



---

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): February 25, 2009

**NORDSTROM, INC.**

(Exact name of registrant as specified in its charter)

Washington

(State or other jurisdiction  
of incorporation)

001-15059

(Commission  
File Number)

91-0515058

(IRS Employer  
Identification No.)

1617 SIXTH AVENUE, SEATTLE, WASHINGTON

(Address of principal executive offices)

98101

(Zip Code)

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

INAPPLICABLE

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

## **TABLE OF CONTENTS**

[ITEM 1.01 Entry into a Material Definitive Agreement](#)

[ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers](#)

[ITEM 9.01 Financial Statements and Exhibits](#)

[SIGNATURE](#)

[EXHIBIT INDEX](#)

[EX-10.1](#)

[EX-10.2](#)

[EX-10.3](#)

[EX-10.4](#)

[EX-10.5](#)

---

[Table of Contents](#)

**ITEM 1.01 Entry into a Material Definitive Agreement.**

On February 25, 2009, in connection with recent developments in Delaware case law, the Board of Directors of Nordstrom, Inc. (the “Company”) entered into indemnification agreements between the Company and each independent member of the Company’s Board of Directors. The purpose of the indemnification agreements is to provide specific contractual assurance with respect to the existing indemnification and expense advancement rights extended to such directors under the Company’s Bylaws. The indemnification agreements provide assurance that no future amendment to or revocation of the Bylaws will adversely affect any existing right of an independent director with respect to any event that occurred prior to such amendment or revocation (regardless of when any proceeding related to such event is first threatened, commenced or completed).

A copy of the form of indemnification agreement is attached hereto as Exhibit 10.1, and is incorporated herein by reference.

**ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On February 25, 2009, the Compensation Committee (the “Committee”) of the Board of Directors of the Company approved the following executive compensation actions relative to the Company’s Named Executive Officers as set forth in the Company’s proxy statement dated April 10, 2008 (the “NEOs”):

Named Executive Officer	2008 Bonus (1)
Blake W. Nordstrom President	\$ —
Peter E. Nordstrom EVP and President, Merchandising	\$ —
Erik B. Nordstrom EVP and President, Stores	\$ —
Michael G. Koppel EVP and Chief Financial Officer	\$ 108,000
Daniel F. Little EVP and Chief Administrative Officer	\$ 78,750

(1) The 2008 cash bonuses were determined based on the achievement of pre-established performance measures set by the Committee under the shareholder approved Nordstrom, Inc. Executive Management Group Bonus Plan (the “EMG Plan”).

No changes in base compensation were approved.

The Committee also awarded stock option grants to the Company’s five NEOs, effective February 27, 2009. Stock options were granted pursuant to the terms of the Nordstrom, Inc. 2004 Equity Incentive Plan (the “Plan”). Stock option grants have a term of ten years with an exercise price equivalent to the fair market value of the Company’s stock on February 27, 2009. Vesting occurs at a rate of 25% annually beginning one year from the date of grant. The number of options to be awarded to each individual is a function of base pay, a long-term incentive (LTI) percentage and the fair value of an option. The Binomial Lattice model is used to estimate the fair value of an

[Table of Contents](#)

option. This model requires the input of certain assumptions, including risk-free interest rate, volatility, dividend yield and expected life. The formula for determining the number of options granted is:

$$\text{No. of Options} = (\text{base pay} * \text{LTI}\%) / \text{option fair value}$$

The 2009 Nonqualified Stock Option Grant Agreement and Form of Notice are attached hereto as Exhibit 10.2.

The Committee also awarded Performance Share Units (“PSUs”) to the Company’s five NEOs. PSUs are granted pursuant to the terms of the Nordstrom, Inc. 2004 Equity Incentive Plan. PSUs entitle the participant to settle in shares of Company Common Stock or to elect cash in lieu thereof upon the achievement of such performance goals as may be established by the Committee at the time of grant based on any one or combination of certain performance criteria enumerated in the Plan. The 2009 PSUs are earned over a three-year period from fiscal year 2009 through fiscal year 2011. The percentage of PSUs granted that will actually be earned at the end of the three-year period is based upon the Company’s total shareholder return compared to the total shareholder return of companies in a pre-defined group of retail peers. Additionally, PSUs will only be earned if the Company’s total shareholder return for the period is positive. The number of units to be awarded to each individual is a function of base pay, a long-term incentive (LTI) percentage and stock price. The formula for determining the number of units granted is:

$$\text{No. of Units} = (\text{base pay} * \text{LTI}\%) / \text{stock price}$$

The 2009 Performance Share Unit Award Agreement and Form of Notice are attached hereto as Exhibit 10.3. The number of PSUs awarded to the NEOs is shown in the table below.

Named Executive Officer	2009 PSUs Awarded
Blake W. Nordstrom President	19,488
Peter E. Nordstrom EVP and President, Merchandising	18,096
Erik B. Nordstrom EVP and President, Stores	18,096
Michael G. Koppel EVP and Chief Financial Officer	13,363
Daniel F. Little EVP and Chief Administrative Officer	11,693

The Committee also certified the level of attainment of the pre-established performance goals for the 2006 PSU grant relating to fiscal years 2006 through 2008 at 0%. Although the Company was within the top half of companies within the pre-defined group of retail peers, the Company’s total shareholder return during the period was negative. As a result, PSUs granted in 2006 were not earned and will not be paid.

The Committee established bonus goals, performance levels and award levels that may be earned during the fiscal year ending January 30, 2010 (“Fiscal Year 2009”) under the EMG Plan. Under the EMG Plan, bonus awards are paid only when performance goals are achieved. The bonus target and maximum payments are expressed as a percentage of base salary and the bonus goals vary by position depending each participant’s area of responsibility and influence.

Fiscal year 2009 bonus arrangements for the Company’s NEOs were established by the Committee as follows (Earnings before Interest and Taxes is referred to in the table below as “EBIT” and Return on Invested Capital is referred to as “ROIC”):

Named Executive Officer	Bonus Target as a % of Base Salary	Bonus Maximum as a % of Base Salary	Bonus Measures and Weighting
Blake W. Nordstrom President	100%	250%	EBIT with an ROIC Threshold: 100%
Peter E. Nordstrom EVP and President, Merchandising	100%	250%	EBIT with an ROIC Threshold: 100%
Erik B. Nordstrom EVP and President, Stores	100%	250%	EBIT with an ROIC Threshold: 100%
Michael G. Koppel EVP and Chief Financial Officer	80%	250%	EBIT with an ROIC Threshold: 100%
Daniel F. Little EVP and Chief Administrative Officer	80%	250%	EBIT with an ROIC Threshold: 100%

## Table of Contents

In addition to taking the actions described above, the Committee took two actions with respect to compensatory plans which may affect the Company's NEOs. First, the Committee amended the Company's Supplemental Executive Retirement Plan (the "SERP") to eliminate the Company's prior practice of paying a tax gross-up to retiring executives related to the Company's payment of the employee portion of medicare and social security taxes on SERP benefits. The amendment to the SERP is filed hereto as Exhibit 10.4. Second, the Committee recommended to the Board of Directors, and the Board approved, an amendment to the Company's 401(k) Plan & Profit Sharing (the "401(k) Plan"). As a result of the amendments to the 401(k) Plan, the Company has flexibility to reduce or suspend Company match of participant contributions at any time of the year, rather than prior to a new plan year. In addition, the amendments provide the Company with the flexibility to award a discretionary match and remove an ambiguity regarding the amount of any guaranteed contribution. This summary of the amendments to the 401(k) Plan is qualified in its entirety by the text of the amendments, which are attached as Exhibit 10.5 and incorporated herein by reference.

### **ITEM 9.01 Financial Statements and Exhibits.**

#### (d) Exhibits

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.1	Form of Independent Director Indemnification Agreement
10.2	2009 Nonqualified Stock Option Grant Agreement and Form of Notice
10.3	2009 Performance Share Unit Award Agreement and Form of Notice
10.4	Amendment 2009-1 to the Nordstrom Supplemental Executive Retirement Plan
10.5	Amendment 2009-1 to the Nordstrom 401(k) Plan & Profit Sharing

---

[Table of Contents](#)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORDSTROM, INC.

By: /s/ David G. Johansen  
David G. Johansen  
Vice President and Secretary

Dated: March 3, 2009

---

[Table of Contents](#)

**EXHIBIT INDEX**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.1	Form of Independent Director Indemnification Agreement
10.2	2009 Nonqualified Stock Option Grant Agreement and Form of Notice
10.3	2009 Performance Share Unit Award Agreement and Form of Notice
10.4	Amendment 2009-1 to the Nordstrom Supplemental Executive Retirement Plan
10.5	Amendment 2009-1 to the Nordstrom 401(k) Plan & Profit Sharing



## NORDSTROM, INC.

## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement") is entered into effective as of February 24, 2009, between **Nordstrom, Inc.**, a Washington corporation (the "Company"), and \_\_\_\_, a director of the Company ("Indemnitee").

## RECITALS

A. Indemnitee is a director of the Company and in such capacity is performing valuable services for the Company.

B. The Company's directors have certain existing indemnification arrangements pursuant to the Bylaws of the Company ("Bylaws") and may be entitled to indemnification pursuant to the Washington Business Corporation Act (the "Statute"). Nevertheless, the Board of Directors of the Company (the "Board") recognizes the limitations on the protection provided by such indemnification and the uncertainties as to its availability in any particular situation.

C. The Bylaws specifically provide that the indemnification arrangements provided thereunder are not exclusive, and that contracts may be entered into between the Company and the members of its Board with respect to indemnification of such directors.

D. The Company has determined that it is reasonable and prudent for the Company to minimize any uncertainty regarding the availability of indemnification protections and that in order to facilitate the Company's ability to attract and retain qualified individuals to serve as directors, the Company should act to assure such persons that there will be increased certainty of such protection in the future so that the Company's directors are able to continue to serve free from undue concern that they will not be adequately protected.

E. This Agreement is a supplement to and in furtherance of the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

F. In order to induce Indemnitee to serve or to continue to serve as a director of the Company, the Company has agreed to enter into this Agreement with Indemnitee.

**NOW, THEREFORE**, in consideration of the recitals above, the mutual covenants and agreements set forth in this Agreement, and Indemnitee's service as a director after the date hereof, the Company and Indemnitee agree as follows:

**1. Indemnification**

a. **Scope.** The Company agrees to hold harmless and indemnify (and shall also advance expenses as incurred to the full extent permitted by law and as set forth herein) Indemnitee to the fullest extent permitted by law against any Damages (as defined in Section 1(d)) incurred by Indemnitee with respect to any Proceeding (as defined in Section 1(e))

---

to which Indemnitee is or is threatened to be made a party or witness, notwithstanding that such indemnification is not specifically authorized by this Agreement, the Company's Articles of Incorporation ("Articles") or Bylaws, the Statute or otherwise. Such right to indemnification shall be without regard to the limitations in RCW 23B.08.510 through 23B.08.550; **provided, however**, that Indemnitee shall have no right to indemnification on account of (i) acts or omissions of Indemnitee finally adjudged to be intentional misconduct or a knowing violation of law; (ii) conduct of Indemnitee finally adjudged to be in violation of RCW 23B.08.310; or (iii) any transaction with respect to which it is finally adjudged that Indemnitee personally received a benefit in money, property or services to which Indemnitee was not legally entitled. To the extent not prohibited by applicable law, the indemnification shall apply without regard to negligent acts or omissions by Indemnitee. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule regarding the right of a Washington corporation to indemnify a member of its board of directors, such changes, to the extent that they would expand Indemnitee's rights hereunder, shall be within the scope of Indemnitee's rights and the Company's obligations hereunder, and to the extent that they would narrow Indemnitee's rights hereunder, shall be excluded from this Agreement; **provided, however**, that any change that is required by applicable laws, statutes or rules to be applied to this Agreement shall be so applied regardless of whether the effect of such change is to narrow Indemnitee's rights hereunder.

To the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in the defense of any Proceeding or any claim, issue or matter therein, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is successful, on the merits or otherwise, as to one or more but fewer than all claims, issues or matters in any Proceeding, the Company shall indemnify Indemnitee against all expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter and any claim, issue or matter related to each such successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section 1 and without limitation, the termination of any Proceeding or any claim, issue or matter in a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such Proceeding, claim, issue or matter. To the extent that Indemnitee is, by reason of Indemnitee's corporate status, a witness in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

b. **Nonexclusivity.** The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Articles or Bylaws, any vote of shareholders or disinterested directors, the Statute or otherwise, whether as to actions or omissions by Indemnitee in Indemnitee's official capacity or otherwise.

c. **Included Coverage.** If Indemnitee is made a party (or is threatened to be made a party) to, or is otherwise involved (including, but not limited to, as a witness) in any Proceeding, the Company shall hold harmless and indemnify Indemnitee from and against any and all losses, claims, damages, costs, expenses and liabilities actually and reasonably incurred in connection with investigating, defending, being a witness in, participating in or otherwise being involved in (including on appeal), or preparing to defend, be a witness in, participate in or

otherwise be involved in (including on appeal), such Proceeding, including but not limited to attorneys' fees, judgments, fines, ERISA excise taxes or penalties, amounts paid in settlement, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments pursuant to this Agreement, and other expenses (collectively, "Damages"), including all interest, assessments or charges paid or payable in connection with or in respect of such Damages.

**d. Definition of Proceeding.** For purposes of this Agreement, "Proceeding" shall mean any actual, pending, threatened or completed action, suit, claim, investigation, hearing or proceeding (whether civil, criminal, administrative or investigative and whether formal or informal) in which Indemnitee is, has been or becomes involved based in whole or in part on or arising out of the fact that Indemnitee is or has been a director, officer, member of a committee of the Board, employee or agent of the Company or that, being or having been such a director, officer, member of a committee of the Board, employee or agent, Indemnitee is or was serving at the request of the Company as a director, officer, employee, trustee or agent of another corporation or of a partnership, joint venture, trust or other enterprise (collectively, a "Related Company"), including but not limited to service with respect to any employee benefit plan, whether the basis of such action, suit, claim, investigation, hearing or proceeding is alleged action or omission by Indemnitee in an official capacity as a director, officer, employee, trustee or agent or in any other capacity while serving as a director, officer, employee, trustee or agent; **provided, however**, that, except with respect to an action to enforce this Agreement, "Proceeding" shall not include any action, suit, claim, investigation, hearing or proceeding instituted by or at the direction of Indemnitee unless such action, suit, claim, investigation, hearing or proceeding is or was authorized by the Board.

**e. Notification.** Promptly after receipt by Indemnitee of notice of the commencement of any Proceeding, Indemnitee will, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof (which notice shall be in the form of Exhibit A hereto); **provided, however**, that failure to so notify the Company will relieve the Company from any liability that it may otherwise have to Indemnitee under this Agreement only if and to the extent that such failure can be shown to have prejudiced the Company's ability to defend the Proceeding.

**f. Determination of Entitlement.**

i. Upon the final disposition of the matter that is the subject of the request for indemnification, a determination shall be made with respect to Indemnitee's entitlement thereto in the specific case. If a Change in Control shall not have occurred, the determination shall be made by: (A) a majority vote of a quorum consisting of directors not at the time parties to the proceeding; (B) a majority vote of a committee (duly designated by the Board) consisting solely of two or more directors not at the time parties to the proceeding (even though less than a quorum of the Board); (C) by Special Legal Counsel; or (D) if so directed by the Board, by the shareholders of the Company. If a Change in Control shall have occurred, the determination shall be made by Special Legal Counsel. Any determination made by Special Legal Counsel pursuant to this Section shall be in the form of a written opinion to the Board, a copy of which shall be delivered to Indemnitee. Indemnitee shall reasonably cooperate with the person or persons making the determination, including providing to the person or persons upon

reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to the determination. Any costs or expenses (including fees and expenses of counsel) incurred by Indemnitee in so cooperating with the person or persons making the determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification), and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

ii. In making any determination as to Indemnitee's entitlement to indemnification hereunder, Indemnitee shall, to the fullest extent not prohibited by law, be entitled to a presumption that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 1(e), and the Company shall, to the fullest extent not prohibited by law, have the burdens of coming forward with evidence and of persuasion to overcome that presumption.

iii. The termination of any Proceeding or of any claim, issue or matter therein by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption: (A) that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; (B) that with respect to any criminal Proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful; or (C) that Indemnitee did not otherwise satisfy the applicable standard of conduct to be indemnified pursuant to this Agreement.

iv. For purposes of any determination of good faith, to the fullest extent permitted by law, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Company, as applicable, including financial statements, or on information supplied to Indemnitee by the officers of such entity in the course of their duties, or on the advice of legal counsel for such entity or on information or records given or reports made to such entity by an independent certified public accountant, appraiser or other expert selected with reasonable care by such entity. The provisions of this Section 1(f)(iv) shall not be deemed to be exclusive or to limit in any way other circumstances in which Indemnitee may be deemed or found to have met the applicable standard of conduct to be indemnified pursuant to this Agreement.

v. The knowledge or actions or failure to act of any other director, officer, employee or agent of the Company shall not be imputed to Indemnitee for purposes of determining Indemnitee's right to indemnification under this Agreement.

vi. If a determination as to Indemnitee's entitlement to indemnification shall not have been made pursuant to this Agreement within 60 days after the final disposition of the matter that is the subject of the request for indemnification, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made in favor of Indemnitee, and Indemnitee shall be entitled to such indemnification, absent (A) a misstatement of a material fact in the information provided by Indemnitee pursuant to Section 1(e) or an omission of a material fact necessary in order to make the information provided not misleading, or (B) a prohibition of such indemnification under applicable law;

provided that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person or persons making the determination in good faith requires such additional time to obtain or evaluate any documentation or information relating thereto.

vii. For the purposes of this Agreement, a “Change in Control” of the Company shall be deemed to have occurred if: (A) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company, a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of securities of the Company representing more than 15% of the total voting power represented by the Company’s then outstanding Voting Securities; (B) individuals who, as of the date of this Indemnification Agreement, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; (C) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company’s assets; (D) a transaction or a series of transactions causes the class of equity securities of the Company which, as of the date of this Agreement, is subject to Section 12(g) or Section 15(d) of the Securities Exchange Act of 1934, as amended, to be held of record by less than 300 persons; or (E) a transaction or a series of transactions causes the class of equity securities of the Company which, as of the date of this Indemnification Agreement, is either listed on a national securities exchange or authorized to be quoted in an inter-dealer quotation system of a registered national securities association to be neither listed on any national securities exchange nor authorized to be quoted in an inter-dealer quotation system of a registered national securities association.

viii. For purposes of this Agreement, “Voting Securities” shall mean any securities of the Company that vote generally in the election of directors.

ix. For the purposes of this Agreement, “Special Legal Counsel” shall mean an attorney or firm of attorneys, selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld), who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements).

g. **Survival.** The indemnification provided under this Agreement shall apply to any and all Proceedings, notwithstanding that Indemnitee has ceased to be a director, officer, employee, trustee or agent of the Company or a Related Company.

## 2. Expense Advances

a. **Generally.** To the extent not prohibited by law, the right to indemnification conferred by Section 1 shall include the right to have the Company pay Indemnitee's attorneys' fees and other expenses in any Proceeding as such expenses are incurred and in advance of final disposition of the Proceeding (such right is referred to hereinafter as an "Expense Advance").

b. **Conditions to Expense Advance.** The Company's obligation to provide an Expense Advance is subject to the following conditions:

i. **Undertaking.** If the Proceeding arose in connection with Indemnitee's service as a director of the Company or member of a committee of the Board (and not in any other capacity in which Indemnitee rendered service, including but not limited to service to any Related Company), then Indemnitee or Indemnitee's representative shall have executed and delivered to the Company an undertaking (in the form of Exhibit B hereto), which need not be secured and shall be accepted without reference to Indemnitee's financial ability to make repayment and without reference to Indemnitee's ultimate entitlement to indemnification under this Agreement or otherwise, by or on behalf of Indemnitee, to repay all Expense Advances if and to the extent that it shall ultimately be determined, by a final decision not subject to appeal rendered by a court having proper jurisdiction, that Indemnitee is not entitled to be indemnified with respect to the Proceeding for which the Indemnitee sought the Expense Advance under this Agreement or otherwise. Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon.

ii. **Cooperation.** Indemnitee shall give the Company such information and cooperation as the Company may reasonably request.

iii. **Affirmation.** If required under applicable law, Indemnitee shall furnish a written affirmation of Indemnitee's good faith belief that Indemnitee has met all applicable standards of conduct.

## 3. Procedures for Enforcement

a. **Enforcement.** If a claim for indemnification made by Indemnitee hereunder is not paid in full within sixty (60) days, or a claim for an Expense Advance made by Indemnitee hereunder is not paid in full within twenty (20) days, after written notice of such claim is delivered to the Company, Indemnitee may, but need not, at any time thereafter bring suit against the Company to recover the unpaid amount of the claim (an "Enforcement Action"). In the alternative, Indemnitee may pursue Indemnitee's claim specified in this section through arbitration subject to the rules, terms, and conditions of the American Arbitration Association (AAA).

**b. Presumptions in Enforcement Action.** In any Enforcement Action the following presumptions (and limitations on presumptions) shall apply:

i. The Company shall conclusively be presumed to have entered into this Agreement and assumed the obligations imposed hereunder in order to induce Indemnitee to serve or to continue to serve as a director of the Company;

ii. Neither: (A) the failure of the Company (including but not limited to the Board, independent or Special Legal Counsel or the Company's shareholders) to make a determination prior to the commencement of the Enforcement Action that indemnification of Indemnitee is proper in the circumstances; nor (B) an actual determination by the Company, the Board, independent or Special Legal Counsel or the Company's shareholders that Indemnitee is not entitled to indemnification shall be a defense to the Enforcement Action or create a presumption that Indemnitee is not entitled to indemnification hereunder; and

iii. If Indemnitee is or was serving as a director, officer, employee, trustee or agent of a corporation of which a majority of the shares entitled to vote in the election of its directors is held by the Company or in an executive or management capacity in a partnership, joint venture, trust or other enterprise of which the Company or a wholly-owned subsidiary of the Company is a general partner or has a majority ownership, then such corporation, partnership, joint venture, trust or enterprise shall conclusively be deemed a Related Company and Indemnitee shall conclusively be deemed to be serving such Related Company at the request of the Company.

**c. Attorneys' Fees and Expenses for Enforcement Action.** If Indemnitee is required to bring an Enforcement Action, the Company shall hold harmless and indemnify Indemnitee against all of Indemnitee's attorneys' fees and expenses in bringing and pursuing the Enforcement Action (including but not limited to attorneys' fees at any stage, and on appeal); **provided, however**, that the Company shall not be required to provide indemnification for such fees and expenses if a court of competent jurisdiction determines that any of the material assertions made by Indemnitee in such Enforcement Action were not made in good faith or were frivolous.

**4. Defense of Claim.** With respect to any Proceeding as to which Indemnitee has provided notice to the Company pursuant to Section 1(e):

a. The Company may participate therein at its own expense.

b. The Company, jointly with any other indemnifying party similarly notified, may assume the defense thereof, with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to so assume the defense thereof, the Company shall not be liable to Indemnitee under this Agreement for any legal fees or other expenses (other than reasonable costs of investigation) subsequently incurred by Indemnitee in connection with the defense thereof unless: (i) the employment of counsel by Indemnitee or the incurring of such expenses has been authorized by the Company; (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such Proceeding; or (iii) the Company shall not in

fact have employed counsel to assume the defense of such Proceeding, in each of which cases the legal fees and other expenses of Indemnitee shall be borne by the Company. The Company shall not be entitled to assume the defense of a Proceeding brought by or on behalf of the Company or as to which Indemnitee shall have reached the conclusion described in clause (ii) above.

c. The Company shall not be liable for any amounts paid in settlement of any Proceeding effected without its written consent.

d. The Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent.

e. Neither the Company nor Indemnitee will unreasonably withhold its or Indemnitee's consent to any proposed settlement of any Proceeding.

#### **5. Maintenance of D&O Insurance**

a. Subject to Section 5(c) below, during the period (the "Coverage Period") beginning as soon as practicable following the date of this Agreement and ending not less than six (6) years following the time Indemnitee is no longer serving as either a director or officer of the Company or any Related Company, or, if later, such time as Indemnitee shall no longer be reasonably subject to any possible Proceeding, the Company shall maintain a directors' and officers' liability insurance policy ("D&O Insurance") in full force and effect, providing in all respects coverage at least comparable to and in similar amounts as that obtained by other comparable companies.

b. Under all policies of D&O Insurance, Indemnitee shall during the Coverage Period be named as an insured in such a manner as to provide Indemnitee the same rights and benefits, subject to the same limitations, as are accorded to the Company's directors or officers most favorably insured by the policy.

c. The Company shall have no obligation to obtain or maintain D&O Insurance if the Board determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, or the coverage provided by such insurance is so limited by exclusions as to provide an insufficient benefit.

d. It is the intention of the parties in entering into this Agreement that the insurers under the D&O Insurance, if any, shall be obligated ultimately to pay any claims by Indemnitee which are covered by D&O Insurance, and nothing herein shall be deemed to diminish or otherwise restrict the Company's or Indemnitee's right to proceed or collect against any insurers under D&O Insurance or to give such insurers any rights against the Company or Indemnitee under or with respect to this Agreement, including but not limited to any right to be subrogated to the Company's or Indemnitee's rights hereunder, unless otherwise expressly agreed to by the Company and Indemnitee in writing. The obligation of such insurers to the Company and Indemnitee shall not be deemed reduced or impaired in any respect by virtue of the provisions of this Agreement.



## 6. Limitations on Indemnification; Mutual Acknowledgment

a. **Limitation on Indemnity.** No indemnification pursuant to this Agreement shall be provided by the Company:

i. On account of any suit in which a final, unappealable judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company in violation of the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto; or

ii. For Damages or Expense Advances that have been paid directly to Indemnitee by an insurance carrier under a policy of D&O Insurance or other insurance maintained by the Company; or

iii. In connection with any action, suit or other proceeding (except for an Enforcement Action brought by the Indemnitee pursuant to Section 3) initiated by Indemnitee (including any such action, suit or other proceeding (or part thereof) initiated by Indemnitee against the Company or its directors, officers, employees, agents or other indemnitees), unless: (A) the Board authorized the action, suit or other proceeding (or part thereof) prior to its initiation; or (B) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

b. **Mutual Acknowledgment.** The Company and Indemnitee acknowledge that, in certain instances, federal law or public policy may override applicable state law and prohibit the Company from indemnifying Indemnitee under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "SEC") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Furthermore, Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit for judicial determination the issue of the Company's power to indemnify Indemnitee in certain circumstances.

7. **Subrogation.** In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all such actions necessary to secure such rights, including but not limited to execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

8. **Severability.** Nothing in this Agreement is intended to require or shall be construed as requiring the Company to take or fail to take any action in violation of applicable law. The Company's inability to perform its obligations under this Agreement pursuant to court order shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable, as provided in this Section 8. If a court of competent jurisdiction should decline to enforce any of the provisions of this Agreement, the Company and Indemnitee agree that such provisions shall be deemed to be reformed to provide Indemnitee indemnification by the Company to the maximum extent permitted by the other portions of this Agreement that are not

unenforceable, the remainder of this Agreement shall not be affected, and this Agreement shall continue in force.

**9. Governing Law; Binding Effect; Amendment and Termination**

a. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Washington.

b. This Agreement shall be binding upon Indemnitee and upon the Company, its successors and assigns, and shall inure to the benefit of Indemnitee, Indemnitee’s heirs, personal representatives and assigns and to the benefit of the Company, its successors and assigns.

c. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

d. Nothing in this Agreement shall confer upon Indemnitee the right to continue to serve the Company in any capacity. If Indemnitee is an employee of the Company, then, unless otherwise expressly provided in a written employment agreement between the Company and Indemnitee, the employment of Indemnitee with the Company shall be terminable at will by either party.

e. This Agreement may be executed in two counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective as of the day and year first set forth above.

“Company”

**NORDSTROM, INC.**

By /s/ Blake W. Nordstrom  
Blake W. Nordstrom, President

“Indemnitee”

\_\_\_\_\_

**EXHIBIT A**

**NOTICE OF CLAIM**

1. Notice is hereby given by the undersigned, \_\_\_\_\_, pursuant to Section 1(e) of the Indemnification Agreement (“Agreement”) dated as of \_\_\_\_\_, between Nordstrom, Inc., a Washington corporation (the “Company”), and the undersigned, of the commencement of a Proceeding, as defined in the Agreement.

2. The undersigned hereby requests indemnification with respect to the Proceeding by the Company under the terms of the Agreement.

3. **[Add brief description of the Proceeding]**

Dated: \_\_\_\_\_, \_\_\_\_\_.

---

---

**EXHIBIT B**

**STATEMENT OF UNDERTAKING**

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

I, \_\_\_\_\_, being first duly sworn, do depose and say as follows:

1. This Statement is submitted pursuant to the Indemnification Agreement (the "Agreement") dated as of \_\_\_\_\_ between Nordstrom, Inc., a Washington corporation (the "Company"), and me.

2. I am requesting an Expense Advance, as defined in the Agreement.

3. I hereby undertake to repay the Expense Advance if and to the extent it is ultimately determined by a final, unappealable decision rendered by a court having proper jurisdiction that I am not entitled to be indemnified by the Company.

4. The expenses for which advancement is requested are as follows:

**[Add brief description of expenses]**

DATED: \_\_\_\_\_.

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of \_\_\_\_\_,

(Seal or stamp)

\_\_\_\_\_  
Notary Signature

\_\_\_\_\_  
Print/Type Name

Notary Public in and for the State of \_\_\_\_\_

residing at \_\_\_\_\_

My appointment expires \_\_\_\_\_

# Nonqualified Stock Option Grant Agreement

## Time-Vested Option

2009

A NONQUALIFIED STOCK OPTION GRANT (hereinafter the "Option") for the number of shares of Common Stock as noted in the 2009 Notice of Grant of Stock Options (the "Notice"), of Nordstrom, Inc., a Washington Corporation (the "Company"), is hereby granted to the "Optionee" on the date set forth in the Notice, subject to the terms and conditions of the Agreement. The Option is also subject to the terms, definitions and provisions of the Nordstrom, Inc. 2004 Equity Incentive Plan (the "Plan") adopted by the Board of Directors of the Company and approved by the Company's shareholders, which is incorporated in this Agreement. To the extent inconsistent with this Agreement, the terms of the Plan shall govern. The Compensation Committee of the Board has the discretionary authority to construe and interpret the Plan and this Agreement. The Option is subject to the following:

### 1. OPTION PRICE

The option price is one hundred percent (100%) of the fair market value of the Company's Common Stock ("Common Stock"), as determined by the closing price of the Common Stock on the New York Stock Exchange on the date of grant. For this purpose, the "date of grant" is indicated in the Notice and reflects either the date the Compensation Committee approves the grant, or if this date falls within a closed trading period, the first trading day thereafter that falls within an open trading window.

### 2. VESTING AND EXERCISING OF OPTION

Except as set forth in Section 5, the Option shall vest and be exercisable pursuant to the terms of the vesting schedule set forth in the Notice.

(a) Method of Exercise. The Option shall be exercisable (only to the extent vested) by a written notice in a form prescribed by the Company that shall:

- (i) state the election to exercise the Option, the number of shares, the total option price, and the name and address of the Optionee;
- (ii) be signed by the person entitled to exercise the Option; and
- (iii) be in writing and delivered to Nordstrom Leadership Benefits (either directly or through a broker).

The Company has made arrangements with a broker for stock option management and exercises.

(b) Payment upon Exercise. Payment of the purchase price of any shares with respect to which an Option is being exercised shall be by:

- (i) check or bank wire transfer,
- (ii) the surrender of shares of Common Stock previously held for at least six months by the Optionee, or where not acquired by the Optionee by exercising a stock option, having a fair market value at least equal to the exercise price, or
- (iii) giving an irrevocable direction for a broker approved by the Company to sell all or part of the Option shares and to deliver to the Company from the sale proceeds in an amount sufficient to pay the option exercise price and any amount required to be withheld to meet the Company's minimum statutory withholding requirements, including the employee's share of payroll taxes.

(The balance of the sale proceeds, if any, will be delivered to the Optionee.)

The certificate(s) or shares of Common Stock as to which the Option shall be exercised shall be registered in the name of the person(s) exercising the Option unless another person is specified. An Option hereunder may not at any time be exercised for a fractional number of shares.

(c) Restrictions on Exercise. These Options may not be exercised if the issuance of the shares upon such exercise would constitute a violation of any applicable federal or state securities or other law or valid regulation, or the Company's Insider Trading Policy. As a condition to the exercise of these Options, the Company may require the person exercising the Options to make any representation and warranty to the Company as the Company's counsel advises and as may be required by the Company or by any applicable law or regulation.

### 3. ACCEPTANCE OF OPTIONS

Although the Company does not require the Optionee's signature upon accepting the grant, the Optionee remains subject to the terms and conditions of this Agreement.

### 4. NONTRANSFERABILITY OF OPTIONS

The Option may not be sold, pledged, assigned or transferred in any manner otherwise than, in the event of the Optionee's death, either indicated on a valid Nordstrom Beneficiary Designation form, by will or the laws of descent and distribution and, except as set forth in Section 5 below, may be exercised during the lifetime of the Optionee only by the Optionee or by the guardian or legal representative of the Optionee. The terms of the Option shall be binding upon the executors, administrators, heirs and successors of the Optionee.

### 5. SEPARATION OF EMPLOYMENT

Except as set forth below, a vested Option may only be exercised while the Optionee is an employee of the Company. If an Optionee's employment is terminated, the Optionee or his or her legal representative shall have the right to exercise the Option after such termination as follows:

- (a) If the Optionee dies while employed by the Company, the persons named on the Optionee's Beneficiary Designation form may exercise such rights. If no Beneficiary Designation form is on file with the Company, then the person to whom the Optionee's rights have passed by will or the laws of descent and distribution may exercise such rights. If the Option was granted at least six months prior to the death of the Optionee while employed by the Company, it shall immediately vest and may be exercised during the period ending four years after the Optionee's death, but in no event later than 10 years after the date of grant. If the Option was granted less than six months prior to death, such Option shall be forfeited as of the date of death.
- (b) If the Optionee is separated due to his or her disability, as defined in Section 22(e)(3) of the Internal Revenue Code, the Option, if granted at least six months prior to such separation and the Optionee provides Nordstrom Leadership Benefits with reasonable documentation of the Optionee's disability, shall immediately vest and may be exercised during the period ending four years after separation, but in no event later than 10 years after the date of grant. If the Option was granted less than six months prior to separation due to the Optionee's disability, such Option shall be forfeited as of the date of separation.
- (c) If the Optionee is separated due to retirement between the ages of 53 and 57 with 10 continuous years of service to the Company from the most

recent hire date, or upon attaining age 58, the Option, if granted at least six months prior to such retirement, shall continue to vest and may be exercised during the period ending four years after separation, but in no event later than 10 years after the date of grant. If the Option was granted less than six months prior to retirement, such Option shall be forfeited as of the date of separation.

**NORDSTROM**

1 Nonqualified Stock Option Grant Agreement Time-Vested Option

---

- (d) If the Optionee's employment is terminated due to his or her embezzlement or theft of Company funds, defrauda-tion of the Company, violation of Company rules, regulations or policies, or any intentional act that harms the Company, such Option, to the extent not exercised as of the date of termination, shall be forfeited as of that date.
- (e) If the Optionee is separated for any reason other than those set forth in subparagraphs (a), (b), (c) and (d) above, the Optionee (or Optionee's beneficiary) may exercise his or her Option, to the extent vested as of the date of his or her separation, within 100 days after separation, but in no event later than 10 years after the date of grant.

Notwithstanding anything above to the contrary, if during the term of this Option, the Optionee directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, shareholder, corporate officer, director or in any other capacity, engages or assists any third party in engaging in any business competitive with the Company; divulges any confidential or proprietary information of the Company to a third party who is not authorized by the Company to receive the confidential or proprietary information; or improperly uses any confidential or proprietary information of the Company, then the post-separation vesting and exercise rights of Options set forth above shall cease immediately, and all outstanding vested and unvested portions of the Options shall be automatically forfeited.

## 6. TERM OF OPTIONS

The Option may not be exercised more than 10 years from the date of original grant of these Options, and the vested portion of such Option may be exercised during such term only in accordance with the Plan and the terms of this Option.

## 7. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

The number and kind of shares of Company stock subject to this Option shall be appropriately adjusted, pursuant to the Plan, along with a corresponding adjustment in the option price to reflect any stock dividend, stock split, split-up, extraordinary dividend distribution, or any combination or exchange of shares, however accomplished.

## 8. ADDITIONAL OPTIONS

The Compensation Committee of the Board of Directors may or may not grant the Optionee additional stock options in the future. Nothing in this Option or any future grant should be construed as suggesting that additional grants of options to the Optionee will be forthcoming.

## 9. LEAVES OF ABSENCE

For purposes of this Option, the Optionee's service does not terminate due to a military leave, a sick leave or another bona fide leave of absence if the leave was approved by the Company in writing and if continued crediting of service is required by the terms of the leave or by applicable law. But, service terminates when the approved leave ends unless the Optionee immediately returns to active work.

If the Optionee goes on a leave of absence approved by the Company, then the vesting schedule specified in the Notice may be adjusted in accordance with the Company's leave of absence policy or the terms of the leave.

## 10. TAX WITHHOLDING

In the event that the Company determines that it is required to withhold any tax as a result of the exercise of this Option, the Optionee, as a condition to the exercise of their Options, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements.

## 11. RIGHTS AS A SHAREHOLDER

Neither the Optionee nor the Optionee's beneficiary or representative shall have any rights as a shareholder with respect to any Common Shares subject to this Option, unless and until (i) the Optionee or the Optionee's beneficiary or representative becomes entitled to receive such Common Shares by filing a notice of exercise and paying the Option Price pursuant to this Option, and (ii) the Optionee or Optionee's beneficiary or representative has satisfied any other requirement imposed by applicable law or the Plan.

## 12. NO RETENTION RIGHTS

Nothing in this Option or in the Plan shall give the Optionee the right to be retained by the Company (or a subsidiary of the Company) as an employee or in any capacity. The Company and its subsidiaries reserve the right to terminate the Optionee's service at any time, with or without cause.

## 13. CLAWBACK POLICY

This Option is subject to the Clawback Policy adopted by the Company's Board of Directors, which provides as follows:

To the extent permitted by law, if the Board of Directors, with the recommendation of the Compensation Committee, determines that any bonus, equity award, equity equivalent award or other incentive compensation has been awarded or received by a Section 16 executive officer of the Company, and that:

- (a) such compensation was based on the achievement of certain financial results that were subsequently the subject of a material restatement of the Company's financial statements filed with the Securities and Exchange Commission,
- (b) the Section 16 executive officer engaged in grossly negligent or intentional misconduct that caused or substantially caused the need for the material restatement, and
- (c) the amount or vesting of the bonus, equity award, equity equivalent or other incentive compensation would have been less had the financial statements been correct,

then the Board shall recover from the Section 16 executive officer such compensation (in whole or in part) as it deems appropriate under the circumstances.

In the event the Clawback Policy is deemed unenforceable with respect to the Options, then the award of Options subject to this Agreement shall be deemed unenforceable due to lack of adequate consideration.

## 14. ENTIRE AGREEMENT

The Notice, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede

any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof.

This Agreement may not be modified or amended, except for a unilateral amendment by the Company that does not materially adversely affect the rights of the Unit holder under this Agreement. No party to this Agreement may unilaterally waive any provision hereof, except in writing. Any such modification, amendment or waiver signed by, or binding upon, the optionee, shall be valid and binding upon any and all persons or entities who may, at any time, have or claim any rights under or pursuant to this Agreement.

#### 15. CHOICE OF LAW

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington, as such laws are applied to contracts entered into and performed in such State.

#### 16. SEVERABILITY

If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if such invalid or unenforceable provision were not contained herein.

#### 17. CODE SECTION 409A

The Company reserves the right, to the extent the Company deems reasonable or necessary in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all vesting or delivery of shares of Common Stock provided under this Agreement are made in a manner that complies with Section 409A of the Internal Revenue Code of 1986, as amended, together with regulatory guidance issued thereunder.

**NORDSTROM**



Stock Options

# Notice of Grant

Name

Employee No: xxxxx

Grant No: xxxxx

Effective **February 27, 2009**, you were awarded nonqualified stock options under the Nordstrom, Inc. 2004 Equity Incentive Plan (the "Plan") to purchase **X,XXX** shares of Nordstrom, Inc. stock at **\$13.47** per share.

Your grant is governed by your 2009 Nonqualified Stock Option Agreement and the terms of the Plan. Your options under this grant will vest over the four-year vesting period as outlined below:

<u>Shares</u>	<u>Vest Date</u>	<u>Expiration</u>
x,xxx	2/27/2010	2/27/2019
x,xxx	2/27/2011	2/27/2019
x,xxx	2/27/2012	2/27/2019
x,xxx	2/27/2013	2/27/2019

Please keep this Notice for your records. If you have any questions about your grant, please contact Nordstrom Leadership Benefits at 206.303.5855, tie line 8.805.5855, or [leadership.benefits@nordstrom.com](mailto:leadership.benefits@nordstrom.com).

**NORDSTROM**

# Performance Share Unit Award Agreement

# 2009

AN AWARD FOR PERFORMANCE SHARE UNITS (hereinafter the “Units”), representing a number of shares of Common Stock as noted in the 2009 *Notice of Award of Performance Share Units* (the “Notice”), of Nordstrom, Inc., a Washington Corporation (the “Company”), is hereby granted to the “Unit holder” on the date set forth in the Notice, subject to the terms of this Agreement. The Units are also subject to the terms, definitions and provisions of the Nordstrom, Inc. 2004 Equity Incentive Plan (the “Plan”) adopted by the Board of Directors of the Company and approved by the Company’s shareholders, which is incorporated in this Agreement. Each vested Unit is equal in value to one share of Nordstrom Common Stock (“Common Stock”). To the extent inconsistent with this Agreement, the terms of the Plan shall govern. The Compensation Committee of the Board has the discretionary authority to construe and interpret the Plan and this Agreement. The Units are subject to the following:

## 1. VESTING AND SETTLEMENT OF UNITS

At the end of three fiscal years following the date of the Award (“the Performance Cycle”), Units shall vest and be settled in accordance with the provisions of the Plan as follows:

### (a) Vesting

Except as set forth in Section 4, Units shall vest at the applicable percentage when the Compensation Committee of the Board certifies that (1) the Company’s Total Shareholder Return (TSR) is positive, and (2) its TSR performance relative to the TSR of other companies in the Peer Group exceeds the following corresponding percentile rankings. For purposes of determining the Company’s TSR relative to the TSR of other companies in the Peer Group, the share price of our Common Stock, and the share prices of the companies in the Peer Group, are based on the thirty trading day closing price average immediately prior to the start of the Performance Cycle and the thirty trading day closing price average immediately prior to the end of the Performance Cycle.

#### PSU Vesting % Based on Nordstrom Percentile Rank Among Peers

If Nordstrom TSR Is Positive and Our Percentile Rank Is:	PSU Vesting Is:
>85%	125%
>75%	100%
>65%	85%
>50%	75%
£50%	0%

While the relative percentile rankings may change during the Performance Cycle based upon mergers, acquisitions, dissolutions and other industry consolidation involving the companies in the Peer Group, the application of the percentile vesting above is applied consistently. Generally, Units will be earned if the Nordstrom TSR for the Performance Cycle is in the top half of performers relative to the other companies in the Peer Group.

### (b) Settlement

Units shall be settled upon vesting, unless the Unit holder has elected to defer the Units into the Executive Deferred Compensation Plan (EDCP) in accordance with the rules. Upon deferral, the vested Units (and their subsequent settlement and payment) shall be governed by the terms and conditions of the EDCP as that Plan may be amended from time to time by the Company.

Unless earlier deferred into the EDCP, the Unit holder shall elect (during a period prior to settlement as prescribed by and in accordance with procedures established by the Company) to settle the Units upon vesting in either one share of Common Stock for each vested Unit, receive an equivalent amount of cash for each vested Unit, or receive a combination of cash and stock. In the event the Unit holder does not or is unable to make such a settlement election, the Units shall be settled in stock. In the event the Units are settled in cash, the amount of cash will be determined on the basis of the closing price of the Common Stock on the New York Stock Exchange on the last day of the Performance Cycle.

### (c) Withholding Taxes

No stock certificates or cash will be distributed to the Unit holder, or amounts deferred into the EDCP, unless the Unit holder has made acceptable arrangements to pay any withholding taxes that may be due as a result of the settlement of this Award. These arrangements may include withholding shares of Common Stock that otherwise would be distributed when the Units are settled. The fair market value of the shares required to cover withholding will be applied to the withholding of taxes prior to the Unit holder receiving the remaining shares or the cash value of those shares.

### (d) Restrictions on Resale

The Unit holder agrees not to sell any shares of Common Stock at a time when applicable laws or Company policies prohibit a sale. This restriction will apply as long as the Unit holder is an employee, consultant or director of the Company or a subsidiary or affiliate of the Company.

## 2. ACCEPTANCE OF UNITS

Although the Company does not require the Unit holder’s signature upon accepting the Award, the Unit holder remains subject to the terms and conditions of this Agreement.

## 3. NONTRANSFERABILITY OF UNITS

The Units may not be sold, pledged, assigned or transferred in any manner otherwise than in the event of the Unit holder’s death, either indicated on a valid Nordstrom Beneficiary Designation form, by will or the laws of descent and distribution and, except as set forth in Section 4 below, may be settled during the lifetime of the Unit holder only by the Unit holder or by the guardian or legal representative of the Unit holder. The terms of the Award shall be binding upon the executors, administrators, heirs and successors of the Unit holder.

## 4. SEPARATION OF EMPLOYMENT

Except as set forth below, Units vest and may only be settled while the Unit holder is an employee of the Company. If the Unit holder’s employment is terminated, the Units shall continue to vest pursuant to the schedule set forth in subparagraph 1(a) above, and the Unit holder or his or her legal representative shall have the right to settlement of the Units after such termination only as follows:

(a) If the Unit holder dies while employed by the Company, the persons named on the

NORDSTROM

1 Performance Share Unit Award Agreement

---

Unit holder's Beneficiary Designation form shall be entitled to settlement of the Units. If no valid Beneficiary Designation form is on file with the Company, then the persons to whom the Unit holder's rights have passed by will or the laws of descent and distribution shall be entitled to settlement of the Units. If the Units were granted at least six months prior to the death of the Unit holder while employed by the Company, the Unit holder's beneficiary shall be entitled to a prorated payment with respect to vested Units based on the period of service during the term of this Agreement. If the Units were granted less than six months prior to death, the Units shall be forfeited as of the date of death with no rights to a prorated payment at settlement.

- (b) If the Unit holder is separated due to his or her disability, as defined in Section 22(e)(3) of the Internal Revenue Code, and the Units were granted at least six months prior to such separation, and the Unit holder provides Nordstrom Leadership Benefits with reasonable documentation of the Unit holder's disability, the Unit holder (or his or her beneficiary) shall be entitled to a prorated payment with respect to vested Units based on the period of service during the term of this Agreement. If the Units were granted less than six months prior to separation due to the Unit holder's disability, the Units shall be forfeited as of the date of separation with no rights to a prorated payment at settlement.
- (c) If the Unit holder is separated due to retirement between the ages of 53 and 57 with 10 years of continuous service to the Company from the most recent hire date, or upon attaining age 58, and the Units were granted at least six months prior to such separation, the Unit holder (or his or her beneficiary) shall be entitled to a prorated payment with respect to vested Units based on the period of service during the term of this Agreement. If the Units were granted less than six months prior to retirement, the Units shall be forfeited as of the date of retirement with no rights to a prorated payment at settlement.
- (d) If the Unit holder is separated for any reason other than those set forth in subparagraphs (a), (b) and (c) above, Units, to the extent not vested and settled as of the date of his or her separation, shall be forfeited as of that date.

Notwithstanding anything above to the contrary, if during the term of this Award, the Unit holder directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, shareholder, corporate officer, director or in any other capacity, engages or assists any third party in engaging in any business competitive with the Company; divulges any confidential or proprietary information of the Company to a third party who is not authorized by the Company to receive the confidential or proprietary information; or improperly uses any confidential or proprietary information of the Company, then the post-separation proration of Units and settlement rights set forth above shall cease immediately, and all outstanding vested but not settled and unvested portions of the Award shall be automatically forfeited.

#### 5. TERM OF UNITS

Units not certified by the Compensation Committee of the Board as having vested as of the end of the Performance Cycle for which the Units were awarded, shall be forfeited.

#### 6. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

The number and kind of shares of Company stock subject to this Award shall be appropriately adjusted pursuant to the Plan to reflect any stock dividend, stock split, split-up, extraordinary dividend distribution, or any combination or exchange of shares, however accomplished.

#### 7. ADDITIONAL UNITS

The Compensation Committee may or may not grant the Unit holder additional Units in the future. Nothing in this Award or any future Award should be construed as suggesting that additional Unit awards to the Unit holder will be forthcoming.

#### 8. LEAVES OF ABSENCE

For purposes of this Award, the Unit holder's service does not terminate due to a military leave, a sick leave or another bona fide leave of absence if the leave was approved by the Company in writing and if continued crediting of service is required by the terms of the leave or by applicable law. But, service terminates when the approved leave ends unless the Unit holder immediately returns to active work.

#### 9. TAX WITHHOLDING

In the event that the Company determines that it is required to withhold any tax as a result of the settlement of Units, the Unit holder shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements.

#### 10. RIGHTS AS A SHAREHOLDER

Neither the Unit holder nor the Unit holder's beneficiary or representative shall have any rights as a shareholder with respect to any Common Shares subject to these Units, unless and until the Units vest and are settled in shares of Common Stock of the Company.

#### 11. NO RETENTION RIGHTS

Nothing in this Agreement or in the Plan shall give the Unit holder the right to be retained by the Company (or a subsidiary of the Company) as an employee or in any capacity. The Company and its subsidiaries reserve the right to terminate the Unit holder's service at any time, with or without cause.

#### 12. CLAWBACK POLICY

The Units are subject to the Clawback Policy adopted by the Company's Board of Directors, which provides as follows:

To the extent permitted by law, if the Board of Directors, with the recommendation of the Compensation Committee, determines that any bonus, equity award, equity equivalent award or other incentive compensation has been awarded or received by a Section 16 executive officer of the Company, and that:

- (a) such compensation was based on the achievement of certain financial results that were subsequently the subject of a material restatement of the Company's financial statements filed with the Securities and Exchange Commission,
- (b) the Section 16 executive officer engaged in grossly negligent or intentional misconduct that caused or substantially caused the need for the material restatement, and
- (c) the amount or vesting of the bonus, equity award, equity equivalent or other incentive compensation would have been less had the financial statements been correct,

then the Board shall recover from the Section 16 executive officer such compensation (in whole or in part) as it deems appropriate under the

circumstances.

In the event the Clawback Policy is deemed unenforceable with respect to the Units, then the award of Units subject to this Agreement shall be deemed unenforceable due to lack of adequate consideration.

### 13. ENTIRE AGREEMENT

The Notice, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof.

This Agreement may not be modified or amended, except for a unilateral amendment by the Company that does not materially adversely affect the rights of the Unit holder under this Agreement. No party to this Agreement may unilaterally waive any provision hereof, except in writing. Any such modification, amendment or waiver signed by, or binding upon, the Unit holder, shall be valid and binding upon any and all persons or entities who may, at any time, have or claim any rights under or pursuant to this Agreement.

### 14. CHOICE OF LAW

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington, as such laws are applied to contracts entered into and performed in such State.

### 15. SEVERABILITY

If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if such invalid or unenforceable provision were not contained herein.

### 16. CODE SECTION 409A

The Company reserves the right, to the extent the Company deems reasonable or necessary in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all vesting or delivery of compensation provided under this Agreement are made in a manner that complies with Section 409A of the Internal Revenue Code of 1986, as amended, together with regulatory guidance issued thereunder.

**NORDSTROM**

# Notice of Award

Name

Employee No: XXXX

Grant No: XXXX

On **February 25, 2009**, you were awarded **x,xxx** Performance Share Units (PSUs) under the Nordstrom, Inc. 2004 Equity Incentive Plan (the "Plan").

Your PSUs are:

- Governed by the terms of your 2009 PSU Award Agreement and the terms of the Plan.
- Earned based on the Nordstrom Total Shareholder Return (TSR) relative to the performance of our retail peer group over the three-year period ending on January 28, 2012 ("Performance Cycle").

At the end of the Performance Cycle, your PSUs could be earned as shown below:

<u>If Nordstrom TSR is Positive and our Percentile Rank is:</u>	<u>PSU Vesting is:</u>
> 85%	125%
> 75%	100%
> 65%	85%
> 50%	75%
£ 50%	0%

The relative percentile rankings may change during the Performance Cycle based upon mergers, acquisitions, dissolutions and other industry consolidation involving the companies in the peer group. If that occurs, the application of the percentile vesting above will still be applied consistently, relative to the remaining or resulting members of the peer group at the end of the Performance Cycle.

TSR results are provided to you via e-mail on a quarterly basis during the fiscal year. Final vesting of PSUs will be determined by the Compensation Committee of the Board of Directors, based on the actual TSR measured at the end of the Performance Cycle.

Please keep this Notice for your records. If you have any questions about your grant, please contact Nordstrom Leadership Benefits at 206.303.5855, tie line 8.805.5855, or [leadership.benefits@nordstrom.com](mailto:leadership.benefits@nordstrom.com).

**NORDSTROM**

**AMENDMENT 2009-1**  
**to the**  
**NORDSTROM SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**  
**(2008 Restatement)**

The Nordstrom Supplemental Executive Retirement Plan (2008 Restatement) (the "Plan") is hereby amended to reflect a change in practice with regard to payment of taxes due on benefits payable under the Plan.

(i) Section 3.10 Payment of Benefits is amended by replacing subsection (c) Withholding with the following:

“(c) Withholding.

(i) Income Tax and Other Withholding. The Company shall withhold from any and all benefit payments made under the Plan and this Article III, all federal, state and local income taxes the Company reasonably determines are required to be withheld in connection with the benefits hereunder, and any other amounts due, owing and unpaid by the Participant to the Company, to be determined in the sole discretion of the Company. In the event the amounts due under this 3.10(c)(i) exceed the amount of benefits currently payable, the Participant shall be required to contribute to the Company an amount necessary to meet such obligations.

(ii) Employment Taxes. At the time of Retirement, the Company shall calculate the employment taxes (i.e., Social Security and Medicare taxes) due on the Participant's benefit under the Plan. Employment taxes shall be remitted to the appropriate taxing authority in accordance with applicable federal and state tax regulations. The Company may, but is not required to, pay the Participant's share of the employment taxes on behalf of the Participant.”

Approved pursuant to proper authority this 25 day of February, 2009.

NORDSTROM, INC.

By: /s/ Delena Sunday  
Delena Sunday  
Title: Executive Vice President Human Resources and  
Diversity Affairs

**AMENDMENT 2009-1**  
**to the**  
**NORDSTROM 401(k) PLAN & PROFIT SHARING**  
**(2008 Restatement)**

The Nordstrom 401(k) Plan & Profit Sharing (the "Plan") is hereby amended pursuant to Plan Section 13.1-2 to modify the provisions regarding Employer Matching Contributions. The provisions of this Amendment 2009-1 are effective immediately, except as otherwise provided herein.

i) Section 5.4 Employer Matching Contributions is replaced with the following:

"5.4 Employer Matching Contributions.

5.4-1 Description of Matching Contributions. The Company may contribute to the Plan a discretionary Matching Contribution as determined by resolution of the Board. The resolution shall set forth the amount of the Employer Matching Contribution expressed as a fixed dollar amount or expressed as a specified percentage of the amount of each Participant's Elective Deferral Contributions for the Plan Year. Further, the resolution may limit the amount of a Participant's Elective Deferral Contributions eligible for the Employer Matching Contribution, by limiting the Elective Deferral Contributions expressed as a fixed dollar amount or as a percentage of the Participant's Compensation. Only Elective Deferral Contributions that remain in the Plan through the Anniversary Date shall be eligible to be matched by Employer Matching Contributions. Catch-up Contributions are not eligible for Employer Matching Contributions under any circumstances.

5.4-2 Requirements For Match. A Participant may receive an Employer Matching Contribution only if such Participant completes at least one Year of Service and also either (i) is employed on the Anniversary Date, or (ii) has severed employment during the Plan Year due to death, Disability or Retirement and qualifies under 5.4-3 unless 5.4-4 applies. Such contributions, while allocable to Participants as described in this section, shall be credited to a Participant's account only when actually received by the Trustee.

5.4-3 Mid-year Terminations. A Participant whose mid-year severance of employment is on account of death, Disability or Retirement, who accumulated a Year of Service in such year prior to such severance, and whose entire Plan account remains undistributed as of the last day of the Plan Year of severance, shall share in the Employer Matching Contribution allocation for that year. Any other Participant whose employment with the Employer terminates during a Plan Year, and any year-end active Participant who fails to meet the Year of Service requirement, shall not share in the Employer Matching Contribution.

---



5.4-4 Company Right to Modify. The Company, through action of the Board, reserves the right to modify the rate or amount of Matching Contributions at any time. The Company shall notify Participants in writing within a reasonable period of time before a change is effected.

5.4-5 Highly Compensated Employee Allocation Restrictions. Effective for Plan Years commencing on and after January 1, 2002 and notwithstanding anything in 5.4 to the contrary, any Participant who is a Highly Compensated Employee and who is characterized as being "otherwise excludible" under Code section 410(b)(4) (i.e., one who has not met the requirements of Code section 410(a)(1)(A)) as of the last day of the Plan Year shall not receive an Employer Matching Contribution for that Plan Year, unless required by 12.4 if the Plan is "top heavy." *[This provision relates to non-discrimination testing and affects a small group of employees.]*

\* \* \* \*

IN WITNESS WHEREOF, pursuant to proper authority, this Amendment 2009-1 has been executed on behalf of the Company by its Executive Vice President Human Resources and Diversity Affairs, this 25th day of February, 2009.

Attest:

NORDSTROM, INC.

By: \_\_\_\_\_

By: /s/ Delena Sunday  
Delena Sunday

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

Executive Vice President,  
Human Resources and Diversity Affairs