

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, 2000

/ 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:
None

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

Common Stock, without par value

(Title of class)

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 20, 2000, 130,827,260 shares of common stock were outstanding, and the aggregate market value of those shares (based upon the closing price as reported by NASDAQ) held by non-affiliates was approximately \$1.8 billion.

Documents Incorporated by Reference:

Portions of Nordstrom, Inc. 1999 Annual Report to Shareholders
(Parts I, II and IV)

Portions of Proxy Statement for 2000 Annual Meeting of Shareholders
(Part III)

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, 2000, the Company operated 71 large specialty stores in Alaska, Arizona, California, Colorado, Connecticut, 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 27 stores under the name "Nordstrom Rack" and one clearance store. The Racks purchase merchandise directly from manufacturers, as well as serving, in part, as outlets for clearance merchandise from the Company's large specialty stores. The Racks are located in Arizona, California, Colorado, Illinois, Maryland, Minnesota, New York, Oregon, Pennsylvania, Utah, Virginia and Washington.

The Company also operated three specialty boutiques in New York and California under the name "Faconnable", and two free-standing shoe stores located in Hawaii.

On November 1, 1999, the Company established a new subsidiary, NORDSTROM.com, to promote the rapid expansion of both its Internet commerce and catalog businesses. The Company contributed assets and certain liabilities associated with its Internet commerce and catalog businesses and \$10 million in cash to the subsidiary. Affiliates of Benchmark Capital and Madrona Investment Group, collectively, contributed \$16 million in cash to the new entity. The Company owns approximately 81.4% of NORDSTROM.com, with Benchmark Capital and Madrona Investment Group holding the remaining interest.

The first major endeavor in November 1999 by NORDSTROM.com was the launching of the Internet site NORDSTROMSHOES.com, which offers on-line access to millions of pairs of shoes. The launch was supported by a multimedia national advertising campaign.

In March 2000, the Company opened a large specialty store in Buford, Georgia and a new Rack store in Atlanta, Georgia. In May 2000, a new Rack store in Plano, Texas is scheduled to open. In addition, the Company plans to open full-line stores in Broomfield, CO; Frisco, TX; Roseville, CA; Chicago, IL; and Boca Raton, FL, as well as Rack stores in Glendale, CA; Troy, MI; Honolulu, HI; Spokane, WA; Los Angeles, CA; Hurst, TX; and Scottsdale, AZ, during 2000. The Company's plans for 2000 also include the remodel of its Edison, NJ and Chicago, IL full-line stores.

Item 1. Business (continued)

The west coast of the United States, and the east coast, from southern New York to Virginia, are the markets in which the Company has the largest presence. An economic downturn or other significant event within one of those 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 3% of 1999 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 100 trademarks. With the exception of the Federally registered names "Nordstrom", "Classiques Entier", "Evergreen", "Preview Collection" and "Preview International", the loss or abandonment of any particular trademark would not have a significant impact on the operations 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 year ended January 31, 2000, the Company regularly employed on a full or part-time basis an average of approximately 40,000 employees. Due to the seasonal nature of the Company's business, employment increased to approximately 47,000 employees in July, and approximately 45,000 employees in December.

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 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 1999 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 14 in Notes to Consolidated Financial Statements
 Retail Store Facilities

Executive Officers of the Registrant

Name	Age	Title	Officer Since	Family Relationship
Jammie Baugh	46	Executive Vice President	1990	None
Robert E. Campbell	44	Vice President and Treasurer	1999	None

Executive Officers of the Registrant (continued)

Gail A. Cottle	48	Executive Vice President	1985	None
Darren R. Jackson	35	Vice President	1998	None
Kevin T. Knight	44	Vice President, Chairman and Chief Executive Officer of Nordstrom Federal Savings Bank, and President of Nordstrom Credit, Inc.	1998	None
Michael G. Koppel	43	Vice President	1999	None
F. Richard Lennon	59	Vice President	2000	None
Robert J. Middlemas	43	Executive Vice President	1993	None
Blake W. Nordstrom	39	Executive Vice 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.
Erik B. Nordstrom	36	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.
J. Daniel Nordstrom	37	President of Nordstrom.com, LLC	1995	Brother of William E. Nordstrom; and nephew of John N. Nordstrom, a Director of the Company
Peter E. Nordstrom	37	Executive Vice President	1995	Brother of Blake W. and Erik B. Nordstrom; son of Bruce A. Nordstrom, a Director of the Company; and nephew of D. Wayne Gittinger, a Director of the Company.
William E. Nordstrom	36	Executive Vice President	1995	Brother of J. Daniel Nordstrom; and nephew of John N. Nordstrom, a Director of the Company
James R. O'Neal	41	Executive Vice President	1997	None
Michael A. Stein	50	Executive Vice President and Chief Financial Officer	1998	None

Executive Officers of the Registrant (continued)

Susan A. Wilson Tabor	54	Executive Vice President	1997	None
John J. Whitacre	47	Chairman of the Board of Directors and Chief Executive Officer	1989	None
Martha S. Wikstrom	43	Executive Vice President	1991	None

Jammie Baugh was named Executive Vice President of Human Resources on February 16, 2000. Prior thereto, she served as Executive Vice President - Northwest General Manager since 1997, Executive Vice President - General Manager Southern California since 1991, and General Manager Southern California since 1990.

Robert E. Campbell has been Vice President and Treasurer, Strategy and Planning since May 1999. Prior thereto, he was responsible for the Company's investor relations function since March 1998, and as Manager of Financial Accounting 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.

Gail A. Cottle, Executive Vice President, was named President of Nordstrom Product Group on February 16, 2000. Prior thereto, she served as Executive Vice President - Nordstrom Product Group General Manager since 1996, at which time men's clothing, footwear and cosmetics were added to this group. The Faconnable business unit was added to this group in 1999. Prior to 1996, she was Executive Vice President of women's apparel, children's apparel, and accessories product development since 1992.

Darren R. Jackson has been Vice President, Chief Financial Officer for Full-line Stores since May 1999. Prior thereto, he served as Vice President and Treasurer since January 31, 1999, as Vice President - Strategic Planning since August 1998, and as Planning Manager from February through August 1998. Prior to joining Nordstrom Inc., he was the Chief Financial Officer for Carson Pirie Scott & Co. since 1994.

Kevin T. Knight, Vice President of Nordstrom, Inc., Chairman and Chief Executive Officer of Nordstrom Federal Savings Bank, President of Nordstrom Credit, Inc., and, as of February 16, 2000, was named President of Nordstrom Credit Group. Prior thereto, he served as President of 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 hired as Vice President and Corporate Controller on August 12, 1999. Prior to joining Nordstrom, he 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. 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.

Executive Officers of the Registrant (continued)

F. Richard Lennon was hired as Vice President and Chief Information Officer on February 16, 2000. Prior to joining Nordstrom, Inc., he served as Vice President and Chief Technology Officer for Brown-Forman Corporation, since 1988. His responsibilities included a broad range of systems development, technology planning, and telecommunications support.

Robert J. Middlemas has been Executive Vice President - Central States General Manager since 1997. Prior thereto, he served as Vice President - Central States General Manager since 1993.

Blake W. Nordstrom was named Executive Vice President and President of Nordstrom Rack Group on February 16, 2000. Prior thereto, he served as Co-President responsible for credit, community relations, and Rack business unit since 1995 and as Vice President - General Manager Washington/Alaska since 1991.

Erik B. Nordstrom was named Executive Vice President - Northwest General Manager on February 16, 2000. Prior thereto, he served as Co-President responsible for Nordstrom Product Group since 1995 and as Store/Regional Manager - Minnesota since 1992.

J. Daniel Nordstrom has been President of Nordstrom.com LLC since November 1999. Prior thereto, he served as Co-President responsible for the direct sales division since 1995 and as General Manager direct sales division since 1993.

Peter E. Nordstrom was named Executive Vice President - Director of Full-line Store Merchandise Strategy for children's apparel, cosmetics, junior apparel, lingerie, men's apparel and women's sportswear on February 16, 2000. Prior thereto, he served as Co-President responsible for sales promotion, human resources, and diversity affairs since 1995, and as Regional Manager - Orange County since 1991.

William E. Nordstrom was named Executive Vice President - East Coast General Manager on February 16, 2000. Prior thereto, he served as Co-President since 1995, as Corporate Merchandise Manager Accessories in 1995 and as Corporate Merchandise Manager Nordstrom Rack from 1992 to 1995.

James R. O'Neal has been Executive Vice President - Southwest General Manager since 1997 and served as Vice President - Northern California in 1997. Prior thereto, he served as General Manager Northern California from 1995 to 1997, and served as City Regional Manager from 1993 to 1995.

Michael A. Stein has been Executive Vice President and Chief Financial Officer of the Company since October 1998. He is responsible for the Company's treasury, corporate finance, business information technology services, real estate and store planning, investor relations, controllership, tax, legal, and internal audit functions. Prior to joining Nordstrom, he served as Executive Vice President and Chief Financial Officer of Marriott International, Inc. since October 1993; as Senior Vice President, Finance and Corporate Controller of Marriott Corporation since 1991; and as Vice President, Finance and Chief Accounting Officer since 1989. Prior to joining Marriott, he spent 18 years with Arthur Andersen LLP where, since 1982, he was a partner.

Susan A. Wilson Tabor has been Executive Vice President - Rack General Manager since 1998. Prior thereto, she served as Vice President - Rack General Manager from 1997 to 1998, and served as Rack General Manager from 1993 to 1997.

Executive Officers of the Registrant (continued)

John J. Whitacre has been Chairman of the Board of Directors and Chief Executive Officer since 1996, and served as Co-Chairman from 1995 to 1996. Prior thereto, he served as Co-President - shoes, men's wear, operations, finance, product development, restaurant, credit, inventory management systems and direct sales since 1991.

Martha S. Wikstrom, Executive Vice President, was named President of Full-line Store Group on February 16, 2000. Prior thereto, she served as Executive Vice President - Full-line Stores since May 1999, as Executive Vice President - East Coast General Manager since 1997 and as Vice President - General Manager Capital since 1991.

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.

Item 2. Properties.

The following table summarizes the number of stores owned or operated by the Company and the percentage of total store area represented by each listed category at January 31, 2000:

	Number of stores	% of total store square footage
	-----	-----
Owned stores	21	23%
Leased stores	51	32
Owned on leased land	30	43
Partly owned & partly leased	2	2
	-----	-----
	104	100%
	=====	=====

The Company also operates nine merchandise distribution centers, six which are owned, two which are leased, and one 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 which serves as the principal offices of Nordstrom Credit Group.

Certain other information required under this item is included in the following sections of the Company's 1999 Annual Report to Shareholders, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Note 8 in Notes to Consolidated Financial Statements
 Note 11 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 1999 Annual Report to Shareholders, which section is incorporated by reference herein from Exhibit 13.1 of this report:

Note 15 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 NYSE National Market under the symbol "JWN." The approximate number of holders of Common Stock as of March 20, 2000 was 87,000.

Certain other information required under this item with respect to stock prices and dividends is included in the following sections of the Company's 1999 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 16 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 1999 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
Ten-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 1999 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 subject to the risk of fluctuating interest rates in the normal course of business, primarily as a result of its short-term borrowing and investment activities which generally bear interest at variable rates. Because the short-term borrowings and investments, other than the investment in marketable equity securities, 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. The Company's investment in marketable equity securities is classified as available-for-sale and is recorded on the balance sheet at fair value based upon the quoted market price with unrealized gains or loss reported as a separate component of accumulated other comprehensive income.

The table below presents principal amounts, at book value, by year of maturity, and related weighted average interest rates. The fair value of long-term debt (including current maturities), is calculated using quoted market prices of the same or similar issues with the same remaining term to maturity.

In thousands	2000	2001	2002	2003	2004	Thereafter	Total at January 31, 2000	Fair Value January 31, 2000	1999
INTEREST RATE RISK									
LIABILITIES									
Long-term debt - Fixed	\$ 57,776	\$ 11,000	\$ 76,750	--	--	\$ 650,000	\$ 795,526	\$ 715,498	\$ 893,872
Average interest rate	7.6%	8.7%	7.3%	--	--	6.4%	6.6%		

Certain other information required under this item is included in the following sections of the Company's 1999 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 6 in Notes to Consolidated Financial Statements

Item 8. Financial Statements and Supplementary Data.

The information required under this item is included in the following sections of the Company's 1999 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 2000 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 2000 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, 2000
Compensation and Stock Option Committee Report on the 1999 Fiscal
Year Executive Compensation
Stock Price Performance
Compensation of Directors
Compensation Committee Interlocks and Insider Participation

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 2000 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 2000 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
Compensation Committee Interlocks and Insider Participation
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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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 1999 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 May 18, 1999, are hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 3.2.
- (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.

(a)3. Exhibits (continued)

- (10.1) Operating Agreement dated August 30, 1991 between Nordstrom Credit, Inc. and Nordstrom National Credit Bank is hereby incorporated by reference from the Nordstrom Credit, Inc. Quarterly Report on Form 10-Q (SEC File No. 0-12994) for the quarter ended July 31, 1991, Exhibit 10.1, as amended.
- (10.2) 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.
- (10.3) 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.
- (10.4) 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.
- (10.5) 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.
- (10.6) 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.
- (10.7) 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) 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.

(a)3. Exhibits (continued)

- (10.11) First Amendment to the Transfer and Administration Agreement dated August 19, 1997 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A. is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1.
- (10.12) Second Amendment to the Transfer and Administration Agreement dated July 23, 1998 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A. is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.2.
- (10.13) 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.
- (10.14) The Nordstrom, Inc. 1997 Stock Option Plan is hereby incorporated by reference from the Registrant's Report on Form S-8, Registration No. 333-63403 filed on September 15, 1998.
- (10.15) Amendment to 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.
- (10.16) 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.
- (10.17) 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.
- (10.18) 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.
- (10.19) 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.
- (10.20) 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.
- (10.21) Joint Venture Agreement between Nordstrom, Inc. and Nordstorm.com, Inc. dated as of August 24, 1999 is filed herein as an Exhibit.

(a)3. Exhibits (continued)

- (10.22) 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 filed herein as an Exhibit.
- (10.23) 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 10.22 above), is filed herein as an Exhibit.
- (13.1) The Company's 1999 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 18 of this report.
- (27.1) Financial Data Schedule is filed herein as an Exhibit.

All other exhibits are omitted because they are not applicable, not required, or because the required information is included in the Company's 1999 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 A. Stein

Michael A. Stein
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: April 6, 2000

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 Accounting Officer:

/s/ Michael G. Koppel

Michael G. Koppel
Vice President and
Corporate Controller

Principal Executive Officer:

/s/ John J. Whitacre

John J. Whitacre
Chairman of the Board
of Directors and Director

Directors:

/s/ D. Wayne Gittinger

D. Wayne Gittinger
Director

/s/ Alfred E. Osborne, Jr.

Alfred E. Osborne, Jr.
Director

/s/ Enrique Hernandez, Jr.

Enrique Hernandez, Jr.
Director

/s/ William D. Ruckelshaus

William D. Ruckelshaus
Director

Directors (continued):

/s/ Ann D. McLaughlin

Ann D. McLaughlin
Director

/s/ Elizabeth Crownhart Vaughan

Elizabeth Crownhart Vaughan
Director

John A. McMillan
Director

/s/ John J. Whitacre

John J. Whitacre
Chairman of the Board of Directors

/s/ Bruce A. Nordstrom

Bruce A. Nordstrom
Director

/s/ Bruce G. Willison

Bruce G. Willison
Director

/s/ John N. Nordstrom

John N. Nordstrom
Director

Date: April 6, 2000

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULE

Shareholders and Board of Directors
Nordstrom, Inc.

We consent to the incorporation by reference in Registration Statements Nos. 33-18321, 333-63403, and 333-79791 on Form S-8 and in Registration Statement 333-69281 on Form S-3 of Nordstrom, Inc. of our reports dated March 10, 2000 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, 2000.

We have audited the consolidated financial statements of Nordstrom, Inc. and subsidiaries as of January 31, 2000 and 1999, and for each of the three years in the period ended January 31, 2000, and have issued our report thereon dated March 10, 2000; such financial statements and report are included in your 1999 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.

Deloitte & Touche LLP
Seattle, Washington
April 6, 2000

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 ----- Charged to costs and expenses -----	Deductions ----- Account write-offs net of recoveries -----	Balance at end of period -----
Allowance for doubtful accounts:				
Year ended:				
January 31, 1998	\$26,793	\$40,440	\$36,849	\$30,384
January 31, 1999	\$30,384	\$23,827	\$29,668	\$24,543
January 31, 2000	\$24,543	\$11,707	\$20,412	\$15,838

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 May 18, 1999	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 3.2.
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 Operating Agreement dated August 30, 1991 between Nordstrom Credit, Inc. and Nordstrom National Credit Bank	Incorporated by reference from the Nordstrom Credit, Inc. Quarterly Report on Form 10-Q (SEC File No. 0-12994) for the quarter ended July 31, 1991, Exhibit 10.1, as amended.
10.2 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.
10.3 Nordstrom Supplemental Retirement Plan	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1993, Exhibit 10.3.
10.4 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.
10.5 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.
10.6 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.

- 10.7 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 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.
- 10.11 First Amendment to the Transfer and Administration Agreement dated August 19, 1997 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A.
Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1.
- 10.12 Second Amendment to the Transfer and Administration Agreement dated July 23, 1998 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A.
Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.2.
- 10.13 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.
- 10.14 1997 Nordstrom Stock Option Plan
Incorporated by reference from the Registrant's Report on Form S-8, Registration No. 333-63403 filed on September 15, 1998.

- | | |
|--|---|
| 10.15 Amendment to the Nordstrom, Inc. 1997 Stock Option Plan | Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.4. |
| 10.16 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. |
| 10.17 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. |
| 10.18 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. |
| 10.19 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. |
| 10.20 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. |
| 10.21 Joint Venture Agreement between Nordstrom, Inc. and Nordstorm.com, Inc. dated as of August 24, 1999 | Filed herewith electronically |
| 10.22 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, | Filed herewith electronically |
| 10.23 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 10.22 above), | Filed herewith electronically |
| 13.1 1999 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 18 of this report |
| 27.1 Financial Data Schedule | Filed herewith electronically |

JOINT VENTURE AGREEMENT

BETWEEN

NORDSTROM, INC.

AND

NORDSTROM.COM, INC.

DATED AS OF

AUGUST 24, 1999

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Exhibits:

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Exhibit C	--	Bylaws
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Exhibit E	--	Form of License Agreement
Exhibit F	--	Form of Operating Agreement
Exhibit G	--	Form of Put Agreement
Exhibit H	--	Form of Restated Certificate
Exhibit I	--	Form of Right of First Refusal and Co-Sale Agreement
Exhibit J	--	Form of Services Agreement
Exhibit K	--	Form of Stock Purchase Agreement
Exhibit L	--	Form of Supply Agreement

Schedules:

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AMENDED AND RESTATED JOINT VENTURE AGREEMENT

This AMENDED AND RESTATED JOINT VENTURE AGREEMENT (this "Agreement") is made and entered into as of August 24, 1999, between Nordstrom, Inc., a Washington corporation ("Nordstrom"), and Nordstrom.com, Inc., a Delaware corporation ("Nordstrom.com, Inc.").

RECITALS

Nordstrom, through its wholly owned subsidiary, Nordstrom.com Holdings, Inc., a Washington corporation ("Nordstrom Holdings"), and Nordstrom.com, Inc. plan to form Nordstrom.com, LLC, a Delaware limited liability company ("LLC"), to engage in the Business (as defined below), subject to the terms and conditions set forth below.

AGREEMENTS

NOW, THEREFORE, in consideration of the respective representations, warranties, agreements, and conditions hereinafter set forth, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINED TERMS

1.1 Defined Terms. The following terms shall have the following meanings in this Agreement:

"Accounts Receivable" means the rights of Nordstrom or any Nordstrom Affiliate to payment for merchandise sold to customers pursuant to the Business.

"Affiliate" means, with respect to any person, any other person controlling, controlled by or under common control with such person.

"Applicable Laws" means all applicable laws, statutes, rules, regulations, ordinances, judgments, orders, decrees, injunctions, and writs of any Governmental Entity.

"Assets" means all the tangible and intangible assets owned, leased, or licensed by Nordstrom or any Nordstrom Affiliate that are used or held for use primarily in connection with the Business, but specifically excluding therefrom the Excluded Assets. Without limiting the foregoing, the Assets to be assigned, transferred and delivered by Nordstrom and/or Nordstrom Holdings hereunder shall include the following:

- (a) the Personal Property;
- (b) the Leased Real Property;

(c) the Licenses and Permits;

(d) the Assumed Contracts;

(e) the Intellectual Property, subject to any consents required for transfer of such Intellectual Property;

(f) the Accounts Receivable as of the close of business on the day immediately preceding the Closing Date;

(g) all books and records relating to the Business (excluding those described in clause (b) of the definition of "Excluded Assets"), including executed copies of the Assumed Contracts, or if no executed agreement exists, summaries of such Assumed Contracts transferred pursuant to clause (e) above;

(h) all computer programs and software, and all rights and interests of Business in and to computer programs and software used primarily in connection with the Business (but excluding computer programs and software maintained and operated by Nordstrom for its entire business and not primarily for the Business), subject to any consents required for transfer of such computer programs and software;

(i) all rights and claims of Nordstrom or any Nordstrom Affiliate whether mature, contingent or otherwise, against third parties that relate primarily to the Business (other than the Excluded Assets), whether in tort, contract, or otherwise, including, without limitation, causes of action, unliquidated rights and claims under or pursuant to all warranties, indemnities, representations and guarantees made by manufacturers, suppliers, vendors, sellers, transferors or predecessors (except to the extent of any counterclaim or defense to a claim against Nordstrom or any Nordstrom Affiliate that exists after the Closing);

(j) all intangible assets of Nordstrom or any Nordstrom Affiliate primarily relating to the Business not specifically described above, including goodwill; and

(k) petty cash on hand as of the Closing Date of Nordstrom and any Nordstrom Affiliate for use solely in the Business.

"Assumed Contracts" means (a) those Contracts set forth on Schedule 2.1(p) that are identified as being assumed by the LLC, (b) all other Contracts of Nordstrom or any Nordstrom Affiliate that relate primarily to the Assets or the Business, and (c) all Contracts entered into by Nordstrom or any Nordstrom Affiliate on or after the date of this Agreement and before the Closing in the ordinary course of business that relate primarily to the Assets or the Business.

"Assumed Liabilities" means the liabilities and obligations assumed by the LLC at the Closing pursuant to Section 4.5(a).

"Assumed Working Capital Liabilities" means the following:

(a) accounts payable of Nordstrom or any Nordstrom Affiliate for goods and services primarily for the benefit of the Business incurred in the ordinary course of business;

(b) amounts due or accrued in the ordinary course of business for wages, salaries, profit-sharing payments, bonuses, vacations and other employee benefits by Nordstrom or any Nordstrom Affiliate for employees whose primary service is for the benefit of the Business as of the close of business; and

(c) any other current liabilities of Nordstrom or any Nordstrom Affiliate incurred in the ordinary course of business primarily for the benefit of the Business (but excluding liabilities for product returns, except to the extent the LLC fails to perform its obligations under the Supply Agreement to accept returns of products sold through the Business on or before the Closing Date or to the extent provided in the Supply Agreement).

"Assumption Agreement" means the Assumption Agreement between Nordstrom and/or a Nordstrom Affiliate and LLC substantially in a form and substance reasonably acceptable to Nordstrom and Nordstrom Holdings and to be attached as Exhibit A.

"Balance Sheet" has the meaning set forth in Section 2.1(f).

"Benchmark Funds" means one or more of the following: Benchmark Capital Partners III, L.P., Benchmark Founders' Fund III, L.P., Benchmark Founders' Fund III-A, L.P., Benchmark Members' Fund III, L.P. and any other affiliated venture capital funds.

"Bill of Sale and Assignment" means the Bill of Sale and Assignment between Nordstrom and/or a Nordstrom Affiliate and the LLC substantially in the form of Exhibit B.

"Business" shall mean the sale, supply or other distribution of goods and services to consumers conducted by Nordstrom through (i) on-line internet technologies, whether now known or hereafter devised, including, but not limited to, Websites, e-mail, electronic commerce, on-line advertising and virtual shopping, and (ii) except as provided in the following sentence, through catalogs and other written material. Notwithstanding any other provision contained herein, the "Business" shall exclude: (a) the sale of goods and services to consumers making such purchases at traditional retail stores, (b) the sale, supply or other distribution of goods and services to consumers through catalogs, other written materials or e-mail, provided that such goods and services are fulfilled by hand at traditional retail stores, and (c) the supply or distribution of goods and services sold to consumers at traditional retail stores but fulfilled at a centralized fulfillment center.

"Business Day" means any other day than (i) a Saturday or Sunday or (ii) a day on which commercial banks in Seattle, Washington are authorized or required to be closed.

"Closing" means the consummation of the transactions contemplated by this Agreement in accordance with the provisions of Article IV.

"Closing Date" has the meaning set forth in Section 4.4.

"Code" means the United States Internal Revenue Code of 1986, as amended. All references to the Code, U.S. Treasury regulations or other governmental pronouncements shall be deemed to include references to any applicable successor regulations or amending pronouncement.

"Competing Proposed Transaction" has the meaning set forth in Section 3.2.

"Consents" means all governmental consents and approvals, and all consents and approvals of third parties, in each case that are necessary in order to transfer the Assets to the LLC pursuant to the Operating Agreement and otherwise to consummate the transactions contemplated by the Transaction Documents.

"Contracts" means all agreements, contracts, or other binding commitments or arrangements, written or oral (including any amendments and other modifications thereto), to which Nordstrom or any Nordstrom Affiliate is a party or is otherwise bound and which primarily relate to the Assets or the Business.

"Employee Benefit Plans" has the meaning set forth in Section 2.1(q).

"Environmental Laws" means all Applicable Laws and rules of common law pertaining to the environment, natural resources, and public health and safety including the Comprehensive Environmental Response Compensation and Liability Act, (42 U.S.C. Section 9601 et seq.) ("CERCLA"), the Emergency Planning and Community Right to Know Act and the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, the Hazardous and Solid Waste Amendments Act of 1984, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, the Oil Pollution Act of 1990, the Hazardous Materials Transportation Act, and any similar or analogous statutes, regulations and decisional law of any Governmental Entity, as each of the foregoing may be amended and in effect on or prior to the Closing.

"Environmental Permits" means Permits required pursuant to Environmental Laws relating to the Business or the Assets.

"Equity Interests" means any interest in any other corporation, association, joint venture, partnership or other business entity, whether or not such interest is represented by a certificate or constitutes a security.

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

"Excluded Assets" means:

(a) all tangible and intangible assets owned, leased or licensed by Nordstrom or any Nordstrom Affiliate that may relate to the Business but are not used primarily in the Business;

(b) Nordstrom's corporate books and other books and records relating solely to internal corporate matters and any other books and records not related to the Business;

(c) Any claims, rights and interest of Nordstrom or any Nordstrom Affiliate in and to any (i) refunds of Taxes or fees of any nature whatsoever relating to the Business or (ii) deposits or utility deposits relating to the Business, in each case which relate solely to the period prior to the Closing Date;

(d) All insurance contracts, including the cash surrender value thereof, and all insurance proceeds or claims made by Nordstrom or any Nordstrom Affiliate relating to the Business prior to the Closing Date;

(e) All Employee Benefit Plans and all assets or funds held in trust, or otherwise, associated with or used in connection with the Employee Benefit Plans;

(f) All tangible and intangible personal property disposed of or consumed in the ordinary course of business between the date of this Agreement and the Closing Date, or as otherwise permitted under the terms hereof; and

(g) Any collective bargaining agreement, any other Contract not included in the Assumed Contracts and all Contracts that have terminated or expired prior to the Closing Date in the ordinary course of business and as permitted hereunder.

"Executive Employee" means any employee of Nordstrom or any Nordstrom Affiliate that (i) is a member of the executive group of the Business or (ii) reports directly to any such member.

"Financial Statements" has the meaning set forth in Section 2.1(f).

"GAAP" means generally accepted accounting principles in the United States.

"Governmental Entity" means any governmental department, commission, board, bureau, agency, court, tribunal or other instrumentality of the United States, any foreign country or any state, county, parish or municipality, jurisdiction, or other political subdivision thereof.

"Hazardous Material" means (a) any chemical, material, substance or waste including, containing or constituting petroleum or petroleum products, solvents (including chlorinated solvents), nuclear or radioactive materials, asbestos in any form that is or could become friable, radon, lead-based paint, urea formaldehyde foam insulation or polychlorinated biphenyls, (b) any chemicals, materials, substances or wastes which are now defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants" or words of similar import under any Environmental Law; or (c) any other chemical, material, substance or waste which is regulated by any Governmental Entity or which could constitute a nuisance.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indemnified Party" means any party entitled indemnification pursuant to Section 5.1 hereof.

"Indemnifying Party" means any party required to indemnify another party pursuant to Section 5.1 hereof.

"Inc. Bylaws" means the Nordstrom.com, Inc. Bylaws in the form attached as Exhibit C.

"Inc. Plan" means any equity incentive plan proposed to be adopted by Nordstrom.com, Inc.

"Inc. Transaction Documents" means the Restated Certificate, Stock Purchase Agreement, Investors' Right Agreement, Put Agreement and each Right of First Refusal and Co-Sale Agreement.

"Initial Public Offering" means an initial public offering of the shares of common stock of Nordstrom.com, Inc. or its counterpart pursuant to a registration statement declared effective under the Securities Act resulting in gross proceeds of at least \$20 million and underwritten by a nationally recognized investment bank.

"Intellectual Property" means all Know-how, copyrights, copyright registrations and applications for registration, Patents, Trademarks and all other intellectual property rights whether registered or not, licensed to or owned by Nordstrom or any Nordstrom Affiliate, which are reasonably necessary for the operation of the Business, excluding the Trademarks that are licensed to the LLC pursuant to the License Agreement and excluding licenses to Nordstrom or any Nordstrom Affiliate of rights in software.

"Investors' Rights Agreement" means the Investors' Rights Agreement among Nordstrom.com, Inc., Nordstrom Holdings, the Benchmark Funds and the other investors named therein, substantially in the form of Exhibit D attached hereto.

"Know-how" means all plans, ideas, concepts and data, research records, all promotional literature, customer and supplier lists and similar data and information and all other trade secrets and confidential or proprietary technical and business information.

"Knowledge" means, with respect to a specified party hereto, the actual knowledge of any executive officer of such party.

"Leased Real Property" means all of the leasehold interests, easements, licenses, rights to access and rights-of-way of Nordstrom or any Nordstrom Affiliate which are used primarily in the Business, which are identified and described in Schedule 2.1(k), together with any addition or permitted deletion thereto between the date hereof and the Closing Date.

"Liabilities and Costs" means any and all damages, losses, claims, liabilities, charges, judgments, penalties, costs and expenses (including court costs and reasonable attorneys' fees and expenses incurred in investigating and preparing for any litigation or proceeding).

"Licenses" means all other Permits issued by any Governmental Entity to Nordstrom or any Nordstrom Affiliate and that are used primarily in the Business.

"License Agreement" means the License Agreement to be entered into among, LLC and Nordstrom or one or more Nordstrom Affiliates substantially in the form of Exhibit E attached hereto.

"Liens" shall mean any lien, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, transfer restriction or other encumbrance of any nature whatsoever.

"LLC Transaction Documents" means the Operating Agreement, the License Agreement, the Services Agreement and the Supply Agreement.

"LLC Shares" shall mean shares of the LLC, consisting of Series A Preferred Shares ("LLC Series A Preferred Shares"), Series B Preferred Shares ("LLC Series B Preferred Shares") and Common Shares ("LLC Common Shares").

"Material Adverse Effect" means a material adverse effect on the business, operations, properties (taken as a whole), condition (financial or otherwise), results of operations, assets (taken as a whole), liabilities, or prospects of the Business.

"Merger" means a merger or other business combination of the LLC, Nordstrom.com, Inc. and/or Nordstrom Holdings.

"Nordstrom Affiliate" means each Affiliate of Nordstrom (but not Nordstrom.com, Inc.)

"Nordstrom Entities" means each of Nordstrom, Nordstrom Holdings, and each other Nordstrom Affiliate that is a party to one of the Transaction Documents.

"Option" has the meaning set forth in Section 2.1(b).

"Order" means any judgment, decree, order, writ, permit or license.

"Operating Agreement" means the Limited Liability Company Agreement of the LLC to be entered into among the LLC, Nordstrom.com, Inc. and Nordstrom Holdings in substantially the form of Exhibit F attached hereto.

"Patents" means all patent and patent applications (including all reissues, divisions, continuations, continuations-in-part, renewals, and extensions of the foregoing) used primarily in the Business that are owned by Nordstrom or any Nordstrom Affiliate.

"Permits" means all permits, registrations, licenses, approvals, authorizations and the like.

"Permitted Encumbrances" means (a) statutory liens for current taxes not yet due and payable, (b) in the case of leases of real property, agreements with, and/or conditions imposed on the issuance of land use permits, zoning, business licenses, use permits, or other entitlements of various types issued by city, county, state, and federal governmental bodies or agencies, necessary or beneficial to the continued use and occupancy of the Assets or the conduct of the Business, which do not, individually or in the aggregate, materially impair the use of such leased real property in the Business or operation of the Assets, (c) mechanics', carriers', workers', repairers', and other similar liens imposed by law arising or incurred in the ordinary course of business for obligations not yet due, which do not, individually or in the aggregate, materially impair the Business or operation of the Assets to which such liens relate or any part thereof, (d) in the case of leases of vehicles, rolling stock, and other personal property, encumbrances, which do not, individually or in the aggregate, materially impair the operation of the Business at the facility at which such leased equipment or other Personal Property is located, and (e) other liens, charges or encumbrances incidental to the Business or the ownership of the Assets which were not incurred in connection with the borrowing of money or the advance of credit which in the aggregate do not materially detract from the value of the Assets or materially interfere with the Business.

"Person" means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization, or other entity.

"Personal Property" means all of the inventory, machinery, equipment, computer programs, computer software, tools, motor vehicles, furniture, furnishings, leasehold improvements, office equipment, inventories, supplies, plant, spare parts, Equity Interests, and other tangible or intangible personal property owned or leased by Nordstrom or any Nordstrom Affiliate and which are used or held for use primarily in the Business, including the personal property which is listed on Schedule 2.1(1) hereto, together with any additions thereto between the date hereof and the Closing Date less any dispositions made in accordance with Section 3.1.

"Put Agreement" means the Put Agreement among the Benchmark Funds, the other investors listed in the Stock Purchase Agreement and Nordstrom in substantially the form of Exhibit G attached hereto.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Material into the Environment.

"Restated Certificate" means the Amended and Restated Certificate of Incorporation of Nordstrom.com, Inc. in substantially the form of Exhibit H attached hereto.

"Right of First Refusal and Co-Sale Agreement" means the Right of First Refusal and Co-Sale Agreement to be entered into between the Benchmark Funds and the other investors

named in the Stock Purchase Agreement, on the one hand, and Nordstrom Holdings and certain other Persons, on the other hand, substantially in the form attached as Exhibit I.

"Schedules" means the Schedules attached hereto.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Services Agreement" means the Services Agreement between the LLC and Nordstrom substantially in the form of Exhibit J attached hereto.

"Stock Purchase Agreement" means the Preferred Stock Purchase Agreement among Nordstrom.com, Inc., Nordstrom Holdings, the Benchmark Funds and the other investors named therein substantially in the form attached hereto as Exhibit K.

"Supply Agreement" means the Supply Agreement between the LLC and Nordstrom substantially in the form of Exhibit L attached hereto.

"Subsidiary" with respect to any Person means any corporation or other entity of which more than fifty percent (50%) of the shares of outstanding capital stock or other interests possessing the voting power (under ordinary circumstances) in electing the board of directors are, at the time as of which any determination is being made, owned by such Person either directly or indirectly through Subsidiaries.

"Target Employees" has the meaning set forth in Section 2.1(q)(ii).

"Taxes" means taxes, charges, fees, imposts, levies, interest, penalties, additions to tax or other assessments or fees of any kind, including, but not limited to, income, corporate, capital, excise, property, sales, use, turnover, value added, gross receipts and franchise taxes, deductions, withholdings and customs duties, imposed by any Taxing Authority and any payments with respect thereto required under any tax-sharing agreement, under any express or implied obligation to indemnify any other person, or as a result of being a member of an affiliated, consolidated, combined, unitary or other group for tax purposes.

"Taxing Authority" means any governmental department, commission, board, bureau, agency, court or other instrumentality of the United States or any other Country or of any state, county, parish, municipality, jurisdiction, or other political subdivision of the United States or any other Country.

"Tax Returns" means any return, report, information return or other document (including any related or supporting information) filed or required to be filed with any Governmental Entity in connection with the determination, assessment, collection or administration of any Taxes or the administration of any laws, regulations or administrative requirements relating to any Taxes.

"Trademarks" means (a) trademarks, service marks, trade names, trade dress, labels, logos, and all other names and slogans used primarily in the Business, whether or not

registered, and any applications or registrations therefor, and (b) any associated goodwill incident thereto owned by Nordstrom or any Nordstrom Affiliate.

"Transaction Documents" means this Agreement, the Inc. Transaction Documents and the LLC Transaction Documents.

"Transfer Charges" has the meaning set forth in Section 3.7.

"Website" means any interactive site or area, including any interactive site or area located on the World Wide Web portion of Internet or on any commercial service or network (including services such as AOL), which is accessed via the use of any protocols, standards or platforms (including Internet or Internet derivative protocols, standards and platforms) for remote access by narrowband or broadband telecommunications, including POTS, ISDN, cable, fiber optics and hybrid CD-ROM, regardless of whether access to such site or area is secured through cable, telephone, satellite or otherwise and regardless of whether the same is received or operated in conjunction with a personal computer or television, together with any successor into which any of the foregoing may evolve.

1.2 References and Titles. All references in this Agreement to Exhibits, Schedules, Articles, Sections, subsections, and other subdivisions refer to the corresponding Exhibits, Schedules, Articles, Sections, subsections, and other subdivisions of this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any Articles, Sections, subsections, or other subdivisions of this Agreement are for convenience only, do not constitute any part of such Articles, Sections, subsections or other subdivisions, and shall be disregarded in construing the language contained therein.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties Regarding Nordstrom. Nordstrom represents and warrants to Nordstrom.com, Inc. as follows (with the understanding that Nordstrom.com, Inc. is relying on such representations and warranties in entering into and performing this Agreement).

(a) Organization and Qualification. Each Nordstrom Entity is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power and authority to conduct its business as and to the extent now conducted and to own, use and lease its assets and properties. Each Nordstrom Entity is duly qualified, licensed or admitted to do business and is in good standing in each jurisdiction in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary except where the failure to be so licensed or admitted would not have a Material Adverse Effect. Nordstrom Holdings has no Subsidiaries. Nordstrom Holdings does not directly or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or

exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity other than the LLC.

(b) Capital Structure. As of the date hereof, 1,000 shares of common stock of Nordstrom Holdings, par value \$0.0001 per share ("Nordstrom Holdings Common Stock") were issued and outstanding and owned of record and beneficially by Nordstrom, free and clear of any Liens. There are not outstanding any subscriptions, options, warrants, rights (including phantom stock or stock appreciation rights) or preemptive rights (collectively, referred to as "Options") or other contracts, commitments, understandings or arrangements, including any right of conversion or exchange under any outstanding security instrument or agreement obligating Nordstrom Holdings to issue or sell any shares of capital stock of Nordstrom Holdings or to grant, extend or enter into any Nordstrom Holdings Option with respect thereto.

(c) Authority Relative to this Agreement. Each Nordstrom Entity has full corporate power and authority to enter into each Transaction Document to which it is a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by each Nordstrom Entity of each Transaction Document to which it is a party and the consummation by each Nordstrom Entity of the transactions contemplated hereby and thereby have been duly and validly approved by the board of directors of such Nordstrom Entity, and no other corporate proceedings on the part of any Nordstrom Entity are necessary to authorize the execution, delivery and performance by such Nordstrom Entity of each Transaction Document to which it is a party and the consummation by such Nordstrom Entity of the transactions contemplated hereby and thereby.

(d) Non-Contravention; Approvals and Consents.

(i) The execution and delivery by each Nordstrom Entity of each Transaction Document to which it is a party does not and will not, as the case may be, and the performance by such Nordstrom Entity of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby will not, conflict with, result in a violation or breach of, constitute (with or without notice or lapse of time or both) a default under, result in or give to any person any right of payment or reimbursement, termination, cancellation, modification or acceleration of, or result in the creation or imposition of any Lien upon any of the assets or properties of such Nordstrom Entity under any of the terms, conditions or provisions of (i) the certificate of incorporation or bylaws (or other comparable charter documents) of such Nordstrom Entity, or (ii) (A) any Applicable Laws or Orders of any Governmental Entity applicable to such Nordstrom Entity or any of its assets or properties, or (B) except as set forth on Schedule 2.1(d)(i), any Contracts to which such Nordstrom Entity is a party or by which such Nordstrom Entity or any of its assets or properties is bound.

(ii) Except as set forth on Schedule 2.1(d)(ii), no Consent of any Governmental Entity or other public or private third party is necessary or required under any of the terms, conditions or provisions of any Applicable Law or Order of any Governmental Entity or any Contract to which any Nordstrom Entity is a party or by which any Nordstrom Entity or any of its assets or properties is bound for the execution and delivery by such Nordstrom Entity

of each Transaction Document to which it is a party for the performance by such Nordstrom Entity of its obligations hereunder or thereunder, or for the consummation of the transactions contemplated hereby or thereby.

(e) Assets. The Assets and the Excluded Assets include all assets used or held for use in the Business.

(f) Financial Statements, Absence of Certain Changes or Events.

(i) Nordstrom has delivered to Nordstrom.com, Inc. copies of the unaudited balance sheets of the Business as of January 31, 1998 and 1999, together with the related unaudited statements of income of the Business for the two years ended January 31, 1998, and 1999, (the unaudited balance sheet of the Business as of January 31, 1999 is referred to as the "Balance Sheet") (collectively, the "Financial Statements"). The Financial Statements were prepared with accounting principles applied on a consistent basis throughout the periods covered thereby and present fairly in all material respects the financial position, results of operations of the Business as of such dates and for the periods then ended.

(ii) Except as disclosed in Schedule 2.1(f), there is no liability or obligation of any kind, whether accrued, absolute, fixed, contingent, or otherwise, relating to the Business that is not reflected or reserved against in the Balance Sheet, other than (A) liabilities incurred in the ordinary course of business in a manner consistent with past practice since January 31, 1999, or (B) any such liability or obligation which would not be required to be presented in financial statements prepared in a manner consistent with past practice in the preparation of the Financial Statements. Except as disclosed in Schedule 2.1(f), there is no liability or obligation referred to in clause (B) of the preceding sentence, except for any such liabilities or obligations that are not reasonably expected to have a Material Adverse Effect.

(iii) Except as disclosed in Schedule 2.1(f), since January 31, 1999, Nordstrom has conducted the Business only in the ordinary course consistent with past practice and nothing has occurred that would have been prohibited by Section 3.1 if the terms of such section had been in effect as of and after January 31, 1999. From January 31, 1999 until the date of this Agreement, there has not occurred, any event, circumstance, or fact that could reasonably be expected to result in a Material Adverse Effect. To the Knowledge of Nordstrom, there are no pending or proposed statutes, rules, or regulations, nor any current or pending developments or circumstances, that could reasonably be expected to have a Material Adverse Effect.

(g) Compliance with Applicable Laws.

(i) The Business has been conducted in compliance with each Applicable Law, except as set forth in Schedule 2.1(g)(i) or where a failure to do so would not have a Material Adverse Effect. No investigation or review by any Governmental Entity with respect to the Business is pending or, to the Knowledge of Nordstrom, threatened. In addition, Nordstrom has duly and timely filed, or caused to be so filed, with the appropriate Governmental Entities all reports, statements, documents, registrations, filings, or submissions with respect to

the operation of the Business, where the failure to duly or timely file such reports, statements, documents, registrations, filings, or submissions would not have a Material Adverse Effect.

(ii) Schedule 2.1(g)(ii) is a true and complete list of all material Permits issued to Nordstrom or any Nordstrom Affiliate primarily relating to the Business by any Governmental Entity and held by them as of the date of this Agreement.

(h) Absence of Litigation. Except as set forth on Schedule 2.1(h), there is no claim, action, suit, inquiry, judicial, or administrative proceeding, grievance, or arbitration pending (nor, to the Knowledge of Nordstrom, threatened or is there any reasonable basis therefor to the Knowledge of Nordstrom) relating to the Business or any of the Assets by or before any arbitrator or Governmental Entity, nor are there any pending or unfunded settlements or any investigations relating to the Business or any of the Assets pending (nor, to the Knowledge of Nordstrom, threatened or is there any reasonable basis therefor) by or before any arbitrator or Governmental Entity. Except as set forth in Schedule 2.1(h), there is no Order of any Governmental Entity or arbitrator outstanding relating to the Business or any of the Assets. There is no action, suit, inquiry, judicial, or administrative proceeding pending or, to the Knowledge of Nordstrom, threatened against Nordstrom or any Nordstrom Affiliate relating to the transactions contemplated by this Agreement or the Transaction Documents.

(i) Insurance. Nordstrom and/or the Nordstrom Affiliates has policies of insurance and bonds of the type and in amounts customarily carried by persons conducting a business similar to the Business. There is no material claim pending under any of such policies or bonds related to the Business as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds. All premiums due and payable under all such policies and bonds have been paid and Nordstrom is otherwise in compliance with the material terms of such policies and bonds. Nordstrom has no Knowledge of any threatened termination of, or material premium increase with respect to, any of such policies, notice or information or the delivery of any inaccurate or erroneous notice or information, which limits or impairs the rights of Nordstrom or any Nordstrom Affiliate under any such insurance policies in such a manner as could reasonably be expected to have a Material Adverse Effect. Excluding insurance policies that have expired and been replaced in the ordinary course of business, no insurance policy has been canceled within the last two years prior to the date hereof.

(j) Intentionally Omitted.

(k) Leased Real Property. Schedule 2.1(k) contains an accurate description of all the leasehold interests relating to the Business. Except as otherwise disclosed on Schedule 2.1(k) Nordstrom is not, and to the Knowledge of the Nordstrom, no other party is, in material default under any lease described in Schedule 2.1(k). Subject to obtaining the Consents disclosed in Schedule 2.1(k), Nordstrom has the full legal power and authority to assign its rights under the leases listed in Schedule 2.1(k) to the LLC. All leasehold interests listed in Schedule 2.1(k) (including the improvements thereon) are available for immediate use in the conduct of the Business as currently conducted.

(l) Personal Property. Except as set forth on Schedule 2.1(l), Nordstrom has good title to, or a valid leasehold or license interest in all Personal Property and none of the Personal Property is subject to any Lien or other encumbrances, except for Permitted Encumbrances. Nordstrom is not, and to the Knowledge of the Nordstrom, no other party is, in material default under any of the leases, licenses and other Contracts relating to the Personal Property. The Personal Property (i) is in good operating condition and repair (ordinary wear and tear excepted), and (ii) is available for immediate use in the Business as currently conducted.

(m) Liens and Encumbrances. Except as set forth on Schedule 2.1(m), all of the Assets, including leases, are free and clear of all Liens, except for Permitted Encumbrances.

(n) Environmental Matters.

(i) Nordstrom or a Nordstrom Affiliate possesses all Environmental Permits necessary to or required for the operation of the Business, except where the failure to possess such Environmental Permits could not reasonably be expected to have a Material Adverse Effect.

(ii) Nordstrom or a Nordstrom Affiliate is in compliance with (i) all terms, conditions and provisions of its Environmental Permits; and (ii) all Environmental Laws relating to the Business or the Assets, except where the failure to so comply would not have a Material Adverse Effect.

(iii) None of Nordstrom or any Nordstrom Affiliate nor, to the Knowledge of Nordstrom, any predecessor of Nordstrom nor any entity previously owned by Nordstrom has received any notice of alleged, actual or potential responsibility for, or any inquiry regarding, (i) any Release or threatened or suspected Release of any Hazardous Material relating to the Business or Assets, or (ii) any violation of Environmental Law relating to the Business or Assets.

(iv) None of Nordstrom or any Nordstrom Affiliate nor, to the Knowledge of Nordstrom, any predecessor of Nordstrom nor any entity previously owned by Nordstrom has any obligation or liability with respect to any Hazardous Material relating to the Business or Assets, including any Release or threatened or suspected Release of any Hazardous Material relating to the Business or Assets, and to the Knowledge of Nordstrom there are no events, facts or circumstances which could reasonably be expected to form the basis of any such obligation or liability.

(v) No Releases of Hazardous Material(s) have occurred at, from, in, to, on, or under any Leased Real Property while Nordstrom has occupied the Leased Real Property and, to Nordstrom's Knowledge, no Hazardous Material is present in, on, about or migrating to or from any Leased Real Property.

(vi) None of Nordstrom or any Nordstrom Affiliate nor any entity previously owned by Nordstrom, has transported or arranged for the treatment, storage, handling,

disposal or transportation of any Hazardous Material at or to any location used primarily in the Business.

(vii) No Leased Real Property is a current or proposed Environmental Clean-up Site.

(viii) There are no Liens under or pursuant to any Environmental Law on any Leased Real Property.

(ix) There is no (i) underground storage tank, active or abandoned, (ii) polychlorinated biphenyl containing equipment, (iii) asbestos-containing material, (iv) radon, (v) lead-based paint or (vi) urea formaldehyde at any Leased Real Property that has a Material Adverse Effect.

(x) Except as set forth on Schedule 2.1(n), there have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or for Nordstrom or any Nordstrom Affiliate or, to the Knowledge of Nordstrom or any Nordstrom Affiliate, by or for any other Person with respect to any Leased Real Property while Nordstrom or any Nordstrom Affiliate has occupied the Leased Real Property, which have not been delivered to Nordstrom.com, Inc. prior to execution of this Agreement.

(xi) Except as set forth on Schedule 2.1(n), none of Nordstrom or any Nordstrom Affiliate is a party, whether as a direct signatory, assignor or assignee, guarantor, successor, or third party beneficiary, to, and is not otherwise bound by, any lease or other contract under which Nordstrom or any Nordstrom Affiliate is obligated or may be obligated by any representation, warranty, covenant, restriction, indemnification or other undertaking respecting Hazardous Materials or under which any other person is or has been released respecting Hazardous Materials relating to the Leased Real Property.

(o) Taxes. Nordstrom has filed or caused to be filed all Tax Returns relating to the Business or the Assets which are required to be filed by Nordstrom, all such Tax Returns which have been filed are accurate and complete in all material respects, and Nordstrom or a Nordstrom Affiliate has timely paid all Taxes shown on such returns or on any Tax assessment received by Nordstrom or a Nordstrom Affiliate to the extent that such Taxes have become due, except for Taxes that are being contested in good faith. Except for Permitted Encumbrances, there are no Liens for Taxes upon the Assets. Nordstrom or a Nordstrom Affiliate has not received notice of any Tax deficiency or delinquency of a material nature. Except as set forth on Schedule 2.1(o), no audit by the Internal Revenue Service or a state taxing authority of Nordstrom or a Nordstrom Affiliate relating to the Business or the Assets is pending or threatened (nor, to the Knowledge of Nordstrom, is there any reasonable basis therefor). All monies required to be withheld by Nordstrom or a Nordstrom Affiliate from employees or collected from customers for Taxes and the portion of any Taxes to be paid by Nordstrom or a Nordstrom Affiliate to governmental agencies or set aside in accounts for such purposes relating to the Business or the Assets have been so paid or set aside, or such monies have been reserved against and entered upon the books and are reflected in the Financial Statements and Balance Sheet. There is no legal, administrative, or tax proceedings pursuant to which Nordstrom or any

Nordstrom Affiliate is or could be made liable for any taxes, penalties, interest, or other charges of any material nature, the liability for which could extend to the LLC as transferee of the Assets or by operating the Business. Nordstrom or a Nordstrom Affiliate will pay all Taxes relating to the operation of the Business before the Closing Date when and as such Taxes are due to the extent that such Taxes could, if unpaid, have to be paid by Nordstrom.com, Inc. or otherwise adversely affect the Business or the Assets; provided that the parties will pro-rate as of the Closing Date all Taxes that accrued or are attributable to periods on or before the Closing Date.

(p) Certain Agreements. Schedule 2.1(p) hereto lists each:

(A) union Contract or any employment or consulting Contract or arrangement providing for future compensation, written or oral, with any officer, consultant, director or employee which is not terminable by Nordstrom or a Nordstrom Affiliate without liability or penalty on thirty days or less notice; (B) plan, Contract or arrangement, written or oral, providing for bonuses, pensions, deferred compensation, severance pay or benefits, retirement payments, profit-sharing or the like (except to the extent any such plan, Contract or arrangement is an Employee Benefit Plan); (C) joint venture Contract or arrangement; (D) Contract under which any party thereto remains obligated to provide goods or services having a value, or to make payments aggregating in excess of \$50,000 per year; (E) Contract for any Leased Real Property; (F) Contract or lease for Personal Property in which the Business is required to make payments exceeding \$50,000 on an annual basis; (G) license Contract, either as licensor or licensee, providing for the license of Intellectual Property (excluding non-exclusive software licenses granted to customers or end-users in the ordinary course of business); (H) Contract containing covenants purporting to limit the ability of Nordstrom or any Nordstrom Affiliate to operate the Business; (I) material Contract providing for indemnification; (J) Contract or commitment relating to capital expenditures which involves future payments in excess of \$50,000 on an annual basis; (K) Contract relating to the disposition or acquisition of any Assets (other than the ordinary course of business); (L) purchase order or Contract for the purchase of materials or supplies involving payments exceeding \$50,000 on an annual basis; and (M) other Contract that is material to the operation of the Business;

in each case, only to the extent that (i) Nordstrom or a Nordstrom Affiliate is a party thereto or the Assets are bound thereby and (ii) such Contract, arrangement, plan, lease, commitment or purchase order relates primarily to the Business.

Each such Contract described in Schedule 2.1(p) or required to be so described is a valid and binding obligation of Nordstrom or a Nordstrom Affiliate and is in full force and effect without amendment. Nordstrom and, to the Knowledge of Nordstrom, each other party to such Contracts, has performed in all material respects the obligations required to be performed by it under such Contracts and is not (with or without lapse of time or the giving of notice, or both) in material breach or default thereunder. Schedule 2.1(k) identifies, as to each such Contract listed thereon, whether the consent of the other party thereto is required in order for such Contract to continue in full force and effect upon the consummation of the transactions contemplated hereby or whether such Contract can be canceled by the other party without liability to such other party due to the consummation of the transactions contemplated hereby. A complete copy of each written Contract set forth in Schedule 2.1(p) will be provided to Nordstrom.com, Inc. within three Business Days after the date hereof.

(q) Employee Benefit Plans; ERISA.

(i) Definition of ERISA Affiliate. The term "ERISA Affiliate" means Nordstrom and each person (as defined in section 3(9) of ERISA) that, together with Nordstrom, would be treated as a single employer under section 4001(b) of ERISA or that would be deemed to be a member of the same "controlled group" within the meaning of section 414(b) or (c) of the Code.

(ii) Employee Benefit Plans. Except for the plans and agreements listed in Schedule 2.1(q) (collectively, the "Employee Benefit Plans"), no ERISA Affiliate maintains, is a party to, contributes to or is obligated to contribute to, for the benefit of any employee engaged in the Business as of the date hereof (a "Target Employee"), and the Target Employees or former Target Employees and their dependents or survivors do not receive benefits under, any of the following (whether or not set forth in a written document):

(A) Any employee benefit plan, as defined in section 3(3) of ERISA;

(B) Any bonus, deferred compensation, incentive, restricted stock, stock purchase, stock option, stock appreciation right, phantom stock, supplemental pension, executive compensation, cafeteria benefit, dependent care, director or employee loan, fringe benefit, sabbatical, severance, termination pay or similar plan, program, policy, agreement or arrangement;

(C) Any merchandise discount program or similar program; or

(D) Any plan, program, agreement, policy, commitment or other arrangement relating to the provision of any benefit described in section 3(1) of ERISA to former employees or directors or to their survivors, other than procedures intended to comply with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA").

(i) Terminated Plans. No ERISA Affiliate has, since January 1, 1993, terminated, suspended, discontinued contributions to or withdrawn from any employee pension benefit plan, as defined in section 3(2) of ERISA, including (without limitation) any multi-employer plan, as defined in section 3(37) of ERISA, that covered Target Employees.

(ii) Documents. Nordstrom has made available to Nordstrom.com, Inc. complete, accurate and current copies of each of the following:

(A) The text (including amendments) of each of the Employee Benefit Plans, to the extent reduced to writing;

(B) A summary of each of the Employee Benefit Plans, to the extent not previously reduced to writing;

(C) With respect to each Employee Benefit Plan that is an employee benefit plan (as defined in section 3(3) of ERISA), the following:

(I) The most recent summary plan description, as described in section 102 of ERISA;

(II) Any summary of material modifications that has been distributed to participants but has not been incorporated in an updated summary plan description furnished under Subparagraph (I) above; and

(III) The annual report, as described in section 103 of ERISA, and (where applicable) actuarial reports, for the three most recent plan years for which an annual report or actuarial report has been prepared; and

(D) With respect to each Employee Benefit Plan that is intended to qualify under section 401(a) of the Code, the most recent determination letter concerning the plan's qualification under section 401(a) of the Code, as issued by the Internal Revenue Service, and any subsequent determination letter application.

(i) ERISA Compliance. With respect to each Employee Benefit Plan that is an employee benefit plan (as defined in section 3(3) of ERISA), the requirements of ERISA applicable to such Employee Benefit Plan have been satisfied, except to the extent that a failure to satisfy any of such requirements would not have a Material Adverse Effect.

(ii) COBRA Compliance. With respect to each Employee Benefit Plan that is subject to COBRA, the requirements of COBRA applicable to such Employee Benefit Plan have been satisfied, except to the extent that a failure to satisfy any of such requirements would not have a Material Adverse Effect.

(iii) FMLA Compliance. With respect to each Employee Benefit Plan that is subject to the Family Medical Leave Act of 1993, as amended, the requirements of such Act applicable to such Employee Benefit Plan have been satisfied, except to the extent that a failure to satisfy any of such requirements would not have a Material Adverse Effect.

(iv) Qualification Requirements. Each Employee Benefit Plan that is intended to qualify under section 401(a) of the Code meets the requirements for qualification under section 401(a) of the Code and the regulations thereunder, except to the extent that such requirements may be satisfied by adopting retroactive amendments under section 401(b) of the Code and the regulations thereunder. Each such Employee Benefit Plan has been administered in accordance with its terms (or, if applicable, such terms as will be adopted pursuant to a retroactive amendment under section 401(b) of the Code) and the applicable provisions of ERISA and the Code and the regulations thereunder, except to the extent that a failure to be so administered would not have a Material Adverse Effect.

(v) Funding. No ERISA Affiliate has any accumulated funding deficiency under section 412 of the Code or any termination or withdrawal liability under Title IV of ERISA, except to the extent that any such liability would not have a Material Adverse Effect. For purposes of determining any accumulated funding deficiency under section 412 of

the Code, the term "ERISA Affiliate" shall include any entity that is deemed to be a member of the same "controlled group" within the meaning of section 414(m) or (o) of the Code.

(vi) Contributions. All contributions, premiums or other payments due from any ERISA Affiliate to (or under) any Employee Benefit Plan have been fully paid or adequately provided for on the books and financial statements of such ERISA Affiliate. Except for the Assumed Working Capital Liabilities and as elsewhere provided under this Agreement, no liability for such contributions, premiums or other payments will attach to the assets of the Business.

(vii) Consequences of Transactions. The Employee Benefit Plans permit, or may prior to the Closing Date be amended to permit, continued participation on the same terms and conditions by the Target Employees following their transfer to the LLC, provided the LLC remains an ERISA Affiliate.

(r) Employees; Labor Relations.

(i) Employees of Business. Within five (5) business days from the date hereof Schedule 2.1(r) shall be completed to set forth a true and complete list of all individuals employed in the Business as of the date hereof and, in the case of employees with an annual base salary of \$100,000 or more, the position and base compensation payable to each such individual, together with a description of any written or oral employment agreement, consulting agreement or termination or severance agreement between such individual and Nordstrom or any Nordstrom Affiliate.

(ii) Collective Bargaining. With respect to any Target Employee, neither Nordstrom nor any Nordstrom Affiliate is a party to or is subject to (A) a labor or collective bargaining agreement or arrangement or (B) except as provided in Schedule 2.1(r), any labor or employment dispute.

(iii) Consequences of Transactions. Except as disclosed on Schedule 2.1(r), or to the extent that such amounts would not result in a Material Adverse Effect, the consummation of the transactions contemplated herein, including (without limitation) the transfer of the Target Employees to the LLC and/or Nordstrom.com, Inc., will not result in (A) any additional amount becoming payable to any Target Employee or independent contractor engaged in the Business, (B) the acceleration of payment or vesting of any benefit, option or right to which any Target Employee or independent contractor engaged in the Business may be entitled, (C) the forgiveness of any indebtedness of any Target Employee or independent contractor engaged in the Business or (D) any cost becoming due or accruing to the Business or Nordstrom.com, Inc. with respect to any Target Employee or independent contractor engaged in the Business, other than such costs relating to the continued participation of the LLC in such Employee Benefit Plans pursuant to Sections 3.11 and 5.3 hereof. Compliance with the terms of this Agreement, including (without limitation) the transfer of the Target Employees to the LLC and/or Nordstrom.com, Inc., will not violate any agreement with any Target Employee.

(iv) Parachute Payments. Except as disclosed on Schedule 2.1(r), neither Nordstrom nor any Nordstrom Affiliate is obligated to make any payment or transfer any property that would be considered a "parachute payment" under section 280G(b)(2) of the Code to any Target Employee who is employed by the LLC and/or Nordstrom.com, Inc.

(v) Injuries. To the Knowledge of Nordstrom, no Target Employee has been injured in the work place or in the course of his or her employment except for injuries which are covered by insurance or for which a claim has been made under workers' compensation or similar laws.

(vi) Compliance With IRCA. With respect to the Target Employees, Nordstrom and the Nordstrom Affiliates have complied in all material respects with the verification requirements and the record-keeping requirements of the Immigration Reform and Control Act of 1986 ("IRCA"); to the Knowledge of Nordstrom, the information and documents on which Nordstrom and the Nordstrom Affiliates relied to comply with IRCA with respect to the Target Employees are true and correct; and there have not been any discrimination complaints filed against Nordstrom or any Nordstrom Affiliate by the Target Employees pursuant to IRCA, and to the Knowledge of Nordstrom, there is no basis for the filing of such a complaint.

(vii) Employee Complaints. Except as set forth in Schedule 2.1(r), neither Nordstrom nor any Nordstrom Affiliate has received or been notified of any complaint by any Target Employee, applicant, union or other party of any discrimination or other conduct related to the Business and forbidden by law or contract nor, to the Knowledge of Nordstrom, is there a basis for any such complaint, except such complaints as could not reasonably be expected to have a Material Adverse Effect on the Business.

(viii) Government Filings. Nordstrom or a Nordstrom Affiliate has filed all required reports and information with respect to the Target Employees that are due prior to the Closing Date and otherwise has complied in its hiring, employment, promotion, termination and other labor practices with all applicable federal and state law and regulations, including without limitation those within the jurisdiction of the United States Equal Employment Opportunity Commission, United States Department of Labor and state and local human rights or civil rights agencies, except to the extent that any such failure to file or comply would not have a Material Adverse Effect on the Business. Nordstrom or a Nordstrom Affiliate has filed or shall file any such reports and information that are required to be filed prior to the Closing Date.

(s) Intellectual Property. To Nordstrom's Knowledge, except as set forth in Schedule 2.1(s), Nordstrom and/or Nordstrom Affiliates have sufficient title and ownership of the Intellectual Property (other than the trademark "NORDSTROM") necessary to conduct the Business as now conducted. To Nordstrom's best knowledge, Nordstrom has and/or Nordstrom Affiliates have sufficient title and ownership of the trademark "NORDSTROM" to conduct the Business as now conducted. The Intellectual Property constitutes all Know-how, copyrights, copyright registrations and applications for registration, Patents, Trademarks and all other intellectual property rights reasonably necessary to conduct the Business. Except as set forth on Schedule 2.1(s), there are (i) no Patents and (ii) no outstanding options, licenses, or agreements of any kind relating to the Intellectual Property, nor is Nordstrom and/or any Nordstrom Affiliate

bound by or a party to any options, licenses or agreements of any kind with respect to the Intellectual Property except for off-the-shelf end user software license and support/maintenance agreements. Except as set forth in Schedule 2.1(s), neither Nordstrom nor any Nordstrom Affiliate has received any communications alleging that Nordstrom and/or any Nordstrom Affiliate has in connection with the Business violated or, by conducting the Business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity. Neither Nordstrom nor any Nordstrom Affiliate is aware that any of its employees is obligated under any Contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the Business or that would conflict with the Business. Except as set forth in Schedule 2.1(s), neither the execution nor delivery of Transaction Documents, nor the carrying on of the Business will, to the Knowledge of Nordstrom or any Nordstrom Affiliate, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any of such employees is now obligated. Neither Nordstrom nor any Nordstrom Affiliate believes it is or will be necessary to utilize any inventions of any of its employees (or people it currently intends to hire for the Business) made prior to or outside the scope of their employment by Nordstrom or any Nordstrom Affiliate.

(t) Affiliate. There are no Contracts or other arrangements relating primarily to the Business in which any officer, director, stockholder or employee of or consultant to Nordstrom or any Nordstrom Affiliate has a material financial interest.

(u) No Dispositions. Since January 31, 1999, there has not occurred any sale, lease, transfer, assignment, abandonment or other disposition of any material amount of Assets other than any disposition of (i) obsolete property, (ii) property in connection with the acquisition of replacement property of equal value, or (iii) assets disposed of in the ordinary course of business and consistent with past practices.

(v) Restrictions on Business. There is no material Contract or Order (or any administrative or judicial proceeding, pending or threatened that may result in any such agreement or Order) binding on Nordstrom or any Nordstrom Affiliate which has or could reasonably be expected to have the effect of prohibiting or materially impairing the operation of the Business or the ownership or use of the Assets.

(w) Disclosure. No representation or warranty by Nordstrom contained in this Agreement or in any certificate furnished pursuant to this Agreement contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading.

2.2 Representations and Warranties of Nordstrom.com, Inc.

Nordstrom.com, Inc. represents and warrants to Nordstrom as follows (with the understanding that Nordstrom is relying on such representations and warranties in entering into and performing this Agreement):

(a) Organization and Qualification. Nordstrom.com, Inc. is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to conduct its business as and to the extent now conducted and to own, use and lease its assets and properties. Nordstrom.com, Inc. is duly qualified, licensed or admitted to do business and is in good standing in each jurisdiction in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary. Nordstrom.com, Inc. has no Subsidiaries. Except as contemplated by the Transaction Documents, Nordstrom.com, Inc. does not directly or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity.

(b) Nordstrom.com, Inc.'s Capital Stock. As of the date hereof, Nordstrom.com, Inc.'s authorized capital stock consists solely of 10,000 shares of common stock, par value \$0.0001 per share (the "Inc. Common Stock") of which, as of the date hereof, 1,000 were issued and outstanding and none were reserved for issuance. All the outstanding shares of the Inc. Common Stock are owned of record and beneficially by an entity affiliated with the Benchmark Funds, as nominee for the Benchmark Funds, free and clear of any Liens. Except for transactions contemplated by this Agreement, there are no outstanding Options, subscriptions, options, warrants, rights (including phantom stock or stock appreciation rights) or preemptive rights (collectively, referred to as "Options") or other contracts, commitments, understandings or arrangements, including any right of conversion or exchange under any outstanding security instrument or agreement, obligating Nordstrom.com, Inc. to issue or sell any shares of capital stock of Nordstrom.com, Inc. or to grant, extend or enter into any Nordstrom.com, Inc. Option with respect thereto. As of the Closing Date, Nordstrom.com, Inc.'s authorized capital stock shall consist of 33,033,033.03 shares of Inc. Common Stock and 25,885,885.88 shares of preferred stock, par value \$0.0001 per share ("Inc. Preferred Stock"), 21,020,720.72 shares of which shall have been designated as Series A Preferred Stock, none of which shall be issued and outstanding, 300.30 shares of which shall have been designated as Series B Preferred Stock, up to 300.30 shares of which may be issued and outstanding as of the Closing Date, and 4,864,864.86 shares of which shall have been designated as Series C Preferred Stock, up to 4,864,864.86 shares of which may be issued and outstanding as of the Closing Date. As of the Closing Date, [4,504,000.00] shares of Inc. Common Stock (less the number of shares of the LLC reserved for issuance pursuant to an equity incentive plan of the LLC) shall be reserved for issuance pursuant to the Inc. Plan.

(c) Nordstrom.com, Inc.'s Assets. Nordstrom.com, Inc. has conducted no business since the date of its incorporation. Except for transactions contemplated by the Transaction Documents, Nordstrom.com, Inc. has no assets or liabilities and does not directly or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity.

(d) Authority Relative to this Agreement. Nordstrom.com, Inc. has full corporate power and authority to enter into this Agreement and to perform its obligations under the Transaction Documents and to consummate the transactions contemplated hereby and

thereby. The execution, delivery and performance of the Transaction Documents and the consummation by Nordstrom.com, Inc. of the transactions contemplated hereby and thereby have been duly and validly approved by the board of directors of Nordstrom.com, Inc., and no other corporate proceedings on the part of Nordstrom.com, Inc. are necessary to authorize the execution, delivery and performance by Nordstrom.com, Inc. of the Transaction Documents to which it is a party and the consummation by Nordstrom.com, Inc. of the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Nordstrom.com, Inc. and constitutes a legal, valid and binding obligation, enforceable against Nordstrom.com, Inc. in accordance with its terms.

(e) Non-Contravention; Approvals and Consents.

(i) The execution and delivery of the Transaction Documents by Nordstrom.com, Inc. does and will not, and the performance by Nordstrom.com, Inc. of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby will not, conflict with, result in a violation or breach of, constitute (with or without notice or lapse of time or both) a default under, result in or give to any person any right of payment or reimbursement, termination, cancellation, modification or acceleration of, or result in the creation or imposition of any Lien upon any of the assets or properties of Nordstrom.com, Inc. under any of the terms, conditions or provisions of (i) the certificate of incorporation or bylaws of Nordstrom.com, Inc., or (ii) (x) any Applicable Laws or any Order of any Governmental Entity applicable to Nordstrom.com, Inc. or any of its assets or properties, or (y) any Contract to which Nordstrom.com, Inc. is a party or by which Nordstrom.com, Inc. or any of its assets or properties is bound.

(ii) No Consent or other public or private third party is necessary or required under any of the terms, conditions or provisions of any Applicable Law or Order of any Governmental Entity or any Contract to which Nordstrom.com, Inc. is a party or by which Nordstrom.com, Inc. or any of its assets or properties is bound for the execution and delivery of the Transaction Documents to which Nordstrom.com, Inc. is a party, the performance by Nordstrom.com, Inc. of its obligations hereunder or thereunder or the consummation of the transactions contemplated hereby and thereby.

(f) Absence of Undisclosed Liabilities. Nordstrom.com, Inc. does not have any liabilities or obligations (whether absolute, accrued, contingent, fixed or otherwise, or whether due or to become due) of any nature.

(g) Disclosure. No representation or warranty made by Nordstrom.com, Inc. contained in this Agreement or in any certificate furnished by Nordstrom.com, Inc. pursuant to this Agreement contains or will contain an untrue statement of material fact, or omits or will omit to state a material fact necessary, in the light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading.

ARTICLE III

PRE-CLOSING AGREEMENTS

3.1 Conduct of Business. Except as contemplated by this Agreement or to the extent that Nordstrom.com, Inc. shall otherwise consent in writing, which consent shall not be unreasonably withheld, from the date of this Agreement until the Closing, Nordstrom covenants and agrees that it shall:

(a) conduct the Business in the ordinary course consistent with past practice;

(b) use commercially reasonable efforts to preserve intact the present Business organization and to keep available the services of its present officers, employees and independent contractors used in the Business and preserve its relationships with customers, suppliers and others having business dealings with the Business;

(c) maintain the Assets in their current condition, except for ordinary wear and tear;

(d) not amend in any material respect, terminate, or fail to use all commercially reasonable efforts to renew any material Contract (provided that Nordstrom shall not be required to renew any material Contract on terms that are materially less favorable to Nordstrom), or default in any material respect (or take or omit to take any action that, with or without the giving notice or passage of time, would constitute a material default) under any material Contract or enter into any new material Contract;

(e) not merge or consolidate the Business with or into any other legal entity, or dissolve, or liquidate the Business;

(f) not adopt or amend any Employee Benefit Plan or collective bargaining agreement, or increase by more than 5% in any manner the compensation or fringe benefits of any officer, or employee used in the Business (whether employees or independent contractors), except as required by law or pursuant to an applicable written Contract,

(g) not terminate any Executive Employee without prior consultation with Nordstrom.com, Inc. regarding the basis for such termination;

(h) not acquire (including, without limitation, by merger, consolidation, or the acquisition of any equity interest or assets) or sell (whether by merger, consolidation, or the sale of an equity interest or assets), lease, or dispose of any material amount of Assets except in the ordinary course of business and consistent with past practice, whether in one or more transactions;

(i) not mortgage, pledge, or subject to any Lien, other than Permitted Encumbrances, any of the Assets;

(j) not change in any material respect its existing practices and procedures with respect to the collection of Accounts Receivable and, except with respect to good faith attempts consistent with past practice to obtain payment of a past due receivable, or except in accordance with existing practices, a contested receivable, offer to discount the amount of any outstanding receivable or extend any other incentive (whether to the account debtor or any employee or third party responsible for the collection of receivables) to accelerate the collection thereof; or

(k) not agree to or make any commitment, orally or in writing, to take any actions prohibited by this Agreement.

3.2 No Solicitation. Until the earlier of the Closing and the date of termination of this Agreement pursuant to the provisions of Section 6.1 hereof, Nordstrom will not, nor will Nordstrom permit any of its directors, officers, agents, employees, Affiliates, attorneys, accountants, financial advisers or other representatives (collectively, "Representatives") to (directly or indirectly): (i) solicit, encourage, initiate, entertain, review or participate in any negotiations or discussions with respect to an offer or proposal, oral, written, or otherwise, formal or informal to acquire all or any part of the Business, whether by purchase of assets, exclusive license, joint venture formation, purchase of stock, business combination or otherwise, (ii) disclose any information not customarily disclosed to any Person concerning the Business and which Nordstrom believes would be used for the purposes of formulating any such offer or proposal, (iii) assist, cooperate with, facilitate or encourage any Person to make any offer or proposal to acquire all or any part of the Business (directly or indirectly), (iv) agree to, enter into a contract regarding, approve, recommend or endorse any transaction involving the acquisition of all or any part of the Business (a "Competing Proposed Transaction"), or (v) authorize or permit any of Nordstrom's Representatives to take any such action. Nordstrom shall notify Nordstrom.com, Inc. as promptly as practical if any proposal or offer (formal or information, oral, written or otherwise), or any inquiry or contact with any Persons with respect thereto, regarding a Competing Proposed Transaction is made or is outstanding on the date hereof, such notice to include the identity of the Person proposing such Competing Proposed Transaction and the terms thereof, and shall keep Nordstrom.com, Inc. apprised, on a current basis of the status of any such Competing Proposed Transaction and of any modifications to the terms thereof. Nordstrom.com, Inc. immediately shall cease and cause to be terminated all existing discussions or negotiations with any parties other than Nordstrom conducted heretofore with respect to any Competing Proposed Transaction.

3.3 Expenses. Upon consummation of the transactions contemplated by this Agreement to be consummated at the Closing, the LLC shall pay the reasonable fees and expenses of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP in connection with the negotiation and effectuation of the terms and conditions of the Transaction Documents and the transactions contemplated hereby and thereby.

3.4 Approvals; Additional Documents; and Further Assurances. Nordstrom and Nordstrom.com, Inc. shall use their best efforts to (i) obtain all Consents, (ii) do and perform all such other acts and things and (iii) execute and deliver such other instruments and agreements as

may be necessary or desirable for effecting fully the consummation of the Transaction Documents and the transactions contemplated hereby and thereby.

3.5 Access and Information. Until the Closing, Nordstrom shall afford to Nordstrom.com, Inc. and its representatives (including accountants and counsel) full access, during normal business hours, upon reasonable notice and in such manner as will not unreasonably interfere with the conduct of the business of Nordstrom, to all properties, books, records, and Tax Returns relating to the Business and all other information relating to the Business, together with the opportunity to make copies of such books, records, and other documents and to discuss the Business with such corporate officers, other personnel, accountants, consultants, and counsel for Nordstrom as Nordstrom.com, Inc. deems reasonably necessary or appropriate for the purposes of familiarizing itself with the Business.

3.6 Notification of Certain Matters. Each party to this Agreement shall give prompt written notice to the other party of (a) the occurrence, or failure to occur, of any event of which it becomes aware that has caused or that would be likely to cause any representation or warranty of such party contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing Date, (b) the failure of such party, or any officer, director, employee, or agent of such party, to comply with or satisfy in any material respect any covenant, condition, or agreement to be complied with or satisfied by it hereunder, and (c) in the case of Nordstrom, the occurrence of any threat made to Nordstrom by any Executive Employee to resign or otherwise terminate their employment or independent contractor relationship with Nordstrom. No such notification shall affect the representations or warranties of the parties or the conditions to their respective obligations hereunder.

3.7 Transfer Charges. Nordstrom and Nordstrom.com, Inc. agree to use commercially reasonable efforts to minimize any taxes, charges, filing fees or other assessments of any Taxing Authority or other Governmental Entity (collectively "Transfer Charges") that will result from the transfer of the Assets to the LLC pursuant to the Transaction Documents. The LLC agrees that it will pay up to \$175,000 of any Transfer Charges, and Nordstrom agrees that it will pay any Transfer Charges in excess of \$175,000.

3.8 Brokers or Finders. Except as set forth in Schedule 3.8, each party represents and warrants to the other that no agent, broker, investment banker, or other person is or will be entitled to any broker's or finder's fee or any other commission or similar fee payable by Nordstrom or Nordstrom.com, Inc. in connection with any of the transactions contemplated by this Agreement.

3.9 Bulk Sales Law. The parties do not believe that any bulk sales or fraudulent conveyance statute applies to the transactions contemplated by this Agreement. Nordstrom agrees to indemnify and hold the LLC harmless against any claim made against LLC by any creditor of Nordstrom as a result of a failure to comply with any such statute.

3.10 Employee Benefit Matters. Nordstrom shall take all necessary actions to cause the Employee Benefit Plans to permit continued participation by the Target Employees following their transfer to the LLC, provided the LLC remains an ERISA Affiliate. Such

participation shall be in accordance with Section 5.3 hereof and on the terms and conditions that apply to similarly situated employees employed by Nordstrom and the Nordstrom Affiliates. At the earlier of October 1, 2002 or at the point in time when the LLC ceases to be a Nordstrom ERISA Affiliate, the LLC may continue to participate in such Employee Benefit Plans only with the consent of Nordstrom.

3.11 Employee Arrangements. Nordstrom shall use commercially reasonable efforts to cause the Target Employees to be employed by the LLC and/or Nordstrom.com, Inc. immediately following the Closing. Employment with the LLC and/or Nordstrom.com, Inc. shall be offered to the Target Employees pursuant to offer or notification letters that (a) expressly reserve the right of the LLC and Nordstrom.com, Inc. to modify compensation levels and employee benefit programs after December 31, 1999, including (without limitation) the right to discontinue the participation of the Target Employees in the Employee Benefit Plans and to substitute new employee benefit plans specific to the LLC and/or Nordstrom.com, Inc., and (b) acknowledge that the Target Employees will be employees at will of the LLC and/or Nordstrom.com, Inc. and that such transfer of employment will not constitute a separation of employment with Nordstrom for purposes of its Employee Benefit Plans. Without the prior written consent of Nordstrom.com, Inc., neither Nordstrom nor any Nordstrom Affiliate shall encourage or solicit any Target Employee to be employed by Nordstrom or any Nordstrom Affiliate following the Closing. Neither Nordstrom nor any Nordstrom Affiliate shall attempt to prevent the LLC or Nordstrom.com, Inc. from hiring a former employee of Nordstrom or any Nordstrom Affiliate who seeks employment with the LLC or Nordstrom.com, Inc. provided that notice is provided to Nordstrom prior to the time any offer is made to any such former employee.

Without the prior written consent of Nordstrom, neither Nordstrom.com, Inc. nor the LLC shall encourage or solicit any person employed by Nordstrom or any Nordstrom Affiliate who is not engaged in the Business as of the date hereof to be employed by Nordstrom.com, Inc. or the LLC following Closing. Neither Nordstrom.com, Inc. nor the LLC shall attempt to prevent Nordstrom or any Nordstrom Affiliate from hiring a former employee of Nordstrom.com, Inc. or the LLC who seeks employment with Nordstrom or any Nordstrom Affiliate provided that notice is provided to Nordstrom.com, Inc. prior to the time any offer is made to any such former employee.

3.12 Delivery and Acceptance of Schedules. Nordstrom shall deliver to Nordstrom.com, Inc. all Schedules required to be delivered by it pursuant to this Agreement within three (3) Business Days after the date hereof. Nordstrom.com, Inc. shall have three (3) Business Days after receipt of the Schedules to review and approve the disclosures contained therein. The parties shall promptly meet and attempt to negotiate in good faith any disclosures which are the subject of dispute, but Nordstrom.com, Inc. shall not be required to accept any such disclosures that are different in any material respect with information furnished to Nordstrom.com, Inc. or its Affiliates on or before the date hereof.

ARTICLE IV

CONDITIONS PRECEDENT; CLOSING

4.1 Conditions to Each Party's Obligation. The respective obligations of Nordstrom and Nordstrom.com, Inc. to effect the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions:

(a) Governmental Consents. All Consents from any Governmental Entity (if any) necessary for consummation of the transactions contemplated by this Agreement shall have been timely obtained, and any waiting period applicable to the consummation of such transactions under the HSR Act shall have expired or been terminated.

(b) No Injunctions or Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other Order issued by any Governmental Entity or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated hereby shall be in effect; nor shall there be any action taken, or any Applicable Law or Order enacted, entered, enforced or deemed applicable to the transactions contemplated hereby that would prohibit the consummation of such transactions.

(c) No Action. No Governmental Entity shall have notified either party to this Agreement that such Governmental Entity intends to commence proceedings to restrain or prohibit the transactions contemplated hereby or force rescission, unless such Governmental Entity shall have withdrawn such notice and abandoned any such proceeding prior to the time which otherwise would have been the Closing Date.

(d) Inc. Transaction Documents. The Restated Certificate shall have been filed with the Secretary of State of the State of Delaware; the Inc. Bylaws shall have been duly adopted by the board of directors of Nordstrom.com, Inc; the Stock Purchase Agreement, Investors' Rights Agreement, the Put Agreement and the Right of First Refusal and Co-Sale Agreements shall have been executed and delivered by the parties thereto; and the Closing (as defined in the Stock Purchase Agreement) shall have occurred.

(e) LLC Transaction Documents. Nordstrom and Nordstrom.com, Inc. shall have executed and delivered the Operating Agreement; the Closing (as defined in the Operating Agreement) shall have occurred; Nordstrom and the LLC shall have executed and delivered the Bill of Sale and Assignment, any other documents reasonably necessary to effect the transfer of the Assets and the Assumption Agreement; and the License Agreement, the Supply Agreement and the Service Agreement shall have been executed and delivered by the parties thereto.

4.2 Conditions to Obligation of Nordstrom. The obligation of Nordstrom to effect the transactions contemplated hereby is subject to the satisfaction of the following conditions unless waived, in whole or in part, by Nordstrom:

(a) Representations and Warranties. The representations and warranties of Nordstrom.com, Inc. set forth in this Agreement shall be true and correct in all material respects (provided that any representation or warranty of Nordstrom.com, Inc. contained herein that is qualified by a materiality or knowledge standard shall not be further qualified hereby) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, and Nordstrom shall have received a certificate to such effect signed on behalf of Nordstrom.com, Inc. by the chief executive officer and the chief financial officer of Nordstrom.com, Inc. in their official capacities.

(b) Performance of Obligations. Nordstrom.com, Inc. shall have performed in all material respects all obligations required to be performed by it under this Agreement prior to the Closing Date, and Nordstrom shall have received a certificate to such effect signed on behalf of Nordstrom.com, Inc. by the chief executive officer and the chief financial officer of the Nordstrom.com, Inc.

(c) Consents. Nordstrom shall have been furnished with evidence satisfactory to it that Nordstrom.com, Inc. has obtained each Consent required in order to permit the consummation of the transactions contemplated hereby (except for such Consents the failure of which to receive could not reasonably be expected to have a Material Adverse Effect).

(d) Legal Opinion. Nordstrom shall have received from Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel to Benchmark Capital, in form and substance reasonably satisfactory to Nordstrom.

4.3 Conditions to Obligations of the Nordstrom.com, Inc.. The obligation of Nordstrom.com, Inc. to effect the transactions contemplated hereby is subject to the satisfaction of the following conditions unless waived, in whole or in part, by Nordstrom.com, Inc.

(a) Representations and Warranties. The representations and warranties of Nordstrom set forth in this Agreement shall be true and correct in all material respects (provided that any representation or warranty of Nordstrom contained herein that is qualified by a materiality or knowledge standard shall not be further qualified hereby) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, and Nordstrom.com, Inc. shall have received a certificate to such effect signed on behalf of Nordstrom by the chief executive officer and the chief financial officer of Nordstrom.

(b) Performance of Obligations of Nordstrom. Nordstrom shall have performed in all material respects the obligations required to be performed by it under this Agreement prior to the Closing Date, and Nordstrom.com, Inc. shall have received a certificate to such effect signed on behalf of Nordstrom by the chief executive officer and the chief financial officer of Nordstrom.

(c) Legal Opinion. Nordstrom.com, Inc. shall have received from Lane Powell Spears Lubersky LLP, counsel to Nordstrom, in form and substance reasonably satisfactory to Nordstrom.com, Inc.

(d) No Material Adverse Change. There shall have occurred no material adverse change in the Business or the Assets since the date hereof.

4.4 Closing. Subject to the satisfaction or waiver of the conditions set forth in this Article IV, the Closing will take place at the offices of Lane Powell Spears Lubersky LLP, 1420 5th Avenue, Suite 4100, Seattle, Washington, at 10:00 a.m., local time (or at such other place and time as Nordstrom and Nordstrom.com, Inc. may agree) on a date selected by Nordstrom which date shall be within two (2) business days after the date on which the conditions set forth in this Article IV have been satisfied or waived in accordance therewith (the "Closing Date"). The parties to this Agreement shall use their best efforts to cause the Closing to occur no later than October 31, 1999.

4.5 Assumption of Liabilities and Obligations.

(a) As of the Closing, the LLC shall assume and undertake to pay, discharge and perform all the obligations and liabilities of Nordstrom or any Nordstrom Affiliate relating to (i) the Assumed Working Capital Liabilities as of the close of business on the day immediately preceding the Closing Date; (ii) the Assumed Contracts assumed by the LLC relating to the time period beginning on or arising out of events occurring on or after the Closing Date, (iii) commitments of Nordstrom or any Nordstrom Affiliate relating to the Business entered into in the ordinary course of business which are consistent with the past practice of Nordstrom or such Nordstrom Affiliate, to the extent such commitments relate to goods and services to be received by the LLC after the Closing Date and (iv) pending non-material worker's compensation claims, a case by a former employee who worked for the Business, and a non-material EEOC charge for age discrimination. Other than as specified in the first sentence of this Section 4.5(a), the LLC shall assume no liabilities or obligations of Nordstrom or such Nordstrom Affiliate as of the Closing Date that relate to the Business and shall not be liable therefor.

(b) All other obligations and liabilities of Nordstrom or any Nordstrom Affiliate relating to the Business, including (i) obligations or liabilities under any contract not included in the Assumed Contracts, (ii) obligations or liabilities under any Assumed Contract for which a Consent, if required, has not been obtained as of the Closing, (iii) any obligations and liabilities arising under the Assumed Contracts that relate to the time period prior to the Closing Date or arise out of events occurring prior to the Closing Date and (iv) any forfeiture, claim or pending litigation or proceeding relating to the Business prior to the Closing Date, shall remain and be the obligation and liability solely of Nordstrom.

4.6 Calculation of Assumed Working Capital Liabilities. Within twenty (20) days after the Closing Date, Nordstrom shall notify Nordstrom.com, Inc. of its good faith determination of the Assumed Working Capital Liabilities and provide Nordstrom.com, Inc. with supporting documentation reasonably necessary to evaluate such determination. If Nordstrom.com, Inc. disagrees with such determination, Nordstrom.com, Inc. shall give prompt written notice thereof to Nordstrom, but in no event later than ten (10) days after notice of such determination, specifying in reasonable detail the nature and extent of such disagreement. Any disagreement not resolved within ten (10) days after Nordstrom.com, Inc. furnishes such notice shall be resolved pursuant to Section 7.13 hereof.

ARTICLE V

POST-CLOSING COVENANTS

5.1 Indemnification.

(a) Subject to the provisions of this Section 5.1, Nordstrom.com, Inc. shall indemnify and hold harmless Nordstrom and each officer, director, employee, stockholder and Affiliate of Nordstrom and each Nordstrom Entity (collectively the "Nordstrom Indemnitees") from and against any and all Liabilities and Costs incurred by them that arise out of any breach or default by Nordstrom.com, Inc. of any of the representations, warranties, covenants or agreements under any Transaction Document to which Nordstrom.com, Inc. is a party.

(b) Subject to the provisions of this Section 5.1, Nordstrom shall indemnify and hold harmless Nordstrom.com, Inc. and each officer, director, employee, stockholder and Affiliate of Nordstrom.com, Inc. (collectively the "Nordstrom.com, Inc. Indemnitees") from and against any and all Liabilities and Costs incurred by them that arise out of (i) any breach or default by Nordstrom or any Nordstrom Entity of any of the representations, warranties, covenants or agreements under any Transaction Document to which Nordstrom or any Nordstrom Entity is a party, or (ii) any obligations or liabilities of the Business that are not assumed by the LLC pursuant to Section 4.5 hereof.

(c) Subject to the provisions of this Section 5.1, Nordstrom.com, Inc. and Nordstrom shall cause the LLC to indemnify and hold harmless the Nordstrom Indemnitees from and against any and all Liabilities and Costs incurred by them that arise out of any obligations or liabilities of the Business that are required to be assumed by the LLC pursuant to Section 4.5 hereof and any obligations or liabilities of the Business solely to the extent that they arise out of events occurring on or after the Closing Date that are not otherwise the subject of indemnification in favor of Nordstrom.com, Inc. or the LLC hereunder.

(d) Nordstrom represents and warrants to Nordstrom.com that at the time of the Merger, Nordstrom Holdings shall have no liabilities for Taxes other than an amount (the "Allowable Tax Amount") equal to the excess, if any, of (i) the Taxes that Nordstrom Holdings would have incurred solely by reason of receiving allocations and distributions from the LLC had Nordstrom Holdings had no assets other than its membership interest in the LLC and had Nordstrom Holdings at all times been a stand-alone corporation that was not included in any consolidated, combined, unitary or similar group of corporations or other entities for tax purposes over (ii) the amount of all distributions received by Nordstrom Holdings from the LLC. Nordstrom agrees to indemnify Nordstrom.com, Inc. for any Tax liability of Nordstrom Holdings attributable to periods prior to the Merger (whether or not due and payable at the time of the Merger) to the extent such Tax liability exceeds the Allowable Tax Amount.

(e) An Indemnified Party shall give prompt written notice to any Indemnifying Party of the commencement or assertion of any action, proceeding, demand, or claim by a third party (collectively, a "third-party action") in respect of which such Indemnified Party shall seek indemnification hereunder. Any failure so to notify an Indemnifying Party shall

not relieve such Indemnifying party from any liability that it, he, or she may have to such Indemnified Party under this Section 5.1 unless the failure to give such notice materially and adversely prejudices such Indemnifying Party. The Indemnifying Party shall have the right to assume control of the defense of, settle, or otherwise dispose of such third-party action on such terms as they deem appropriate; provided, however, that:

(A) The Indemnified Party shall be entitled, at his, her, or its own expense, to participate in the defense of such third-party action (provided, however, that the Indemnifying Party shall pay the attorneys' fees of the Indemnified Party if (i) the employment of separate counsel shall have been authorized in writing by any such Indemnifying Party in connection with the defense of such third-party action, (ii) the Indemnifying Party shall not have employed counsel reasonably satisfactory to the Indemnified Party to have charge of such third party action, (iii) the Indemnified Party shall have reasonably concluded that there may be defenses available to such Indemnified Party that are different from or additional to those available to the Indemnifying Party, or (iv) the Indemnified Party's counsel shall have advised the Indemnified Party in writing, with a copy to the Indemnifying Party, that there is a conflict of interest that could make it inappropriate under applicable standards of professional conduct to have common counsel);

(B) The Indemnifying Party shall obtain the prior written approval of the Indemnified Party before entering into or making any judgment, settlement, compromise, admission, or acknowledgment of the validity of such third-party action or any liability in respect thereof if, pursuant to or as a result of such settlement, compromise, admission, or acknowledgment, injunctive or other equitable relief would be imposed against the Indemnified Party or if, in the opinion of the Indemnified Party, such settlement, compromise, admission, or acknowledgment could have a material adverse effect on its business or, in the case of an Indemnified Party who is a natural person, on his or her assets or interests;

(C) No Indemnifying Party shall consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by each claimant or plaintiff to each Indemnified Party of a release from all liability in respect of such third-party action; and

(D) The parties hereto shall extend reasonable cooperation in connection with the defense of any third-party action pursuant to this Section 5.1 and, in connection therewith, shall furnish such records, information, and testimony and attend such conferences, discovery proceedings, hearings, trials, and appeals as may be reasonably requested.

(f) In any case in which an Indemnified Party seeks indemnification hereunder which is not subject to Section 5.1(e) because no third-party action is involved (a "direct cost"), the Indemnified Party shall notify the Indemnifying Party in writing of any Liabilities and Costs which such Indemnified Party claims are subject to indemnification under the terms hereof. The failure of the Indemnified Party to exercise promptness in such notification shall not amount to a waiver of such claim unless the resulting delay materially prejudices the position of the Indemnifying Party with respect to such claim.

(g) Notwithstanding anything to the contrary stated herein, (i) the Nordstrom.com, Inc. Indemnities shall not be entitled to indemnification for Liabilities and Costs pursuant to Section 5.1(b) until the total of all Liabilities and Costs with respect to such matters exceeds \$100,000 and then only to the extent of such excess; and (ii) Nordstrom's Indemnities shall not be entitled to indemnification for Liabilities and Costs pursuant to Sections 5.1(a) or 5.1(c) until the total of all Liabilities and Costs with respect to such matters exceeds \$100,000 and then only to the extent of such excess.

(h) No Indemnifying Party shall be liable for any Liabilities and Costs pursuant to this Section 5.1 unless a written claim for indemnification in accordance with this Section 5.1 is given by the Indemnified Party to the Indemnifying Party with respect thereto on or before the later of the second anniversary of the Closing Date (the "Notice Termination Date"). The Notice Termination Date shall occur sooner in the event of an Initial Public Offering, but in no event any earlier than the first anniversary of the Closing Date.

(i) The amount of any Liabilities and Costs to be recovered by Nordstrom Indemnities or Nordstrom.com, Inc. Indemnities shall be net of insurance proceeds received that mitigate the Liabilities or Costs.

(j) The parties agree that the exclusive remedies of the parties for any Liabilities and Costs arising out of or based upon the matters set forth in Section 5, or otherwise under this Agreement, shall be (i) the indemnification obligations of the parties set forth in Section 5, subject to the limitations on such obligations set forth in this Agreement or (ii) specific performance or injunctive or declaratory relief. The parties agree that the remedy of rescission shall not be available as a result of the breach of this Agreement except where the conduct of the breaching party constitutes fraud.

5.2 Store Discounts. Nordstrom maintains an employee discount program (the "Nordstrom Merchandise Discount Program") intended to qualify for tax-favored treatment under Code Section 132 and the Regulations thereunder.

(a) Continuing Reciprocal Agreement. From the date hereof until the LLC ceases to be an ERISA Affiliate (as defined in 2.1(q)(i) of the Agreement), (i) employees of the LLC (and their eligible family members) shall be entitled to receive qualified employee discounts under the Nordstrom Merchandise Discount Program on their purchases of goods from Nordstrom and (ii) the Nordstrom Merchandise Discount Program shall apply to the purchase of goods from the LLC by employees of Nordstrom, the LLC and all Nordstrom ERISA Affiliates. Neither Nordstrom nor the LLC shall be required to make any reimbursement to the other for such discounts; provided, however, that nothing in this paragraph shall alter the right of Nordstrom to change the terms of the Nordstrom Merchandise Discount Program to the extent required to preserve the tax-favored treatment of such discount program to employees under Code Section 132.

(b) Post Affiliate Status. Beginning on the date that the LLC ceases to be an ERISA Affiliate, or on such earlier date as required by Code Section 132, goods purchased through the LLC shall cease to be available for the Nordstrom Merchandise Discount Program

and the discounts available to employees of Nordstrom and its ERISA Affiliates on purchases made through the LLC shall cease.

(c) Nature of Discount. The discounts available to employees of the LLC on merchandise purchased through Nordstrom shall continue on substantially similar terms and conditions as, and in percentage discounts that are no greater than those provided under, the Nordstrom Merchandise Discount Program, as the same may be amended from time to time, and such discount shall continue to be made available to employees of the LLC until the earlier of: (i) the LLC ceasing to maintain a comparable merchandise discount program for its employees; or (ii) Nordstrom ceasing to maintain the Nordstrom Merchandise Discount Program. The LLC shall not have any obligation to reimburse Nordstrom for discounts provided pursuant to this paragraph; provided, however, that the LLC shall not alter the terms or conditions of such discount program, without the prior written consent of Nordstrom.

(d) Nordstrom Exclusive Right. Nordstrom will maintain the exclusive right to determine all aspects of the Nordstrom Merchandise Discount Program, including eligibility, percentage discounts and all other terms and conditions of that program.

5.3 Employee Benefit Plans. The employees of the LLC, if otherwise eligible, shall be permitted to participate in the Employee Benefit Plans set forth in Schedule 2.1(q), with the exception of those Employee Benefit Plans set forth in Schedule 5.3 from the Closing Date until such future date as the LLC shall communicate to Nordstrom by giving not less than 60 days' advance notice in writing, but in any event not later than the earlier of October 1, 2002, or the date the LLC is no longer an ERISA Affiliate of Nordstrom. Such participation shall be on the terms and conditions that apply to similarly situated employees employed by Nordstrom and the Nordstrom Affiliates. The LLC and/or Nordstrom.com, Inc. shall make timely employer contributions to Nordstrom or to the Employee Benefit Plans (as appropriate) for the cost of benefits (including administrative expenses) incurred on behalf of their employees, as required by the terms of or to provide the benefits under such Employee Benefit Plans, and shall promptly remit any contributions made by such employees to such Employee Benefit Plans. Except as required by law or to the extent such Employee Benefit Plans currently provide, Nordstrom shall not amend the Employee Benefit Plans or change such plans' cost structure in a manner that differentiates between (a) the employees of the LLC and (b) the similarly situated employees of Nordstrom or any Nordstrom Affiliate, division or business unit. By giving Nordstrom not less than 60 days' advance notice in writing, the LLC and/or Nordstrom.com, Inc. may adopt new employee benefit plans specific to the LLC and/or Nordstrom.com, Inc., provided the design of such new plans does not cause Nordstrom's existing plans to lose eligibility for preferential tax treatment. Nordstrom shall use its best efforts to facilitate a transition from the Employee Benefits Plans to such new employee benefit plans. To the extent the LLC and/or Nordstrom.com, Inc. establishes its own employee benefit plans, LLC and/or Nordstrom.com, Inc. shall be considered the "plan sponsor" and "plan administrator" of such plans (as such terms are defined in ERISA), LLC and/or Nordstrom.com, Inc. shall be solely responsible for the funding and legal compliance of such plans in accordance with, but not limited to, the requirements described in 2.1(q)(v) - (x), and LLC and/or Nordstrom.com, Inc. shall indemnify and hold Nordstrom harmless from and against any liability associated with the design, administration and funding of such plans. Subject to the foregoing, nothing in this Section 5.3

shall be interpreted or construed as limiting the right of Nordstrom to otherwise alter, amend or terminate any Employee Benefit Plan, or its underlying terms or provisions.

5.4 Equity Incentives. Following the Closing, the employees of the LLC and/or Nordstrom.com, Inc. shall be eligible to be considered for stock option grants as follows:

(a) The LLC shall maintain an option plan that provides for the grant of nonstatutory options to purchase LLC shares. Such options shall not be exercisable prior to the merger contemplated by Section 5.7.

(b) Nordstrom.com, Inc. shall maintain an option plan that provides for the grant of nonstatutory options to purchase shares of the common stock of Nordstrom.com, Inc. Participation in such plan shall be limited to management-level employees of the Business who are employed by Nordstrom.com, Inc. Such options shall be exercisable at any time.

(c) Whenever Nordstrom.com, Inc. grants an option to one of its employees to purchase shares of its common stock, the LLC shall grant to Nordstrom.com, Inc. an option to purchase an identical number of LLC shares. Whenever Nordstrom.com, Inc. issues shares of its common stock to one of its employees upon exercise of an option, Nordstrom.com, Inc. shall exercise its option and purchase from the LLC an identical number of LLC shares.

(d) Twenty-five percent of the shares of common stock or LLC shares subject to each option granted by Nordstrom.com, Inc. or the LLC shall vest on the first anniversary of the date of grant, and the balance of such shares shall vest in 36 equal monthly increments upon completion of each month of service thereafter.

(e) The shares of common stock or LLC shares subject to the options granted by Nordstrom.com, Inc. or the LLC shall be subject to a customary right of first refusal in favor of Nordstrom.com, Inc. and the LLC, respectively. Such options shall also include customary provisions relating to lock-up agreements with underwriters.

5.5 Employees. At the discretion of the LLC, the management-level Target Employees shall be employed jointly by the LLC and Nordstrom.com, Inc. immediately following the Closing. The other Target Employees shall be employed by the LLC immediately following the Closing. At the discretion of the LLC, all newly hired management-level employees engaged in the Business shall be employed by the LLC or jointly by the LLC and Nordstrom.com, Inc. The other newly hired employees engaged in the Business shall be employed by the LLC. Each newly hired employee engaged in the Business shall acknowledge in writing that (a) compensation levels and employee benefit programs may be modified after December 31, 1999, and (b) such employee will be an employee at will.

5.6 Nordstrom Holdings. Except as contemplated by the Transaction Documents, Nordstrom Holdings shall not engage in any business or directly or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, joint ventureship or other business association

or entity prior to the Merger. Nordstrom shall cause Nordstrom Holdings to at all times be a wholly owned Subsidiary of Nordstrom. Without limiting the foregoing, Nordstrom Holdings will not take any of the following actions prior to the Merger without the priority written consent of Nordstrom.com, Inc., which consent shall not be unreasonably withheld:

(i) amend its certificate of incorporation or bylaws (or other comparable corporate charter documents);

(ii) declare, set aside or pay any dividends on or make other distributions (whether payable in cash, stock, property or otherwise) in respect of any of its capital stock; (B) split, combine, reclassify or take similar actions with respect to any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (C) adopt a plan of complete or partial liquidation or resolutions providing for or authorizing such liquidation or a dissolution, merger, consolidation, restructuring, recapitalization or other reorganization or (D) directly or indirectly redeem, repurchase or otherwise acquire any shares of its capital stock;

(iii) deliver, issue, sell, pledge or encumber or authorize or propose the issuance, delivery, sale, pledge or encumbrance of, any shares of its capital stock or any options, warrants, convertible securities or other rights of any kind to acquire any shares of its capital stock of, or any other ownership interest in, Nordstrom Holdings, or (B) issue any stock appreciation rights, restricted stock or similar equity based rights;

(iv) adopt any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, pension, retirement, insurance employment or other employee or retiree benefit agreement, trust, plan or other arrangement for the benefit of any Person;

(v) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division or make any investment in another entity, or sell, pledge, dispose of, or encumber or authorize or propose the sale, pledge, disposition or encumbrance of any of its assets;

(vi) authorize or propose or enter into any contract, agreement, commitment or arrangement involving amounts in excess of \$25,000;

(vii) create, assume or incur any indebtedness for borrowed money or guarantee any such indebtedness or assume, guarantee, endorse or become liable on the obligation of any Person in excess of \$25,000 in aggregate;

(viii) engage in any business other than the ownership of its membership interests in the LLC;

(ix) settle or compromise any federal, state, local or foreign income tax, involving amounts in excess of \$25,000, except to the extent Nordstrom takes actions that affect Nordstrom Holdings as a result of a consolidated tax return;

(x) settle or compromise any litigation (whether or not commenced prior to the date of this Agreement) or settle, pay or compromise any claims not required to be paid, involving amounts in excess of \$25,000;

(xi) create, assume, or incur any mortgage, lien, pledge, charge or other security interest or encumbrance of any kind in respect of any of its property of any character, involving amounts in excess of \$25,000;

(xii) consolidate with or merge with any other Person or sell, lease or transfer or otherwise dispose of all or any substantial portion of its assets;

(xiii) purchase or acquire any capital assets or make any capital expenditures;

(xiv) sell, lease, transfer, pledge, encumber or otherwise dispose of any of its LLC Shares, including, without limitation, through a merger or consolidation with such other Person; or

(xv) enter into any contract, agreement, commitment or arrangement to do or engage in any of the foregoing.

5.7 Merger of Nordstrom.com, Inc. and Nordstrom Holdings. At such time as the board of directors of Nordstrom.com, Inc. shall determine in contemplation of an Initial Public Offering, Nordstrom Holdings shall merge with Nordstrom.com, Inc. pursuant to an agreement and plan of merger reasonably satisfactory to Nordstrom and Nordstrom.com, Inc. providing, among other things, that:

(i) Nordstrom.com, Inc. shall be the surviving corporation in the merger;

(ii) Nordstrom.com, Inc. shall succeed to and assume all of the rights and obligations of Nordstrom Holdings pursuant to applicable corporate law;

(iii) the certificate of incorporation and bylaws of Nordstrom.com, Inc. in effect immediately prior to the effective time of the merger shall be the certificate of incorporation and bylaws of the surviving corporation;

(iv) the board of directors and officers of Nordstrom.com, Inc. in effect immediately prior to the effective time of the merger shall be the board of directors and bylaws of the surviving corporation;

(v) the capital stock of Nordstrom Holdings held by Nordstrom immediately prior to the effective time of the merger shall be converted into a number of shares of Series A Preferred Stock of Nordstrom.com, Inc. equal to the number of Series A shares of the LLC owned by Nordstrom Holdings immediately prior to such effective time subject to appropriate adjustment for any stock split, stock dividend, combination, reclassification,

reorganization or other similar event affecting the Series A Preferred Stock of Nordstrom.com, Inc. or the Series A shares of the LLC);

(vi) each option to acquire a LLC Common Share shall be assumed by Nordstrom.com, Inc. and shall become an option to purchase one share of Common Stock of Nordstrom.com, Inc.

Notwithstanding the foregoing, if reasonably possible, Nordstrom.com, Inc. will effect the transactions contemplated above by means of a different structure to minimize the tax liabilities of all parties.

5.8 Nordstrom.com, Inc. Series A Preferred Stock. Until such time as there are any outstanding shares of Series A Preferred Stock, Nordstrom.com, Inc. shall not amend its Amended and Restated Certificate of Incorporation to alter or change the rights, preferences or privileges of the share of such Series A Preferred Stock, if such Series A Preferred Stock would be adversely affected by such amendment in a manner different from other then outstanding series of Nordstrom.com, Inc. Preferred Stock (it being understood that, without limiting the foregoing, different series of Preferred Stock shall not be affected differently because of proportional differences in the amounts of their respective issue prices, liquidation preferences, and dividend preferences that arise out of differences in the original issue price for each such series). The foregoing covenant will terminate upon issuance of any Series A Preferred Stock to Nordstrom. Nordstrom.com, Inc. shall reserve shares of its Series A Preferred Stock in an amount equal to the number of shares of such preferred stock issuable to Nordstrom in the merger described in Section 5.7.

5.9 Non-Exclusive License. Effective as of Closing, Nordstrom.com, Inc. shall grant to Nordstrom and the Nordstrom Affiliates a non-exclusive royalty free worldwide right and license to use such Intellectual Property as is reasonably necessary for the operation of the business of Nordstrom and the Nordstrom Affiliates, subject to customary and reasonable terms.

ARTICLE VI

TERMINATION, AMENDMENT AND WAIVER

6.1 Termination. Except as provided in Section 6.2 below, this Agreement may be terminated at any time prior to the Closing:

(a) by mutual agreement of Nordstrom and Nordstrom.com, Inc.;

(b) by Nordstrom or Nordstrom.com, Inc. if: (i) the Closing has not occurred before 5 p.m. (Pacific Time) on October 31, 1999 (provided, however, that the right to terminate this Agreement under this Section 6.1(b)(i) shall not be available to any party whose willful failure to fulfill any obligation hereunder has been the cause of, or resulted in, the failure of the Closing to occur on or before such date); (ii) there shall be a final nonappealable Order of a federal or state court in effect preventing consummation of the transactions contemplated by

this Agreement, or (iii) be any Applicable Law shall make consummation of the transactions contemplated by this Agreement illegal;

(c) by Nordstrom (if it is not in breach in any material respect of any of its representations, warranties, covenants, or agreements in this Agreement) if (i) there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement by Nordstrom.com, Inc. and (ii) (A) Nordstrom.com, Inc. is not using its reasonable efforts to cure such breach, or has not cured such breach within thirty (30) days, after notice of such breach to Nordstrom.com, Inc. (provided, however, that, no cure period shall be required for a breach which by its nature cannot be cured) and (B) as a result of such breach any of the conditions set forth in Section 4.1 or Section 4.2, as the case may be, would not then be satisfied; or

(d) by the Nordstrom.com, Inc., (if it is not in breach of any material respect of any of its representations, warranties, covenants or agreements in this Agreement) if (i) there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement by Nordstrom and (ii)(A) Nordstrom is not using its reasonable efforts to cure such breach, or has not cured such breach within thirty (30) days, after notice of such breach to Nordstrom (provided, however, that no cure period shall be required for a breach which by its nature cannot be cured), and (B) as a result of such breach the conditions set forth in Section 4.1 or Section 4.3, as the case may be, would not then be satisfied; or

6.2 Effect of Termination. In the event of a valid termination of this Agreement as provided in Section 6.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Nordstrom or Nordstrom.com, Inc., or their respective officers, directors or shareholders or Affiliates, provided, however, that each party shall remain liable for any breaches of this Agreement prior to its termination.

6.3 Amendment. Except as is otherwise required by Applicable Law, this Agreement may be amended by the parties hereto at any time by execution of an instrument in writing signed on behalf of each of the parties hereto.

6.4 Extension; Waiver. At any time prior to the Closing, Nordstrom and Nordstrom.com, Inc. may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations of the other party hereto, (ii) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto, and (iii) waive compliance with any of the agreements, covenants or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE VII

GENERAL PROVISIONS

7.1 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally against written receipt or by facsimile transmission against facsimile confirmation or mailed by prepaid first class certified mail, return receipt requested, or mailed by overnight courier prepaid, to the parties at the following addresses or facsimile numbers:

If to Nordstrom to:

Nordstrom, Inc.
1617 Sixth Avenue, 10th Floor
Seattle, WA 98101
Attn: Michael A. Stein,
Executive Vice President and
Chief Financial Officer
Attn: Corporate Secretary

with a copy to:

Lane Powell Spears Lubersky LLP
1420 Fifth Avenue, Suite 4100
Seattle, WA 98101-2338
Facsimile No.: (206) 223-7107
Attn: Michael E. Morgan

If to Nordstrom.com, Inc.

Nordstrom.com, Inc.
c/o Benchmark Capital
2480 Sand Hill Road, Suite 200
Menlo Park, California 94025
Facsimile No.: (650) 854-8183
Attn: President and Chief Executive Officer

with a copy to:

Gunderson Dettmer Stough Villeneuve
Franklin & Hachigian, LLP
155 Constitution Drive
Menlo Park, California 94025
Facsimile No.: (650) 321-2800
Attn: Brooks Stough

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section 7.1, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided for in this Section 7.1, be deemed given upon facsimile confirmation, (iii) if delivered by mail in this manner described above to the address as provided for in this Section 7.1, be deemed given on the earlier of the third Business Day following mailing or upon receipt and (iv) if delivered by overnight courier to the address as provided in this Section 7.1, be deemed given on the earlier of the first Business Day following the date sent by such overnight courier or upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a

copy of such notice is to be delivered pursuant to this Section 7.1). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party hereto.

7.2 Entire Agreement. This Agreement and the Exhibits and Schedules hereto constitute the entire Agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understanding, both written and oral, among the parties with respect to the subject matter hereof.

7.3 Further Assurances; Post-Closing Cooperation. At any time or from time to time after the Closing the parties shall execute and deliver to the other party such other documents and instruments, provide such materials and information and take such other actions as the other party may reasonably request to consummate the transactions contemplated by the Transaction Documents and otherwise to cause the other party to fulfill its obligations hereunder and thereunder and the transactions contemplated hereby and thereby.

7.4 Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, will be cumulative and not alternative.

7.5 Third-Party Beneficiaries. Except as contemplated by Section 5.1 with respect to Nordstrom Indemnities and Nordstrom.com, Inc. Indemnities, terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights, and this Agreement does not confer any such rights, upon any other Person.

7.6 No Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation hereunder may be assigned (by operation of law or otherwise) by any party without the prior written consent of the other party and any attempt to do so will be void. Subject to the preceding sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties hereto and their respective successors and assigns.

7.7 Headings. The headings and table of contents used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

7.8 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such

illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

7.9 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Washington, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Washington or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Washington.

7.10 Construction. The parties hereto agree that this Agreement is the product of negotiation between sophisticated parties and individuals, all of whom were represented by counsel, and each of whom had an opportunity to participate in and did participate in, the drafting of each provision hereof. Accordingly, ambiguities in this Agreement, if any, shall not be construed strictly or in favor of or against any party hereto but rather than shall be given a fair and reasonable construction without regard to the rule of contra proferentem.

7.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

7.12 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Except where this Agreement specifically provides for arbitration, it is agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

7.13 Dispute Resolution. The parties desire to resolve disputes arising out of this Agreement without litigation. Accordingly, except for an action seeking a temporary restraining order or injunction related to the purposes of this Agreement, suit to compel compliance with this dispute resolution process, or entry and enforcement of any judgment on any arbitration award, the parties agree to meet and negotiate in good faith to resolve any dispute arising under this Agreement. The location, format, frequency, duration and conclusion of these discussions shall be left to the discretion of the parties. The discussions will commence within fifteen (15) days after notice of a dispute from any party.

(a) If a determination is made by any party that continuation of the negotiation process is not warranted, the dispute shall be first submitted to mediation by a mediator pursuant to the Commercial Mediation Rules of the American Arbitration Association. Any party may demand such mediation in accordance with the procedures set out in those rules, which shall commence within thirty (30) days of such demand.

(b) If a determination is made by any party that continuation of the mediation process is not warranted or if all of the matters in dispute are not resolved through

mediation, the dispute shall be submitted to binding arbitration by an arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Any party may demand such arbitration in accordance with the procedures set out in those rules, which shall commence within thirty (30) days of such demand. Each party to the dispute shall have the right to take the deposition of individuals and expert witnesses designated by the other party. Each party to the dispute shall also have the right to request production of relevant documents, the scope and enforcement of which shall be governed by the arbitrator. Additional discovery may be only by order of the arbitrator, and only upon a showing of substantial need. The arbitrator shall be authorized to issue subpoenas for the purpose of requiring attendance of witnesses at depositions. The parties to the dispute may submit written briefs. The arbitrator shall rule on the dispute by issuing a written opinion within thirty (30) days after the close of hearings. The award rendered by arbitration shall be final, binding and nonappealable judgment, and the award may be entered in any court of competent jurisdiction in the United States. Special, consequential or punitive damages shall not be awarded by the arbitrator.

(c) Any mediation or arbitration shall be held in Seattle, Washington, or such other location as mutually agreed upon by the parties to the dispute. The mediator or arbitrator shall control the scheduling so as to process the matter expeditiously. The times specified herein may be extended upon mutual agreement of the parties to the dispute or by the arbitrators upon a showing of good cause.

IN WITNESS WHEREOF, Nordstrom and Nordstrom.com, Inc. have caused this Agreement to be signed, all as of the date first written above.

NORDSTROM, INC.

 Name: Michael A. Stein
 Title: Executive Vice President and
 Chief Financial Officer

NORDSTROM.COM, INC.

 Name: Steven M. Spurlock
 Title: President

CREDIT AGREEMENT

Dated as of February 29, 2000

among

1700 SEVENTH L.P.
as Borrower,

AND

THE SEVERAL LENDERS
FROM TIME TO TIME PARTY HERETO

AND

BANK OF AMERICA, N.A.
as Administrative Agent
and as Project Administrative Agent

Arranged By:

BANC OF AMERICA SECURITIES LLC
as Lead Arranger and Book Manager

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of February 29, 2000 (as amended, modified, restated or supplemented from time to time, the "Credit Agreement"), is by and among 1700 SEVENTH L.P., a Washington limited partnership (formerly known as 700 Olive L.P.) (the "Borrower"), the Lenders (as defined herein) and BANK OF AMERICA, N.A., as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent") and as Project Administrative Agent for the Lenders (in such capacity, the "Project Administrative Agent").

W I T N E S S E T H

WHEREAS, the Borrower has requested that the Lenders provide a credit facility in an amount of \$93,000,000 (the "Credit Facility") for the purposes hereinafter set forth; and

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

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

SECTION 1

DEFINITIONS

1.1 DEFINITIONS.

As used in this Credit Agreement, the following terms shall have the meanings specified below unless the context otherwise requires:

"Adjusted Base Rate" means the Base Rate plus the Applicable Percentage.

"Adjusted Eurodollar Rate" means the Eurodollar Rate plus the Applicable Percentage.

"Administrative Agent" means Bank of America, N.A. or any successor administrative agent appointed pursuant to Section 9.7.

"Administrative Agent's Fee Letter" means that certain letter agreement, dated as of August 27, 1999, among the Administrative Agent, BAS, the Borrower and the Guarantor, as amended, modified, restated or supplemented from time to time.

"Administrative Agent's Fees" shall have the meaning assigned to such term in Section 3.5(c).

"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 or any Affiliate of any Lender be deemed to be an Affiliate of the Borrower. For avoidance of doubt, the parties agree that the Borrower is not an Affiliate of the Guarantor.

"Agency Services Address" means Bank of America, N.A., 1850 Gateway Blvd., 5th Floor, Concord, California 94520, or such other address as may be identified by written notice from the Administrative Agent to the Borrower.

"Agents" means a collective reference to the Administrative Agent and the Project Administrative Agent, and "Agent" means any one of them.

"Applicable Lending Office" means, for each Lender, the office of such Lender as such Lender may from time to time specify to the Administrative Agent and the Borrower by written notice as the office by which its Eurodollar Loans are made and maintained.

"Applicable Percentage" means, for purposes of calculating the applicable interest rate for any day for any Loan and the applicable rate of the Unused Fee for any day for purposes of Section 3.5(b), the appropriate applicable percentage set forth below opposite the applicable Senior Debt Rating then in effect as of the most recent Ratings Date:

APPLICABLE PERCENTAGES					
PRICING LEVEL -----	S&P RATING -----	MOODY'S RATING -----	FOR EURODOLLAR LOANS -----	FOR BASE RATE LOANS -----	FOR UNUSED FEE ---
I	>= A	>= A2	.75%	0%	.125%
II	>= A-	>= A3	.875%	0%	.15%
III	>=BBB+	>=Baa1	1.0%	0%	.175%
IV	>=BBB	>=Baa2	1.125%	0%	.225%

The Applicable Percentages shall be determined based on the Senior Debt Rating; provided, however, that (i) if the Guarantor shall not have a rating for its Senior Debt by S&P and Moody's, then the Applicable Percentages shall be based on Pricing Level IV and (ii) if the Guarantor shall have a split Senior Debt Rating the higher of the two ratings shall apply. The Applicable Percentages for the Revolving Loans and Unused Fee shall be determined and adjusted on the date that the Senior Debt Rating changes (each a "Ratings Date"). Each

Applicable Percentage shall be effective from one Ratings Date until the next Ratings Date. Any adjustment in the Applicable Percentages for the Loans shall be applicable to all existing Loans as well as any new Loans.

"Asset Disposition" means any disposition of any or all of the Property of the Borrower whether by sale, lease, transfer or otherwise.

"Bank of America" means Bank of America, N.A.

"Bankruptcy Code" means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"Bankruptcy Event" means, with respect to any Person, the occurrence of any of the following with respect to such Person: (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of such Person in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or ordering the winding up or liquidation of its affairs; or (ii) there shall be commenced against such Person an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; or (iii) such Person shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or make any general assignment for the benefit of creditors; or (iv) such Person shall be unable to, or shall admit in writing its inability to, pay its debts generally as they become due.

"BAS" means Banc of America Securities LLC.

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Base Rate Loan" means any Loan bearing interest at a rate determined by reference to the Base Rate.

"Borrower" means the Person identified as such in the heading hereof, together with any permitted successors and assigns.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Seattle, Washington, San Francisco, California or New York, New York are authorized or required by law to close, except that, when used in connection with a Eurodollar Loan, such day shall also be a day on which dealings between banks are carried on in Dollar deposits in London, England.

"Businesses" means a collective reference to the businesses operated at the Real Properties.

"Capital Lease" means, as applied to any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"Capital Reserve" means an amount equal to the gross leaseable square feet of the Improvements multiplied by \$.10.

"Capital Stock" means (i) in the case of a corporation, capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, membership interests and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means, as at any date, (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) Dollar denominated time deposits and certificates of deposit of (i) any Lender, (ii) any domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 or (iii) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition, (d) repurchase agreements entered into by any Person with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus in excess of \$500,000,000 for direct obligations issued by or fully guaranteed by the United States in which such Person shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by reputable financial institutions having capital of at least

\$500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing subdivisions (a) through (d).

"Change of Control" means any of the following events: (i) 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 Guarantor (or other securities convertible into such Voting Stock) representing 40% or more of the combined voting power of all Voting Stock of the Guarantor, (ii) any change in the ownership, membership or control of the Borrower, (iii) Clise Venture shall cease to remain the sole general partner of the Borrower, (iv) any change in the ownership, membership or control of Clise Venture, or (v) any change in the ownership, membership or control of Clise Properties.

"City" means The City of Seattle, a Washington municipal corporation.

"Clise Properties" means Clise Properties, Inc., a Washington corporation.

"Clise Venture" means Clise Venture One LLC, a Washington limited liability company.

"Closing Date" means the date hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed also to refer to any successor sections.

"Collateral" means a collective reference to the collateral which is identified in, and at any time will be covered by, the Collateral Documents.

"Collateral Documents" means a collective reference to the Mortgage Instrument and such other documents executed and delivered in connection with the attachment and perfection of the Administrative Agent's security interests and liens arising thereunder, including without limitation, UCC financing statements.

"Commitment" means with respect to each Lender, the Revolving Commitment of such Lender.

"Construction Costs" shall have the meaning assigned to such term in Section 6.14.

"Consultant" shall have the meaning assigned to such term in Schedule 4.3.

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

"Credit Documents" means a collective reference to this Credit Agreement, the Notes, the Guaranty Agreement, the Environmental Indemnity Agreement, the Administrative Agent's Fee Letter and the Collateral Documents (in each case as the same may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time), and "Credit Document" means any one of them.

"Credit Parties" means a collective reference to the Borrower and the Guarantor, and "Credit Party" means any one of them.

"Credit Party Obligations" means, without duplication, (i) all of the obligations of the Credit Parties to the Lenders and the Administrative Agent, whenever arising, under this Credit Agreement, the Notes, the Guaranty Agreement, the Collateral Documents or any of the other Credit Documents (including, but not limited to, any interest accruing after the occurrence of a Bankruptcy Event with respect to any Credit Party, regardless of whether such interest is an allowed claim under the Bankruptcy Code) and (ii) all liabilities and obligations, whenever arising, owing from the Borrower to any Lender, or any Affiliate of a Lender, arising under any Hedging Agreement.

"Debt Service" means, as of any date for the twelve month period ending on such date, the principal and interest payments (assuming (i) a principal amortization schedule for a loan equal to the sum of the aggregate outstanding principal amount of Revolving Loans then outstanding with a term of twenty-five (25) years and (ii) an interest rate equal to the greater of (x) the then applicable Treasury Rate plus 1.50% per annum and (y) eight percent (8.0%) per annum) which would be due and payable during such twelve month period.

"Debt Service Coverage Ratio" means, for the twelve month period ending as of the calendar month most recently ended, the ratio of (a) Net Operating Income for such period to (b) Debt Service for such period.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" means, at any time, any Lender that (a) has failed to make a Loan or purchase a Participation Interest required pursuant to the term of this Credit Agreement within one Business Day of when due, (b) other than as set forth in (a) above, has failed to pay to the Administrative Agent or any Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement within one Business Day of when due, unless such amount is subject to a good faith dispute or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or with respect to which (or with respect to any of the assets of which) a receiver, trustee or similar official has been appointed.

"Deposit Account" shall have the meaning assigned to such term in Section 2.1(b)(iii).

"Development Agreement" means that certain Development Agreement dated as May 12, 1998 between the Borrower, Clise Development LLC, a Washington limited liability company and Nordstrom, as amended or modified from time to time.

"Dollars" and "\$" means dollars in lawful currency of the United States.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender that is a "United States person" (as defined in Section 7701(a)(30) of the Code); and (iii) any other Person approved by the Administrative Agent and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 10.3, the Borrower (such approval by the Administrative Agent or the Borrower not to be unreasonably withheld or delayed); provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Indemnity Agreement" means that certain Certificate and Indemnity Agreement Regarding Building Laws and Hazardous Substances dated as of the Closing Date between the Borrower and the Administrative Agent, as amended or modified from time to time.

"Environmental Laws" means any and all lawful and applicable Federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"ERISA Affiliate" means an entity which is under common control with the Borrower within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes the Borrower and which is treated as a single employer under Sections 414(b) or (c) of the Code.

"ERISA Event" means (i) with respect to any Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA); (ii) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (iii) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA; (iv) the institution of proceedings to

terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA; (v) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (vi) the complete or partial withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan; (vii) the conditions for imposition of a lien under Section 302(f) of ERISA exist with respect to any Plan; or (viii) the adoption of an amendment to any Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA.

"Eurodollar Loan" means any Loan that bears interest at a rate based upon the Eurodollar Rate.

"Eurodollar Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Administrative Agent to be equal to the quotient obtained by dividing (a) the Interbank Offered Rate for such Eurodollar Loan for such Interest Period by (b) 1 minus the Eurodollar Reserve Requirement for such Eurodollar Loan for such Interest Period.

"Eurodollar Reserve Requirement" means, at any time, the maximum rate at which reserves (including, without limitation, any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System with deposits exceeding \$5 billion against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Eurodollar Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (ii) any category of extensions of credit or other assets which include Eurodollar Loans. The Adjusted Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Requirement.

"Event of Default" shall have the meaning assigned to such term in Section 8.1.

"Executive Officer" of any Person means any of the chief executive officer, chief operating officer, president, vice president, chief financial officer or treasurer of such Person.

"Extension Period" shall have the meaning assigned such term in Section 2.2.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal

Funds Rate for such day shall be the average rate charged to the Administrative Agent (in its individual capacity) on such day on such transactions as determined by the Administrative Agent.

"Fees" means all fees payable pursuant to Section 3.5.

"Funding Date" means the date on which the conditions set forth in Section 4.1 and Section 4.2 have been fulfilled, provided that such date must be on or before March 14, 2000.

"Funds" shall have the meaning assigned to such term in Schedule 4.3.

"GAAP" means generally accepted accounting principles in the United States applied on a consistent basis and subject to the terms of Section 1.3.

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Ground Lease Agreement" means that certain ground lease agreement dated as of September 30, 1997 by and between Stewart Avenue Properties, a California general partnership and the Borrower (as assignee in interest of the Guarantor), as amended or modified from time to time.

"Guarantor" means Nordstrom, Inc., a Washington corporation.

"Guaranty Agreement" means that certain guaranty agreement dated as of the date hereof in the form of Exhibit 1.1(a) executed by the Guarantor, as amended, modified, restated or supplemented from time to time.

"Guaranty Obligations" means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any Property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase Property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

"Hedging Agreements" means any interest rate protection agreement entered into by the Borrower in connection with the Loans.

"Housing Credits Letter of Credit" shall have the meaning assigned to such term in Section 7.1(c).

"Housing Project" means the multifamily residential building containing approximately sixty-five (65) units on five levels above one street-level of retail space.

"HRG" means Housing Resources Group, a Washington nonprofit corporation.

"Improvements" means all improvements (including, without limitation, the Project) constructed by the Borrower on the Land.

"Indebtedness" means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to Property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of Property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within twelve months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guaranty Obligations of such Person with respect to Indebtedness of another Person, (h) the principal portion of all obligations of such Person under Capital Leases, (i) all obligations of such Person under Hedging Agreements, (j) the maximum amount of all performance and standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (k) all preferred Capital Stock issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, redemption or other acceleration at any time prior to the final Maturity Date hereunder, (l) the principal portion of all obligations of such Person under Synthetic Leases, (m) all obligations of such Person to repurchase any securities which repurchase obligation is related to the issuance thereof, including, without limitation, obligations commonly known as residual equity appreciation potential shares, (n) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer and (o) the aggregate amount of uncollected accounts receivable of such Person subject at such time to 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.

"Interbank Offered Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "Interbank Offered Rate" shall mean, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%).

"Interest Payment Date" means (a) as to Base Rate Loans, each March 31, June 30, September 30 and December 31 and the Maturity Date, and (b) as to Eurodollar Loans, the last day of each applicable Interest Period, the date of repayment of principal of such Loan and the Maturity Date, and in addition where the applicable Interest Period for a Eurodollar Loan is greater than three months, then also the date three months from the beginning of the Interest Period and each three months thereafter.

"Interest Period" means, as to Eurodollar Loans, a period of one, two, three or six months' duration, as the Borrower may elect, commencing, in each case, on the date of the borrowing (including continuations and conversions thereof); provided, however, (a) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (b) no Interest Period shall extend beyond the Maturity Date and (c) where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall end on the last Business Day of such calendar month.

"Investment" means (a) the acquisition (whether for cash, property, services, assumption of Indebtedness, securities or otherwise) of (i) all or any substantial portion of the assets of any Person or (ii) the shares of Capital Stock, bonds, notes, debentures, partnership, joint ventures or other ownership interests or other securities of any Person or (b) any deposit with, or advance, loan or other extension of credit to, any Person (other than deposits made in connection with the purchase of equipment or other assets in the ordinary course of business) or (c) any other capital contribution to or investment in such Person, including, without limitation, any Guaranty Obligations (including any support for a letter of credit issued on behalf of such Person) incurred for the benefit of such Person.

"Joint Development Agreement" means that certain Joint Development Agreement dated as of April 2, 1998 by and among the Guarantor, Seventh & Olive, Inc. and HRG.

"Land" means the real property located at 1700 Seventh Avenue in Seattle, Washington more particularly described as Parcels A and B in Schedule 1.1(b).

"Lender" means any of the Persons identified as a "Lender" on the signature pages hereto, and any Person which may become a Lender by way of assignment in accordance with the terms hereof, together with their successors and permitted assigns.

"Letter of Credit Agreement" means that certain Agreement Regarding Letter of Credit to Secure Production of Low Income Housing for Floor Area Bonus with an effective date of February 3, 2000 between the Borrower and the City, acting through its Office of Housing.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

"Loan" or "Loans" means the Revolving Loans (or a portion of any Revolving Loan bearing interest at the Adjusted Base Rate or the Adjusted Eurodollar Rate), individually or collectively, as appropriate.

"Material Adverse Effect" means a material adverse effect on (i) the condition (financial or otherwise), operations, business, assets, liabilities or prospects of (a) the Borrower or (b) the Guarantor and its Subsidiaries taken as a whole, (ii) the ability of any Credit Party to perform any material obligation applicable to it under the Credit Documents to which it is a party or (iii) the material rights and remedies of the Administrative Agent and the Lenders under the Credit Documents.

"LTV Ratio" means the ratio of (a) the Revolving Committed Amount to (b) the fair market value of the Project, as determined in accordance with appraisal delivered to the Agents pursuant to Section 2.2(h).

"Materials of Environmental Concern" means any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Laws, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Maturity Date" means August 29, 2002, as such date may be extended pursuant to Section 2.2.

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

"Mortgage Instrument" shall have the meaning assigned such term in Section 4.1(e).

"Mortgage Policy" shall have the meaning assigned to such term in Section 4.2(e).

"Multiple Employer Plan" means a Plan (other than a Multiemployer Plan) which the Borrower or any ERISA Affiliate and at least one employer other than the Borrower or any ERISA Affiliate are contributing sponsors.

"Net Operating Income" means, (i) assuming the Project has been substantially complete for twelve months on the date of determination, for the twelve month period most recently ending, an amount equal to (A) the income of the Borrower with respect to the operation of the Improvements (utilizing the actual parking revenues, expense reimbursements and lease rates so long as such parking revenues, expense reimbursements and lease rates do not exceed fair market value) for such period, as determined in accordance with GAAP minus (B) the Vacancy Reserve for such period minus (C) the Capital Reserve minus (D) an amount equal to the greater of (I) the sum of all expenses (exclusive of interest expense, depreciation and amortization expense) incurred or accrued by the Borrower in connection with the ownership and/or operation of the Improvements for such period, as determined in accordance with GAAP and (II) the operating expenses at stabilization for such period as set forth in the appraisal provided to the Project Administrative Agent in accordance with Section 4.1(e)(vi) (provided, however, with respect to any space in the Improvements which has not been occupied for the complete twelve month period in question, the income and expenses associated with the leasing of such space during the twelve month period in question shall be annualized for purposes of determining Net Operating Income for such twelve month period), or (ii) if the Project has not been substantially complete for at least twelve months on the date of determination, for that period in which the Project has been substantially complete, an amount equal to (A) annualized income of the Borrower with respect to the operation of the Improvements (utilizing the actual parking revenues, expense reimbursements and lease rates so long as such parking revenues, expense reimbursements and lease rates do not exceed fair market value) for such period, as determined in accordance with GAAP minus (B) annualized Vacancy Reserve for such period minus (C) the Capital Reserve minus (D) an amount equal to the greater of (I) annualized expenses (exclusive of interest expense, depreciation and amortization expense) incurred or accrued by the Borrower in connection with the ownership and/or operation of the Improvements for such period, as determined in accordance with GAAP and (II) annualized operating expenses at stabilization for such period as set forth in the appraisal provided to the Project Administrative Agent in accordance with Section 4.1(e)(vi).

"Nordstrom Credit Agreement" means that certain Amended and Restated Credit Agreement dated as of October 15, 1999 among the Guarantor, the lenders named therein, Banc One, NA, as syndication agent, Morgan Guaranty Trust Company of New York, as

documentation agent and Bank of America, as administrative agent, as amended, modified, supplemented or restated from time to time.

"Nordstrom Lease Agreement" means that certain agreement of lease dated May 12, 1998, as amended, by and between the Borrower and the Guarantor.

"Nordstrom Loan" means that certain loan or line of credit in an amount not to exceed \$20,000,000 in principal at any one time outstanding made by the Guarantor to the Borrower.

"Note" or "Notes" means the Revolving Notes, individually or collectively, as appropriate.

"Notice of Borrowing" means a written notice of borrowing in substantially the form of Exhibit 2.1(b)(i), as required by Section 2.1(b)(i).

"Notice of Extension/Conversion" means the written notice of extension or conversion in substantially the form of Exhibit 3.2, as required by Section 3.2.

"Occupancy Rate" means, with respect to the Project, the ratio (expressed as a percentage) equal to (i) the gross leaseable area in the Project presently being rented by tenants pursuant to leases entered into by the Borrower in accordance with Section 7.15 to (ii) the actual gross leaseable area in the Project.

"Operating Lease" means, as applied to any Person, any lease (including, without limitation, leases which may be terminated by the lessee at any time) of any Property (whether real, personal or mixed) which is not a Capital Lease other than any such lease in which that Person is the lessor.

"Other Taxes" shall have the meaning assigned to such term in Section 3.11.

"Participation Interest" means a purchase by a Lender of a participation in any Loans as provided in Section 3.14.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereof.

"Permitted Investments" means Investments which are (i) cash and Cash Equivalents; (ii) accounts receivable created, acquired or made by the Borrower in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; and (iii) Investments consisting of Capital Stock, obligations, securities or other property received by the Borrower in settlement of accounts receivable (created in the ordinary course of business) from bankrupt obligors.

"Permitted Liens" means:

(i) Liens in favor of the Administrative Agent to secure the Credit Party Obligations;

(ii) Liens (other than Liens created or imposed under ERISA) for taxes, assessments or governmental charges or levies not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(iii) Liens in connection with attachments or judgments (including judgment or appeal bonds) provided that the judgments secured shall, (a) within 30 days after the entry thereof, have been discharged, (b) within 30 days after execution thereof have been stayed pending appeal and have been discharged within 30 days after the expiration of any such stay or (c) have been covered in full by insurance by an insurance carrier who has acknowledged coverage and has the ability to perform;

(iv) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered Property for its intended purposes;

(v) statutory Liens of mechanics, materialmen and suppliers and other Liens imposed by law or pursuant to customary reservations or retentions of title arising in the ordinary course of business, provided that such Liens secure only amounts not yet due and payable or, if due and payable, (A) are unfiled and no other action has been taken to enforce the same or are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof) or (B) (I) the Borrower has deposited a bond or other security satisfactory to the Administrative Agent and the Project Administrative Agent in an amount reasonably required by the Administrative Agent and the Project Administrative Agent, but not more than the amounts specified in RCW 60.04.161, as now or hereafter amended, (II) the Borrower, to the extent the Borrower reasonably believes the Lien is frivolous and made without reasonable cause, or is clearly excessive, immediately commences its contest of such Lien, applies to court for a show of cause as provided for in RCW 60.04.221(9), as now or hereafter amended and continuously pursues the contest in good faith and with due diligence, (III) foreclosure of the Lien is stayed and (IV) the Borrower pays any judgment rendered for the lien claimant or other third party within ten (10) days after the entry of the judgment;

(vi) leases or subleases granted to others not interfering in any material respect with the business of any Credit Party;

(vii) any matters shown as an exception to title on the Mortgage Policy as of the Closing Date;

(viii) in order to obtain a certificate of acceptance for the Housing Project from the City, (A) an agreement restricting the occupancy and rents of the Housing Project consistent with the terms of Section 4.2(b) of the Letter of Credit Agreement and (B) a deed of trust recorded by the City against the Tipp Property to secure the owner of the Housing Project's obligation to buyout the Housing Project in the event such owner fails to restore or replace the Housing Project following a casualty or condemnation; and

(ix) Liens existing on the date hereof and identified on Schedule 1.1(c); provided that no such Lien shall extend to any property other than the property subject thereto on the Closing Date.

"Person" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise (whether or not incorporated) or any Governmental Authority.

"Plan" means any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which the Borrower or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" within the meaning of Section 3(5) of ERISA.

"Plans and Specifications" shall have the meaning assigned to such term in Section 4.1(g).

"Prime Rate" means the per annum rate of interest established from time to time by Bank of America as its prime rate, which rate may not be the lowest rate of interest charged by Bank of America to its customers.

"Project" means the approximately 572,000 square foot office building and 198,000 square foot parking garage located on the Land as described in the Plans and Specifications.

"Project Administrative Agent" means Bank of America, N.A. or any successor project administrative agent appointed pursuant to Section 9.7.

"Project Budget" shall have the meaning assigned to such term in Section 6.14.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Ratings Date" shall have the meaning assigned to such term in the definition of "Applicable Percentage" set forth in this Section 1.1.

"Real Properties" means the collective reference to (a) the Land and the Improvements and (b) the Tipp Property.

"Register" shall have the meaning assigned to such term in Section 11.3(c).

"Regulation D, T, U, or X" means Regulation D, T, U or X, respectively, of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the notice requirement has been waived by regulation.

"Required Lenders" means, at any time, Lenders other than Defaulting Lenders which are then in compliance with their obligations hereunder (as determined by the Administrative Agent) and holding in the aggregate more than 66 2/3% of (i) the Revolving Commitments (and Participation Interests therein) or (ii) if the Revolving Commitments have been terminated, the outstanding Loans and Participation Interests.

"Requirement of Law" means, as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or to which any of its material property is subject.

"Restricted Payment" means (i) any dividend or other payment or distribution, direct or indirect, on account of any shares of any class of Capital Stock of the Borrower or any of its Subsidiaries, now or hereafter outstanding, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of the Borrower or any of its Subsidiaries, now or hereafter outstanding or (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Capital Stock of the Borrower or any of its Subsidiaries, now or hereafter outstanding.

"Revolving Commitment" means, with respect to each Lender, the commitment of such Lender in an aggregate principal amount at any time outstanding of up to such Lender's Revolving Commitment Percentage of the Revolving Committed Amount to make Revolving Loans in accordance with the provisions of Section 2.1(a).

"Revolving Commitment Percentage" means, for any Lender, the percentage identified as its Revolving Commitment Percentage on Schedule 2.1(a), as such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 10.3.

"Revolving Committed Amount" shall have the meaning assigned to such term in Section 2.1(a).

"Revolving Loans" shall have the meaning assigned to such term in Section 2.1(a).

"Revolving Note" or "Revolving Notes" means the promissory notes of the Borrower in favor of each Lender provided pursuant to Section 2.1(e) and evidencing the Revolving Loans of such Lender, individually or collectively, as appropriate, as such

promissory notes may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time.

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

"Sale and Leaseback Transaction" means any arrangement pursuant to which the Borrower, directly or indirectly, becomes liable as lessee, guarantor or other surety with respect to any lease, whether an Operating Lease or a Capital Lease, of any Property (a) which the Borrower has sold or transferred (or is to sell or transfer) to a Person which is not the Borrower or (b) which the Borrower intends to use for substantially the same purpose as any other Property which has been sold or transferred (or is to be sold or transferred) by the Borrower to another Person which is not the Borrower in connection with such lease.

"SCIDPDA TDR Agreement" means that certain Agreement for Purchase and Sale of Transferable Development Rights dated as of December 28, 1999 by and between Seattle Chinatown International District Preservation and Development Authority and the Borrower.

"Securities Exchange Act" means the Securities Exchange Act of 1934.

"Senior Debt" shall have the meaning given such term in the definition of Senior Debt Rating.

"Senior Debt Rating" means the publicly announced ratings by S&P and Moody's for the senior unsecured (non-credit enhanced) long term debt of the Guarantor ("Senior Debt").

"Seventh and Stewart" means Seventh and Stewart LLC, a Washington limited liability company.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

"Solvent" means, with respect to any Person on a particular date, that on such date (i) the property of such Person, at a fair valuation, is greater than the total amount of such Person's absolute and matured debts, and (b) such Person is generally paying his, her or its debts as they become due.

"Stabilization" means, with respect to the Project, the condition where (i) the Project has an Occupancy Rate of at least 90% for two consecutive fiscal quarters and (ii) the Borrower has received a certificate of occupancy from the appropriate Governmental Authority with respect to the Project (in form and substance satisfactory to the Project Administrative Agent).

"Subordinated Debt" shall have the meaning assigned to such term in Section 7.1(h).

"Subsidiary" means, as to any Person at any time, (a) any corporation more than 50% of whose Capital Stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at such time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at such time owned by such Person directly or indirectly through Subsidiaries, and (b) any partnership, association, joint venture or other entity of which such Person directly or indirectly through Subsidiaries owns at such time more than 50% of the Capital Stock. The Borrower is not a Subsidiary of the Guarantor.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease under GAAP.

"Taxes" shall have the meaning assigned to such term in Section 3.11.

"Tipp Property" means the real property described as Parcel C in Schedule 1.1(b).

"Title Insurance Company" shall have the meaning assigned to such term in Section 4.2(d).

"Transferable Development Rights Agreements" means a collective reference to the SCIDPDA TDR Agreement and the YMCA TDR Agreement.

"Treasury Rate" means, for any day, a rate of interest equal to the yield for actively traded U.S. Treasury securities having a ten (10) year maturity as determined by the Administrative Agent prior to 9:00 a.m. (San Francisco, California time).

"Unused Fee" shall have the meaning assigned to such term in Section 3.5(b).

"Unused Fee Calculation Period" shall have the meaning assigned to such term in Section 3.5(b).

"Unused Revolving Committed Amount" means, for any period, the amount by which (a) the then applicable Revolving Committed Amount exceeds (b) the daily average sum for such period of the outstanding aggregate principal amount of all Revolving Loans.

"Upfront Fee" shall have the meaning assigned to such term in Section 3.5(a).

"Vacancy Reserve" means an amount equal to 2.6% of the income generated by the Borrower from the operation of the Improvements for the applicable period.

"Voting Stock" means, with respect to any Person, Capital Stock issued by such 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 so to vote has been suspended by the happening of such a contingency.

"Wholly Owned Subsidiary" of any Person means any Subsidiary 100% of whose Voting Stock is at the time owned by such Person directly or indirectly through other Wholly Owned Subsidiaries.

"Year 2000 Problem" shall have the meaning assigned to such term in Section 5.21.

"YMCA TDR Agreement" means that certain Agreement for Purchase and Sale of Transferable Development Rights dated as of December 3, 1999 by and among Young Men's Christian Association of Greater Seattle, 909 4th YMCA Limited Partnership and the Borrower.

1.2 COMPUTATION OF TIME PERIODS.

For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

1.3 ACCOUNTING TERMS.

Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Administrative Agent and/or the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis. All calculations made for the purposes of determining compliance with this Credit Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements delivered pursuant to Section 6.1 (or, prior to the delivery of the first financial statements pursuant to Section 6.1, consistent with the financial statements as at December 31, 1998); provided, however, if (a) the Borrower shall object to determining such compliance on such basis at the time of delivery of such financial statements due to any change in GAAP or the rules promulgated with respect thereto or (b) the Administrative Agent or the Required Lenders shall so object in writing within 60 days after delivery of such financial statements, then such calculations shall be made on a basis consistent with the most recent financial statements delivered by the Borrower to the Lenders as to which no such objection shall have been made.

SECTION 2

CREDIT FACILITIES

2.1 REVOLVING LOANS.

(a) Revolving Commitment. Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein, each Lender severally agrees to make available to the Borrower such Lender's Revolving Commitment Percentage of revolving credit loans requested by the Borrower in Dollars ("Revolving Loans") from time to time from the Funding Date until the Maturity Date, or such earlier date as the Revolving Commitments shall have been terminated as provided herein; provided, however, that the sum of the aggregate outstanding principal amount of Revolving Loans shall not exceed NINETY THREE MILLION DOLLARS (\$93,000,000) (as such aggregate maximum amount may be reduced from time to time as provided in Section 3.4, the "Revolving Committed Amount"); provided, further, (A) with regard to each Lender individually, such Lender's outstanding Revolving Loans shall not exceed such Lender's Revolving Commitment Percentage of the Revolving Committed Amount, (B) the sum of the aggregate outstanding principal amount of Revolving Loans shall not exceed the Revolving Committed Amount, (C) a Revolving Loan borrowing shall only be made available once per calendar month and (D) each Revolving Loan borrowing is subject to the conditions set forth in Schedule 4.3. Revolving Loans may consist of Base Rate Loans or Eurodollar Loans, or a combination thereof, as the Borrower may request; provided, however, that no more than six Eurodollar Loans shall be outstanding hereunder at any time (it being understood that, for purposes hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar Loans, even if they begin on the same date, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest Period). Once repaid, the Revolving Loans cannot be reborrowed. No Revolving Loans shall be made available during the Extension Period.

(b) Revolving Loan Borrowings.

(i) Notice of Borrowing. After having satisfied the terms and conditions of Schedule 4.3 hereof with respect to any request for the disbursement of Funds, the Borrower may then make a request for a Revolving Loan in the amount approved by the Project Administrative Agent with respect to such a request for Funds in accordance with the terms of Schedule 4.3; provided, however, if the Borrower submits a Notice of Borrowing to the Administrative Agent prior to having satisfied the terms and conditions of Schedule 4.3, the parties hereto agree that the Administrative Agent shall not accept such Notice of Borrowing, and the Borrower shall have to re-submit such Notice of Borrowing after the Project Administrative Agent has confirmed that the terms and conditions of Schedule 4.3 with respect to such borrowing have been satisfied. The Borrower shall request a Revolving Loan borrowing by written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent not later than 10:00 A.M. (San

Francisco, California time) on the Business Day prior to the date of the requested borrowing in the case of Base Rate Loans, and on the third Business Day prior to the date of the requested borrowing in the case of Eurodollar Loans. Each such request for borrowing shall be irrevocable and shall specify (A) that a Revolving Loan is requested, (B) the date of the requested borrowing (which shall be a Business Day), (C) the aggregate principal amount to be borrowed, and (D) whether the borrowing shall be comprised of Base Rate Loans, Eurodollar Loans or a combination thereof, and if Eurodollar Loans are requested, the Interest Period(s) therefor. If the Borrower shall fail to specify in any such Notice of Borrowing (I) an applicable Interest Period in the case of a Eurodollar Loan, then such notice shall be deemed to be a request for an Interest Period of one month, or (II) the type of Revolving Loan requested, then such notice shall be deemed to be a request for a Base Rate Loan hereunder. The Administrative Agent shall give notice to each affected Lender promptly upon receipt of each Notice of Borrowing pursuant to this Section 2.1(b)(i), the contents thereof and each such Lender's share of any borrowing to be made pursuant thereto.

(ii) Minimum Amounts. (a) Each Eurodollar Loan shall be in a minimum aggregate principal amount of \$2,000,000 and integral multiples of \$100,000 in excess thereof (or the remaining amount of the Revolving Committed Amount, if less), and (b) each Base Rate Loan shall be in a minimum aggregate principal amount of \$100,000 (or the remaining amount of the Revolving Committed Amount, if less).

(iii) Advances. Each Lender will make its Revolving Commitment Percentage of each Revolving Loan borrowing available to the Administrative Agent for the account of the Borrower as specified in Section 3.15(a), or in such other manner as the Administrative Agent may specify in writing, by 8:00 A.M. (San Francisco, California time) on the date specified in the applicable Notice of Borrowing in Dollars and in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower with Bank of America (the "Deposit Account") with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

(c) Repayment. The principal amount of all Revolving Loans shall be due and payable in full on the Maturity Date, unless accelerated sooner pursuant to Section 8.2.

(d) Interest. Subject to the provisions of Section 3.1,

(i) Base Rate Loans. During such periods as Revolving Loans shall be comprised in whole or in part of Base Rate Loans, such Base Rate Loans shall bear interest at a per annum rate equal to the Adjusted Base Rate.

(ii) Eurodollar Loans. During such periods as Revolving Loans shall be comprised in whole or in part of Eurodollar Loans, such Eurodollar Loans shall bear interest at a per annum rate equal to the Adjusted Eurodollar Rate.

Interest on Revolving Loans shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein).

(e) Revolving Notes. The Revolving Loans made by each Lender shall be evidenced by a duly executed promissory note of the Borrower to such Lender in an original principal amount equal to such Lender's Revolving Commitment Percentage of the Revolving Committed Amount and in substantially the form of Exhibit 2.1(e).

2.2 EXTENSION OF MATURITY DATE.

Not more than 120 days and not less than 60 days prior to August 29, 2002 (the "Extension Date"), the Borrower may request in writing that the Lenders extend the Maturity Date for an additional one year period (the "Extension Period"). The Maturity Date shall be extended for an additional one year period if, on the Extension Date, the following conditions are satisfied:

(a) no Default or Event of Default then exists;

(b) payment by the Borrower to each Lender of an extension fee in an amount equal to 0.25% of such Lender's outstanding Revolving Loans on the Extension Date;

(c) the Guarantor shall have a Senior Debt Rating of no less than A- from S&P and A3 from Moody's;

(d) certificates of occupancy with respect to the Project (in form and substance reasonably satisfactory to the Project Administrative Agent) shall have been issued by the appropriate Governmental Authority;

(e) the Guarantor shall not be in default under any agreement governing Indebtedness of the Guarantor for borrowed money;

(f) (i) the Nordstrom Lease Agreement shall be in full force and effect and (ii) the Administrative Agent shall have received from the Guarantor an estoppel certificate, in a form attached hereto as Exhibit 2.2;

(g) the Debt Service Coverage Ratio, as of the calendar month most recently ended, for the twelve month period ending on such date, shall be greater than or equal to 1.25 to 1.0;

(h) the Administrative Agent and the Project Administrative Agent shall have received an appraisal of the Project prepared by a qualified appraiser designated by and satisfactory to the Administrative Agent and the Project Administrative Agent and otherwise satisfactory in form and substance to the Administrative Agent and the Project Administrative Agent, demonstrating an LTV Ratio less than or equal to 0.75 to 1.0;

(i) the construction of the Project has been substantially completed in accordance with the Plans and Specifications and a certificate (in form and substance satisfactory to the Project Administrative Agent) as to such completion shall have been issued by the project architect;

(j) the Administrative Agent and the Project Administrative Agent shall have received an updated title report for the Project containing no exceptions not approved by the Administrative Agent and the Project Administrative Agent and otherwise in form and substance satisfactory to the Administrative Agent and the Project Administrative Agent; and

(k) the Administrative Agent and the Project Administrative Agent shall have received an as-built survey of the Project, certified to the Administrative Agent by an independent professional licensed land surveyor showing all improvements in place on the Land and otherwise in form and substance satisfactory to the Administrative Agent and the Project Administrative Agent, together with any endorsements to the Title Policy reasonably requested by the Administrative Agent or the Project Administrative Agent to address changes in the state of title disclosed in such as-built survey.

SECTION 3

OTHER PROVISIONS RELATING TO CREDIT FACILITIES

3.1 DEFAULT RATE.

Upon the occurrence, and during the continuance, of an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing hereunder or under the other Credit Documents shall bear interest, payable on demand, at a per annum rate 2% greater than the rate which would otherwise be applicable (or if no rate is applicable, whether in respect of interest, fees or other amounts, then the Adjusted Base Rate plus 2%).

3.2 EXTENSION AND CONVERSION.

The Borrower shall have the option, on any Business Day, to extend existing Loans into a subsequent permissible Interest Period or to convert Loans into Loans of another interest rate type; provided, however, that (i) except as provided in Section 3.8, Eurodollar Loans may be converted into Base Rate Loans or extended as Eurodollar Loans for new Interest Periods only on the last day of the Interest Period applicable thereto, (ii) without the consent of the Required Lenders, Eurodollar Loans may be extended, and Base Rate Loans may be converted into Eurodollar Loans, only if the conditions precedent set forth in Section 4.3 are satisfied on the date of extension or conversion, (iii) Loans extended as, or converted into, Eurodollar Loans shall be subject to the terms of the definition of "Interest Period" set forth in Section 1.1 and shall be in such minimum amounts as provided in, with respect to Revolving Loans, Section 2.1(b)(ii), (iv) no more than six Eurodollar Loans shall be outstanding hereunder at any time (it being understood that, for purposes hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar

Loans, even if they begin on the same date, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest Period) and (v) any request for extension or conversion of a Eurodollar Loan which shall fail to specify an Interest Period shall be deemed to be a request for an Interest Period of one month. Each such extension or conversion shall be effected by the Borrower by giving a Notice of Extension/Conversion (or telephonic notice promptly confirmed in writing) to the office of the Administrative Agent specified in Schedule 2.1(a), or at such other office as the Administrative Agent may designate in writing, prior to 10:00 A.M. (San Francisco, California time) on the Business Day of, in the case of the conversion of a Eurodollar Loan into a Base Rate Loan, and on the third Business Day prior to, in the case of the extension of a Eurodollar Loan as, or conversion of a Base Rate Loan into, a Eurodollar Loan, the date of the proposed extension or conversion, specifying the date of the proposed extension or conversion, the Loans to be so extended or converted, the types of Loans into which such Loans are to be converted and, if appropriate, the applicable Interest Periods with respect thereto. Each request for extension or conversion shall be irrevocable and shall constitute a representation and warranty by the Borrower of the matters specified in subsections (b), (c), (d), (e), (g) and (h) of Section 4.3. In the event the Borrower fails to request extension or conversion of any Eurodollar Loan in accordance with this Section, or any such conversion or extension is not permitted or required by this Section, then such Eurodollar Loan shall be automatically converted into a Base Rate Loan at the end of the Interest Period applicable thereto. The Administrative Agent shall give each Lender notice as promptly as practicable of any such proposed extension or conversion affecting any Loan.

3.3 PREPAYMENTS.

(a) Voluntary Prepayments. The Borrower shall have the right to prepay Loans in whole or in part from time to time; provided, however, that (i) each partial prepayment of Eurodollar Loans shall be in a minimum principal amount of \$2,000,000 and integral multiples of \$100,000 in excess thereof (or the then remaining principal balance of the Revolving Loans, if less) and (ii) each partial prepayment of Base Rate Loans shall be in a minimum principal amount of \$100,000 and integral multiples of \$100,000 in excess thereof (or the remaining principal balance of Base Rate Loans, if less). Subject to the foregoing terms, amounts prepaid under this Section 3.3(a) shall be applied as the Borrower may elect; provided that if the Borrower fails to specify a voluntary prepayment then such prepayment shall be applied to Revolving Loans, in each case first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities. All prepayments under this Section 3.3(a) shall be subject to Section 3.12, but otherwise without premium or penalty, and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

(b) Mandatory Prepayments.

(i) Revolving Committed Amount. If at any time, the sum of the aggregate outstanding principal amount of Revolving Loans shall exceed the Revolving Committed Amount, the Borrower immediately shall prepay the Revolving Loans in an amount sufficient to eliminate such excess.

(ii) Application of Mandatory Prepayments. All amounts required to be paid pursuant to this Section 3.3(b) shall be applied to the Revolving Loans. Within the parameters of the applications set forth above, prepayments shall be applied first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities. All prepayments under this Section 3.3(b) shall be subject to Section 3.12, but otherwise without premium or penalty, and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

3.4 TERMINATION AND REDUCTION OF REVOLVING COMMITTED AMOUNT.

(a) Voluntary Reductions. The Borrower may from time to time permanently reduce or terminate the Revolving Committed Amount in whole or in part (in minimum aggregate amounts of \$5,000,000 or in integral multiples of \$1,000,000 in excess thereof (or, if less, the full remaining amount of the then applicable Revolving Committed Amount)) upon five Business Days' prior written notice to the Administrative Agent; provided, however, no such termination or reduction shall be made which would cause the sum of the aggregate outstanding principal amount of Revolving Loans to exceed the Revolving Committed Amount, unless, concurrently with such termination or reduction, the Revolving Loans are repaid to the extent necessary to eliminate such excess. The Administrative Agent shall promptly notify each affected Lender of receipt by the Administrative Agent of any notice from the Borrower pursuant to this Section 3.4(a).

(b) Maturity Date. The Revolving Commitments of the Lenders shall automatically terminate on the Maturity Date.

(c) General. The Borrower shall pay to the Administrative Agent for the account of the Lenders in accordance with the terms of Section 3.5(b), on the date of each termination or reduction of the Revolving Committed Amount, the Unused Fee accrued through the date of such termination or reduction on the amount of the Revolving Committed Amount so terminated or reduced.

3.5 FEES.

(a) Upfront Fees. The Borrower agrees to pay to the Administrative Agent for the benefit of the Lenders in immediately available funds on or before the Closing Date an upfront fee (the "Upfront Fee") in the amount provided in the Administrative Agent's Fee Letter.

(b) Unused Fee. In consideration of the Revolving Commitments of the Lenders hereunder, the Borrower agrees to pay to the Administrative Agent for the account of each Lender a fee (the "Unused Fee") on the Unused Revolving Committed Amount computed at a per annum rate for each day during the applicable Unused Fee Calculation Period (hereinafter defined) at a rate equal to the Applicable Percentage in effect from time to time. The Unused Fee shall commence to accrue on the Funding Date and shall be due and payable in arrears on the last Business Day of each March, June, September and December (and on any date that the Revolving Committed Amount is reduced and on the

Maturity Date) for the immediately preceding quarter (or portion thereof) (each such quarter or portion thereof for which the Unused Fee is payable hereunder being herein referred to as an "Unused Fee Calculation Period"), beginning with the first of such dates to occur after the Funding Date.

(c) Administrative Fees. The Borrower agrees to pay to the Administrative Agent, for its own account, and for the account of BAS, as applicable, the fees referred to in the Administrative Agent's Fee Letter (collectively, the "Administrative Agent's Fees").

3.6 CAPITAL ADEQUACY.

If after the date hereof, the adoption or the becoming effective of, or any change in, or any change by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof in the interpretation or administration of, any applicable law, rule or regulation regarding capital adequacy, or compliance by any Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy), then, upon notice from such Lender to the Borrower, the Borrower shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction. Each determination by any such Lender of amounts owing under this Section shall be prima facie evidence of such amounts.

3.7 LIMITATION ON EURODOLLAR LOANS.

If on or prior to the first day of any Interest Period for any Eurodollar Loan:

(a) the Administrative Agent determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period; or

(b) the Required Lenders determine (which determination shall be conclusive) and notify the Administrative Agent that the Eurodollar Rate will not adequately and fairly reflect the cost to the Lenders of funding Eurodollar Loans for such Interest Period;

then the Administrative Agent shall give the Borrower prompt notice thereof, and so long as such condition remains in effect, the Lenders shall be under no obligation to make additional Eurodollar Loans, continue Eurodollar Loans, or to convert Base Rate Loans into Eurodollar Loans and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Eurodollar Loans, either prepay such Eurodollar Loans or convert such Eurodollar Loans into Base Rate Loans in accordance with the terms of this Credit Agreement.

3.8 ILLEGALITY.

Notwithstanding any other provision of this Credit Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to make, maintain, or fund Eurodollar Loans hereunder, then such Lender shall promptly notify the Borrower thereof and such Lender's obligation to make or continue Eurodollar Loans and to convert Base Rate Loans into Eurodollar Loans shall be suspended until such time as such Lender may again make, maintain, and fund Eurodollar Loans (in which case the provisions of Section 3.10 shall be applicable).

3.9 REQUIREMENTS OF LAW.

If, after the date hereof, the adoption of any applicable law, rule, or regulation, or any change in any applicable law, rule, or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank, or comparable agency:

(i) shall subject such Lender (or its Applicable Lending Office) to any tax, duty, or other charge with respect to any Eurodollar Loans, its Notes, or its obligation to make Eurodollar Loans, or change the basis of taxation of any amounts payable to such Lender (or its Applicable Lending Office) under this Credit Agreement or its Notes in respect of any Eurodollar Loans (other than taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or such Applicable Lending Office);

(ii) shall impose, modify, or deem applicable any reserve, special deposit, assessment, or similar requirement (other than the Eurodollar Reserve Requirement utilized in the determination of the Adjusted Eurodollar Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender (or its Applicable Lending Office), including the Commitment of such Lender hereunder; or

(iii) shall impose on such Lender (or its Applicable Lending Office) or the London interbank market any other condition affecting this Credit Agreement or its Notes or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making, converting into, continuing, or maintaining any Eurodollar Loans or to reduce any sum received or receivable by such Lender (or its Applicable Lending Office) under this Credit Agreement or its Notes with respect to any Eurodollar Loans, then the Borrower shall pay to such Lender on demand such amount or amounts as will compensate such Lender for such increased cost or reduction. If any Lender requests compensation by the Borrower under this Section 3.9, the Borrower may, by notice to such Lender (with a copy to the Administrative Agent), suspend the obligation of such Lender to make or continue Eurodollar Loans, or to convert Base Rate Loans into Eurodollar Loans, until the event or condition giving rise to such request ceases to

be in effect (in which case the provisions of Section 3.10 shall be applicable); provided that such suspension shall not affect the right of such Lender to receive the compensation so requested. Each Lender shall promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section 3.9 and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of such Lender, be otherwise disadvantageous to it. Any Lender claiming compensation under this Section 3.9 shall furnish to the Borrower and the Administrative Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be prima facie evidence of such amount or amounts. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

3.10 TREATMENT OF AFFECTED LOANS.

If the obligation of any Lender to make any Eurodollar Loan or to continue, or to convert Base Rate Loans into, Eurodollar Loans shall be suspended pursuant to Section 3.7, 3.8 or 3.9 hereof, such Lender's Eurodollar Loans shall be automatically converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for such Eurodollar Loans (or, in the case of a conversion, on such earlier date as such Lender may specify to the Borrower with a copy to the Administrative Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 3.7, 3.8 or 3.9 hereof that gave rise to such conversion no longer exist:

(a) to the extent that such Lender's Eurodollar Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender's Eurodollar Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans that would otherwise be made or continued by such Lender as Eurodollar Loans shall be made or continued instead as Base Rate Loans, and all Base Rate Loans of such Lender that would otherwise be converted into Eurodollar Loans shall remain as Base Rate Loans.

If such Lender gives notice to the Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 3.7, 3.8 or 3.9 hereof that gave rise to the conversion of such Lender's Eurodollar Loans pursuant to this Section 3.10 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when Eurodollar Loans made by other Lenders are outstanding, such Lender's Base Rate Loans shall be automatically converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurodollar Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding Eurodollar Loans and by such Lender are held pro rata (as to principal amounts, interest rate basis, and Interest Periods) in accordance with their respective Commitments....

3.11 TAXES.

(a) Any and all payments by any Credit Party to or for the account of any Lender or the Administrative Agent hereunder or under any other Credit Document shall be

made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender (or its Applicable Lending Office) or the Administrative Agent (as the case may be) is organized or any political subdivision thereof (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter referred to as "Taxes"). If any Credit Party shall be required by law to deduct any Taxes from or in respect of any sum payable under this Credit Agreement or any other Credit Document to any Lender or the Administrative Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.11) such Lender or the Administrative Agent receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Credit Party shall make such deductions, (iii) such Credit Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law, and (iv) such Credit Party shall furnish to the Administrative Agent, at its address referred to in Section 11.1, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Credit Agreement or any other Credit Document or from the execution or delivery of, or otherwise with respect to, this Credit Agreement or any other Credit Document (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Lender and the Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 3.11) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto.

(d) Each Lender that is not a United States Person under Section 7701(a)(30) of the Code, on or prior to the date of its execution and delivery of this Credit Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Borrower or the Administrative Agent (but only so long as such Lender remains lawfully able to do so), shall provide the Borrower and the Administrative Agent with (i) Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Credit Agreement is effectively connected with the conduct of a trade or business in the United States, (ii) Internal Revenue Service Form W-8 or W-9, as appropriate, or any successor form prescribed by the Internal Revenue Service, and/or (iii) any other form or certificate required by any taxing authority (including any

certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Lender is entitled to an exemption from or a reduced rate of tax on payments pursuant to this Credit Agreement or any of the other Credit Documents.

(e) For any period with respect to which a Lender has failed to provide the Borrower and the Administrative Agent with the appropriate form pursuant to Section 3.11(d) (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under Section 3.11(a) or 3.11(b) with respect to Taxes imposed by the United States; provided, however, that should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(f) If any Credit Party is required to pay additional amounts to or for the account of any Lender pursuant to this Section 3.11 or Section 7.11 of the Guaranty Agreement, then such Lender will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the reasonable judgment of such Lender, is not otherwise disadvantageous to such Lender.

(g) Within thirty (30) days after the date of any payment of Taxes, the applicable Credit Party shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing such payment.

(h) Without prejudice to the survival of any other agreement of the Credit Parties hereunder, the agreements and obligations of the Credit Parties contained in this Section 3.11 shall survive the repayment of the Loans and other obligations under the Credit Documents and the termination of the Commitments hereunder.

3.12 COMPENSATION.

Upon the request of any Lender, the Borrower shall pay to such Lender such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost, or expense incurred by it as a result of:

(a) any payment, prepayment (other than a prepayment to the Administrative Agent which is caused by the wrongful failure of a Lender to fund a Eurodollar Loan), or conversion of a Eurodollar Loan for any reason (including, without limitation, the acceleration of the Loans pursuant to Section 8.2) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Borrower for any reason (including, without limitation, the failure of any condition precedent specified in Section 4 and Schedule 4.3 to be satisfied) to borrow, convert, continue, or prepay a Eurodollar Loan on the date for such borrowing,

conversion, continuation, or prepayment specified in the relevant notice of borrowing, prepayment, continuation, or conversion under this Credit Agreement; or

(c) any Eurodollar Loan for any reason not being made (other than a wrongful failure to fund by such Lender).

With respect to Eurodollar Loans, such indemnification may include an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Loans provided for herein (excluding, however, the Applicable Percentage included therein, if any) over (b) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. The covenants of the Borrower set forth in this Section 3.12 shall survive the repayment of the Loans and other obligations under the Credit Documents and the termination of the Commitments hereunder. Notwithstanding the foregoing, the Borrower shall not be responsible to any Lender for any costs hereunder that result from the application of Section 3.8.

3.13 PRO RATA TREATMENT.

Except to the extent otherwise provided herein:

(a) Loans. Each Loan, each payment or (subject to the terms of Section 3.3) prepayment of principal of any Loan, each payment of interest on the Loans, each payment of Unused Fees, each reduction of the Revolving Committed Amount and each conversion or extension of any Loan, shall be allocated pro rata among the Lenders in accordance with the respective principal amounts of their outstanding Loans and Participation Interests.

(b) Advances. No Lender shall be responsible for the failure or delay by any other Lender in its obligation to make its ratable share of a borrowing 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 Administrative Agent shall have been notified by any Lender prior to the date of any requested borrowing that such Lender does not intend to make available to the Administrative Agent its ratable share of such borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of such borrowing, and the Administrative 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 Administrative Agent, the Administrative Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent will promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the

Administrative Agent; provided, however, the Borrower shall maintain any claims against such Lender provided hereunder or under applicable law due to the failure of such Lender to pay such corresponding amount. The Administrative Agent shall also be entitled to recover from the 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 Administrative Agent to the Borrower to the date such corresponding amount is recovered by the Administrative Agent at a per annum rate equal to (i) from the Borrower at the applicable rate for the applicable borrowing pursuant to the Notice of Borrowing and (ii) from a Lender at the Federal Funds Rate.

3.14 SHARING OF PAYMENTS.

The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Loan or any other obligation owing to such Lender under this Credit Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States 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 Credit Agreement, such Lender shall promptly purchase from the other Lenders a Participation Interest 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 Credit 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 repurchase of a Participation Interest 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. The Borrower agrees that any Lender so purchasing such a Participation Interest may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such Participation Interest as fully as if such Lender were a holder of such Loan or other obligation in the amount of such Participation Interest. Except as otherwise expressly provided in this Credit Agreement, if any Lender or the Administrative Agent shall fail to remit to the Administrative Agent or any other Lender an amount payable by such Lender or the Administrative Agent to the Administrative Agent or such other Lender pursuant to this Credit 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 Administrative 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 3.14 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 3.14 to share in the benefits of any recovery on such secured claim.

3.15 PAYMENTS, COMPUTATIONS, ETC.

(a) Generally. Except as otherwise specifically provided herein, all payments hereunder shall be made to the Administrative Agent in Dollars in immediately available funds, without setoff, deduction, counterclaim or withholding of any kind, at the Administrative Agent's office specified in Schedule 2.1(a) not later than 9:00 A.M. (San Francisco, California time) on the date when due. Payments received after such time shall be deemed to have been received on the next succeeding Business Day. The Administrative Agent may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Borrower maintained with the Administrative Agent (with notice to the Borrower). The Borrower shall, at the time it makes any payment under this Credit Agreement, specify to the Administrative Agent the Loans, Fees, interest or other amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that it fails so to specify, or if such application would be inconsistent with the terms hereof, the Administrative Agent shall distribute such payment to the Lenders in such manner as the Administrative Agent may determine to be appropriate in respect of obligations owing by the Borrower hereunder, subject to the terms of Section 3.13(a)). The Administrative Agent will distribute such payments to such Lenders, if any such payment is received prior to 9:00 A.M. (San Francisco, California time) on a Business Day in like funds as received prior to the end of such Business Day and otherwise the Administrative Agent will distribute such payment to such Lenders on the next succeeding Business Day. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day (subject to accrual of interest and Fees for the period of such extension), except that in the case of Eurodollar 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 next preceding Business Day. Unless the Administrative Agent receives notice from the Borrower prior to the date on which any payment is due to the Lenders that the Borrower will not make such payment in full as and when required, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such date an amount equal to the amount then due such Lender. If and to the extent the Borrower has not made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date repaid. Except as expressly provided otherwise herein, all computations of interest and fees shall be made on the basis of actual number of days elapsed over a year of 360 days, except with respect to computation of interest on Base Rate Loans which shall be calculated based on a year of 365 or 366 days, as appropriate. Interest shall accrue from and include the date of borrowing, but exclude the date of payment.

(b) Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Credit Agreement to the contrary, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Administrative

Agent or any Lender on account of the Credit Party Obligations or any other amounts outstanding under any of the Credit Documents or in respect of the Collateral 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 Administrative Agent in connection with enforcing the rights of the Lenders under the Credit Documents which have accrued as of the date of payment and any protective advances made by the Administrative Agent with respect to the Collateral under or pursuant to the terms of the Collateral Documents;

SECOND, to payment of any fees owed to the Administrative Agent which have accrued as of the date of payment;

THIRD, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) of the Administrative Agent in connection with enforcing its rights under the Credit Documents or otherwise with respect to the Credit Party Obligations which have accrued as of the date of payment;

FOURTH, to the payment of all of the Credit Party Obligations consisting of accrued fees and interest;

FIFTH, to the payment of the outstanding principal amount of the Credit Party Obligations;

SIXTH, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) of each of the Lenders in connection with enforcing its rights under the Credit Documents or otherwise with respect to the Credit Party Obligations owing to such Lender which have accrued as of the date of payment;

SEVENTH, to all other Credit Party Obligations and other obligations which shall have become due and payable under the Credit Documents or otherwise and not repaid pursuant to clauses "FIRST" through "SIXTH" above; and

EIGHTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category and (ii) 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 pursuant to clauses "FOURTH", "FIFTH", "SIXTH" and "SEVENTH" above.

3.16 EVIDENCE OF DEBT.

(a) Each Lender shall maintain an account or accounts evidencing each Loan made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Credit Agreement. Each Lender will make reasonable efforts to maintain the accuracy of its account or accounts and to promptly update its account or accounts from time to time, as necessary.

(b) The Administrative Agent shall maintain the Register pursuant to Section 11.3(c), and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount, type and Interest Period of each such Loan hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from or for the account of any Credit Party and each Lender's share thereof. The Administrative Agent will make reasonable efforts to maintain the accuracy of the subaccounts referred to in the preceding sentence and to promptly update such subaccounts from time to time, as necessary.

(c) The entries made in the accounts, Register and subaccounts maintained pursuant to subsection (b) of this Section 3.16 (and, if consistent with the entries of the Administrative Agent, subsection (a)) shall be prima facie evidence of the existence and amounts of the obligations of the Credit Parties therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain any such account, such Register or such subaccount, as applicable, or any error therein, shall not in any manner affect the obligation of the Credit Parties to repay the Credit Party Obligations owing to such Lender.

SECTION 4

CONDITIONS

4.1 CLOSING CONDITIONS.

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

(a) Executed Credit Documents. Receipt by the Administrative Agent of duly executed copies of: (i) this Credit Agreement, (ii) the Guaranty Agreement, (iii) the Notes, (iv) the Environmental Indemnity Agreement, (v) the Collateral Documents and (vi) all other Credit Documents, each in form and substance acceptable to the Lenders.

(b) Corporate Documents. Receipt by the Administrative Agent of the following:

(i) Charter Documents. Copies of the articles or certificates of incorporation or other charter documents of the Credit Parties certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation or organization and certified by a secretary, assistant secretary or general partner of such Credit Party, to be true and correct as of the Closing Date.

(ii) Bylaws. A copy of the partnership agreement or bylaws of the Credit Parties certified by a secretary, assistant secretary or general partner of such Credit Party to be true and correct as of the Closing Date.

(iii) Resolutions. Copies of resolutions of the Credit Parties approving and adopting the Credit Documents to which it is a party, the transactions contemplated therein and authorizing execution and delivery thereof, certified by a secretary, assistant secretary or general partner of such Credit Party to be true and correct and in force and effect as of the Closing Date.

(iv) Good Standing. Copies of certificates of good standing, existence or its equivalent with respect to the Credit Parties certified as of a recent date by the appropriate Governmental Authorities of the state or other jurisdiction of organization or incorporation.

(v) Incumbency. An incumbency certificate of the Credit Parties certified by a secretary, assistant secretary or general partner of such Credit Party, to be true and correct as of the Closing Date.

(c) Opinions of Counsel. The Administrative Agent shall have received an opinion, or opinions, in form and substance satisfactory to the Administrative Agent dated as of the Closing Date from counsel to the Credit Parties.

(d) Personal Property Collateral. The Administrative Agent shall have received (in form and substance satisfactory to the Administrative Agent):

(i) searches of Uniform Commercial Code filings in the jurisdiction of the chief executive office of the Borrower and each jurisdiction where any Collateral is located or where a filing would need to be made in order to perfect the Administrative Agent's security interest, for the benefit of the Lenders in the Collateral, copies of the financing statements on file in such jurisdictions and evidence that no Liens exist with respect to the Collateral other than (A) Permitted Liens and (B) the Guarantor's Lien against the Collateral (which Lien will be terminated on or before the Funding Date);

(ii) duly executed UCC financing statements for each appropriate jurisdiction as is necessary, in the Administrative Agent's sole discretion, to perfect the Administrative Agent's security interest, for the benefit of the Lenders, in the Collateral which may be perfected under the UCC;

(iii) duly executed consents as are necessary, in the Administrative Agent's sole discretion, to perfect the Administrative Agent's security interest, for the benefit of the Lenders, in the Collateral.

(e) Real Property Collateral. The Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent:

(i) a fully executed and notarized deed of trust and security agreement (as the same may be amended, modified, restated or supplemented from time to time, the "Mortgage Instrument") encumbering the Land and the Improvements, the leasehold interest of the Borrower in the Tipp Property, the personal property and fixtures more particularly described therein and the transferable development rights and low income housing credits or other such credits described therein;

(ii) a survey of the Land and the Tipp Property certified to the Administrative Agent, the Borrower and the Title Insurance Company in a manner reasonably satisfactory to each of the Administrative Agent and the Title Insurance Company, dated a date reasonably satisfactory to each of the Administrative Agent and the Title Insurance Company by an independent professional licensed land surveyor, which survey shall show all boundaries of the Land and the Tipp Property with courses and distances indicated and be sufficient to delete any standard printed survey exception contained in the applicable title policy and be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association and the American Congress on Surveying and Mapping in 1992, and, without limiting the generality of the foregoing, there shall be surveyed and shown on such survey the following: (A) the locations on such sites of all the buildings, structures and other improvements and the established building setback lines; (B) the lines of streets abutting the sites and width thereof; (C) all access and other easements appurtenant to the sites necessary to use the sites; (D) all roadways, paths, driveways, easements, encroachments and overhanging projections and similar encumbrances affecting the site, whether recorded, apparent from a physical inspection of the sites or otherwise known to the surveyor; and (E) any encroachments on any adjoining property by the building structures and improvements on the sites;

(iii) evidence as to (A) whether the Land and the Tipp Property are in an area designated by the Federal Emergency Management Agency as having special flood or mud slide hazards (a "Flood Hazard Property") and (B) if the Land and the Tipp Property are a Flood Hazard Property, (1) whether the community in which the Land and the Tipp Property are located is participating in the National Flood Insurance Program, (2) the Borrower's written acknowledgment of receipt of written notification from the Administrative Agent (a) as to the fact that the Land and the Tipp Property are a Flood Hazard Property and (b) as to whether the community in which the Flood Hazard Property is

located is participating in the National Flood Insurance Program and (3) copies of insurance policy or certificate of insurance of the Borrower evidencing flood insurance satisfactory to the Administrative Agent and naming the Administrative Agent as sole loss payee on behalf of the Lenders;

(iv) evidence satisfactory to the Administrative Agent that the Project, and the uses of the Project, are in compliance in all material respects with all applicable laws, regulations and ordinances including without limitation health and environmental protection laws, erosion control ordinances, storm drainage control laws, doing business and/or licensing laws, zoning laws (the evidence submitted as to zoning should include the zoning designation made for the Project, the permitted uses of the Project under such zoning designation and zoning requirements as to parking, lot size, ingress, egress and building setbacks) and laws regarding access and facilities for disabled persons including, but not limited to, the federal Architectural Barriers Act, the Fair Housing Amendments Act of 1988, the Rehabilitation Act of 1973 and the Americans With Disabilities Act of 1990;

(v) an appraisal (in form and substance satisfactory to the Administrative Agent and the Project Administrative Agent) with respect to the Project from a qualified appraiser satisfactory to the Administrative Agent and Project Administrative Agent; and

(vi) with respect to the Tipp Property, (A) consent from the landlord of the Tipp Property (which consent shall be in form and substance satisfactory to the Administrative Agent) to the execution and recordation of the Mortgage Instrument and (B) evidence that a memorandum of lease with respect to the Tipp Property has been recorded to the extent necessary in the judgment of the Administrative Agent so as to enable the Mortgage Instrument to effectively create a valid and enforceable lien (subject only to Permitted Liens) on the leasehold interest of the Borrower in the Tipp Property.

(f) Environmental Reports. The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, an environmental site assessment report with respect to the Land.

(g) Plans. Receipt by the Administrative Agent and the Project Administrative Agent and the Consultant of the following (in form and substance satisfactory to the Administrative Agent, the Project Administrative Agent and the Consultant): (i) a set of the plans and specifications for the construction of the Improvements (the "Plans and Specifications"), (ii) a soil report made at the Land, such report to include the recommendations of the soil testing firm as to the preparation of the soil needed in order to adequately support the Project, (iii) a construction budget for the Improvements and (iv) the guaranteed maximum fixed price construction contract for the Project with a general contractor satisfactory to the Administrative Agent and the Project Administrative Agent.

(h) Certified Copies. The Administrative Agent shall have received a copy of (i) the Development Agreement, (ii) the Ground Lease Agreement, (iii) the Nordstrom Lease Agreement and (iv) the Joint Development Agreement, each such contract in form and substance satisfactory to the Administrative Agent and the Project Administrative Agent and certified as a true and correct copy by the Borrower.

(i) Consent of General Contractor. The Administrative Agent shall have received the consent of general contractor (in form and substance satisfactory to the Administrative Agent) to the Borrower's assignment to the Administrative Agent, for the benefit of the Lenders, of the Borrower's interests in the construction contract for the Improvements. In addition, the Administrative Agent shall have received the consent of the design architect (in form and substance satisfactory to the Administrative Agent) to the Borrower's assignment to the Administrative Agent, for the benefit of the Lenders, of the Borrower's interests in the plans and specifications for the construction of the Improvements.

(j) Evidence of Insurance. Receipt by the Administrative Agent of copies of insurance policies or certificates of insurance of the Borrower evidencing liability, casualty and builder's risk insurance issued by companies satisfactory to the Lenders in their sole discretion and otherwise meeting the requirements set forth in the Credit Documents, including, but not limited to, naming the Administrative Agent as additional insured (in the case of liability insurance) and sole loss payee (in the case of hazard insurance and builder's risk insurance) on behalf of the Lenders.

(k) Compliance with Laws. Receipt by the Project Administrative Agent of evidence that the Land, and the intended uses of the Land are in compliance with all applicable laws, regulations and ordinances. Such evidence may include letters, licenses, permits, certificates and other correspondence from the appropriate Governmental Authorities and such other evidence reasonably requested by the Project Administrative Agent.

(l) Equity Investment. Receipt by the Administrative Agent of evidence that (i) a cash equity investment of at least \$2,800,000 shall have been made by the Guarantor in the Borrower on terms that are satisfactory to the Administrative Agent and (ii) an equity investment by Seventh and Stewart shall have been made in the Borrower through the contribution of real estate (satisfactory to the Project Administrative Agent) valued at \$12,500,000.

(m) Material Adverse Effect. No material adverse change shall have occurred since January 31, 1999 in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise), business, management or prospects of (i) the Borrower or (ii) the Guarantor.

(n) Litigation. There shall not exist any pending or threatened action, suit, investigation or proceeding against the Borrower that could have a Material Adverse Effect. Except as disclosed on Schedule 3.5 to the Guaranty Agreement, there shall not exist any

pending or threatened action, suit, investigation or proceeding against the Guarantor or any of its Subsidiaries that could have a Material Adverse Effect.

(o) Officer's Certificates.

(i) The Administrative Agent shall have received a certificate executed by an Executive Officer of Clise Properties as of the Closing Date, in form and substance satisfactory to the Administrative Agent, stating that (A) the Borrower is in material compliance with all existing financial obligations, (B) all governmental, shareholder and third party consents and approvals, if any, with respect to the Credit Documents and the transactions contemplated thereby have been obtained, (C) no action, suit, investigation or proceeding is pending or threatened in any court or before any arbitrator or governmental instrumentality that purports to affect the Borrower or any transaction contemplated by the Credit Documents, if such action, suit, investigation or proceeding could have a Material Adverse Effect, (D) no Default or Event of Default exists, and (E) all representations and warranties of the Borrower contained herein and in the other Credit Documents are true and correct in all material respects.

(ii) The Administrative Agent shall have received a certificate executed by an Executive Officer of the Guarantor as of the Closing Date, in form and substance satisfactory to the Administrative Agent, stating that (A) the Guarantor is in material compliance with all existing financial obligations, (B) immediately after giving effect to this Credit Agreement, the Credit Documents and all transactions contemplated therein, the Guarantor is Solvent and (C) the Guarantor is in compliance with each of the financial covenants set forth in the Guaranty Agreement.

(p) Fees and Expenses. Payment by the Borrower of all fees and expenses owed by it to the Lenders, the Administrative Agent and the Project Administrative Agent with respect to the Loans and the Credit Documents, including, without limitation, payment to the Administrative Agent of the fees set forth in the Administrative Agent's Fee Letter.

(q) Other. Receipt by the Lenders of such other documents, instruments, agreements or information as reasonably requested by the Administrative Agent on behalf of any Lender, including, but not limited to, information regarding litigation, tax, accounting, labor, insurance, pension liabilities (actual or contingent), real estate leases, material contracts, debt agreements, property ownership and contingent liabilities of the Borrower and the Guarantor.

4.2 CONDITIONS TO INITIAL EXTENSION OF CREDIT.

The obligations of each Lender to make the initial Loans are subject to (i) satisfaction of the following conditions in addition to satisfaction on the Closing Date of the conditions set forth in Section 4.1 and (ii) satisfaction of the conditions set forth in Section 4.3:

(a) Permits. The Project Administrative Agent shall have received evidence (in form and substance satisfactory to the Project Administrative Agent) that the Borrower has received all permits deemed reasonably necessary (including without limitation, the Master Use Permit Project No. 9606528 and foundation permit) by the Project Administrative Agent for the applicable stage of construction; and

(b) Transferable Development Rights. Receipt by Project Administrative Agent on or before March 14, 2000 of certified copies of the fully executed Transferable Rights Development Agreements, each with terms and conditions acceptable to the Project Administrative Agent (including without limitation, approval of the City of the purchase price set forth therein), pursuant to which the Borrower will acquire the transferable development rights necessary for the Borrower to construct the Project; and

(c) Low Income Housing Bonus Credits. Receipt by the Project Administrative Agent on or before March 14, 2000 of (i) a certified copy of the fully executed Letter of Credit Agreement with terms and conditions acceptable to the Project Administrative Agent and (ii) evidence that the Housing Credits Letter of Credit (in substantially the form of Exhibit C to the Letter of Credit Agreement) has been delivered to the City;

(d) Title. The Administrative Agent shall have received on or before March 14, 2000 in form and substance satisfactory to the Administrative Agent, an ALTA mortgagee title insurance policy (the "Mortgage Policy") issued by a title insurer satisfactory to the Administrative Agent (the "Title Insurance Company"), in an amount satisfactory to the Administrative Agent, assuring the Administrative Agent that the Mortgage Instrument creates a valid and enforceable first priority mortgage lien on the Real Properties and the transferable development rights described therein, free and clear of all defects and encumbrances except Permitted Liens, which Mortgage Policy shall be in form and substance reasonably satisfactory to the Administrative Agent and shall provide for affirmative insurance and such reinsurance as the Administrative Agent may reasonably request; and

(e) Refinancing. Receipt by the Administrative Agent on or before March 14, 2000 of evidence (satisfactory in form and substance to the Administrative Agent) that the Nordstrom Loan has been paid in full or will be so repaid from the proceeds of such Loans.

4.3 CONDITIONS TO ALL EXTENSIONS OF CREDIT.

The obligations of each Lender to make, convert or extend any Loan (including the initial Loans) are subject to (i) satisfaction of the following conditions in addition to satisfaction on the Closing Date of the conditions set forth in Section 4.1 and (ii) satisfaction of the conditions set forth in Section 4.2:

(a) The Borrower shall have delivered an appropriate Notice of Borrowing or Notice of Extension/Conversion (each such Notice of Borrowing to include an update to the budget for the Improvements and a representation that the remaining availability under the

Revolving Committed Amount is sufficient to finance the completion of the construction of the Improvements);

(b) The representations and warranties made by the Credit Parties herein or in any other Credit Documents or which are contained in any certificate furnished at any time under or in connection herewith shall, subject to the limitations set forth therein, be true and correct in all material respects as of such date (except for those which expressly relate to an earlier date);

(c) There shall not have been commenced against any Credit Party an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded;

(d) No Default or Event of Default shall exist and be continuing either prior to or after giving effect thereto;

(e) No development or event which has had or could have a Material Adverse Effect shall have occurred since January 31, 1999;

(f) All of the conditions set forth in Schedule 4.3 shall have been satisfied in a manner acceptable to the Administrative Agent and the Project Administrative Agent;

(g) No action, suit or proceeding against the Guarantor or any of its Subsidiaries has resulted in or caused a Material Adverse Effect.

(h) Immediately after giving effect to the making of such Loan (and the application of the proceeds thereof), the sum of the aggregate outstanding principal amount of Revolving Loans shall not exceed the Revolving Committed Amount.

The delivery of each Notice of Borrowing and each Notice of Extension/Conversion shall constitute a representation and warranty by the Credit Parties of the correctness of the matters specified in subsections (b), (c), (d), (e), (g) and (h) above.

Furthermore, the Lenders shall not be obligated to make any Loans subsequent to the Funding Date until such time as the Title Insurance Company shall have agreed to issue to the Administrative Agent an endorsement (in form and substance satisfactory to the Administrative Agent) to the Mortgage Policy or have otherwise agreed to insure that since the last Loan, there has been no change in the state of title to the Land and the Improvements and the Tipp Property (superior or subordinate to the interest of the Administrative Agent, for the benefit of the Lenders, under the Mortgage Instrument) and there are no liens (other than Permitted Liens) or other interests which have been permitted to attach to the Land, the Improvements and/or the Tipp Property.

SECTION 5

REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents to the Administrative Agent and each Lender that:

5.1 FINANCIAL CONDITION.

The financial statements delivered to the Administrative Agent pursuant to Section 6.1(a) and (b) have been prepared in accordance with GAAP and present fairly in all material respects (on the basis disclosed in the footnotes to such financial statements) the financial condition, results of operations and cash flows of the applicable parties as of such date and for such periods. As of the Closing Date and the Funding Date (as applicable), the Borrower has no material liabilities (contingent or otherwise) that are not reflected in the financial statements or in the notes thereto provided to the Administrative Agent on or prior to the Closing Date or Funding Date (as applicable) (other than the Nordstrom Loan which will be outstanding as of the Closing Date).

5.2 NO MATERIAL CHANGE.

Since January 31, 1999, (a) there has been no development or event relating to or affecting the Borrower which has had or could have a Material Adverse Effect and (b) except as otherwise permitted under this Credit Agreement, no dividends or other distributions have been declared, paid or made upon the Capital Stock in the Borrower, nor has any of the Capital Stock in the Borrower been redeemed, retired, purchased or otherwise acquired for value.

5.3 ORGANIZATION AND GOOD STANDING.

The Borrower (a) is duly organized, validly existing and is in good standing under the laws of the State of Washington and (b) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged.

5.4 POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS.

The Borrower has the power and authority, and the legal right, to make, deliver and perform the Credit Documents to which it is a party, and to obtain extensions of credit hereunder, and has taken all necessary action to authorize the borrowings and other extensions of credit on the terms and conditions of this Credit Agreement and to authorize the execution, delivery and performance of the Credit Documents to which it is a party. No consent or authorization of, filing with, notice to or other similar act by or in respect of, any Governmental Authority or any other Person is required to be obtained or made by or on behalf of the Borrower in connection with the borrowings or other extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of the Credit Documents to which the Borrower is a party. This Credit Agreement has been, and each other Credit Document to which the Borrower is a party will be, duly executed and delivered on behalf of the Borrower. This Credit Agreement constitutes, and each other Credit Document to which the Borrower is a party when executed and delivered will constitute, a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with

its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.5 NO CONFLICTS.

Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by the Borrower will (a) violate or conflict with any provision of its partnership agreement or other organizational or governing documents, (b) violate, contravene or materially conflict with any Requirement of Law or any other law, regulation (including, without limitation, Regulation U or Regulation X), order, writ, judgment, injunction, decree or permit applicable to it, (c) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any agreement or instrument to which it is a party or by which it may be bound, the violation of which could have a Material Adverse Effect, or (d) result in or require the creation of any Lien (other than those contemplated in or created in connection with the Credit Documents) upon or with respect to its properties.

5.6 NO DEFAULT.

The Borrower is not in default in any respect under any contract, lease or other agreement or obligation to which it is a party or by which any of its properties is bound which default could have a Material Adverse Effect. No Default or Event of Default has occurred or exists except as previously disclosed in writing to the Lenders.

5.7 OWNERSHIP.

The Borrower is the owner of, and has good and marketable title to, all of its respective assets and none of such assets is subject to any Lien other than (i) the Permitted Liens and (ii) prior to the funding of the Loans hereunder on the Funding Date, the Guarantor's Liens against the Collateral.

5.8 INDEBTEDNESS.

Except as otherwise permitted under Section 7.1, the Borrower has no Indebtedness.

5.9 LITIGATION.

There are no actions, suits or legal, equitable, arbitration or administrative proceedings, pending or, to the knowledge of any Executive Officer of the Borrower, the general partner of the Borrower or of the managing member of the general partner of the Borrower, threatened against the Borrower which could be reasonably expected to have a Material Adverse Effect.

5.10 TAXES.

The Borrower has filed, or caused to be filed, all tax returns (federal, state, local and foreign) required to be filed and paid (a) all amounts of taxes shown thereon to be due (including interest and penalties) and (b) all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes (i) which are not yet delinquent or (ii) that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP. The Borrower is not aware as of the Closing Date and the Funding Date (as applicable) of any proposed tax assessments against it.

5.11 COMPLIANCE WITH LAW.

The Borrower is in compliance with all Requirements of Law and all other laws, rules, regulations, orders and decrees (including without limitation Environmental Laws) applicable to it, or to its properties, unless such failure to comply could not reasonably be expected to have a Material Adverse Effect.

5.12 ERISA.

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no ERISA Event has occurred, and, to the best knowledge of the Executive Officers of the Borrower, the general partner of the Borrower and the managing member of the general partner of the Borrower, no event or condition has occurred or exists as a result of which any ERISA Event could reasonably be expected to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no lien in favor of the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA), whether or not vested, under each Single Employer Plan, as of the last annual valuation date prior to the date on which this representation is made or deemed made (determined, in each case, in accordance with Financial Accounting Standards Board Statement 87, utilizing the actuarial assumptions used in such Plan's most recent actuarial valuation report), did not exceed as of such valuation date the fair market value of the assets of such Plan.

(c) Neither the Borrower nor any ERISA Affiliate has incurred, or, to the best knowledge of the Executive Officers of the Borrower, the general partner of the Borrower and the managing member of the general partner of the Borrower, could be reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any ERISA Affiliate would become subject to any withdrawal liability under ERISA if the Borrower or any ERISA Affiliate

were to withdraw completely from all Multiemployer Plans and Multiple Employer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. Neither the Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Executive Officers of the Borrower, the general partner of the Borrower and the managing member of the general partner of the Borrower, reasonably expected to be in reorganization, insolvent, or terminated.

(d) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or may subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any Person against any such liability.

(e) Neither the Borrower nor any ERISA Affiliates has any material liability with respect to "expected post-retirement benefit obligations" within the meaning of the Financial Accounting Standards Board Statement 106. Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects of such sections.

(f) Neither the execution and delivery of this Credit Agreement nor the consummation of the financing transactions contemplated thereunder will involve any transaction which is subject to the prohibitions of Sections 404, 406 or 407 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975 of the Code. The representation by the Borrower in the preceding sentence is made in reliance upon and subject to the accuracy of the Lenders' representation in Section 11.15 with respect to their source of funds and is subject, in the event that the source of the funds used by the Lenders in connection with this transaction is an insurance company's general asset account, to the application of Prohibited Transaction Class Exemption 95-60, 60 Fed. Reg. 35,925 (1995), compliance with the regulations issued under Section 401(c)(1)(A) of ERISA, or the issuance of any other prohibited transaction exemption or similar relief, to the effect that assets in an insurance company's general asset account do not constitute assets of an "employee benefit plan" within the meaning of Section 3(3) of ERISA of a "plan" within the meaning of Section 4975(e)(1) of the Code.

5.13 GOVERNMENTAL REGULATIONS, ETC.

(a) No proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U, or for the purpose of purchasing or carrying or trading in any securities. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form

U-1 referred to in Regulation U. No indebtedness being reduced or retired out of the proceeds of the Loans was or will be incurred for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or any "margin security" within the meaning of Regulation T. "Margin stock" within the meaning of Regulation U does not constitute more than 25% of the value of the consolidated assets of the Borrower. None of the transactions contemplated by this Credit Agreement (including, without limitation, the direct or indirect use of the proceeds of the Loans) will violate or result in a violation of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or regulations issued pursuant thereto, or Regulation T, U or X.

(b) The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940, each as amended. In addition, the Borrower is not (i) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, and is not controlled by such a company, or (ii) a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(c) No director, executive officer, principal shareholder or partner of the Borrower is a director, executive officer or principal shareholder of any Lender. For the purposes hereof the terms "director", "executive officer" and "principal shareholder" (when used with reference to any lender) have the respective meanings assigned thereto in Regulation O issued by the Board of Governors of the Federal Reserve System.

(d) The Borrower has obtained and holds in full force and effect, all franchises, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals which are necessary for the ownership of its respective Property and to the conduct of its respective businesses as presently conducted.

(e) The Borrower is not in violation of any applicable statute, regulation or ordinance of the United States, or of any state, city, town, municipality, county or any other jurisdiction, or of any agency thereof (including without limitation, environmental laws and regulations), which violation could reasonably be expected to have a Material Adverse Effect.

(f) The Borrower is current with all material reports and documents, if any, required to be filed with any state or federal securities commission or similar agency and is in full compliance in all material respects with all applicable rules and regulations of such commissions.

5.14 PURPOSE OF LOANS.

The proceeds of the Loans hereunder shall be used solely by the Borrower to (a) finance the Construction Costs, (b) pay other costs included in the Project Budget and otherwise approved by the Project Administrative Agent in accordance with the terms of (c)(ii) of Schedule 4.3 and (c) refinance existing Indebtedness.

5.15 ENVIRONMENTAL MATTERS.

Except as set forth on Schedule 5.15:

(a) The Real Properties and all operations at the Real Properties are in compliance with all applicable Environmental Laws, and there is no violation of any Environmental Law with respect to the Real Properties or the Businesses, and there are no conditions relating to the Businesses or Real Properties that could give rise to liability under any applicable Environmental Laws.

(b) None of the Real Properties contains, or has previously contained, any Materials of Environmental Concern at, on or under the Real Properties in amounts or concentrations that constitute or constituted a violation of, or could give rise to liability under, Environmental Laws.

(c) The Borrower has not received any written or verbal notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Real Properties or the Businesses, nor does any Executive Officer of the Borrower, the general partner of the Borrower or the managing member of the general partner of the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) Materials of Environmental Concern have not been transported or disposed of from the Real Properties, or generated, treated, stored or disposed of at, on or under any of the Real Properties or any other location, in each case by or on behalf of the Borrower in violation of, or in a manner that could reasonably be expected to give rise to liability under, any applicable Environmental Law.

(e) No judicial proceeding or governmental or administrative action is pending or, to the best knowledge of any Executive Officer of the Borrower, the general partner of the Borrower and the managing member of the general partner of the Borrower, threatened, under any Environmental Law to which the Borrower is or will be named as a party, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Real Properties or the Businesses.

(f) There has been no release, or threat of release, of Materials of Environmental Concern at or from the Real Properties, or arising from or related to the

operations (including, without limitation, disposal) of the Borrower in connection with the Real Properties or otherwise in connection with the Businesses, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws.

5.16 INTELLECTUAL PROPERTY.

The Borrower owns, or has the legal right to use, all trademarks, tradenames, copyrights, patents, technology, know-how and processes (the "Intellectual Property") necessary for it to conduct its business as currently conducted except for those the failure to own or have such legal right to use could not reasonably be expected to have a Material Adverse Effect. No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does the Borrower know of any such claim, and, to the knowledge of the Executive Officers of the Borrower, the general partner of the Borrower and the managing member of the general partner of the Borrower, the use of such Intellectual Property by Borrower does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.17 LOCATION OF COLLATERAL.

Set forth on Schedule 5.17(a) is a list of all real property located in the United States and owned or leased by the Borrower with street address and state where located. Set forth on Schedule 5.17(b) is a list of all locations where any tangible personal property of the Borrower is located, including street address and state where located. Set forth on Schedule 5.17(c) is the chief executive office and principal place of business of the Borrower.

5.18 DISCLOSURE.

Neither this Credit Agreement nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders by or on behalf of the Borrower in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading.

5.19 BROKERS' FEES.

The Borrower has no obligation to any Person (other than the Administrative Agent and the Project Administrative Agent) in respect of any finder's, broker's, investment banking or other similar fee in connection with any of the transactions contemplated under the Credit Documents.

5.20 LABOR MATTERS.

There are no collective bargaining agreements or Multiemployer Plans covering the employees of the Borrower, and the Borrower has not suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five years.

5.21 YEAR 2000 COMPLIANCE.

The Borrower has (i) completed a review and assessment of all areas within its businesses and operations (including those affected by suppliers, vendors and customers) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications may be unable to recognize and properly perform date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) substantially completed implementation of that plan in accordance with that timetable. The Year 2000 Problem has not resulted in, and the Borrower reasonably believes that the Year 2000 Problem will not result in, a Material Adverse Effect.

SECTION 6

AFFIRMATIVE COVENANTS

The Borrower hereby covenants and agrees that, so long as this Credit Agreement is in effect or any amounts payable hereunder or under any other Credit Document shall remain outstanding, and until all of the Commitments hereunder shall have terminated:

6.1 INFORMATION COVENANTS.

The Borrower will furnish, or cause to be furnished, to the Administrative Agent (which shall promptly provide copies to each Lender), for the benefit of the Lenders:

(a) Annual Financial Statements. As soon as available, and in any event within 120 days after the close of each fiscal year of the Borrower, a balance sheet and income statement of the Borrower as of the end of such fiscal year, together with related statements of operations and retained earnings and of cash flows for such fiscal year, in each case setting forth in comparative form figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing reasonably acceptable to the Administrative Agent and whose opinion shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified as to the status of the Borrower as a going concern or any other material qualifications or exceptions.

(b) Quarterly Financial Statements. As soon as available, and in any event within 45 days after the close of each fiscal quarter of the Borrower (other than the fourth fiscal quarter, in which case 90 days after the end thereof) a balance sheet and income statement of the Borrower as of the end of such fiscal quarter, together with related statements of operations and retained earnings and of cash flows for such fiscal quarter, in each case setting forth in comparative form figures for the corresponding period of the preceding fiscal year, all such financial information described above to be in reasonable

form and detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of an Executive Officer of Clise Properties to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Borrower and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments.

(c) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 6.1(a) and 6.1(b) above, a certificate of an officer of the authorized member of the general partner of the Borrower substantially in the form of Exhibit 6.1(c), stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Credit Parties propose to take with respect thereto.

(d) Accountant's Certificate. Within the period for delivery of the annual financial statements provided in Section 6.1(a), a certificate of the accountants conducting the annual audit stating that they have reviewed this Credit Agreement and stating further whether, in the course of their audit, they have become aware of any Default or Event of Default and, if any such Default or Event of Default exists, specifying the nature and extent thereof.

(e) Auditor's Reports. Promptly upon receipt thereof, a copy of any other report or "management letter" submitted by independent accountants to the Borrower in connection with any annual, interim or special audit of the books of such Person.

(f) Reports. Promptly upon transmission or receipt thereof, (i) copies of any filings and registrations with, and reports to or from, the Securities and Exchange Commission, or any successor agency, and copies of all financial statements, proxy statements, notices and reports as the Borrower shall send to its shareholders and (ii) upon the request of the Administrative Agent, all reports and written information with respect to the Project to and from the United States Environmental Protection Agency, or any state or local agency responsible for environmental matters, the United States Occupational Health and Safety Administration, or any state or local agency responsible for health and safety matters, or any successor agencies or authorities concerning environmental, health or safety matters.

(g) Notices. Upon any Executive Officer of the Borrower, the general partner of the Borrower or the managing member of the general partner of the Borrower obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent (i) immediately of the occurrence of an event or condition consisting of a Default or Event of Default, specifying the nature and existence thereof and what action the Borrower proposes to take with respect thereto, and (ii) promptly of the occurrence of any of the following with respect to the Borrower (A) the pendency or commencement of any litigation, arbitral or governmental proceeding against such Person which if adversely determined is likely to have a Material Adverse Effect or (B) the institution of any proceedings against such Person with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation, or alleged violation of any federal, state or local law, rule or regulation,

including but not limited to, Environmental Laws, the violation of which could have a Material Adverse Effect.

(h) ERISA. Upon any Executive Officer of the Borrower, the general partner of the Borrower or the managing member of the general partner of the Borrower obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent promptly (and in any event within five Business Days) of: (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or might reasonably lead to, an ERISA Event; (ii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against the Borrower or any ERISA Affiliates, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iii) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which the Borrower or any ERISA Affiliate is required to contribute to each Plan pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (iv) any change in the funding status of any Plan that could have a Material Adverse Effect, together with a description of any such event or condition or a copy of any such notice and a statement by an Executive Officer of Clise Properties briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Borrower with respect thereto. Promptly upon request, the Borrower shall furnish the Administrative Agent and the Lenders with such additional information concerning any Plan as may be reasonably requested, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(i) Environmental.

(i) Subsequent to a receipt of notice by the Administrative Agent or the occurrence of an event where the subject matter of such notice or circumstances of such event would reasonably cause concern that a material environmental problem existed at the Real Properties, upon the written request of the Administrative Agent, the Borrower will furnish or cause to be furnished to the Administrative Agent, at the Borrower's expense, a report of an environmental assessment of reasonable scope, form and depth, (including, where appropriate, invasive soil or groundwater sampling) by a consultant reasonably acceptable to the Administrative Agent as to the nature and extent of the presence of any Materials of Environmental Concern on the Real Properties (as defined in Section 5.16) and as to the compliance by the Borrower with Environmental Laws at such Real Properties. If the Borrower fails to deliver such an environmental report within seventy-five (75) days after receipt of such written request then the Administrative Agent may arrange for same, and the Borrower hereby grants to the Administrative Agent and their representatives access to the Real Properties to reasonably undertake such an assessment (including, where appropriate, invasive soil or groundwater sampling). The reasonable cost of any

assessment arranged for by the Administrative Agent pursuant to this provision will be payable by the Borrower on demand and added to the obligations secured by the Collateral Documents.

(ii) The Borrower will conduct and complete all investigations, studies, sampling, and testing and all remedial, removal, and other actions necessary to address all Materials of Environmental Concern on, from or affecting any of the Real Properties to the extent necessary to be in compliance with all Environmental Laws and with the validly issued orders and directives of all Governmental Authorities with jurisdiction over such Real Properties to the extent any failure could reasonably be expected to have a Material Adverse Effect.

(j) Leases. Promptly upon consummation thereof, copies of each lease entered into by the Borrower with respect to the Improvements.

(k) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of any Credit Party as the Administrative Agent, on behalf of any Lender, may reasonably request.

6.2 PRESERVATION OF EXISTENCE AND FRANCHISES.

The Borrower will do all things necessary to preserve and keep in full force and effect its existence, rights, franchises and authority.

6.3 BOOKS AND RECORDS.

The Borrower will keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

6.4 COMPLIANCE WITH LAW.

The Borrower will comply with all laws, rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its Property if noncompliance with any such law, rule, regulation, order or restriction could reasonably be expected to have a Material Adverse Effect.

6.5 PAYMENT OF TAXES AND OTHER INDEBTEDNESS.

The Borrower will pay and discharge (a) all taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent, (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties, and (c) except as prohibited hereunder, all of its other Indebtedness as it shall become due; provided, however, that the Borrower shall not be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings and as to which adequate reserves therefor have been established in accordance with GAAP, unless the failure to make any

such payment (i) could give rise to an immediate right to foreclose on a Lien securing such amounts or (ii) could reasonably be expected to have a Material Adverse Effect.

6.6 INSURANCE.

(a) The Borrower hereby agrees that it will at all times maintain in full force and effect insurance (including, but not limited to, liability insurance, casualty insurance and builders risk insurance) in such amounts and covering such risks and liabilities and with such deductibles as are in accordance with normal industry practice and the provisions set forth below:

(i) The builder's risk insurance policy with respect to the Land and the Improvements shall be an "all-risk" completed value, non-reporting builder's risk insurance policy and shall contain (A) coverage for vandalism and malicious mischief, (B) provisions for a minimum 45-day advance written notice to the Administrative Agent and the Project Administrative Agent of any intended policy cancellation or non-renewal and provide for copies of any notices of any policy cancellation or non-renewal to be delivered to the Project Administrative Agent and the Administrative Agent, (C) a standard mortgagee endorsement designating the Administrative Agent, for the benefit of the Lenders, as mortgagee and loss payee, (D) provisions sufficient to avoid the application of any co-insurance provisions and (E) a soft cost coverage endorsement.

(ii) The general accident and public liability insurance maintained by each of the Borrower and the general contractor with respect to the Land and the Improvements shall (A) be sufficient to insure against all claims for bodily injury, death or property damage occurring upon, in or about the Project and (B) include worker's compensation coverage in an amount sufficient to satisfy statutory requirements.

(iii) Following completion of the Project, the "all-risk" special form replacement cost insurance policy with agreed amount endorsement with respect to the Land and the Improvements must (i) eliminate all co-insurance provisions and replace such provisions with a replacement cost endorsement, (ii) include provisions for a minimum 30-day advance written notice to the Administrative Agent of any intended policy cancellation or non-renewal and (iii) designate the Administrative Agent, for the benefit of the Lenders, as mortgagee and loss payee in a standard mortgagee endorsement, as its interest may appear.

(iv) A commercial general liability insurance policy with respect to the Land and the Improvements insuring against claims of bodily injury, death or property damage, in an amount not less than \$1,000,000, each occurrence form, naming the Administrative Agent as additional insured for the benefit of the Lenders.

(b) In the event the Borrower fails to maintain insurance as required hereunder, the Administrative Agent shall have the right to procure such insurance whether or not the Borrower's failure to maintain such insurance constitutes a Default or an Event of Default. Any amounts paid by the Administrative Agent for insurance shall be due and payable to the Administrative Agent upon demand and shall be secured by the Collateral Documents.

(c) In the event of any material loss, the Borrower shall promptly give written notice thereof to the Administrative Agent and the insurance carrier describing the nature and extent of such damage or destruction. The Administrative Agent may make proof of loss if not made promptly by the Borrower. The Administrative Agent is hereby authorized, upon the request and direction of the Required Lenders, to adjust, compromise and collect the proceeds of any insurance claims. The Borrower hereby assigns to the Administrative Agent, for the benefit of the Lenders, the proceeds of any such insurance policies and hereby directs and authorizes each insurance company to make payment for such loss directly to the Administrative Agent. In the event the Borrower shall receive any such insurance proceeds as a result of any loss, damage or destruction with respect to the Collateral, the Borrower shall immediately pay over such proceeds to the Administrative Agent as cash collateral for the Credit Party Obligations. The Administrative Agent agrees to release such insurance proceeds to the Borrower for restoration or repair of the Collateral damaged provided the following conditions are met:

(i) there exists no Default or Event of Default;

(ii) the Borrower presents sufficient evidence to the Administrative Agent that there are sufficient funds from the insurance proceeds and from equity funds, if needed, to completely restore or repair the damaged collateral;

(iii) parties having existing or expected leasehold interests in the Project constituting 75% of the gross leaseable square footage in the Project agree in a manner satisfactory to the Administrative Agent that they will continue or extend their interests and arrangements for the contract terms then in effect following the restoration or repair;

(iv) the Borrower presents sufficient evidence to the Administrative Agent that the damaged Collateral will be restored at least six (6) months prior to the Maturity Date;

(v) all parties having operating, management of franchise interests in, and arrangements concerning the Land and the Improvements agree that they will continue their interests and arrangements for the contract terms then in effect following the restoration;

(vi) the Administrative Agent and the Lenders will not incur any liability to any other Person as a result of such use or release of insurance proceeds;

(vii) the insurance proceeds shall be held by the Administrative Agent and disbursed as the repair or restoration work progresses substantially in accordance with the disbursement procedures of Sections 2.1 and 4.3 of this Credit Agreement as if such proceeds were Loans; provided however that insurance proceeds of \$100,000 or less will be disbursed directly to the Borrower for restoration or repair;

(viii) the plans and specifications, cost breakdown, construction contract, construction schedule, contractor and payment and performance bond for the work of repair or reconstruction must all be acceptable to the Administrative Agent and the Project Administrative Agent; and

(ix) the Nordstrom Lease Agreement shall not have been terminated.

If the above-referenced conditions of this Section 6.6(c)(i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix) are not satisfied within one hundred twenty (120) days of loss, then the Administrative Agent may, at its option, apply any insurance proceeds to the payment of the Revolving Loans. The insurance coverage of the Borrower is outlined as to carrier, policy number, expiration date, type and amount on Schedule 6.6.

6.7 MAINTENANCE OF PROPERTY.

The Borrower will maintain and preserve its properties and equipment material to the conduct of its business in good repair, working order and condition, normal wear and tear and casualty and condemnation excepted, and will make, or cause to be made, in such properties and equipment from time to time all repairs, renewals, replacements, extensions, additions, betterments and improvements thereto as may be needed or proper, to the extent and in the manner customary for companies in similar businesses.

6.8 PERFORMANCE OF OBLIGATIONS.

The Borrower will perform in all material respects all of its obligations under the terms of all material agreements, indentures, mortgages, security agreements or other debt instruments to which it is a party or by which it is bound.

6.9 USE OF PROCEEDS.

The Borrower will use the proceeds of the Loans solely for the purposes set forth in Section 5.14.

6.10 AUDITS/INSPECTIONS.

(a) Upon reasonable notice and during normal business hours, the Borrower will permit representatives appointed by the Administrative Agent, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect its property, including its books and records, its accounts receivable and inventory, its facilities and its other business assets, and to make photocopies or photographs thereof and to write down and record any information such

representative obtains and shall permit the Administrative Agent or its representatives to investigate and verify the accuracy of information provided to the Lenders and to discuss all such matters with the officers, employees and representatives of such Person. The Borrower agrees that the Administrative Agent may enter upon the Land at any time for the purpose of inspecting the construction of the Project. The Borrower agrees that the Administrative Agent may order appraisals or reappraisals of the Project and/or the Improvements (at the Borrower's expense) if the Administrative Agent has a reasonable belief that there has been a material change to the Project. Such appraisals shall be by a qualified appraiser designated by and satisfactory to the Administrative Agent and must be satisfactory to the Administrative Agent in form and substance.

(b) The Borrower will permit the Project Administrative Agent and its authorized agents to enter upon the Land during normal working hours and as often as the Project Administrative Agent desires, for the purpose of inspecting the construction of the Project. Failure of the Project Administrative Agent or its authorized agents to discover or to reject materials or workmanship shall not make it liable to the Borrower or to any other person on account of such deficiency, nor shall any prior failure constitute a waiver of the Project Administrative Agent's right to subsequently reject any such workmanship or materials.

6.11 YEAR 2000 COMPLIANCE.

The Borrower will promptly notify the Administrative Agent in the event the Borrower discovers or determines that the Year 2000 Problem has resulted in, or is reasonably expected to result in, a Material Adverse Effect.

6.12 CONSTRUCTION.

The Borrower hereby agrees that the Project shall be substantially complete on or before October 31, 2001 in accordance with (a) the Plans and Specifications and (b) all building, zoning and other applicable laws, ordinances, codes, rules and regulations and requirements of all Federal, State and municipal governments.

6.13 EMINENT DOMAIN.

(a) The Borrower hereby agrees that it will promptly notify the Administrative Agent of any actual or threatened initiation of any eminent domain proceeding as to any part of the Project and shall deliver to the Administrative Agent copies of any and all papers served or received in connection with such proceedings, and the Administrative Agent shall have the right, upon the request and direction of the Required Lenders, to participate in such proceedings at the expense of the Borrower (including, without limitation, the Administrative Agent's attorney's fees) and the Borrower will execute such documents and take such other steps as required to permit such participation. The Administrative Agent is hereby authorized, upon the request and direction of the Required Lenders, to adjust, compromise and collect any eminent domain award or settle a claim for damages and to apply the same to the payment of the Revolving Loans, subject to the provisions of subsection (b) below.

(b) The Borrower assigns to the Administrative Agent, for the benefit of the Lenders, any proceeds or awards which may become due by reason of any condemnation or other taking for public use of the whole or any part of the Land and the Improvements or any rights appurtenant thereto. The Administrative Agent agrees to release the proceeds of any such condemnation award to the Borrower for restoration or repair of the Collateral if the following conditions are met:

- (i) there exists no Default or Event of Default;
- (ii) the Borrower presents sufficient evidence to the Administrative Agent that there are sufficient funds from the condemnation proceeds and equity funds, if needed, to completely restore or repair the damaged Collateral;
- (iii) parties having existing or expected leasehold interests in the Project constituting 75% of the gross leaseable square footage in the Project agree in a manner satisfactory to the Administrative Agent that they will continue to extend their interests and arrangements for the contract terms then in effect following the restoration or repair;
- (iv) all parties having operating, management or franchise interests in, and arrangements concerning, the Land and the Improvements agree that they will continue their interests and arrangements for the contract terms then in effect following the restoration;
- (v) the Borrower presents sufficient evidence to the Administrative Agent that the damaged Collateral will be restored at least six (6) months prior to the Maturity Date;
- (vi) the Administrative Agent and the Lenders will not incur any liability to any other Person as a result of such release of proceeds;
- (vii) the condemnation award or proceeds shall be held by the Administrative Agent and disbursed as the restoration work progresses substantially in accordance with the disbursement procedures of Sections 2.1 and 4.3 of the Credit Agreement as if such proceeds were Loans; provided, however, that condemnation awards or proceeds of \$100,000 or less will be disbursed directly to the Borrower for restoration or repair;
- (viii) the plans and specifications, cost breakdown, construction contract, construction schedule, contractor and payment and performance bond for the work of repair or restoration work must all be acceptable to the Administrative Agent and the Project Administrative Agent; and
- (ix) the Nordstrom Lease Agreement shall not have been terminated.

If the above-referenced conditions of this Section 6.13(b)(i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix) are not satisfied within one hundred twenty (120) days of the date of the taking,

then the Administrative Agent may, at its option, apply any condemnation proceeds or award to the payment of the Revolving Loans.

(c) The Borrower agrees to execute such further assignments and agreements as may be reasonably required by the Administrative Agent to assure the effectiveness of this Section 6.13.

6.14. CHANGES IN PLANS AND SPECIFICATIONS; CHANGE ORDERS.

The Borrower shall provide the Project Administrative Agent with notice of all changes in the Plans and Specifications, changes to the terms of the construction contract for the Improvements, orders for extra work, or other changes to the Project. All changes to the Plans and Specifications or the Project (other than minor changes which do not affect the cost of the Project or the scheduled completion date) shall be made by a written change order signed by the Borrower and its general contractor. The Project Administrative Agent's prior written approval (such approval not to be unreasonably withheld, delayed or conditioned) shall be required for (a) any single change order or modification which will result in an increase or decrease of more than \$500,000 of the direct construction costs ("Construction Costs") specified in the construction budget for the Project approved by the Project Administrative Agent (the "Project Budget"); (b) any change order or modification which together with the aggregate of all previous change orders or modifications (whether or not previously approved by the Project Administrative Agent) will result in a net cumulative increase or decrease in the Construction Costs of more than \$1,500,000; or any change order or modification or any amendment or modification to the construction contract or the Plans and Specifications which will affect the scheduled completion date of the Project. The Borrower will not permit the performance of any work pursuant to any change order unless and until the Borrower has received the approval of the Project Administrative Agent (such approval not to be unreasonably withheld, delayed or conditioned), if such approval is required pursuant to this Section 6.14. The Borrower shall provide the Project Administrative Agent with copies of all change orders and modifications, irrespective of amount, whether or not the Project Administrative Agent's prior approval is required pursuant to this Section 6.14. Each of the parties hereto agrees that the terms of this Section 6.14 shall not restrict or otherwise impair the Borrower's right to receive insurance proceeds from the Administrative Agent in accordance with Section 6.6 or condemnation proceeds from the Administrative Agent in accordance with Section 6.13 nor shall receipt of such proceeds in accordance with the respective sections be included in the cumulative increase or decrease for purposes of required approvals under this Section 6.14.

6.15 ABANDONMENT OF CONSTRUCTION.

The Borrower agrees if construction of the Improvements is at any time abandoned or discontinued for fifteen (15) consecutive days or more, or if the Project Administrative Agent in good faith determines the work is not being performed in accordance with the approved Plans and Specifications and the approved construction contract, the Project Administrative Agent, on behalf of Lenders, may enter onto the Project (or designate a third party to enter onto the Project) to complete the construction or correct any work improperly done or replace any defective material. If the Project Administrative Agent exercise the foregoing option, it may employ such workmen and furnish such materials as it believes are necessary or appropriate to complete the Improvements or

correct any errors or defects in construction or workmanship. All costs incurred by the Project Administrative Agent pursuant to this Section 6.15, including reasonable sums for supervision, attorneys' fees and all related costs and expenses, shall be deemed additional advances to the Borrower and secured by the Mortgage Instrument. On demand, the Borrower shall pay all costs and expenses expended by the Project Administrative Agent pursuant to this Section 6.15. The fifteen (15) day period set forth above shall be extended one (1) day for each day that the abandonment or discontinuation of construction is caused by fire, earthquake or other acts of God, strikes, lockout, acts of public enemy, riot, insurrection or governmental regulation of the sale or transportation of materials, supplies or labor, or any other cause beyond the reasonable control of the Borrower; provided, in no event shall such fifteen (15) day period be extended to a period of more than sixty (60) days, unless otherwise agreed in writing by the Project Administrative Agent.

6.16 ALLEY VACATION.

At such time as the City vacates the alley abutting the Land, the Borrower shall (i) promptly (and in any event within five (5) Business Days thereafter) provide the Administrative Agent and the Project Administrative Agent with notice of such vacation, (ii) (to the extent the Ground Lease Agreement is still in effect), use commercially reasonable best efforts to, enter into an amendment to the Ground Lease Agreement (in form and substance reasonably satisfactory to the Administrative Agent) ground leasing to the Borrower that portion of the alley vacated by the City to Stewart Avenue Properties (or its successor or assignee, as ground lessor), (iii) within thirty (30) days of the notice referenced in subclause (i) above, enter into an amendment to the Mortgage Instrument which grants to the Administrative Agent, for the benefit of the Lenders, a lien on and security interest in that portion of the alley vacated to the Borrower and which is otherwise reasonably satisfactory in form and substance to the Administrative Agent and (iv) within thirty (30) days of the notice referenced in subclause (i) above, provide the Administrative Agent with an endorsement to the Mortgage Policy (in form and substance reasonably satisfactory to the Administrative Agent) with respect to such alley vacation and amendment to Mortgage Instrument. If the Borrower enters into the amendment to the Ground Lease Agreement referenced in subclause (ii) above, the Borrower shall (within thirty (30) days of such amendment) provide the Administrative Agent (a) with an amendment to the Mortgage Instrument (in form and substance reasonably satisfactory to the Administrative Agent) which grants to the Administrative Agent, for the benefit of the Lenders, a lien on and security interest in all of the Borrower's rights and interests under the Ground Lease Agreement (as amended pursuant to the amendment described in subclause (ii) above) and (b) with an endorsement to the Mortgage Policy (in form and substance reasonably satisfactory to the Administrative Agent) with respect to such amendment to Ground Lease Agreement.

SECTION 7

NEGATIVE COVENANTS

The Borrower hereby covenants and agrees that, so long as this Credit Agreement is in effect or any amounts payable hereunder or under any other Credit Document shall remain outstanding, and until all of the Commitments hereunder shall have terminated:

7.1 INDEBTEDNESS.

The Borrower will not contract, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness arising under this Credit Agreement and the other Credit Documents;

(b) obligations of the Borrower in respect of Hedging Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes;

(c) Indebtedness of the Borrower with respect to that certain letter of credit issued by Bank of America in the amount of \$1,328,340 to secure the Borrower's obligations to construct the Housing Project and satisfy other conditions to qualification for additional square feet of floor area through the housing bonus (the "Housing Credits Letter of Credit").

(d) obligation of the Borrower to pay (a) HRG \$1,250,000 pursuant to the Joint Development Agreement on account of HRG's construction, development, ownership and operation of the Housing Project or (b) any other Person reasonably acceptable to the Project Administrative Agent up to \$1,250,000 on account of such Person's construction, development, ownership and operation of the Housing Project;

(e) obligation of the Borrower to purchase the Tipp Property in the amount of up to \$2,000,000 following (i) the exercise by the Ground Lessor (as defined in the Ground Lease Agreement) of its right to sell pursuant to the Ground Lease Agreement or (ii) the exercise by the Borrower of its right to purchase pursuant to the Ground Lease Agreement or any other arrangement under which the Borrower may purchase the Tipp Property;

(f) obligation of the Borrower to guarantee each third party lease on each retail space (at a triple net rent and on other market terms) located below the Housing Project for the life of the tax exempt bonds issued to finance the Housing Project, as required by (i) the Joint Development Agreement or (ii) any other agreement entered into by the Borrower with a Person reasonably acceptable to the Project Administrative Agent regarding the construction, development, ownership and operation of the Housing Project;

(g) such other obligations of the Borrower to HRG under the Joint Development Agreement or any other Person reasonably acceptable to the Project Administrative Agent

under any other agreement entered into by the Borrower regarding the construction, development, ownership and operation of the Housing Project, including the Borrower's obligation to reimburse such Person for out-of-pocket expenses related to the transfer of any unused housing bonus to a third party and to reimburse such Person for hard costs and soft costs related to the construction of the truck parking area on the Tipp Property;

(h) additional unsecured subordinated Indebtedness of the Borrower, provided that (a) such Indebtedness shall be subordinated to the Loans pursuant to subordination terms satisfactory to the Administrative Agent, (b) such Indebtedness shall not exceed \$15,000,000 in the aggregate principal amount at any time outstanding, (c) no part of the principal amount of such Indebtedness shall have a maturity date earlier than the Maturity Date and (d) the Borrower shall not be required to make any payments of principal or interest with respect to such Indebtedness other than payments of interest in kind or made through additional borrowings under such Indebtedness rather than direct cash payments (collectively, the "Subordinated Debt"); and

(i) prior to the funding of the Loans hereunder on the Funding Date, the Nordstrom Loan.

7.2 LIENS.

The Borrower will not contract, create, incur, assume or permit to exist any Lien with respect to any of its Property, whether now owned or after acquired, except for (i) Permitted Liens and (ii) prior to the funding of the Loans hereunder on the Funding Date, the Guarantor's Liens against the Collateral.

7.3 NATURE OF BUSINESS.

The Borrower will not substantively alter the character or conduct of the business conducted by the Borrower as of the Closing Date, which shall be limited to the ownership, development, improvement, leasing, operation and management of the Project.

7.4 CONSOLIDATION, MERGER, DISSOLUTION, ETC.

The Borrower will not enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution).

7.5 ASSET DISPOSITIONS.

The Borrower will not make any Asset Disposition (including without limitation any Sale and Leaseback Transaction) other than (i) the sale of assets in the ordinary course of business (ii) the sale or disposition of assets no longer used or useful in the conduct of such Person's business, and (iii) the transfer of the Tipp Property to HRG or any other Person reasonably acceptable to the Project Administrative Agent; provided that, (a) use restrictions (satisfactory in form and substance to the Project Administrative Agent) shall have been placed on the Tipp Property such that the only permitted use of the Tipp Property will be the construction and operation of the Housing Project and construction of a truck parking area to serve the Project, (b) HRG or such other Person shall

have agreed to construct the Housing Project and such truck parking area in accordance with all applicable permits, declarations, ordinances and laws and otherwise on terms reasonably satisfactory to the Project Administrative Agent, and (c) a permanent easement shall have been granted to the Borrower (in form and substance satisfactory to the Project Administrative Agent) providing for the Borrower's unlimited use and maintenance of such truck parking area on the Tipp Property.

Upon the transfer of the Tipp Property permitted by this Section 7.5, the Administrative Agent shall deliver to the Borrower, upon the Borrower's request and at the Borrower's expense, such documentation as is reasonably necessary to evidence the release of the Administrative Agent's Lien on the Ground Lease Agreement or the Tipp Property (if the Borrower has purchased the Tipp Property).

7.6 INVESTMENTS.

The Borrower will not make Investments in or to any Person, except for Permitted Investments.

7.7 RESTRICTED PAYMENTS.

The Borrower will not directly or indirectly, declare, order, make or set apart any sum for or pay any Restricted Payment, except (i) to make dividends payable solely in the same class of Capital Stock of such Person, (ii) for so long as the Borrower is not subject to federal, state or local taxes, the Borrower shall be permitted to distribute from time to time such amounts as Clise Venture reasonably determines are sufficient to enable each partner of the Borrower to pay any federal, state or local tax liability attributable to its distributive share of the income and gain of the Borrower and (iii) so long as (a) the Project has achieved Stabilization and (b) no Default or Event of Default exists or would result therefrom, the Borrower may make cash dividends or distributions to its members not more than once per quarter; provided, that, (x) the Debt Service Coverage Ratio, as of the end of the fiscal quarter immediately preceding such cash dividend or distribution, for the twelve month period ending on such date, shall be greater than 1.25 to 1.0 and (y) the Borrower shall have provided advance written notice to the Administrative Agent of the date and amount of such cash dividend or distribution.

7.8 OTHER INDEBTEDNESS.

The Borrower will not (i) after the issuance thereof, amend or modify (or permit the amendment or modification of) any of the terms of any other Indebtedness of the Borrower (including without limitation the Subordinated Debt) if such amendment or modification would add or change any terms in a manner adverse to the Borrower, or shorten the final maturity or average life to maturity or require any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto or change any subordination provision thereof, or (ii) make (or give any notice with respect thereto) any voluntary or optional payment or prepayment or redemption or acquisition for value of (including without limitation, by way of depositing money or securities with the trustee with respect thereto before due for the purpose of paying when due), refund, refinance or

exchange of any other Indebtedness of the Borrower (including without limitation the Subordinated Debt) other than the Nordstrom Loan.

7.9 TRANSACTIONS WITH AFFILIATES.

Except for the agreements set forth on Schedule 7.9, the Borrower will not enter into or permit to exist any transaction or series of transactions with any officer, director, shareholder, Subsidiary or Affiliate of the Borrower other than (a) normal compensation and reimbursement of expenses of officers and directors and (b) except as otherwise specifically limited in this Credit Agreement, other transactions which are entered into in the ordinary course of the Borrower's business on terms and conditions substantially as favorable to the Borrower as would be obtainable by it in a comparable arms-length transaction with a Person other than an officer, director, shareholder, Subsidiary or Affiliate.

7.10 FISCAL YEAR; ORGANIZATIONAL DOCUMENTS.

The Borrower will not change its fiscal year or amend, modify or change its partnership agreement (or other similar organizational document).

7.11 LIMITATION ON RESTRICTED ACTIONS.

The Borrower will not directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of the Borrower to (a) pay dividends or make any other distributions to any Credit Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Credit Party, (c) make loans or advances to any Credit Party or (d) sell, lease or transfer any of its properties or assets to any Credit Party, except (in respect of any of the matters referred to in clauses (a)-(d) above) for such encumbrances or restrictions existing under or by reason of (i) this Credit Agreement and the other Credit Documents or (ii) applicable law.

7.12 SUBSIDIARIES.

The Borrower agrees that it shall not form any Subsidiaries.

7.13 SALE LEASEBACKS.

The Borrower will not enter into any Sale and Leaseback Transaction.

7.14 NO FURTHER NEGATIVE PLEDGES.

The Borrower will not enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for any obligation if security is given for any other obligation, except pursuant to this Credit Agreement and the other Credit Documents.

7.15 LEASES.

The Borrower will not enter into any lease with respect to office space in the Project which (i) is on a form of lease not previously approved by the Project Administrative Agent, (ii) is for a term of more than five (5) years, not including renewal periods, or more than ten (10) years including renewal periods, (iii) contains an option or right to purchase all or any part of the Project, (iv) covers more than a full floor of space in the Project, (v) is with an Affiliate of the Borrower or (vi) is for a base rental rate less than ninety percent (90%) of the pro forma base rental rate of \$34.50 per square foot for office space in the Project, or provides for a tenant improvement allowance or for tenant improvements costing more than one hundred ten percent (110%) of the pro forma tenant allowance of \$35.00 per square foot for office space in the Project unless the Borrower has notified the Project Administrative Agent of such lease and provided the Project Administrative Agent seven (7) Business Days to review such lease. Furthermore, with respect to any lease of the Project requiring the review of the Project Administrative Agent pursuant to the terms of the preceding sentence, the Borrower shall not (i) permit the assignment or subletting of all or any part of the lessee's rights under such lease unless the right to assign or sublet is expressly reserved by the lessee under such lease, (ii) amend or modify such lease or (iii) accept surrender of such lease or terminate such lease except in accordance with the terms of such lease unless the Borrower has notified the Project Administrative Agent of such assignment, amendment or termination, as applicable, and provided the Project Administrative Agent seven (7) Business Days to review such assignment, amendment or termination, as applicable. The Project Administrative Agent agrees that it will review each lease, assignment of lease, or amendment to lease, as applicable, within seven (7) Business Days of receipt of such lease, assignment or amendment, as applicable. Nothing contained in this Section 7.15 shall prohibit the Borrower from entering into any lease, consenting to the assignment or subletting of any lease, or accepting the surrender or termination of any lease so long as the Administrative Agent is provided the notice and review period required by this Section 7.15.

7.16 PLANS AND SPECIFICATIONS.

The Borrower will not make any material amendments or material modifications to any of (i) the Plans and Specifications, (ii) the Development Agreement, (iii) the construction contract for the Improvements, (iv) the architect's contract for the Improvements, (v) the Transferable Development Agreements or (vi) the Letter of Credit Agreement without the prior written consent of the Administrative Agent.

7.17 FLOOR AREA RATIO.

The Borrower shall not permit the floor area ratio for the Land to drop below that necessary to construct and operate the Project to its intended height size and dimensions and in accordance with the Plans and Specifications.

SECTION 8

EVENTS OF DEFAULT

8.1 EVENTS OF DEFAULT.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Payment. The Borrower shall

(i) default in the payment when due of any principal of any of the Loans, or

(ii) default, and such default shall continue for three (3) or more Business Days, in the payment when due of any interest on the Loans, or of any Fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith or therewith; or

(b) Representations. Any representation, warranty or statement made or deemed to be made by any Credit Party herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was deemed to have been made; or

(c) Covenants. The Borrower shall

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 6.2, 6.4, 6.9, 6.11 or 7.1, 7.3, 7.4, 7.5, 7.8, 7.10, 7.11, 7.12, 7.13, 7.16 or 7.17;

(ii) default in the due performance or observance of any term, covenant or agreement contained in Sections 6.1(a), (b) (c) or (d), 6.12, 6.13, 6.16, 7.2, 7.6, 7.9, 7.14 or 7.15 and such default shall continue unremedied for a period of at least 5 Business Days after the earlier of any Executive Officer of the Borrower, the general partner of the Borrower or the managing member of the general partner of the Borrower becoming aware of such default or notice thereof by the Administrative Agent; or

(iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c)(i) or (c)(ii) of this Section 8.1) contained in this Credit Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 30 days after the earlier of any Executive Officer of the Borrower, the general partner of the Borrower or the managing member of the general partner of the Borrower becoming aware of such default or notice thereof by the Administrative Agent, except for a default of Section 6.7 of this Credit Agreement or a default of

Section 2.8 of the Mortgage Instrument which cannot be cured within such 30 day period in which case if the Credit Parties have begun a cure within such 30 day period and are pursuing it with all due diligence, the Credit Parties shall have an additional 30 days to cure such default; or

(d) Other Credit Documents. Any Credit Document shall fail to be in full force and effect or to give the Administrative Agent and/or the Lenders the Liens, rights, powers and privileges purported to be created thereby, or any Credit Party shall so state in writing; or

(e) Guaranties. The guaranty given by the Guarantor under the Guaranty Agreement or any provision thereof shall cease to be in full force and effect, or the Guarantor under the Guaranty Agreement or any Person acting by or on behalf of the Guarantor shall deny or disaffirm the Guarantor's obligations under the Guaranty Agreement, or the Guarantor shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to the Guaranty Agreement; or

(f) Bankruptcy, etc. Any Bankruptcy Event shall occur with respect to the Borrower; or

(g) Defaults under Other Indebtedness.

(i) The Borrower shall default in the performance or observance (beyond the applicable grace period with respect thereto, if any) of any material obligation or condition of any contract or lease material to the Borrower; or

(ii) With respect to any Indebtedness (other than Indebtedness outstanding under this Credit Agreement) of the Borrower in an aggregate principal amount in excess of \$500,000, (A) the Borrower shall (1) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such Indebtedness, or (2) default in the observance or performance relating to such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder or holders of such Indebtedness (or trustee or Administrative Agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required), any such Indebtedness to become due prior to its stated maturity; or (B) any such Indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof; or

(h) Judgments. One or more judgments or decrees shall be entered against the Borrower involving a liability of \$500,000 or more in the aggregate (to the extent not paid or fully covered by insurance provided by a carrier who has acknowledged coverage and has

the ability to perform) and any such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) ERISA. Any of the following events or conditions, if such event or condition could have a Material Adverse Effect: (i) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Borrower or any ERISA Affiliate in favor of the PBGC or a Plan; (ii) an ERISA Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (iii) an ERISA Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in (A) the termination of such Plan for purposes of Title IV of ERISA, or (B) the Borrower or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (iv) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which may subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability; or

(j) Ownership. There shall occur a Change of Control; or

(k) Nordstrom Credit Agreement. There shall occur an Event of Default (as defined in the Nordstrom Credit Agreement) under the Nordstrom Credit Agreement; or

(l) Cross Default. There shall occur a default or event of default under (i) the Development Agreement, (ii) the Letter of Credit Agreement, (iii) the Guaranty Agreement, (iv) the Ground Lease Agreement or (v) any of the Transferable Development Rights Agreements.

8.2 ACCELERATION; REMEDIES.

Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the requisite Lenders (pursuant to the voting requirements of Section 10.6) or cured to the satisfaction of the requisite Lenders (pursuant to the voting procedures in Section 10.6), the Administrative Agent shall, upon the request and direction of the Required Lenders, by written notice to the Borrower take any of the following actions:

(a) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration. Declare the unpaid principal of and any accrued interest in respect of all Loans and any and all other indebtedness or obligations of any and every kind

owing by the Borrower to the Administrative Agent and/or any of the Lenders hereunder to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(c) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents including, without limitation, all rights and remedies existing under the Collateral Documents, all rights and remedies against the Guarantor and all rights of set-off.

Notwithstanding the foregoing, (i) if an Event of Default specified in Section 8.1(f) shall occur with respect to the Borrower or (ii) if an Event of Default (as defined in the Guaranty Agreement) specified in Section 6.1(e) of the Guaranty Agreement shall occur with respect to the Guarantor, then the Commitments shall automatically terminate and all Loans, all accrued interest in respect thereof, all accrued and unpaid Fees and other indebtedness or obligations owing to the Administrative Agent and/or any of the Lenders hereunder automatically shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent or the Lenders.

SECTION 9

AGENCY PROVISIONS

9.1 APPOINTMENT, POWERS AND IMMUNITIES.

(a) Each Lender hereby irrevocably appoints and authorizes (i) the Administrative Agent to act as its Administrative Agent under this Credit Agreement and the other Credit Documents and (ii) the Project Administrative Agent to act as its project administrative agent under this Credit Agreement and the other Credit Documents with such powers and discretion as are specifically delegated to the Administrative Agent and the Project Administrative Agent respectively by the terms of this Credit Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent (which term as used in this sentence and in Section 9.5 and the first sentence of Section 9.6 hereof shall include its Affiliates and its own and its Affiliates' officers, directors, employees, and Administrative Agents) and the Project Administrative Agent: (a) shall not have any duties or responsibilities except those expressly set forth in this Credit Agreement and shall not be a trustee or fiduciary for any Lender; (b) shall not be responsible to the Lenders for any recital, statement, representation, or warranty (whether written or oral) made in or in connection with any Credit Document or any certificate or other document referred to or provided for in, or received by any of them under, any Credit Document, or for the value, validity, effectiveness, genuineness, enforceability, or sufficiency of any Credit Document, or any other document referred to or provided for therein or for any failure by any Credit Party or any other Person to perform any of its obligations thereunder; (c) shall not be responsible for or have any duty to ascertain, inquire into, or verify the performance or observance of any covenants or agreements by any Credit Party or the satisfaction of any condition or to inspect the property

(including the books and records) of any Credit Party or any of its Subsidiaries or Affiliates; (d) shall not be required to initiate or conduct any litigation or collection proceedings under any Credit Document; and (e) shall not be responsible for any action taken or omitted to be taken by it under or in connection with any Credit Document, except for its own gross negligence or willful misconduct. The Agents may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

(b) Each Lender hereby consents to and approves the terms of the Guaranty Agreement. By execution hereof, the Lenders authorize and direct the Administrative Agent to enter into the Guaranty Agreement on behalf of the Lenders.

9.2 RELIANCE BY ADMINISTRATIVE AGENT.

The Agents shall be entitled to rely upon any certification, notice, instrument, writing, or other communication (including, without limitation, any thereof by telephone or telecopy) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel for any Credit Party), independent accountants, and other experts selected by the Agents. The Administrative Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until the Administrative Agent receives and accepts an Assignment and Acceptance executed in accordance with Section 10.3(b) hereof. As to any matters not expressly provided for by this Credit Agreement, the Agents shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding on all of the Lenders; provided, however, that the Agents shall not be required to take any action that exposes the Agents to personal liability or that is contrary to any Credit Document or applicable law or unless 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 any such action.

9.3 DEFAULTS.

An Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless such Agent has received written notice from a Lender or a Credit Party specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall (subject to Section 8.2 hereof) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Required Lenders (or such other Lenders as required by Section 10.6), provided that, unless and until the Administrative Agent shall have received such directions, the Administrative 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 in the best interest of the Lenders.

9.4 RIGHTS AS A LENDER.

With respect to its Commitment and the Loans made by it, Bank of America (and any successor acting as the Administrative Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. Bank of America (and any successor acting as Administrative Agent) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, make investments in, provide services to, and generally engage in any kind of lending, trust, or other business with any Credit Party or any of its Subsidiaries or Affiliates as if it were not acting as Administrative Agent, and Bank of America (and any successor acting as Administrative Agent) and its Affiliates may accept fees and other consideration from any Credit Party or any of its Subsidiaries or Affiliates for services in connection with this Credit Agreement or otherwise without having to account for the same to the Lenders.

9.5 INDEMNIFICATION.

The Lenders agree to indemnify the Agents (to the extent not reimbursed under Section 10.5 hereof, but without limiting the obligations of the Credit Parties under such Section) ratably (in accordance with their respective (i) Revolving Commitments (or, if the Revolving Commitments have been terminated, the outstanding Revolving Loans) for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees), or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against an Agent (including by any Lender) in any way relating to or arising out of any Credit Document or the transactions contemplated thereby or any action taken or omitted by an Agent under any Credit Document: provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse an Agent promptly upon demand for its ratable share of any costs or expenses payable by the Credit Parties under Section 10.5 and Section 6.6, to the extent that such Agent is not promptly reimbursed for such costs and expenses by the Credit Parties. The agreements in this Section 9.5 shall survive the repayment of the Loans and other obligations under the Credit Documents and the termination of the Commitments hereunder.

9.6 NON-RELIANCE ON AGENTS AND OTHER LENDERS.

Each Lender agrees that it has, independently and without reliance on the Agents or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Credit Parties and their Subsidiaries and decision to enter into this Credit Agreement and that it will, independently and without reliance upon the Agents or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under the Credit Documents. Except for notices, reports, and other documents and information expressly required to be furnished to the Lenders by an Agent hereunder, the Agents shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the

affairs, financial condition, or business of any Credit Party or any of its Subsidiaries or Affiliates that may come into the possession of any Agent or any of its Affiliates.

9.7 SUCCESSOR AGENTS.

An Agent may resign at any time by giving notice thereof to the Lenders and the Credit Parties. An Agent may be removed at any time for cause by written action of the Required Lenders delivered to such Agent. Upon any such resignation or removal, the Required Lenders and, unless a Default or Event of Default has occurred and is continuing, the Borrower shall have the right to appoint a successor Administrative Agent or Project Administrative Agent, as applicable. If no successor Administrative Agent shall have been so appointed within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation or removal of the Administrative Agent, then the retiring or removed Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a commercial bank organized under the laws of the United States having combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges, and duties of the retiring or removed Administrative Agent, and the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder. If no successor Administrative Agent has accepted appointment as Administrative Agent within thirty (30) days after the retiring Administrative Agent's giving notice of resignation or removal of the Administrative Agent, the retiring Administrative Agent's resignation or removal shall nevertheless become effective, and the Lenders shall perform all duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders and, unless a Default or Event of Default has occurred and is continuing, the Borrower appoint a successor Administrative Agent as provided above. If no successor Project Administrative Agent shall have been so appointed by the Required Lenders within thirty (30) days after the retiring Project Administrative Agent's giving of notice of resignation or removal of the Project Administrative Agent, then the retiring or removed Project Administrative Agent may, on behalf of the Lenders, appoint a successor Project Administrative Agent which shall be a commercial bank organized under the laws of the United States having combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Project Administrative Agent hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, discretion and duties of the retiring or removed Project Administrative Agent, and the retiring or removed Project Administrative Agent shall be discharged from its duties and obligations hereunder. If no successor Project Administrative Agent has accepted appointment as Project Administrative Agent within thirty (30) days after the retiring Project Administrative Agent's giving notice of resignation or removal of the Project Administrative Agent, the retiring Project Administrative Agent's resignation or removal shall nevertheless become effective, and the Lenders shall perform all duties of the Project Administrative Agent hereunder until such time, if any, as the Required Lenders and, unless a Default or Event of Default has occurred and is continuing, the Borrower shall appoint a successor Project Administrative Agent as provided above. Upon any retiring Agent's resignation or removal, the provisions of this Section 9 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as an Agent.

SECTION 10
MISCELLANEOUS

10.1 NOTICES.

Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (a) when delivered, (b) when transmitted via telecopy (or other facsimile device) to the number set out below, (c) the Business Day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address, in the case of the Credit Parties and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on Schedule 2.1(a), or at such other address as such party may specify by written notice to the other parties hereto:

if to the Borrower:

1700 Seventh L.P.
c/o Clise Venture One LLC
1904 Third Avenue, Suite #200
Seattle, Washington 98101
Attn: A.M. Clise
Telephone: (206) 623-7500
Telecopy: (206) 624-8379

with a copy to:

Nordstrom, Inc.
1617 6th Avenue
Seattle, Washington 98101
Attn: Chief Financial Officer
Telephone: (206) 373-4090
Telecopy: (206) 373-4055

if to the Guarantor:

Nordstrom, Inc.
1617 6th Avenue
Seattle, Washington 98101
Attn: Chief Financial Officer
Telephone: (206) 373-4090
Telecopy: (206) 373-4055

if to the Project Administrative Agent:

Bank of America, N.A.
701 Fifth Avenue, 15th Floor
Mail Code WA1-102-15-01
Seattle, Washington 98104
Attn: Laura Raynolds
Telephone: (206) 358-3668
Facsimile: (206) 358-3487

if to the Administrative Agent:

Bank of America, N.A.
1850 Gateway Blvd., 5th Floor
Mail Code CA4-706-05-09
Concord, California 94520
Attn: Josephine T. Flores
Telephone: (925) 675-8374
Facsimile: (925) 969-2812

with a copy to:

Bank of America, N.A.
555 California Street, 41st Floor
Mail Code: CA5-705-41-89
San Francisco, California 94104
Attn: James Johnson
Telephone: (415) 622-6177
Facsimile: (415) 622-4585

10.2 RIGHT OF SET-OFF; ADJUSTMENTS.

Upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender (or any of its Affiliates) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Credit Agreement, under the Notes, under any other Credit Document or otherwise, irrespective of whether such Lender shall have made any demand hereunder or thereunder and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 10.2 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

10.3 BENEFIT OF AGREEMENT; ASSIGNMENTS.

(a) This Credit Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that the Borrower may not assign or transfer any of its interests and obligations without prior written consent of each of the Lenders; provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 10.3.

(b) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Credit Agreement (including, without limitation, all or a portion of its Loans, its Notes, and its Commitment); provided, however, that

(i) each such assignment shall be to an Eligible Assignee and subject to the restrictions contained in the definition of "Eligible Assignee";

(ii) except in the case of an assignment to another Lender, an Affiliate of an existing Lender or any fund that invests in bank loans and is advised or managed by an investment advisor to an existing Lender or an assignment of all of a Lender's rights and obligations under this Credit Agreement, any such partial assignment shall be in an amount at least equal to \$5,000,000 (or, if less, the remaining amount of the Commitment being assigned by such Lender) or an integral multiple of \$1,000,000 in excess thereof; and

(iii) the parties to such assignment shall execute and deliver to the Administrative Agent for its acceptance an Assignment and Acceptance in the form of Exhibit 10.3(b) hereto, together with any Note subject to such assignment and a processing fee of \$3,500.

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Credit Agreement. Upon the consummation of any assignment pursuant to this Section 10.3(b), the assignor, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. If the assignee is not a United States person under Section 7701(a)(30) of the Code, it shall deliver to the Borrower and the Administrative Agent certification as to exemption from deduction or withholding of Taxes in accordance with Section 3.11.

(c) The Administrative Agent shall maintain at its address referred to in Section 10.1 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Credit Parties, the Administrative Agent and the

Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection by the Credit Parties or any Lender at any reasonable time and from time to time upon reasonable prior notice. Any assignment of any Loan or other Credit Party Obligations shall be effective only upon an entry with respect thereto being made in the Register.

(d) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit 10.3(b) hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(e) Each Lender may sell participations to one or more Persons in all or a portion of its rights, obligations or rights and obligations under this Credit Agreement (including all or a portion of its Commitment or its Loans); provided, however, that (i) such Lender's obligations under this Credit Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the yield protection provisions contained in Sections 3.7 through 3.12, inclusive (but only to the extent that the costs of the Borrower resulting from such benefit does not exceed the costs which the Borrower would have incurred in respect of such Lender absent the participation), and the right of set-off contained in Section 10.2, and (iv) the Credit Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit Agreement, and such Lender shall retain the sole right to enforce the obligations of the Credit Parties relating to the Credit Party Obligations owing to such Lender and to approve any amendment, modification, or waiver of any provision of this Credit Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes, or extending its Commitment).

(f) Notwithstanding any other provision set forth in this Credit Agreement, any Lender may at any time assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

(g) Any Lender may furnish any information concerning the Credit Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 10.14 hereof.

10.4 NO WAIVER; REMEDIES CUMULATIVE.

No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Administrative Agent or any Lender and any of the Credit Parties shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle the Credit Parties to any other or further notice or demand in similar or other circumstances (except as specifically required by the Credit Documents), or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.

10.5 EXPENSES; INDEMNIFICATION.

(a) The Borrower agrees to pay on demand all costs and expenses of the Agents in connection with the syndication, preparation, execution, delivery, administration, modification, and amendment of this Credit Agreement, the other Credit Documents, and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and expenses of counsel for the Agents (including the cost of internal counsel) with respect thereto and with respect to advising the Agents as to their rights and responsibilities under the Credit Documents. The Borrower further agrees to pay on demand all costs and expenses of the Agents and the Lenders, if any (including, without limitation, reasonable attorneys' fees and expenses and the cost of internal counsel), in connection with the enforcement (whether through negotiations, legal proceedings, or otherwise) of the Credit Documents and the other documents to be delivered hereunder.

(b) The Borrower shall indemnify, defend and hold harmless the Agents and each Lender and each of their Affiliates and the officers, directors, employees, agents, attorneys, affiliates, successors and assigns of the Agents and each Lender and each of their Affiliates (collectively, the "Indemnitees") from and against (i) any and all transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of the Credit Documents or the making of the Loans (provided that any Lender claiming any additional amounts payable pursuant to this Section 10.5(b)(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 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 Indemnitee shall

be designated a party thereto) that may be imposed on, incurred by or asserted against such Indemnitee, in any manner relating to or arising out of the Credit Documents, the Loans, or the use or intended use of the proceeds of the Loans (the "Indemnified Liabilities"); provided that no Indemnitee 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. The Borrower agrees not to assert any claim against the Agents, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys, agents, and advisers, on any theory of liability, for special, indirect, consequential, or punitive damages arising out of or otherwise relating to the Credit Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans.

(c) To the extent that the undertaking to indemnify and hold harmless set forth in this Section 10.5 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.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 10.5 shall survive the repayment of the Loans and other obligations under the Credit Documents and the termination of the Commitments hereunder.

10.6 AMENDMENTS, WAIVERS AND CONSENTS.

Neither this Credit Agreement nor any other Credit Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing entered into by, or approved in writing by, the Required Lenders and the Credit Parties, provided, however, that:

(a) without the consent of each Lender affected thereby, neither this Credit Agreement nor any other Credit Document may be amended to

(i) extend the final maturity of any Loan or any portion thereof,

(ii) reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) thereon or Fees hereunder,

(iii) reduce or waive the principal amount of any Loan,

(iv) increase the Commitment of a Lender over the amount thereof in effect (it being understood and agreed that a waiver of any Default or Event of Default or mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender),

(v) release all or substantially all of the Collateral;

(vi) release the Borrower or the Guarantor from its or their obligations under the Credit Documents,

(vii) amend, modify or waive any provision of this Section 10.6 or Section 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 8.1(a), 10.2, 10.3, 10.5 or 10.9,

(viii) reduce any percentage specified in, or otherwise modify, the definition of Required Lenders, or

(ix) consent to the assignment or transfer by the Borrower or the Guarantor of any of its or their rights and obligations under (or in respect of) the Credit Documents except as permitted thereby; and

(b) without the consent of the Administrative Agent, no provision of Section 10 may be amended.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein and (y) the Required Lenders may consent to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding.

10.7 COUNTERPARTS.

This Credit Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Credit Agreement to produce or account for more than one such counterpart for each of the parties hereto. Delivery by facsimile by any of the parties hereto of an executed counterpart of this Credit Agreement shall be as effective as an original executed counterpart hereof and shall be deemed a representation that an original executed counterpart hereof will be delivered.

10.8 HEADINGS.

The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Credit Agreement.

10.9 SURVIVAL.

All indemnities set forth herein, including, without limitation, in Section 2.2(i), 3.11, 3.12, 9.5 or 10.5 shall survive the execution and delivery of this Credit Agreement, the making of the Loans, the repayment of the Loans and other obligations under the Credit Documents and the termination of the Commitments hereunder, and all representations and warranties made by the Credit Parties herein or in any of the other Credit Documents shall survive delivery of the Notes and the making of the Loans hereunder.

10.10 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE.

(a) THIS CREDIT AGREEMENT AND, UNLESS OTHERWISE EXPRESSLY PROVIDED THEREIN, THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON. Any legal action or proceeding with respect to this Credit Agreement or any other Credit Document may be brought in the courts of the State of Washington in King County, or of the United States for the Western District of Washington, and, by execution and delivery of this Credit Agreement, the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of such courts. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any manner permitted by law or to commence legal proceedings or to otherwise proceed against the Borrower in any other jurisdiction.

(b) The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Credit Agreement or any other Credit Document brought in the courts referred to in subsection (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) TO THE EXTENT PERMITTED BY LAW, EACH OF THE ADMINISTRATIVE AGENT, THE LENDERS, AND THE BORROWER HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CREDIT AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

10.11 SEVERABILITY.

If any provision of any of the Credit Documents is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

10.12 ENTIRETY.

This Credit Agreement together with the other Credit Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Credit Documents or the transactions contemplated herein and therein.

10.13 BINDING EFFECT.

This Credit Agreement shall become effective at such time on or after the Closing Date when it shall have been executed by the Borrower and the Administrative Agent, and the Administrative Agent shall have received copies hereof (telexed or otherwise) which, when taken together, bear the signatures of each Lender, and thereafter this Credit Agreement shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and each Lender and their respective successors and assigns; provided, however, unless the conditions set forth in Section 4.2 have been satisfied by the Borrower on or before March 14, 2000, none of the Administrative Agent, the Project Administrative Agent or the Lenders shall have any obligations under the Credit Agreement.

10.14 CONFIDENTIALITY.

The Administrative Agent and each Lender (each, a "Lending Party") agrees to keep confidential any information furnished or made available to it by the Credit Parties pursuant to this Credit Agreement that is marked confidential; provided that nothing herein shall prevent any Lending Party from disclosing such information (a) to any other Lending Party or any Affiliate of any Lending Party, or any officer, director, employee, Administrative Agent, or advisor of any Lending Party or Affiliate of any Lending Party, (b) to any other Person if reasonably incidental to the administration of the Loans, (c) as required by any law, rule, or regulation, (d) upon the order of any court or administrative agency, (e) upon the request or demand of any regulatory agency or authority, (f) that is or becomes available to the public or that is or becomes available to any Lending Party other than as a result of a disclosure by any Lending Party prohibited by this Credit Agreement, (g) in connection with any litigation to which such Lending Party or any of its Affiliates may be a party, (h) to the extent necessary in connection with the exercise of any remedy under this Credit Agreement or any other Credit Document, (i) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, (j) to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty (i) has been approved in writing by the Borrower and (ii) agrees in a writing enforceable by the Borrower to be bound by the provisions of this Section 10.14) and (k) subject to provisions substantially similar to those contained in this Section 10.14, to any actual or proposed participant or assignee.

10.15 SOURCE OF FUNDS.

Each of the Lenders hereby represents and warrants to the Borrower that at least one of the following statements is an accurate representation as to the source of funds to be used by such Lender in connection with the financing hereunder:

(a) no part of such funds constitutes assets allocated to any separate account maintained by such Lender in which any employee benefit plan (or its related trust) has any interest;

(b) to the extent that any part of such funds constitutes assets allocated to any separate account maintained by such Lender, such Lender has disclosed to the Borrower the name of each employee benefit plan whose assets in such account exceed 10% of the total assets of such account as of the date of such purchase (and, for purposes of this subsection (b), all employee benefit plans maintained by the same employer or employee organization are deemed to be a single plan);

(c) to the extent that any part of such funds constitutes assets of an insurance company's general account, such insurance company has complied with all of the requirements of the regulations issued under Section 401(c)(1)(A) of ERISA; or

(d) such funds constitute assets of one or more specific benefit plans which such Lender has identified in writing to the Borrower.

As used in this Section 10.15, the terms "employee benefit plan" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA. Nothing contained in this Section 10.15 shall be deemed a consent by the Borrower to an assignment by a Lender of its rights and obligations under this Credit Agreement.

10.16 CONFLICT.

To the extent that there is a conflict or inconsistency between any provision hereof, on the one hand, and any provision of any Credit Document, on the other hand, this Credit Agreement shall control.

10.17 ORAL AGREEMENTS NOT BINDING.

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

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Credit Agreement to be duly executed and delivered as of the date first above written.

BORROWER: 1700 SEVENTH L.P., a Washington limited partnership
- - - - -

By: CLISE VENTURE ONE LLC, a Washington limited liability company, its sole general partner

By: CLISE PROPERTIES, INC., a Washington corporation, its authorized member

By: _____
Name: _____
Title: _____

LENDERS: BANK OF AMERICA, N.A., individually in its capacity as a Lender, in its capacity as Administrative Agent and in its capacity as Project Administrative Agent

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

BANK ONE, NA (MAIN OFFICE-CHICAGO)

By: _____
Name: _____
Title: _____

U.S. BANK

By: -----
Name: -----
Title: -----

KEYBANK NATIONAL ASSOCIATION

By: -----
Name: -----
Title: -----

SCHEDULE 4.3

Capitalized terms used in this Schedule 4.3 and not otherwise defined shall have the meanings given to them in the Credit Agreement. In addition to the terms of Section 2.1 and Section 4.3 of the Credit Agreement, each Revolving Loan advance under the Credit Agreement, and the disbursement of any equity or other funds deposited with the Project Administrative Agent pursuant to the terms of this Schedule 4.3 (collectively the "Funds") shall be subject to the following terms and provisions:

(a) General Conditions to Disbursements. Each disbursement of Funds at the request of the Borrower is subject to the following general conditions:

(i) Neither the Improvements nor any other part of the Project shall have been materially damaged by fire or other casualty, and there shall be no eminent domain or condemnation proceeding pending or threatened against the Project. This condition shall be deemed satisfied if the Borrower has satisfied the conditions to the use of insurance and condemnation proceeds set forth in Sections 6.6 and 6.13 of the Credit Agreement.

(ii) Upon completion of the foundations of the Improvements, the Administrative Agent shall have received a foundation endorsement to the Mortgage Policy, in form and content acceptable to the Administrative Agent, showing no encroachments of the foundations onto other property.

(iii) The Project Administrative Agent must be satisfied that the Revolving Loans are "in balance" pursuant to subparagraph (e) below, or the Borrower must have deposited the additional Funds with the Project Administrative Agent required pursuant to such subparagraph (e).

(iv) The Lenders are not prohibited from disbursing Funds under any applicable lien laws or stop notice statutes or otherwise except to the extent that such Funds are withheld as provided in subparagraph (b) below.

(v) No legal or administrative proceeding challenging the validity of or seeking to enjoin, set aside, review or otherwise challenge any governmental permit or approval applicable to the Project shall be pending or threatened.

Unless all the foregoing conditions of subsection (a) are met to the Project Administrative Agent's satisfaction, neither the Lenders, nor the Administrative Agent, nor the Project Administrative Agent shall have any obligation to make any disbursement of Funds requested by the Borrower; however, the Required Lenders may elect to make an advance of the Funds notwithstanding that any one or more of the foregoing conditions is not satisfied, and by doing so they shall not be deemed to have waived the right to require the satisfaction of any such conditions with respect to any other advance of the Funds. The proceeds of the Revolving Loans and other Funds will be deposited in the Deposit Account and from which any payments that the Borrower is required to make will be automatically withdrawn.

(b) Disbursements for Construction Costs.

(i) The Borrower may request disbursements of Funds to pay direct construction costs provided for in the Project Budget once a month. All requests for payment of the Construction Costs specified in the Project Budget shall be pursuant to a draw request ("Draw Request") submitted to the Project Administrative Agent. Each Draw Request shall be on an AIA form of Application and Certificate for Payment (or other form approved by the Project Administrative Agent), signed by the general contractor, the Borrower and the project architect, as required by the Project Administrative Agent. Subject to the conditions set forth in Sections 2.1 and 4.3 of the Credit Agreement, and the other conditions to disbursement set forth in this Schedule 4.3, Revolving Loan advances shall be made after the Project Administrative Agent's receipt and approval of the Draw Request and any supplementary documentation or information required by the Project Administrative Agent in accordance with the terms of the Credit Agreement and this Schedule 4.3. The Project Administrative Agent agrees that it will review the Draw Request and any supplemental documentation or information required by the Project Administrative Agent and make a determination as to whether such Draw Request and other documentation or information are acceptable to the Project Administrative Agent within seven (7) Business Days of receipt of such items. The Project Administrative Agent additionally agrees that it will immediately notify the Borrower of its approval of any Draw Request and related materials. The Project Administrative Agent agrees that it will provide copies of any Draw Request or any other supplemental documentation or information provided to the Project Administrative Agent in accordance with this Schedule 4.3 to any Lender which requests copies of any such Draw Request, documentation or information. The Project Administrative Agent also agrees to provide a copy of the Project Budget to any Lender which requests a copy of the Project Budget.

(ii) Unless otherwise agreed in writing by the Project Administrative Agent, each Draw Request shall be accompanied by the following, all of which must be acceptable to the Project Administrative Agent in its reasonable discretion (1) a Certificate of Job Progress signed by the Borrower and the general contractor stating the percentage of the Project completed through the date payment is requested; (2) if requested by the Project Administrative Agent, invoices (or other reasonable evidence) substantiating the Construction Costs covered by the Draw Request; and (3) executed acknowledgments of payment and releases of liens (through the date covered by the immediately preceding monthly advance) from the general contractor and, if required by the Project Administrative Agent, from all laborers, subcontractors and materialmen performing labor or services or supplying materials in connection with the Project ("Subcontractors").

(iii) The Project Administrative Agent will withhold from each advance for Construction Costs an amount (the "Retention") equal to five percent (5%) of the amount of the Construction Costs for which disbursement is requested. The amount of the Retention shall be held by the Project Administrative Agent until the conditions for final advance set forth below are satisfied. If a disbursement is requested to pay for materials stored off-site, prior to making the disbursement, the Project Administrative Agent must receive (1) a copy of a bill of sale or other acceptable evidence establishing that such materials were purchased free and clear of liens and encumbrances and not pursuant to a conditional sales contract, (2) evidence the materials are

stored at a suitable location acceptable to the Project Administrative Agent, and are insured against damage or destruction for the full insurable value under a policy of insurance which names the Administrative Agent as an additional loss payee on behalf of the Lenders, and (3) evidence the materials are segregated from materials and equipment not intended to be incorporated into the Project.

(iv) In the event the Project Administrative Agent receives a notice of a potential lien pursuant to RCW 60.04.221, to the extent there is not bond in place for such item pursuant to either RCW 60.04.161 or RCW 60.04.221, the Project Administrative Agent shall withhold from the next and subsequent draws the amount claimed to be due as stated in the notice. Sums so withheld shall not be disbursed by the Project Administrative Agent, except by the written agreement of the potential lien claimant owner, and prime contractor in such form as may be prescribed by the Project Administrative Agent, or the order of a court of competent jurisdiction, but the Project Administrative Agent shall not otherwise refuse to allow a Draw Request on the basis of such a notice.

(v) The Project Administrative Agent shall have no obligation to approve a Draw Request for the payment of Construction Costs if (a) the percentage of Construction Costs in the Project Budget which has already been disbursed is greater than the percentage of completion of the Project, as certified to the Project Administrative Agent in any Certificate of Job Progress and verified by the Project Administrative Agent or the Consultant; or (b) the percentage of any Construction Cost line item in the then current Project Budget which is already paid out is greater than the percentage of completion of that line item.

(c) Disbursements for Other Costs.

(i) Interest. If there is an interest reserve in the Project Budget, prior to completion of Improvements (and after completion of the Improvements to the extent the Net Operating Income is insufficient to pay interest due on the Revolving Loans), the Project Administrative Agent will make monthly disbursements of Funds from the interest reserve set forth in the Project Budget to pay interest on the Revolving Loans. If in the Project Administrative Agent's reasonable opinion, the undisbursed amount of the interest reserve in the Project Budget (plus any anticipated Net Operating Income) is not sufficient to pay interest on the Revolving Loans as it comes due under the Credit Agreement, the Borrower shall pay the interest from its own monies (not Revolving Loan proceeds or other Funds) in accordance with Section 2.1 of the Credit Agreement or shall deposit additional funds with the Project Administrative Agent to be added to the interest reserve, at the Project Administrative Agent's option. The foregoing is not intended to alter or limit the Borrower's obligation to make the interest payments on the Revolving Loans as required by Section 2.1 of the Credit Agreement if the interest reserve is not adequate or if the Project Administrative Agent otherwise is not required to make such disbursements.

(ii) Non-Construction Costs. The Borrower may from time to time request the disbursement of Funds to pay costs other than Construction Costs if such other costs are included in the Project Budget, and the disbursement request is otherwise approved by the Project Administrative Agent. With each request, the Borrower will provide the Project Administrative

Agent with such evidence as the Project Administrative Agent may require verifying the amount and purpose of the costs for which disbursement is requested. Prior to disbursing Funds for any Project management or development fees, real estate fees or commissions or otherwise, the Project Administrative Agent shall have received, reviewed and approved executed copies of the applicable agreement providing for the payment of such fees or commissions, and the Project Administrative Agent shall be reasonably satisfied the Person to be paid has duly performed the services for which payment is requested.

(d) Inspections by Project Administrative Agent. The Project Administrative Agent may retain, at the Borrower's expense, an architect, structural engineer or other construction consultant (the "Consultant") to inspect the Project, review Draw Requests, the construction contract, the Plans and Specifications, the Project Budget and such other documents or information as the Project Administrative Agent may require, visit the Project and perform such other duties as the Project Administrative Agent deems necessary or desirable. The Project Administrative Agent shall instruct the Consultant and shall otherwise take reasonable steps to cause the Consultant to provide such services in a timely manner so as not to delay and reasonably complete the Draw Request. The Consultant may make periodic inspections of the Improvements during construction to review and comment on construction progress and percentage of completion, conformity of the work with the Plans and Specifications, activity and coordination among trades and quality of workmanship, and the accuracy of the statement of percentage of completion reflected in any Certificate of Job Progress submitted to the Project Administrative Agent. Any inspections by the Project Administrative Agent or the Consultant shall be solely for the purpose of protecting the interests of the Project Administrative Agent, the Administrative Agent and the Lenders, and such inspections shall not be construed as a representation to the Borrower or any other Person that there has been or will be strict compliance on the part of any contractors or subcontractors with the Plans and specifications or that construction of the Improvements is or will be free from faulty materials or workmanship. If the Consultant does not approve a Certificate of Job Progress, or any other materials or information submitted to the Project Administrative Agent with a Draw Request, the Project Administrative Agent will have no obligation to approve the requested advance in an amount greater than the amount approved by the Consultant.

(e) Loan Balancing. The Lenders shall have no obligation to make a Revolving Loan advances and the Project Administrative Agent has no obligation to disburse any Funds if in the Project Administrative Agent's reasonable opinion the Revolving Loans are not "in balance"; i.e., the undisbursed balance of the Revolving Loans, plus any undisbursed Funds previously deposited by the Borrower with the Project Administrative Agent, if any, are not sufficient to pay all costs necessary to complete the Project (including without limitation the payment of interest on the Revolving Loans) in accordance with the approved Plans and Specifications and the Project Budget, free and clear of all liens, encumbrances and conditional sales contracts, whether the deficiency is attributable to changes in the work or in the Plans and Specifications or to any other cause. If at any time the Project Administrative Agent determines the Revolving Loans are not in balance, within five (5) days after demand, the Borrower will deposit with the Project Administrative Agent the amount necessary to "balance" the Revolving Loans, and all Funds so deposited with the Project Administrative Agent shall be held and disbursed by the Project Administrative Agent in accordance with this Schedule 4.3 prior to

making any additional disbursement of Funds. If the Project Administrative Agent makes such demand, the Lenders shall have no obligation to make further Revolving Loan advances and the Project Administrative Agent shall have no obligation to disburse any Funds until such additional funds are deposited with the Project Administrative Agent by the Borrower. Each Draw Request or other request for disbursement submitted to the Project Administrative Agent will constitute the Borrower's representation and warranty to the Project Administrative Agent and the Lenders that the Revolving Loans are "in balance".

(f) Use and Application of Funds. The Project Administrative Agent shall have no obligation to assure that Funds advanced to the Borrower or others are applied against the cost of the Project. The Borrower accepts full responsibility for the proper application of all Funds advanced at the Borrower's request. The Project Administrative Agent may rely solely on Draw Requests or other disbursement requests submitted by the Borrower or its agents and upon other affidavits, statements or reports submitted by the Borrower or its agents in making advances of Funds. The Borrower shall defend, indemnify and hold the Project Administrative Agent, the Administrative Agent and the Lenders harmless from any losses, demands, claims, attorneys' fees and expenses which may arise out of the misapplication or misuse of Revolving Loans (or other Funds) by the Borrower or by any other person paid at the Borrower's direction.

(g) Final Disbursement. The final disbursement of Funds, including the Retention, shall be made only if the conditions set forth below are met to the Project Administrative Agent's satisfaction:

(i) The Improvements and the Project are completed in accordance with the Plans and Specifications as confirmed by the project architect and the Project Administrative Agent or the Consultant, and the Project Administrative Agent shall have received as-built Plans and Specifications for the Project.

(ii) The Administrative Agent shall have received, at the Borrower's expense, an endorsement (in form and substance satisfactory to the Administrative Agent) to the Mortgage Policy insuring the lien-free completion of the Project, without exceptions other than those previously approved by the Administrative Agent.

(iii) The Project Administrative Agent and the Administrative Agent shall have received an as-built survey of the Project and an endorsement to the Title Policy eliminating title exceptions regarding possible encroachments and/or violations of easement rights.

(iv) The Project Administrative Agent shall have received copies of all licenses, permits and certificates necessary for the lawful use and occupancy of the Project, including but not limited to a copy of the final certificate of occupancy for the Project, which shall be unconditional unless otherwise agreed by the Project Administrative Agent, or other evidence acceptable to the Project Administrative Agent that the Project is completed and accepted by all necessary governmental authorities.

(v) If requested by the Project Administrative Agent, the Project Administrative Agent shall have received a final accounting of Project costs from the Borrower and/or its general contractor.

(vi) The Project Administrative Agent shall have received fully executed lien releases from General Contractor and, if required by the Project Administrative Agent, the Subcontractors, or the Borrower shall have provided the Administrative Agent on behalf of the Lenders with an appropriate surety bond from a surety acceptable to the Project Administrative Agent or affirmative title insurance coverage with respect to potential laborers', mechanics' or materialmen's liens.

(h) Expenses, Fees and Interest. Notwithstanding any other provision of this Schedule 4.3 or the Credit Agreement, the Project Administrative Agent may elect (after having provided notice to the Borrower) to use Funds to pay when due expenses of the Project Administrative Agent, the Administrative Agent or the Lenders which are the Borrower's responsibility under the Credit Agreement or any of the other Credit Documents, and such other sums as may be payable from time to time by the Borrower to the Project Administrative Agent, the Administrative Agent or the Lenders with respect to the Revolving Loans. Such payments at the option of the Project Administrative Agent may be made by debiting or charging the Funds in the amount of such payments without first disbursing such amounts to Borrower. In addition, the Borrower hereby authorizes the Administrative Agent, at its option, to make such other payments as the Administrative Agent deems necessary or desirable to maintain the validity and priority of the Mortgage Instrument, including the following, unless the Borrower makes the payment within ten (10) days after written notice from Administrative Agent: (i) pay delinquent assessments and taxes on the Project; (ii) pay title insurance premiums, recording fees, and hazard, liability and flood insurance premiums; (iii) pay contractor's liens or claims of liens against the Project, subject to any right the Borrower may have to contest such liens pursuant to the terms of the Mortgage Instrument or the other Credit Documents, and (iv) pay judgments affecting the Project, subject to any right the Borrower may have to contest such judgment's pursuant to the terms of the Mortgage Instrument or the other Credit Documents.

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT dated as of February 29, 2000 (the "Guaranty") is given by NORDSTROM, INC., a Washington corporation (the "Guarantor"), in favor of BANK OF AMERICA, N.A., as Administrative Agent (in such capacity, the "Administrative Agent") and the Lenders party to the Credit Agreement described below.

W I T N E S S E T H

WHEREAS, 1700 Seventh L.P., a Washington limited partnership (the "Borrower"), the Lenders and the Administrative Agent have entered into that certain Credit Agreement dated as of the date hereof (as amended, modified, restated or supplemented from time to time, the "Credit Agreement"); and

WHEREAS, this Guaranty is a condition precedent to the effectiveness of the Credit Agreement and the obligations of the Lenders to make loans and extensions of credit to the Borrower under the Credit Agreement.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Guarantor hereby agrees as follows:

SECTION 1
DEFINITIONS

1.1 CERTAIN DEFINITIONS.

Unless otherwise defined herein, capitalized terms used herein (including those in the preamble and recitals) shall have the meanings ascribed to such terms in the Credit Agreement.

"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 Guarantor. Notwithstanding the foregoing, in no event shall any Lender or any Affiliate of a Lender be deemed to be an Affiliate of the Guarantor. For avoidance of doubt, the parties agree that the Borrower is not an Affiliate of the Guarantor.

"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.

"Capital Stock" means, with respect to any Person, all (i) shares, interests, participations or other equivalents (howsoever designated) of capital stock and other equity 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 are required to be capitalized on the balance sheet of such Persons. The amount of any Capitalized Lease shall be the capitalized amount thereof.

"Change of Control" means 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 Act of 1934), directly or indirectly, of Voting Stock of the Guarantor (or other Securities convertible into such Voting Stock) representing 40% or more of the combined voting power of all Voting Stock of the Guarantor.

"Closing Date" means the date hereof.

"Contingent Obligation" means, as to any Person, any obligation, direct or indirect, contingent or otherwise, of such Person (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, or (iii) 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 under clause (i) or (ii) 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 Guarantor, shall not include (i) the obligations of the Guarantor under any obligation which the Guarantor does or may have to sell to, repurchase from or indemnify the purchaser with respect to accounts discounted or sold by the Guarantor in the ordinary course of its business (but any such other obligation shall be excluded only to the extent that such other obligation is not for the benefit, directly or indirectly, of any Person that is not a wholly owned Subsidiary (direct or indirect) of the Guarantor) or (ii) 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 Subsidiary in the ordinary course of its business (but any such other obligation shall be excluded only to the extent that such obligation is not for the benefit,

directly or indirectly, of any Person that is not a wholly owned Subsidiary (direct or indirect) of the Guarantor); or (iii) supply, service or licensing agreements between or among Nordstrom.com, LLC, a Delaware limited liability company, and its successors on the one hand, and the Guarantor and its other Subsidiaries, on the other hand, so long as such agreements are fair and reasonable to the Guarantor and such other Subsidiaries under the circumstances.

"Contractual Obligation" means, as applied to any Person, any provision of any security issued by that Person or 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 Guarantor 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 hereto and the spouse and lineal descendants of any such individual.

"Debt" means, with respect to any Person, the aggregate amount of, without duplication: (i) all obligations for borrowed money; (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 not overdue arising in the ordinary course of business; (iv) all Capitalized Leases; (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; and (vii) all Contingent Obligations.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"EBITDAR" means, for any period, net income (or net loss) plus, to the extent deducted in determining such net income (or net loss), the sum of (a) interest expense, (b) income tax expense, (c) depreciation expense, (d) amortization expense and (e) rent expense, in each case determined in accordance with GAAP for such period.

"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 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 the waiver of notice provided 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 Internal Revenue Code with respect to a Plan; (iii) the provision by the administrator of any 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 Guarantor or any member of the Controlled Group in the circumstances described in Section 4062(e) of ERISA; (v) the withdrawal by the Guarantor or any member of the Controlled Group from a Multiple Employer 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.

"Existing Liens" means the Liens described on Schedule 5.1.1.

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

"GAAP" means generally accepted accounting principles in the United States applied on a consistent basis and subject to the terms of Section 1.3.

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

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guaranteed Obligations" means, without duplication, (i) all of the obligations of the Borrower to the Lenders, the Administrative Agent and the Project Administrative Agent, whenever arising, under the Credit Agreement, the Notes, the Environmental Indemnity Agreement, the Collateral Documents or any of the other Credit Documents (including, but not limited to, any interest accruing after the occurrence of a Bankruptcy Event with respect to any Credit Party, regardless of whether such interest is an allowed

claim under the Bankruptcy Code) and (ii) all liabilities and obligations, whenever arising, owing from the Borrower to any Lender, or any Affiliate of a Lender, arising under any Hedging Agreement.

"Investment Agreement" means the Investment Agreement, dated as of October 8, 1994, between the Guarantor and Nordstrom Credit, as amended from time to time.

"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.

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

"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, results of operations or financial condition of the Guarantor and its Subsidiaries taken as a whole or (B) the ability of the Guarantor to perform its obligations under any Credit Document to which it is a party or (C) the actual material rights and remedies of any Lender under any Credit Document.

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

"Nordstrom Credit" means Nordstrom Credit, Inc., a Colorado corporation, and any successor.

"Nordstrom.com Loan Agreement" means that certain loan agreement to be entered into between the Guarantor and Nordstrom.com, LLC, as amended or modified from time to time.

"Permitted Liens" means, with respect to any asset, the Liens (if any) permitted to exist on such asset under Section 5.1.

"Person" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise (whether or not incorporated) or any Governmental Authority.

"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 Guarantor or any member of a Controlled Group for employees of the Guarantor or such Controlled Group or was formerly so

maintained and in respect of which the Guarantor 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 Guarantor or any member of the Controlled Group and at least one Person other than the Guarantor and the members of the Controlled Group or was formerly so maintained and in respect of which the Guarantor 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.

"Restricted Payment" means (i) any dividend or other distribution, direct or indirect, on account of any Capital Stock of the Guarantor 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 Guarantor or any Subsidiary, now or hereafter outstanding.

"Subsidiary" means, with respect to any Person, any other Person of which more than 50% of the total voting power of the Capital Stock entitled to vote in the election of the board of directors (or other Persons performing similar functions) are at the time directly or indirectly owned by such first Person. Unless otherwise indicated, "Subsidiary" refers to a Subsidiary of the Guarantor.

"Taxes" means any present or future income, stamp 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.

"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 Guarantor.

1.2 COMPUTATION OF TIME PERIODS.

For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

1.3 ACCOUNTING TERMS.

Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Administrative Agent or the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis. All calculations made for the purposes of determining compliance with this Guaranty shall (except for changes concurred in by the relevant independent public accountants) be made by application of GAAP applied on a basis consistent with the audited financial statements of the Guarantor referred to in Section 3.1.

SECTION 2 GUARANTY

2.1 THE GUARANTY.

The Guarantor hereby guarantees to each Lender, each Affiliate of a Lender that enters into a Hedging Agreement, and the Administrative Agent as hereafter provided, as primary obligor and not as surety, the prompt payment of the Guaranteed Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) strictly in accordance with the terms thereof. The Guarantor hereby further agrees that if any of the Guaranteed Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise), the Guarantor will promptly pay the same, without any demand or notice whatsoever (except for any such notice required by the Credit Agreement), and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) in accordance with the terms of such extension or renewal.

Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents or Hedging Agreements, the obligations of the Guarantor hereunder and the other Credit Documents shall be limited to an aggregate amount equal to the largest amount that would not render such obligations subject to avoidance under Section 548 of the Bankruptcy Code or any comparable provisions of any applicable state law.

2.2 OBLIGATIONS UNCONDITIONAL.

The obligations of the Guarantor under Section 2.1 are absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Credit Documents or Hedging Agreements, or any other agreement or instrument referred to therein, or any substitution, compromise, release, impairment or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 2.2 that the

obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances. The Guarantor agrees that it shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower or any other guarantor for amounts paid under this Section 2 until such time as the Lenders (and any Affiliates of Lenders entering into Hedging Agreements) have been paid in full, all Commitments under the Credit Agreement have been terminated and no Person or Governmental Authority shall have any right to request any return or reimbursement of funds from the Lenders in connection with monies received under the Credit Documents or Hedging Agreements. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantor hereunder which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to the Guarantor, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of any of the Credit Documents or Hedging Agreements or any other agreement or instrument referred to in the Credit Documents or Hedging Agreements shall be done or omitted;

(c) (i) the maturity of any of the Guaranteed Obligations shall be accelerated, or (ii) any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect with the consent of the Guarantor, or (iii) any right under any of the Credit Documents or Hedging Agreements or any other agreement or instrument referred to in the Credit Documents or Hedging Agreements shall be waived, or (iv) any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released, impaired or exchanged in whole or in part or otherwise dealt with;

(d) any Lien granted to, or in favor of, the Administrative Agent or any Lender or Lenders as security for any of the Guaranteed Obligations shall fail to attach or be perfected; or

(e) any of the Guaranteed Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of the Guarantor) or shall be subordinated to the claims of any Person (including, without limitation, any creditor of the Guarantor).

With respect to its obligations hereunder, the Guarantor hereby expressly waives diligence, presentment, demand of payment, protest, notice of acceptance of this Guaranty and of extensions of credit which may constitute Guaranteed Obligations, notice of amendments, waivers or supplements to the Credit Documents (except for any such notice required by the Credit Agreement) or Hedging Agreements or the compromise, release or exchange of collateral or security and all other notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Person under any of the Credit Documents or Hedging Agreements or any other agreement or instrument referred to in the Credit

Documents or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

2.3 REINSTATEMENT.

Neither the Guarantor's obligations hereunder nor any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by an impairment, modification, change, release or limitation of the liability of the Borrower, by reason of the Borrower's bankruptcy or insolvency or by reason of the invalidity or unenforceability of all or any portion of the Guaranteed Obligations. The obligations of the Guarantor under this Guaranty shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Guarantor agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

2.4 CERTAIN ADDITIONAL WAIVERS.

The Guarantor agrees that this Guaranty may be enforced by the Administrative Agent and the Lenders without the necessity of resorting to or exhausting any other security or collateral and without the necessity at any time of having recourse to the Borrower under the Credit Agreement, any Hedging Agreement or any collateral securing the Guaranteed Obligations or otherwise, and the Guarantor agrees not to assert any right to require the Administrative Agent and the Lenders to proceed against the Borrower or any other Person (including any co-guarantor) or to require the Administrative Agent and the Lenders to pursue any other remedy or enforce any other right. The Guarantor further acknowledges and agrees that nothing contained in this Guaranty shall prevent the Administrative Agent or the Lenders from suing the Borrower in respect of its obligations under the Credit Agreement, any Hedging Agreement and the other Credit Documents or foreclosing on any security interest or lien on any collateral securing the Guaranteed Obligations or from exercising any other rights available to the Administrative Agent and the Lenders under the Credit Documents or Hedging Agreements if neither the Borrower nor the Guarantor timely perform their obligations, and the exercise of any of such rights and completion of any such foreclosure proceedings shall not constitute a discharge of any of the Guarantor's obligations hereunder unless as a result thereof the Guaranteed Obligations shall have been paid in full and all of the Commitments shall have terminated or expired, it being the purpose and intent that the Guarantor's obligations hereunder be absolute, irrevocable, independent and unconditional under all circumstances.

2.5 REMEDIES.

The Guarantor agrees that, to the fullest extent permitted by law, as between the Guarantor, on the one hand, and the Administrative Agent and the Lenders, on the other hand, the Guaranteed Obligations may be declared to be forthwith due and payable as provided in Section 8.2 of the Credit Agreement (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 8.2 of the Credit Agreement) for purposes of Section 2.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing such Guaranteed Obligations from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or such Guaranteed Obligations being deemed to have become automatically due and payable), such Guaranteed Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantor for purposes of Section 2.1.

2.6 FURTHER REPRESENTATIONS AND WARRANTIES.

The Guarantor agrees that the Administrative Agent and the Lenders will have no obligation to investigate the financial condition or affairs of the Borrower for the benefit of the Guarantor nor to advise the Guarantor of any fact respecting, or any change in, the financial condition or affairs of the Borrower which might come to the knowledge of the Administrative Agent or any Lender at any time, whether or not the Administrative Agent or any Lender knows or believes or has reason to know or believe that any such fact or change is unknown to the Guarantor or might (or does) materially increase the risk of the Guarantor as Guarantor or might (or would) affect the willingness of the Guarantor to continue as a guarantor with respect to the Guaranteed Obligations.

2.7 ADDITIONAL LIABILITY OF GUARANTOR.

If the Guarantor is or becomes liable for any indebtedness owing by the Guarantor to the Administrative Agent or any Lender by endorsement or otherwise other than under this Guaranty, such liability shall not be in any manner impaired or reduced hereby but shall have all and the same force and effect it would have had if this Guaranty had not existed and the Guarantor's liability hereunder shall not be in any manner impaired or reduced thereby.

2.8 GUARANTEE OF PAYMENT; CONTINUING GUARANTEE.

The guaranty in this Section 2 is a guaranty of payment and not of collection, is a continuing guaranty, and shall apply to all Guaranteed Obligations whenever owing.

SECTION 3
REPRESENTATIONS AND WARRANTIES

The Guarantor hereby represents and warrants to the Administrative Agent and each Lender that:

3.1 FINANCIAL INFORMATION.

(a) The balance sheets of the Guarantor as of January 31, 1999 and the statements of earnings, stockholder's equity and cash flow of the Guarantor for the Fiscal year then ended, certified by the Guarantor's independent certified public accountants, which are included in the Guarantor's Annual Report on Form 10-K for the Fiscal Year ended January 31, 1999, were prepared in accordance with GAAP consistently applied and fairly present the financial position of the Guarantor, as of the respective dates thereof and the results of operations and cash flow of the Guarantor for the periods then ended. The Guarantor on such dates had no Contingent Obligations, 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 Guarantor as of October 31, 1999 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 Guarantor, which are included in the Borrower's Quarterly Report on Form 10-Q for the Fiscal Quarter ended October 31, 1999, were prepared in accordance with GAAP consistently applied (except to the extent noted therein) and fairly present the financial position of the Guarantor as of such date and the results of operations and cash flow for the periods covered thereby, subject to normal year-end audit adjustments. The Guarantor on such date had no Contingent Obligations, 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.

3.2 NO MATERIAL CHANGE.

Since January 31, 1997, there has been no Material Adverse Change.

3.3 ORGANIZATION AND GOOD STANDING.

Each of the Guarantor and, except as would not reasonably be expected to have a Material Adverse Effect, its Subsidiaries (a) is duly organized, validly existing and is in good standing under the laws of the jurisdiction of its incorporation or organization and (b) has the corporate or other necessary power and authority, and the legal right, to own and operate its property, to carry on its business as heretofore conducted, to enter into this Guaranty and to carry out the transactions contemplated thereby. Except as would not reasonably be expected to have a Material Adverse Effect, each of the Guarantor and the 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 Guarantor and the Subsidiaries is duly qualified and in good standing 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.

3.4 POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS.

3.4.1 Authorization, Binding Effect, Etc. The execution, delivery and performance by the Guarantor of this Guaranty has been duly authorized by all necessary corporate action on the part of the Guarantor; and this Guaranty has been duly executed and delivered by the Guarantor and is the legal, valid and binding obligation of the Guarantor, 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.

3.4.2 No Conflict. The execution, delivery and performance by the Guarantor of this Guaranty, and the consummation of the transactions contemplated thereby, do not and will not (a) violate any provision of the charter or other organizational documents of the Guarantor, (b) 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 Contractual Obligation of the Guarantor, (c) violate any Applicable Law binding on the Guarantor, or (d) result in or require the creation or imposition of any Lien on any assets or properties of the Guarantor or any of its Subsidiaries.

3.4.3 Governmental Approvals. No Governmental Approval is or will be required in connection with the execution, delivery and performance by the Guarantor of this Guaranty or the transactions contemplated thereby.

3.5 LITIGATION.

Except as disclosed on Schedule 3.5, there are no actions, suits or proceedings pending or, to the best knowledge of the Guarantor, threatened against or affecting the Guarantor, 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 Credit Document or any transaction contemplated thereby.

3.6 TAXES.

All United States Federal income tax returns and all other material tax returns required to be filed by the Guarantor 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 Guarantor, there has not been asserted or proposed to be asserted any Tax deficiency against the Guarantor or any Subsidiary that would be material to the Guarantor and its Subsidiaries taken as a whole and that is not reserved against on the financial books of the Guarantor.

3.7 COMPLIANCE WITH LAW.

Neither the Guarantor nor any Subsidiary is in violation of any Applicable Law, or in default under its charter documents, bylaws or any of its Contractual Obligations except for such violations or defaults as do not result in a Material Adverse Effect.

3.8 ERISA.

(a) The Guarantor and all members of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA with respect to each Plan to which they are party and have not incurred any liability to the PBGC in connection with any Plan established or maintained by the Guarantor or any member of the Controlled Group.

(b) No ERISA Event has occurred and is continuing with respect to any Plan (whether or not terminated). Neither Guarantor 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) under such Plan determined using the actuarial assumptions and method used by the actuary to such Plan in its valuation of such Plan.

3.9 GOVERNMENTAL REGULATIONS, ETC.

The Guarantor 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 subject to any Federal or state, statute or regulation limiting its ability to incur Debt for money borrowed (other than the Margin Regulations).

3.10 MARGIN RELATIONS.

Neither the Guarantor 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 Guarantor and the Subsidiaries constitutes less than 25% of the value, as determined in accordance with the Margin Regulations, of all assets of the Guarantor.

3.11 SOLVENCY.

The Guarantor is, after consummation of the transactions contemplated by the Credit Agreement and this Guaranty, individually and together with its Subsidiaries, Solvent.

3.12 DISCLOSURE.

All information in any document, certificate or written statement furnished to the Lenders by or on behalf of the Guarantor with respect to the business, assets, prospects, results of operation or financial condition of the Guarantor or any Subsidiary for use in connection with the transactions contemplated by this Agreement has been true and correct in all material respects. There is no fact known to the Guarantor (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.

3.13 YEAR 2000 COMPLIANCE.

The Guarantor has (i) completed a review and assessment of all areas within its and each of its Subsidiaries' business and operations that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by the Guarantor or any of its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) substantially completed implementation of that plan in accordance with the timetable. The Year 2000 Problem has not resulted in, and the Guarantor reasonably believes that the Year 2000 Problem will not result in, a Material Adverse Effect.

SECTION 4 AFFIRMATIVE COVENANTS

The Guarantor hereby covenants and agrees that, so long as the Credit Agreement is in effect or any amounts payable thereunder or under any other Credit Document shall remain outstanding, and until all of the Commitments thereunder shall have terminated:

4.1 INFORMATION COVENANTS.

The Guarantor will furnish to the Administrative Agent, for the benefit of the Lenders:

(a) Annual Financial Statements. As soon as available, and in any event within 120 days after the close of each Fiscal Year, the consolidated balance sheet of the

Guarantor and its consolidated Subsidiaries as of the end of such year and the related statements of earnings, stockholder's equity and cash flow of the Guarantor 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 Guarantor and reasonably satisfactory to the Required Lenders, which report shall state that such financial statements fairly present the financial position of the Guarantor 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) Quarterly Financial Statements. As soon as available, and in any event within 60 days after the close of each Fiscal Quarter (other than the last Fiscal Quarter of any Fiscal Year, in which case 120 days after the end thereof) a consolidated balance sheet of the Guarantor 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 Guarantor's chief financial officer as fairly presenting the financial condition of the Guarantor as of the dates indicated and its results of operations and cash flows for the periods indicated, subject to normal year-end adjustments;

(c) Officer's Certificate. At the time of delivery of the financial statements provided for in Section 4.1(a) and 4.1(b) above, a certificate of an chief financial officer or president of the Guarantor, (i) demonstrating compliance with the financial covenants contained in Section 4.10 by calculation thereof as of the end of each such fiscal period and (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Guarantor proposes to take with respect thereto.

(d) Reports. Promptly upon their becoming available, copies of all material reports, notices and proxy statements sent or made available by the Guarantor 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 Guarantor with the United States Securities and Exchange Commission.

(e) Notices. Within five Business Days after the Guarantor obtains knowledge thereof, the Guarantor will give written notice to the Administrative Agent of (i) the occurrence of an event or condition consisting of a Default or Event of Default, specifying the nature and existence thereof and what action the Guarantor proposes to take with respect thereto, (ii) the occurrence of any of the following with respect to the Guarantor or any of its Subsidiaries (A) the pendency or commencement of any litigation, arbitral or governmental proceeding against such Person which if adversely determined is likely to have a Material

Adverse Effect, or (B) an ERISA Event, together with a statement setting forth the details thereof and the action that the Guarantor 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 Guarantor or any member of the Controlled Group becomes obliged to make or accrue a contribution to a Multiemployer Plan, a statement of the Guarantor setting forth the details thereof and the action that the Guarantor is taking or proposes to take with respect thereto.

(f) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of the Guarantor and its Subsidiaries as the Administrative Agent or any Lender (through the Administrative Agent) may reasonably request.

4.2 PRESERVATION OF EXISTENCE AND FRANCHISES.

The Guarantor will, and will (except as otherwise permitted under Section 5.3) cause each of its Subsidiaries to, at all times preserve and keep in full force and effect its corporate existence and all rights and franchises material to the Guarantor and its Subsidiaries taken as a whole.

4.3 BOOKS AND RECORDS.

The Guarantor 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 Guarantor shall, and shall cause each Subsidiary to, permit such Persons as the Administrative Agent may designate, at reasonable times during the Guarantor'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.

4.4 CONDUCT OF BUSINESS; COMPLIANCE WITH LAW.

The Guarantor 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 Guarantor 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 or any other events over which it has no control. The Guarantor 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 Contractual Obligation except where failure to do so does not result in a Material Adverse Effect.

4.5 PAYMENT OF TAXES AND OTHER INDEBTEDNESS.

The Guarantor 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 Guarantor and its Subsidiaries; provided, however, that, unless and until foreclosure, distraint, levy, sale or similar proceedings shall have commenced, the Guarantor 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.

4.6 INSURANCE.

The Guarantor 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.

4.7 MAINTENANCE OF PROPERTY.

The Guarantor 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 Guarantor 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 Guarantor 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.

4.8 FURTHER ASSURANCES.

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

4.9 FUTURE INFORMATION.

All data, certificates, reports, statements, documents and other information the Guarantor shall furnish to the Lenders in connection with the Credit 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 Lenders 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.

4.10 FINANCIAL COVENANTS.

(a) Consolidated Net Worth. The consolidated Net Worth of the Guarantor and its Subsidiaries shall, as of the last day of any Fiscal Quarter, be not less than \$750,000,000.

(b) Coverage Ratio. As of the last day of any period of four consecutive Fiscal Quarters, the Guarantor shall maintain the ratio of EBITDAR for such period to the sum of interest expense (including capitalized interest) and rent expense for such period greater than or equal to 2.0 to 1.0.

4.11 YEAR 2000 COMPLIANCE.

The Guarantor will promptly notify the Administrative Agent in the event it discovers or determines that the Year 2000 Problem has resulted in, or is reasonably expected to result in, a Material Adverse Effect.

SECTION 5 NEGATIVE COVENANTS

The Guarantor hereby covenants and agrees that, so long as the Credit Agreement is in effect or any amounts payable thereunder or under any other Credit Document shall remain outstanding, and until all of the Commitments hereunder shall have terminated:

5.1 LIENS.

The Guarantor 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 Guarantor or any Subsidiary, whether now owned or hereafter acquired, except:

5.1.1. Liens securing the Obligations (as defined in the Nordstrom Credit Agreement) and Existing Liens;

5.1.2. (a) 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; (b) 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 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; (c) 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; (d) easements, rights-of-way, covenants, consents, reservations, encroachments, variations and other restrictions, charges or encumbrances (whether or not recorded) that do not materially interfere with the ordinary conduct of the Guarantor's business; (e) building restrictions, zoning laws and other statutes, laws, rules, regulations, ordinances and restrictions; and (f) leases, subleases or easements granted in the ordinary course of business to others not materially interfering with the business of, and consistent with past practices of, the Guarantor;

5.1.3. 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 (a) execution has been stayed, (b) payment is covered in full by insurance, or (c) the Guarantor 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;

5.1.4. Liens securing Debt of the Guarantor or any Subsidiary, including Capitalized Leases, used to finance the acquisition of fixed assets of the Guarantor or such Subsidiary, the construction of additional buildings or the expansion otherwise of their respective facilities, provided that such Debt (a) does not exceed the cost to the Guarantor or such Subsidiary of the assets acquired with the proceeds of such Debt, (b) in the case of new construction or expansion of existing facilities, is either a construction or permanent loan secured by the facilities constructed and the real property on which such facilities are located, and (c) in the case of other asset financing, is incurred within twelve months following the date of the acquisition, provided that any such Lien does not encumber any property other than the assets acquired with the proceeds of such Debt;

5.1.5. 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;

5.1.6. Liens arising from the securitization of receivables, to the extent the Debt arising from such securitization is permitted hereunder;

5.1.7. any Lien constituting a renewal, extension or replacement of any Existing Lien or any Lien permitted by Section 5.1.4 or 5.1.5., provided such Lien is limited to all or a part of the property subject to the Lien extended, renewed or replaced;

5.1.8. Liens on any or all of the assets of Nordstrom.com, LLC securing Debt owing by Nordstrom.com, LLC under the Nordstrom.com Loan Agreement; and

5.1.9. other Liens incidental to the conduct of the business or the ownership of the assets of the Guarantor or any Subsidiary that (a) were not incurred in connection with borrowed money, (b) 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 and (c) do not secure obligations aggregating in excess of \$10,000,000.

5.2 RESTRICTED PAYMENTS.

The Guarantor 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) dividends, distributions or payments by any Subsidiary to the Guarantor, or (b) if no Default or Event of Default then exists or would result therefrom (assuming for this purpose that compliance with Section 4.10, is being measured as of the end of the immediately preceding Fiscal Quarter giving pro forma effect to the Restricted Payment).

5.3 RESTRICTION ON FUNDAMENTAL CHANGES

The Guarantor 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 after giving effect thereto (a) any Solvent Subsidiary or other Solvent Person (other than the Guarantor) may be merged or consolidated with or into the Guarantor (so long as the Guarantor is the surviving entity) or any Subsidiary, (b) any Subsidiary may be liquidated, wound up or dissolved, and (c) in addition to transactions permitted under Section 5.4 (which permitted transactions shall not be restricted by this Section 5.3), 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 Guarantor or another Subsidiary.

5.4 ASSET DISPOSITIONS

The Guarantor shall not, and shall not (except as permitted by Section 5.3(c)) permit any Subsidiary to, sell, lease or otherwise dispose of during any Fiscal Year property or other assets (other than sales of inventory in the ordinary course of business) constituting, in the aggregate, 10% or more of the Guarantor's and its Subsidiaries' assets, taken as a whole, in terms of book value. Notwithstanding the foregoing limitation, the Guarantor and its Subsidiaries shall be permitted to sell their receivables in a transaction to securitize such receivables.

5.5 TRANSACTIONS WITH AFFILIATES

The Guarantor 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 Guarantor, unless (a) such transaction is not otherwise prohibited by this Guaranty, (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 Guarantor 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 shall not restrict (i) dividends, distributions and other payments and transfers on account of any shares of Capital Stock of the Guarantor or any Subsidiary otherwise permissible hereunder, (ii) transactions pursuant to (x) the Investment Agreement and (y) any agreement between the Guarantor and any Affiliate of the Guarantor pursuant to which the Guarantor sells or discounts accounts receivable in the ordinary course of its business (including agreements under which the Guarantor has an obligation to repurchase from or indemnify the purchaser with respect to accounts discounted or sold by the Guarantor) and (iii) supply, service or licensing agreements between or among Nordstrom.com, LLC, a Delaware limited liability company, and its successors on the one hand, and the Guarantor and its other Subsidiaries, on the other hand, so long as such agreements are fair and reasonable to the Guarantor and such other Subsidiaries under the circumstances.

SECTION 6 EVENTS OF DEFAULT

6.1 EVENTS OF DEFAULT.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Guaranty. The guaranty given by the Guarantor hereunder shall cease to be in full force and effect, or the Guarantor or any Person acting by or on behalf of the Guarantor shall deny or disaffirm the Guarantor's obligations under this Guaranty; or

(b) Representations. Any representation, warranty or certification made or furnished by the Guarantor herein or in any of the other Credit Documents shall prove to have been false or incorrect in any material respect when made (or deemed made); or

(c) Covenants. The Guarantor shall

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 4.1(e)(i) or 4.2 (insofar as it requires the preservation of the corporate existence of the Guarantor) or 5.1 through 5.5, inclusive;

(ii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b) or (c)(i) of

this Section 6.1) contained in this Guaranty and such default shall continue unremedied for a period of at least 30 days after written notice thereof by the Administrative Agent to the Guarantor; or

(d) Other Credit Documents. (i) The Guarantor shall default in the due performance or observance of any term, covenant or agreement in this Guaranty (subject to applicable grace or cure periods, if any), or (ii) any Credit Document shall fail to be in full force and effect or to give the Administrative Agent and/or the Lenders the Liens, rights, powers and privileges purported to be created thereby, or the Guarantor shall so state in writing; or

(e) Bankruptcy, etc.

(i) There shall be commenced against the Guarantor or any of its Subsidiaries, an involuntary case seeking the liquidation or reorganization of the Guarantor 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 of the Guarantor 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 occur: (a) the Guarantor or any of its Subsidiaries consents to the institution of the involuntary case or proceeding; (b) the petition commencing the involuntary case or proceeding is not timely controverted; (c) the petition commencing the involuntary case or proceeding remains undismissed and unstayed for a period of 60 days; or (d) an order for relief shall have been issued or entered therein; or

(ii) The Guarantor 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 of it 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 its debts as they become due; or the Board of Directors of the Guarantor or any of its Subsidiaries (or any committee thereof) adopts any resolution or otherwise authorizes action to approve any of the foregoing; or

(f) Defaults under Other Agreements.

(i) The occurrence of an "Event of Default" under the Credit Agreement;

(ii) (a) The Guarantor 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 (b) 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 the 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 6.1(f)(ii) is cured or waived prior to any action being taken pursuant to Section 6.2, the Event of Default under this Guaranty in respect of such breach or default shall be deemed cured to the extent of such cure or waiver; or

(g) Judgments. The Guarantor 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 and unstayed for a period of 60 days; or

(h) ERISA. The Guarantor 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 Guarantor 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 Guarantor or any member of the Controlled Group shall partially or completely withdraw from any Multiemployer Plan; or any Multiemployer Plan to which Guarantor or any member of its Controlled Group becomes obliged to make or accrue a contribution is placed in reorganization or terminates; or

(i) Ownership. There shall occur a Change of Control.

6.2 REMEDIES.

Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the requisite Lenders (pursuant to the voting requirements of Section 10.6 of the Credit Agreement) or cured to the satisfaction of the requisite Lenders (pursuant to the voting procedures in Section 10.6 of the Credit Agreement), the Administrative Agent may, or shall, upon the request and direction of the Required Lenders, by written notice to the Credit Parties, enforce any and all rights and interests created and existing under the Credit Documents including, without limitation, all rights and remedies existing under the Collateral Documents (including, without limitation, this Guaranty), all rights and remedies against the Guarantor and all rights of set-off.

SECTION 7
MISCELLANEOUS

7.1 CUMULATIVE RIGHTS.

All rights of the Administrative Agent and the Lenders hereunder or otherwise arising under any documents executed in connection with or as security for the Guaranteed Obligations are separate and cumulative and may be pursued separately, successively or concurrently, or not pursued, without affecting or limiting any other right of the Administrative Agent or any Lender and without affecting or impairing the liability of the Guarantor.

7.2 USURY.

Notwithstanding any other provisions herein contained, no provision of this Guaranty shall require or permit the collection from the Guarantor of interest in excess of the maximum rate or amount that the Guarantor may be required or permitted to pay pursuant to any applicable law. In the event any such interest is collected, it shall be applied in reduction of the Guarantor's obligations hereunder, and the remainder of such excess collected shall be returned to the Guarantor once such obligations have been fully satisfied.

7.3 EXPENSES; INDEMNIFICATION.

(a) The Guarantor agrees that the Guaranteed Obligations include any obligation of the Borrower to pay all costs and expenses of the Administrative Agent in connection with the syndication, preparation, execution, delivery, administration, modification, and amendment of the Credit Agreement, the other Credit Documents (including, without limitation, this Guaranty), and the other documents to be delivered thereunder, including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent with respect hereto and thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under the Credit Documents. The Guarantor further agrees that the Guaranteed Obligations include any obligation of the Borrower to pay all costs and expenses of the Administrative Agent and the Lenders,

if any (including, without limitation, reasonable attorneys' fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings, or otherwise) of the Credit Documents (including, without limitation, this Guaranty) and the other documents to be delivered pursuant thereto. In the event the Administrative Agent and/or the Lenders seek enforcement of this Section 7.3(a) against the Guarantor, such costs and expenses shall be payable on demand.

(b) The Guarantor agrees to indemnify, defend and hold harmless the Administrative Agent and each Lender and each of their Affiliates and the officers, directors, employees, agents, attorneys, affiliates, successors and assigns of the Administrative Agent, each Lender and their Affiliates (collectively, the "Indemnitees") from and against (i) any and all transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of the Credit Documents or the making of the Loans (provided that any Lender claiming any additional amounts payable pursuant to this Section 7.3(b)(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 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 Indemnitee shall be designated a party thereto) that may be imposed on, incurred by or asserted against such Indemnitee, in any manner relating to or arising out of the Credit Documents, the Loans, or the use or intended use of the proceeds of the Loans (the "Indemnified Liabilities"); provided that no Indemnitee 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. The Guarantor agrees not to assert any claim against the Administrative Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys, agents, and advisers, on any theory of liability, for special, indirect, consequential, or punitive damages arising out of or otherwise relating to the Credit Documents (including, without limitation, this Guaranty), any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans.

(c) To the extent that the undertaking to indemnify and hold harmless set forth in this Section 7.3 may be unenforceable as violative of any applicable law or public policy, the Guarantor 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.

(d) Without prejudice to the survival of any other agreement of the Guarantor hereunder, the agreements and obligations of the Guarantor contained in this Section 7.3 shall survive the repayment of the Guaranteed Obligations.

7.4 RIGHT OF SET-OFF.

After the occurrence of an Event of Default, any Lender may set-off any matured obligation owed by the Guarantor under this Guaranty (to the extent beneficially owned or held by such Lender) against any obligation (whether or not matured) owed by such Lender to the Guarantor, regardless of the place of payment.

7.5 TERM OF GUARANTEE.

This Guaranty shall continue in full force and effect until the Guaranteed Obligations are fully and indefeasibly paid, performed and discharged and all Commitments have expired or been terminated. This Guaranty covers the Guaranteed Obligations whether presently outstanding or arising subsequent to the date hereof including all amounts advanced by the Administrative Agent or any Lender in stages or installments.

7.6 THE ADMINISTRATIVE AGENT.

In acting under or by virtue of this Guaranty, the Administrative Agent shall be entitled to all the rights, authority, privileges and immunities provided in the Credit Agreement, all of which provisions are incorporated by reference herein with the same force and effect as if set forth herein.

7.7 SUCCESSORS AND ASSIGNS.

This Guaranty shall be binding on and enforceable against the Guarantor and its successors and assigns; provided that, the Guarantor may not assign or transfer any of its obligations hereunder without prior written consent of the Lenders. This Guaranty is intended for and shall inure to the benefit of the Administrative Agent and each Lender and each and every person who shall from time to time be or become the owner or holder of any of the Guaranteed Obligations, and each and every reference herein to "Administrative Agent" or "Lender" shall include and refer to each and every successor or assignee of the Administrative Agent or any Lender at any time holding or owning any part of or interest in any part of the Guaranteed Obligations. This Guaranty shall be transferable and negotiable with the same force and effect, and to the same extent, that the Guaranteed Obligations are transferable and negotiable, it being understood and stipulated that upon assignment or transfer by the Administrative Agent or any Lender of any of the Guaranteed Obligations the legal holder or owner of the Guaranteed Obligations (or a part thereof or interest therein thus transferred or assigned by the Administrative Agent or any Lender) shall (except as otherwise stipulated by the Administrative Agent or any such Lender in its assignment) have and may exercise all of the rights granted to the Administrative Agent or such Lender under this Guaranty to the extent of that part of or interest in the Guaranteed Obligations thus assigned or transferred to said person. The Guarantor

expressly waives notice of transfer or assignment by the Lenders of the Guaranteed Obligations, or any part thereof, or of the rights of the Administrative Agent or any Lender hereunder. Failure to give notice will not affect the liabilities of the Guarantor hereunder.

7.8 APPLICATION OF PAYMENTS.

Each of the Administrative Agent and the Lenders may apply any payments received by it from any source against that portion of the Guaranteed Obligations (principal, interest, court costs, attorneys' fees or other) in such priority and fashion as it may deem appropriate.

7.9 MODIFICATIONS.

Subject to the terms of the Credit Agreement, this Guaranty and the provisions hereof may be changed, discharged or terminated only by an instrument in writing signed by the Guarantor and the Administrative Agent.

7.10 NOTICES.

Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (i) when delivered, (ii) when transmitted via telecopy (or other facsimile device) to the number set out below, (iii) the day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (iv) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address set forth below or at such other address as such party may specify by written notice to the other parties hereto:

if to the Guarantor:

Nordstrom, Inc.
1617 6th Avenue
Seattle, Washington 98101
Attn: Chief Financial Officer
Telephone: (206) 373-4090
Telecopy: (206) 373-4055

if to the Administrative Agent:

Bank of America, N.A.
1850 Gateway Blvd., 5th Floor
Mail Code CA4-706-05-09
Concord, California 94520
Attn: Josephine T. Flores
Telephone: (925) 675-8374
Telecopy: (925) 969-2812

with a copy to:

Bank of America, N. A.
555 California Street, 41st Floor
Mail Code: CA5-705-41-89
San Francisco, California 94194
Attn: James Johnson
Telephone: (415) 622-6177
Telecopy: (415) 622-4585

7.11 TAXES.

All payments made by the Guarantor under this Guaranty and any other Credit Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any court, or governmental body, agency or other official, excluding taxes measured by or imposed upon the overall net income of any Lender or its applicable lending office, or any branch or affiliate thereof, and all franchise taxes, branch taxes, taxes on doing business or taxes on the overall capital or net worth of any Lender or its applicable lending office, or any branch or affiliate thereof, in each case imposed in lieu of net income taxes, imposed: (i) by the jurisdiction under the laws of which such Lender, applicable lending office, branch or affiliate is organized or is located, or in which its principal executive office is located, or any nation within which such jurisdiction is located or any political subdivision thereof; or (ii) by reason of any connection between the jurisdiction imposing such tax and such Lender, applicable lending office, branch or affiliate other than a connection arising solely from such Lender having executed, delivered or performed its obligations, or received payment under or enforced, this Guaranty or any other Credit Document. If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to the Administrative Agent or any Lender under this Guaranty or under any other Credit Document, (A) the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Guaranty and any other Credit Document, and (B) as promptly as possible thereafter the Guarantor shall send to the Administrative Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Guarantor showing payment thereof. If the Guarantor fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Guarantor shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this subsection shall survive the termination of this Guaranty and the other Credit Documents. If the Guarantor is required to pay additional amounts to or for the account of any Lender pursuant to this Section 7.11, such Lender has agreed in Section 3.11(f) of the Credit Agreement to use reasonable efforts to change its

Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the reasonable judgment of such Lender, is not otherwise disadvantageous to such Lender.

7.12 SEVERABILITY.

If any provision of this Guaranty is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

7.13 GOVERNING LAW.

This Guaranty and the rights and obligations of the parties hereto shall be construed in accordance with and governed by the laws of the State of Washington.

7.14 WAIVER OF JURY TRIAL.

To the extent permitted by law, each of the Administrative Agent and the Guarantor hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Guaranty or the transactions contemplated hereby.

7.15 CONSENT TO JURISDICTION.

(a) Any legal action or proceeding with respect to this Guaranty may be brought in the courts of the State of Washington in King County, or of the United States for the Western District of Washington, and, by execution and delivery of this Guaranty, the Guarantor hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of such courts. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any manner permitted by law or to commence legal proceedings or to otherwise proceed against the Guarantor in any other jurisdiction.

(b) The Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guaranty in the courts referred to in Section 7.15(a). Each of the parties hereto hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) Each party to this Guaranty irrevocably consents to service of process in the manner provided for notices in Section 7.10. Nothing in this Guaranty will affect the right of any party to this Guaranty to serve process in any other manner permitted by law.

7.16 HEADINGS.

The headings in this instrument are for convenience of reference only and shall not limit or otherwise affect the meaning of any provisions hereof.

7.17 COUNTERPARTS.

This Guaranty may be executed in any number of counterparts and by different parties hereto on separate counterparts, each constituting an original, but all together one and the same instrument.

7.18 RIGHTS OF THE REQUIRED LENDERS.

All rights of the Administrative Agent hereunder, if not exercised by the Administrative Agent, may be exercised by the Required Lenders.

7.19 ORAL AGREEMENTS NOT BINDING.

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

Dear Shareholders,

The 1999 fiscal year was one of transition for Nordstrom, designed to position us to compete successfully in the future. Transition was, and is, necessary. Competition has never been more intense, whether from specialty retailers or big-box department stores. Our industry is consolidating, making existing competitors even more formidable. Additionally, the playing field is expanding to include new ways of reaching customers. This letter and the accompanying annual report will highlight the progress made during the year and outline our plans for the future.

New stores propel sales growth.

Our sales growth was fueled by the opening of full-line stores in Norfolk, Virginia; Providence, Rhode Island; Mission Viejo, California; and Columbia, Maryland; plus three new Rack stores, and the relocation of our Spokane Nordstrom and Alderwood Rack stores into new, larger facilities. We are well positioned for future growth. There are a number of attractive markets within the United States that we have not yet penetrated, or in which we are not fully represented.

We added 6.6 percent to our stores' gross square footage in 1999, and expect upper single-digit percentage growth annually over the next several years. Our comparable store sales in 1999 declined 1.1 percent. In recent years we had allowed inventory levels to expand at a rate in excess of our growth in sales, and have taken steps to better align these two measures. While some of the shortfall in sales was offset by improvements achieved in gross margin, we fully recognize the need to generate sales growth from existing stores -- as well as from new stores. However, we want to ensure that it is quality sales growth, and later in this letter I'll describe several initiatives directed to accomplish this.

Streamlined structure strengthens buying process.

In 1999 we realigned the buying structure to promote clarity and accountability, to gain increased leverage in market, and to facilitate stronger partnerships with vendors through fewer and more focused points of contact. We want our most experienced merchants to have the greatest influence over our merchandise buying decisions. Our aim is to quickly take advantage of emerging national trends, while maintaining awareness of local competitive factors and customer preference.

New subsidiary expands Internet presence.

In fall of 1999 we formed a subsidiary company called NORDSTROM.com, which consists of our catalog and e-commerce businesses. Since the Web site was launched in October of 1998, it has evolved significantly in terms of its look, ease of navigation, and the merchandise offered. We believe we have the brand, technology, strategic alliances and people to become leaders in online apparel retailing, and that the timing is right for us to aggressively expand in this growing channel. We also believe it is complementary to our traditional, store-based business and will enhance and broaden the power of our brand. Our subsidiary's first major project, NORDSTROMshoes.com, emerged as the world's biggest shoe store, offering millions of pairs of shoes for sale online. We are pleased with the sales performance thus far, and look forward to continuing to expand this channel as we seek to be wherever our customers want us to be.

"There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction." -- JOHN F. KENNEDY

Key Initiatives.

We are focused on several key initiatives that we believe will have significant and long-term impacts on our business:

- o Improving our merchandise
- o Building our brand
- o Strengthening our information resources and processes

Reinvigorating women's business with better merchandise.

While each key initiative is vitally important, nothing is as critical as ensuring that we have the right merchandise -- in the right quantities, sizes, styles and colors -- in every one of our stores. Our initial focus is on women's merchandise, which represents the largest single category for us and also has been our greatest challenge in recent years. Specifically, we want to reinvigorate our women's business by injecting more fashion into the mix.

Fashion transcends age and cuts across all segments of women's merchandise. With classic styles, it can be timeless fashion; with mainstream styles, it's everyday fashion; with modern styles, it's contemporary fashion; and with forward styles, it's cutting-edge fashion. The point is that in each of these segments, our objective is to have an updated, fresh and evolving collection of merchandise that represents more of what our customers want to buy.

"Excellence is to do a common thing in an uncommon way."-- BOOKER T. WASHINGTON

Building a world-class brand.

To a great extent, our brand is the "Nordstrom shopping experience" -- defined primarily through our people and products. We want to couple the right merchandise with compelling presentation as we strive to deliver a satisfying, unforgettable experience for our customers. Through improved in-store signage, merchandise and window displays, and other visual aids, we also want to make our stores easier and more fun to shop.

Part of our brand includes our communication with customers. We hope you enjoyed the national television spots we ran in launching NORDSTROMshoes.com in November of 1999, and more recently, the national media campaign and other promotional activities for our full-line stores. As we invite our customers to reinvent themselves, we want to convey that change is positive, and accepting some level of risk can be rewarding.

Better technology enables better service.

Our effort to strengthen our information resources represents a major competitive step forward. Over time, our people will have the necessary tools to better perform our customer-intensive style of retailing. Whether it's information needed in developing more effective partnerships with our vendors, moving merchandise more quickly from point of manufacture to the sales floor, or responding more quickly to sales trends and retaining better balance in inventory levels, our ultimate objective is to better serve our customers.

"We must recognize the full human equality of all our people." -- ROBERT F. KENNEDY

People build our future.

As you can sense, there is a lot going on at Nordstrom. Much of the work is long-term in nature, designed to deliver enduring benefits. None of it is easy, but all of it is necessary in order for Nordstrom to compete and win in the years ahead.

Simply stated, we want to be better. We're proud of our 99-year heritage of striving to provide outstanding service to every customer. We're proud of our people, who are the lifeblood of our company and the vital link between our products and our customers. During 1999 we were honored to be included among:

- o Fortune magazine's "100 Best Companies to Work For in America"
- o Working Woman's "Top 25 Companies for Executive Women"
- o Fortune's "50 Best Workplaces for Blacks, Asians, and Hispanics"

Yet we cannot stand still. Our goal is to achieve total shareholder return among the top quartile of our peers, and that requires that we continue to build -- stores, systems, capabilities and people. The 21st century is sure to bring new opportunities for growth. As we expand, the key will be to impart a distinct, consistent message across all channels, in every customer interaction, that is uniquely one Nordstrom.

Thank you for your continued support as we work to better serve our customers, employees, communities and shareholders.

Sincerely,

/s/ John Whitacre

John Whitacre
Chairman and Chief Executive Officer

Dollars in thousands except per share amounts

Fiscal Year	1999	1998	% Change
Net sales	\$5,124,223	\$5,027,890	1.9
Earnings before income taxes	332,057	337,723	(1.7)
Net earnings	202,557	206,723	(2.0)
Basic earnings per share	1.47	1.41	4.3
Diluted earnings per share	1.46	1.41	3.5
Cash dividends paid per share	.32	.30	6.7

Stock Prices

Fiscal Year	1999		1998	
	high	low	high	low
First Quarter	44 13/16	34 5/8	33 9/16	25 1/8
Second Quarter	39 3/8	30 3/8	40 3/8	30 1/8
Third Quarter	33 1/8	23 1/8	39 1/2	22
Fourth Quarter	28	21 15/16	44 1/8	27 1/16

Nordstrom, Inc. common stock is traded on the New York Stock Exchange and quoted daily in leading financial publications. NYSE symbol -- JWN

Graph - Net Sales

The vertical bar graph compares net sales for the past ten years. Beginning with the oldest fiscal year on the left, net sales (dollars are in millions) were as follows: 1990-\$2,892; 1991-\$3,175; 1992-\$3,416; 1993-\$3,591; 1994-\$3,893; 1995-\$4,107; 1996-\$4,448; 1997-\$4,852; 1998-\$5,028; 1999-\$5,124;

Graph - Diluted Earnings Per Share

The vertical bar graph compares diluted earnings per share for the past ten years. Beginning with the oldest fiscal year on the left, diluted earnings per share were as follows: 1990-\$0.71; 1991-\$0.82; 1992-\$0.82; 1993-\$0.86; 1994-\$1.23; 1995-\$1.00; 1996-\$0.90; 1997-\$1.20; 1998-\$1.41; 1999-\$1.46;

Management's Discussion and Analysis

The following discussion and analysis reviews the past three years, as well as additional information on future expectations and trends. Some of the information in this annual report, including anticipated store openings, planned capital expenditures and trends in company operations, are forward-looking statements, which are subject to risks and uncertainties. Actual future results and trends may differ materially depending upon a variety of factors, including, but not limited to, the Company's ability to predict fashion trends, consumer apparel buying patterns, the Company's ability to control costs and expenses, trends in personal bankruptcies and bad debt write-offs, employee relations, adverse weather conditions and other hazards of nature such as earthquakes and floods, the Company's ability to continue its expansion plans, and the impact of ongoing competitive market factors. This discussion and analysis should be read in conjunction with the basic consolidated financial statements and the Ten-Year Statistical Summary.

Overview

During 1999 (the fiscal year ended January 31, 2000), Nordstrom, Inc. and its subsidiaries (collectively, the "Company") achieved record sales and an improvement in gross margin. These improvements were offset by third quarter 1999 charges of approximately \$10 million (pre-tax), primarily associated with the restructuring of the Company's information technology services area in order to improve efficiency and effectiveness. The Company also experienced substantially increased operating expenses associated with the accelerated development of NORDSTROM.com and NORDSTROMshoes.com.

On November 1, 1999, the Company established a new subsidiary, NORDSTROM.com, to promote the rapid expansion of both its Internet commerce and catalog businesses. The Company contributed the assets and certain liabilities associated with its Internet commerce and catalog businesses and \$10 million in cash to the subsidiary. Affiliates of Benchmark Capital and Madrona Investment Group, collectively, contributed \$16 million in cash to the new entity. The Company owns approximately 81.4% of NORDSTROM.com, with Benchmark Capital and Madrona Investment Group holding the remaining interest.

The first major endeavor in November 1999 by NORDSTROM.com was the launching of the Internet site NORDSTROMshoes.com, which offers online access to millions of pairs of shoes. The launch was supported by a multimedia national advertising campaign.

Also during 1999, the Company opened four new full-line stores in Providence, Rhode Island; Mission Viejo, California; Columbia, Maryland; and Norfolk, Virginia. The Company also opened three new Rack stores in Sacramento,

California; Brea, California; and Gaithersburg, Maryland.

Results of Operations

Sales

The Company achieved a 1.9% sales increase in 1999. Certain components of the percentage change in sales by year are as follows:

Fiscal Year	1999	1998	1997
Sales in comparable stores	(1.1%)	(2.7%)	4.0%
NORDSTROM.com	8.3%	33.0%	49.8%
Total increase	1.9%	3.6%	9.1%

Comparable store sales (sales in stores open at least one full fiscal year at the beginning of the fiscal year) decreased in 1999 primarily due to missed fashion product offering opportunities in the women's, kids' and juniors' apparel divisions. The decrease in comparable store sales in 1998 was attributable to management's focus on controlling inventory levels, which resulted in lower, but more profitable, sales. In 1997, comparable store sales growth reflected the strong economic environment and a positive reaction to changes in the merchandise mix in the women's apparel departments, which occurred in mid-1996.

In addition to the aforementioned new full-line and Rack stores, the Company opened a replacement full-line store and a replacement Rack store in 1999. New stores are generally not as productive as "comparable stores" because the customer base and traffic patterns of each store are developed over time.

Sales at NORDSTROM.com continued to contribute to the Company's sales growth with sales of \$210 million, \$194 million and \$146 million in 1999, 1998 and 1997, respectively.

The Company's average price point has varied slightly over the past three years, due primarily to changes in the merchandise mix. Inflation in overall merchandise costs and prices has not been significant during the past three years.

Graph - Percentage of 1999 Sales by Merchandise Category

The pie chart depicts each merchandise category and its percent of total sales. Clockwise: Children's Apparel and Accessories - 4%; Men's Apparel and Furnishings - 18%; Shoes - 19%; Women's Accessories - 21%; Women's Apparel - 36%; and Other - 2%.

Gross Margin

Gross margin (net sales less cost of sales and related buying and occupancy expenses) as a percentage of net sales improved to 34.5% in 1999, as compared to 33.5% in 1998, and 32.1% in 1997.

The 1999 improvement reflects changes in the Company's buying processes and vendor programs. The 1998 improvement was principally due to favorable pricing strategies and the Company's increased focus on managing inventory levels, which resulted in lower markdowns. A decrease in buying costs, due to efficiencies gained through restructuring of certain buying responsibilities, also contributed to the improvement in 1998. The improvement in gross margin percentage in both 1999 and 1998 was partially offset by increased occupancy costs related to new stores and remodeling projects.

Selling, General, and Administrative

Selling, general, and administrative expenses as a percentage of net sales were 29.1% in 1999, 28.0% in 1998, and 27.3% in 1997.

The 1999 increase, as a percentage of net sales, was due to the aforementioned \$10 million of pre-tax restructuring charges. In addition, the Company incurred substantial additional costs associated with the accelerated development of NORDSTROM.com and NORDSTROMshoes.com. In August 1999, the Company announced that, compared to its plan prior thereto, NORDSTROM.com would increase operating expenses by approximately \$22 million over the balance of the year, in order to accelerate growth and development of its Internet business channel. The actual increase for 1999 was \$23 million. These increases were partially offset by lower bad debt expense due to the improved credit quality of the Company's credit card receivables.

The 1998 increase in selling, general, and administrative expenses, as a percentage of net sales, was due to higher sales promotion costs for the Company's direct sales catalog division, and spending on Year 2000 compliance and other information system operational costs. The increase was partially offset by decreases in bad debt expenses associated with the Company's credit card business and lower selling expenses, as a percentage of sales.

Interest Expense, Net

Interest expense, net increased 7% in 1999 and 37% in 1998 as a result of higher average borrowings to finance share repurchases. The Company repurchased 10.2 million shares and 11.2 million shares at an aggregate cost of \$303 million and \$346 million in 1999 and 1998, respectively.

Service Charge Income and Other, Net

Service charge income and other, net primarily represents income from the Company's credit card operations, offset by miscellaneous expenses.

Service charge income and other, net was flat in 1999 and 1998, both in dollars and as a percent of sales.

Net Earnings

Net earnings for 1999 were slightly lower than 1998 as the Company's record sales and gross margin were offset by increases in selling, general, and administrative expenses. Net earnings for 1998 increased as compared to 1997 primarily due to gross margin improvements.

Liquidity and Capital Resources

The Company finances its working capital needs, capital expenditures and share repurchase activity with cash provided by operations and borrowings.

For the fiscal year ended January 31, 2000, net cash provided by operating activities decreased approximately \$223 million compared to the fiscal year ended January 31, 1999, primarily due to the non-recurring benefit of prior year reductions in inventories and customer receivable account balances. Net cash provided by operating activities for the fiscal year ended January 31, 1999 increased by approximately \$301 million as compared to the fiscal year ended January 31, 1998, primarily due to a reduction in merchandise inventories resulting from management's focus on managing inventory levels and a decrease in customer receivable balances.

For the fiscal year ended January 31, 2000, net cash used in investing activities decreased approximately \$68 million compared to the fiscal year ended January 31, 1999, primarily due to an increase in funds provided by developers to defray part of the Company's costs of constructing new stores. The Company's capital expenditures aggregated approximately \$700 million over the last three years, net of deferred lease credits, principally to add new stores and facilities and to improve existing stores and facilities. Over 2.7 million square feet of retail store space has been added during this time period, representing an increase of 23% since January 31, 1997.

The Company plans to spend approximately \$1.0 billion, net of deferred lease credits, 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, 2000, approximately \$80 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 2000 and beyond, it is possible that some stores may not be opened as scheduled because of delays inherent in the development process, or for other reasons. In addition to its cash flow from operations, the Company has funds available under its revolving credit facility. Management believes that the Company's current financial strength and credit position enable it to maintain its existing stores and to take advantage of attractive new opportunities.

The Board of Directors has authorized an aggregate of \$1.1 billion of share repurchases since May 1995. As of January 31, 2000, the Company had purchased approximately 35 million shares of its common stock for approximately \$931 million pursuant to these authorizations, and had remaining share repurchase authority of \$169 million. Share repurchases have been financed, in part, through additional borrowings, resulting in a planned increase in the Company's debt to capital (debt plus shareholders' equity) ratio. At January 31, 2000, the Company's debt to capital ratio was .42.

In March 1998, the Company issued \$300 million of 6.95% Senior Debentures due in 2028. The proceeds were used to repay commercial paper and current maturities of long-term debt. In January 1999, the Company issued \$250 million of 5.625% Senior Notes due in 2009, the proceeds of which were used to repay short-term debt and for general corporate purposes. A substantial portion of the Company's total debt of \$876 million at January 31, 2000, finances the Company's credit card portfolio, which aggregated \$612 million at that date.

Year 2000

The Company transitioned into the Year 2000 without any material negative effects on its business, operations or financial condition. The Company's accumulative Year 2000 expenses, through January 31, 2000, were \$17 million. Approximately \$4 million of expense was incurred in 1999, \$7 million in 1998 and \$5 million in 1997.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which will require an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Adoption of this standard, as amended by the Company, beginning February 1, 2001, is not expected to have a material impact on the Company's consolidated financial statements.

Graph - Square Footage by Market Segment at January 31, 2000

The pie chart shows the percent of total square feet in each region and also gives the number of square feet for that region. Clockwise; Rack, 8.1%, 1,174,000; Central States, 14.4%, 2,086,000; Northwest, 19.1%, 2,770,000; East Coast, 25.3%, 3,671,000; Southwest, 32.7%, 4,729,000; and Other, 0.4%, 57,000.

Consolidated Statements
of Earnings

Dollars in thousands except per share amounts

Year ended January 31,	2000	% of sales	1999	% of sales	1998	% of sales
Net sales	\$ 5,124,223	100.0	\$ 5,027,890	100.0	\$ 4,851,624	100.0
Costs and expenses:						
Cost of sales and related buying and occupancy	3,359,760	65.5	3,344,945	66.5	3,295,813	67.9
Selling, general, and administrative	1,491,040	29.1	1,405,270	28.0	1,322,929	27.3
Interest, net	50,396	1.0	47,091	0.9	34,250	0.7
Service charge income and other, net	(109,030)	(2.1)	(107,139)	(2.1)	(108,581)	(2.2)
	4,792,166	93.5	4,690,167	93.3	4,544,411	93.7
Earnings before income taxes	332,057	6.5	337,723	6.7	307,213	6.3
Income taxes	129,500	2.5	131,000	2.6	121,000	2.5
Net earnings	\$ 202,557	4.0	\$ 206,723	4.1	\$ 186,213	3.8
Basic earnings per share	\$1.47		\$1.41		\$1.20	
Diluted earnings per share	\$1.46		\$1.41		\$1.20	
Cash dividends paid per share	\$.32		\$.30		\$.265	

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

Consolidated Balance Sheets

Dollars in thousands

January 31,	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,042	\$ 241,431
Short-term investment	25,527	--
Accounts receivable, net	616,989	587,135
Merchandise inventories	797,845	750,269
Prepaid income taxes and other	97,245	74,228
Total current assets	1,564,648	1,653,063
Land, buildings and equipment, net	1,429,492	1,378,006
Available-for-sale investment	35,251	--
Other assets	32,690	56,994
Total assets	\$ 3,062,081	\$ 3,088,063
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$ 70,934	\$ 78,783
Accounts payable	390,688	339,635
Accrued salaries, wages and related benefits	211,308	196,366
Income taxes and other accruals	135,388	100,739
Current portion of long-term debt	58,191	63,341
Total current liabilities	866,509	778,864
Long-term debt	746,791	804,893
Deferred lease credits	194,995	147,188
Other liabilities	68,172	56,573
Shareholders' equity:		
Common stock, no par:		
250,000,000 shares authorized;		
132,279,988 and 142,114,167		
shares issued and outstanding	247,559	230,761
Unearned stock compensation	(8,593)	(4,703)
Retained earnings	929,616	1,074,487
Accumulated other comprehensive income	17,032	--
Total shareholders' equity	1,185,614	1,300,545
Total liabilities and shareholders' equity	\$ 3,062,081	\$ 3,088,063

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 Shares	Common Stock Amount	Unearned Compensation	Retained Earnings	Accum. Other Comprehensive Income	Total
Balance at February 1, 1997, as previously reported	159,269,954	\$ 183,398	--	\$ 1,289,794	--	\$ 1,473,192
Adjustment for sales returns reserve, net of taxes				(16,108)		(16,108)
Balance at February 1, 1997, as adjusted	159,269,954	183,398	--	1,273,686	--	1,457,084
Net earnings	--	--	--	186,213	--	186,213
Cash dividends paid (\$.265 per share)	--	--	--	(41,168)	--	(41,168)
Issuance of common stock	838,478	17,406	--	--	--	17,406
Stock compensation	4,672	246	--	--	--	246
Purchase and retirement of common stock	(7,595,000)	--	--	(160,831)	--	(160,831)
Balance at January 31, 1998	152,518,104	201,050	--	1,257,900	--	1,458,950
Net earnings	--	--	--	206,723	--	206,723
Cash dividends paid (\$.30 per share)	--	--	--	(44,059)	--	(44,059)
Issuance of common stock	599,593	14,971	--	--	--	14,971
Stock compensation	194,070	14,740	\$(4,703)	--	--	10,037
Purchase and retirement of common stock	(11,197,600)	--	--	(346,077)	--	(346,077)
Balance at January 31, 1999	142,114,167	230,761	(4,703)	1,074,487	--	1,300,545
Net earnings	--	--	--	202,557	--	202,557
Unrealized gain on investment	--	--	--	--	\$17,032	17,032
Comprehensive net earnings	--	--	--	--	--	219,589
Cash dividends paid (\$.32 per 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 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

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,	2000	1999	1998
Operating Activities			
Net earnings	\$ 202,557	\$ 206,723	\$ 186,213
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	193,718	180,655	158,969
Amortization of deferred lease credits and other, net	(6,387)	(3,501)	(2,092)
Stock-based compensation expense	3,331	10,037	246
Change in:			
Accounts receivable, net	(29,854)	77,313	50,141
Merchandise inventories	(47,576)	75,776	(106,126)
Prepaid income taxes and other	(23,017)	30,983	(11,616)
Accounts payable	51,053	18,324	10,881
Accrued salaries, wages and related benefits	14,942	17,156	9,635
Income tax liabilities and other accruals	12,205	(20,454)	2,104
Other liabilities	7,154	8,296	2,301
Net cash provided by operating activities	378,126	601,308	300,656
Investing Activities			
Capital expenditures	(305,052)	(306,737)	(259,935)
Additions to deferred lease credits	114,910	74,264	--
Investments in unconsolidated affiliates	--	(32,857)	--
Other, net	(9,332)	(2,251)	(49)
Net cash used in investing activities	(199,474)	(267,581)	(259,984)
Financing Activities			
(Decrease) increase in notes payable	(7,849)	(184,984)	99,997
Proceeds from issuance of long-term debt	--	544,165	91,644
Principal payments on long-term debt	(63,341)	(101,106)	(51,210)
Capital contribution to subsidiary from minority shareholders	16,000	--	--
Proceeds from issuance of common stock	9,577	14,971	17,406
Cash dividends paid	(44,463)	(44,059)	(41,168)
Purchase and retirement of common stock	(302,965)	(346,077)	(160,831)
Net cash used in financing activities	(393,041)	(117,090)	(44,162)
Net (decrease) increase in cash and cash equivalents	(214,389)	216,637	(3,490)
Cash and cash equivalents at beginning of year	241,431	24,794	28,284
Cash and cash equivalents at end of year	\$ 27,042	\$ 241,431	\$ 24,794

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, principally through 71 large specialty stores and 28 clearance stores. All of the Company's stores are located in the United States, with approximately 34% of its retail square footage located in the state of California.

The Company purchases a significant percentage of its merchandise from foreign countries, principally in the Far East. An event causing a disruption in imports from the Far East could have a material adverse impact on the Company's operations. In connection with the purchase of foreign merchandise, the Company has outstanding letters of credit totaling \$60,038 at January 31, 2000.

On November 1, 1999 the Company established a subsidiary to operate its Internet commerce and catalog businesses, NORDSTROM.com LLC. The Company contributed certain assets and liabilities associated with its Internet commerce and catalog businesses, and \$10 million in cash. Funds associated with Benchmark Capital and Madrona Investment Group collectively contributed \$16 million in cash to the new entity. At January 31, 2000 the Company owns approximately 81.4% of NORDSTROM.com LLC, with Benchmark Capital and Madrona Investment Group holding the remaining minority interest. The minority interest holders have the right to put their shares of NORDSTROM.com LLC to the Company at a multiple of their original investment in the event that certain events do not occur. This put right will expire if the Company provides additional funding to NORDSTROM.com LLC prior to September 2002.

Basis of Presentation: The consolidated financial statements include the accounts of Nordstrom, Inc. and its subsidiaries, the most significant of which are Nordstrom Credit, Inc., Nordstrom National Credit Bank and NORDSTROM.com LLC. All significant intercompany transactions and balances are eliminated in consolidation. The presentation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Prior to 1999, the Company did not record sales returns on the accrual basis of accounting because the difference between the cash and accrual basis of accounting was not material. In 1999, the Company began accruing sales returns. Accordingly, the Company recorded the cumulative effect of this change on prior periods, which resulted in an increase in current assets of \$9,840, an increase in current liabilities of \$25,948 and a corresponding decrease in retained earnings of \$16,108 as of February 1, 1997. Because the effects of this change were insignificant in 1997 and 1998, the Company recorded such amounts in 1999 as a reduction in net income of \$1,313, or \$.01 per share.

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

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 capitalized and amortized over the expected life of the catalog, not to exceed six months. Net capitalized direct response advertising costs were \$3,938 and \$3,436 at January 31, 2000 and 1999, and are included in prepaid income taxes and other on the consolidated balance sheets. Total advertising expenses were \$160,957, \$145,841 and \$115,272 in 1999, 1998 and 1997.

Land, Buildings and Equipment: For buildings and equipment acquired prior to February 1, 1999, depreciation is computed using a combination of accelerated and straight-line methods. The straight-line method was adopted for all property placed into service after February 1, 1999 in order to better reflect the utilization of the assets over time. The effect of this change on net earnings for 1999 was not material. Lives used for calculating depreciation and amortization rates for the principal asset classifications are as follows: buildings, five to 40 years; store fixtures and equipment, three to 15 years; leasehold improvements, life of lease or applicable shorter period; software, three to seven years.

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

Capitalization of Interest: The interest-carrying costs of capital assets under development or construction are capitalized based on the Company's weighted average borrowing rate.

Cash Equivalents: The Company considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents.

Investments: Short-term and available-for-sale investments consist of available-for-sale equity securities which are recorded at market value based on quoted market prices using the specific identification method. Unrealized gains (and losses) from changes in market value are reflected in accumulated other comprehensive income, net of related deferred taxes. All other investments are recorded at cost and included in other assets.

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

Net Sales: Revenues are recorded net of estimated returns and exclude sales tax.

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, 2000 and 1999 include \$7,605 and \$10,189 of checks not yet presented for payment drawn in excess of cash balances.

Deferred Lease Credits: Deferred lease credits are amortized on a straight-line basis primarily over the life of the applicable lease.

Fair Value of Financial Instruments: The carrying amount of cash equivalents and notes payable approximates fair value because of the short maturity of these instruments. The fair value of the Company's investment in marketable equity securities is based upon the quoted market price and is approximately \$60,778 at January 31, 2000. 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 \$715,500 and \$894,000 at January 31, 2000 and 1999.

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, 2000 and 1999 is not material.

Statement of Financial Accounting Standards No. 133, "Accounting For Derivative Instruments and Hedging Activities," as amended, requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company is currently reviewing the impact of this statement; however, based on the Company's minimal use of derivatives, management expects that adoption of this standard, in its fiscal year beginning February 1, 2001, will not have a material impact on the Company's consolidated financial statements.

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

Note 2: Employee Benefits

The Company provides a profit sharing plan for employees. The plan is fully funded by the Company and is non-contributory except for employee contributions made under Section 401(k) of the Internal Revenue Code. Under this provision of the plan, the Company provides matching contributions up to a stipulated percentage of employee contributions. Company contributions to the profit sharing portion of the plan vest over a seven-year period. The Company contribution is established each year by the Board of Directors and totaled \$47,500, \$50,000 and \$45,000 in 1999, 1998 and 1997.

Note 3: Interest, Net

The components of interest, net are as follows:

Year ended January 31,	2000	1999	1998
Short-term debt	\$ 2,584	\$ 10,707	\$ 10,931
Long-term debt	56,831	43,601	32,887
Total interest cost	59,415	54,308	43,818
Less: Interest income	(3,521)	(1,883)	(1,221)
Capitalized interest	(5,498)	(5,334)	(8,347)
Interest, net	\$50,396	\$47,091	\$34,250

Note 4: Income Taxes

Income taxes consist of the following:

Year ended January 31,	2000	1999	1998

Current income taxes:			
Federal	\$ 130,524	\$ 113,270	\$ 98,464
State and local	21,835	19,672	18,679

Total current income taxes	152,359	132,942	117,143
Deferred income taxes:			
Current	(18,367)	(1,357)	(4,614)
Non-current	(4,492)	(585)	8,471

Total deferred income taxes	(22,859)	(1,942)	3,857

Total income taxes	\$ 129,500	\$ 131,000	\$ 121,000

A reconciliation of the statutory Federal income tax rate to the effective tax rate is as follows:

Year ended January 31,	2000	1999	1998
Statutory rate	35.00%	35.00%	35.00%
State and local income taxes, net of federal income taxes	4.06	4.03	4.17
Other, net	(.06)	(0.24)	0.21
Effective tax rate	39.00%	38.79%	39.38%

Deferred income tax assets and liabilities result from temporary differences in the timing of recognition of revenue and expenses for tax and financial reporting purposes. Significant deferred tax assets and liabilities, by nature of the temporary differences giving rise thereto, are as follows:

January 31,	2000	1999
Accrued expenses	\$ 29,276	\$ 30,071
Compensation and benefits accruals	35,651	30,404
Merchandise inventories	24,461	18,801
Land, buildings and equipment basis and depreciation differences	(22,982)	(34,519)
Employee benefits	(11,008)	(10,659)
Unrealized gain on investment	(10,889)	--
Other	12,570	11,011
Net deferred tax assets	\$ 57,079	\$ 45,109

Note 5: Earnings Per Share

Basic earnings per share are computed on the basis of the weighted average number of common shares outstanding during the year. Average shares outstanding were 137,814,589, 146,241,091 and 154,972,560 in 1999, 1998 and 1997.

Diluted earnings per share are computed on the basis of the weighted average number of common shares outstanding during the year plus dilutive common stock equivalents (primarily stock options). Weighted average diluted shares outstanding were 138,424,844, 146,858,271 and 155,350,296 in 1999, 1998 and 1997.

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 2,798,966, 1,146,113 and 303,622 shares in 1999, 1998 and 1997.

Note 6: Investment

In September 1998, the Company purchased non-voting convertible preferred stock in a private company. In June 1999, this company completed an initial public offering of common stock. Upon completion of the offering, the Company's investment was converted to common stock, which has been categorized as available-for-sale. In January 2000, this public company merged with a private company in a pooling-of-interests transaction. The Company had an investment in the preferred stock of the acquired private company since October 1998. The Company's available-for-sale investment has been increased to reflect the consummation of the merger. A portion of the investment is reported as short-term because the Company intends to sell it within one year. Accumulated other comprehensive income includes the increase in the fair market value of the investment based on its quoted market value at January 31, 2000, net of applicable taxes of \$10.9 million.

Note 7: Accounts Receivable

The components of accounts receivable are as follows:

January 31,	2000	1999
Customers	\$ 611,858	\$ 592,204
Other	20,969	19,474
Allowance for doubtful accounts	(15,838)	(24,543)
Accounts receivable, net	\$ 616,989	\$ 587,135

Credit risk with respect to accounts receivable is concentrated in the geographic regions in which the Company operates stores. At January 31, 2000 and 1999, approximately 38% 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.

Bad debt expense totaled \$11,707, \$23,828 and \$40,440 in 1999, 1998 and 1997.

Nordstrom National Credit Bank, a wholly owned subsidiary of the Company, issues both a proprietary and VISA credit card. In 1996, the Company transferred substantially all of its VISA credit card receivables (approximately \$203,000) to a trust in exchange for certificates representing undivided interests in the trust. A Class A certificate with a market value of \$186,600 was sold to a third party, and a Class B certificate, which is subordinated to the Class A certificate, was retained by the Company. The Company owns the remaining undivided interests in the trust not represented by the Class A and Class B certificates (the "Seller's Interest").

Cash flows generated from the receivables in the trust are, to the extent allocable to the investors, applied to the payment of interest on the Class A and Class B certificates, absorption of credit losses, and payment of servicing fees to the Company, which services the receivables for the trust. Excess cash flows revert to the Company. The Company's investment in the Class B certificate and the Seller's Interest totals \$42,754 and \$8,208 at January 31, 2000 and 1999, and is included in customer accounts receivable.

Pursuant to the terms of operative documents of the trust, in certain events the Company may be required to fund certain amounts pursuant to a recourse obligation for credit losses. Based on current cash flow projections, the Company does not believe any additional funding will be required.

Note 8: Land, Buildings and Equipment

Land, buildings and equipment consist of the following (at cost):

January 31,	2000	1999
Land and land improvements	\$ 59,237	\$ 57,337
Buildings	650,414	500,831
Leasehold improvements	870,821	957,877
Capitalized software	20,150	7,603
Store fixtures and equipment	1,037,936	944,202
	2,638,558	2,467,850
Less accumulated depreciation and amortization	(1,370,726)	(1,235,410)
	1,267,832	1,232,440
Construction in progress	161,660	145,566
Land, buildings and equipment, net	\$ 1,429,492	\$ 1,378,006

At January 31, 2000, the net book value of property located in California is approximately \$335,000. The Company does not carry earthquake insurance in California because of its high cost.

At January 31, 2000, the Company has contractual commitments of approximately \$80 million for the construction of new stores or remodel of existing stores.

Note 9: Notes Payable

A summary of notes payable is as follows:

Year ended January 31,	2000	1999	1998
Average daily short-term borrowings	\$ 45,030	\$195,596	\$193,811
Maximum amount outstanding	178,533	385,734	278,471
Weighted average interest rate:			
During the year	5.8%	5.5%	5.6%
At year-end	6.0%	5.2%	5.5%

At January 31, 2000, the Company has an unsecured line of credit with a group of commercial banks totaling \$500,000 which is available as liquidity support for the Company's commercial paper program, and expires in July 2002. The line of credit agreement contains restrictive covenants which, among other things, require the Company to maintain a certain minimum level of net worth and a coverage ratio (as defined) of no less than 2 to 1. The Company pays a commitment fee for the line based on the Company's debt rating.

Note 10: Long-Term Debt

A summary of long-term debt is as follows:

January 31,	2000	1999
Senior debentures, 6.95%, due 2028	\$ 300,000	\$ 300,000
Senior notes, 5.625%, due 2009	250,000	250,000
Medium-term notes, payable by Nordstrom Credit, Inc., 7.0%-8.67%, due 2000-2002	145,350	203,350
Notes payable, of Nordstrom Credit, Inc., 6.7%, due 2005	100,000	100,000
Other	9,632	14,884
Total long-term debt	804,982	868,234
Less current portion	(58,191)	(63,341)
Total due beyond one year	\$ 746,791	\$ 804,893

Aggregate principal payments on long-term debt are as follows: 2000-\$58,191; 2001-\$11,454; 2002-\$77,247; 2003-\$319; 2004-\$350; and thereafter-\$657,421.

Note 11: Leases

The Company leases land, buildings and equipment under noncancelable lease agreements with expiration dates ranging from 2000 to 2080. Certain leases include renewal provisions at the Company's option. Most of the leases provide for additional rentals based upon specific percentages of sales and require the Company to pay for certain other costs.

Future minimum lease payments as of January 31, 2000 are as follows: 2000-\$52,940; 2001-\$52,762; 2002-\$44,050; 2003-\$42,092; 2004-\$41,010; and thereafter-\$326,281.

The following is a schedule of rent expense:

Year ended January 31,	2000	1999	1998
Minimum rent:			
Store locations	\$18,794	\$19,167	\$16,869
Offices, warehouses and equipment	19,926	19,208	17,811
Store locations percentage rent	7,441	8,603	12,542
Total rent expense	\$46,161	\$46,978	\$47,222

Note 12: Stock-Based Compensation

The Company has a stock option plan (the "Plan") administered by the Compensation Committee of the Board of Directors (the "Committee") under which stock options, performance share units and restricted stock may be granted to key employees of the Company. 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 certain circumstances, vesting of some options may be accelerated.

In addition to option grants each year, in 1999 and 1998 the Committee granted 272,970 and 185,201 performance share units, respectively, 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. The Committee also granted 30,069 and 180,000 shares of restricted stock in 1999 and 1998 with weighted average fair values of \$32.09 and \$27.75, respectively, which vest over five years. No monetary consideration is paid by employees who receive performance share units or restricted stock.

The Company applies Accounting Principles Board Opinion No. 25 ("APB 25") in measuring compensation costs under the Plan. Accordingly, no compensation cost has been recognized for stock options because the option price equals the market price on the date of grant. For performance share units, compensation expense is recorded over the performance period based on the fair market value of the stock at the date it is determined that such shares have been earned. For restricted stock grants, 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 1999, 1998 and 1997 was \$3,331, \$10,037 and \$246, respectively.

In addition to the above, in the fourth quarter of 1999, NORDSTROM.com established an option plan under which 3.4 million options were granted at an option price of \$1.67 per share. Pursuant to APB 25, no compensation cost has been recognized for the options because the option price was equal to, or in excess of, the fair value of NORDSTROM.com's 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.

If the Company had elected to follow the measurement provisions of SFAS No. 123 in accounting for its stock options, compensation expense would be recognized based on the fair value of the options at the date of grant. To estimate compensation expense which would be recognized under SFAS 123, the Company used the modified Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in 1999, 1998 and 1997, respectively: risk-free interest rates of 5.7%, 5.2% and 5.4%; expected volatility factors of .61, .46 and .32; expected dividend yield of 1% for all years; and expected lives of 5 years for all years.

If SFAS 123 were used to account for the Company's stock-based compensation programs, the pro forma net earnings and earnings per share would be as follows:

Year ended January 31,	2000	1999	1998
Pro forma net earnings	\$192,936	\$201,499	\$183,618
Pro forma basic earnings per share	\$1.40	\$1.38	\$1.18
Pro forma diluted earnings per share	\$1.39	\$1.37	\$1.18

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts as awards prior to 1995 are not included, and additional awards in future years are anticipated.

The number of shares reserved for future stock option grants pursuant to the Plan is 3,212,879 at January 31, 2000.

Stock option activity for the Plan was as follows:

Year ended January 31,	2000		1999		1998	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	5,893,632	\$27	3,401,602	\$21	3,719,506	\$19
Granted	2,926,368	31	3,252,217	31	692,764	26
Exercised	(341,947)	23	(599,593)	18	(838,478)	17
Cancelled	(342,752)	30	(160,594)	27	(172,190)	22
Outstanding, end of year	8,135,301	\$28	5,893,632	\$27	3,401,602	\$21
Options exercisable at end of year	3,145,393	\$25	2,544,092	\$23	1,759,464	\$19
Weighted-average fair value of options granted during the year		\$17		\$14		\$ 9

The following table summarizes information about stock options outstanding for the Plan as of January 31, 2000:

Range of Exercise Prices	Shares	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$11 - \$23	2,807,518	7	\$21	1,487,867	\$20
\$24 - \$33	2,919,777	8	\$29	1,457,294	\$29
\$34 - \$40	2,408,006	9	\$37	200,232	\$34
	8,135,301	8	\$28	3,145,393	\$25

Note 13: Supplementary Cash Flow Information

Supplementary cash flow information includes the following:

Year ended January 31,	2000	1999	1998
Cash paid during the year for:			
Interest (net of capitalized interest)	\$ 54,195	\$ 44,418	\$ 35,351
Income taxes	129,566	126,157	126,606

Note 14: Segment Reporting

The Company has three reportable segments which 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 sales from high-quality apparel, shoes and accessories for women, men and children, sold through retail store locations. 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. 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 and NORDSTROMshoes.com Web sites.

The Company's senior management utilizes various measurements to assess segment performance and to allocate resources to segments. 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. Corporate and Other includes certain expenses and a portion of interest expense which are not allocated to the operating segments. Intersegment revenues primarily consist of fees for credit card services and are based on fees charged by third party cards.

The following tables set forth the information for the Company's reportable segments and a reconciliation to the consolidated totals:

Year ended January 31, 2000	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Net sales and revenues to external customers	\$4,914,293	--	\$ 209,930	--	--	\$5,124,223
Service charge income	--	\$117,974	--	--	--	117,974
Intersegment revenues	20,285	25,963	--	--	\$(46,248)	--
Interest, net	728	26,933	(167)	\$ 22,902	--	50,396
Depreciation and amortization	170,765	1,424	6,313	15,216	--	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

Year ended January 31, 1999	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Net sales and revenues to external customers	\$4,834,049	--	\$ 193,841	--	--	\$5,027,890
Service charge income	--	\$119,926	--	--	--	119,926
Intersegment revenues	23,748	26,736	--	--	\$(50,484)	--
Interest, net	--	31,139	--	\$ 16,488	(536)	47,091
Depreciation and amortization	166,099	806	4,613	9,137	--	180,655
Income tax expense (benefit)	182,800	16,200	--	(68,000)	--	131,000
Net earnings (loss)	288,503	25,606	(17,681)	(89,705)	--	206,723
Assets(a)	2,040,938	607,255	57,803	382,067	--	3,088,063
Capital expenditures	273,906	2,191	4,121	26,519	--	306,737

Year ended January 31, 1998	Retail Stores	Credit Operations	Catalog/ Internet	Corporate and Other	Eliminations	Total
Net sales and revenues to external customers	\$4,705,875	--	\$ 145,749	--	--	\$4,851,624
Service charge income	--	\$122,026	--	--	--	122,026
Intersegment revenues	35,529	27,400	--	--	\$(62,929)	--
Interest, net	--	36,187	--	\$ (1,170)	(767)	34,250
Depreciation and amortization	147,847	667	3,082	7,373	--	158,969
Income tax expense (benefit)	152,700	10,300	--	(42,000)	--	121,000
Net earnings (loss)	235,122	15,895	(12,936)	(51,868)	--	186,213
Assets(a)	1,956,527	681,391	73,790	178,956	--	2,890,664
Capital expenditures	221,384	242	17,390	20,919	--	259,935

(a) Segment assets in Corporate and Other include unallocated assets in corporate headquarters, consisting primarily of land, buildings and equipment, and deferred tax assets.

Note 15: Contingent Liabilities

Because the cosmetics and Nine West lawsuits described below are still in their preliminary stages, the Company is not in a position at this time to quantify the amount or range of any possible losses related to those claims. The Company intends to vigorously defend itself in those cases. While no assurance can be given as to the ultimate outcomes 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.

Cosmetics. The Company is a defendant along with other department stores in nine separate but virtually identical 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. The plaintiffs seek to represent a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the period May 1994 through May 1998. Plaintiffs' consolidated complaint alleges that the Company and other department stores agreed to charge identical prices for cosmetics and fragrances, not to discount such prices, and to urge manufacturers to refuse to sell to retailers who sell cosmetics and fragrances at discount prices, resulting in artificially inflated retail prices paid by the class in violation of California state law. The plaintiffs seek treble damages in an unspecified amount, attorneys' fees and prejudgment interest. Defendants, including the Company, have answered the consolidated complaint denying the allegations. Discovery has commenced and defendants are nearing completion of the initial phase of producing documents and responding to plaintiffs' other discovery requests. Plaintiffs have not yet moved for class certification.

Nine West. The Company was named as a defendant in a number of substantially identical lawsuits filed in federal district courts in New York and elsewhere beginning in January and February 1999. In addition to Nine West, a leading manufacturer and retailer of men's, women's and children's non-athletic footwear and accessories, which has subsequently been acquired by Jones Apparel, other defendants include various department store and specialty retailers. The lawsuits have now been consolidated in federal district court in New York and purport to be brought on behalf of a class of persons who purchased Nine West footwear from the defendants during the period January 1988 to mid-February 1999. Plaintiffs' consolidated complaint alleges that the retailer defendants agreed with Nine West and with each other on the minimum prices to be charged for Nine West shoes. The plaintiffs seek treble damages in an unspecified amount, attorneys' fees and prejudgment interest. Defendants moved to dismiss the consolidated complaint, and the court denied the motion on January 7, 2000. The Court had stayed discovery pending its decision on the motion to dismiss, and defendants have now begun the process of producing documents and responding to plaintiffs' other discovery requests. Plaintiffs have not yet moved for class certification.

Vacation Policy. The Company has reached a settlement in its previously described lawsuit relating to its vacation policy. The settlement is subject to the execution of a definitive settlement agreement and court approval. A final approval hearing has been set for April 28, 2000.

Saipan. The Company has reached a settlement in its previously described lawsuits relating to its sourcing of clothing products from independent garment manufacturers in Saipan (Commonwealth of Northern Mariana Islands). The settlement is subject to court approval. No hearing has been set to date.

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 16: Selected Quarterly Data (unaudited)

Year ended January 31, 2000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	\$1,039,105	\$1,443,395	\$1,110,114	\$1,531,609	\$5,124,223
Gross profit	350,909	500,047	392,270	521,237	1,764,463
Earnings before income taxes	51,688	116,189	55,033	109,147	332,057
Net earnings	31,538	70,839	33,633	66,547	202,557
Basic earnings per share	.22	.51	.25	.50	1.47
Diluted earnings per share	.22	.51	.25	.50	1.46
Dividends per share	.08	.08	.08	.08	.32

Year ended January 31, 1999	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	\$1,040,215	\$1,447,284	\$1,094,349	\$1,446,042	\$5,027,890
Gross profit	341,915	476,041	377,249	487,740	1,682,945
Earnings before income taxes	52,837	113,062	63,175	108,649	337,723
Net earnings	32,337	69,162	38,675	66,549	206,723
Basic earnings per share	.22	.47	.27	.47	1.41
Diluted earnings per share	.21	.47	.27	.47	1.41
Dividends per share	.07	.07	.08	.08	.30

Management and Independent Auditors' Reports

Management Report

The accompanying consolidated financial statements, including the notes thereto, and the other financial information presented in this Annual Report have been prepared by management. The financial statements have been prepared in accordance with generally accepted accounting principles and include amounts that are based upon our best estimates and judgments. Management is responsible for the consolidated financial statements, as well as the other financial information in this Annual Report.

The Company maintains an effective system of internal accounting control. We believe that this system provides reasonable assurance that transactions are executed in accordance with management authorization, and that they are appropriately recorded, in order to permit preparation of financial statements in conformity with generally accepted accounting principles and to adequately safeguard, verify and maintain accountability for assets. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived.

The consolidated financial statements and related notes have been audited by Deloitte & Touche LLP, independent certified public accountants. The accompanying auditors' report expresses an independent professional opinion on the fairness of presentation of management's financial statements.

The Audit Committee of the Board of Directors is composed of the outside directors, and is responsible for recommending the independent certified public accounting firm to be retained for the coming year, subject to shareholder approval. The Audit Committee meets periodically with the independent auditors, as well as with management and the internal auditors, to review accounting, auditing, internal accounting controls and financial reporting matters. The independent auditors and the internal auditors also meet privately with the Audit Committee.

Michael A. Stein
Executive Vice President and Chief Financial Officer

Independent Auditors' Report

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the "Company") as of January 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nordstrom, Inc. and subsidiaries as of January 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2000, in conformity with generally accepted accounting principles.

As discussed in Note 1, the accompanying financial statements have been restated to reflect an accrual for sales returns.

Deloitte & Touche LLP
Seattle, Washington; March 10, 2000

Ten-Year Statistical Summary

Dollars in thousands except square footage and per share amounts

Year ended January 31,	2000	1999	1998
Financial Position			
Customer accounts receivable, net	\$596,020	\$567,661	\$641,862
Merchandise inventories	797,845	750,269	826,045
Current assets	1,564,648	1,653,063	1,613,492
Current liabilities	866,509	778,864	979,031
Working capital	698,139	874,199	634,461
Working capital ratio	1.81	2.12	1.65
Land, buildings and equipment, net	1,429,492	1,378,006	1,252,513
Long-term debt, including current portion	804,982	868,234	420,865
Debt/capital ratio	.4249	.4214	.3194
Shareholders' equity	1,185,614	1,300,545	1,458,950
Shares outstanding	132,279,988	142,114,167	152,518,104
Book value per share	8.96	9.15	9.57
Total assets	3,062,081	3,088,063	2,890,664
Operations			
Net sales	5,124,223	5,027,890	4,851,624
Costs and expenses:			
Cost of sales and related buying and occupancy	3,359,760	3,344,945	3,295,813
Selling, general, and administrative	1,491,040	1,405,270	1,322,929
Interest, net	50,396	47,091	34,250
Service charge income and other, net	(109,030)	(107,139)	(108,581)
Total costs and expenses	4,792,166	4,690,167	4,544,411
Earnings before income taxes	332,057	337,723	307,213
Income taxes	129,500	131,000	121,000
Net earnings	202,557	206,723	186,213
Basic earnings per share	1.47	1.41	1.20
Diluted earnings per share	1.46	1.41	1.20
Dividends per share	.32	.30	.265
Comparable store sales percentage increase (decrease)	(1.1%)	(2.7%)	4.0%
Net earnings as a percent of net sales	3.95%	4.11%	3.84%
Return on average shareholders' equity	16.29%	14.98%	12.77%
Sales per square foot for Company-operated stores	350	362	384
Stores	104	97	92
Total square footage	14,487,000	13,593,000	12,614,000

1997	1996	1995	1994	1993	1992	1991
\$693,123	\$874,103	\$655,715	\$565,151	\$584,379	\$585,490	\$558,573
719,919	626,303	627,930	585,602	536,739	506,632	448,344
1,549,819	1,612,776	1,397,713	1,314,914	1,219,844	1,177,638	1,090,379
795,321	833,443	693,015	631,064	516,397	558,768	556,394
754,498	779,333	704,698	683,850	703,447	618,870	533,985
1.95	1.94	2.02	2.08	2.36	2.11	1.96
1,152,454	1,103,298	984,195	845,596	824,142	856,404	806,191
380,632	439,943	373,910	438,574	481,945	491,076	468,148
.2720	.3232	.2575	.2934	.3337	.4029	.4308
1,457,084	1,408,053	1,330,437	1,153,594	1,038,649	927,465	816,100
159,269,954	162,226,288	164,488,196	164,118,256	163,949,594	163,688,454	163,475,820
9.15	8.68	8.09	7.03	6.34	5.67	4.99
2,726,495	2,732,619	2,396,783	2,177,481	2,053,170	2,041,875	1,902,589
4,448,019	4,106,817	3,892,614	3,591,228	3,415,613	3,174,822	2,891,856
3,079,459	2,802,786	2,598,624	2,469,689	2,336,005	2,167,268	1,999,251
1,217,086	1,120,120	1,023,161	940,708	901,446	831,005	747,565
39,400	39,295	30,664	37,646	44,810	49,106	52,228
(129,469)	(125,130)	(94,644)	(88,509)	(86,140)	(87,443)	(84,660)
4,206,476	3,837,071	3,557,805	3,359,534	3,196,121	2,959,936	2,714,384
241,543	269,746	334,809	231,694	219,492	214,886	177,472
95,227	106,190	132,304	90,804	84,489	80,527	62,204
146,316	163,556	202,505	140,890	135,003	134,359	115,268
.90	1.00	1.23	.86	.82	.82	.71
.90	1.00	1.23	.86	.82	.82	.71
.25	.25	.1925	.17	.16	.155	.15
0.6%	(0.7%)	4.4%	2.7%	1.4%	1.4%	0%
3.29%	3.98%	5.20%	3.92%	3.95%	4.23%	3.99%
10.21%	11.94%	16.30%	12.85%	13.73%	15.41%	14.97%
377	382	395	383	381	388	391
83	78	76	74	72	68	63
11,754,000	10,713,000	9,998,000	9,282,000	9,224,000	8,590,000	7,655,000

Officers of Nordstrom, Inc.

Jammie Baugh, 46
Executive Vice President, Human Resources

Laurie M. Black, 40
Vice President, Accessories, Gifts, Women's Specialized, Northwest Region,
Full-Line Stores

Robert E. Campbell, 44
Vice President, Strategy and Planning, and Treasurer

Gail A. Cottle, 48
Executive Vice President and President,
Nordstrom Product Group

Dale C. Crichton, 51
Executive Vice President, Cosmetics, Full-Line Stores

Joseph V. Demarte, 48
Vice President, Human Resources

Annette S. Dresser, 39
Vice President, Women's Contemporary, Full-Line Stores

Linda Toschi Finn, 52
Vice President, Marketing Director, Full-Line Stores

Tamela J. Hickel, 39
Vice President, Southeast Regional Manager

Darrel J. Hume, 52
Vice President, Regional Manager of Stores, Central States

Darren R. Jackson, 35
Vice President and Chief Financial Officer,
Full-Line Stores

Bonnie M. Junell, 43
Vice President, Brass Plum/Kids, Northwest, Full-Line Stores

Kevin T. Knight, 44
Vice President and President, Nordstrom Credit Group

Michael G. Koppel, 43
Vice President, Corporate Controller

Llynn (Len) A. Kuntz, 39
Vice President and Executive Vice President, Full-Line Store Strategy

F. Richard Lennon, 59
Vice President, Chief Information Officer

David P. Lindsey, 50
Vice President, Store Planning

David L. Mackie, 51
Vice President, Real Estate

Robert J. Middlemas, 43
Executive Vice President, General Manager, Central States

Jack H. Minuk, 45
Vice President, Women's Shoes, Full-Line Stores

Blake W. Nordstrom, 39
Executive Vice President and President, Nordstrom Rack Group

Erik B. Nordstrom, 36
Executive Vice President, Northwest General Manager

Peter E. Nordstrom, 37
Executive Vice President,
Director of Full-Line Store Merchandising Strategy

William E. Nordstrom, 36
Executive Vice President, East Coast General Manager

James R. O'Neal, 41
Executive Vice President, Southwest General Manager

Suzanne R. Patneau, 53
Vice President, Designer Apparel, Full-Line Stores

N. Claire Stack, 38
Corporate Secretary and Director of Legal Affairs

Michael A. Stein, 50
Executive Vice President and Chief Financial Officer

Joel T. Stinson, 50
Vice President, Operations

Dana K. Summers, 40
Vice President, Business Information and Planning,
Full-Line Stores

Delena M. Sunday, 39
Vice President, Diversity Affairs

Susan A. Wilson Tabor, 54
Executive Vice President, General Manager,
Nordstrom Rack Group

Geevy S. K. Thomas, 35
Vice President and Executive Vice President, Merchandising Strategy,
Full-Line Stores

John J. Whitacre, 47
Chairman and Chief Executive Officer

Martha S. Wikstrom, 43
Executive Vice President and President, Full-Line Store Group

NORDSTROM.com, LLC

Victoria B. Dellinger, 40
Executive Vice President, Merchandising

Kimberly Jaderholm, 39
Vice President, Human Resources

J. Daniel Nordstrom, 37
Chief Executive Officer and President, NORDSTROM.com, LLC

Kathryn E. Olson, 41
Executive Vice President, Marketing

Paul Onnen, 37
Vice President, Chief Technology Officer

Michael Sato, 33
Vice President, Fulfillment Operations

Robert A. Schwartz, 39
Executive Vice President, E-Commerce

Kurt D. Whitesel, 38
Executive Vice President, Chief Operating Officer and
Chief Financial Officer

Divisional Vice Presidents

Nordstrom Full-Line Stores

Mark S. Brashear, 38
Vice President, General Execution Manager, Southwest Region

Martine Burkel, 40
Vice President, Accessories, Gifts, Women's Specialized,
East Coast Region

Nora M. Cummings, 45
Vice President, San Diego/Arizona Regional Manager

Sherry E. Eversaul, 52
Vice President, Women's Apparel, Contemporary Forward Bridge/Better, Halogen

Kathleen V. Ferguson, 40
Vice President, Customer Relationship Marketing

Margaret (Peggy) Mansur, 41
Vice President, East Coast/Central States, Cosmetics

Vicki McWilliams, 42
Vice President, Northern California Regional Manager

Margaret Myers, 52
Vice President, Accessories and Women's Specialized, Southwest Region

Lisa S. O'Neal, 42
Vice President, Women's Apparel, Classic/Mainstream, Better/Moderate

David M. Witman, 41
Vice President, East Coast/Central States, Men's Wear

Nordstrom Credit Group

Karen Bowman Roesler, 44
Vice President, Credit Marketing and Risk

Carol R. Simonson, 48
Vice President, Finance, Strategy and Planning

(Divisional Vice Presidents continued)

Nordstrom Product Group

Margaret Desmond Fortescue, 38
Vice President, Director of Information Technology

Kathleen M. Gersch, 31
Vice President, Director of Finance and Strategic Planning

Kent S. Grimes, 47
Vice President, Director of Product Groups

Dean A. Holly, 47
Vice President, Director of Sourcing and Production

James Mahan, 37
Vice President, Director of Human Resources

Patrick C. Smith, 41
Vice President, Director of Operations

Michael A. Tam, 42
Vice President, Director of Brands

Nordstrom Rack Group

Timothy J. Bean, 43
Vice President, Merchandise Manager, Shoes

Kelly Cole Berka, 44
Vice President, Southwest Regional Manager

Janet Meiser Blasquez, 42
Vice President, Merchandise Manager, Women's Apparel

Marsha Savery, 49
Vice President, Marketing Director

Marcia A. Scott, 39
Vice President, Merchandise Manager for Accessories, Cosmetics, Lingerie, Kids
and Gifts

K. C. Shaffer, 45
Vice President, Northwest Regional Manager

Dean H. White, 44
Vice President, Merchandise Manager, Men's Apparel

Corporate Service Center

Mary D. Amundson, 46
Vice President, Compensation and Benefits

Jon M. Anastasio, 48
Vice President, Executive and Organizational Development

D. Wayne Howard, 44
Vice President, Supply Chain Strategy

W. Drew Murphy, 54
Vice President, Risk Management and Loss Prevention

R. Michael Richardson, 43
Vice President, Systems Development and Enterprise Technologies

Linda Gail Schantz, 46
Vice President, Logistics

Janis M. Walsh, 47
Vice President, Information Technology Services

Brooke F. White, 37
Vice President, Public Relations

Directors and Committees

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Seattle, Washington

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Inter-Con Security Systems, Inc.
Pasadena, California

Ann D. McLaughlin, 58
Director; Chairman, The Aspen Institute
Aspen, Colorado

John A. McMillan, 68
Director

Bruce A. Nordstrom, 66
Director

John N. Nordstrom, 62
Director

Alfred E. Osborne, Jr., 55
Director; Director of the Harold Price Center
for Entrepreneurial Studies and
Associate Professor of Business Economics,
The Anderson School at UCLA
Los Angeles, California

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Director; A Principal in Madrona Investment

Group, LLC
Seattle, Washington

Elizabeth Crownhart Vaughan, 71
Director; President, Salar Enterprises
Portland, Oregon

John J. Whitacre, 47
Chairman of the Board of Directors

Bruce G. Willison, 51
Director; Dean, The Anderson School at UCLA
Los Angeles, California

Committees

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John A. McMillan
 Bruce A. Nordstrom
 John N. Nordstrom
 John J. Whitacre

Audit

Enrique Hernandez, Jr.
 Ann D. McLaughlin, Chair
 Alfred E. Osborne, Jr.
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 Enrique Hernandez, Jr.
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D. Wayne Gittinger, Chair
 Ann D. McLaughlin
 Alfred E. Osborne, Jr.
 William D. Ruckelshaus
 Elizabeth Crownhart Vaughan

Profit Sharing and Benefits

Mary D. Amundson
 Joseph V. Demarte, Chair
 D. Wayne Gittinger
 Peter E. Nordstrom
 Michael A. Stein
 John J. Whitacre

Retail Store Facilities

The following table sets forth certain information with respect to each of the stores operated by the Company. The Company also operates seven distribution centers and owns or leases other space for administrative functions.

Location	Store Name	Year opened or acquired	Present total store area/sq. ft.

Southwest Group			
Arizona			
Scottsdale	Fashion Square	1998	235,000
California			
Arcadia	Santa Anita Fashion Park	1994	151,000
Brea	Brea Mall	1979	195,000
Canoga Park	Topanga Plaza	1984	154,000
Cerritos	Los Cerritos Center	1981	122,000
Corte Madera	The Village at Corte Madera	1985	116,000
Costa Mesa	South Coast Plaza	1978	235,000
Escondido	North County Fair	1986	156,000
Glendale	Glendale Galleria	1983	147,000
Los Angeles	Westside Pavilion	1985	150,000
Mission Viejo	The Shops at Mission Viejo	1999	172,000
Montclair	Montclair Plaza	1986	134,000
Palo Alto	Stanford Shopping Center	1984	187,000
Pleasanton	Stoneridge Mall	1990	173,000
Redondo Beach	The Galleria at South Bay	1985	161,000
Riverside	The Galleria at Tyler	1991	164,000
Sacramento	Arden Fair Mall	1989	190,000
San Diego	Fashion Valley Center	1981	220,000
San Diego	Horton Plaza	1985	151,000
San Diego	University Towne Centre	1984	130,000
San Francisco	Stonestown Galleria	1988	174,000
San Francisco	San Francisco Centre	1988	350,000
San Mateo	Hillsdale Shopping Center	1982	149,000
Santa Ana	MainPlace Mall	1987	169,000
Santa Barbara	Paseo Nuevo Mall	1990	186,000
Santa Clara	Valley Fair	1987	165,000
Walnut Creek	Broadway Plaza	1984	193,000
East Coast Group			
Connecticut			
Farmington	Westfarms Mall	1997	189,000
Georgia			
Atlanta	Perimeter Mall	1998	243,000
Maryland			
Annapolis	Annapolis Mall	1994	162,000
Bethesda	Montgomery Mall	1991	225,000
Columbia	The Mall in Columbia	1999	173,000
Towson	Towson Town Center	1992	205,000

Location	Store Name	Year opened or acquired	Present total store area/sq. ft.

East Coast Group (continued)			
New Jersey			
Edison	Menlo Park Mall	1991	266,000
Freehold	Freehold Raceway Mall	1992	174,000
Millburn	The Mall at Short Hills	1995	188,000
Paramus	Garden State Plaza	1990	282,000
New York			
Garden City	Roosevelt Field Mall	1997	241,000
White Plains	The Westchester Mall	1995	219,000
Pennsylvania			
King of Prussia	King of Prussia Plaza	1996	238,000
Rhode Island			
Providence	Providence Place	1999	206,000
Virginia			
Arlington	The Fashion Centre at Pentagon City	1989	241,000
McLean	Tysons Corner Center	1988	253,000
Norfolk	MacArthur Center	1999	166,000
Central States Group			
Illinois			
Oakbrook	Oakbrook Center	1991	249,000
Schaumburg	Woodfield Shopping Center	1995	215,000
Skokie	Old Orchard Center	1994	209,000
Indiana			
Indianapolis	Circle Centre Mall	1995	216,000
Kansas			
Overland Park	Oak Park Mall	1998	219,000
Michigan			
Troy	Somerset Collection North	1996	258,000
Minnesota			
Bloomington	Mall of America	1992	240,000
Ohio			
Beachwood	Beachwood Place	1997	231,000
Texas			
Dallas	Dallas Galleria	1996	249,000

Location	Store Name	Year opened or acquired	Present total store area/sq. ft.

Northwest Group			
Alaska			
Anchorage	Anchorage 5th Avenue Mall	1975	97,000
Colorado			
Denver	Park Meadows Mall	1996	245,000
Oregon			
Portland	Clackamas Town Center	1981	121,000

Portland	Lloyd Center	1963	150,000
Salem	Salem Center	1980	71,000
Tigard	Washington Square	1974	189,000
Utah			
Murray	Fashion Place Mall	1981	110,000
Salt Lake City	Crossroads Plaza	1980	140,000
Washington			
Bellevue	Bellevue Square	1967	285,000
Lynnwood	Alderwood Mall	1979	127,000
Seattle	Downtown Seattle (1)	1998	383,000
Seattle	Northgate Mall	1965	122,000
Spokane	River Park Square	1999	137,000
Tacoma	Tacoma Mall	1966	134,000
Tukwila	Southcenter Mall	1968	170,000
Vancouver	Vancouver Mall	1977	71,000
Yakima	Downtown Yakima	1972	44,000
Other			
Faconnable			
Beverly Hills, CA		1997	17,000
Costa Mesa, CA		1997	8,000
New York, NY		1993	10,000
Women's Ala Moana			
Honolulu, HI		1997	14,000
Men's Ala Moana			
Honolulu, HI		1997	8,000

(1) Excludes approximately 278,000 square feet of corporate and administrative offices.

Location	Store Name	Year opened or acquired	Present total store area/sq. ft.

RACK GROUP			
Phoenix, AZ	Last Chance	1992	48,000
Brea, CA	Brea Union Plaza Rack	1999	45,000
Chino, CA	Chino Town Square Rack	1987	30,000
Colma, CA	280 Metro Center Rack	1987	31,000
Costa Mesa, CA	Metro Point Rack	1983	50,000
Sacramento, CA	Howe Bout Arden Rack	1999	54,000
San Diego, CA	Mission Valley Rack	1985	57,000
San Jose, CA	Westgate Mall Rack	1998	48,000
San Leandro, CA	Marina Square Rack	1990	44,000
Woodland Hills, CA	Woodland Hills Rack	1984	48,000
Littleton, CO	Meadows Market Place Rack	1998	34,000
Northbrook, IL	Village Square Rack	1996	40,000
Schaumburg, IL	Woodfield Rack	1994	45,000
Gaithersburg, MD	Shady Grove Boulevard Rack	1999	49,000
Silver Spring, MD	City Place Rack	1992	37,000
Towson, MD	Towson Rack	1992	31,000
Bloomington, MN	Mall of America Rack	1998	41,000
Hempstead, NY	The Mall at the Source Rack	1997	48,000
Beaverton, OR	Tanasbourne Rack	1998	53,000
Portland, OR	Clackamas Rack	1983	28,000
Portland, OR	Downtown Portland Rack	1986	19,000
Philadelphia, PA	Franklin Mills Rack	1993	43,000
Salt Lake City, UT	Sugarhouse Center Rack	1991	31,000
Woodbridge, VA	Potomac Mills Rack	1990	46,000
Auburn, WA	SuperMall Rack	1995	48,000
Bellevue, WA	Factoria Square Rack	1997	46,000
Lynnwood, WA	Golde Creek Plaza Rack	1999	38,000
Seattle, WA	Downtown Seattle Rack	1987	42,000

Shareholder Information

Independent Auditors

Deloitte & Touche LLP

Counsel

Lane Powell Spears Lubersky LLP

Transfer Agent and Registrar

ChaseMellon Shareholder Services
Telephone (800) 318-7045

General Offices

1617 Sixth Avenue
Seattle, Washington 98101-1742
Telephone (206) 628-2111

Annual Meeting

May 16, 2000 at 11:00 a.m. Pacific Daylight Time
Westin Hotel
1900 Fifth Avenue
Seattle, Washington

Form 10-K

The Company's Annual Report to the Securities
and Exchange Commission on Form 10-K for the year
ended January 31, 2000 will be provided to shareholders upon written request to:

Nordstrom, Inc. Investor Relations
P.O. Box 2737
Seattle, Washington 98111

or by calling (206) 233-6301.

Shareholder Information

Please visit our www.NORDSTROM.com Web site to obtain the latest available
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	State of Incorporation
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Nordstrom Credit, Inc.	Colorado
Nordstrom Federal Savings Bank	N/A
Nordstrom.com Holding, Inc.	Delaware
Nordstrom.com, LLC	Delaware

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JAN-31-2000
JAN-31-2000
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15,838
797,845
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