undertaking or the rights or remedies of Recipient hereunder. Provider is not default with respect to any order of any court, arbitrator or governmental body and does not have any material contingent obligations not provided for or disclosed in the financial statements referred to in Section 6(d).

Section 7. Subrogation; Subordination. Notwithstanding anything to the contrary contained herein, to the extent permitted by law, Provider (a) waives and agrees not to enforce or otherwise exercise any right of subrogation to any of the rights of Recipient or any Bank Investor against Transferor or NCI, (b) hereby waives all rights of subrogation (whether contractual, under Section 509 of the United States Bankruptcy Code, at law or in equity or otherwise) to the claims of Recipient and the Bank Investors against Transferor or NCI and all contractual, statutory or legal or equitable rights of contribution, reimbursement, indemnification and similar rights and "claims" (as that term is defined in the United States Bankruptcy Code) which Provider might now have or hereafter acquire against Transferor or NCI that arise from the existence or performance of Provider's obligations hereunder, (c) will not claim any setoff, recoupment or counterclaim against Transferor or NCI in respect of any liability of Provider to Transferor or NCI and (d) waives any benefit of and any right to participate in any collateral security which may be held by Recipient or the Bank Investors. The payment of any amounts due with respect to any indebtedness of Transferor or NCI now or hereafter owed to Provider is hereby subordinated to the prior payment in full of all of the Obligations. Provider agrees that, after the occurrence of any default in the payment or performance of any of the Obligations, Provider will not demand, sue for or otherwise attempt to collect any such indebtedness of Transferor or NCI to Provider until all of the Obligations shall have been indefeasibly paid and performed in full. If, notwithstanding the foregoing sentence, Provider shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still unperformed or outstanding, such amounts shall be collected, enforced and received by Provider as trustee for Recipient (and its assigns) and be paid over to Recipient (or its assigns) on account of the Obligations without affecting in any manner the liability of Provider under the other provisions of this Undertaking. The provisions of this Section 7 shall be supplemental to and not in derogation of any rights and remedies of Recipient under any separate subordination agreement which Recipient may at any time and from time to time enter into with Provider.



Section 8. Termination of Performance Undertaking. Provider's obligations hereunder shall continue in full force and effect until all Obligations are indefeasibly paid and satisfied in full and the Agreement, the Transfer and Administration Agreement and the Series Supplement are terminated, provided, that this Undertaking shall continue to be effective or shall be reinstated, as the case may be, if at any time payment or other satisfaction of any of the Obligations is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency, or reorganization of Transferor, NCI or otherwise, as though such payment had not been made or other satisfaction occurred, whether or not Recipient (or its assigns) is in possession of this Undertaking. No invalidity, irregularity or unenforceability by reason of the federal bankruptcy code or any insolvency or other similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect the Obligations shall impair, affect, be a defense to or claim against the obligations of Provider under this Undertaking.

Section 9. Effect of Bankruptcy. This Undertaking shall survive the insolvency of Transferor or NCI and the commencement of any case or proceeding by or against Transferor or NCI under the federal bankruptcy code or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes. No automatic stay under the federal bankruptcy code with respect to Transferor or NCI or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which Transferor or NCI is subject shall postpone the obligations of Provider under this Undertaking.

Section 10. Setoff. Regardless of the other means of obtaining payment of any of the Obligations, Recipient (and its assigns) is hereby authorized at any time and from time to time, without notice to Provider (any such notice being expressly waived by Provider) and to the fullest extent permitted by law, to set off and apply any deposits and other sums against the obligations of Provider under this Undertaking, whether or not Recipient (or any such assign) shall have made any demand under this Undertaking and although such Obligations may be contingent or unmatured.

Section 11. Taxes. All payments to be made by Provider hereunder shall be made free and clear of any deduction or withholding. If Provider is required by law to make any deduction or withholding on account of tax or otherwise from any such payment, the sum due from it in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or with-

holding, Recipient receives a net sum equal to the sum which they would have received had no deduction or withholding been made.

Section 12. Further Assurances. Provider agrees that it will from time to time, at the request of Recipient (or its assigns), provide information relating to the business and affairs of Provider as Recipient may reasonably request. Provider also agrees to do all such things and execute all such documents as Recipient (or its assigns) may reasonably consider necessary or desirable to give full effect to this Undertaking and to perfect and preserve the rights and powers of Recipient hereunder.

Section 13. Successors and Assigns. This Undertaking shall be binding upon Provider, its successors and permitted assigns, and shall inure to the benefit of and be enforceable by Recipient and its successors and assigns. Provider may not assign or transfer any of its obligations hereunder without the prior written consent of Recipient. Without limiting the generality of the foregoing sentence, Recipient may assign or otherwise transfer the Agreement, Transfer and Administration Agreement, Series Supplement, any other documents executed in connection therewith or delivered thereunder or any other agreement or note held by them evidencing, securing or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other entity or other person, and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to Recipient or the Bank Investors herein.

Section 14. Amendments and Waivers. No amendment or waiver of any provision of this Undertaking nor consent to any departure by Provider therefrom shall be effective unless the same shall be in writing and signed by Recipient and Provider. No failure on the part of Recipient to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 15. Notices. All notices and other communications provided for hereunder shall be made in writing and shall be addressed as follows: if to Provider, at the address set forth beneath its signature hereto, and if to Recipient, at the addresses set forth in Section 6.3 of the Transfer and Administration Agreement, or at such other addresses as each of Provider or any Recipient may designate in writing to the other. Each such notice or other communication shall be effective

(1) if given by telecopy, upon the receipt thereof, (2) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (3) if given by any other means, when received at the address specified in this Section 15.

SECTION 16. GOVERNING LAW. THIS UNDERTAKING SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS BUT OTHERWISE WITHOUT REGARD TO ITS CONFLICT OF LAW PROVISIONS), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 17. CONSENT TO JURISDICTION. EACH OF PROVIDER AND RECIPIENT 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 UNDERTAKING, THE AGREEMENT, THE SERIES SUPPLEMENT, THE TRANSFER AND ADMINISTRATION AGREEMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH OR DELIVERED THEREUNDER AND EACH OF PROVIDER AND RECIPIENT 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.

Section 18. Bankruptcy Petition. Provider hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding Commercial Paper or other indebtedness of Falcon, it will not institute against, or join any other Person in instituting against, Falcon 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 19. Miscellaneous. This Undertaking constitutes the entire agreement of Provider with respect to the matters set forth herein. The rights and

remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Undertaking shall be in addition to any other guaranty of or collateral security for any of the Obligations. The provisions of this Undertaking are severable, and in any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of Provider hereunder would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Provider's liability under this Undertaking, then, notwithstanding any other provision of this Undertaking to the contrary, the amount of such liability shall, without any further action by Provider or Recipient, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding. Any provisions of this Undertaking 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. Unless otherwise specified, references herein to "Section" shall mean a reference to sections of this Undertaking.

IN WITNESS WHEREOF, Provider has caused this Undertaking to be executed and delivered as of the date first above written.

NORDSTROM, INC.

By: /s/ Robert E. Campbell

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Name: Robert E. Campbell

Title: V.P. Treasurer

Address: 1617 Sixth Avenue  
Seattle, Washington 98101  
(206) 628-2111  
Attention: Treasurer

## PERFORMANCE UNDERTAKING

This Performance Undertaking (this "Undertaking"), dated as of December 4, 2001, is executed by Nordstrom, Inc., a Washington corporation (the "Provider"), in favor of Bank One, NA (Main Office Chicago), a national banking association ("Bank One" or "Agent"), as Agent (together with its successors and assigns, "Recipient").

## RECITALS

1. Nordstrom fsb, a federal savings bank association ("Bank") and Nordstrom Credit, Inc., a Colorado corporation ("NCI") have entered into an Operating Agreement, dated as of August 30, 1991, as amended by the First Amendment to Operating Agreement, dated as of March 1, 2001 and by the Second Amendment to Operating Agreement, dated as of October 1, 2001, as may be further amended from time to time (the "Operating Agreement") pursuant to which Bank, subject to the terms and conditions contained therein, sold its right, title and interest in certain of its accounts receivable and on a daily basis sells additional accounts receivable to NCI.

2. Nordstrom, Inc., a Washington Corporation and NCI have entered into a Business Account Operating Agreement, dated as of February 1, 1997, as amended by the First Amendment to Business Account Operating Agreement, dated as of October 1, 2001, as may be further amended from time to time (the "Business Account Operating Agreement") pursuant to which Nordstrom, Inc., subject to the terms and conditions contained therein, sold its right, title and interest in certain of its accounts receivable and on a daily basis sells additional accounts receivable to NCI.

3. NCI and Nordstrom Private Label Receivables LLC, a Delaware limited liability company (the "Transferor") have entered into a Receivables Purchase Agreement, dated as of October 1, 2001, as may be amended from time to time (the "Receivables Purchase Agreement") pursuant to which NCI, subject to the terms and conditions contained therein, sold its right, title and interest in certain accounts receivable and on a daily basis sells additional accounts receivable to Transferor.

4. Transferor, Bank, in its capacity as servicer (in such capacity, the "Servicer") and Nordstrom Private Label Credit Card Master Note Trust, a Delaware statutory business trust (the "Issuer") have entered into a Transfer and Servicing Agreement, dated as of October 1, 2001, as may be amended from time to time (the "Transfer and Servicing Agreement") pursuant to which Transferor, subject to the terms and conditions therein, transferred its right, title and interest in certain accounts receivable (the "Receivables"), on a daily basis sells additional accounts receivable and Servicer agreed to service the Receivables.

5. Issuer and Wells Fargo Bank West, N.A., as Indenture Trustee have entered into a Master Indenture dated as of October 1, 2001, as may be amended from time to time (the "Master Indenture") and an Indenture Supplement thereto dated as of November 19, 2001, as may be amended from time to time (the "Indenture Supplement" and together with the Master Indenture, the "Indenture") pursuant to which Issuer has issued the Class A Note and the Class B Note.

6. Transferor, Servicer, Falcon Asset Securitization Corporation, a Delaware corporation ("Falcon") and Bank One have entered into the Note Purchase Agreement, dated as of November 19, 2001, as amended from time to time (the "Note Purchase Agreement") pursuant to which Agent has agreed to purchase the Class A Note from Transferor on behalf of the Conduit Purchaser.

7. Pursuant to the Receivables Purchase Agreement, Transfer and Servicing Agreement and the Note Purchase Agreement, each of Bank and NCI, subject to the terms and conditions contained therein, makes certain representations, warranties and covenants, including agreeing to pay certain costs, fees and other amounts, all for the benefit of the Noteholders (as defined in the Indenture), including Falcon.

8. Each of Bank and NCI is a Subsidiary of Provider, and Provider has received and will continue to receive substantial direct and indirect benefits from the sale and transfer of accounts receivable as described above (which benefits are hereby acknowledged).

9. As an inducement for Falcon to purchase the Class A Note issued by Issuer and for Bank One to become agent, each pursuant to the Note Purchase Agreement, Provider has agreed to guaranty the due and punctual performance by (i) Bank of its obligations, individually and in its capacity as Servicer under the Operating Agreement, the Transfer and Servicing Agreement and the Note Purchase Agreement and (ii) NCI of its obligations under the Receivables Purchase Agreement.

#### AGREEMENT

NOW, THEREFORE, Provider hereby agrees as follows:

Section 1. Definitions. Capitalized terms used herein and not defined herein shall have the respective meanings assigned thereto in the Note Purchase Agreement. In addition:

"Obligations" means, collectively, (i) all covenants, agreements, terms, conditions and indemnities to be performed and observed by Bank, individually and in its capacity as Servicer, under and pursuant to the Operating Agreement, the Transfer and Servicing Agreement, the Indenture or the Note Purchase Agreement and each other document executed and delivered by Bank pursuant to the Operating Agreement, the Transfer and Servicing Agreement, the Indenture or the Note Purchase Agreement, as each such agreement is in effect on the date of this Undertaking, including, without limitation, the due and punctual payment of all sums which are or may become due and owing by Bank or Servicer under the Operating Agreement, the Transfer and Servicing Agreement or the Note Purchase Agreement, whether for fees, expenses (including counsel fees), indemnified amounts or otherwise, whether upon any termination or for any other reason (including amounts that would become due but for the operation of the discretionary stay under Section 11(c)(12) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1821(a)(12), as amended) and (ii) all covenants, agreements, terms, conditions and indemnities to be performed and observed by NCI under and pursuant to the Receivables Purchase Agreement and each other document executed and delivered by NCI pursuant to the Receivables Purchase Agreement, as such agreement is in effect on the date of this Undertaking, including, without limitation, the due and punctual payment of all sums which are or may become due and owing by NCI under the

Receivables Purchase Agreement, whether for fees, expenses (including counsel fees), indemnified amounts or otherwise, whether upon any termination or for any other reason (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section 362(a), as amended).

"Prime Rate" means with respect to any date of determination, a rate per annum equal to the prime rate of interest announced by Bank One or its parent (which is not necessarily the lowest rate charged to any customer) for such date of determination.

"Subsidiary" means, as to any Person, any corporation or other entity of which securities or other ownership interest having ordinary voting power to elect a majority of the Board of Directors or other Persons performing similar functions are at the time directly or indirectly owned or controlled by such Person.

Section 2. Guaranty of Performance of Obligations. Provider hereby guarantees to Recipient, the full and punctual payment and performance by each of Bank and NCI of its respective Obligations. This Undertaking is an absolute, unconditional and continuing guaranty of the full and punctual performance of all of the Obligations of (i) Bank under the Operating Agreement, the Transfer and Servicing Agreement and the Note Purchase Agreement and each other document executed and delivered by Bank pursuant thereto and (ii) NCI under the Receivables Purchase Agreement and each other document executed and delivered by NCI pursuant thereto. This Undertaking is in no way conditioned upon any requirement that Recipient first attempt to collect any amounts owing by Bank or NCI to Recipient, Purchasers or from any other Person or resort to any collateral security, any balance of any deposit account or credit on the books of Recipient or any Purchaser in favor of Bank, NCI or any other Person or other means of obtaining payment. Should Bank or NCI default in the payment or performance of any of its respective Obligations, Recipient (or its assigns) may, upon three Business Days' written notice to Provider, cause the immediate performance by Provider of such Obligations and cause any payment Obligations to become forthwith due and payable to Recipient (or its assigns), without demand or notice of any nature (other than as expressly provided herein), all of which are hereby expressly waived by Provider; provided, however, that the failure of Recipient (or its assigns) to give such written notice to Provider shall in no event act as a waiver of any provision of this Undertaking or relieve Provider of any of its Obligations. Notwithstanding the foregoing, (i) this Undertaking is not a guarantee of the payment by an Obligor or collection of any of the Receivables (as defined in the Transfer and Servicing Agreement); and (ii) Provider shall not be responsible for any Obligations to the extent the failure to perform such Obligations by Bank or NCI results from Receivables being uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor (as defined in the Transfer and Servicing Agreement); provided, that nothing herein shall relieve Bank from performing in full its Obligations as Servicer or Provider of its undertaking hereunder with respect to the full performance of the Servicer's or the Provider's respective duties. Subject to the provisions set forth in Section 8, any payment by Provider hereunder shall discharge all of Provider's liability for the amounts so paid.

Section 3. Provider's Further Agreements to Pay. Provider further agrees, as the principal obligor and not as a guarantor only, to pay to Recipient (and its assigns), forthwith upon demand in funds immediately available to Recipient, all reasonable costs and expenses



(including court costs and legal expenses) incurred or expended by Recipient in connection with the enforcement of the Obligations and this Undertaking, together with interest on amounts recoverable under this Undertaking from the time when such amounts become due until payment, at a rate of interest (computed for the actual number of days elapsed based on a 360 day year) equal to the Prime Rate plus 2% per annum, such rate of interest changing when and as the Prime Rate changes.

Section 4. Waivers by Provider. To the extent permitted by law, Provider waives notice of acceptance of this Undertaking, notice of any action taken or omitted by Recipient (or its assigns) in reliance on this Undertaking, and any requirement that Recipient (or its assigns) be diligent or prompt in making demands under this Undertaking, giving notice of any Servicer Default or other default or omission by Bank or NCI or asserting any other rights of Recipient under this Undertaking. Provider warrants that it has adequate means to obtain from Bank and NCI, on a continuing basis, information concerning the financial condition of Bank and NCI, and that it is not relying on Recipient to provide such information, now or in the future. To the extent permitted by law, Provider also irrevocably waives all defenses (i) that at any time may be available in respect of the Obligations by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect or (ii) that arise under the law of suretyship, including impairment of collateral. Recipient (and its assigns) shall be at liberty, without giving notice to or obtaining the assent of Provider (to the extent permitted by law), and without relieving Provider of any liability under this Undertaking (to the extent permitted by law), to deal with Bank, NCI and with each other party who now is or after the date hereof becomes liable in any manner for any of the Obligations, in such manner as Recipient in its sole discretion deems fit, and to this end Provider agrees, to the extent permitted by law, that the validity and enforceability of this Undertaking, including without limitation, the provisions of Section 7 hereof, shall not be impaired or affected by any of the following: (a) any extension or renewal of, or indulgence with respect to, or substitutions for, the Obligations or any part thereof or any agreement relating thereto at any time; (b) any failure or omission to enforce any right, power or remedy with respect to the Obligations or any part thereof or any agreement relating thereto, or any collateral securing the Obligations or any part thereof; (c) any waiver of any right, power or remedy or of any Servicer Default or default with respect to the Obligations or any part thereof or any agreement relating thereto; (d) any release, surrender, compromise, settlement, waiver, subordination or modification, with or without consideration, of any other obligation of any person or entity with respect to the Obligations or any part thereof; (e) the enforceability or validity of the Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to the Obligations or any part thereof; (f) the existence of any claim, setoff or other rights which Provider may have at any time against Bank or NCI in connection herewith or any unrelated transaction; (g) subject to the last sentence of Section 2 hereof, any assignment or transfer of the Obligations or any part thereof; or (h) any failure on the part of Bank or NCI to perform or comply with any term of the Operating Agreement, the Receivables Purchase Agreement, the Transfer and Servicing Agreement, the Note Purchase Agreement or any other document executed in connection therewith or delivered thereunder, all whether or not Provider shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (a) through (h) of this Section 4.

Section 5. Unenforceability of Obligations Against Bank or NCI. To the extent permitted by law, notwithstanding (a) any change of ownership of Bank or NCI or the

insolvency, bankruptcy or any other change in the legal status of Bank or NCI; (b) the change in or the imposition of any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Obligations; (c) the failure of Bank, NCI or Provider to maintain in full force, validity or effect or to obtain or renew when required all governmental and other approvals, licenses or consents required in connection with the Obligations or this Undertaking, or to take any other action required in connection with the performance of all obligations pursuant to the Obligations or this Undertaking or (d) if any of the moneys included in the Obligations have become irrecoverable from Bank or NCI for any other reason other than final payment in full of the payment Obligations in accordance with their terms, this Undertaking shall nevertheless be binding on Provider and shall constitute the primary obligation of Provider. This Undertaking shall be in addition to any other guaranty or other security for the Obligations, and it shall not be rendered unenforceable by the invalidity of any such other guaranty or security. In the event that acceleration of the time for payment of any of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of Bank or NCI or for any other reason with respect to Bank or NCI, all such amounts then due and owing with respect to the Obligations under the terms of the Operating Agreement, the Receivables Purchase Agreement, the Transfer and Servicing Agreement, the Note Purchase Agreement or any other agreement evidencing, securing or otherwise executed in connection with the Obligations, shall be immediately due and payable by Provider.

Section 6. Representations and Warranties. Provider hereby represents and warrants to Recipient that:

(a) Existence and Standing. Provider is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction 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.

(b) Authorization, Execution and Delivery; Binding Effect. Provider has the corporate power and authority and legal right to execute and deliver this Undertaking, perform its obligations hereunder and consummate the transactions herein contemplated. The execution and delivery by Provider of this Undertaking, the performance of its obligations and consummation of the transactions contemplated hereunder have been duly authorized by proper corporate proceedings, and Provider has duly executed and delivered this Undertaking. This Undertaking constitutes the legal, valid and binding obligation of Provider enforceable against Provider in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally.

(c) No Conflict; Government Consent. The execution and delivery by Provider of this Undertaking and the performance of its obligations hereunder are within its corporate powers, have been duly authorized by all necessary corporate action, do not contravene or violate (i) its 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 or any of its Subsidiaries is a party or by which it, any of its Subsidiaries or any of their respective property is bound, or (iv) any order, writ,

judgment, award, injunction or decree binding on or affecting it or any of its Subsidiaries or any of their respective property and, do not result in the creation or imposition of any Lien on assets of Provider or any of its Subsidiaries.

(d) Financial Statements. The consolidated financial statements of Provider and its consolidated Subsidiaries dated as of January 31, 2001 heretofore delivered to Recipient have been prepared in accordance with generally accepted accounting principles consistently applied and fairly present in all material respects the consolidated financial condition and results of operations of Provider and its consolidated Subsidiaries as of such date and for the period ended on such date. Since the later of (i) October 31, 2001 and (ii) the last time this representation was made or deemed made, no event has occurred which would or could reasonably be expected to have a material adverse effect on the business, operations, properties or condition (financial or otherwise) of Provider or the ability of Provider to perform its obligations hereunder or the validity or enforceability of this Undertaking.

(e) Taxes. Provider has filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by Provider or any of its Subsidiaries, except such taxes, if any, as are being contested in good faith by appropriate proceedings by Provider or such Subsidiary and as to which adequate reserves have been provided on the books of Provider or such Subsidiary in accordance with general accepted accounting principles. The United States income tax returns of Provider have been audited by the Internal Revenue Service through the fiscal year ended January 31, 2001. No federal or state tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of Provider in respect of any taxes or other governmental charges are adequate.

(f) Litigation and Contingent Obligations. There are no actions, suits or proceedings pending or, to the best of Provider's knowledge threatened against or affecting Provider, any of its Subsidiaries or any of their respective properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a material adverse effect on (i) the business, properties, condition (financial or otherwise) or results of operations of Provider and its Subsidiaries taken as a whole, (ii) the ability of Provider to perform its obligations under this Undertaking, or (iii) the validity or enforceability of any of this Undertaking or the rights or remedies of Recipient hereunder. Provider is not default with respect to any order of any court, arbitrator or governmental body and does not have any material contingent obligations not provided for or disclosed in the financial statements referred to in Section 6(d).

Section 7. Subrogation; Subordination. Notwithstanding anything to the contrary contained herein, to the extent permitted by law and until such time as the Class A Series 2001-2 Floating Rate Asset Backed Variable Funding Notes have been paid in full, Provider (a) waives and agrees not to enforce or otherwise exercise any right of subrogation to any of the rights of Recipient or any Purchaser against Bank or NCI, (b) hereby waives all rights of subrogation (whether contractual, under Section 509 of the United States Bankruptcy Code, at law or in equity or otherwise) to the claims of Recipient and Purchasers against Bank or NCI and all

contractual, statutory or legal or equitable rights of contribution, reimbursement, indemnification and similar rights and "claims" (as that term is defined in the United States Bankruptcy Code) which Provider might now have or hereafter acquire against Bank or NCI that arise from the existence or performance of Provider's obligations hereunder, (c) will not claim any setoff, recoupment or counterclaim against Bank or NCI in respect of any liability of Provider to Bank or NCI and (d) waives any benefit of and any right to participate in any collateral security which may be held by Recipient or Purchasers. The payment of any amounts due with respect to any indebtedness of Bank or NCI now or hereafter owed to Provider is hereby subordinated to the prior payment in full of all of the Obligations. Provider agrees that, after the occurrence of any default in the payment or performance of any of the Obligations, Provider will not demand, sue for or otherwise attempt to collect any such indebtedness of Bank or NCI to Provider until all of the Obligations shall have been indefeasibly paid and performed in full. If, notwithstanding the foregoing sentence, Provider shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still unperformed or outstanding, such amounts shall be collected, enforced and received by Provider as trustee for Recipient (and its assigns) and be paid over to Recipient (or its assigns) on account of the Obligations without affecting in any manner the liability of Provider under the other provisions of this Undertaking. The provisions of this Section 7 shall be supplemental to and not in derogation of any rights and remedies of Recipient under any separate subordination agreement which Recipient may at any time and from time to time enter into with Provider.

Section 8. Termination of Performance Undertaking. Provider's obligations hereunder shall continue in full force and effect until all Obligations are indefeasibly paid and satisfied in full and the Operating Agreement, the Receivables Purchase Agreement, the Transfer and Servicing Agreement and the Note Purchase Agreement are terminated, provided, that this Undertaking shall continue to be effective or shall be reinstated, as the case may be, if at any time payment or other satisfaction of any of the Obligations is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency or reorganization of Bank, NCI or otherwise, as though such payment had not been made or other satisfaction occurred, whether or not Recipient (or its assigns) is in possession of this Undertaking. No invalidity, irregularity or unenforceability by reason of the federal bankruptcy code or any insolvency or other similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect the Obligations shall impair, affect, be a defense to or claim against the obligations of Provider under this Undertaking.

Section 9. Effect of Bankruptcy. This Undertaking shall survive the insolvency of Bank or NCI and the commencement of any case or proceeding by or against Bank or NCI under the federal bankruptcy code or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes. No automatic stay under the federal bankruptcy code with respect to NCI or discretionary stay under the Federal Deposit Insurance Act with respect to Bank or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which Bank or NCI is subject shall postpone the obligations of Provider under this Undertaking.

Section 10. Taxes. All payments to be made by Provider hereunder shall be made free and clear of any deduction or withholding. If Provider is required by law to make any deduction or withholding on account of tax or otherwise from any such payment, the sum due from it in respect of such payment shall be increased to the extent necessary to ensure that, after the

making of such deduction or withholding, Recipient receives a net sum equal to the sum which they would have received had no deduction or withholding been made.

Section 11. Further Assurances. Provider agrees that it will from time to time, at the request of Recipient (or its assigns), provide information relating to the business and affairs of Provider as Recipient may reasonably request. Provider also agrees to do all such things and execute all such documents as Recipient (or its assigns) may reasonably consider necessary or desirable to give full effect to this Undertaking and to perfect and preserve the rights and powers of Recipient hereunder.

Section 12. Successors and Assigns. This Undertaking shall be binding upon Provider, its successors and permitted assigns, and shall inure to the benefit of and be enforceable by Recipient and its successors and assigns. Provider may not assign or transfer any of its obligations hereunder without the prior written consent of Recipient. Without limiting the generality of the foregoing sentence, Recipient may assign or otherwise transfer its interest in the Note Purchase Agreement, any other documents executed in connection therewith or delivered thereunder or any other agreement or note held by them evidencing, securing or otherwise executed in connection with the Obligations, or sell participations in any interest therein, to any other entity or other person (in each case, subject to any limitations on such assignment or participation contained in the Note Purchase Agreement), and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to Recipient or Purchasers herein.

Section 13. Amendments and Waivers. No amendment or waiver of any provision of this Undertaking nor consent to any departure by Provider therefrom shall be effective unless the same shall be in writing and signed by Recipient and Provider. No failure on the part of Recipient to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 14. Notices. All notices and other communications provided for hereunder shall be made in writing and shall be addressed as follows: if to Provider, at the address set forth beneath its signature hereto, and if to Recipient, at the addresses set forth in Section 13.02 of the Note Purchase Agreement, or at such other addresses as each of Provider or any Recipient may designate in writing to the other. Each such notice or other communication shall be effective (1) if given by telecopy, upon the receipt thereof, (2) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (3) if given by any other means, when received at the address specified in this Section 15.

SECTION 15. GOVERNING LAW. THIS UNDERTAKING SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS BUT OTHERWISE WITHOUT REGARD TO ITS CONFLICT OF LAW PROVISIONS), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 16. CONSENT TO JURISDICTION. EACH OF PROVIDER AND RECIPIENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS UNDERTAKING, THE AGREEMENT, THE SERIES SUPPLEMENT, THE TRANSFER AND ADMINISTRATION AGREEMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH OR DELIVERED THEREUNDER AND EACH OF PROVIDER AND RECIPIENT 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.

Section 17. Bankruptcy Petition. Provider hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding Commercial Paper or other indebtedness of Falcon, it will not institute against, or join any other Person in instituting against, Falcon 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 18. Miscellaneous. This Undertaking constitutes the entire agreement of Provider with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Undertaking shall be in addition to any other guaranty of or collateral security for any of the Obligations. The provisions of this Undertaking are severable, and in any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of Provider hereunder would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Provider's liability under this Undertaking, then, notwithstanding any other provision of this Undertaking to the contrary, the amount of such liability shall, without any further action by Provider or Recipient, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding. Any provisions of this Undertaking 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. Unless otherwise specified, references herein to "Section" shall mean a reference to sections of this Undertaking.

IN WITNESS WHEREOF, Provider has caused this Undertaking to be executed and delivered as of the date first above written.

NORDSTROM, INC.

By: /s/ Robert E. Campbell

-----  
Name: Robert E. Campbell

-----  
Title: Vice-President Treasurer

-----  
Address: 1617 Sixth Avenue  
Seattle, Washington 98101  
(206) 628-2111  
Attention: Treasurer

## Financial Highlights

Dollars in thousands except per share amounts

| FISCAL YEAR                   | 2001        | 2000        | % Change |
|-------------------------------|-------------|-------------|----------|
| Net sales                     | \$5,634,130 | \$5,528,537 | 1.9      |
| Earnings before income taxes  | 204,488     | 167,018     | 22.4     |
| Net earnings                  | 124,688     | 101,918     | 22.3     |
| Basic earnings per share      | .93         | .78         | 19.2     |
| Diluted earnings per share    | .93         | .78         | 19.2     |
| Cash dividends paid per share | .36         | .35         | 2.9      |

## Stock Prices

| FISCAL YEAR    | 2001  |       | 2000  |       |
|----------------|-------|-------|-------|-------|
|                | HIGH  | LOW   | high  | low   |
| First Quarter  | 21.17 | 15.60 | 34.50 | 18.25 |
| Second Quarter | 22.75 | 17.00 | 30.00 | 16.56 |
| Third Quarter  | 22.97 | 13.80 | 19.50 | 14.19 |
| Fourth Quarter | 25.50 | 14.25 | 21.00 | 14.88 |

Nordstrom, Inc. common stock is traded on the New York Stock Exchange NYSE  
Symbol JWN

## [COMPARABLE STORE BAR GRAPH]

|    | Comparable Store Sales % Change | Total Sales % Change |
|----|---------------------------------|----------------------|
| 91 | 1.4%                            | 9.8%                 |
| 92 | 1.4%                            | 7.6%                 |
| 93 | 2.7%                            | 5.1%                 |
| 94 | 4.4%                            | 8.5%                 |
| 95 | -0.7%                           | 5.6%                 |
| 96 | 0.6%                            | 8.4%                 |
| 97 | 4.0%                            | 9.1%                 |
| 98 | -2.7%                           | 3.8%                 |
| 99 | -1.1%                           | 2.0%                 |
| 00 | 0.3%                            | 7.4%                 |
| 01 | -2.9%                           | 1.9%                 |

## [SALES PER SQUARE FOOT BAR GRAPH]

Sales per Square Foot

|    |       |
|----|-------|
| 91 | \$388 |
| 92 | \$381 |
| 93 | \$383 |
| 94 | \$395 |
| 95 | \$382 |
| 96 | \$377 |
| 97 | \$384 |
| 98 | \$362 |
| 99 | \$350 |
| 00 | \$342 |
| 01 | \$321 |

## [SG&amp;A BAR GRAPH]

SG&amp;A as a % of Sales

|    |       |
|----|-------|
| 91 | 26.2% |
| 92 | 26.4% |
| 93 | 26.2% |
| 94 | 26.4% |
| 95 | 27.6% |
| 96 | 27.7% |
| 97 | 27.5% |
| 98 | 28.3% |
| 99 | 29.6% |
| 00 | 31.6% |
| 01 | 30.6% |



[DILUTED EARNINGS PER SHARE BAR GRAPH]

Diluted Earnings per Share

|    |        |
|----|--------|
| 91 | \$0.82 |
| 92 | \$0.82 |
| 93 | \$0.86 |
| 94 | \$1.23 |
| 95 | \$1.00 |
| 96 | \$0.90 |
| 97 | \$1.20 |
| 98 | \$1.41 |
| 99 | \$1.46 |
| 00 | \$0.78 |
| 01 | \$0.93 |

NORDSTROM INC. AND SUBSIDIARIES

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View this entire report online. Please visit [www.nordstrom.com](http://www.nordstrom.com) to see this report and obtain the latest available information.

OVERVIEW

Earnings for 2001 (the fiscal year ended January 31, 2002) for Nordstrom, Inc. and its subsidiaries (collectively, the "Company") increased by 22% as compared to 2000. This increase was primarily attributable to nonrecurring charges experienced in the prior year. Excluding nonrecurring charges, earnings for 2001 declined by 8.4% due in large part to the slowing economy. The Company experienced a modest increase in net sales due to the opening of new stores but comparable store sales (sales from stores open at least one full fiscal year) declined. Gross profit as a percent of sales also declined primarily due to higher markdowns taken to increase sales and liquidate excess inventories. Selling, general and administrative expenses as a percent of sales declined as a result of focused efforts in 2001 to reduce costs.

In 2002 (the fiscal year ending January 31, 2003), the Company plans to focus on sales growth, managing merchandise inventory levels, controlling expenses, and making disciplined capital investment decisions. The Company will also strive to build on its core values of customer service and delivering the right mix of quality merchandise at the right price.

RESULTS OF OPERATIONS

Percentage of 2001 Sales by Merchandise Category

[PIE CHART]

|                                    |     |
|------------------------------------|-----|
| CHILDREN'S APPAREL AND ACCESSORIES | 4%  |
| OTHER                              | 3%  |
| MEN'S APPAREL AND FURNISHINGS      | 18% |
| WOMEN'S APPAREL                    | 35% |
| SHOES                              | 19% |
| WOMEN'S ACCESSORIES                | 21% |

[BAR GRAPH]

NET SALES (IN MILLIONS)

|      |         |
|------|---------|
| 1997 | \$4,865 |
| 1998 | \$5,049 |
| 1999 | \$5,149 |
| 2000 | \$5,529 |
| 2001 | \$5,634 |

Year over year net sales percentage increases and comparable store sales percentages are as follows:

| FISCAL YEAR            | 2001    | 2000    | 1999    |
|------------------------|---------|---------|---------|
| - - - - -              | - - - - | - - - - | - - - - |
| Net sales increase     | 1.9%    | 7.4%    | 2.0%    |
| Comparable store sales | (2.9%)  | 0.3%    | (1.1%)  |

The net sales increase of 1.9% in 2001 was due to new store openings. During 2001, the Company opened four Nordstrom full-line stores, eight Nordstrom Rack stores and three Faconnable boutiques. The increases in net sales were offset by negative comparable store sales and a decline in sales at Nordstrom.com. Comparable store sales in the first half of the year were lower by 1.3% and in the second half of the year were lower by 4.4%. The decline in the second half of 2001 was largely due to the overall slowdown in the economy. The most significant sales declines were in men's apparel and shoes while women's apparel was essentially flat.

Net sales increased 7.4% in 2000 due to new store openings. During 2000, the Company opened six Nordstrom full-line stores and ten Nordstrom Rack stores. Comparable store sales were essentially flat in 2000, with increases in shoes, cosmetics and accessories offset by decreases in women's apparel. The decrease in women's apparel was primarily attributable to a change in product mix.

## Management's Discussion and Analysis

In 2002, the Company plans to open eight full-line stores, four Nordstrom Rack stores and two Faconnable boutiques, increasing retail square footage 8%. Given the continued weakness in the economy, comparable store sales are planned to be flat. Based on the sales trend seen in the prior year, comparable store sales are planned to be negative in the first half of the year and positive in the second half of the year.

### GROSS PROFIT

Gross profit as a percentage of net sales is as follows:

| FISCAL YEAR<br>- - - - -               | 2001<br>---- | 2000<br>---- | 1999<br>---- |
|--|--------------|--------------|--------------|
| Gross profit as a percent of net sales | 33.2%        | 34.0%        | 34.8%        |

Gross profit as a percentage of net sales declined in 2001 due to higher markdowns and new store occupancy expenses. The higher markdowns were taken to drive sales and to liquidate excess inventory caused by the decrease in comparable store sales.

In 2000, the decline in gross profit as a percentage of sales was due to increased markdowns taken to liquidate excess inventory and increased occupancy expenses as a result of additional stores.

In 2002, gross profit as a percentage of sales is expected to improve moderately through careful management of inventory levels in relation to sales trends. However, any improvement may be limited if sales trends are weaker than expected. The Company expects to complete the rollout of its perpetual inventory system in 2002. The benefits of having better inventory tracking tools through perpetual inventory should, over time, also improve gross profit performance.

### SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses as a percent of net sales are as follows:

| FISCAL YEAR<br>- - - - -   | 2001<br>---- | 2000<br>---- | 1999<br>---- |
|--|--------------|--------------|--------------|
| Selling, general and administrative                                | 30.6%        | 31.6%        | 29.6%        |
| Nonrecurring charges   | --           | 0.4%         | 0.2%         |
| Selling, general and administrative before<br>nonrecurring charges | 30.6%        | 31.2%        | 29.4%        |

Excluding nonrecurring charges, selling, general and administrative expenses as a percentage of net sales decreased in 2001 primarily due to a focused effort to control expenses in the areas of sales promotion, direct selling and information technology. These decreases were partially offset by an increase in bad debt on the Company's credit cards.

In 2000, before nonrecurring charges, the increase in selling, general and administrative expenses as a percent of sales was due to increased costs in the areas of direct selling, credit and sales promotion, related in part to store openings, and increased costs for information services resulting from the Company's investment in new technology.

Fiscal 2000 included nonrecurring charges of \$23 million, of which approximately \$10 million (pre-tax) related to the write-off of abandoned and impaired information technology projects, and approximately \$13 million (pre-tax) related to employee severance and other costs associated with a change in management.

In 2002, selling, general and administrative expenses as a percent of net sales are expected to improve slightly as the Company continues its focus on expense management while incurring higher costs related to new stores, higher depreciation related to new information systems and continued high levels of bad debt.

### INTEREST EXPENSE, NET

Interest expense, net increased 19.7% in 2001 due to higher average borrowings, partially offset by a decrease in interest rates.

In 2000, interest expense, net increased 24.4% primarily due to higher average borrowings.

Management's Discussion and Analysis

[BAR GRAPH]  
SERVICE CHARGE INCOME AND OTHER, NET (IN MILLIONS)

|      |       |
|------|-------|
| 1997 | \$111 |
| 1998 | \$110 |
| 1999 | \$117 |
| 2000 | \$131 |
| 2001 | \$134 |

Service charge income and other, net primarily represents income from the Company's credit card operations. Service charge income declined slightly in 2001 due to lower interest rates, flat credit sales and a steady number of credit accounts. This decline was offset by lower miscellaneous charges compared to the prior year.

In 2000, service charge income increased due to higher credit sales and increases in the number of credit accounts. Credit sales and the number of credit accounts increased as a result of a targeted marketing effort toward inactive accounts and the introduction of a rewards program.

In 2002, service charge income is planned to be higher due to a small increase in credit sales and credit accounts, and adjustments to interest rates charged.

WRITE-OFF OF INVESTMENT

The Company held common shares in Streamline, Inc., an Internet grocery and consumer goods delivery company, at a cost of approximately \$33 million. Streamline ceased its operations effective November 2000. During 2000, the Company wrote off its entire investment in Streamline.

EARNINGS PER SHARE (DILUTED)

[BAR GRAPH]

|      |        |
|------|--------|
| 1997 | \$1.20 |
| 1998 | \$1.41 |
| 1999 | \$1.46 |
| 2000 | \$0.78 |
| 2001 | \$0.93 |

Diluted earnings per share are as follows:

| FISCAL YEAR   | 2001    | 2000    | 1999    |
|---|---------|---------|---------|
| - - - - -   | - - - - | - - - - | - - - - |
| Diluted earnings per share                                | \$.93   | \$ .78  | \$1.46  |
| Nonrecurring charges                                      | --      | .26     | .04     |
| Diluted earnings per share before<br>nonrecurring charges | \$.93   | \$1.04  | \$1.50  |

Excluding nonrecurring charges, earnings per share for 2001 were 10.6% worse than 2000 primarily driven by a decline in comparable store sales and a decline in gross profit percent offset by decreases in selling, general and administrative expenses as a percent of sales.

Excluding nonrecurring charges, earnings per share for 2000 were 30.7% lower than 1999 primarily due to the decline in gross profit percent and higher selling, general and administrative expenses, partially offset by higher service charge income.

FOURTH QUARTER RESULTS

Fourth quarter 2001 earnings per share were \$.38 compared with \$.20 in 2000. The prior year included a \$.01 nonrecurring charge related to the write-off of the remaining Streamline investment. Total sales for the quarter declined by 1.5% versus the same quarter in the prior year and comparable store sales declined by 3.4%. The decline in sales was primarily due to the overall slowdown in the economy. Gross profit increased compared to the same quarter in the prior year due to lower markdowns. Selling, general and administrative expenses improved in the quarter compared to the

## Management's Discussion and Analysis

prior year due to lower costs in selling and sales promotion, partially offset by higher bad debt. The lower selling, general and administrative costs were the result of a focused effort to control costs.

### LIQUIDITY AND CAPITAL RESOURCES

The Company finances its working capital needs, capital expenditures, acquisitions, and share repurchase activity with a combination of cash flows from operations and borrowings.

Management believes that the Company's operating cash flows, existing cash and available credit facilities are sufficient to finance the Company's operations and planned growth for the foreseeable future.

### CASH FLOWS FROM OPERATIONS

Net cash provided by operating activities increased approximately \$238 million in 2001 compared to 2000 primarily due to decreases in merchandise inventories and accounts receivable.

Net cash provided by operating activities decreased approximately \$193 million in 2000 compared to 1999 largely due to lower net earnings and increases in credit card accounts receivable and merchandise inventories.

In 2002, cash flows provided by operating activities are expected to decrease due to increases in accounts receivable related to increases in credit sales and inventory increases related to the opening of new stores.

### CAPITAL EXPENDITURES

The Company's capital expenditures aggregated approximately \$683 million over the last three years, net of developer reimbursements, principally to add stores, improve existing facilities and purchase or develop new information systems. Over 3.5 million square feet of retail store space was added during this period, representing an increase of 25% since January 31, 1999.

The Company plans to spend approximately \$875 million, net of developer reimbursements, on capital projects during the next three years, including new stores, the remodeling of existing stores, new systems and technology, and other items.

At January 31, 2002, approximately \$456 million has been contractually committed for the construction of new stores or remodel of existing stores. Although the Company has made commitments for stores opening in 2002 and beyond, it is possible that some stores may not be opened as scheduled because of delays inherent in the development process, or because of the termination of store site negotiations.

### TOTAL SQUARE FOOTAGE (THOUSANDS)

|      |        |
|------|--------|
| 1997 | 12,614 |
| 1998 | 13,593 |
| 1999 | 14,487 |
| 2000 | 16,056 |
| 2001 | 17,048 |

### SHARE REPURCHASE

In May 1995, the Board of Directors authorized \$1.1 billion of share repurchases. As of January 31, 2002, the Company has purchased 39 million shares of its common stock for \$1 billion, with remaining share repurchase authority of \$82 million. The share repurchase represents 24% of the shares outstanding as of May 1995 after adjusting for the 1998 stock split, at an average price per share of \$25.93. Share repurchases have been partially financed through additional borrowings, resulting in an increase in the Company's debt to capital ratio.

### DIVIDEND POLICY

In 2001, the Company paid \$.36 per share of common stock in cash dividends, the fifth consecutive annual dividend increase. The Company paid \$.35 and \$.32 per share of common stock in fiscal 2000 and 1999.

ACQUISITION

In 2000, the Company acquired Faconnable, S.A. ("Faconnable"), of Nice, France, a designer, wholesaler and retailer of high quality men's and women's apparel and accessories. The Company paid \$88 million in cash and issued 5,074,000 shares of common stock of the Company for a total consideration of \$169 million. The purchase also provides for a contingent payment to one of the previous owners that may be paid after five years from the acquisition date. If the previous owner continues to have active involvement in the business and performance targets are met, the contingent payment would approximate \$10 million. Since the contingent payment is performance based, the actual amount paid will likely vary from this amount and will be expensed when it becomes probable that the targets will be met.

DEBT, AVAILABLE CREDIT AND DEBT RATINGS

In October 2000, the Company issued \$300 million of 8.95% Senior Notes due in 2005. These proceeds were used to reduce short-term indebtedness, to fund the acquisition of Faconnable, and for general corporate purposes.

The Company entered into a variable interest rate swap agreement in the third quarter of 2001. The swap has a \$300 million notional amount and a four-year term. Under the agreement, the Company receives a fixed rate of 8.95% and pays a variable rate based on LIBOR plus a margin of 4.44% set at six-month intervals (6.85% at January 31, 2002). Any differences between the amounts paid and received on interest rate swap agreements are recognized as adjustments to interest expense over the life of the swap.

In November 2001, the Company issued \$300 million of Class A notes backed by Nordstrom Private Label Receivables ("PL Term"). The PL Term bears a fixed interest rate of 4.82% and has a maturity of five years. Both the debt and related assets of the PL Term are included in the Company's consolidated balance sheet. The Company will use the proceeds for general corporate purposes and capital expansion.

The Company has an outstanding \$200 million variable funding note backed by Nordstrom VISA credit card receivables ("Visa VFN"). In accordance with SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" this debt and the related assets are not reflected in the Company's consolidated balance sheets. The Visa VFN is scheduled to expire in April 2002. The Company is in the process of renewing this credit facility.

The Company owns a 49% interest in a limited partnership which constructed a new corporate office building in which the Company is the primary occupant. Land, building and equipment includes capitalized costs related to this building of \$93 million and \$57 million as of January 31, 2002 and 2001. The Company is a guarantor of a \$93 million credit facility of the limited partnership of which \$89 million and \$53 million is outstanding as of January 31, 2002 and 2001 and is included in other long-term debt.

The limited partnership is currently refinancing the \$93 million credit facility and has signed a commitment agreement for an \$85 million mortgage secured by the property. The obligation will have a fixed interest rate of 7.68% and a term of 18 years. The Company expects the agreement to close in April 2002 subject to various requirements. The difference between the amount outstanding under the original credit facility and the new mortgage will be funded by the Company.

In November 2001, the Company entered into a \$300 million unsecured revolving credit facility that expires in November 2004. This credit facility replaced an existing \$500 million line of credit, that was scheduled to expire in July 2002. As of January 31, 2002, no borrowings have been made against this revolving credit facility.

In November 2001, the Company issued a variable funding note backed by Nordstrom Private Label Receivables ("PL VFN") with a \$200 million capacity. As of January 31, 2002, no borrowings have been made against this note.

The Company has the following credit ratings as of the date of this report.

| CREDIT RATINGS        | MOODY'S* | STANDARD AND POOR'S* |
|-----------------------|----------|----------------------|
| Senior unsecured debt | Baa1     | A-                   |
| Commercial paper      | P-2      | A-2                  |

\* negative outlook

These ratings are subject to change depending on the Company's performance. A significant ratings drop could result in the termination of the \$200 million PL VFN and the \$200 million Visa VFN, and a change in interest rates on the \$300 million 8.95% Senior Notes and the \$300 million revolving credit facility.

The remainder of the Company's outstanding debt is not subject to termination or interest rate adjustments based on changes in credit ratings.

The following table summarizes the Company's contractual obligations and the expected effect on liquidity and cash flows excluding the \$93 million construction loan and any potential liability related to the Nordstrom.com Put Agreement.

| FISCAL YEAR              | TOTAL     | LESS THAN 1 YEAR | 1 - 3 YEARS | 4 - 5 YEARS | OVER 5 YEARS |
|--------------------------|-----------|------------------|-------------|-------------|--------------|
| Long-term Debt           | \$1,330.6 | \$ 77.7          | \$ 3.0      | \$ 700.6    | \$ 549.3     |
| Capital Leases           | 17.2      | 1.3              | 2.2         | 2.2         | 11.5         |
| Operating Leases         | 674.1     | 66.9             | 125.2       | 108.5       | 373.5        |
| Construction Commitments | 456.1     | 195.9            | 151.2       | --          | 109.0        |
| Total                    | \$2,478.0 | \$ 341.8         | \$ 281.6    | \$ 811.3    | \$1,043.3    |

Construction commitments include \$109 million shown in the Over 5 Years category for new stores construction. These contracts do not have specific due dates and may become due sooner than five years.

#### CRITICAL ACCOUNTING POLICIES

The preparation of the Company's financial statements require that management make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates including those related to doubtful accounts, inventory valuation, intangible assets, income taxes, self-insurance liabilities, pensions, contingent liabilities and litigation. The Company bases its estimates on historical experience and on other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

#### PUT AGREEMENT

The holders of the minority interest of Nordstrom.com LLC, through their ownership interests in its managing member, Nordstrom.com, Inc., have the right to sell their shares of Nordstrom.com, Inc. to the Company for effectively \$80 million in the event that certain events do not occur. This right would terminate if the Company provides at least \$100 million in additional funding to Nordstrom.com, Inc. prior to July 1, 2002 or if Nordstrom.com, Inc. completes an initial public offering of its common stock prior to September 1, 2002. It is possible that the Company will choose not to provide the \$100 million in additional funding and that Nordstrom.com, Inc. will not complete an initial public offering on or before September 1, 2002. If and when the Company determines that neither of those events is likely to occur and that the purchase of the minority interest shares is probable, the Company will begin to accrete, over the period remaining prior to the purchase, the difference between that \$80 million and the fair value of the shares. Based on current values for similar businesses, management of the Company believes that the amount of that difference could range from \$55 million to \$65 million.

#### VALUATION OF INTANGIBLE ASSETS

The Company is in the process of performing a valuation to determine if there has been an impairment of the \$138 million intangible asset resulting from the purchase of Faconnable. This is the Company's only intangible asset. The valuation is dependent on many factors including future performance and market conditions. Should this asset be impaired, a charge will be recorded in the first quarter of 2002.

#### REALIZATION OF DEFERRED TAX ASSETS

As of January 31, 2002, the Company has \$34 million of capital loss carryforwards. The utilization of this deferred tax asset is contingent upon the ability to generate capital gains within the next four years. No valuation allowance has been provided because management believes it is probable that the full benefit of the carryforwards will be realized.

## RECENT ACCOUNTING PRONOUNCEMENTS

In February 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and No. 138. It requires the fair value of all derivatives to be recognized as assets or liabilities, and specifies accounting for changes in their fair value. Adoption of this standard did not have a material impact on the Company's financial statements.

In March 2001, the Company adopted SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a replacement of SFAS No. 125 with the same title. It revises the standards for securitizations and other transfers of financial assets and collateral and requires certain additional disclosures, but otherwise retains most of SFAS No. 125's provisions. Adoption of this standard did not have a material impact on the Company's financial statements.

The Emerging Issues Task Force reached a consensus on Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," which provides guidance on how a transferor that retains an interest in securitized financial assets, or an enterprise that purchases a beneficial interest in securitized financial assets, should account for related interest income and impairment. Adoption of this accounting issue for the quarter ended July 31, 2001, did not have a material impact on the Company's financial statements.

In February 2002, the Company adopted SFAS No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of goodwill separate from other intangible assets. Adoption of the accounting provisions of SFAS No. 141 did not have a material impact on the Company's financial statements. Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. The Company is currently evaluating the impact of SFAS No. 142 on its earnings and financial position.

In February 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 retains the fundamental provisions of SFAS No. 121, but establishes new criteria for asset classification and broadens the scope of qualifying discontinued operations. The adoption of this statement did not have a material impact on the Company's financial statements.

## FORWARD-LOOKING INFORMATION CAUTIONARY STATEMENT

Certain statements made in this annual report include forward-looking statements regarding the Company's performance, liquidity and adequacy of capital resources. These statements are based on the Company's current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements are qualified by the risks and challenges posed by increased competition, shifting consumer demand, changing consumer credit markets, changing capital markets and general economic conditions, hiring and retaining effective team members, sourcing merchandise from domestic and international vendors, investing in new business strategies, achieving growth objectives, and other risks and uncertainties, including the uncertain economic and political environment arising from the terrorist acts of September 11th and subsequent terrorist activities. As a result, while the Company believes there is a reasonable basis for the forward-looking statements, one should not place undue reliance on those statements.



Consolidated Statements of Earnings

Dollars in thousands except per share amounts

| YEAR ENDED JANUARY 31,<br>-----                   | 2002<br>----- | % OF<br>SALES<br>----- | 2001<br>----- | % of<br>sales<br>----- | 2000<br>----- | % of<br>sales<br>----- |
|---|---------------|------------------------|---------------|------------------------|---------------|------------------------|
| Net sales   | \$ 5,634,130  | 100.0                  | \$ 5,528,537  | 100.0                  | \$ 5,149,266  | 100.0                  |
| Cost of sales and related<br>buying and occupancy | (3,765,859)   | (66.8)                 | (3,649,516)   | (66.0)                 | (3,359,760)   | (65.2)                 |
| Gross profit                                      | 1,868,271     | 33.2                   | 1,879,021     | 34.0                   | 1,789,506     | 34.8                   |
| Selling, general and administrative               | (1,722,635)   | (30.6)                 | (1,747,048)   | (31.6)                 | (1,523,836)   | (29.6)                 |
| Operating income                                  | 145,636       | 2.6                    | 131,973       | 2.4                    | 265,670       | 5.2                    |
| Interest expense, net                             | (75,038)      | (1.4)                  | (62,698)      | (1.1)                  | (50,396)      | (1.0)                  |
| Write-down of investment                          | --            | --                     | (32,857)      | (0.6)                  | --            | --                     |
| Service charge income and other, net              | 133,890       | 2.4                    | 130,600       | 2.3                    | 116,783       | 2.2                    |
| Earnings before income taxes                      | 204,488       | 3.6                    | 167,018       | 3.0                    | 332,057       | 6.4                    |
| Income taxes                                      | (79,800)      | (1.4)                  | (65,100)      | (1.2)                  | (129,500)     | (2.5)                  |
| NET EARNINGS                                      | \$ 124,688    | 2.2                    | \$ 101,918    | 1.8                    | \$ 202,557    | 3.9                    |
|   | =====         | =====                  | =====         | =====                  | =====         | =====                  |
| Basic earnings per share                          | \$ 0.93       |                        | \$ 0.78       |                        | \$ 1.47       |                        |
|   | =====         |                        | =====         |                        | =====         |                        |
| Diluted earnings per share                        | \$ 0.93       |                        | \$ 0.78       |                        | \$ 1.46       |                        |
|   | =====         |                        | =====         |                        | =====         |                        |
| Cash dividends paid per share                     | \$ 0.36       |                        | \$ 0.35       |                        | \$ 0.32       |                        |
|   | =====         |                        | =====         |                        | =====         |                        |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheets

Dollars in thousands

| JANUARY 31,<br>-----                              | 2002<br>-----       | 2001<br>-----       |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                     |                     |                     |
| Current assets:                                   |                     |                     |
| Cash and cash equivalents                         | \$ 331,327          | \$ 25,259           |
| Accounts receivable, net                          | 698,475             | 721,953             |
| Merchandise inventories                           | 888,172             | 945,687             |
| Prepaid expenses                                  | 34,375              | 28,760              |
| Other current assets                              | 102,249             | 91,323              |
|   | -----               | -----               |
| Total current assets                              | 2,054,598           | 1,812,982           |
| Land, buildings and equipment, net                | 1,761,082           | 1,599,938           |
| Intangible assets, net                            | 138,331             | 143,473             |
| Other assets                                      | 94,768              | 52,110              |
|   | -----               | -----               |
| <b>TOTAL ASSETS</b>                               | <b>\$ 4,048,779</b> | <b>\$ 3,608,503</b> |
|   | -----               | -----               |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                     |                     |
| Current liabilities:                              |                     |                     |
| Notes payable                                     | \$ 148              | \$ 83,060           |
| Accounts payable                                  | 490,988             | 466,476             |
| Accrued salaries, wages and related benefits      | 236,373             | 234,833             |
| Income taxes and other accruals                   | 142,002             | 153,613             |
| Current portion of long-term debt                 | 78,227              | 12,586              |
|   | -----               | -----               |
| Total current liabilities                         | 947,738             | 950,568             |
| Long-term debt                                    | 1,351,044           | 1,099,710           |
| Deferred lease credits                            | 342,046             | 275,252             |
| Other liabilities                                 | 93,463              | 53,405              |
| Shareholders' equity:                             |                     |                     |
| Common stock, no par:                             |                     |                     |
| 250,000,000 shares authorized;                    |                     |                     |
| 134,468,608 and 133,797,757                       |                     |                     |
| shares issued and outstanding                     | 341,316             | 330,394             |
| Unearned stock compensation                       | (2,680)             | (3,740)             |
| Retained earnings                                 | 975,203             | 900,090             |
| Accumulated other comprehensive earnings          | 649                 | 2,824               |
|   | -----               | -----               |
| Total shareholders' equity                        | 1,314,488           | 1,229,568           |
|   | -----               | -----               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 4,048,779</b> | <b>\$ 3,608,503</b> |
|   | -----               | -----               |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Dollars in thousands except per share amounts

|  | Common Stock |            | Unearned Stock<br>Compensation | Retained<br>Earnings | Accum. Other<br>Comprehensive<br>Earnings | Total        |
|--|--------------|------------|--------------------------------|----------------------|---|--------------|
|  | Shares       | Amount     |                                |                      |   |              |
| BALANCE AT FEBRUARY 1, 1999                                | 142,114,167  | \$ 230,761 | \$ (4,703)                     | \$ 1,074,487         | --  | \$ 1,300,545 |
| Net earnings   | --           | --         | --                             | 202,557              | --  | 202,557      |
| Unrealized gain on investment,<br>net of tax               | --           | --         | --                             | --                   | \$ 17,032                                 | 17,032       |
| Comprehensive net earnings:                                | --           | --         | --                             | --                   | --  | 219,589      |
| Cash dividends paid (\$.32 per<br>share)                   | --           | --         | --                             | (44,463)             | --  | (44,463)     |
| Issuance of common stock                                   | 341,947      | 9,577      | --                             | --                   | --  | 9,577        |
| Stock compensation   | 40,274       | 7,221      | (3,890)                        | --                   | --  | 3,331        |
| Purchase and retirement of<br>common stock                 | (10,216,400) | --         | --                             | (302,965)            | --  | (302,965)    |
| BALANCE AT JANUARY 31, 2000                                | 132,279,988  | 247,559    | (8,593)                        | 929,616              | 17,032                                    | 1,185,614    |
| Net earnings   | --           | --         | --                             | 101,918              | --  | 101,918      |
| Other comprehensive earnings:                              |              |            |                                |                      |   |              |
| Unrealized loss on investment<br>during period, net of tax | --           | --         | --                             | --                   | (23,461)                                  | (23,461)     |
| Reclassification of realized<br>loss, net of tax           | --           | --         | --                             | --                   | 6,429                                     | 6,429        |
| Foreign currency translation<br>adjustment                 | --           | --         | --                             | --                   | 2,824                                     | 2,824        |
| Comprehensive net earnings:                                | --           | --         | --                             | --                   | --  | 87,710       |
| Cash dividends paid (\$.35 per<br>share)                   | --           | --         | --                             | (45,935)             | --  | (45,935)     |
| Issuance of common stock for:                              |              |            |                                |                      |   |              |
| Stock option plans   | 181,910      | 4,039      | --                             | --                   | --  | 4,039        |
| Employee stock purchase plan                               | 165,842      | 2,211      | --                             | --                   | --  | 2,211        |
| Business acquisition                                       | 5,074,000    | 77,696     | --                             | --                   | --  | 77,696       |
| Stock compensation, net                                    | (14,075)     | (1,111)    | 4,853                          | --                   | --  | 3,742        |
| Purchase and retirement of<br>common stock                 | (3,889,908)  | --         | --                             | (85,509)             | --  | (85,509)     |
| BALANCE AT JANUARY 31, 2001                                | 133,797,757  | 330,394    | (3,740)                        | 900,090              | 2,824                                     | 1,229,568    |
| Net earnings   | --           | --         | --                             | 124,688              | --  | 124,688      |
| Other comprehensive earnings:                              |              |            |                                |                      |   |              |
| Foreign currency translation<br>adjustment                 | --           | --         | --                             | --                   | (2,175)                                   | (2,175)      |
| Comprehensive net earnings:                                | --           | --         | --                             | --                   | --  | 122,513      |
| Cash dividends paid (\$.36 per<br>share)                   | --           | --         | --                             | (48,265)             | --  | (48,265)     |
| Issuance of common stock for:                              |              |            |                                |                      |   |              |
| Stock option plans   | 186,165      | 3,788      | --                             | --                   | --  | 3,788        |
| Employee stock purchase plan                               | 541,677      | 6,754      | --                             | --                   | --  | 6,754        |
| Stock compensation   | 19,009       | 380        | 1,060                          | --                   | --  | 1,440        |
| Purchase and retirement of<br>common stock                 | (76,000)     | --         | --                             | (1,310)              | --  | (1,310)      |
| BALANCE AT JANUARY 31, 2002                                | 134,468,608  | \$ 341,316 | \$ (2,680)                     | \$ 975,203           | \$ 649                                    | \$ 1,314,488 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Dollars in thousands

| YEAR ENDED JANUARY 31,<br>-----  | 2002<br>-----     | 2001<br>-----    | 2000<br>-----    |
|--|-------------------|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>  |                   |                  |                  |
| Net earnings   | \$ 124,688        | \$ 101,918       | \$ 202,557       |
| Adjustments to reconcile net earnings to net cash provided by operating activities:      |                   |                  |                  |
| Depreciation and amortization of buildings and equipment                                 | 213,089           | 203,048          | 193,718          |
| Amortization of intangible assets  | 4,630             | 1,251            | --               |
| Amortization of deferred lease credits and other, net                                    | (8,538)           | (12,349)         | (6,387)          |
| Stock-based compensation expense   | 3,414             | 6,480            | 3,331            |
| Deferred income taxes, net   | 15,662            | (3,716)          | (22,859)         |
| Write-down of investment   | --                | 32,857           | --               |
| Change in operating assets and liabilities, net of effects from acquisition of business: |                   |                  |                  |
| Accounts receivable, net   | 22,556            | (102,945)        | (29,854)         |
| Merchandise inventories  | 215,731           | 6,741            | 79,894           |
| Prepaid expenses   | (1,684)           | (173)            | (6,976)          |
| Other assets   | (16,770)          | (3,821)          | (8,880)          |
| Accounts payable   | (159,636)         | (67,924)         | (76,417)         |
| Accrued salaries, wages and related benefits   | (203)             | 17,850           | 14,942           |
| Income tax liabilities and other accruals  | (11,310)          | 3,879            | 965              |
| Other liabilities  | 12,088            | (7,184)          | 25,212           |
| Net cash provided by operating activities  | 413,717           | 175,912          | 369,246          |
| <b>INVESTING ACTIVITIES</b>  |                   |                  |                  |
| Capital expenditures   | (390,138)         | (321,454)        | (305,052)        |
| Additions to deferred lease credits  | 126,383           | 92,361           | 114,910          |
| Payment for acquisition, net of cash acquired  | --                | (83,828)         | --               |
| Other, net   | (3,309)           | (1,781)          | (452)            |
| Net cash used in investing activities  | (267,064)         | (314,702)        | (190,594)        |
| <b>FINANCING ACTIVITIES</b>  |                   |                  |                  |
| Proceeds (payments) from notes payable   | (82,912)          | 12,126           | (7,849)          |
| Proceeds from issuance of long-term debt   | 300,000           | 308,266          | --               |
| Principal payments on long-term debt   | (18,640)          | (58,191)         | (63,341)         |
| Capital contribution to subsidiary from minority shareholders                            | --                | --               | 16,000           |
| Proceeds from issuance of common stock   | 10,542            | 6,250            | 9,577            |
| Cash dividends paid  | (48,265)          | (45,935)         | (44,463)         |
| Purchase and retirement of common stock  | (1,310)           | (85,509)         | (302,965)        |
| Net cash provided by (used in) financing activities                                      | 159,415           | 137,007          | (393,041)        |
| Net increase (decrease) in cash and cash equivalents                                     | 306,068           | (1,783)          | (214,389)        |
| Cash and cash equivalents at beginning of year   | 25,259            | 27,042           | 241,431          |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b>\$ 331,327</b> | <b>\$ 25,259</b> | <b>\$ 27,042</b> |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Dollars in thousands except per share amounts

NOTE 1: Summary of Significant Accounting Policies

The Company: Nordstrom, Inc. is a fashion specialty retailer offering a wide selection of high-quality apparel, shoes and accessories for women, men and children, in the United States through 80 Nordstrom full-line stores, 46 Nordstrom Rack and Clearance stores, 4 Faconnable boutiques and 2 free-standing shoe stores. The Company also operates 24 Faconnable boutiques located primarily in Europe. Additionally, the Company generates catalog and Internet sales through Nordstrom.com LLC and service charge income through Nordstrom Credit, Inc.

Basis of Presentation: The consolidated financial statements include the balances of Nordstrom, Inc. and its subsidiaries for the entire fiscal year. All significant intercompany transactions and balances are eliminated in consolidation.

Use of Estimates: Management makes estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications of prior year balances have been made for consistent presentation with the current year.

Revenue Recognition: Revenues are recorded net of estimated returns and exclude sales tax. Revenue is recorded at the point of sale for retail stores. Catalog and e-commerce sales include shipping revenue and are recorded upon shipment to the customer.

Buying and Occupancy Costs: Buying costs consist primarily of salaries and expenses incurred by the Company's merchandise managers, buyers and private label product development group. Occupancy costs include rent, depreciation, property taxes and operating costs related to the Company's retail and distribution facilities.

Shipping and Handling Costs: The Company's costs for shipping and handling to customers include payments to third-party shippers and costs incurred to store, move and prepare merchandise for shipment. Shipping and handling costs of \$30,868, \$38,062 and \$29,085 in 2001, 2000 and 1999 were included in selling, general and administrative expenses.

Advertising: Costs for newspaper, television, radio and other media are generally expensed as incurred. Direct response advertising costs, consisting primarily of catalog book production and printing costs, are deferred and recognized over the expected life of the catalog, not to exceed six months. Total advertising expenses were \$145,341, \$190,991 and \$160,957 in 2001, 2000 and 1999.

Store Preopening Costs: Store opening and preopening costs are charged to expense when incurred.

Cash Equivalents: Cash equivalents represent short-term investments with a maturity of three months or less from the time of purchase.

Cash Management: The Company's cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Accounts payable at January 31, 2002 includes \$31,817 of checks not yet presented for payment drawn in excess of cash balances.

Customer Accounts Receivable: In accordance with industry practices, installments maturing in more than one year and deferred payment accounts receivable are included in current assets.

Merchandise Inventories: Merchandise inventories are stated at the lower of cost (first-in, first-out basis) or market, using the retail method.

Land, Buildings and Equipment: Depreciation is computed using a combination of accelerated and straight-line methods. Estimated useful lives by major asset category are as follows:

| ASSET                        | LIFE (IN YEARS)                        |
|------------------------------|--|
| Buildings                    | 5 - 40                                 |
| Store fixtures and equipment | 3 - 15                                 |
| Leasehold improvements       | Shorter of life of lease or asset life |
| Software                     | 3 - 7                                  |

Asset Impairment: The Company reviews its intangibles and other long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may not be recoverable.

## Notes to Consolidated Financial Statements

**Deferred Lease Credits:** The Company receives developer reimbursements as incentives to construct stores in certain developments. The Company capitalizes certain property, plant and equipment for these stores during the construction period. At the end of the construction period, developer reimbursements in excess of construction costs are recorded as deferred lease credits and amortized as a reduction to rent expense, on a straight-line basis over the life of the applicable lease or operating covenant. Construction costs in excess of developer reimbursements are recorded as prepaid rent and amortized as rent expense on a straight-line basis over the life of the applicable lease or operating covenant.

**Fair Value of Financial Instruments:** The carrying amount of cash equivalents and notes payable approximates fair value. The fair value of long-term debt (including current maturities), using quoted market prices of the same or similar issues with the same remaining term to maturity, is approximately \$1,378,000 and \$1,041,000 at January 31, 2002 and 2001.

**Derivatives Policy:** The Company limits its use of derivative financial instruments to the management of foreign currency and interest rate risks. The effect of these activities is not material to the Company's financial condition or results of operations. The Company has no material off-balance sheet credit risk, and the fair value of derivative financial instruments at January 31, 2002 and 2001 is not material.

**Recent Accounting Pronouncements:** In February 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and No. 138. It requires the fair value of all derivatives to be recognized as either assets or liabilities and specifies accounting for changes in their fair value. Adoption of this standard did not have a material impact on the Company's financial statements.

In March 2001, the Company adopted SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a replacement of SFAS No. 125 with the same title. It revises the standards for securitizations and other transfers of financial assets and collateral and requires certain additional disclosures, but otherwise retains most of SFAS No. 125's provisions. Adoption of this standard did not have a material impact on the Company's financial statements.

The Emerging Issues Task Force ("EITF") has reached a consensus on Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," which provides guidance on how a transferor that retains an interest in securitized financial assets, or an enterprise that purchases a beneficial interest in securitized financial assets, should account for related interest income and impairment. Adoption of this accounting issue in the quarter ended July 31, 2001, did not have a material impact on the Company's financial statements.

In July 2001, the FASB issued SFAS No. 141 "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of goodwill separate from other intangible assets. Adoption of the accounting provisions of SFAS No. 141 in February 2002 did not have a material impact on the Company's financial statements.

At February 1, 2002, the Company implemented SFAS No. 142 "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. Prior to the adoption of SFAS No. 142, the Company's intangible assets were amortized over their estimated useful lives on a straight-line basis ranging from 10 to 35 years. Accumulated amortization of intangible assets was \$5,881 and \$1,251 at January 31, 2002 and 2001. The Company is currently evaluating the impact of SFAS No. 142 on its earnings and financial position.

In February 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 retains the fundamental provisions of SFAS No. 121, but establishes new criteria for asset classification and broadens the scope of qualifying discontinued operations. The adoption of this statement did not have a material impact on the Company's financial statements.

Notes to Consolidated Financial Statements

NOTE 2: Acquisition

In 2000, the Company acquired Faconnable, S.A. ("Faconnable"), of Nice, France, a designer, wholesaler and retailer of high quality men's and women's apparel and accessories. The Company paid \$87,685 in cash and issued 5,074,000 shares of common stock of the Company for a total consideration of \$168,868. The purchase also provides for a contingent payment to one of the previous owners that may be paid after five years from the acquisition date. If the previous owner continues to have active involvement in the business and performance targets are met, the contingent payment would approximate \$10,000. Since the contingent payment is performance based, the actual amount paid will likely vary from this amount and will be expensed when it becomes probable that the targets will be met.

NOTE 3: Employee Benefits

The Company provides a profit sharing plan and 401(k) plan for employees. The profit sharing plan is non-contributory and is fully funded by the Company. The Board of Directors establishes the Company's contribution to the profit sharing plan each year. The 401(k) plan is funded by voluntary employee contributions. In addition, the Company provides matching contributions up to a stipulated percentage of employee contributions. The Company's matching contributions to the 401(k) plan and contributions to the profit sharing plan totaled \$28,525, \$29,113 and \$47,500 in 2001, 2000 and 1999.

NOTE 4: Interest Expense, Net

The components of interest expense, net are as follows:

| YEAR ENDED JANUARY 31, | 2002      | 2001      | 2000      |
|------------------------|-----------|-----------|-----------|
| -----                  | -----     | -----     | -----     |
| Short-term debt        | \$ 3,741  | \$ 12,682 | \$ 2,584  |
| Long-term debt         | 83,225    | 58,988    | 56,831    |
| Total interest expense | 86,966    | 71,670    | 59,415    |
| Less: Interest income  | (1,545)   | (1,330)   | (3,521)   |
| Capitalized interest   | (10,383)  | (7,642)   | (5,498)   |
| Interest expense, net  | \$ 75,038 | \$ 62,698 | \$ 50,396 |
| -----                  | -----     | -----     | -----     |

NOTE 5: Income Taxes

Income tax expense consists of the following:

| YEAR ENDED JANUARY 31,      | 2002      | 2001      | 2000       |
|-----------------------------|-----------|-----------|------------|
| -----                       | -----     | -----     | -----      |
| Current income taxes:       |           |           |            |
| Federal                     | \$ 58,122 | \$ 79,778 | \$ 130,524 |
| State and local             | 6,142     | 11,591    | 21,835     |
| Total current income taxes  | 64,264    | 91,369    | 152,359    |
| Deferred income taxes:      |           |           |            |
| Current                     | (7,217)   | (11,215)  | (18,367)   |
| Non-current                 | 22,753    | (15,054)  | (4,492)    |
| Total deferred income taxes | 15,536    | (26,269)  | (22,859)   |
| Total income taxes          | \$ 79,800 | \$ 65,100 | \$ 129,500 |
| -----                       | -----     | -----     | -----      |

A reconciliation of the statutory Federal income tax rate to the Company's effective tax rate is as follows:

| YEAR ENDED JANUARY 31,                                    | 2002   | 2001   | 2000   |
|---|--------|--------|--------|
| -----   | -----  | -----  | -----  |
| Statutory rate  | 35.00% | 35.00% | 35.00% |
| State and local income taxes, net of Federal income taxes | 3.93   | 3.93   | 4.06   |
| Other, net  | .09    | .05    | (.06)  |
| Effective tax rate  | 39.02% | 38.98% | 39.00% |
| -----   | -----  | -----  | -----  |

Notes to Consolidated Financial Statements

Deferred income taxes reflect the net tax effect of temporary differences between amounts recorded for financial reporting purposes and amounts used for tax purposes. The major components of deferred tax assets and liabilities are as follows:

| JANUARY 31,<br>-----   | 2002<br>----- | 2001<br>----- |
|--|---------------|---------------|
| Accrued expenses   | \$ 33,896     | \$ 33,458     |
| Compensation and<br>benefits accruals                                  | 48,584        | 43,803        |
| Merchandise inventories  | 24,643        | 26,290        |
| Capital loss on investment   | 13,399        | 12,751        |
| Other  | 21,123        | 18,298        |
|  | -----         | -----         |
| Total deferred tax assets  | 141,645       | 134,600       |
|  | -----         | -----         |
| Land, buildings and<br>equipment basis and<br>depreciation differences | (49,978)      | (25,678)      |
| Employee benefits  | (9,771)       | (10,937)      |
| Other  | (3,195)       | (3,748)       |
|  | -----         | -----         |
| Total deferred tax liabilities   | (62,944)      | (40,363)      |
|  | -----         | -----         |
| Net deferred tax assets  | \$ 78,701     | \$ 94,237     |
|  | -----         | -----         |

As of January 31, 2002, the Company has \$34,357 of capital loss carryforwards available to be utilized within four years to reduce future capital gain income. No valuation allowance has been provided because management believes it is more likely than not that the full benefit of the carryforwards will be realized.

NOTE 6: Earnings Per Share

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding during the year plus dilutive common stock equivalents (primarily stock options, performance share units and restricted stock).

Options with an exercise price greater than the average market price were not included in the computation of diluted earnings per share. These options totaled 8,563,996, 7,409,387 and 2,798,966 shares in 2001, 2000 and 1999.

| YEAR ENDED JANUARY 31,<br>-----                          | 2002<br>----- | 2001<br>----- | 2000<br>----- |
|--|---------------|---------------|---------------|
| Net earnings   | \$ 124,688    | \$ 101,918    | \$ 202,557    |
|  | -----         | -----         | -----         |
| Basic shares   | 134,104,582   | 131,012,412   | 137,814,589   |
|  | -----         | -----         | -----         |
| Basic earnings per share                                 | \$ 0.93       | \$ 0.78       | \$ 1.47       |
|  | -----         | -----         | -----         |
| Dilutive effect of stock options<br>and restricted stock | 234,587       | 100,673       | 610,255       |
|  | -----         | -----         | -----         |
| Diluted shares   | 134,339,169   | 131,113,085   | 138,424,844   |
|  | -----         | -----         | -----         |
| Diluted earnings per share                               | \$ 0.93       | \$ 0.78       | \$ 1.46       |
|  | -----         | -----         | -----         |

NOTE 7: Investment

In September 1998, the Company made an investment in Streamline.com, Inc. ("Streamline"), an Internet grocery and consumer goods delivery company. Streamline ceased its operations effective November 22, 2000, due to failure to obtain additional capital to fund its operations. During 2000, the Company wrote off its entire investment in Streamline, for a total pre-tax loss on the investment of \$32,857.



Notes to Consolidated Financial Statements

NOTE 8: Accounts Receivable

The components of accounts receivable are as follows:

| JANUARY 31,<br>-----            | 2002<br>----- | 2001<br>----- |
|---------------------------------|---------------|---------------|
| Unrestricted trade receivables  | \$ 73,157     | \$ 716,218    |
| Restricted trade receivables    | 628,271       | --            |
| Other                           | 21,325        | 22,266        |
| Allowance for doubtful accounts | (24,278)      | (16,531)      |
|                                 | -----         | -----         |
| Accounts receivable, net        | \$ 698,475    | \$ 721,953    |
|                                 | -----         | -----         |

Bad debt expense totaled \$34,750, \$20,368 and \$11,707 in 2001, 2000 and 1999.

Restricted trade receivables back the \$300 million of Class A notes and the \$200 million variable funding note issued by the Company in November 2001. Other accounts receivable consists primarily of vendor receivables and cosmetic rebates receivable.

NOTE 9: Receivable-backed Securities

Nordstrom has \$200 million in outstanding debt securities (Class A) and holds securities that represent undivided interests (Class B and Seller Retained Interest) or residual interests (Interest Only Strip) in a master trust. These securities are collateralized by Nordstrom VISA credit card receivables that are sold to the trust on an ongoing basis. The carrying amounts of the retained interests approximate fair value and are included in customer accounts receivable.

Gains or losses are recognized on the sale of VISA receivables to the trust based on the difference between the face value of the receivables sold and the fair value of the assets created in the securitization process. The receivables sold to the trust are then allocated between the various interests in the trust based on those interests' relative fair market value. The fair values of the assets are calculated as the present value of their expected future cash flows, which assumes the weighted average remaining life of 2.4 months, average credit losses of 7.41%, average gross yield of 17.48%, average interest expense on issued securities of 2.38%, average payment rate of 22.04%, and discount rates of 7.75% for the Seller Retained Interest, 13.62% for the Class B and 25.35% for the Interest Only Strip. These discount rates represent the volatility and risk of the assets and are calculated using an established formula that considers both the current interest rate environment and credit spreads.

The following table summarizes the estimated fair value of the securities held by the Company and certain cash flows received from and paid to the master trust.

| YEAR ENDED JANUARY 31,<br>-----                        | 2002<br>----- | 2001<br>----- |
|--|---------------|---------------|
| Class B Certificate                                    | \$ 10,849     | \$ 11,000     |
| Seller Retained Interest                               | 47,102        | 42,052        |
| Interest Only Strip                                    | 1,335         | 3,464         |
| Principal collections reinvested<br>in new receivables | 669,582       | 485,422       |
| Gains on sales of receivables                          | 3,147         | 5,356         |
| Income earned on retained assets                       | 6,711         | 9,035         |

Cash flows from retained assets:

|                          |       |       |
|--------------------------|-------|-------|
| Class B Certificate      | 715   | 684   |
| Seller Retained Interest | 6,217 | 4,411 |
| Interest Only Strip      | 4,984 | 4,955 |
| Servicing Fees           | 8,440 | 8,121 |
|                          | ----- | ----- |

Interest income earned on the Class B certificate, Interest Only Strip and the Seller Retained Interest are included in service charge income and other on the consolidated statements of earnings.

Notes to Consolidated Financial Statements

The following table illustrates the change in fair market value estimates given independent changes in assumptions.

|                                     | +10%  | +20%  | -10%  | -20%    |
|-------------------------------------|-------|-------|-------|---------|
|                                     | ----  | ----  | ----  | ----    |
| Gross Yield:                        |       |       |       |         |
| IO Strip                            | 668   | 1,339 | (661) | (1,312) |
| Class B                             | --    | --    | --    | --      |
| Seller Retained Interest            | 156   | 313   | (156) | (313)   |
| Interest Expense on Issued Classes: |       |       |       |         |
| IO Strip                            | (85)  | (170) | 85    | 171     |
| Class B                             | --    | --    | --    | --      |
| Seller Retained Interest            | --    | --    | --    | --      |
| Card Holders Payment Rate:          |       |       |       |         |
| IO Strip                            | (76)  | (137) | 90    | 195     |
| Class B                             | 7     | 14    | (9)   | (18)    |
| Seller Retained Interest            | 58    | 110   | (71)  | (161)   |
| Charge Offs:                        |       |       |       |         |
| IO Strip                            | (325) | (647) | 330   | 661     |
| Class B                             | --    | --    | --    | --      |
| Seller Retained Interest            | (136) | (271) | 136   | 273     |
| Discount Rate:                      |       |       |       |         |
| IO Strip                            | (10)  | (19)  | 10    | 19      |
| Class B                             | (28)  | (57)  | 29    | 57      |
| Seller Retained Interest            | (71)  | (142) | 71    | 142     |

The total principal balance of the VISA receivables is \$258,075 as of January 31, 2002. Gross credit losses were \$17,050 for the 12 months ending January 31, 2002 and receivables past due for more than 30 days were \$8,170 on January 31, 2002.

The following table illustrates default projections using net credit losses as a percentage of average outstanding receivables in comparison to actual performance:

|                     | 2002  | 2001  | 2000  |
|---------------------|-------|-------|-------|
|                     | ----- | ----- | ----- |
| Original projection | 7.66% | 5.99% | 5.39% |
| Actual              | N/A   | 6.62% | 5.46% |

Under the terms of the trust agreement, the Company may be required to fund certain amounts upon the occurrence of specific events. The Company does not believe additional funding will be required.

The Company's continuing involvement in the securitization of Visa receivables will include recording gains/losses on sales in accordance with SFAS No. 140 and recognizing income on retained assets as prescribed by EITF 99-20, holding both subordinated, non-subordinated, and residual interests in the trust, and servicing the portfolio.

The Company also issued \$300 million of receivable-backed securities supported by substantially all of its private label credit cards. This transaction is accounted for as a secured financing. Total principal receivables of the securitized portfolio on January 31, 2002 were approximately \$625,516, receivables more than 30 days past due were approximately \$19,301, and charged off receivables for the 12 months ending January 31, 2002 were \$28,134. The private label receivables also serve as collateral for a variable funding facility with a limit of \$200 million. Nothing was outstanding on this facility on January 31, 2002.

The Company's continuing involvement in the securitization of private label receivables will include pledging new receivables to the master note trust, accounting for the transaction as a secured financing and servicing the portfolio.

## NOTE 10: Land, Buildings and Equipment

Land, buildings and equipment consist of the following:

| JANUARY 31,                                       | 2002        | 2001        |
|---|-------------|-------------|
|   | -----       | -----       |
| Land and land improvements                        | \$ 59,141   | \$ 60,871   |
| Buildings   | 683,926     | 760,029     |
| Leasehold improvements                            | 910,291     | 903,925     |
| Capitalized software                              | 46,603      | 38,642      |
| Store fixtures and equipment                      | 1,142,169   | 1,172,914   |
|   | -----       | -----       |
|   | 2,842,130   | 2,936,381   |
| Less accumulated depreciation<br>and amortization | (1,663,409) | (1,554,081) |
|   | -----       | -----       |
|   | 1,178,721   | 1,382,300   |
| Construction in progress                          | 582,361     | 217,638     |
|   | -----       | -----       |
| Land, buildings and<br>equipment, net             | \$1,761,082 | \$1,599,938 |
|   | -----       | -----       |

Capitalized software includes external direct costs, capitalized internal direct labor and other employee benefits, and capitalized interest associated with the development of internal-use computer software. Depreciation begins in the period in which the software is ready for its intended use. Construction in progress includes \$127,847 and \$46,696 of software in progress at January 31, 2002 and 2001.

At January 31, 2002, the Company has contractual commitments of approximately \$456,090 for the construction of new stores or remodeling of existing stores.

## NOTE 11: Notes Payable

A summary of notes payable is as follows:

| YEAR ENDED JANUARY 31,                  | 2002      | 2001       | 2000      |
|---|-----------|------------|-----------|
|   | -----     | -----      | -----     |
| Average daily short-<br>term borrowings | \$ 81,647 | \$ 192,392 | \$ 45,030 |
| Maximum amount<br>outstanding           | 177,100   | 360,480    | 178,533   |
| Weighted average<br>interest rate:      |           |            |           |
| During the year                         | 4.6%      | 6.6%       | 5.8%      |
| At year-end                             | --        | 6.4%       | 6.0%      |

At January 31, 2002, the Company has an unsecured line of credit totaling \$300,000, which is available as liquidity support for the Company's commercial paper program, and expires in November 2004. The line of credit agreement contains restrictive covenants, which include maintaining certain financial ratios. The Company pays a commitment fee for the line based on the Company's debt rating.

In November 2001, the Company issued a variable funding note backed by Nordstrom Private Label Receivables ("PL VFN") with a \$200 million capacity. Interest on the PL VFN varies based on 30-day commercial paper rated at A1/P1. As of January 31, 2002, there have been no borrowings on the PL VFN.

Additionally, in connection with the purchase of foreign merchandise, the Company has outstanding letters of credit totaling \$77,085 at January 31, 2002.

## NOTE 12: Long-Term Debt

A summary of long-term debt is as follows:

| JANUARY 31,                                   | 2002         | 2001         |
|---|--------------|--------------|
|   | -----        | -----        |
| Receivable-backed PL Term, 4.82%,<br>due 2006 | \$ 300,000   | --           |
| Senior debentures, 6.95%,<br>due 2028         | 300,000      | \$ 300,000   |
| Senior notes, 5.625%, due 2009                | 250,000      | 250,000      |
| Senior notes, 8.950%, due 2005                | 300,000      | 300,000      |
| Medium-term notes, 7.25%, due 2002            | 76,750       | 87,750       |
| Notes payable, 6.7%, due 2005                 | 100,000      | 100,000      |
| Other   | 102,521      | 74,546       |
|   | -----        | -----        |
| Total long-term debt                          | 1,429,271    | 1,112,296    |
| Less current portion                          | (78,227)     | (12,586)     |
|   | -----        | -----        |
| Total due beyond one year                     | \$ 1,351,044 | \$ 1,099,710 |
|   | -----        | -----        |

The Company entered into a variable interest rate swap agreement in the third quarter of 2001. The swap has a \$300 million notional amount and a four-year term. Under the agreement, the Company receives a fixed rate of 8.95% and pays a variable rate based on LIBOR plus a margin of 4.44% set at six-month intervals (6.85% at January 31, 2002). Any differences between the amounts paid and received on interest rate swap agreements are recognized as adjustments to interest expense over the life of the swap. The swap agreement qualifies as a fair value hedge and is recorded at fair value in other liabilities.

In November 2001, the Company issued \$300 million of Class A notes backed by Nordstrom Private Label Receivables ("PL Term"). The PL Term bears a fixed interest rate of 4.82% and has a maturity of five years. The Company will use the proceeds for general corporate purposes and capital expansion.

The Company owns a 49% interest in a limited partnership that completed construction on a new corporate office building in which the Company is the primary occupant. Land, buildings and equipment includes capitalized costs related to this building of \$92,952 and \$57,270 as of January 31, 2002 and 2001 which includes noncash amounts of \$78,003 and \$41,883 as of January 31, 2002 and 2001. The corresponding finance obligation of \$89,180 and \$53,060 is included in other long-term debt. This finance obligation will be amortized as rental payments are made by the Company to the limited partnership over the life of the permanent financing. The Company is a guarantor of a \$93,000 credit facility of the limited partnership. The credit facility provides for interest at either the LIBOR rate plus 0.75%, or the greater of the Federal Funds rate plus 0.5% and the prime rate, and matures in August 2002 (2.63% and 6.36% at January 31, 2002 and 2001).

The limited partnership is currently refinancing the \$93,000 credit facility and has signed a commitment agreement for an \$85,000 mortgage secured by the property. The obligation will have a fixed interest rate of 7.68% and a term of 18 years. The Company expects the agreement to close in April 2002 subject to various requirements. The difference between the amount outstanding under the original credit facility and the new mortgage will be funded by the Company.

Required principal payments on long-term debt, excluding capital lease obligations and construction loan obligations, are as follows:

| YEAR ENDED JANUARY 31, |           |
|------------------------|-----------|
| 2003                   | \$ 77,730 |
| 2004                   | 1,535     |
| 2005                   | 1,463     |
| 2006                   | 400,410   |
| 2007                   | 300,188   |
| Thereafter             | 549,332   |
|                        | -----     |

Notes to Consolidated Financial Statements

NOTE 13: Leases

The Company leases land, buildings and equipment under noncancelable lease agreements with expiration dates ranging from 2002 to 2080. Certain leases include renewal provisions at the Company's option. Most of the leases provide for additional rent payments based upon specific percentages of sales and require the Company to pay for certain common area maintenance and other costs.

| YEAR ENDED JANUARY 31,               | 2002     | 2001     | 2000     |
|--------------------------------------|----------|----------|----------|
|                                      | -----    | -----    | -----    |
| Minimum rent:                        |          |          |          |
| Store locations                      | \$26,951 | \$16,907 | \$18,794 |
| Offices, warehouses<br>and equipment | 20,144   | 21,070   | 19,926   |
| Percentage rent:                     |          |          |          |
| Store locations                      | 8,047    | 9,241    | 7,441    |
|                                      | -----    | -----    | -----    |
| Total rent expense                   | \$55,142 | \$47,218 | \$46,161 |
|                                      | -----    | -----    | -----    |

Future minimum lease payments as of January 31, 2002 are as follows:

| YEAR ENDED JANUARY 31,                         | CAPITAL<br>LEASES | OPERATING<br>LEASES |
|--|-------------------|---------------------|
|  | -----             | -----               |
| 2003   | \$ 1,335          | \$ 66,940           |
| 2004   | 1,120             | 64,480              |
| 2005   | 1,120             | 60,680              |
| 2006   | 1,120             | 56,191              |
| 2007   | 1,120             | 52,285              |
| Thereafter                                     | 11,470            | 373,517             |
|  | -----             | -----               |
| Total minimum lease payments                   | 17,285            | \$674,093           |
|  | -----             | -----               |
| Less amount representing interest              | 7,851             |                     |
|  | -----             |                     |
| Present value of net minimum<br>lease payments | \$9,434           |                     |
|  | -----             |                     |

NOTE 14: Stock-Based Compensation

STOCK OPTION PLAN

The Company has a stock option plan ("the Plan") under which stock options, performance share units and restricted stock may be granted to key employees. Stock options are issued at the fair market value of the stock at the date of grant. Options vest over periods ranging from four to eight years, and expire ten years after the date of grant.

In addition to option grants, the Company granted 273,864, 355,072 and 272,970 performance share units in 2001, 2000 and 1999, which will vest over three years if certain financial goals are attained. Employees may elect to receive common stock or cash upon vesting of these performance shares. At January 31, 2002 and 2001, \$4,713 and \$2,741 was recorded in accrued salaries, wages and related benefits for these performance shares. Employees who receive performance share units pay no monetary consideration. No amounts have been paid and no common stock has been issued in connection with this program. As of January 31, 2002, 518,189 units were outstanding.

The Company also granted 30,069 and 180,000 shares of restricted stock in 1999 and 1998, with a weighted average fair value of \$32.09 and \$27.75. In September 2000, the Company accelerated the vesting of 144,000 shares of restricted stock resulting in compensation expense of \$3,039, and also cancelled 14,175 shares of restricted stock as a result of management changes. In January 2002, the Company accelerated the vesting on the remaining 9,536 unvested shares of restricted stock, resulting in compensation expense of \$193. At January 31, 2002, there are no shares of unvested restricted stock.

At January 31, 2002, approximately 7,856,298 shares are reserved for future stock option grants pursuant to the Plan.

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in measuring compensation costs under its stock-based compensation programs. Accordingly, no compensation cost has been recognized for stock options issued under the Plan. Performance share compensation expense is recorded over the performance period at the fair value of the stock at the date when probable that such shares have been earned. Restricted stock compensation expense is based on the market price on the date of grant and is recorded over the vesting period. Stock-based compensation

expense for 2001, 2000 and 1999 was \$3,414, \$6,480 and \$3,331.

Stock option activity for the Nordstrom, Inc. Plan was as follows:

| YEAR ENDED JANUARY 31,             | 2002        |                                 | 2001        |                                 | 2000      |                                 |
|------------------------------------|-------------|---------------------------------|-------------|---------------------------------|-----------|---------------------------------|
|                                    | Shares      | Weighted-Average Exercise Price | Shares      | Weighted-Average Exercise Price | Shares    | Weighted-Average Exercise Price |
| Outstanding, beginning of year     | 8,873,342   | \$ 27                           | 8,135,301   | \$ 28                           | 5,893,632 | \$ 27                           |
| Granted                            | 3,288,826   | 19                              | 2,470,169   | 21                              | 2,926,368 | 31                              |
| Exercised                          | (186,165)   | 18                              | (181,910)   | 20                              | (341,947) | 23                              |
| Cancelled                          | (1,212,110) | 25                              | (1,550,218) | 28                              | (342,752) | 30                              |
| Outstanding, end of year           | 10,763,893  | \$ 24                           | 8,873,342   | \$ 27                           | 8,135,301 | \$ 28                           |
| Options exercisable at end of year | 4,533,281   | \$ 27                           | 3,833,379   | \$ 26                           | 3,145,393 | \$ 25                           |

The following table summarizes information about stock options outstanding for the Nordstrom, Inc. Plan as of January 31, 2002:

| Range of Exercise Prices | Options Outstanding |   |                                 | Options Exercisable |                                 |
|--------------------------|---------------------|---|---------------------------------|---------------------|---------------------------------|
|                          | Shares              | Weighted-Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price | Shares              | Weighted-Average Exercise Price |
| \$13 - \$22              | 6,183,330           | 8   | \$ 19                           | 1,671,982           | \$ 20                           |
| \$23 - \$32              | 2,479,733           | 6   | 27                              | 1,683,022           | 27                              |
| \$33 - \$40              | 2,100,830           | 7   | 36                              | 1,178,277           | 35                              |
|                          | 10,763,893          | 7   | \$ 24                           | 4,533,281           | \$ 27                           |

Stock option activity for the Nordstrom.com 1999 and 2000 Plans were as follows:

| YEAR ENDED JANUARY 31,             | 2002      |                                 | 2001      |                                 | 2000      |                                 |
|------------------------------------|-----------|---------------------------------|-----------|---------------------------------|-----------|---------------------------------|
|                                    | Shares    | Weighted-Average Exercise Price | Shares    | Weighted-Average Exercise Price | Shares    | Weighted-Average Exercise Price |
| Outstanding, beginning of year     | 4,174,950 | \$ 1.72                         | 1,373,950 | \$ 1.67                         | --        | --                              |
| Granted                            | 41,500    | 1.92                            | 3,794,931 | 1.73                            | 1,379,950 | \$ 1.67                         |
| Exercised                          | --        | --                              | (135,000) | 1.67                            | --        | --                              |
| Cancelled                          | (691,642) | 1.68                            | (858,931) | 1.68                            | (6,000)   | 1.67                            |
| Outstanding, end of year           | 3,524,808 | \$ 1.73                         | 4,174,950 | \$ 1.72                         | 1,373,950 | \$ 1.67                         |
| Options exercisable at end of year | 1,241,104 | \$ 1.68                         | 703,750   | \$ 1.67                         | --        | --                              |

## NORDSTROM.COM

Nordstrom.com has two stock option plans, the "1999 Plan" and the "2000 Plan." Vested options under the 1999 Plan are exercisable only in the event of an initial public offering of Nordstrom.com. As of January 31, 2002, the weighted average contractual life for options outstanding was 8.2 years with exercise prices ranging from \$1.67 to \$1.92 per share. No compensation cost has been recognized related to the options under the 2000 plan because the exercise price was equal to the fair value of Nordstrom.com stock on the date of grant. The options vest over a period of two and one-half to four years and must be exercised within ten years of the grant date. Nordstrom.com LLC has also issued warrants to purchase 2,176,250 common shares at an exercise price of \$1.67 to its managing member, Nordstrom.com, Inc. The warrants expire on January 31, 2012. As of January 31, 2002, warrants to purchase 135,000 common shares are exercisable.

## EMPLOYEE STOCK PURCHASE PLAN

In May 2000, the Company's shareholders approved the establishment of an Employee Stock Purchase Plan (the "ESPP") under which 3,500,000 shares of the Company's common stock are reserved for issuance to employees. The plan qualifies as a noncompensatory employee stock purchase plan under Section 423 of the Internal Revenue Code. Employees are eligible to participate through payroll deductions in amounts related to their base compensation. At the end of each offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the end of the offering period, usually six months. Under the ESPP, 541,677 and 165,842 shares were issued in 2001 and 2000. As of January 31, 2002, payroll deductions totaling \$2,641 were accrued for purchase of shares on March 31, 2002.

## SFAS No. 123

If the Company had elected to recognize compensation cost based on the fair value of the options and shares at grant date as prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," net earnings and earnings per share would have been the pro forma amounts shown below:

| YEAR ENDED JANUARY 31, | 2002       | 2001      | 2000       |
|------------------------|------------|-----------|------------|
|                        | -----      | -----     | -----      |
| Pro forma net earnings | \$ 107,436 | \$ 88,460 | \$ 192,916 |
| Pro forma basic EPS    | \$ 0.80    | \$ 0.68   | \$ 1.40    |
| Pro forma diluted EPS  | \$ 0.80    | \$ 0.67   | \$ 1.39    |

The Black-Scholes method was used to estimate the fair value of the options at grant date based on the following factors:

| YEAR ENDED JANUARY 31,                    | 2002  | 2001  | 2000  |
|---|-------|-------|-------|
|   | ----- | ----- | ----- |
| Stock Options:                            |       |       |       |
| Risk-free interest rate                   | 4.8%  | 6.4%  | 5.7%  |
| Volatility                                | 68.0% | 65.0% | 61.0% |
| Dividend yield                            | 1.3%  | 1.0%  | 1.0%  |
| Expected life in years                    | 5.0   | 5.0   | 5.0   |
|   | ----  | ----  | ----  |
| Weighted-average fair value at grant date | \$ 10 | \$ 12 | \$ 17 |
|   | ----  | ----  | ----  |
| ESPP:                                     |       |       |       |
| Risk-free interest rate                   | 4.3%  | 6.0%  | --    |
| Volatility                                | 68.0% | 65.0% | --    |
| Dividend yield                            | 1.3%  | 1.0%  | --    |
| Expected life in years                    | 0.5   | 0.5   | --    |
|   | ----  | ----  | ----  |
| Weighted-average fair value at grant date | \$ 5  | \$ 6  | --    |
|   | ----  | ----  | ----  |

For Nordstrom.com, the Company used the following weighted-average assumptions:

| YEAR ENDED JANUARY 31,                    | 2002   | 2001   | 2000   |
|---|--------|--------|--------|
|   | -----  | -----  | -----  |
| Risk-free interest rate                   | 4.5%   | 6.2%   | 6.0%   |
| Volatility                                | 127.0% | 121.0% | 81.0%  |
| Dividend yield                            | 0.0%   | 0.0%   | 0.0%   |
| Expected life in years                    | 4.0    | 4.0    | 4.0    |
|   | -----  | -----  | -----  |
| Weighted-average fair value at grant date | \$1.56 | \$1.39 | \$1.05 |



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-----  
-----  
NOTE 15: Postretirement Benefits

The Company has a Supplemental Executive Retirement Plan ("SERP"), which provides retirement benefits to certain officers and other select employees of the Company. The benefits are unfunded and limited to a maximum of 60% of the monthly average compensation less the actuarial equivalent of any monthly benefits payable under the profit sharing plan.

Notes to Consolidated Financial Statements

The following provides a reconciliation of benefit obligations, funded status of the SERP, as well as a summary of significant assumptions:

| JANUARY 31,                             | 2002       | 2001       |
|---|------------|------------|
|   | -----      | -----      |
| Change in benefit obligation:           |            |            |
| Benefit obligation at beginning of year | \$ 23,543  | \$ 23,645  |
| Service cost                            | 1,092      | 630        |
| Interest cost                           | 2,668      | 2,044      |
| Amortization of adjustments             | 1,821      | 688        |
| Change in additional minimum liability  | 7,308      | (1,519)    |
| Distributions                           | (2,021)    | (1,945)    |
|   | -----      | -----      |
| Benefit obligations at end of year      | \$ 34,411  | \$ 23,543  |
|   | -----      | -----      |
| Funded status of plan:                  |            |            |
| Under funded status                     | \$(39,547) | \$(28,964) |
| Unrecognized transitional obligation    | 324        | 648        |
| Unrecognized prior service cost         | 6,396      | 240        |
| Unrecognized loss                       | 6,983      | 5,792      |
|   | -----      | -----      |
| Accrued pension cost                    | \$(25,844) | \$(22,284) |
|   | -----      | -----      |
| Balance sheet amounts:                  |            |            |
| Additional minimum liability            | \$ (8,567) | \$ (1,259) |
| Intangible asset                        | 6,720      | 888        |
|   | -----      | -----      |

The components of SERP expense are as follows:

| JANUARY 31,                   | 2002    | 2001    | 2000    |
|-------------------------------|---------|---------|---------|
|                               | -----   | -----   | -----   |
| Service cost                  | \$1,092 | \$ 630  | \$ 906  |
| Interest cost                 | 2,668   | 2,044   | 1,952   |
| Amortization of adjustments   | 1,821   | 688     | 1,013   |
|                               | -----   | -----   | -----   |
| Total SERP expense            | \$5,581 | \$3,362 | \$3,871 |
|                               | -----   | -----   | -----   |
| Assumption percentages:       |         |         |         |
| Discount rate                 | 7.25%   | 7.50%   | 6.50%   |
| Rate of compensation increase | 5.00%   | 5.00%   | 5.00%   |
|                               | -----   | -----   | -----   |

NOTE 16: Supplementary Cash Flow Information

The Company capitalizes certain property, plant and equipment during the construction period of commercial buildings which are subsequently derecognized and leased back. During the year ended January 31, 2002, the noncash activity related to the derecognition of new stores that qualified as sale and leaseback were \$75,555.

Supplementary cash flow information includes the following:

| YEAR ENDED JANUARY 31,                 | 2002      | 2001      | 2000      |
|--|-----------|-----------|-----------|
|  | -----     | -----     | -----     |
| Cash paid during the year for:         |           |           |           |
| Interest (net of capitalized interest) | \$ 77,025 | \$ 58,190 | \$ 54,195 |
| Income taxes                           | 80,689    | 88,911    | 129,566   |

NOTE 17: Segment Reporting

The Company has three reportable segments that have been identified based on differences in products and services offered and regulatory conditions: the Retail Stores, Credit Operations, and Catalog/Internet segments. The Retail Stores segment derives its revenues from sales of high-quality apparel, shoes and accessories. It includes the Company's product development group, which coordinates the design and production of private label merchandise sold in the Company's retail stores. The Credit Operations segment revenues consist primarily of finance charges earned through issuance of the Nordstrom proprietary and VISA credit cards. The Catalog/Internet segment generates revenues from direct mail catalogs and the Nordstrom.com website.

The measurements used to compute net earnings for reportable segments are consistent with those used to compute net earnings for the Company. The

accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in Note 1.

The following tables set forth the information for the Company's reportable segments and a reconciliation to the consolidated totals:

Notes to Consolidated Financial Statements

| YEAR ENDED JANUARY 31, 2002          | Retail<br>Stores | Credit<br>Operations | Catalog/<br>Internet | Corporate<br>and Other | Eliminations | Total       |
|--------------------------------------|------------------|----------------------|----------------------|------------------------|--------------|-------------|
| Revenues from external customers (b) | \$5,356,875      | --                   | \$ 277,255           | --                     | --           | \$5,634,130 |
| Service charge income                | --               | \$ 129,697           | --                   | --                     | --           | 129,697     |
| Intersegment revenues                | 20,204           | 33,767               | --                   | --                     | \$ (53,971)  | --          |
| Interest expense, net                | 994              | 24,994               | 77                   | \$ 48,973              | --           | 75,038      |
| Depreciation and amortization        | 182,960          | 2,253                | 5,498                | 22,378                 | --           | 213,089     |
| Amortization of intangible assets    | 4,630            | --                   | --                   | --                     | --           | 4,630       |
| Income tax expense (benefit)         | 150,921          | 9,104                | --                   | (80,225)               | --           | 79,800      |
| Net earnings (loss)                  | 235,815          | 14,226               | (8,139)              | (117,214)              | --           | 124,688     |
| Assets (a)(b)                        | 2,564,375        | 695,556              | 69,457               | 719,391                | --           | 4,048,779   |
| Intangible assets                    | 138,331          | --                   | --                   | --                     | --           | 138,331     |
| Capital expenditures                 | 373,909          | 2,054                | 2,554                | 11,621                 | --           | 390,138     |

| YEAR ENDED JANUARY 31, 2001          | Retail<br>Stores | Credit<br>Operations | Catalog/<br>Internet | Corporate<br>and Other | Eliminations | Total       |
|--------------------------------------|------------------|----------------------|----------------------|------------------------|--------------|-------------|
| Revenues from external customers (b) | \$5,217,889      | --                   | \$ 310,648           | --                     | --           | \$5,528,537 |
| Service charge income                | --               | \$ 135,121           | --                   | --                     | --           | 135,121     |
| Intersegment revenues                | 30,294           | 26,889               | --                   | --                     | \$ (57,183)  | --          |
| Interest expense, net                | 795              | 29,267               | (604)                | \$ 33,240              | --           | 62,698      |
| Depreciation and amortization        | 176,758          | 1,786                | 7,552                | 16,952                 | --           | 203,048     |
| Amortization of intangible assets    | 1,251            | --                   | --                   | --                     | --           | 1,251       |
| Income tax expense (benefit)         | 165,150          | 13,140               | --                   | (113,190)              | --           | 65,100      |
| Net earnings (loss)                  | 258,416          | 20,557               | (29,367)             | (147,688)              | --           | 101,918     |
| Assets (a)(b)                        | 2,557,616        | 703,077              | 68,010               | 279,800                | --           | 3,608,503   |
| Intangible assets                    | 143,473          | --                   | --                   | --                     | --           | 143,473     |
| Capital expenditures                 | 286,941          | 3,095                | 5,187                | 26,231                 | --           | 321,454     |

| YEAR ENDED JANUARY 31, 2000      | Retail<br>Stores | Credit<br>Operations | Catalog/<br>Internet | Corporate<br>and Other | Eliminations | Total       |
|----------------------------------|------------------|----------------------|----------------------|------------------------|--------------|-------------|
| Revenues from external customers | \$4,914,293      | --                   | \$ 234,973           | --                     | --           | \$5,149,266 |
| Service charge income            | --               | \$ 125,727           | --                   | --                     | --           | 125,727     |
| Intersegment revenues            | 20,285           | 25,963               | --                   | --                     | \$ (46,248)  | --          |
| Interest expense, net            | 728              | 26,933               | (167)                | \$ 22,902              | --           | 50,396      |
| Depreciation and amortization    | 170,826          | 1,424                | 6,313                | 15,155                 | --           | 193,718     |
| Income tax expense (benefit)     | 191,790          | 19,450               | --                   | (81,740)               | --           | 129,500     |
| Net earnings (loss)              | 300,009          | 30,417               | (35,685)             | (92,184)               | --           | 202,557     |
| Assets (a)                       | 2,051,327        | 601,320              | 95,241               | 314,193                | --           | 3,062,081   |
| Capital expenditures             | 263,352          | 2,792                | 5,206                | 33,702                 | --           | 305,052     |

(a) Segment assets in Corporate and Other include unallocated assets in corporate headquarters, consisting primarily of land, buildings and equipment, and deferred tax assets.

(b) Includes sales of foreign operations of \$68,487 for the year ended January 31, 2002, and \$12,318 for the period from October 24, 2000, the date of acquisition, to January 31, 2001, and assets of \$198,689 and \$206,601 as of January 31, 2002 and 2001.

## NOTE 18: Restructurings, Impairments, and Other One-Time Charges

The following table provides a summary of restructuring, impairments and other charges:

| YEAR ENDED JANUARY 31,      | 2002     | 2001     | 2000     |
|-----------------------------|----------|----------|----------|
|                             | -----    | -----    | -----    |
| Employee severance          | \$ 1,791 | --       | \$ 2,685 |
| Other expenses              | --       | --       | 1,206    |
|                             | -----    | -----    | -----    |
| Restructuring subtotal      | 1,791    | --       | 3,891    |
| Management severance        | --       | \$13,000 | --       |
| Asset impairment            | --       | 10,227   | 4,053    |
| Litigation settlement costs | --       | --       | 2,056    |
|                             | -----    | -----    | -----    |
| Total charges               | \$ 1,791 | \$23,227 | \$10,000 |
|                             | -----    | -----    | -----    |

During the year ended January 31, 2002, the Company streamlined its operations through a reduction in workforce of approximately 2,600 employees. As a result, the Company recorded a restructuring charge of \$1,791 in selling, general and administrative expenses relating to severance for approximately 195 employees. Personnel affected were primarily located in the corporate center and in full-line stores.

During the year ended January 31, 2001, the Company recorded an impairment charge of \$10,227, consisting of \$9,627 recorded in selling, general and administrative expenses and \$600 in interest expense. Due to changes in business strategy, the Company determined that several software projects under development were either impaired or obsolete. The charges consisted of \$6,542 primarily related to the disposition of transportation management software. Additionally, merchandise software was written down \$3,685 to its estimated fair value. During the same year, the Company accrued and paid \$13,000 for certain severance and other costs related to a change in management.

During the year ended January 31, 2000, the Company recorded a charge of \$10,000 in selling, general and administrative expenses primarily associated with the restructuring of the Company's information technology services area. The charge consisted of \$4,053 in the disposition of several software projects under development, \$2,685 in employee severance and \$1,206 in other miscellaneous costs. Additionally, the Company recorded \$2,056 related to settlement costs for two lawsuits. The restructuring included the termination of 50 employees in the information technology department.

The following table presents the activity and balances of the reserves established in connection with the restructuring charges:

| YEAR ENDED JANUARY 31, | 2002    | 2001     | 2000     |
|------------------------|---------|----------|----------|
|                        | -----   | -----    | -----    |
| Beginning balance      | \$ 178  | \$ 1,452 | --       |
| Additions              | 1,791   | --       | \$ 3,891 |
| Payments               | (1,890) | (1,220)  | (2,122)  |
| Adjustments            | (79)    | (54)     | (317)    |
|                        | -----   | -----    | -----    |
| Ending balance         | \$ --   | \$ 178   | \$ 1,452 |
|                        | -----   | -----    | -----    |

## NOTE 19: Vulnerability Due to Certain Concentrations

Approximately 31% of the Company's retail square footage is located in the state of California. At January 31, 2002, the net book value of property located in California was approximately \$276,000. Accordingly, the Company carries earthquake insurance in California with a \$50,000 deductible and a \$50,000 coverage limit per occurrence.

At January 31, 2002 and 2001, approximately 40% and 41% of the Company's receivables were obligations of customers residing in California. Concentration of the remaining receivables is considered to be limited due to their geographical dispersion.

NOTE 20: Nordstrom.com Put Agreement

The holders of the minority interest of Nordstrom.com LLC, through their ownership interests in its managing member, Nordstrom.com, Inc., have the right to sell their shares of Nordstrom.com, Inc. to the Company for effectively \$80 million in the event that certain events do not occur. This right would terminate if the Company provides at least \$100 million in additional funding to Nordstrom.com, Inc. prior to July 1, 2002 or if Nordstrom.com, Inc. completes an initial public offering of its common stock prior to September 1, 2002. It is possible that the Company will choose not to provide the \$100 million in additional funding and that Nordstrom.com, Inc. will not complete an initial public offering on or before September 1, 2002. If and when the Company determines that neither of those events is likely to occur and that the purchase of the minority interest shares is probable, the Company will begin to accrete, over the period remaining prior to the purchase, the difference between that \$80 million and the fair value of the shares. Based on current values for similar businesses, management of the Company believes that the amount of that difference could range from \$55,000 to \$65,000.

NOTE 21: Contingent Liabilities

The Company has been named in various lawsuits and intends to vigorously defend itself in those cases. The Company is not in a position at this time to quantify the amount or range of any possible losses related to those claims. While no assurance can be given as to the ultimate outcome of these lawsuits, based on preliminary investigations, management currently believes that resolving these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

COSMETICS. The Company was originally named as a defendant along with other department store and specialty retailers in nine separate but virtually identical class action lawsuits filed in various Superior Courts of the State of California in May, June and July 1998 that have now been consolidated in Marin County state court. In May 2000, plaintiffs filed an amended complaint naming a number of manufacturers of cosmetics and fragrances and two other retailers as additional defendants. Plaintiffs' amended complaint alleges that the retail price of the "prestige" cosmetics sold in department and specialty stores was collusively controlled by the retailer and manufacturer defendants in violation of the Cartwright Act and the California Unfair Competition Act.

Plaintiffs seek treble damages and restitution in an unspecified amount, attorneys' fees and prejudgment interest, on behalf of a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the period four years prior to the filing of the amended complaint. Defendants, including the Company, have answered the amended complaint denying the allegations. The Company and the other retail defendants have produced documents and responded to plaintiffs' other discovery requests, including providing witnesses for depositions. Plaintiffs have not yet moved for class certification. Pursuant to an order of the court, plaintiffs and defendants participated in mediation sessions in May and September 2001.

WASHINGTON PUBLIC TRUST ADVOCATES. In early 2002, the Company was named as one of 30 defendants in Washington Public Trust Advocates, ex rel., et al. v. City of Spokane, et al., filed in the Spokane County Superior Court, State of Washington. Plaintiff is a not-for-profit corporation bringing claims on behalf of the City of Spokane and the Spokane Parking Public Development Authority. The claims relate to the River Park Square Mall and Garage Project in Spokane, Washington (the "Project"), which includes a Nordstrom store. The portion of the complaint applicable to the Company seeks to recover from the Company the amount of a Department of Housing and Urban Development loan made to the developer of the Project. Damages are sought in the amount of \$22.75 million, or a lesser amount to the extent that the HUD loan proceeds were used for the construction of the store and not as tenant improvements. Other portions of the complaint seek to invalidate bonds issued to finance the public parking garage serving the Project, terminate the lease of the parking garage by the City of Spokane, and rescind other agreements between the City of Spokane and the developer of the Project, as well as damages from the developer of the Project in unspecified amounts. The Complaint also alleges breach of fiduciary duties by various defendants, including the Company, to the people of the City of Spokane regarding lack of disclosures concerning the developer and the Project. Unspecified damages are sought for this cause of action. The lawsuit was recently filed, the Company has not answered, and no discovery has commenced.

OTHER. The Company is also subject to other ordinary routine litigation incidental to its business and with respect to which no material liability is expected.

## NOTE 22: Selected Quarterly Data (unaudited)

| YEAR ENDED JANUARY 31, 2002  | 1ST QUARTER  | 2ND QUARTER  | 3RD QUARTER  | 4TH QUARTER  | TOTAL        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
|                              | -----        | -----        | -----        | -----        | -----        |
| Net sales                    | \$ 1,218,040 | \$ 1,545,759 | \$ 1,239,241 | \$ 1,631,090 | \$ 5,634,130 |
| Gross profit                 | 419,610      | 504,851      | 402,280      | 541,530      | 1,868,271    |
| Earnings before income taxes | 40,555       | 63,499       | 17,095       | 83,339       | 204,488      |
| Net earnings                 | 24,755       | 38,699       | 10,495       | 50,739       | 124,688      |
| Basic earnings per share     | .18          | .29          | .08          | .38          | .93          |
| Diluted earnings per share   | .18          | .29          | .08          | .38          | .93          |
| Dividends per share          | .09          | .09          | .09          | .09          | .36          |
| Common stock price           |              |              |              |              |              |
| High                         | 21.17        | 22.75        | 22.97        | 25.50        | 25.50        |
| Low                          | 15.60        | 17.00        | 13.80        | 14.25        | 13.80        |

| YEAR ENDED JANUARY 31, 2001  | 1ST QUARTER  | 2ND QUARTER  | 3RD QUARTER  | 4TH QUARTER  | TOTAL        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
|                              | -----        | -----        | -----        | -----        | -----        |
| Net sales                    | \$ 1,153,377 | \$ 1,457,035 | \$ 1,262,390 | \$ 1,655,735 | \$ 5,528,537 |
| Gross profit                 | 407,722      | 502,722      | 438,522      | 530,055      | 1,879,021    |
| Write-down of investment     | --           | (10,540)     | (20,655)     | (1,662)      | (32,857)     |
| Earnings before income taxes | 53,689       | 74,501       | (5,520)      | 44,348       | 167,018      |
| Net earnings                 | 32,789       | 45,401       | (3,320)      | 27,048       | 101,918      |
| Basic earnings per share     | .25          | .35          | (.03)        | .20          | .78          |
| Diluted earnings per share   | .25          | .35          | (.03)        | .20          | .78          |
| Dividends per share          | .08          | .09          | .09          | .09          | .35          |
| Common stock price           |              |              |              |              |              |
| High                         | 34.50        | 30.00        | 19.50        | 21.00        | 34.50        |
| Low                          | 18.25        | 16.56        | 14.19        | 14.88        | 14.19        |



Independent Auditors' and Management Report

Independent Auditors' Report

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the "Company") as of January 31, 2002 and 2001, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2002. 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 auditing standards generally accepted in the United States of America. 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nordstrom, Inc. and subsidiaries as of January 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

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Deloitte & Touche LLP  
Seattle, Washington  
March 25, 2002

Management Report

Management is responsible for preparing the Company's financial statements and the other information that appears in the annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include estimates based on management's best judgment.

The Company maintains a comprehensive system of internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based on the recognition that the cost of maintaining the system of internal accounting controls should not exceed the benefit derived from the system.

Deloitte and Touche LLP audits the Company's financial statements in accordance with auditing standards generally accepted in the United States of America and provides an objective, independent review of the Company's internal controls and the fairness of its reported financial condition and results of operations.

The Audit Committee, which is comprised of five independent directors, meets periodically with management and the independent auditors to ensure that each is properly fulfilling its responsibilities. The Committee oversees the Company's systems of internal control, accounting practices, financial reporting and audits to ensure their quality, integrity and objectivity are sufficient to protect shareholders' investments.

/s/ MICHAEL G. KOPPEL

-----  
Michael G. Koppel  
Executive Vice President and Chief Financial Officer

Eleven-Year Statistical Summary

Dollars in thousands except square footage and per share amounts

| YEAR ENDED JANUARY 31,                                | 2002        | 2001        | 2000        | 1999        |
|---|-------------|-------------|-------------|-------------|
|   | -----       | -----       | -----       | -----       |
| <b>FINANCIAL POSITION</b>                             |             |             |             |             |
| Customer accounts receivable, net                     | \$ 677,150  | \$ 699,687  | \$ 596,020  | \$ 567,661  |
| Merchandise inventories                               | 888,172     | 945,687     | 797,845     | 750,269     |
| Current assets  | 2,054,598   | 1,812,982   | 1,564,648   | 1,668,689   |
| Current liabilities                                   | 947,738     | 950,568     | 866,509     | 794,490     |
| Working capital                                       | 1,106,860   | 862,414     | 698,139     | 874,199     |
| Working capital ratio                                 | 2.17        | 1.91        | 1.81        | 2.10        |
| Land, buildings and equipment, net                    | 1,761,082   | 1,599,938   | 1,429,492   | 1,378,006   |
| Long-term debt, including current portion             | 1,429,271   | 1,112,296   | 804,982     | 868,234     |
| Debt/capital ratio                                    | .5209       | .4929       | .4249       | .4214       |
| Shareholders' equity                                  | 1,314,488   | 1,229,568   | 1,185,614   | 1,300,545   |
| Shares outstanding                                    | 134,468,608 | 133,797,757 | 132,279,988 | 142,114,167 |
| Book value per share                                  | 9.78        | 9.19        | 8.96        | 9.15        |
| Total assets  | 4,048,779   | 3,608,503   | 3,062,081   | 3,103,689   |
| <b>OPERATIONS</b>                                     |             |             |             |             |
| Net sales   | 5,634,130   | 5,528,537   | 5,149,266   | 5,049,182   |
| Gross profit  | 1,868,271   | 1,879,021   | 1,789,506   | 1,704,237   |
| Selling, general and administrative                   | (1,722,635) | (1,747,048) | (1,523,836) | (1,429,837) |
| Operating income                                      | 145,636     | 131,973     | 265,670     | 274,400     |
| Interest expense, net                                 | (75,038)    | (62,698)    | (50,396)    | (47,091)    |
| Write-down of investment                              | --          | (32,857)    | --          | --          |
| Service charge income and other, net                  | 133,890     | 130,600     | 116,783     | 110,414     |
| Earnings before income taxes                          | 204,488     | 167,018     | 332,057     | 337,723     |
| Income taxes  | (79,800)    | (65,100)    | (129,500)   | (131,000)   |
| Net earnings  | 124,688     | 101,918     | 202,557     | 206,723     |
| Basic earnings per share                              | .93         | .78         | 1.47        | 1.41        |
| Diluted earnings per share                            | .93         | .78         | 1.46        | 1.41        |
| Dividends per share                                   | .36         | .35         | .32         | .30         |
| Comparable store sales percentage increase (decrease) | (2.9%)      | .3%         | (1.1%)      | (2.7%)      |
| Net earnings as a percent of net sales                | 2.21%       | 1.84%       | 3.93%       | 4.09%       |
| Return on average shareholders' equity                | 9.80%       | 8.44%       | 16.29%      | 14.98%      |
| Sales per square foot for Company-operated stores     | 321         | 342         | 350         | 362         |
| STORES  | 156         | 140         | 104         | 97          |
| TOTAL SQUARE FOOTAGE                                  | 17,048,000  | 16,056,000  | 14,487,000  | 13,593,000  |

| 1998        | 1997        | 1996        | 1995        | 1994        | 1993        | 1992        |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| \$ 641,862  | \$ 693,123  | \$ 874,103  | \$ 655,715  | \$ 565,151  | \$ 584,379  | \$ 585,490  |
| 826,045     | 719,919     | 626,303     | 627,930     | 585,602     | 536,739     | 506,632     |
| 1,613,492   | 1,549,819   | 1,612,776   | 1,397,713   | 1,314,914   | 1,219,844   | 1,177,638   |
| 979,031     | 795,321     | 833,443     | 693,015     | 631,064     | 516,397     | 558,768     |
| 634,461     | 754,498     | 779,333     | 704,698     | 683,850     | 703,447     | 618,870     |
| 1.65        | 1.95        | 1.94        | 2.02        | 2.08        | 2.36        | 2.11        |
| 1,252,513   | 1,152,454   | 1,103,298   | 984,195     | 845,596     | 824,142     | 856,404     |
| 420,865     | 380,632     | 439,943     | 373,910     | 438,574     | 481,945     | 491,076     |
| .3194       | .2720       | .3232       | .2575       | .2934       | .3337       | .4029       |
| 1,458,950   | 1,457,084   | 1,408,053   | 1,330,437   | 1,153,594   | 1,038,649   | 927,465     |
| 152,518,104 | 159,269,954 | 162,226,288 | 164,488,196 | 164,118,256 | 163,949,594 | 163,688,454 |
| 9.57        | 9.15        | 8.68        | 8.09        | 7.03        | 6.34        | 5.67        |
| 2,890,664   | 2,726,495   | 2,732,619   | 2,396,783   | 2,177,481   | 2,053,170   | 2,041,875   |
| 4,864,604   | 4,457,931   | 4,113,717   | 3,895,642   | 3,591,228   | 3,415,613   | 3,174,822   |
| 1,568,791   | 1,378,472   | 1,310,931   | 1,297,018   | 1,121,539   | 1,079,608   | 1,007,554   |
| (1,338,235) | (1,232,860) | (1,136,069) | (1,029,856) | (940,708)   | (901,446)   | (831,005)   |
| 230,556     | 145,612     | 174,862     | 267,162     | 180,831     | 178,162     | 176,549     |
| (34,250)    | (39,400)    | (39,295)    | (30,664)    | (37,646)    | (44,810)    | (49,106)    |
| --          | --          | --          | --          | --          | --          | --          |
| 110,907     | 135,331     | 134,179     | 98,311      | 88,509      | 86,140      | 87,443      |
| 307,213     | 241,543     | 269,746     | 334,809     | 231,694     | 219,492     | 214,886     |
| (121,000)   | (95,227)    | (106,190)   | (132,304)   | (90,804)    | (84,489)    | (80,527)    |
| 186,213     | 146,316     | 163,556     | 202,505     | 140,890     | 135,003     | 134,359     |
| 1.20        | .90         | 1.00        | 1.23        | .86         | .82         | .82         |
| 1.20        | .90         | 1.00        | 1.23        | .86         | .82         | .82         |
| .265        | .25         | .25         | .1925       | .17         | .16         | .155        |
| 4.0%        | 0.6%        | (0.7%)      | 4.4%        | 2.7%        | 1.4%        | 1.4%        |
| 3.83%       | 3.28%       | 3.98%       | 5.20%       | 3.92%       | 3.95%       | 4.23%       |
| 12.77%      | 10.21%      | 11.94%      | 16.30%      | 12.85%      | 13.73%      | 15.41%      |
| 384         | 377         | 382         | 395         | 383         | 381         | 388         |
| 92          | 83          | 78          | 76          | 74          | 72          | 68          |
| 12,614,000  | 11,754,000  | 10,713,000  | 9,998,000   | 9,282,000   | 9,224,000   | 8,590,000   |

Officers of the Corporation and Executive Team

Officers of the Corporation

Jammie Baugh, 49  
Executive Vice President,  
Human Resources  
MEMBER OF EXECUTIVE TEAM

Laurie M. Black, 43  
Executive Vice President and  
President, Nordstrom Rack  
MEMBER OF EXECUTIVE TEAM

Mark S. Brashear, 40  
Executive Vice President and  
President, Faconnable, S.A.S.

Dale Cameron, 53  
Executive Vice President,  
Corporate Merchandise Manager, Cosmetics  
Full-line Stores

Robert E. Campbell, 46  
Vice President, Strategy and Planning,  
Treasurer

N. Claire Chapman, 41  
Corporate Secretary

Linda Toschi Finn, 54  
Executive Vice President, Marketing  
MEMBER OF EXECUTIVE TEAM

Bonnie M. Junell, 45  
Vice President,  
Corporate Merchandise Manager,  
Point of View, Narrative  
Full-line Stores

Kevin T. Knight, 46  
Executive Vice President, Chairman and  
Chief Executive Officer of Nordstrom fsb,  
President of Nordstrom Credit, Inc.  
MEMBER OF EXECUTIVE TEAM

Michael G. Koppel, 45  
Executive Vice President and  
Chief Financial Officer  
MEMBER OF EXECUTIVE TEAM

Llynn (Len) A. Kuntz, 41  
Executive Vice President,  
WA/AK Regional Manager  
Full-line Stores

David P. Lindsey, 52  
Vice President, Store Planning

David L. Mackie, 53  
Vice President, Real Estate  
and Legal Affairs

Robert J. Middlemas, 45  
Executive Vice President,  
Central States Regional Manager  
Full-line Stores

Jack H. Minuk, 47  
Vice President,  
Corporate Merchandise Manager,  
Women's Shoes  
Full-line Stores

Blake W. Nordstrom, 41  
President  
MEMBER OF EXECUTIVE TEAM

Bruce A. Nordstrom, 68  
Chairman of the Board of Directors

Erik B. Nordstrom, 38  
Executive Vice President,  
Full-line Stores

Peter E. Nordstrom, 40  
Executive Vice President and  
President, Full-line Stores  
MEMBER OF EXECUTIVE TEAM

James R. O'Neal, 43  
Executive Vice President and  
President, Nordstrom Product Group  
MEMBER OF EXECUTIVE TEAM

Suzanne R. Patneau, 55  
Vice President, Corporate  
Merchandise Manager, Designer/Savvy  
Full-line Stores

R. Michael Richardson, 45  
Vice President and  
Chief Information Officer

Karen Bowman Roesler, 46  
Vice President, Marketing  
Nordstrom Credit Group

K.C. (Karen) Shaffer, 48  
Executive Vice President,  
Nordstrom Rack NW Regional Manager

Joel T. Stinson, 52  
Executive Vice President and  
Chief Administrative Officer  
MEMBER OF EXECUTIVE TEAM

Delena M. Sunday, 41  
Executive Vice President,  
Diversity Affairs  
MEMBER OF EXECUTIVE TEAM

Geevy S.K. Thomas, 37  
Executive Vice President,  
South Regional Manager  
Full-line Stores

Additional Member of Nordstrom, Inc.  
Executive Team  
J. Daniel Nordstrom, 39  
Chief Executive Officer, Nordstrom.com

Board of Directors and Committees

Committees

Executive

John A. McMillan  
Bruce A. Nordstrom  
John N. Nordstrom

Corporate Governance  
and Nominating

D. Wayne Gittinger, Chair  
Enrique Hernandez, Jr.  
Alfred E. Osborne, Jr.  
William D. Ruckelshaus

Audit

Enrique Hernandez, Jr.  
Alfred E. Osborne, Jr.  
William D. Ruckelshaus  
Bruce G. Willison, Chair  
Alison A. Winter

Compensation  
and Stock Options

Enrique Hernandez, Jr.  
Alfred E. Osborne, Jr.  
William D. Ruckelshaus, Chair  
Alison A. Winter

Finance

D. Wayne Gittinger  
Enrique Hernandez, Jr.  
John A. McMillan  
John N. Nordstrom  
Alfred E. Osborne, Jr., Chair  
Bruce G. Willison

FIRST ROW

D. Wayne Gittinger, 69  
Partner, Lane Powell Spears Lubersky LLP  
Seattle, Washington

Enrique Hernandez, Jr., 46  
President and CEO,  
Inter-Con Security Systems, Inc.  
Pasadena, California

[FIRST ROW - 3 PHOTOGRAPHS]

John A. McMillan, 70  
Retired Co-Chairman of  
the Board of Directors  
Seattle, Washington

SECOND ROW

Bruce A. Nordstrom, 68  
Chairman of the Board of Directors  
Seattle, Washington

John N. Nordstrom, 65  
Retired Co-Chairman of  
the Board of Directors  
Seattle, Washington

[SECOND ROW - 3 PHOTOGRAPHS]

Alfred E. Osborne, Jr., 57  
Director of the Harold Price Center  
for Entrepreneurial Studies and  
Associate Professor of Business Economics,  
The Anderson School at UCLA  
Los Angeles, California

THIRD ROW

William D. Ruckelshaus, 69  
A Strategic Director,  
Madrona Venture Group  
Seattle, Washington

[THIRD ROW - 3 PHOTOGRAPHS]

Bruce G. Willison, 53  
Dean, The Anderson School at UCLA  
Los Angeles, California

Alison A. Winter, 55  
Executive Vice President for  
Midwest Personal Financial Services,



## Retail Store Facilities open at January 31, 2002

| LOCATION         | STORE NAME                          | STORE SQUARE<br>FOOTAGE |
|------------------|-------------------------------------|-------------------------|
| SOUTHWEST GROUP  |                                     |                         |
| ARIZONA          |                                     |                         |
| Chandler         | Chandler Fashion Center             | 149,000                 |
| Scottsdale       | Scottsdale Fashion Square           | 235,000                 |
| CALIFORNIA       |                                     |                         |
| Arcadia          | Santa Anita                         | 151,000                 |
| Brea             | Brea Mall                           | 195,000                 |
| Canoga Park      | Topanga                             | 154,000                 |
| Cerritos         | Los Cerritos Center                 | 122,000                 |
| Corte Madera     | The Village at Corte Madera         | 116,000                 |
| Costa Mesa       | South Coast Plaza                   | 235,000                 |
| Escondido        | North County                        | 156,000                 |
| Glendale         | Glendale Galleria                   | 147,000                 |
| Los Angeles      | Westside Pavilion                   | 150,000                 |
| Mission Viejo    | The Shops at Mission Viejo          | 172,000                 |
| Montclair        | Montclair Plaza                     | 134,000                 |
| Palo Alto        | Stanford Shopping Center            | 187,000                 |
| Pleasanton       | Stoneridge Mall                     | 173,000                 |
| Redondo Beach    | The Galleria at South Bay           | 161,000                 |
| Riverside        | The Galleria at Tyler in Riverside  | 164,000                 |
| Roseville        | Galleria at Roseville               | 149,000                 |
| Sacramento       | Arden Fair                          | 190,000                 |
| San Diego        | Fashion Valley Center               | 220,000                 |
| San Diego        | Horton Plaza                        | 151,000                 |
| San Diego        | University Towne Centre             | 130,000                 |
| San Francisco    | Stonestown Galleria                 | 174,000                 |
| San Francisco    | San Francisco Shopping Centre       | 350,000                 |
| San Jose         | Valley Fair                         | 232,000                 |
| San Mateo        | Hillsdale Shopping Center           | 149,000                 |
| Santa Ana        | MainPlace/Santa Ana                 | 169,000                 |
| Santa Barbara    | Paseo Nuevo                         | 186,000                 |
| Walnut Creek     | Broadway Plaza                      | 193,000                 |
| EAST COAST GROUP |                                     |                         |
| CONNECTICUT      |                                     |                         |
| Farmington       | Westfarms                           | 189,000                 |
| FLORIDA          |                                     |                         |
| Boca Raton       | Town Center at Boca Raton           | 193,000                 |
| Tampa            | International Plaza                 | 172,000                 |
| GEORGIA          |                                     |                         |
| Atlanta          | Perimeter Mall                      | 243,000                 |
| Buford           | Mall of Georgia                     | 172,000                 |
| MARYLAND         |                                     |                         |
| Annapolis        | Annapolis Mall                      | 162,000                 |
| Bethesda         | Montgomery Mall                     | 225,000                 |
| Columbia         | The Mall in Columbia                | 173,000                 |
| Towson           | Towson Town Center                  | 205,000                 |
| NEW JERSEY       |                                     |                         |
| Edison           | Menlo Park                          | 266,000                 |
| Freehold         | Freehold Raceway Mall               | 174,000                 |
| Paramus          | Garden State Plaza                  | 282,000                 |
| Short Hills      | The Mall at Short Hills             | 188,000                 |
| NEW YORK         |                                     |                         |
| Garden City      | Roosevelt Field                     | 241,000                 |
| White Plains     | The Westchester                     | 219,000                 |
| PENNSYLVANIA     |                                     |                         |
| King of Prussia  | The Plaza at King of Prussia        | 238,000                 |
| RHODE ISLAND     |                                     |                         |
| Providence       | Providence Place                    | 206,000                 |
| VIRGINIA         |                                     |                         |
| Arlington        | The Fashion Centre at Pentagon City | 241,000                 |
| McLean           | Tysons Corner Center                | 253,000                 |
| Norfolk          | MacArthur Center                    | 166,000                 |
| CENTRAL STATES   |                                     |                         |
| ILLINOIS         |                                     |                         |
| Chicago          | Michigan Avenue                     | 271,000                 |
| Oak Brook        | Oakbrook Center                     | 249,000                 |
| Schaumburg       | Woodfield Shopping Center           | 215,000                 |
| Skokie           | Old Orchard Center                  | 209,000                 |
| INDIANA          |                                     |                         |
| Indianapolis     | Circle Centre                       | 216,000                 |
| KANSAS           |                                     |                         |
| Overland Park    | Oak Park Mall                       | 219,000                 |



|                               |                                       |                    |
|-------------------------------|---------------------------------------|--------------------|
| MICHIGAN<br>Troy              | Somerset Collection                   | 258,000            |
| MINNESOTA<br>Bloomington      | Mall of America                       | 240,000            |
| OHIO<br>Beachwood<br>Columbus | Beachwood Place<br>Easton Town Center | 231,000<br>174,000 |

| LOCATION             | STORE NAME                                    | STORE SQUARE<br>FOOTAGE |
|----------------------|---|-------------------------|
| TEXAS                |   |                         |
| Dallas               | Dallas Galleria                               | 249,000                 |
| Frisco               | Stonebriar Centre                             | 149,000                 |
| Hurst                | North East Mall                               | 149,000                 |
| NORTHWEST GROUP      |   |                         |
| ALASKA               |   |                         |
| Anchorage            | Anchorage                                     | 97,000                  |
| COLORADO             |   |                         |
| Broomfield           | FlatIron Crossing                             | 172,000                 |
| Littleton            | Park Meadows                                  | 245,000                 |
| OREGON               |   |                         |
| Portland             | Clackamas Town Center                         | 121,000                 |
| Portland             | Downtown Portland                             | 174,000                 |
| Portland             | Lloyd Center                                  | 150,000                 |
| Salem                | Salem Center                                  | 71,000                  |
| Tigard               | Washington Square                             | 189,000                 |
| UTAH                 |   |                         |
| Murray               | Fashion Place                                 | 110,000                 |
| Salt Lake City       | Crossroads Plaza                              | 140,000                 |
| WASHINGTON           |   |                         |
| Bellevue             | Bellevue Square                               | 285,000                 |
| Lynnwood             | Alderwood Mall                                | 127,000                 |
| Seattle              | Downtown Seattle                              | 383,000                 |
| Seattle              | Northgate                                     | 122,000                 |
| Spokane              | Spokane                                       | 137,000                 |
| Tacoma               | Tacoma Mall                                   | 134,000                 |
| Tukwila              | Southcenter                                   | 170,000                 |
| Vancouver            | Vancouver Mall                                | 71,000                  |
| OTHER                |   |                         |
| Honolulu, HI         | Women's Ala Moana Shoes                       | 14,000                  |
| Honolulu, HI         | Men's Ala Moana Shoes                         | 8,000                   |
| Faconnable           | U.S. (4 boutiques)                            | 40,000                  |
| Faconnable           | International (24 boutiques)                  | 81,000                  |
| NORDSTROM RACK GROUP |   |                         |
| Chandler, AZ         | Chandler Festival Rack                        | 37,000                  |
| Phoenix, AZ          | Last Chance                                   | 48,000                  |
| Scottsdale, AZ       | The Promenade Rack                            | 38,000                  |
| Brea, CA             | Brea Union Plaza Rack                         | 45,000                  |
| Chino, CA            | Chino Marketplace Rack                        | 30,000                  |
| Colma, CA            | Colma Rack                                    | 31,000                  |
| Costa Mesa, CA       | Metro Pointe Rack                             | 50,000                  |
| Glendale, CA         | Glendale Fashion Center Rack                  | 36,000                  |
| Los Angeles, CA      | The Promenade at Howard<br>Hughes Center Rack | 41,000                  |
| Oxnard, CA           | Esplanade Shopping Center Rack                | 38,000                  |
| Roseville, CA        | Creekside Town Center Rack                    | 36,000                  |
| Sacramento, CA       | Howe `Bout Arden Center Rack                  | 54,000                  |
| San Diego, CA        | Mission Valley Rack                           | 57,000                  |
| San Francisco, CA    | 555 Ninth Street<br>Retail Center Rack        | 43,000                  |
| San Jose, CA         | Westgate Mall Rack                            | 48,000                  |
| San Leandro, CA      | San Leandro Rack                              | 44,000                  |
| Woodland Hills, CA   | Topanga Rack                                  | 64,000                  |
| Littleton, CO        | Meadows Marketplace Rack                      | 34,000                  |
| Broomfield, CO       | Flatiron Marketplace Rack                     | 36,000                  |
| Buford, GA           | Mall of Georgia Crossing Rack                 | 44,000                  |
| Honolulu, HI         | Victoria Ward Center Rack                     | 34,000                  |
| Northbrook, IL       | Northbrook Rack                               | 40,000                  |
| Oak Brook, IL        | The Shops at Oak Brook<br>Place Rack          | 42,000                  |
| Schaumburg, IL       | Woodfield Rack                                | 45,000                  |
| Gaithersburg, MD     | Gaithersburg Rack                             | 49,000                  |
| *Silver Spring, MD   | City Place Rack                               | 37,000                  |
| Towson, MD           | Towson Rack                                   | 31,000                  |
| Grand Rapids, MI     | Centerpointe Mall Rack                        | 40,000                  |
| Troy, MI             | Troy Marketplace Rack                         | 40,000                  |
| Bloomington, MN      | Mall of America Rack                          | 41,000                  |
| Las Vegas, NV        | Silverado Ranch Plaza Rack                    | 33,000                  |
| Westbury, NY         | The Mall at the Source Rack                   | 48,000                  |
| Beaverton, OR        | Tanasbourne Town Center Rack                  | 53,000                  |
| Clackamas, OR        | Clackamas Promenade Rack                      | 28,000                  |
| Portland, OR         | Downtown Portland Rack                        | 19,000                  |
| Philadelphia, PA     | Franklin Mills Mall Rack                      | 43,000                  |
| Hurst, TX            | The Shops at North East Mall Rack             | 40,000                  |
| Plano, TX            | Preston Shepard Place Rack                    | 39,000                  |
| Salt Lake City, UT   | Sugarhouse Rack                               | 31,000                  |
| Dulles, VA           | Dulles Town Crossing Rack                     | 41,000                  |
| Woodbridge, VA       | Potomac Mills Rack                            | 46,000                  |
| Auburn, WA           | SuperMall of the Great                        |                         |

|              |                        |        |
|--------------|------------------------|--------|
| Bellevue, WA | Northwest Rack         | 48,000 |
| Lynnwood, WA | Factoria Mall Rack     | 46,000 |
| Seattle, WA  | Golde Creek Plaza Rack | 38,000 |
| Spokane, WA  | Downtown Seattle Rack  | 42,000 |
|              | NorthTown Mall Rack    | 28,000 |

\* Store closed January 21, 2002, however it has been treated as open for the full year.

Shareholder Information

INDEPENDENT AUDITORS  
DELOITTE & TOUCHE LLP

COUNSEL  
LANE POWELL SPEARS LUBERSKY LLP

TRANSFER AGENT AND REGISTRAR  
Mellon Investor Services LLC  
P.O. Box 3315  
South Hackensack, New Jersey 07606  
Telephone (800) 318-7045  
TDD for Hearing Impaired (800) 231-5469  
Foreign Shareholders (201) 329-8660  
TDD Foreign Shareholders (201) 329-8354

GENERAL OFFICES  
1617 Sixth Avenue  
Seattle, Washington 98101-1742  
Telephone (206) 628-2111

ANNUAL MEETING  
May 21, 2002 at 11:00 a.m.  
Pacific Daylight Time  
Nordstrom Downtown Seattle Store  
John W. Nordstrom Room, fifth floor  
1617 Sixth Avenue  
Seattle, Washington 98101-1742

FORM 10-K  
The Company's annual report on Form 10-K  
for the year ended January 31, 2002 will be  
provided to shareholders upon written request to:  
Nordstrom, Inc. Investor Relations  
P.O. Box 2737  
Seattle, Washington 98111  
Or by calling (206) 303-3200

SHAREHOLDER INFORMATION  
Please visit [WWW.NORDSTROM.COM](http://WWW.NORDSTROM.COM) to obtain shareholder information. In addition,  
the Company is always willing to discuss matters of concern to shareholders,  
including its vendor standards compliance mechanisms and progress in achieving  
compliance.

EXHIBIT 21.1

NORDSTROM, INC. AND SUBSIDIARIES  
SUBSIDIARIES OF THE REGISTRANT

| Name of Subsidiary<br>-----              | State of Incorporation<br>----- |
|--|---------------------------------|
| Nordstrom Credit, Inc.                   | Colorado                        |
| N2HC, Inc.                               | Colorado                        |
| Nordstrom Private Label Receivables, LLC | Delaware                        |
| Nordstrom fsb                            | Arizona                         |
| Nordstrom International Limited          | Washington                      |