

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2002

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 001-15059

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

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

YES X NO

Common stock outstanding as of May 31, 2002: 135,070,829 shares of
common stock.

1 of 16

NORDSTROM, INC. AND SUBSIDIARIES

INDEX

INFORMATION

~~Item 1. Financial Statements (unaudited) Condensed Consolidated Statements of Earnings Three months ended April 30, 2002 and 2001-3 Condensed Consolidated Balance Sheets April 30, 2002 and 2001 and January 31, 2002-4 Condensed Consolidated Statements of Cash Flows Three months ended April 30, 2002 and 2001-5 Notes to Condensed Consolidated Financial Statements~~

~~6-Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations~~

~~11-Item 3. Quantitative and Qualitative Disclosures About Market Risk~~

~~14 PART II. OTHER~~

INFORMATION

~~Item 1. Legal Proceedings~~

~~15-Item 6. Exhibits and Reports on Form 8-K~~

15

NORDSTROM, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (dollars in thousands except per share amounts)
 (unaudited)

Three Months Ended April 30, ----- ----- 2002 2001 --- -----
----- Net sales
\$1,245,761
\$1,218,040
Cost of sales and related buying and occupancy (824,297)
(798,430)
----- Gross profit
421,464
419,610
Selling, general and administrative expenses (384,875)
(396,706)
----- Operating income 36,589
22,904
Interest expense, net (20,049)
(19,504)
Minority interest purchase (42,047)
(42,047)
Service charge income and other, net 33,304
37,155
----- Earnings before income taxes and cumulative effect of accounting change 7,797
40,555
Income tax expense (19,010)
(15,800)
----- (Loss) earnings

before
cumulative
effect of
accounting
change
(11,213)
24,755
Cumulative
effect of
accounting
change (net
of tax)
~~(13,359)~~

~~Net
(loss)
earnings \$
(24,572) \$
24,755~~

=====
=====
Basic (loss)
earnings per
share \$ (.18)
\$.18

=====
=====
Diluted
(loss)
earnings per
share \$ (.18)
\$.18

=====
=====
Cash
dividends
paid per
share of
common stock
outstanding \$
.09 \$.09

=====
=====
These
statements
should be
read in
conjunction
with the
Notes to
Condensed
Consolidated
Financial
Statements
contained
herein.

April 30,
January 31,
April 30,
2002 2002

2001 -----

- ASSETS

Current

Assets: Cash

and cash

equivalents

~~\$ 211,443~~ \$

~~331,327~~ \$

~~18,092~~

Accounts

receivable,

net ~~667,483~~

~~698,475~~

~~689,233~~

Merchandise

inventories

~~994,136~~

~~888,172~~

~~1,052,274~~

Prepaid

expenses

~~33,385~~

~~34,375~~

~~28,601~~ Other

current

assets

~~108,707~~

~~102,249~~

~~90,723~~

payable
557,854
490,988
538,012
Accrued
salaries,
wages and
related
benefits
186,041
236,373
191,764
Income taxes
and other
accruals
179,835
142,002
127,483
Current
portion of
long term
debt 3,996
78,227
89,336

— Total
current
liabilities
928,405
947,738
1,087,888
Long term
debt
1,346,939
1,351,044
1,032,890
Deferred
lease
credits
369,401
342,046
289,611
Other
liabilities
97,623
93,463
53,462

Shareholders'
Equity:
Common
stock, no
par:
250,000,000
shares
authorized;
134,997,563,
134,468,608
and
134,013,395
shares
issued and
outstanding
349,593
341,316
334,176
Unearned
stock
compensation
(2,513)
(2,680)
(3,543)
Retained
earnings
938,520
975,203
911,491
Accumulated
other
comprehensive
earnings

(loss)
~~(3,538) 649~~
2,961

Total
shareholders'
equity
1,282,062
1,314,488
~~1,245,085~~

TOTAL
LIABILITIES
AND
SHAREHOLDERS'
EQUITY
\$4,024,430
\$4,048,779
\$3,708,936
=====

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NORDSTROM, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

Three
Months
Ended April
30, -----

---- 2002
2001 -----

OPERATING
ACTIVITIES:
Net (loss)
earnings
\$(24,572)
\$24,755
Adjustments
to
reconcile
net (loss)
earnings to
net cash
provided by
(used for)
operating
activities:
Depreciation
and
amortization

~~55,290~~
~~50,937~~
 Amortization
 of
 intangible
 assets—
~~1,169~~
 Amortization
 of deferred
 lease
 credits and
 other, net
~~(4,333)~~
~~(348)~~
 Stock-based
 compensation
 expense
~~1,131~~ ~~1,628~~
 Deferred
 income
 taxes, net
~~(11,969)~~
~~(852)~~
 Impairment
 of
 intangibles
~~21,900~~
 Change in:
 Accounts
 receivable,
 net ~~31,790~~
~~32,011~~
 Merchandise
 inventories
~~(139,658)~~
~~(110,712)~~
 Prepaid
 expenses
~~1,786~~ ~~1,940~~
 Other
 assets ~~(39)~~
~~(409)~~
 Accounts
 payable
~~109,569~~
~~58,044~~
 Accrued
 salaries,
 wages and
 related
 benefits
~~(51,246)~~
~~(44,143)~~
 Income
 taxes and
 other
 accruals
~~37,632~~
~~(26,090)~~
 Other
 liabilities
~~3,310~~ ~~374~~

 Net
 cash
 provided by
 (used for)
 operating
 activities
~~30,591~~
~~(11,696)~~

INVESTING
 ACTIVITIES:
 Capital
 expenditures
~~(96,827)~~
~~(54,243)~~
 Additions
 to deferred

lease
credits
32,692
17,951
Other, net
(1,413)
(4,964)

Net
cash used
for
investing
activities
(65,548)
(41,256)

FINANCING
ACTIVITIES:

Increase in
notes
payable 531
58,233

Proceeds
from long-
term
borrowings
431 391

Principal
payments on
long-term
debt

(81,874)
(3,047)

Proceeds
from
issuance of
common

stock 8,096
3,562 Cash
dividends
paid

(12,111)
(12,042)

Purchase
and
retirement
of common
stock

(1,312)

Net
cash
provided by
financing
activities
(84,927)

45,785

Net
decrease in
cash and
cash

equivalents
(119,884)

(7,167)

Cash and
cash
equivalents
at

beginning
of period
331,327

25,259

Cash and
cash
equivalents
at end of
period
\$211,443

\$18,092

=====

=====

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Notes to
Condensed
Consolidated
Financial
Statements
contained
herein.

5 of 16

NORDSTROM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)
(unaudited)

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in the 2001 Nordstrom, Inc. Annual Report. The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. In the opinion of management, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows have been included and are of a normal, recurring nature.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Due to the seasonal nature of the retail industry, quarterly results are not necessarily indicative of the results for the fiscal year.

Recent Accounting Pronouncements

In February 2002, we adopted the following three pronouncements:

SFAS No. 141 "Business Combinations" - SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of goodwill separate from other intangible assets. Adoption of SFAS No. 141 did not have a material impact on our financial statements.

SFAS No. 142 "Goodwill and Other Intangible Assets" - Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. Adoption of SFAS No. 142 resulted in an impairment charge and a reduction in amortization expense for the first quarter of 2002, which is detailed in Note 2 of the Notes to Condensed Consolidated Financial Statements.

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

Note 2 - Cumulative Effect of Accounting Change

Effective February 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives.

In connection with the adoption of SFAS No. 142, we reviewed the classification and useful lives of our intangible assets. Our intangible assets were determined to be either goodwill or indefinite lived tradename.

NORDSTROM, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (dollars in thousands)
 (unaudited)

Note 2 - Cumulative Effect of Accounting Change (Cont.)

As required by SFAS No. 142, we defined our reporting unit as the Faconnable Business Unit, one level below our reportable Retail Stores segment. We then tested our intangible assets for impairment by comparing the fair value of the reporting unit with its carrying value. Fair value was determined using a discounted cash flow methodology. These impairment tests are required to be performed at adoption of SFAS No. 142 and at least annually thereafter. On an ongoing basis we expect to perform our impairment test during our first quarter or when other circumstances indicate we need to do so.

Based on our initial impairment test, we recognized an adjustment to goodwill of \$21,900 in the first quarter of 2002, while the tradename was determined not to be impaired. The goodwill adjustment resulted from a reduction in management's estimate of future growth for this reporting unit. The impairment charge recognized this quarter is reflected as a cumulative effect of accounting change.

The changes in the carrying amount of our intangible assets for the quarter ended April 30, 2002, are as follows:

Goodwill
Tradename

Balance as of
February 1, 2002 \$
38,198 \$
100,133
Impairment losses
(21,900)
=====
=====
Balance as of April 30, 2002 \$
16,298 \$
100,133
=====
=====

The following table shows the actual results of operations for the quarters ended April 30, 2002 and 2001 as well as pro-forma results adjusted for the exclusion of intangible amortization and the cumulative effect of the accounting change.

Three Months
Ended April
30, -----

2002 2001 --

~~Reported net
 (loss)
 income \$
 (24,572) \$
 24,755
 Intangible
 amortization,
 net of tax —
 713
 Cumulative
 effect of
 the
 accounting
 change, net
 of tax
 13,359~~

~~Adjusted net
 (loss)
 income \$
 (11,213) \$
 25,468~~

~~Basic and
 diluted
 earnings per
 share~~

~~Reported net
 (loss)
 income \$
 (.18) \$.18
 Intangible
 amortization,
 net of tax —
 .01
 Cumulative
 effect of
 the
 accounting
 change, net
 of tax .10~~

~~Adjusted net
 (loss)
 income \$
 (.08) \$.19~~

NORDSTROM, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (dollars in thousands)
 (unaudited)

Note 3 - Earnings Per Share

Three
 Months
 Ended April
 30, -----

 ----- 2002
 2001 -----

 ----- Net
 (loss)
 earnings
 \$(24,572)
 \$24,755
 Basic
 shares

~~134,702,331~~
~~133,855,973~~
 Basic
 (loss)
 earnings
 per share
 \$(0.18)
 \$0.18
 Dilutive
 effect of
 stock
 options and
 restricted
 stock—
 65,625
 Diluted
 shares
~~134,702,331~~
~~133,921,598~~
 Diluted
 (loss)
 earnings
 per share
 \$(0.18)
 \$0.18
 Antidilutive
 stock
 options
~~12,711,744~~
~~9,600,203~~

Note 4 - Accounts Receivable

The components of accounts receivable are as follows:

April 30, -

 - 2002 2001

 Unrestricted
 trade
 receivables
 \$ 76,367
 \$685,503
 Restricted
 trade
 receivables
 592,908—
 Other
 20,994
 20,962
 Allowance
 for
 doubtful
 accounts
 (22,786)
 (17,232) —

 Accounts
 receivable,
 net
 \$667,483
 \$689,233
 =====
 =====

Restricted accounts back the \$300 million of Class A notes and the \$200 million variable funding note issued by us in November 2001.

Note 5 - Supplementary Cash Flow Information

We own a 49% interest in a limited partnership which constructed a new corporate office building in which we are the primary occupant. During the first quarter of 2002, the limited partnership refinanced its construction loan obligation with an \$85,000 mortgage secured by the property, of which \$82,011 was included on our balance sheet at April 30, 2002. The obligation has a fixed interest rate of 7.68% and a term of 18 years. The \$5,000 difference between the \$90,000 outstanding under the original credit facility and the new mortgage was funded by Nordstrom, Inc.

Our financial statements include capitalized costs related to this building of \$90,078, and \$70,165, which includes noncash amounts of \$75,835 and \$55,174 as of April 30, 2002 and 2001. The corresponding finance obligation of \$87,011 and \$66,351 as of April 30, 2002 and 2001 is included in other long-term debt.

We capitalize certain property, plant and equipment during the construction period of commercial buildings which are subsequently derecognized and leased back. During the three months ended April 30, 2001, the noncash activity related to the reclassification of new stores that qualified as sale and leaseback were \$17,614.

8 of 16

NORDSTROM, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (dollars in thousands)
 (unaudited)

Note 6 - Segment Reporting

The following tables set forth information for the our reportable segments and a reconciliation to the consolidated totals:

Three months ended	
Retail	
Credit	
Catalog/	
Corporate	
April 30,	
2002 Stores	
Operations	
Internet	
and Other	
Eliminations	
Total	
Revenues	
from	
external	
customers	
\$1,182,709	
— \$63,052 —	
—	
\$1,245,761	
Service	
charge	
income	
\$31,455	
— 31,455	
Intersegment	
revenues	
3,818	
9,906	
— \$	
(13,724)	
Interest	
expense,	
net	
184	
6,439	
185	
\$13,241	
20,049	
Earnings	
before	
cumulative	
effect of	
accounting	
change	
56,934	
1,578	
(308)	
(69,417)	
(11,213)	
Net	
earnings	
(loss)	
43,575	

~~1,578 (308)~~
~~(69,417)~~
~~(24,572)~~
 Three
 months
 ended
 Retail
 Credit
 Catalog/
 Corporate
 April 30,
 2001 Stores
 Operations
 Internet
 and Other
 Eliminations
 Total

Revenues
 from
 external
 customers
~~\$1,148,337~~
~~\$69,703~~
 —
 \$1,218,040
 Service
 charge
 income
~~\$36,624~~
~~—36,624~~
 Intersegment
 revenues
~~3,496 5,556~~
 —
~~\$(9,052)~~
 Interest
 expense,
 net 355
~~6,623 (48)~~
~~\$ 12,574~~
~~19,504~~ Net
 earnings
 (loss)
~~53,663~~
~~5,276~~
~~(4,247)~~
~~(29,937)~~
~~24,755~~

Note 7 - Nordstrom.com Put Agreement

On May 13, 2002, we entered into an agreement to purchase the outstanding shares of Nordstrom.com, Inc. series C preferred stock for \$70,000. The excess of the purchase price over the fair market value of the preferred stock and professional fees incurred resulted in a one-time charge of \$42,047, which was recognized during the quarter. A valuation allowance has been provided for the full amount of the tax benefit of the transaction, as management believes it is not likely that these benefits will be realized. The excess of the fair market value over the book value of the series C preferred stock of Nordstrom.com, Inc. will result in additional goodwill. Subsequent to this transaction, we will own 97% of Nordstrom.com, Inc. Additional charges may be incurred in 2002 related to the integration of the Nordstrom.com business into Nordstrom, Inc.

Note 8 - Subsequent Events

On May 1, 2002, we replaced the \$200 million variable funding note backed by VISA credit card receivables ("Visa VFN") with 5-year term notes also backed by the VISA credit card receivables. Class A and B notes with a combined face value of \$200 million were issued to third party investors. We used the proceeds to retire the \$200 million outstanding on the Visa VFN. Nordstrom fsb retained a Transferor's Interest, subordinated Class C note, and an

Interest Only Strip. In accordance with SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," this debt and the related assets are not reflected in our consolidated balance sheets.

9 of 16

NORDSTROM, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)
(unaudited)

Note 9 - Litigation

Cosmetics

- - - - -

Nordstrom was originally named as a defendant along with other department store and specialty retailers in nine separate but virtually identical class action lawsuits filed in various Superior Courts of the State of California in May, June and July 1998 that have now been consolidated in Marin County state court. In May 2000, plaintiffs filed an amended complaint naming a number of manufacturers of cosmetics and fragrances and two other retailers as additional defendants. Plaintiffs' amended complaint alleges that the retail price of the "prestige" cosmetics sold in department and specialty stores was collusively controlled by the retailer and manufacturer defendants in violation of the Cartwright Act and the California Unfair Competition Act.

Plaintiffs seek treble damages and restitution in an unspecified amount, attorneys' fees and prejudgment interest, on behalf of a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the period four years prior to the filing of the amended complaint. Defendants, including us, have answered the amended complaint denying the allegations. The retail defendants have produced documents and responded to plaintiffs' other discovery requests, including providing witnesses for depositions. Plaintiffs have not yet moved for class certification. Pursuant to an order of the court, plaintiffs and defendants participated in mediation sessions in May and September 2001.

Washington Public Trust Advocates

- - - - -

In early 2002, we were named as one of 30 defendants in Washington Public Trust Advocates, ex rel., et al. v. City of Spokane, et al., filed in the Spokane County Superior Court, State of Washington. Plaintiff is a not-for-profit corporation bringing claims on behalf of the City of Spokane and the Spokane Parking Public Development Authority. The claims relate to the River Park Square Mall and Garage Project in Spokane, Washington (the "Project"), which includes a Nordstrom store. The portion of the complaint applicable to us seeks to recover from us the amount of a loan made by the Department of Housing and Urban Development to the developer of the Project. Damages are sought in the amount of \$22.75 million, or a lesser amount to the extent that the HUD loan proceeds were used for the construction of the store and not as tenant improvements. Other portions of the complaint seek to invalidate bonds issued to finance the public parking garage serving the Project, terminate the lease of the parking garage by the City of Spokane, and rescind other agreements between the City of Spokane and the developer of the Project, as well as damages from the developer of the Project in unspecified amounts. The Complaint also alleges breach of fiduciary duties by various defendants, including Nordstrom, to the people of the City of Spokane regarding lack of disclosures concerning the developer and the Project. Unspecified damages are sought for this cause of action. We filed a motion to dismiss the lawsuit on which the court has yet to rule.

Other

- - - - -

We are also subject to other ordinary routine litigation incidental to its business and with respect to which no material liability is expected.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Dollars in Thousands

The following discussion should be read in conjunction with the Management's Discussion and Analysis section of the 2001 Annual Report.

RESULTS OF OPERATIONS:

Overview

Earnings for the quarter ended April 30, 2002 decreased to a net loss of \$24,572 from net income of \$24,755 for the same period in 2001. The decrease was attributable to two one-time charges related to the purchase of series C preferred stock of Nordstrom.com, Inc. and the adoption of a new accounting pronouncement. Excluding these one-time charges, earnings for the quarter increased to \$30,834 from \$24,755 for the first quarter of last year. Diluted earnings per share before one-time charges were \$0.22 for the quarter compared to \$0.18 in the first quarter of last year. The increases in earnings and diluted earnings per share were primarily due to lower selling, general and administrative expenses.

Sales

For the quarter, changes in total company sales and comparable-store sales were as follows:

Calendar	
4-5-4 %	
Change %	
Change ---	

---- Total	
Company	
sales 2.3%	
2.1%	
Comparable	
store	
sales	
(1.5)	
(2.1)	

During the first quarter of 2002, sales increased 2.3% compared to the corresponding quarter in 2001, primarily due to the opening of six full-line stores and eight new Nordstrom Rack stores since May 1, 2001. Comparable store sales (sales in stores open at least one full fiscal year at the beginning of the fiscal year) decreased 1.5%. The decrease in comparable store sales reflects the overall slowdown in the economy that began during the second half of the last fiscal year. Although comparable store sales were negative overall, they were positive for many of our merchandise divisions including Women's Designer, Women's Contemporary, Women's Active Wear, Kid's Wear and Cosmetics

Gross Profit

Gross profit as a percentage of net sales decreased in the first quarter of 2002, as compared to the same period in 2001. The decrease was primarily due to increased occupancy costs from store openings.

Selling, General and Administrative

For the first quarter of 2002, selling, general and administrative expenses as a percentage of net sales decreased when compared to the first quarter of 2001. The decrease was due to savings from the workforce reduction carried out in the third quarter of last year. Additionally, we were successful at controlling expenses including catalog expense and direct selling. These expense savings were partially offset by higher IT expenses related to the implementation of our perpetual inventory system.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT.)

Interest Expense

- - - - -

Interest expense, net increased compared to the corresponding quarter in 2001. The increase for the quarter was due to higher average long-term borrowings, partially offset by a decrease in average short-term borrowings and long-term interest rates.

Service Charge Income and Other

- - - - -

Service charge income and other, net decreased compared to the corresponding quarter in 2001. The decrease for the quarter resulted from lower service charge income due to declining interest rates, as well as lower receivable balances.

Nordstrom.com Put Agreement

- - - - -

On May 13, 2002, we entered into an agreement to purchase the outstanding shares of Nordstrom.com, Inc. series C preferred stock for \$70,000. The excess of the purchase price over the fair market value of the preferred stock and professional fees incurred resulted in a one-time charge of \$42,047, which was recognized during the quarter. A valuation allowance has been provided for the full amount of the tax benefits of the transaction, as management believes it is not probable that the full benefits will be realized. The excess of the fair market value over the book value of the series C preferred stock of Nordstrom.com, Inc. will result in additional goodwill. Subsequent to this transaction, we will own 97% of Nordstrom.com, Inc. Additional charges may be incurred in 2002 related to the integration of the Nordstrom.com business into Nordstrom, Inc.

Cumulative Effect of Accounting Change

- - - - -

During the quarter, we completed the review required by SFAS No. 142 "Goodwill and Other Intangible Assets." As a result of our review, we recorded a cumulative effect of accounting change of \$13,359 net of tax or \$0.10 per share on a diluted basis.

Seasonality

- - - - -

Our business, like that of other retailers, is subject to seasonal fluctuations. Our anniversary sale in July and the holidays in December result in sales that are higher in the second and fourth quarters of the fiscal year. Accordingly, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

LIQUIDITY AND CAPITAL RESOURCES:

- - - - -

Nordstrom finances its working capital needs and capital expenditures with cash provided by operations and borrowings.

Cash Flow from Operations

- - - - -

Net cash provided by operating activities for the quarter ended April 30, 2002 increased \$42,287 compared to the same quarter last year. This increase was primarily due to higher earnings from continuing operations and an increase in accounts payable partially offset by an increase in merchandise inventories. Also contributing to the increase was the timing of income tax and interest payments made in the first quarter of 2001.

Capital Expenditures

For the quarter ended April 30, 2002, net cash used in investing activities increased approximately \$24,292 compared to the same period in 2001, primarily due to capital expenditures for new stores. During the first quarter of fiscal 2002, we opened three new full-line stores in Durham, North Carolina; Los Angeles, California and Orem, Utah. We also opened two new Nordstrom Rack stores in King of Prussia, Pennsylvania and Fresno, California. Throughout the remainder of the year ending January 31, 2003, we expect to open five full-line stores in Dulles, Virginia; St. Louis, Missouri; Coral Gables, Florida; Orlando, Florida and Las Vegas, Nevada; open three Nordstrom Rack stores; and close one Nordstrom Rack store. For the entire year, gross square footage is expected to increase approximately 8 percent. Total square footage of our stores was 17,479,000 as of April 30, 2002, compared to 16,305,000 as of April 30, 2001.

Financing

For the three-month period ended April 30, 2002, cash used by financing activities was \$84,927 primarily due to the scheduled retirement of \$76,750 in medium-term notes and the reduced need for borrowings as a result of the \$300,000 of Class A notes issued in November of 2001. For the three-month period ended April 30, 2001, cash provided by financing activities was \$45,785 due to an increase in short-term notes payable.

During the first quarter of 2002, we refinanced the construction loan obligation for an \$85,000 mortgage secured by the property, of which \$82,011 was outstanding at April 30, 2002. The obligation has a fixed interest rate of 7.68% and a term of 18 years.

CRITICAL ACCOUNTING POLICIES:

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

Realization of Deferred Tax Assets

As of April 30, 2002, we have \$34,000 of capital loss carryforwards. The utilization of this deferred tax asset is contingent upon the ability to generate capital gains within the next four years. No valuation allowance has been provided because management believes it is probable that the full benefit of the carryforwards will be realized. In addition, we have a valuation allowance for the full amount of tax benefit related to the Nordstrom.com put agreement (see note 7), as management believes it is not likely that this tax benefit will be realized.

RECENT ACCOUNTING PRONOUNCEMENTS:

In February 2002, we adopted the following three pronouncements:

SFAS No. 141 "Business Combinations" - SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of goodwill separate from other intangible assets. Adoption of SFAS No. 141 did not have a material impact on our financial statements.

13 of 16

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT.)

SFAS No. 142 "Goodwill and Other Intangible Assets" - Under SFAS No. 142, goodwill and intangible assets having indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their estimated useful lives. Adoption of SFAS No. 142 resulted in an impairment charge and a reduction in amortization expense for the first quarter of 2002, which is detailed in Note 2 of the Notes to Condensed Consolidated Financial Statements.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"

- - SFAS No. 144 retains the fundamental provisions of SFAS No. 121, but establishes new criteria for asset classification and broadens the scope of qualifying discontinued operations. The adoption of this statement did not have a material impact on our financial statements.

FORWARD-LOOKING INFORMATION CAUTIONARY STATEMENT:

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. In seeking to minimize risk, we manage exposure through our regular operating and financing activities. We do not use financial instruments for trading or other speculative purposes and are not party to any leveraged financial instruments.

We manage interest rate exposure through our mix of fixed and variable rate borrowings. Short-term borrowing and investing activities generally bear interest at variable rates, but because they have maturities of three months or less, we believe that the risk of material loss is low.

In addition, we have outstanding at April 30, 2002, \$300 million of 8.95% fixed-rate debt converted to variable rate through the use of an interest rate swap. The interest rate swap reduced interest payments on our highest fixed-rate debt by taking advantage of the current low interest rates. A shift in future interest rates could adversely affect the amount of interest paid through this swap agreement.

The majority of our revenue, expense and capital expenditures are transacted in United States dollars. However, we periodically enter into foreign currency purchase orders for apparel and shoes denominated in Euros. We use forward contracts to hedge against fluctuations in foreign currency prices. The amounts of these contracts are immaterial. The use of derivatives is limited to only those financial instruments that have been authorized by our Chief Financial Officer and Treasurer.

14 of 16

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (CONT.)

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

Certain other information required under this item is included in Note 5 in the Notes to Condensed Consolidated Financial Statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required under this item is included in the following section of Part I, Item 1 of this report:

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- (10.1) Stock Purchase Agreement dated May 13, 2002 between the Registrant and the investors listed on Schedule A thereto is hereby incorporated by reference from the Registrant's Form 8-K filed on May 17, 2002
- (10.2) Promissory Note dated April 18, 2002 between 1700 Seventh L.P., and New York Life Insurance Company is filed herein as an exhibit.
- (10.3) Promissory Note dated April 18, 2002 between 1700 Seventh L.P., and Life Investors Insurance Company of America is filed herein as an exhibit.
- (10.4) Guaranty Agreement dated April 18, 2002 between Registrant, New York Life Insurance Company and Life Investors Insurance Company of America, is filed herein as an exhibit.

(b) Reports on Form 8-K

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

15 of 16

SIGNATURES

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

NORDSTROM, INC.
(Registrant)

/s/ Michael G. Koppel

Michael G. Koppel
Executive Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

Date: June 7, 2002

NORDSTROM INC. AND SUBSIDIARIES

Exhibit Index

Exhibit -----	Method of Filing -----
10.1 Stock Purchase Agreement dated May 13, 2002 between the Registrant and the investors listed on Schedule A thereto	Incorporated by reference from the Registrant's Form 8-K filed on May 17, 2002
10.2 Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and New York Life Insurance Company	Filed herewith electronically
10.3 Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and Life Investors Insurance Company of America	Filed herewith electronically
10.4 Guaranty Agreement dated April 18, 2002 between Registrant, New York Life Insurance Company and Life Investors Insurance Company of America	Filed herewith electronically

PROMISSORY NOTE

\$42,500,000.00

Seattle, Washington
April 18, 2002

FOR VALUE RECEIVED, 1700 SEVENTH L.P. ("Maker"), a Washington limited partnership, having an office at 1904 Third Avenue, Suite 200, Seattle, Washington 98101-1183, promises to pay to NEW YORK LIFE INSURANCE COMPANY ("Holder"), a New York mutual insurance company, having its principal office at 51 Madison Avenue, New York, New York 10010-1603, or order, without offset, at its principal office in New York, New York, or at such other place as may be designated in writing by Holder, the principal sum of Forty-Two Million Five Hundred Thousand and No/100 Dollars (\$42,500,000.00), lawful money of the United States of America, together with interest thereon at the rate ("Interest Rate") of seven and sixty-eight hundredths percent (7.68%) per annum, payable in monthly payments ("Payments") of Three Hundred Sixty-Three Thousand Six Hundred Seventy-Seven and No/100 Dollars (\$363,677.00), commencing on the tenth (10th) day of June, 2002 and payable on the tenth (10th) day of each and every month thereafter until and including May 10, 2020 ("Maturity Date"). In addition, on the Maturity Date, Maker shall pay to Holder the entire unpaid principal balance of this Note, together with all interest then accrued thereon pursuant to this Note and all other Obligations (as hereinafter defined) then unpaid pursuant to the Loan Instruments (as hereinafter defined). Holder shall apply each Payment, when received, first to the Obligations, other than principal and interest, which are then due and payable, but only if so elected by Holder in its sole and absolute discretion, and then to the payment of accrued interest on the outstanding principal balance hereof and the remainder to the reduction of such principal balance. Interest from the date hereof through and including May 9, 2002, is due and payable on the date of this Note and shall be computed on the basis of the actual number of days in such period over a 360 day year.

This Note is secured by, among other things, (a) a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing ("Mortgage"), dated as of the date hereof, granted by Maker to Holder and LIICA (as defined below) and encumbering premises and other property ("Secured Property") more particularly described in the Mortgage; and (b) an Assignment of Leases, Rents, Income and Cash Collateral, dated as of the date hereof, from Maker to Holder and LIICA. Obligations, Loan Instruments and all other capitalized terms used in this Note and not expressly defined herein shall have the meanings assigned to such terms in the Mortgage. The terms and provisions of the Loan Instruments, other than this Note, are hereby fully incorporated into this Note by reference. The Loan Instruments also secure a Promissory Note of even date herewith made by Maker to the order of Life Investors Insurance Company of America, an Iowa corporation ("LIICA"), in the original principal amount of \$42,500,000.00 (the "Related Note").

From and after the earlier to occur of an Event of Default or the Maturity Date, the aggregate amount of the Obligations shall automatically bear interest at an annual rate ("Increased Rate") equal to sixteen percent (16%) per annum, unless compliance with applicable

law requires a lesser interest rate, in which event the aggregate amount of the Obligations shall bear interest at the maximum rate permitted by law.

Any default in the making of any Payment or in the making of any payment due pursuant to Section 1.04 of the Mortgage or in the making of any other deposit or reserve due pursuant to any Loan Instrument on the date the same is due will result in loss and additional expense to Holder in servicing the Obligations, handling such delinquent payments and meeting its other financial obligations. Accordingly, upon the occurrence of any such default, Maker shall pay, without regard to any grace periods, a late charge ("Late Charge") of five percent (5%) of each such overdue Payment. Maker agrees that (a) the exact amount of such loss and additional expense is extremely difficult, if not impossible to determine, (b) the Late Charge is a reasonable estimate of such loss and expense and therefore does not constitute a penalty and (c) in addition to, and not in lieu of, the exercise of any other remedies to which Holder may be entitled, Holder may collect from Maker all Late Charges for the purpose of defraying such loss and expense, unless applicable law requires a lesser such charge, in which event Holder may collect from Maker a Late Charge at the maximum rate permitted by applicable law.

Maker may not prepay the Obligations prior to May 10, 2010 ("Closed Period"). On May 10, 2010, or on the tenth (10th) day of any month thereafter, Maker may prepay the outstanding principal balance of this Note

(in whole but not in part), together with accrued interest thereon to the date of prepayment and any other outstanding Obligations, provided that Maker gives Holder not less than ninety (90) and not more than one hundred twenty (120) days prior written notice of Maker's intention to make such prepayment, and provided further that, in addition to paying the entire outstanding principal balance of this Note, all accrued interest thereon and any other outstanding Obligations, Maker pays to Holder the Make-Whole Amount. Further, Maker may not prepay this Note without prepaying the Related Note in full in accordance therewith. Any prepayment notice given by Maker shall be deemed null and void if the prepayment covered by such notice is not made within thirty (30) days of the date specified in Maker's prepayment notice as the designated date for prepayment.

"Make-Whole Amount" with respect to any prepayment that occurs after the Closed Period means an amount equal to the greater of (a) one percent (1%) of the then entire outstanding principal balance of this Note or (b) the present value as of the date of prepayment of the remaining scheduled payments of principal and interest (including any balloon payment), determined by discounting such payments at the Monthly Equivalent Treasury Security Rate (as hereinafter defined), less the amount of principal being prepaid, provided such difference shall not be less than zero. "Monthly Equivalent Treasury Security Rate" means the rate which, when compounded monthly, results in a yield that is equivalent to the yield on the Equivalent U.S. Treasury Security, which is compounded semi-annually. "Equivalent U.S. Treasury Security" means the U.S. treasury bill, note or bond, having a maturity date closest in maturity to the Maturity Date, as reported in The Wall Street Journal (or, if The Wall Street Journal is no longer published, another daily financial publication of national circulation selected by Holder) on the third (3rd) business day preceding the date of prepayment. Maker waives any right of prepayment except as expressly provided herein and as may be provided in the other Loan Instruments. If Maker prepays all Obligations not more than ninety (90) days prior to the

Maturity Date and after not less than twenty (20) days prior written notice to Holder, Maker shall not be required to pay the Make-Whole Amount.

If the outstanding principal balance of this Note or any portion thereof shall become due and payable or shall be paid as a result of (a) an Event of Default (which Event of Default shall be conclusively deemed to be a willful default made for the purpose of avoiding payment of the Make-Whole Amount), (b) the exercise by Maker or any other person of any right of redemption or the taking by Maker or any other person of any other action to prevent a foreclosure of the Secured Property, or (c) a casualty or condemnation with respect to the Secured Property, then Maker shall pay to Holder the Make-Whole Amount computed, to the extent not prohibited by applicable law, as if Maker had elected to prepay this Note, as provided in the preceding paragraph, on the date of such Event of Default, exercise, action, casualty or condemnation, as applicable. If such Event of Default, exercise, action, casualty or condemnation occurs during the Closed Period, then, to the extent not prohibited by applicable law, the Make-Whole Amount shall be equal to the greater of (a) ten percent (10%) of the principal balance of this Note then unpaid or (b) the Make-Whole Amount, as calculated in the manner set forth in the immediately preceding paragraph. Notwithstanding the foregoing, no Make-Whole Amount shall be due as a result of the application of casualty or condemnation proceeds to the principal hereof.

From and after the existence of an Event of Default, Holder, at its option, may declare all Obligations to be immediately due and payable, then or thereafter, as Holder may elect, regardless of the stated Maturity Date of this Note.

If Holder collects all or any part of the Obligations by an action, at law or in equity, or in any bankruptcy, receivership or other court proceeding (whether at the trial or appellate level), or if this Note is placed in the hands of attorney(s) for collection, Maker shall pay, in addition to the principal and interest due or deemed to be due, whether by acceleration or otherwise, and in addition to the Make-Whole Amount (a) all costs, including, without limitation, reasonable attorneys' fees and expenses, of collecting or attempting to collect all amounts due pursuant to this Note and all other Obligations, of enforcing or attempting to enforce Holder's rights and remedies pursuant to the Loan Instruments and of protecting the collateral securing this Note, (b) all Late Charges due pursuant to this Note and (c) interest, at the Increased Rate, computed on the amount of the Obligations.

The failure by Holder to exercise any right, power, privilege, remedy or option as to maturity, foreclosure or otherwise, provided in any Loan Instrument or otherwise available at law or in equity (each a "Remedy" and collectively, "Remedies") before or after any Event of Default, in any one or more instances, or the acceptance by Holder of any partial payment or partial

performance, shall not constitute a waiver of any default or any Remedy, each of which shall remain continuously in force, until waived in writing by Holder. Holder, at its option, may rescind, in writing, any acceleration of this Note, but the tender and acceptance of partial payment or partial performance alone shall not rescind or in any other way affect any acceleration of this Note or the exercise by Holder of any of its Remedies.

Maker and Holder intend to comply strictly with all usury laws now or hereafter in force in the jurisdiction ("State") in which the Secured Property is located, and all interest payable

pursuant to this Note or any other Loan Instrument shall be reduced to the maximum amount which is not in excess of the maximum non-usurious rate of interest applicable to this Note or any other Loan Instrument ("Legal Rate") allowed under the usury laws of the State, as now or hereafter construed by the courts having jurisdiction over such matters. If the aggregate of all interest (whether designated as interest, Late Charges, Make-Whole Amount or otherwise) contracted for, chargeable or receivable pursuant to this Note or any other Loan Instrument, whether upon regular payment or acceleration or otherwise, exceeds the Legal Rate, it shall conclusively be deemed a mutual mistake. Such excess shall be canceled automatically, and, if theretofore paid, shall, at the option of Holder, either be rebated to Maker or credited in reduction of the outstanding principal balance of this Note, or, if this Note has been repaid, such excess shall be rebated to Maker. In the event of a conflict between the provision of this paragraph and the provisions of any other portion of this Note or any other Loan Instrument, the provisions of this paragraph shall control.

Maker waives all requirements for presentment, protest, notice of protest, notice of dishonor, demand for payment and diligence in collection of this Note or the Loan Instruments, and any and all other notices and matters of a like nature, except for those expressly required by the Mortgage. Without notice to Maker and without discharging Maker's liability hereunder, Maker consents to any extension of time (whether one or more) of payment of this Note, release of all or any part of the security for the payment of this Note or release of any Person liable for payment of this Note.

This Note may be changed only by an agreement, in writing, signed by Maker and Holder. Maker waives and renounces all homestead exemption rights as to the Obligations or any renewal or extension thereof. No failure or delay on the part of Holder in exercising any Remedy pursuant to this Note or any Loan Instrument, and no course of dealing between Maker and Holder, shall operate as a waiver of any Remedy, nor shall any single or partial exercise of any Remedy preclude any other or further exercise thereof or the exercise of any other Remedy. All Remedies expressly provided for in the Loan Instruments are cumulative, and are not exclusive of any rights, powers, privileges or remedies which Holder would otherwise have at law or equity. No notice to or demand on Maker in any case shall entitle Maker to any other or further notice or demand in similar or other circumstances, nor shall any such notice or demand constitute a waiver of the right of Holder to take any other or further action in any circumstances without notice or demand.

The obligations of each Maker and each general partner of Maker shall be joint and several. The unenforceability or invalidity of any provision of this Note as to any Person or circumstance shall not render that provision unenforceable or invalid as to any other Person or circumstance, and all provisions hereof, in all other respects, shall remain valid and enforceable.

If any payment required hereunder or under any other Loan Instrument becomes due on a Saturday, Sunday, or legal holiday in the state in which the Premises are located, then such payment shall be due and payable on the immediately preceding business day.

"Maker" and "Holder" shall be deemed to include the respective heirs, administrators, legal representatives, successors and assigns of Maker and Holder.

Time is of the essence with respect to each and every provision hereof.

This Note shall be governed by, and construed and enforced in accordance with the laws of the State, other than such laws with respect to conflicts of laws.

In the event of any inconsistencies between the terms of this Note and the terms of any other Loan Instruments, the terms of this Note shall prevail.

NOTICE IS HEREBY GIVEN THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN

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

IN WITNESS WHEREOF, maker has executed this Note as of the date first
above written.

1700 SEVENTH L.P., a Washington limited
partnership

By Clise Venture One LLC, a
Washington limited liability
company, its General Partner

By Clise Properties, Inc., a
Washington corporation, its
Member

By: /s/ A.M. Clise

Name: A.M. Clise

Its: President/CEO

PROMISSORY NOTE

\$42,500,000.00

Seattle, Washington
April 18, 2002

FOR VALUE RECEIVED, 1700 SEVENTH L.P. ("Maker"), a Washington limited partnership, having an office at 1904 Third Avenue, Suite 200, Seattle, Washington 98101-1183, promises to pay to LIFE INVESTORS INSURANCE COMPANY OF AMERICA ("Holder"), an Iowa corporation, c/o New York Life Insurance Company ("NYLIC"), a New York mutual insurance company, at 51 Madison Avenue, New York, New York 10010-1603, or order, without offset, at the foregoing address, or at such other place as may be designated in writing by Holder, the principal sum of Forty-Two Million Five Hundred Thousand and No/100 Dollars (\$42,500,000.00), lawful money of the United States of America, together with interest thereon at the rate ("Interest Rate") of seven and sixty-eight hundredths percent (7.68%) per annum, payable in monthly payments ("Payments") of Three Hundred Sixty-Three Thousand Six Hundred Seventy-Seven and No/100 Dollars (\$363,677.00), commencing on the tenth (10th) day of June, 2002 and payable on the tenth (10th) day of each and every month thereafter until and including May 10, 2020 ("Maturity Date"). In addition, on the Maturity Date, Maker shall pay to Holder the entire unpaid principal balance of this Note, together with all interest then accrued thereon pursuant to this Note and all other Obligations (as hereinafter defined) then unpaid pursuant to the Loan Instruments (as hereinafter defined). Holder shall apply each Payment, when received, first to the Obligations, other than principal and interest, which are then due and payable, but only if so elected by Holder in its sole and absolute discretion, and then to the payment of accrued interest on the outstanding principal balance hereof and the remainder to the reduction of such principal balance. Interest from the date hereof through and including May 9, 2002, is due and payable on the date of this Note and shall be computed on the basis of the actual number of days in such period over a 360 day year.

This Note is secured by, among other things, (a) a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing ("Mortgage"), dated as of the date hereof, granted by Maker to Holder and NYLIC and encumbering premises and other property ("Secured Property") more particularly described in the Mortgage; and (b) an Assignment of Leases, Rents, Income and Cash Collateral, dated as of the date hereof, from Maker to Holder and NYLIC. Obligations, Loan Instruments and all other capitalized terms used in this Note and not expressly defined herein shall have the meanings assigned to such terms in the Mortgage. The terms and provisions of the Loan Instruments, other than this Note, are hereby fully incorporated into this Note by reference. The Loan Instruments also secure a Promissory Note of even date herewith made by Maker to the order of NYLIC, in the original principal amount of \$42,500,000.00 (the "Related Note").

From and after the earlier to occur of an Event of Default or the Maturity Date, the aggregate amount of the Obligations shall automatically bear interest at an annual rate ("Increased Rate") equal to sixteen percent (16%) per annum, unless compliance with applicable law requires a lesser interest rate, in which event the aggregate amount of the Obligations shall bear interest at the maximum rate permitted by law.

Any default in the making of any Payment or in the making of any payment due pursuant to Section 1.04 of the Mortgage or in the making of any other deposit or reserve due pursuant to any Loan Instrument on the date the same is due will result in loss and additional expense to Holder in servicing the Obligations, handling such delinquent payments and meeting its other financial obligations. Accordingly, upon the occurrence of any such default, Maker shall pay, without regard to any grace periods, a late charge ("Late Charge") of five percent (5%) of each such overdue Payment. Maker agrees that (a) the exact amount of such loss and additional expense is extremely difficult, if not impossible to determine, (b) the Late Charge is a reasonable estimate of such loss and expense and therefore does not constitute a penalty and (c) in addition to, and not in lieu of, the exercise of any other remedies to which Holder may be entitled, Holder may collect from Maker all Late Charges for the purpose of defraying such loss and expense, unless applicable law requires a lesser such charge, in which event Holder may collect from Maker a Late Charge at the maximum rate permitted by applicable law.

Maker may not prepay the Obligations prior to May 10, 2010 ("Closed Period"). On May 10, 2010, or on the tenth (10th) day of any month thereafter, Maker may prepay the outstanding principal balance of this Note (in whole but not in part), together with accrued interest thereon to the

date of prepayment and any other outstanding Obligations, provided that Maker gives Holder not less than ninety (90) and not more than one hundred twenty (120) days prior written notice of Maker's intention to make such prepayment, and provided further that, in addition to paying the entire outstanding principal balance of this Note, all accrued interest thereon and any other outstanding Obligations, Maker pays to Holder the Make-Whole Amount. Further, Maker may not prepay this Note without prepaying the Related Note in full in accordance therewith. Any prepayment notice given by Maker shall be deemed null and void if the prepayment covered by such notice is not made within thirty (30) days of the date specified in Maker's prepayment notice as the designated date for prepayment.

"Make-Whole Amount" with respect to any prepayment that occurs after the Closed Period means an amount equal to the greater of (a) one percent (1%) of the then entire outstanding principal balance of this Note or (b) the present value as of the date of prepayment of the remaining scheduled payments of principal and interest (including any balloon payment), determined by discounting such payments at the Monthly Equivalent Treasury Security Rate (as hereinafter defined), less the amount of principal being prepaid, provided such difference shall not be less than zero. "Monthly Equivalent Treasury Security Rate" means the rate which, when compounded monthly, results in a yield that is equivalent to the yield on the Equivalent U.S. Treasury Security, which is compounded semi-annually. "Equivalent U.S. Treasury Security" means the U.S. treasury bill, note or bond, having a maturity date closest in maturity to the Maturity Date, as reported in The Wall Street Journal (or, if The Wall Street Journal is no longer published, another daily financial publication of national circulation selected by Holder) on the third (3rd) business day preceding the date of prepayment. Maker waives any right of prepayment except as expressly provided herein and as may be provided in the other Loan Instruments. If Maker prepays all Obligations not more than ninety (90) days prior to the Maturity Date and after not less than twenty (20) days prior written notice to Holder, Maker shall not be required to pay the Make-Whole Amount.

If the outstanding principal balance of this Note or any portion thereof shall become due and payable or shall be paid as a result of (a) an Event of Default (which Event of Default shall be conclusively deemed to be a willful default made for the purpose of avoiding payment of the Make-Whole Amount), (b) the exercise by Maker or any other person of any right of redemption or the taking by Maker or any other person of any other action to prevent a foreclosure of the Secured Property, or (c) a casualty or condemnation with respect to the Secured Property, then Maker shall pay to Holder the Make-Whole Amount computed, to the extent not prohibited by applicable law, as if Maker had elected to prepay this Note, as provided in the preceding paragraph, on the date of such Event of Default, exercise, action, casualty or condemnation, as applicable. If such Event of Default, exercise, action, casualty or condemnation occurs during the Closed Period, then, to the extent not prohibited by applicable law, the Make-Whole Amount shall be equal to the greater of (a) ten percent (10%) of the principal balance of this Note then unpaid or (b) the Make-Whole Amount, as calculated in the manner set forth in the immediately preceding paragraph. Notwithstanding the foregoing, no Make-Whole Amount shall be due as a result of the application of casualty or condemnation proceeds to the principal hereof.

From and after the existence of an Event of Default, Holder, at its option, may declare all Obligations to be immediately due and payable, then or thereafter, as Holder may elect, regardless of the stated Maturity Date of this Note.

If Holder collects all or any part of the Obligations by an action, at law or in equity, or in any bankruptcy, receivership or other court proceeding (whether at the trial or appellate level), or if this Note is placed in the hands of attorney(s) for collection, Maker shall pay, in addition to the principal and interest due or deemed to be due, whether by acceleration or otherwise, and in addition to the Make-Whole Amount (a) all costs, including, without limitation, reasonable attorneys' fees and expenses, of collecting or attempting to collect all amounts due pursuant to this Note and all other Obligations, of enforcing or attempting to enforce Holder's rights and remedies pursuant to the Loan Instruments and of protecting the collateral securing this Note, (b) all Late Charges due pursuant to this Note and (c) interest, at the Increased Rate, computed on the amount of the Obligations.

The failure by Holder to exercise any right, power, privilege, remedy or option as to maturity, foreclosure or otherwise, provided in any Loan Instrument or otherwise available at law or in equity (each a "Remedy" and collectively, "Remedies") before or after any Event of Default, in any one or more instances, or the acceptance by Holder of any partial payment or partial performance, shall not constitute a waiver of any default or any Remedy, each of which shall remain continuously in force, until waived in writing by

Holder. Holder, at its option, may rescind, in writing, any acceleration of this Note, but the tender and acceptance of partial payment or partial performance alone shall not rescind or in any other way affect any acceleration of this Note or the exercise by Holder of any of its Remedies.

Maker and Holder intend to comply strictly with all usury laws now or hereafter in force in the jurisdiction ("State") in which the Secured Property is located, and all interest payable pursuant to this Note or any other Loan Instrument shall be reduced to the maximum amount which is not in excess of the maximum non-usurious rate of interest applicable to this Note or any other Loan Instrument ("Legal Rate") allowed under the usury laws of the State, as now or

hereafter construed by the courts having jurisdiction over such matters. If the aggregate of all interest (whether designated as interest, Late Charges, Make-Whole Amount or otherwise) contracted for, chargeable or receivable pursuant to this Note or any other Loan Instrument, whether upon regular payment or acceleration or otherwise, exceeds the Legal Rate, it shall conclusively be deemed a mutual mistake. Such excess shall be canceled automatically, and, if theretofore paid, shall, at the option of Holder, either be rebated to Maker or credited in reduction of the outstanding principal balance of this Note, or, if this Note has been repaid, such excess shall be rebated to Maker. In the event of a conflict between the provision of this paragraph and the provisions of any other portion of this Note or any other Loan Instrument, the provisions of this paragraph shall control.

Maker waives all requirements for presentment, protest, notice of protest, notice of dishonor, demand for payment and diligence in collection of this Note or the Loan Instruments, and any and all other notices and matters of a like nature, except for those expressly required by the Mortgage. Without notice to Maker and without discharging Maker's liability hereunder, Maker consents to any extension of time (whether one or more) of payment of this Note, release of all or any part of the security for the payment of this Note or release of any Person liable for payment of this Note.

This Note may be changed only by an agreement, in writing, signed by Maker and Holder. Maker waives and renounces all homestead exemption rights as to the Obligations or any renewal or extension thereof. No failure or delay on the part of Holder in exercising any Remedy pursuant to this Note or any Loan Instrument, and no course of dealing between Maker and Holder, shall operate as a waiver of any Remedy, nor shall any single or partial exercise of any Remedy preclude any other or further exercise thereof or the exercise of any other Remedy. All Remedies expressly provided for in the Loan Instruments are cumulative, and are not exclusive of any rights, powers, privileges or remedies which Holder would otherwise have at law or equity. No notice to or demand on Maker in any case shall entitle Maker to any other or further notice or demand in similar or other circumstances, nor shall any such notice or demand constitute a waiver of the right of Holder to take any other or further action in any circumstances without notice or demand.

The obligations of each Maker and each general partner of Maker shall be joint and several. The unenforceability or invalidity of any provision of this Note as to any Person or circumstance shall not render that provision unenforceable or invalid as to any other Person or circumstance, and all provisions hereof, in all other respects, shall remain valid and enforceable.

If any payment required hereunder or under any other Loan Instrument becomes due on a Saturday, Sunday, or legal holiday in the state in which the Premises are located, then such payment shall be due and payable on the immediately preceding business day.

"Maker" and "Holder" shall be deemed to include the respective heirs, administrators, legal representatives, successors and assigns of Maker and Holder.

Time is of the essence with respect to each and every provision hereof.

This Note shall be governed by, and construed and enforced in accordance with the laws of the State, other than such laws with respect to conflicts of laws.

In the event of any inconsistencies between the terms of this Note and the terms of any other Loan Instruments, the terms of this Note shall prevail.

NOTICE IS HEREBY GIVEN THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, MODIFY LOAN TERMS, OR TO FORBEAR FROM ENFORCING

REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, maker has executed this Note as of the date first above written.

1700 SEVENTH L.P., a Washington limited partnership

By Clise Venture One LLC, a Washington limited liability company, its General Partner

By Clise Properties, Inc., a Washington corporation, its Member

By: /s/ A.M. Clise

Name: A.M. Clise

Its: President/CEO

NORDSTROM, INC.,
(Guarantor)

in favor of

NEW YORK LIFE INSURANCE COMPANY
and
LIFE INVESTORS INSURANCE COMPANY OF AMERICA
(Lender)

GUARANTY

Dated: As of April 18, 2002

GUARANTY

This GUARANTY ("Guaranty") is executed as of April 18, 2002 by NORDSTROM, INC., a Washington corporation, having an address at 1700 - 7th Avenue, Suite 1000, Seattle, Washington 98101 ("Guarantor") for the benefit of NEW YORK LIFE INSURANCE COMPANY, a New York mutual insurance company ("NYLIC"), having an address at 51 Madison Avenue, New York, New York 10010-1603 ("Lender"), and LIFE INVESTORS INSURANCE COMPANY OF AMERICA, an Iowa corporation ("LIICA"), having an address in care of NYLIC.

W I T N E S S E T H:
- - - - -

WHEREAS, pursuant to that certain Promissory Note, dated of even date herewith, executed by 1700 Seventh L.P. ("Borrower") and payable to the order of NYLIC, and that certain Promissory Note dated of even date herewith, executed by Borrower and payable to the order of LIICA, each note in the original principal amount of \$42,500,000.00 (both such notes, collectively, together with all renewals, modifications, increases and extensions thereof, the "Note"), Borrower has become indebted, and may from time to time be further indebted, to Lender with respect to a loan in the total amount of \$85,000,000.00 ("Loan"). The Loan is secured by the lien and security interest of a Deed of Trust, Assignment of Leases and Rents, and Security Agreement and Fixture Filing, of even date herewith (the "Mortgage"), and further evidenced, secured or governed by other instruments and documents executed in connection with the Loan (together with the Note and Mortgage, the "Loan Instruments"); and

WHEREAS, Lender is not willing to make the Loan, or otherwise extend credit, to Borrower unless Guarantor unconditionally guarantees payment and performance to Lender of the Guaranteed Obligations (as herein defined); and

WHEREAS, Guarantor is the owner of a direct partnership interest in Borrower, and Guarantor will directly benefit from Lender's making the Loan to Borrower.

NOW, THEREFORE, as an inducement to Lender to make the Loan to Borrower, and to extend such additional credit as Lender may from time to time agree to extend under the Loan Instruments, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

ARTICLE I

NATURE AND SCOPE OF GUARANTY

1.1 Guaranty of Obligation. Guarantor hereby irrevocably and unconditionally guarantees to Lender and its successors and assigns the payment and performance of the Guaranteed Obligations as and when the same shall be due and payable, whether by lapse of time, by acceleration of maturity or otherwise. Guarantor hereby irrevocably and unconditionally covenants and agrees that it is liable for the Guaranteed Obligations as a primary obligor and that it shall fully perform each and every term and

provision hereof.

1.2 Definition of Guaranteed Obligations. As used herein, the term

1.3 "Guaranteed Obligations" means:

(i) all losses, claims, damages, costs, expenses and/or liabilities, including attorneys' fees and expenses, incurred by Lender:

(a) as a result of any material misstatement of fact (1) by Borrower or any Person (as defined in the Mortgage) constituting Borrower made to induce Lender to advance the principal amount evidenced by the Note or (2) contained in any Loan Instrument;

(b) as a result of fraud committed by Borrower or any Person constituting Borrower;

(c) as a result of the collection or application of any insurance proceeds, condemnation awards, trust funds or security deposits in a manner that is not in accordance with the provisions of the Loan Instruments, or the failure to pay Lender all rents, income and profits or other proceeds derived from the Property, net of reasonable and customary operating expenses, received in respect of a period when the Loan is in default;

(d) as a result of the breach of any representation or warranty contained in the Sections of the Mortgage pertaining to environmental matters, including, without limitation, Section 1.05E(4), 2.03C or 2.03D, or any default with respect to any covenant contained in the Sections of the Mortgage pertaining to environmental matters including, without limitation, Section 1.05E;

(e) as a result of any default with respect to Borrower's covenant to pay Impositions, pursuant to Section 1.02 of the Mortgage, or insurance premiums, pursuant to Section 1.03 of the Mortgage;

(f) arising from, in respect of, as a consequence of, or in connection with: (1) claims asserted by any Person (including, without limitation, any Governmental Agency (as defined in the Mortgage)) in connection with, or in any way arising out of, the presence, storage, use, disposal, generation, transportation or treatment of any Hazardous Material (as defined in the Mortgage) in, on, or under or about the Secured Property, (2) the violation or claimed violation of any law relating to any Hazardous Material or any other Environmental Requirement (as defined in the Mortgage) in regard to the Secured Property (as defined in the Mortgage), regardless of whether or not such violation or claimed violation occurred prior to or after the date of the Mortgage or whether or not such violation or claimed violation occurred prior to or after the time that Borrower became the owner of the Secured Property, or (3) the preparation of any environmental audit as to the Secured Property, whether conducted or authorized by Borrower, Lender or any other Person or the implementation of any such audit's recommendations; or

(g) as a result of any intentional, bad faith waste of the Secured Property committed by Borrower or its agents (such damages to include, without limitation, all repair costs incurred by Borrower); and

(ii) if there shall be a violation of Section 1.11 of the Mortgage and/or in the event that any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by, consented to or acquiesced in by Borrower or Clise Properties, Inc. ("Other Guarantor") and/or if any proceeding for the dissolution or liquidation of Borrower or any Other Guarantor shall be instituted by Borrower or Guarantor or any Other Guarantor (unless before any such filing Borrower offered to enter into Lender's choice of either an agreement to permit an uncontested foreclosure or an agreement to deliver a deed in lieu of foreclosure within 60 days after Lender's acceptance of such offer), all outstanding principal and interest under the Note and all other Obligations (as defined in the Mortgage). If Borrower defaults in fulfilling the terms of any offer accepted by Lender pursuant to the foregoing sentence, Guarantor shall be liable for the full amount of the Obligations.

1.3 Nature of Guaranty. This Guaranty is an irrevocable, absolute, continuing guaranty of payment and performance and not a guaranty of collection. This Guaranty may not be revoked by Guarantor and shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor and after (if Guarantor is a natural person) Guarantor's death (in which event this Guaranty shall be binding upon Guarantor's estate and Guarantor's legal representatives and heirs). The fact that at any time or from time to time the Guaranteed

Obligations may be increased or reduced shall not release or discharge the obligation of Guarantor to Lender with respect to the Guaranteed Obligations. This Guaranty may be enforced by Lender and any subsequent holder of the Note and shall not be discharged by the assignment or negotiation of all or part of the Note.

1.4 **Guaranteed Obligations Not Reduced by Offset.** The Guaranteed Obligations and the liabilities and obligations of Guarantor to Lender hereunder shall not be reduced, discharged or released because or by reason of any existing or future offset, claim or defense of Borrower, or any other party, against Lender, or any other party, or against payment of the Guaranteed Obligations, whether such offset, claim or defense arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

1.5 **Payment By Guarantor.** If all or any part of the Guaranteed Obligations shall not be punctually paid when due, whether at demand, maturity, acceleration or otherwise, Guarantor shall, immediately upon demand by Lender, and without presentment, protest, notice of protest, notice of non-payment, notice of intention to accelerate the maturity, notice of acceleration of the maturity, or any other notice whatsoever, pay in lawful money of the United States of America, the amount due on the Guaranteed Obligations to Lender at Lender's address as set forth herein. Such demand(s) may be made at any time coincident with or after the time for payment of all or part of the Guaranteed Obligations, and may be made from time to time with respect to the same or different items of Guaranteed Obligations. Such demand shall be deemed made, given and received in accordance with the notice provisions hereof.

1.6 **No Duty To Pursue Others.** It shall not be necessary for Lender (and Guarantor hereby waives any rights which Guarantor may have to require Lender), in order to enforce the obligations of Guarantor hereunder, first to (i) institute suit or exhaust its remedies against Borrower or others liable on the Loan or the Guaranteed Obligations or any other Person, (ii) enforce Lender's rights against any collateral which shall ever have been given to secure the Loan, (iii) enforce Lender's rights against any other guarantors of the Guaranteed Obligations, (iv) join Borrower or any others liable on the Guaranteed Obligations in any action seeking to enforce this Guaranty, (v) exhaust any remedies available to Lender against any collateral which shall ever have been given to secure the Loan, or (vi) resort to any other means of obtaining payment of the Guaranteed Obligations. Lender shall not be required to mitigate damages or take any other action to reduce, collect or enforce the Guaranteed Obligations.

1.7 **Waivers.** Guarantor agrees to the provisions of the Loan Instruments, and hereby waives notice of (i) any loans or advances made by Lender to Borrower, (ii) acceptance of this Guaranty, (iii) any amendment or extension of the Note, the Mortgage or any other Loan Instruments, (iv) the execution and delivery by Borrower and Lender of any other loan or credit agreement or of Borrower's execution and delivery of any promissory notes or other documents arising under the Loan Instruments or in connection with the Secured Property, (v) the occurrence of any breach by Borrower or an Event of Default (as defined in the Mortgage), (vi) Lender's transfer or disposition of the Guaranteed Obligations, or any part thereof, (vii) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Guaranteed Obligations, (viii) protest, proof of non-payment or default by Borrower, or (ix) any other action at any time taken or omitted by Lender, and, generally, all demands and notices of every kind in connection with this Guaranty, the Loan Instruments, any documents or agreements evidencing, securing or relating to any of the Guaranteed Obligations and the obligations hereby guaranteed.

1.8 **Payment of Expenses.** In the event that Guarantor should breach or fail to timely perform any provisions of this Guaranty, Guarantor shall, immediately upon demand by Lender, pay Lender all costs and expenses (including, without limitation, court costs and reasonable attorneys' fees and disbursements) incurred by Lender in the enforcement hereof or the preservation of Lender's rights hereunder. The covenant contained in this Section shall survive the payment and performance of the Guaranteed Obligations.

1.9 **Effect of Bankruptcy.** In the event that, pursuant to any insolvency, bankruptcy, reorganization, receivership or other debtor relief law, or any judgment, order or decision thereunder, Lender must refund or restore any payment, or any part thereof, received by Lender in satisfaction of the Guaranteed Obligations, as set forth herein, any prior release or discharge from the terms of this Guaranty given to Guarantor by Lender shall be without effect, and this Guaranty shall remain in full force and effect. It is the intention of Borrower and Guarantor that Guarantor's obligations hereunder shall not be discharged except by Guarantor's performance of such

obligations and then only to the extent of such performance.

1.10 Waiver of Subrogation, Reimbursement and Contribution. Notwithstanding anything to the contrary contained in this Guaranty, until such time as all Obligations have been paid in full and are not subject to disgorgement by Lender or return or set aside thereof,

Guarantor hereby unconditionally and irrevocably waives, releases and abrogates any and all rights it may now or hereafter have under any agreement, at law or in equity (including, without limitation, any law subrogating the Guarantor to the rights of Lender), to assert any claim against or seek contribution, indemnification or any other form of reimbursement from Borrower or any other party liable for payment of any or all of the Guaranteed Obligations for any payment made by Guarantor under or in connection with this Guaranty or otherwise.

1.11 Financial Reporting. Guarantor will keep and maintain complete and accurate books and records of Guarantor's earnings and financial condition and, without expense to Lender, will furnish to Lender, within one hundred twenty (120) days after the end of each fiscal year of Guarantor, the following financial information reflecting Guarantor's financial position for the immediately preceding year, all prepared and certified by an independent certified public accountant reasonably satisfactory to Lender, and in accordance with generally accepted accounting principles: (i) a statement of financial position of Guarantor, (ii) a statement of cash flows of Guarantor, (iii) a profit and loss statement, and (iv) a balance sheet. Notwithstanding the foregoing, Guarantor may provide its annual statement containing its financial statements in place of the foregoing financial statements so long as Guarantor is publicly traded. If Guarantor is no longer publicly traded, the foregoing financial statements may be prepared by Guarantor and certified as accurate and complete by the chief financial officer of Guarantor.

1.12 Borrower. The term "Borrower" as used herein shall include any new or successor corporation, association, partnership (general or limited), limited liability company, joint venture, trust or other individual or organization formed as a result of any merger, reorganization, sale, transfer, devise, gift or bequest of Borrower or any interest in Borrower. Nothing set forth herein, however, shall constitute a consent by Lender to any merger, reorganization, sale, transfer, devise, gift, or bequest of Borrower or any interest in Borrower, nor shall anything set forth herein diminish or affect in any manner whatsoever any of the obligations or liabilities of Borrower under the Loan Instruments.

1.13 Recourse Limitations Do Not Apply. It is understood and agreed that the limitations of liability provided in the Note and any other Loan Instruments shall not apply with respect to the Guarantor as to the Guaranteed Obligations and that, notwithstanding anything to the contrary in the Note or any other Loan Instrument, Lender shall have full and personal recourse against the assets of the Guarantor as to the Guaranteed Obligations and such limitations shall not apply for purposes of enforcing this Guaranty.

1.14 Release. If Guarantor transfers all of its 49% limited partnership interest in Borrower to a Permitted Nordstrom Transferee, as defined in, permitted by and in accordance with the Deed of Trust, Lender shall release Guarantor from its liability under this Guaranty arising from and after the date of such transfer, provided that the Permitted Nordstrom Transferee provides a guaranty to Lender in the form of this Guaranty (or, in the case of a transfer to Clise Properties, Inc., such guarantor reaffirms its obligations under its Guaranty of even date herewith). In the event of such a transfer, Guarantor shall not be released from liability arising hereunder before the date of such transfer.

ARTICLE II

EVENTS AND CIRCUMSTANCES NOT REDUCING OR DISCHARGING GUARANTOR'S OBLIGATIONS

Guarantor hereby consents and agrees to each of the following, and agrees that Guarantor's obligations under this Guaranty shall not be released, diminished, impaired, reduced or adversely affected by any of the following, and waives any common law, equitable, statutory or other rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:

2.1 Modifications. Any renewal, extension, increase, modification, alteration or rearrangement of all or any part of the Guaranteed Obligations, the Note, the Mortgage, the other Loan Instruments, or any other document, instrument, contract or understanding between Borrower and Lender, or any other parties, pertaining to the Guaranteed Obligations or any failure of

Lender to notify Guarantor of any such action.

2.2 Adjustment. Any adjustment, indulgence, forbearance or compromise that might be granted or given by Lender to Borrower or any Guarantor.

2.3 Condition of Borrower or Guarantor. The insolvency, bankruptcy, arrangement, adjustment, composition, liquidation, disability, dissolution or lack of power of Borrower, Guarantor or any other party at any time liable for the payment of all or part of the Guaranteed Obligations; or any dissolution of Borrower or Guarantor, or any sale, lease or transfer of any or all of the assets of Borrower or Guarantor, or any changes in the shareholders, partners or members of Borrower or Guarantor; or any reorganization of Borrower or Guarantor.

2.4 Invalidity of Guaranteed Obligations. The invalidity, illegality or unenforceability of all or any part of the Guaranteed Obligations, or any document or agreement executed in connection with the Guaranteed Obligations, for any reason whatsoever, including without limitation the fact that (i) the Guaranteed Obligations, or any part thereof, exceeds the amount permitted by law, (ii) the act of creating the Guaranteed Obligations or any part thereof is ultra vires, (iii) the officers or representatives executing the Note, the Mortgage or the other Loan Instruments or otherwise creating the Guaranteed Obligations acted in excess of their authority, (iv) the Guaranteed Obligations violate applicable usury laws, (v) the Borrower has valid defenses, claims or offsets (whether at law, in equity or by agreement) which render the Guaranteed Obligations wholly or partially uncollectible from Borrower, (vi) the creation, performance or repayment of the Guaranteed Obligations (or the execution, delivery and performance of any document or instrument representing part of the Guaranteed Obligations or executed in connection with the Guaranteed Obligations, or given to secure the repayment of the Guaranteed Obligations) is illegal, uncollectible or unenforceable, or (vii) the Note, the Mortgage or any of the other Loan Instruments have been forged or otherwise are irregular or not genuine or authentic, it being agreed that Guarantor shall remain liable hereon regardless of whether Borrower or any other Person be found not liable on the Guaranteed Obligations or any part thereof for any reason.

2.5 Release of Obligors. Any full or partial release of the liability of Borrower on the Guaranteed Obligations, or any part thereof, or of any co-guarantors, or any other Person or entity now or hereafter liable, whether directly or indirectly, jointly, severally, or jointly and severally, to pay, perform, guarantee or assure the payment of the Guaranteed Obligations, or any part thereof, it being recognized, acknowledged and agreed by Guarantor that Guarantor may be required to pay the Guaranteed Obligations in full without assistance or support of any other party, and Guarantor has not been induced to enter into this Guaranty on the basis of a contemplation, belief, understanding or agreement that other parties will be liable to pay or perform the Guaranteed Obligations, or that Lender will look to other parties to pay or perform the Guaranteed Obligations.

2.6 Other Collateral. The taking or accepting of any other security, collateral or guaranty, or other assurance of payment, for all or any part of the Guaranteed Obligations.

2.7 Release of Collateral. Any release, surrender, exchange, subordination, deterioration, waste, loss or impairment (including without limitation negligent, willful, unreasonable or unjustifiable impairment) of any collateral, property or security at any time existing in connection with, or assuring or securing payment of, all or any part of the Guaranteed Obligations and any application of any collateral, property or security to the Guaranteed Obligations in any order or manner as Lender may determine in its discretion.

2.8 Care and Diligence. The failure of Lender or any other party to exercise diligence or reasonable care in the preservation, protection, enforcement, sale or other handling or treatment of all or any part of such collateral, property or security, including but not limited to any neglect, delay, omission, failure or refusal of Lender (i) to take or prosecute any action for the collection of any of the Guaranteed Obligations or (ii) to foreclose, or initiate any action to foreclose, or, once commenced, prosecute to completion any action to foreclose upon any security therefor, or (iii) to take or prosecute any action in connection with any instrument or agreement evidencing or securing all or any part of the Guaranteed Obligations.

2.9 Unenforceability. The fact that any collateral, security, security interest or lien contemplated or intended to be given, created or granted as security for the repayment of the Guaranteed Obligations, or any part thereof, shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other security interest or lien, it

being recognized and agreed by Guarantor that Guarantor is not entering into this Guaranty in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectibility or value of any of the collateral for the Guaranteed Obligations.

2.10 Offset. The Note, the Guaranteed Obligations and the liabilities and obligations of the Guarantor to Lender hereunder shall not be reduced, discharged or released because of or by reason of any existing or future right of offset, claim or defense of Borrower, or any other party, against Lender, or any other party, or against payment of the Guaranteed Obligations, whether such right of offset, claim or defense arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

2.11 Merger. The reorganization, merger or consolidation of Borrower into or with any other corporation or entity.

2.12 Preference. Any payment by Borrower to Lender is held to constitute a preference under bankruptcy laws, or for any reason Lender is required to refund such payment or pay such amount to Borrower or someone else.

2.13 Other Actions Taken or Omitted. Any other action taken or omitted to be taken with respect to the Loan Instruments, the Guaranteed Obligations, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Guaranteed Obligations pursuant to the terms hereof, it is the unambiguous and unequivocal intention of Guarantor that Guarantor shall be obligated to pay the Guaranteed Obligations when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or un contemplated, and whether or not otherwise or particularly described herein, which obligation shall be deemed satisfied only upon the full and final payment and satisfaction of the Guaranteed Obligations.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

To induce Lender to enter into the Loan Instruments and extend credit to Borrower, Guarantor represents and warrants to Lender as follows:

3.1 Benefit. Guarantor is the owner of a direct interest in Borrower, and has received, or will receive, direct or indirect benefit from the making of this Guaranty with respect to the Guaranteed Obligations.

3.2 Familiarity and Reliance. Guarantor is familiar with, and has independently reviewed books and records regarding the financial condition of the Borrower and is familiar with the value of any and all collateral intended to be created as security for the payment of the Note or Guaranteed Obligations; however, Guarantor is not relying on such financial condition or the collateral as an inducement to enter into this Guaranty.

3.3 No Representation By Lender. Neither Lender nor any other party has made any representation, warranty or statement to Guarantor in order to induce the Guarantor to execute this Guaranty.

3.4 Guarantor's Financial Condition. As of the date hereof, and after giving effect to this Guaranty and the contingent obligation evidenced hereby, Guarantor is, and will be, solvent, and has and will have assets which, fairly valued, exceed Guarantor's obligations, liabilities (including contingent liabilities) and debts, and has and will have property and assets sufficient to satisfy and repay Guarantor's obligations and liabilities.

3.5 Legality. The execution, delivery and performance by Guarantor of this Guaranty and the consummation of the transactions contemplated hereunder do not, and will not,

contravene or conflict with any law, statute or regulation whatsoever to which Guarantor is subject or constitute a default (or an event which with notice or lapse of time or both would constitute a default) under, or result in the breach of, any indenture, mortgage, charge, lien, or any contract, agreement or other instrument to which Guarantor is a party or which may be applicable to Guarantor. This Guaranty is a legal and binding obligation of Guarantor and is enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to the enforcement of creditors' rights.

3.6 Survival. All representations and warranties made by Guarantor

herein shall survive the execution hereof.

3.7 Review of Documents. Guarantor has examined the Note and all of the Loan Instruments.

3.8 Litigation. There are no proceedings pending or, so far as Guarantor knows, threatened before any court or administrative agency which would affect the authority of Guarantor to enter into, or the validity or enforceability of this Guaranty or which if decided adversely to Guarantor would materially adversely affect the financial condition of Guarantor.

3.9 Tax Returns. Guarantor has filed all required federal, state and local tax returns and has paid all taxes as shown on such returns as they have become due. No claims have been assessed and are unpaid with respect to such taxes.

ARTICLE IV

SUBORDINATION OF CERTAIN INDEBTEDNESS

4.1 Subordination of All Guarantor Claims. As used herein, the term "Guarantor Claims" shall mean all debts and liabilities of Borrower to Guarantor, whether such debts and liabilities now exist or are hereafter incurred or arise, or whether the obligations of Borrower thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or liabilities be evidenced by note, contract, open account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by Guarantor. The Guarantor Claims shall include without limitation all rights and claims of Guarantor against Borrower (arising as a result of subrogation or otherwise) as a result of Guarantor's payment of all or a portion of the Guaranteed Obligations. Upon the occurrence of an Event of Default or the occurrence of an event which would, with the giving of notice or the passage of time, or both, constitute an Event of Default, Guarantor shall not receive or collect, directly or indirectly, from Borrower or any other party any amount upon the Guarantor Claims.

4.2 Claims in Bankruptcy. In the event of receivership, bankruptcy, reorganization, arrangement, debtor's relief, or other insolvency proceedings involving Guarantor as debtor, Lender shall have the right to prove its claim in any such proceeding so as to establish its rights hereunder and receive directly from the receiver, trustee or other court custodian dividends and

payments which would otherwise be payable upon Guarantor Claims. Guarantor hereby assigns such dividends and payments to Lender. Should Lender receive, for application upon the Guaranteed Obligations, any such dividend or payment which is otherwise payable to Guarantor, and which, as between Borrower and Guarantor, shall constitute a credit upon the Guarantor Claims, then upon payment to Lender in full of the Guaranteed Obligations, Guarantor shall become subrogated to the rights of Lender to the extent that such payments to Lender on the Guarantor Claims have contributed toward the liquidation of the Guaranteed Obligations, and such subrogation shall be with respect to that proportion of the Guaranteed Obligations which would have been unpaid if Lender had not received dividends or payments upon the Guarantor Claims.

4.3 Payments Held in Trust. In the event that, notwithstanding anything to the contrary in this Guaranty, Guarantor should receive any funds, payment, claim or distribution which is prohibited by this Guaranty, Guarantor agrees to hold in trust for Lender an amount equal to the amount of all funds, payments, claims or distributions so received, and agrees that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions so received except to pay them promptly to Lender, and Guarantor covenants promptly to pay the same to Lender.

4.4 Liens Subordinate. Guarantor agrees that any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guaranteed Obligations, regardless of whether such encumbrances in favor of Guarantor or Lender presently exist or are hereafter created or attach. Without the prior written consent of Lender, Guarantor shall not (i) exercise or enforce any creditor's right it may have against Borrower, or (ii) foreclose, repossess, sequester or otherwise take steps or institute any action or proceedings (judicial or otherwise, including without limitation the commencement of, or joinder in, any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any liens, mortgages, deeds of trust, security interests, collateral rights, judgments or other encumbrances on

assets of Borrower held by Guarantor. Nothing set forth in this Section 4.4 is intended or shall be construed as the permitting of or the granting by Lender of its consent to the creation or existence of any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets or the Secured Property.

ARTICLE V

MISCELLANEOUS

5.1 Waiver. No failure to exercise, and no delay in exercising, on the part of Lender, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. The rights of Lender hereunder shall be in addition to all other rights provided by law. No modification or waiver of any provision of this Guaranty, nor consent to departure therefrom, shall be effective unless in writing and no such consent or waiver shall extend beyond the particular case and purpose involved. No notice or demand given in any case shall constitute a

waiver of the right to take other action in the same, similar or other instances without such notice or demand.

5.2 Notices. All notices and demands or other communications hereunder shall be in writing, and shall be deemed to have been sufficiently given or served for all purposes when presented personally or sent by generally recognized overnight delivery service, with postage prepaid, addressed to Guarantor or Lender, as applicable, at the address stated below, or at such other address of which either Guarantor or Lender may hereafter notify the other in writing:

Guarantor:

NORDSTROM, INC.
1700 - 7th Avenue
Suite 1000
Seattle, Washington 98101
Attn: Real Estate Notices

Lender:

NEW YORK LIFE INSURANCE COMPANY
51 Madison Avenue
New York, New York 10010-1603
Attn: Real Estate Vice President
Real Estate Department -Loan Administration
Loan No.: 372-6767

with a copy to:

NEW YORK LIFE INSURANCE COMPANY
51 Madison Avenue
New York, New York 10010-1603
Attn: Office of the General Counsel
Real Estate Section

Each notice or demand so given or served shall be deemed given and effective (a) if personally delivered, on the day of actual delivery or refusal and (b) if sent by generally recognized overnight delivery service, on the next business day. Notwithstanding the foregoing, service of any notice of default provided or required by law shall, if mailed as required by law, be deemed given and effective on the date of mailing.

5.3 Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the State in which the real property encumbered by the Mortgage is located and the applicable laws of the United States of America and, in connection with any action or proceeding arising out of or relating to this Guaranty, Guarantor hereby submits to the jurisdiction of any court of competent jurisdiction located in such State.

5.4 Invalid Provisions. If any provision of this Guaranty is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Guaranty, such provision shall be fully severable and this Guaranty shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Guaranty, and the remaining provisions of this Guaranty shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Guaranty, unless such continued effectiveness of this Guaranty, as modified, would be contrary to the basic understandings

and intentions of the parties as expressed herein.

5.5 Amendments. This Guaranty may be amended only by an instrument in writing executed by the party or an authorized representative of the party against whom such amendment is sought to be enforced.

5.6 Parties Bound; Assignment; Joint and Several. This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives; provided, however, that Guarantor may not, without the prior written consent of Lender, assign any of Guarantor's rights, powers, duties or obligations hereunder. If Guarantor consists of more than one Person, the obligations and liabilities of each such Person shall be joint and several. As to any individual Guarantor, this Guaranty shall be binding on any community of which any such Guarantor is a part and on any community, quasi-community and separate property of such Guarantor.

5.7 Headings. Section headings are for convenience of reference only and shall in no way affect the interpretation of this Guaranty.

5.8 Recitals. The recital and introductory paragraphs hereof are a part hereof, form a basis for this Guaranty and shall be considered prima facie evidence of the facts and documents referred to therein.

5.9 Counterparts. To facilitate execution, this Guaranty may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all Persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Guaranty to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

5.10 Rights and Remedies. If Guarantor becomes liable for any indebtedness owing by Borrower to Lender, by endorsement or otherwise, other than under this Guaranty, such liability shall not be in any manner impaired or affected hereby and the rights of Lender hereunder shall be cumulative of any and all other rights that Lender may ever have against Guarantor. The exercise by Lender of any right or remedy hereunder or under any other instrument, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy.

5.11 Other Defined Terms. Any capitalized term utilized herein shall have the meaning as specified in the Mortgage, unless such term is otherwise specifically defined herein.

5.12 Entirety. THIS GUARANTY EMBODIES THE FINAL, ENTIRE AGREEMENT OF GUARANTOR AND LENDER WITH RESPECT TO GUARANTOR'S GUARANTY OF THE GUARANTEED OBLIGATIONS AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF. THIS GUARANTY IS INTENDED BY GUARANTOR AND LENDER AS A FINAL AND COMPLETE EXPRESSION OF THE TERMS OF THE GUARANTY, AND NO COURSE OF DEALING BETWEEN GUARANTOR AND LENDER, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OR OTHER EXTRINSIC EVIDENCE OF ANY NATURE SHALL BE USED TO CONTRADICT, VARY, SUPPLEMENT OR MODIFY ANY TERM OF THIS GUARANTY AGREEMENT. THERE ARE NO ORAL AGREEMENTS BETWEEN GUARANTOR AND LENDER.

5.13 Waiver of Right To Trial By Jury. GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS GUARANTY, THE NOTE, THE MORTGAGE, OR THE OTHER LOAN INSTRUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.

5.14 No Oral Commitments. NOTICE IS HEREBY GIVEN THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, MODIFY LOAN TERMS, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

EXECUTED as of the day and year first above written.

GUARANTOR:

NORDSTROM, INC., a Washington corporation

By: /s/ David L. Mackie

Name: David L. Mackie

Title: Vice-President - Real Estate & Legal Affairs

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that David L. Mackie is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Vice-President - Real Estate & Legal Affairs of Nordstrom, Inc. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: April 17, 2002.

/s/ Judy Fredrickson

Notary Public
Print Name Judy Fredrickson

My commission expires 5/23/03

(Use this space for notarial stamp/seal)

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that A.M. Clise is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President /CEO of Clise Properties, Inc. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: April 17, 2002.

/s/ Judy Fredrickson

Notary Public
Print Name Judy Fredrickson

My commission expires 5/23/03

(Use this space for notarial stamp/seal)

