

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

FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) November 13, 2007

NORDSTROM, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

WASHINGTON	001-15059	91-0515058
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(I.R.S. 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

INAPPLICABLE  
(FORMER NAME OR FORMER ADDRESS IF CHANGED SINCE LAST REPORT)

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

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

ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.

On November 13, 2007, the Compensation Committee of the Company's Board of Director unanimously approved an amendment and restatement of both the Nordstrom Executive Deferred Compensation Plan ("EDCP") and the Nordstrom Directors Deferred Compensation Plan ("DDCP"), in each case to amend the terms of those plans to conform with the requirements under Section 409A of the Internal Revenue Code of 1986, as amended. The amendments to the EDCP include adding a provision to subject "key" employees to a six-month delayed distribution in certain circumstances, prohibiting unscheduled distributions except in the case of unforeseen financial emergency, limitations on the form and timing of distribution elections, clarification of the definition of "retirement" and requiring certain payments to be made in a lump sum. The amendments to the DDCP include prohibiting unscheduled distributions except in the case of unforeseen financial emergency, limitations on the form and timing of deferral elections and distribution elections, limitations on deferrals and

requiring certain payments to be made in a lump sum. This summary of the material amendments to the EDCP and DDCP are qualified by the text of such plans, copies of which are filed as Exhibits 10.40 and 10.41, respectively, to this Current Report on Form 8-K, and are incorporated herein by this reference.

On November 14, 2007, the Company's Board unanimously approved an amendment and restatement of both the Nordstrom, Inc. 2002 Nonemployee Director Stock Incentive Plan ("2002 Plan") and the Nordstrom, Inc. 2004 Equity Incentive Plan ("2004 Plan"), in each case to amend the terms of those plans to conform with the requirements under Section 409A of the Internal Revenue Code of 1986, as amended. The amendments to the 2002 Plan include limitations on deferrals and adding requirements that grants of stock options and SARs must be made at not less than fair market value on the date of grant. The amendments to the 2004 Plan consist of minor wording changes to clarify existing provisions of the plan. This summary of the material amendments to the 2002 Plan and 2004 Plan are qualified by the text of such plan, copies of which are filed as Exhibits 10.39 and 10.44, respectively, to this Current Report on Form 8-K, and are incorporated herein by this reference.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

- 10.39 Nordstrom, Inc. 2002 Nonemployee Director Stock Incentive Plan (2007 Amendment)
- 10.40 Nordstrom Executive Deferred Compensation Plan (2007 Restatement)
- 10.41 Nordstrom Directors Deferred Compensation Plan (2007 Restatement)
- 10.44 Nordstrom, Inc. 2004 Equity Incentive Plan (2007 Amendment)

SIGNATURE

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

NORDSTROM, INC.

By: /s/ Lisa G. Iglesias  
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Lisa G. Iglesias

Executive Vice President,  
General Counsel and  
Corporate Secretary

Dated: November 16, 2007

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10.39	Nordstrom, Inc. 2002 Nonemployee Director Stock Incentive Plan (2007 Amendment)
10.40	Nordstrom Executive Deferred Compensation Plan (2007 Restatement)
10.41	Nordstrom Directors Deferred Compensation Plan (2007 Restatement)
10.44	Nordstrom, Inc. 2004 Equity Incentive Plan (2007 Amendment)

EXHIBIT 10.39

NORDSTROM, INC.  
2002 NONEMPLOYEE DIRECTOR STOCK INCENTIVE PLAN  
(2007 Amendment)

## ARTICLE 1. INTRODUCTION

The purpose of the Plan is to promote the long-term success of the Company and the creation of Shareholder value by (a) encouraging the attraction and retention of Nonemployee Directors with exceptional qualifications and (b) linking Nonemployee Directors directly to Shareholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares, Stock Units, Options or stock appreciation rights. Capitalized terms are defined in Section 15 below.

The Plan was originally approved by the Board and the Shareholders of the Company in 2002, and the Plan is hereby amended in 2007 to accomplish the changes necessary to keep the Plan compliant with Code Section 409A.

## ARTICLE 2. ADMINISTRATION

2.1 Committee Composition. The Plan shall be administered by the Corporate Governance and Nominating Committee (the "Committee").

2.2 Committee Responsibilities. The Committee shall (a) select the Nonemployee Directors who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such Awards, (c) interpret the Plan and (d) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

## ARTICLE 3. SHARES AVAILABLE FOR GRANTS.

3.1 Basic Limitation. Common Shares issued pursuant to the Plan may be authorized but unissued shares. The aggregate number of Options, SARs, Stock Units and Restricted Shares awarded under the Plan shall not exceed 450,000. The limitations of this Section 3.1 shall be subject to adjustment pursuant to Article 10.

3.2 Additional Shares. If Restricted Shares or Common Shares issued upon the exercise of Options are forfeited, then such Common Shares shall again become available for Awards under the Plan. If Stock Units, Options or SARs are forfeited or terminate for any other reason before being exercised, then the corresponding Common Shares shall again become available for Awards under the Plan. If Stock Units are settled, then only the number of Common Shares (if any) actually issued in settlement of such Stock Units shall reduce the number available under Section 3.1 and the balance shall again become available for Awards under the Plan. If SARs are exercised, then only the number of Common Shares (if any) actually issued in settlement of such SARs shall reduce the number available under Section 3.1 and the balance shall again become available for Awards under the Plan.

3.3 Dividend Equivalents. Any dividend equivalents paid or credited under the Plan shall not be applied against the number of Restricted Shares, Stock Units, Options or SARs available for Awards, whether or not such dividend equivalents are converted into Stock Units.

## ARTICLE 4. ELIGIBILITY.

4.1 Grants. Only Nonemployee Directors shall be eligible for the grant of Restricted Shares, Stock Units, NSOs or SARs.

## ARTICLE 5. OPTIONS.

5.1 Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a reduction in the Optionee's other compensation. A Stock Option Agreement may provide that a new Option will be granted automatically to the Optionee when he or she exercises a prior Option and pays the Exercise Price in the form described in Section 6.2.

5.2 Number of Shares. Each Stock Option Agreement shall specify the number of Common Shares subject to the Option and shall provide for the adjustment of such number in accordance with Article 10.

5.3 Exercise Price. Each Stock Option Agreement shall specify the

Exercise Price, as determined by the Committee; provided that the Exercise Price under an Option shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant.

5.4 Exercisability and Term. Each Stock Option Agreement shall specify the date or event when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. Options may be awarded in combination with SARs, and such an Award may provide that the Options will not be exercisable unless the related SARs are forfeited.

5.5 Modification or Assumption of Options. Within the limitations of the Plan, the Committee may modify outstanding Options; provided that no Option shall be repriced. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

5.6 Buyout Provisions. The Committee may at any time (a) offer to buy out for a payment in cash or cash equivalents an Option previously granted or (b) authorize an Optionee to elect to cash out an Option previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

#### ARTICLE 6. PAYMENT FOR OPTION SHARES.

6.1 General Rule. The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such Common Shares are purchased, except the Committee (in its sole discretion) may at any time accept payment in any form(s) described in this Article 6.

6.2 Surrender of Stock. To the extent that this Section 6.2 is applicable, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Common Shares that have been owned by the Optionee for at least six months. Such Common Shares shall be valued at their Fair Market Value on the date when the new Common Shares are purchased under the Plan. The Optionee shall not surrender, or attest to the ownership of, Common Shares in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

6.3 Exercise/Sale. To the extent that this Section 6.3 is applicable, all or any part of the Exercise Price may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Company.

6.4 Exercise/Pledge. To the extent that this Section 6.4 is applicable, all or any part of the Exercise Price may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to pledge all or part of the Common Shares being purchased under the Plan to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company.

6.5 Promissory Note. To the extent that this Section 6.5 is applicable, all or any part of the Exercise Price may be paid by delivering (on a form prescribed by the Company) a full-recourse promissory note.

6.6 Other Forms of Payment. To the extent that this Section 6.6 is applicable, all or any part of the Exercise Price may be paid in any other form that is consistent with applicable laws, regulations and rules.

#### ARTICLE 7. STOCK APPRECIATION RIGHTS.

7.1 SAR Agreement. Each grant of an SAR under the Plan shall be evidenced by an SAR Agreement between the Optionee and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Optionee's other compensation.

7.2 Number of Shares. Each SAR Agreement shall specify the number of Common Shares to which the SAR pertains and shall provide for the adjustment of such number in accordance with Article 10.

7.3 Exercise Price. Each SAR Agreement shall specify the Exercise Price; provided that the Exercise Price under an SAR shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant.

7.4 Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The

SAR Agreement shall also specify the term of the SAR. An SAR Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's service. SARs may be awarded in combination with Options, and such an Award may provide that the SARs will not be exercisable unless the related Options are forfeited. An SAR may be included in an NSO at the time of grant or thereafter.

7.5 Exercise of SARs. Upon exercise of an SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from the Company (a) Common Shares, (b) cash or (c) a combination of Common Shares and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of Common Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Common Shares subject to the SARs exceeds the Exercise Price. If, on the date when an SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion.

7.6 Modification or Assumption of SARs. Within the limitations of the Plan, the Committee may modify outstanding SARs; provided that no SAR shall be repriced. The foregoing notwithstanding, no modification of an SAR shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such SAR.

#### ARTICLE 8. RESTRICTED SHARES.

8.1 Restricted Stock Agreement. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

8.2 Vesting Conditions. Each Award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. A Restricted Stock Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events.

8.3 Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other Shareholders. A Restricted Stock Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

#### ARTICLE 9. STOCK UNITS.

9.1 Stock Unit Agreement. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the recipient and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the

Plan. The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the recipient's other compensation.

9.2 Payment for Awards. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

9.3 Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement. A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events.

9.4 Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Common Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Common Shares, or in a combination of both. Prior to distribution, any dividend equivalents which are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

9.5 Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Common Shares or (c) any combination of both, as determined by the Committee. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Common Shares over a series of trading days. Vested Stock Units shall be settled in a lump sum when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Article 10.

9.6 Death of Recipient. Any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Units Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

9.7 Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

#### ARTICLE 10. PROTECTION AGAINST DILUTION.

10.1 Adjustments. In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares, a declaration of a dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of:

- (a) The number of Options, SARs, Restricted Shares and Stock Units available for future Awards under Article 3;
- (b) The number of Common Shares covered by each outstanding Option and SAR;
- (c) The Exercise Price under each outstanding Option and SAR; or
- (d) The number of Stock Units included in any prior Award which has not yet been settled.

Except as provided in this Article 10, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

10.2 Dissolution or Liquidation. To the extent not previously exercised or settled, Options, SARs and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company.

10.3 Reorganizations. In the event that the Company is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement shall provide for settlement of the full value, if any, of the outstanding Awards in cash or cash equivalents followed by cancellation of such Awards.

#### ARTICLE 11. DEFERRAL OF AWARDS.

To the extent permitted and consistent with the terms of the Nordstrom, Inc. Directors Deferred Compensation Plan ("DDCP") and Code Section 409A (as

described in 13.3, below), the Committee (in its sole discretion) may permit or require a Participant to:

(a) Have cash that otherwise would be paid to such Participant as a result of the settlement of Stock Units credited to such Participant's DDCP account;

(b) Have Common Shares, that otherwise would be delivered to such Participant as a result of the settlement of Stock Units, converted into amounts credited as Stock Units to such Participant's DDCP account. Such amounts shall be determined by reference to the Fair Market Value of such Common Shares as of the date when they otherwise would have been delivered to such Participant.

Provided, however, that such deferral shall not be effective unless the Participant enters into a deferral agreement with respect to the particular award at such time and in such form and manner as the Committee determines appropriate.

#### ARTICLE 12. AWARDS UNDER OTHER PLANS.

The Company may grant awards under other plans or programs. Such awards may be settled in the form of Common Shares issued under this Plan. Such Common Shares shall be treated for all purposes under the Plan like Common Shares

issued in settlement of Stock Units and shall, when issued, reduce the number of Common Shares available under Article 3.

#### ARTICLE 13. LIMITATION ON RIGHTS.

13.1 Shareholders' Rights. A Participant shall have no dividend rights, voting rights or other rights as a Shareholder with respect to any Common Shares covered by his or her Award prior to the time when a stock certificate for such Common Shares is issued or, if applicable, the time when he or she becomes entitled to receive such Common Shares by filing any required notice of exercise and paying any required Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

13.2 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

13.3 Compliance with Code Section 409A. Awards under the Plan are intended to comply with Code Section 409A and all Awards shall be interpreted in a manner that results in compliance with Section 409A, Department of Treasury regulations, and other interpretive guidance under Section 409A. Notwithstanding any provision of the Plan or an Award to the contrary, if the Committee determines that any Award does not comply with Code Section 409A, the Company may adopt such amendments to the Plan and the affected Award (without consent of the Participant) or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary and appropriate to (a) exempt the Plan and the Award from application of Code Section 409A and/or preserve the intended tax treatment of amounts payable with respect to the Award, or (b) comply with the requirements of Code Section 409A.

#### ARTICLE 14. FUTURE OF THE PLAN.

14.1 Term of the Plan. The Plan, as set forth herein, shall become effective upon approval by the Company's shareholders. The Plan shall remain in effect until it is terminated under Section 14.2.

14.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's Shareholders only to the extent required by applicable laws, regulations or rules. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

#### ARTICLE 15. DEFINITIONS.

15.1 "Award" means any award of an Option, an SAR, a Restricted Share



or a Stock Unit under the Plan.

15.2 "Board" means the Company's Board of Directors, as constituted from time to time.

15.3 "Code" means the Internal Revenue Code of 1986, as amended.

15.4 "Committee" means a committee of the Board, as described in Article 2.

15.5 "Common Share" means one share of the common stock of the Company.

15.6 "Company" means Nordstrom, Inc., a Washington corporation.

15.7 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

15.8 "Exercise Price," in the case of an Option, means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of an SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one Common Share in determining the amount payable upon exercise of such SAR.

15.9 "Fair Market Value" means the market price of Common Shares, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in the Wall Street Journal of the closing bid price of the Common Shares on the New York Stock Exchange. Such determination shall be conclusive and binding on all persons.

15.10 "NSO" means a stock option not described in sections 422 or 423 of the Code.

15.11 "Option" means a NSO granted under the Plan and entitling the holder to purchase Common Shares.

15.12 "Optionee" means an individual or estate who holds an Option or SAR.

15.13 "Nonemployee Director" shall mean a member of the Board who is not an employee or an officer of the Company.

15.14 "Participant" means an individual or estate who holds an Award.

15.15 "Plan" means this Nordstrom, Inc. 2002 Nonemployee Director Stock Incentive Plan (2007 Amendment), as amended from time to time. The Plan is an amendment of the 2002 Nonemployee Director Stock Incentive Plan, as amended to bring the Plan into compliance with Code Section 409A.

15.16 "Restricted Share" means a Common Share awarded under the Plan.

15.17 "Restricted Stock Agreement" means the agreement between the Company and the recipient of a Restricted Share which contains the terms, conditions and restrictions pertaining to such Restricted Share.

15.18 "SAR" means a stock appreciation right granted under the Plan.

15.19 "SAR Agreement" means the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to his or her SAR.

15.20 "Stock Option Agreement" means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

15.21 "Stock Unit" means a bookkeeping entry representing the equivalent of one Common Share, as awarded under the Plan.

15.22 "Stock Unit Agreement" means the agreement between the Company and the recipient of a Stock Unit which contains the terms, conditions and restrictions pertaining to such Stock Unit.

NORDSTROM  
 EXECUTIVE DEFERRED COMPENSATION PLAN  
 (2007 Restatement)

Except as specifically stated, this Restatement applies to amounts deferred and vested on or after January 1, 2008. Amounts deferred and vested prior to January 1, 2005 (and investment gains and losses attributable to such amounts) are governed by the 2003 Restatement and any amendments to the 2003 Restatement. Amounts initially deferred and vested after December 31, 2004 and before January 1, 2008 are subject to the provisions of this Restatement, except to the extent modified by transition rules separately documented by the Company.

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ARTICLE I TITLE, PURPOSE AND EFFECTIVE DATE.....1  
 1.1 Title.....1  
 1.2 Purpose.....1  
 1.3 Effective Date.....1

ARTICLE II ELIGIBILITY.....1  
 2.1 Eligible Employee.....1  
 2.2 Entry Date.....1  
 2.3 When Participation Begins.....1  
 2.4 Suspension of Participation.....2  
 2.5 When Participation Ends.....2

ARTICLE III DEFERRAL OF COMPENSATION.....2  
 3.1 Deferral Elections.....2  
 3.2 Amount of Deferral.....3  
 3.3 Minimum Deferral.....4  
 3.4 Company Contribution Allocations.....4  
 3.5 Deferral of Signing Bonus, Retention Bonus or Separation Payments Prohibited.....5  
 3.6 Requirement for Deferral Agreement.....5  
 3.7 Applicability of Deferral Agreement.....5

ARTICLE IV DEFERRAL ACCOUNT AND CREDITING.....6  
 4.1 Account.....6

4.2	Time of Crediting Accounts.....	6
4.3	Participant Deemed Investments.....	6
4.4	Investments by the Company.....	7
4.5	Limited Effect of Allocation.....	8
4.6	Report of Account.....	8
ARTICLE V RIGHTS OF PARTICIPANT IN PLAN.....		8
5.1	Ownership Rights in Account.....	8
5.2	Rights in Plan are Unfunded and Unsecured.....	8
5.3	No Transfer of Interest in Plan Allowed.....	8
5.4	Plan Binding Upon Parties.....	8
ARTICLE VI DISTRIBUTIONS.....		9
6.1	Retirement Distributions.....	9
6.2	In-Service Distributions.....	11
6.3	Pre-Retirement Termination of Employment.....	12
6.4	Payment Commencement Date.....	12
6.5	Delayed Payment Date.....	12
6.6	Changing the Time or Form of Distribution.....	13
6.7	Cash and Stock Distributions.....	13
6.8	Postponement of Non-Deductible Distributions.....	13
6.9	Acceleration of Payment.....	15
ARTICLE VII DEATH BENEFITS.....		15
7.1	Designation of Beneficiary.....	15
7.2	Married Participants.....	15
7.3	Deemed Beneficiary.....	15
7.4	Surviving Beneficiary.....	11
7.5	Determination of Account Balance at Death.....	16
7.6	Distribution of Account Balance at Death.....	16
7.7	Determination of Beneficiary.....	16
7.8	Payments to Minor or Incapacitated Beneficiaries.....	17
7.9	Effect of Divorce.....	17
ARTICLE VIII ADMINISTRATION OF THE PLAN.....		17
8.1	Plan Sponsor and Administrator.....	17
8.2	Powers and Authority of the Company.....	17
8.3	Administrative Committee.....	18
8.4	Powers and Authority of Leadership Benefits.....	19
8.5	Reliance on Opinions.....	19
8.6	Information.....	20
8.7	Indemnification.....	20
ARTICLE IX CLAIMS PROCEDURE.....		20
9.1	Submission of Claim.....	20
9.2	Denial of Claim.....	20
9.3	Review of Denied Claim.....	20
9.4	Decision upon Review of Denied Claim.....	20
ARTICLE X AMENDMENT AND TERMINATION.....		21
ARTICLE XI MISCELLANEOUS.....		21
11.1	No Employment Contract.....	21
11.2	Employee Cooperation.....	21
11.3	Illegality and Invalidity.....	21
11.4	Required Notice.....	21
11.5	Interest of Participant's Spouse.....	22
11.6	Tax Liabilities from Plan.....	22
11.7	Benefits Nonexclusive.....	22
11.8	Discharge of Company Obligation.....	22
11.9	Costs of Enforcement.....	22
11.10	Gender and Case.....	22
11.11	Titles and Headings.....	22
11.12	Applicable Law.....	22
11.13	Counterparts.....	23
11.14	Additional Definitions.....	23

## INDEX OF DEFINED TERMS

Term Defined	in Page
Section	Number
<del>Account</del>	<del>4.1</del>
<del>6 Annual</del>	<del>6</del>
<del>Election</del>	<del>6</del>
<del>Period</del>	<del>6</del>
<del>2.3(a)</del>	<del>2</del>
<del>Base</del>	<del>2</del>
<del>Compensation</del>	<del>3.1(b)(1-3)</del>
<del>Board</del>	<del>3.1(b)(1-3)</del>
<del>11.14(a)</del>	<del>23</del>
<del>Change in</del>	<del>11.14(a)</del>
<del>Control</del>	<del>11.14(a)</del>
<del>6.8(c)</del>	<del>14</del>
<del>Claiming</del>	<del>6.8(c)</del>
<del>Party</del>	<del>9.1</del>
<del>Code</del>	<del>9.1</del>
<del>11.14(b)</del>	<del>23</del>
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<del>1 Deemed</del>	<del>1</del>
<del>Investment</del>	<del>1</del>
<del>Sub Account</del>	<del>1.2</del>
<del>4.1(a)</del>	<del>6</del>
<del>Deferral</del>	<del>4.1(a)</del>
<del>Agreement</del>	<del>4.1(a)</del>
<del>3.1(a)</del>	<del>2</del>
<del>Deferred</del>	<del>3.1(a)</del>
<del>Retirement</del>	<del>3.1(a)</del>
<del>Date</del>	<del>6.1(a)</del>
<del>(4)</del>	<del>10</del>
<del>Disabled</del>	<del>3.7</del>
<del>5 Early</del>	<del>5</del>
<del>Retirement</del>	<del>5</del>
<del>Date</del>	<del>6.1(a)</del>
<del>(2)</del>	<del>9</del>
<del>Election</del>	<del>2</del>
<del>Period</del>	<del>2.3</del>
<del>Eligible</del>	<del>1</del>
<del>Compensation</del>	<del>3.1(b)</del>
<del>3</del>	<del>3</del>
<del>Eligible</del>	<del>3.1(b)</del>
<del>Employee</del>	<del>2.1</del>
<del>1 ERISA</del>	<del>1.2</del>
<del>1 Initial</del>	<del>1</del>
<del>Election</del>	<del>1</del>
<del>Period</del>	<del>2.3(b)</del>
<del>2</del>	<del>2</del>
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<del>Benefits</del>	<del>2.1</del>
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<del>Employee</del>	<del>2.1</del>
<del>1 Normal</del>	<del>1</del>
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<del>Date</del>	<del>6.1(a)</del>
<del>(3)</del>	<del>10</del>
<del>Participant</del>	<del>2.3</del>
<del>1</del>	<del>1</del>
<del>Payment</del>	<del>2.3</del>
<del>Commencement</del>	<del>6.4</del>
<del>Date</del>	<del>6.4</del>
<del>Performance</del>	<del>3.1(b)(3)</del>
<del>Share Unit</del>	<del>3</del>
<del>3.1(b)(3)</del>	<del>3</del>
<del>Performance</del>	<del>3.1(b)(3)</del>
<del>Share Unit</del>	<del>3.1(b)(3)</del>
<del>Sub Account</del>	<del>4.1(b)</del>
<del>6</del>	<del>6</del>
<del>Plan</del>	<del>1.1</del>
<del>1</del>	<del>1</del>

~~Plan  
Administrator  
8.1-17 Plan  
Sponsor-8.1  
17 Plan Year  
11.14(c)-23  
Profit  
Sharing Plan  
3.1(b)(1)-3  
Retirement  
6.1(a)-9  
Specified  
Employee-6.5  
12  
Supplemental  
Executive  
Retirement  
Plan (SERP)  
6.1(a)(2)(B)  
9  
Termination  
Date-6.1(a)  
(1)-9  
Unforeseeable  
Financial  
Emergency  
6.2(a)-11  
Years of  
Service  
6.1(a)(5)-10~~

ARTICLE I  
TITLE, PURPOSE AND EFFECTIVE DATE

1.1 Title. This plan shall be known as the Nordstrom Executive Deferred Compensation Plan, and any reference in this instrument to the "Plan" shall include the plan as described herein and as amended from time to time.

1.2 Purpose. The Plan is intended to constitute an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Section 201(2), 301(a)(3) and 401(a)(4) of the Employee Retirement Income Security Act of 1974 ("ERISA"), of Nordstrom, Inc., a Washington corporation, and its participating subsidiaries and affiliates ("Company").

1.3 Effective Date. The Plan was originally effective as of January 1, 1994. The Plan was subsequently amended on a number of occasions and most recently was restated effective January 1, 2003. Except as specifically stated to the contrary, this restatement applies only to amounts deferred and vested on or after January 1, 2008. Amounts deferred and vested prior to January 1, 2005 (and investment gains and losses attributable to such amounts) are governed by the 2003 Restatement and any amendments to the 2003 Restatement. Amounts initially deferred and vested after December 31, 2004 and before January 1, 2008 are subject to the provisions of this Restatement, except to the extent modified by transition rules separately documented by the Company.

ARTICLE II  
ELIGIBILITY

2.1 Eligible Employee. An "Eligible Employee" means, for any Plan Year, any employee of the Company who: (a) is employed in a "Leadership" capacity as defined by the Company's Human Resources Department; and (b) has current annualized Base Compensation (as defined in 3.1(b)(1)) of not less than eighty-five thousand dollars (\$85,000); and (c) has been designated as eligible by the Company's Leadership Benefits Department ("Leadership

Benefits"). Subject to the provisions of the Plan, all Eligible Employees will be eligible to defer compensation and receive benefits at the time and in the manner provided hereunder.

2.2 Entry Date. An Eligible Employee shall be eligible to participate in the Plan on the March 1, June 1, September 1 or November 1 following the date he or she first becomes an Eligible Employee.

2.3 When Participation Begins. An Eligible Employee becomes a "Participant" in the Plan for the Plan Year when he or she elects to defer a portion of Eligible Compensation (defined in 3.1(b)) during the applicable Election Period pursuant to the terms of the Plan and Article III. The "Election Period" is either the Annual Election Period or, for newly eligible Employees, the Initial Election Period, determined as follows:

(a) Annual Election Period. "Annual Election Period" means the period designated each year during which Eligible Employees submit their elections to defer compensation. Leadership Benefits has discretion to establish the Annual Election Period and may establish different Annual Election Periods for different types of compensation, provided that annual elections must

become irrevocable not later than the time specified under Code Section 409A. A Participant's deferral election with respect to Base Compensation and Bonus Compensation at an Annual Election Period must become irrevocable not later than December 31 of the year preceding the year in which the Participant performs services generating the Base Compensation and the Bonus Compensation.

(b) Initial Election Period. The Initial Election Period for any employee who first becomes an Eligible Employee during the Plan Year is the period of thirty (30) days that begins on his or her Entry Date under 2.2. An Eligible Employee's election relates only to Compensation paid for services to be performed subsequent to the election and applies only to Base Compensation. Deferral of Bonus Compensation and Performance Share Units can be elected only during an Annual Election Period.

2.4 Suspension of Participation. If a Participant receives an unscheduled in-service distribution (with penalty) under the 2003 Restatement of this Plan, the Participant's eligibility to defer under this Plan shall continue for the remainder of the Plan Year in which the unscheduled in-service distribution is received, but shall be suspended for the next two Plan Years.

2.5 When Participation Ends. An individual remains a Participant as long as he or she has an Account balance that has not yet been entirely distributed. If, prior to a Participant's Termination Date, a Participant has ceased to be a member of a select group of management or highly compensated employees of the Company within the meaning of Sections 201(2), 301(a)(3) and 401(a)(4) of ERISA, such Participant's deferral elections shall continue for the remainder of the Plan Year to which the deferral elections relate. However, the Participant shall become ineligible to defer compensation under the Plan effective with the next Plan Year, and the Participant shall not re-establish eligibility to defer compensation until such time as he or she once again becomes a member of a select group of management or highly compensated employees. The Participant's Account will be distributed at the time and in the form specified by the terms of the Plan and the Participant's elections.

### ARTICLE III DEFERRAL OF COMPENSATION

3.1 Deferral Elections. Upon becoming eligible to be a Participant under Section 2.2, and for any Plan Year thereafter (subject to Sections 2.4 and 2.5), an Eligible Employee who wishes to defer compensation under this Plan must properly execute a Deferral Agreement on or before the last day of the applicable Election Period.

(a) Deferral Agreement. As used in this Plan, the term "Deferral Agreement" means the form prescribed by Leadership Benefits, by which the Participant:

(1) indicates and agrees to defer a portion of the Participant's Eligible Compensation for any Plan Year; and

(2) specifies the time and form of payment for amounts deferred for the Plan Year.

For this purpose, an Eligible Employee will be considered to have properly executed a Deferral Agreement when he or she has enrolled via an online

system, or completed, signed and returned the appropriate form of Deferral Agreement to Leadership Benefits, each in a manner approved by Leadership Benefits.

(b) Eligible Compensation. For purposes of this Plan, the following items of a Participant's remuneration shall be considered "Eligible Compensation":

(1) Base Compensation. A Participant's Base Compensation, which means a Participant's base salary scheduled to be paid in the normal course through the Company's regular payroll cycles (including amounts characterized by the Company as International Premium Pay). Deferrals to this Plan are calculated and deducted before any deferrals under the Nordstrom 401(k) Plan & Profit Sharing ("Profit Sharing Plan"), the Company's cafeteria plan under Code Section 125, and the Company's transportation fringe benefits plan under Code Section 132(f).

(2) Bonus Compensation. A Participant's Bonus Compensation, scheduled to be paid to the Participant in cash. Bonus Compensation means the amount, determined annually based on the Participant's job performance and other factors, that is paid to the Participant in excess of the Participant's Base Compensation.

(3) Performance Share Units. A Participant's Performance Share Units as defined in and governed by the separately stated Nordstrom, Inc. 2004 Equity Incentive Plan (as it may be amended from time to time).

3.2 Amount of Deferral. A Participant may, for any Plan Year, irrevocably elect to have the following amounts of Eligible Compensation deferred and credited to the Participant's Account in accordance with the terms and conditions of the Plan:

(a) Base Compensation. All or a portion of the Participant's Base Compensation, expressed as either a percentage or a flat dollar amount, provided that, for Participants enrolling during an Annual Election Period under 2.3(a), the deferral may not reduce the Participant's Base Compensation for the Plan Year below \$50,000.

(b) Bonus Compensation. For Participants electing deferrals during an Annual Election Period under 2.3(a), all or a portion of the Participant's Bonus Compensation that is attributable to services to be performed beginning in the Plan Year immediately following the Annual Election Period. Employees who become new Participants and who elect to enroll during an Initial Election Period under 2.3(b) may not defer Bonus Compensation payable for the Plan Year during which their enrollment occurs.

(c) Performance Share Units. All or a portion of a Participant's unvested Performance Share Units awarded by the Company, provided that:

(1) The Performance Share Units are scheduled to vest based on the Participant's achievement of individual or organizational performance criteria that are established within the first 90 days of a performance cycle that will last at least 12 months;

(2) The deferral election is made at a time when at least six months remain in the performance cycle;

(3) The Participant provides services continuously for the period from the first day of the performance cycle (or if later, the date the performance criteria are established) through the date that the deferral election is made; and

(4) The deferral election is made before the amount of the Performance Share Units that will vest is readily ascertainable.

3.3 Minimum Deferral. Each Participant must agree to defer a minimum of five thousand dollars (\$5,000) from his or her Base Compensation or Bonus Compensation (or a combination of Base and Bonus Compensation) per Plan Year; provided, however, that this minimum need not be met if Eligible Compensation actually paid is insufficient to yield such minimum deferral in accordance with the Participant's Deferral Election.

3.4 Company Contribution Allocations. The following Company contributions are permitted under the Plan:

(a) Make-up Contribution. Each Plan Year, the Company shall allocate to each Participant's Account an amount corresponding to the Participant's lost share of Company contributions to its Profit Sharing Plan, determined as follows: (i) an amount, if any, equal to such Participant's lost share of non-elective contributions under the Company's Profit Sharing Plan; and (ii) an amount, if any, equal to such Participant's lost share of matching contributions under the 401(k) feature of the Profit Sharing Plan. For purposes of this allocation, a Participant's "lost share" of non-elective and matching

contributions is the amount of contributions not made to the Participant's account in the Profit Sharing Plan because of (a) the reduction in the Participant's compensation (as defined by those plans) by reason of deferrals under this Plan, and (b) the Participant's exclusion under those plans' provisions as a highly compensated employee in his or her first or second year of participation, as applicable. The time and form of payment of Make-up Contributions shall be determined by the Participant's deferral elections applicable for Base Compensation paid during the Plan Year preceding the Plan Year in which the Make-up Contribution is actually credited to the Participant's Account.

(b) Company Discretionary Contributions. In addition to any Company contributions made in accordance with 3.4(a), the Company may, in its sole discretion, make discretionary contributions to the Accounts of one or more Participants at such times, in such amounts, and vested in such manner, as the Board or the Compensation Committee may determine. Such discretionary contributions shall be credited to the applicable Participant's Deemed Investment Sub-Account. The Company must designate the time and form of distribution at the time that the discretionary contributions are allocated to the Participant's Account.

3.5 Deferral of Signing Bonus, Retention Bonus or Separation Payments Prohibited. A Participant may not defer any amounts paid to the Participant that are designated by the Company as a signing bonus, a retention bonus, or separation payments. A "signing bonus" is any amount paid to a newly hired Employee specifically as an incentive to accept a position with the Company. A "retention bonus" is any amount paid to an existing Employee specifically in exchange for an agreement to remain an Employee of the Company for a specified period. A "separation payment" is any amount paid to an Employee

as a result of termination of employment with the Company; provided, however, that nothing in this Section 3.5 shall prevent the Company from negotiating a separation agreement, the provisions of which include a Company Discretionary Contribution under Section 3.4(b).

3.6 Requirement for Deferral Agreement. A Participant who has not timely submitted a valid Deferral Agreement may not defer any Eligible Compensation (or receive the corresponding Company Make-up Contribution allocation under 3.4) for the applicable Plan Year under the Plan.

3.7 Applicability of Deferral Agreement. A Deferral Agreement remains in effect for the entire Plan Year to which it applies; provided that deferrals shall be canceled for the remainder of the Plan Year (or, if longer, for a period of six months) if: (a) the Participant receives a distribution due to an unforeseeable financial emergency, as described in Section 6.2(a)(1), or (b) receives a hardship distribution from the Profit Sharing Plan pursuant to Treasury Regulation 1.401(k)-1(d)(3). A Deferral Agreement shall also be canceled if a Participant becomes Disabled. For purposes of this section, "Disabled" means that a Participant suffers from a medically determinable physical or mental impairment resulting in his or her inability to perform the duties of his or her position or any substantially similar position for a continuous period of not less than six months. A Participant must file a new Deferral Agreement for each Plan Year. The terms of any Deferral Agreement may, but need not be, similar to the terms of any prior Deferral Agreement.

#### ARTICLE IV DEFERRAL ACCOUNT AND CREDITING

4.1 Account. A Participant's "Account" is the account established on the books of the Company as a record of each Participant's Plan balance. An Account may, at the discretion of the Administrative Committee, include one or more sub-accounts to reflect amounts credited to a Participant under the various terms of the Plan. As of the effective date of this Restatement, the Administrative Committee has established the following sub-accounts:

(a) Deemed Investment Sub-Account: A Deemed Investment Sub-Account, reflecting the Participant's account balance resulting from the deferral of Eligible Compensation (other than Performance Share Units or other stock-based compensation), Company Contribution allocations under Section 3.4, and the Participant's deemed investment of such amounts under Section 4.3. The balance in such sub-account shall be expressed as a dollar amount.

(b) Performance Share Unit Sub-Account. A Performance Share Unit Sub-Account reflecting the number of Performance Share Units or other stock-based compensation in which the Participant is vested and which the Participant has deferred under the Plan. The balance in such sub-account shall be expressed in units, with each unit representing the value of one share of the Company's Common Stock.

4.2 Time of Crediting Accounts. Amounts deferred by a Participant under the Plan and any Company Contribution allocations made on behalf of that



Participant shall be credited to the Participant's Account as soon as administratively practicable after the date deferred amounts would otherwise have been received (or beneficially received in the case of Company contributions) by the Participant. Subject to 4.4(c)(2) regarding the underwriting of the Plan's investment vehicles, Earnings shall be credited to

a Participant's Account on the date determined by the Administrative Committee, but no later than the month following the month in which deferrals and Company contributions were credited to the Account in accordance with the preceding sentence. Earnings are based on the performance of the investment options selected by Participants in accordance with Section 4.3.

4.3 Participant Deemed Investments. Subject to Section 4.3(b), each Participant may, from time to time, select from the various indices provided by the Administrative Committee (under Section 4.4(b)) in which his or her Account will be deemed invested; provided, however, that the Administrative Committee is under no obligation to acquire or provide any of the investments designated by the Participant.

(a) Deemed Investment Sub-Account Valuation. A Participant's Deemed Investment Sub-Account shall be credited or debited from time to time, as determined by the Administrative Committee, with additional amounts equal to the appreciation (or loss) such accounts would have experienced had they actually been invested in the specified fund indices at the relevant times. This crediting and debiting will take into account the date that a Participant's Account transactions (such as deferrals, contributions, distributions and transfers among funds) are actually reflected by the Plan's record-keeping system.

(b) Performance Share Unit Sub-Account Valuation. The number of units in a Participant's Performance Share Unit Sub-Account shall be appropriately adjusted periodically to reflect any dividend, split, split-up or any combination or exchange, however accomplished, with respect to the shares of the Company's common stock represented by such units.

4.4 Investments by the Company. In order to provide funds to satisfy its obligations under the Plan, the Company may, but shall not be required to, keep cash or invest and reinvest in mutual funds, stocks, bonds, securities or any other assets as may be reasonably selected by the Administrative Committee in its discretion. Such investments may, but need not, follow the investment indices chosen by the Participants.

(a) Investment Advice. In the exercise of the foregoing investment powers, the Administrative Committee may engage investment consultants and, if the Administrative Committee so desires, may delegate to such consultants full or limited authority to select the assets in which the funds are to be selected. Investment consultants may be officers or employees of the Company or outside consultants.

(b) Choice of Investment Indices. The Administrative Committee, or its investment consultants, may specify one or more investment funds to serve as indices for the investment performance of amounts credited under the Accounts. The Administrative Committee has the authority to expand or limit the type or number of fund indices and to prescribe, in conjunction with Leadership Benefits, the frequency with which Participants may change their deemed investment elections.

(c) Insurance. If the Administrative Committee elects to purchase an insurance policy or policies insuring the life of the Participant to allow the Company to recover the cost of providing the benefits hereunder:

(1) The Participant shall, as a condition to continued participation in the Plan, sign any papers and undergo any medical examinations or tests that may be necessary or required for such purpose;

(2) Notwithstanding the Participant's election or direction or any provision in the Plan to the contrary, the Participant's Account may be deemed invested in a money market fund or instrument or other liquid asset selected by the Administrative Committee or its delegate, pending the underwriting and delivery of such policy or annuity; and

(3) The Participant, Participant's Beneficiary, and any other person claiming through the Participant shall not have or acquire any rights whatsoever in such policy or policies or in the proceeds of the policies.

4.5 Limited Effect of Allocation. The fact that any allocation shall be made and credited to an Account shall not vest in a Participant any right, title or interest in or to any assets of the Company, or in any right to payment, except at the time(s) and upon the conditions elsewhere set forth in

the Plan.

4.6 Report of Account. A Participant shall be provided information regarding Participant's Bookkeeping Account balance within a reasonable time after requesting such information from Leadership Benefits. Leadership Benefits shall furnish each Participant statements on a periodic basis, no less frequently than annually, as soon as administratively practicable after the allocations for the end of the Plan Year have been completed. Leadership Benefits may, in its discretion, provide Participants with account balance statements more frequently than provided in the preceding sentence.

#### ARTICLE V RIGHTS OF PARTICIPANT IN PLAN

5.1 Ownership Rights in Account. Subject to the restrictions provided in this Article and in Section 3.2(c), each Participant shall at all times have a vested right to the value of such Participant's Account.

5.2 Rights in Plan are Unfunded and Unsecured. The Company's obligation under the Plan shall in every case be an unfunded and unsecured promise to pay. A Participant's right to Plan distributions shall be no greater than the rights to payment of general, unsecured creditors of the Company. The Company may establish one or more grantor trusts (as defined in Code Section 671 et seq.) to facilitate the payment of benefits hereunder; however, the Company shall not be obligated under any circumstances to fund its financial obligations under the Plan. Any assets which the Company may acquire or set aside to defray its financial liabilities shall be subject to the claims of its general creditors in the event of the Company's insolvency.

5.3 No Transfer of Interest in Plan Allowed. Except as permitted by applicable law, no sale, transfer, alienation, assignment, pledge, collateralization or attachment of any benefits under the Plan shall be valid or recognized by the Company. The Participant, the Participant's spouse and a designated Beneficiary shall not have any power to hypothecate, mortgage, commute, modify or otherwise encumber in advance any of the benefits payable under the Plan. Said benefits shall not be subject to seizure for the payment of any debts, judgments, alimony, maintenance owed by the Participant

or a Beneficiary, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. Notwithstanding the foregoing, the Company may, if the Administrative Committee so determines in its sole discretion, follow the terms of any court order issued in connection with any domestic relations proceeding including but not limited to marital dissolution or child support.

5.4 Plan Binding Upon Parties. The Plan shall be binding upon the Company, its assigns, and any successor company that acquires substantially all of its assets and business through merger, acquisition or consolidation; and upon all Participants and any Participant's Beneficiaries, assigns, heirs, executors and administrators.

#### ARTICLE VI DISTRIBUTIONS

6.1 Retirement Distributions.

(a) Retirement Events. A Participant may elect in a Deferral Agreement to receive a distribution of his or her Account at Retirement. A Participant's "Retirement" shall mean the Participant's Termination Date coinciding with an Early Retirement Date, Normal Retirement Date or Deferred Retirement Date, each as defined below.

(1) Termination Date. Termination Date shall mean the termination of a Participant's employment with the Company, and each of its subsidiaries and affiliates, whether or not the subsidiary or affiliate participates in this Plan. A termination of employment is deemed to have occurred for purposes of this Plan on the date when the Participant and the Company reasonably anticipate that the level of bona fide services to be provided by the Participant will be permanently reduced to 49 percent or less of the average level of bona fide services provided in the immediately preceding period of 36 consecutive months. If the Participant is on a paid leave of absence, the Participant is treated as providing services at a level equal to the level of services that the Participant would have been required to perform to earn the amount of compensation paid during the paid leave of absence. If the Participant is on an unpaid leave of absence, the employment relationship is presumed to terminate on the earlier of (A) the date the Participant loses his or her statutory or contractual right to re-employment (but not sooner than six months after the unpaid leave of absence began) or (B) the date that there is no longer a reasonable expectation that the Participant will return to perform services for the Company.

(2) Early Retirement Date. Early Retirement shall mean (A), (B), or (C), as applicable:

(A) Eligible August 19, 2003. For a Participant who had attained at least fifty (50) years of age and had completed at least ten (10) years of service on August 19, 2003, Early Retirement Date shall mean the Participant's Termination Date.

(B) 1999 Plan Executives under SERP. For a Participant who is designated as a 1999 Plan Executive under the Company's Supplemental Executive Retirement Plan ("SERP"), Early Retirement shall mean such Participant's Termination Date on or after the date the Participant has both attained age 50 and completed at least ten (10) years of service.

(C) All Other Participants. For a Participant who was not eligible for Early Retirement on August 19, 2003, and who is not a 1999 Plan Executive under the SERP, Early Retirement shall mean the Participant's Termination Date on or after the date the Participant has both attained age 53 and has completed at least ten (10) years of service with the Company.

(3) Normal Retirement Date. A Participant's Normal Retirement Date under this Plan shall be his or her 58th birthday; provided, however, that the Normal Retirement Date for a Participant who was designated in 2003 as a Transition Plan Executive under the SERP shall be age 55.

(4) Deferred Retirement Date. A Participant's Deferred Retirement Date is the Termination Date that occurs after his or her Normal Retirement Date.

(5) Years of Service. For purposes of this Plan, years of service are measured in consecutive full years (i.e., 12 months), based on service from the Participant's most recent date of hire.

(b) Retirement Distribution Forms. Distribution of a Participant's Account balance shall be made according to the distribution options specified in the Participant's Deferral Agreement(s). Portions of Accounts subject to installment payment shall continue to be valued as provided in Section 4.3 until distributed. The distribution options available to a Participant are: (1) single lump sum payment; or (2) installment payments for a period of five, ten or fifteen years.

(c) Lump Sum in Lieu of Installments. If the Participant's Account balance as of his or her Retirement is equal to or less than \$10,000, Leadership Benefits may order the distribution of the Participant's entire Account in a single lump sum rather than in installments, provided that the lump sum payment results in the termination and liquidation of the Participant's entire interest under this Plan and all other plans or arrangements that must be aggregated with this Plan under the rules set forth under Code Section 409A. The Participant may not exercise any discretion to convert an installment election into a lump sum under this provision.

(d) Amount and Timing of Installment Payments. The first installment shall be paid on the Payment Commencement Date as defined in 6.4. Subsequent installments shall be paid annually in January of each succeeding year. The amount of each installment shall be determined by multiplying the Participant's account balance as of the last day of the month immediately preceding the distribution date by a fraction, the numerator of which is one (1) and the denominator of which is (N minus P), where N is the total number of annual installments and P is the number of annual installments previously paid to the Participant. For example, if the form of payment is five annual installments, the first annual distribution is the account balance divided by 5 (5 minus 0), the second annual distribution is the account balance divided by 4 (5 minus 1), the third annual distribution is the account balance divided by 3 (5 minus 2), the fourth annual distribution is the account balance divided by 2 (5 minus 3), and the fifth annual distribution is the entire remaining account balance (5 minus 4).

6.2 In-Service Distributions. While a Participant is employed by the Company, a subsidiary or affiliate, the Participant may receive in-service Plan distributions as provided in this Section 6.2.

(a) Unforeseeable Financial Emergency. At the request of a Participant, the Administrative Committee may, in its sole discretion, pay all or part of the value of the Participant's Account in the event of an unforeseeable financial emergency.

(1) Financial Emergency. In this context, an "unforeseeable financial emergency" is defined as a severe financial hardship resulting from one of the following:

(A) illness or accident of the Participant, the Participant's spouse or

dependent (as defined in Code Section 152(a)), or the Participant's designated Beneficiary;

(B) loss of the Participant's property due to casualty; or

(C) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

(2) Amount. The amount of an accelerated distribution shall be limited to an amount necessary to relieve such emergency, which may include amounts necessary to pay any federal, state, and local taxes or penalties reasonably anticipated to result from the distribution. Amounts available to the Participant due to the cancellation of the Participant's deferral election for the remainder of the Plan Year must be taken into account in determining the amount necessary to satisfy the emergency need.

(3) Effect of Other Financial Resources. A distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be alleviated by reimbursement or compensation from insurance, liquidation of other assets (provided that the liquidation would not itself cause a severe hardship), or the cancellation of deferrals for the remainder of the Plan Year under the Plan.

(b) Scheduled Distributions. During any Election Period, a Participant may, in connection with his or her election to defer compensation, specify a withdrawal date for all or part of his or her compensation deferred pursuant to the election made during the Election Period. A Participant's scheduled distribution election must specify a distribution date that occurs after the Participant's deferrals that are subject to the election have been in the Plan for at least two complete Plan Years (for example, deferrals elected during the 2007 Annual Election Period can first be scheduled for distribution in 2011). The Participant must elect the calendar year and the month (either January or June) of the scheduled distribution. The amount payable to a Participant in connection with a scheduled distribution shall in all cases be a specified dollar amount or a specified percentage of the Participant's Account balance for the Plan Year to which the Deferral Agreement applies. If a distribution event occurs with respect to a Participant before the scheduled distribution date, the Plan provisions applicable to the distribution event will take precedence over the Participant's scheduled distribution election.

6.3 Pre-Retirement Termination of Employment. If a Participant's Termination Date occurs prior to Retirement, the time and form of payment elections in the Participant's Deferral Agreements shall be disregarded and, in lieu of those elections, the Participant shall receive the value of his or her Account in a single lump sum payment on the Payment Commencement Date.

6.4 Payment Commencement Date. Distributions will begin to be paid on the following dates, subject to the delay for Specified Employees set forth in 6.5.

(a) Scheduled Distribution. During the calendar month (January or June) and year specified by the Participant in his or her deferral election.

(b) Retirement Distributions. Within 90 days after Leadership Benefits confirms the Retirement, provided that the Participant does not have the right to designate the taxable year of payment.

(c) Non-Retirement Termination of Employment. Within 90 days after Leadership Benefits confirms the Termination Date, provided that the Participant does not have the right to designate the taxable year of payment.

(d) Unforeseeable Financial Emergency. Within 90 days after Leadership Benefits receives confirmation of the amount of distribution approved by the Administrative Committee, provided that the Participant does not have the right to designate the taxable year of payment.

6.5 Delayed Payment Date. If a distribution is made to a Specified Employee following his or her Retirement or other Termination Date, the first payment may not be made earlier than six months after the Specified Employee's Payment Commencement Date. If the form of distributions is installments, any installments that would have been paid in the absence of this six-month delay will be accrued and paid at the end of the six-month period. Any installments that are due after the six-month period expires will be paid as if they were not subject to this provision. A Specified Employee means an individual who meets the requirements to be a "key employee" as defined in Code Section 416(i) (without regard to Section 416(i)(5)). If the individual is a key employee as of September 30 of a given year, the individual is treated as a Specified Employee for the entire next calendar year. This delayed payment date rule does not apply to scheduled in-service

distributions, financial emergency distributions, or distributions due to the Participant's death.

6.6 Changing the Time or Form of Distribution. The time and form of payment elected in a Participant's Deferral Agreements cannot be changed by the Participant after the last day of an Election Period except as provided in this section. A Participant may change his or her form of Retirement distribution under 6.1(b) or the timing of a scheduled in-service distribution under 6.2(b), provided that:

(a) For a scheduled in-service or Retirement distribution, his or her change is filed with Leadership Benefits no later than the last day of the Plan Year that ends at least 12 months before the Payment Commencement Date;

(b) His or her change cannot take effect earlier than twelve months after the change is requested; and

(c) the first payment under the newly elected form of payment cannot be made sooner than five years after the Payment Commencement Date for the form of payment that the Participant has elected to change.

The Payment Commencement Date for a series of installment payments is treated as the date on which the first of such installment payments would be made

under the terms of this Plan. Where the Payment Commencement Date is stated as a period of time (e.g., a 90-day period following a distribution event), the Payment Commencement Date for purposes of this section is the first day of such period.

6.7 Cash and Stock Distributions. Distributions of a Participant's Deemed Investment Sub-Account shall be made in cash only. Distributions of a Participant's Performance Share Unit Sub-Account shall be made in Common Stock of the Company.

6.8 Postponement of Non-Deductible Distributions.

(a) When Applicable. If the Administrative Committee determines in good faith prior to a Change in Control that there is a reasonable likelihood that any Compensation paid to a Participant for a taxable year of the Company would not be deductible by the Company solely by reason of the limitation under Code section 162(m), then to the extent deemed necessary by the Administrative Committee to ensure that the entire amount of any distribution to the Participant pursuant to this Plan prior to the Change in Control is deductible, the Administrative Committee may defer all or any portion of the distribution. After a Change in Control, the Administrative Committee shall not have discretion to postpone payments under this provision, and all payments will be made on the dates provided in the Plan.

(b) Administration of Deferred Distributions. Any distributions deferred pursuant to this limitation shall continue to be credited with interest or earnings pursuant to the terms hereof. Where a payment to a Participant is delayed under this provision, all other payments to that same Participant that could be delayed under this provision must also be delayed. The amounts so deferred and interest thereon shall be distributed to the Participant or his or her Beneficiary (in the event of a death benefit required hereunder) at the earliest possible date, as determined by the Administrative Committee in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Company during which the distribution is made will not be limited by Code section 162(m), or if earlier, the effective date of a Change in Control.

(c) "Change in Control" Defined. For purposes of this Plan, Change in Control means the first of the following (1), (2), or (3) to occur.

(1) Change in Ownership of Stock. Any person, entity or group of persons purchases or acquires, within the meaning of section 13(d) or 14(d) of the Securities Exchange Act of 1934 ("Act"), or any comparable successor provisions, beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of Company stock that, together with stock already held by such person, entity, or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company.

(2) Change in Effective Control. Either of the following occurs, representing a change in effective control of the Company:

(A) Voting Power. Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by the person or group) ownership of Company stock constituting 30% or more of the total voting power of Company stock; or

(B) Board Composition. A majority of the members of the Company's Board of Directors is replaced during any period of 12 consecutive months by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors prior to the date of the appointment or election.

(3) Change in Ownership of Assets. Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) Company assets that have a total gross fair market value equal to or greater than 40% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. Gross value means the value of the assets determined without regard to any liabilities associated with such assets. However, a Change in Control does not occur to the extent that ownership of assets is transferred to:

(A) a Company shareholder (immediately before the asset transfer) in exchange for or with respect to his or her Company stock;

(B) an entity, 50% or more of the total value or voting power of which is owned directly or indirectly by the Company;

(C) a person, or more than one person acting as a group, that owns directly or indirectly 50% or more of the total value or voting power of the Company;

(D) an entity, at least 50% of the total value or voting power of which is owned directly or indirectly by a person described in (C).

(4) Interpretation. These provisions shall be interpreted and applied in a manner that is consistent with Department of Treasury regulations under Section 409A of the Code.

6.9 Acceleration of Payment. Generally, neither the Company nor any Participant may accelerate the timing of any payment under the Plan, except as specifically set forth in this Plan document. However, the Administrative Committee retains the discretion to accelerate distribution of any payment to the extent such acceleration is specifically permitted under the final regulations under Code Section 409A. Such accelerations include, but are not limited to, a distribution to permit a Participant to pay taxes on amounts deferred under this Plan, including any taxes that may be imposed under Code Section 409A.

## ARTICLE VII DEATH BENEFITS

7.1 Designation of Beneficiary. A Participant shall designate a Beneficiary to receive death benefits under the Plan by completing the beneficiary designation form specified by the Administrative Committee. A Participant shall have the right to change the Beneficiary by submitting a form designating the Participant's change of Beneficiary in accordance with procedures established by the Administrative Committee. No beneficiary designation or change of beneficiary shall be effective until approved by Leadership Benefits.

7.2 Married Participants. If a Participant is married, his or her legal spouse shall be the designated Beneficiary, unless the spouse consents in writing to designation of a different Beneficiary on a form acceptable to the Administrative Committee.

7.3 Deemed Beneficiary. If no designation has been made, or if the Beneficiary has predeceased the Participant, then the Participant will be deemed to have designated the following as his or her surviving beneficiaries and contingent beneficiaries with priority in the order named below:

- (a) first, to his widow or her widower, or his or her registered life partner, as the case may be;
- (b) next, to his or her children, in equal shares;
- (c) next, to his or her parents, in equal shares;
- (d) next, to his or her brothers and sisters, in equal shares; or
- (e) next, to his or her estate.

7.4 Surviving Beneficiary. For purposes of determining the appropriate named or deemed beneficiary or contingent beneficiary, an individual is considered to survive the Participant if that individual is alive seven (7) days after the date of the Participant's death.

7.5 Determination of Account Balance at Death. The value of a Participant's Account shall be determined as of the later of: (a) the date of the

Participant's death; or (b) the date the Administrative Committee approves the distribution under Section 7.6. The amounts in such Account shall be maintained in the deemed investment Sub-Accounts under Section 4.3 after the Participant's death and until the time of distribution, unless the Participant's Beneficiary elects in writing to transfer such amounts from the deemed investment accounts into a separate interest-bearing account designated by the Administrative Committee for this purpose. Upon transfer to the interest-bearing account, the Account shall no longer be deemed invested under Section 4.3(a) and will not be adjusted for deemed investment gains and losses.

7.6 Distribution of Account Balance at Death. Upon a Participant's death, the value of Participant's Account shall be distributed as follows:

(a) Death Prior to Retirement. If a Participant dies before Retirement, the Participant's Beneficiary shall receive the balance of the Participant's Account. Additionally, if the Participant dies while an employee of the Company and such Participant's death is not attributable to suicide committed within two years after becoming a Participant, such Beneficiary shall receive an amount equal to twice the Participant's actual deferrals under Section 3.2 that have been credited to the Participant's Account as of December 31, 2007 (exclusive of any earnings thereon). Compensation deferred after December 31, 2007 shall not be taken into account in calculating this pre-retirement death benefit. This pre-retirement death benefit shall be paid as a lump sum in the Plan Year containing the Participant's death. A lump sum payment will be treated as having been made in the Plan Year containing the Participant's death as long as the payment is made not later than the 15th day of the third month of the following year.

(b) Death After Retirement. If a Participant dies after Retirement, the Participant's Beneficiary shall receive the Participant's remaining Account

balance in the form designated in the Participant's distribution election under Section 6.1 together with amounts credited under Section 7.5.

7.7 Determination of Beneficiary. If the Administrative Committee has any doubt as to the proper Beneficiary to receive payments hereunder, the Administrative Committee shall have the right to direct the Company to withhold such payments until the matter is finally adjudicated. However, as provided in Section 11.8, any payment made by the Company, in good faith and in accordance with the Plan and the directions of the Administrative Committee shall fully discharge the Company, the Board and the Administrative Committee from all further obligations with respect to that payment.

7.8 Payments to Minor or Incapacitated Beneficiaries. In making distributions from the Plan to or for the benefit of any minor or incapacitated Beneficiary, the Administrative Committee, in its sole and absolute discretion, may direct the Company to make such distribution to a legal or natural guardian of such Beneficiary, or to any adult with whom the minor or incompetent temporarily or permanently resides. The receipt by such guardian or other adult shall be a complete discharge of liability to the Company, the Board, and the Administrative Committee. Neither the Board, the Administrative Committee, nor the Company shall have any responsibility to see to the proper application of any payments so made.

7.9 Effect of Divorce. If a Participant and his or her Designated Beneficiary are or become married and thereafter their marriage is dissolved by entry of a decree of dissolution or other court order having the effect of dissolving the marriage, then any such pre-divorce Beneficiary designation shall be deemed automatically revoked as to such Beneficiary spouse as of the date of such dissolution unless the death benefit rights of such former spouse are subsequently reaffirmed by a qualified domestic relations order or the Participant's subsequent written designation.

#### ARTICLE VIII ADMINISTRATION OF THE PLAN

8.1 Plan Sponsor and Administrator. The Company is the "Plan Sponsor," and its address is: Nordstrom, Inc., 1700 Seventh Avenue, Seattle, Washington 98101-4407. The Administrative Committee is the "Plan Administrator."

8.2 Powers and Authority of the Company. The Company, acting through the Compensation Committee of its Board of Directors, has the following absolute powers and authority under the Plan:

(a) To amend or terminate the Plan, at any time and for any reason;

(b) To determine the amount, timing, vesting, and other conditions applicable to Plan contributions and benefits;

(c) To set aside funds to assist the Company to meet its obligations under this Plan, provided that the funds are set aside in a manner that does not result in immediate taxation to Participants;

(d) To establish investment policy guidelines applicable to funds (if any) set aside under (c);

(e) To establish one or more grantor trusts (as defined in Code Section 671 et seq.) to facilitate the payment of benefits under the Plan;

(f) To take any such other actions as it deems advisable to carry out the purposes of the Plan; and

(g) To delegate its authority to any officer, employee, committee or agent of the Company, as it deems advisable for the effective administration of the Plan.

### 8.3 Administrative Committee.

(a) Role of Administrative Committee. The Company has appointed the Administrative Committee to act as Plan Administrator. All actions taken by the Administrative Committee, or by its delegate, as Plan Administrator will be conclusive and binding on all persons having any interest under the Plan, subject only to the provisions of Article IX. All findings, decisions and determinations of any kind made by the Administrative Committee or its delegate shall not be disturbed unless the Administrative Committee has acted in an arbitrary and capricious manner.

(b) Powers and Authority. The Administrative Committee has the following powers and authority under the Plan:

(1) In the exercise of its sole, absolute, and exclusive discretion, to construe and interpret the terms and provisions of the Plan, to remedy and resolve ambiguities, to grant or deny any and all non-routine claims for benefits and to determine all issues relating to eligibility for benefits;

(2) To authorize withdrawals due to unforeseeable financial emergency;

(3) To amend the Plan for legal, technical, administrative, or compliance purposes, as recommended by legal counsel;

(4) To retain and pay service providers whose services the Administrative Committee deems necessary to effective administration of the Plan;

(5) To implement, in the manner it deems appropriate, the investment policy guidelines established by the Compensation Committee; and

(6) To delegate its authority to any officer, employee, committee or agent of the Company, as it deems advisable for the effective administration of the Plan, any such delegation to carry with it the full discretion and authority vested in the Administrative Committee.

(c) Exercise of Authority. All resolutions or other actions taken by the Administrative Committee shall be either: (1) by vote of a majority of those present at a meeting at which a majority of the members are present; or (2) in writing by a majority of all the members at the time in office if they act without a meeting.

### 8.4 Powers and Authority of Leadership Benefits. Leadership Benefits has the following powers and authority under the Plan:

(a) To carry out day-to-day administration of the Plan, including notifying Eligible Employees of the provisions of the Plan, approving and processing

Deferral Agreements, providing Participants with statements of Account, approving and processing changes in the time and/or form of distributions, and forwarding non-routine distribution requests to the Administrative Committee;

(b) To prepare forms necessary for the administration of the Plan, including Deferral Agreements, beneficiary designation forms, investment designation forms, and any other form or document deemed necessary to the effective administration of the Plan;

(c) To approve and adopt communications to be furnished to Eligible Employees explaining the material provisions, terms, and conditions of the Plan;

(d) To process routine distributions and to process non-routine



distributions that have been approved by the Administrative Committee;

(e) To negotiate and document agreements with Plan service providers, subject to final approval by the Administrative Committee;

(f) To implement any policies or procedures approved by the Company or the Administrative Committee;

(g) To recommend amendments to the Plan for adoption by the Company or the Administrative Committee;

(h) To work with Plan service providers to ensure the effective administration of the Plan; and

(i) To perform any and all tasks, duties, and responsibilities delegated by the Company or the Administrative Committee.

8.5 Reliance on Opinions. Each person or entity authorized to act under this Plan shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel, including legal counsel for the Company.

8.6 Information. The Company shall supply full and timely information on all matters relating to the compensation of Participants, the date and circumstances of the termination of employment or death of a Participant and such other pertinent information as may be necessary for the effective administration of the Plan.

8.7 Indemnification. The Company shall indemnify and hold harmless each Administrative Committee or Board member, and each Company employee performing services or acting in any capacity with respect to the Plan, from and against any and all expenses and liabilities arising in connection with services performed in regard to this Plan. Expenses against which such individual shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such individual may be entitled as a matter of law or other agreement. However, the right to indemnification does not apply where an expense or liability is incurred due to an individual's fraudulent or intentionally dishonest acts.

#### ARTICLE IX CLAIMS PROCEDURE

9.1 Submission of Claim. Benefits shall be paid in accordance with the provisions of this Plan. The Participant, or any person claiming through the Participant ("Claiming Party"), shall make a written request for benefits under this Plan, mailed or delivered to Leadership Benefits. If the claim cannot be processed as a routine payment of benefits, Leadership Benefits will forward the claim to the Administrative Committee for review.

9.2 Denial of Claim. If a claim for payment of benefits is denied in full or in part, the Administrative Committee or its delegate shall provide a written notice to the Claiming Party within ninety days after receipt of the claim setting forth: (a) the specific reasons for denial; (b) any additional material or information necessary to perfect the claim; (c) an explanation of why such material or information is necessary; and (d) an explanation of the steps to be taken for a review of the denial. A claim shall be deemed denied if the Administrative Committee or its delegate does not take any action within the aforesaid ninety day period.

9.3 Review of Denied Claim. If the Claiming Party desires Administrative Committee review of a denied claim, the Claiming Party shall notify the Administrative Committee or its delegate in writing within sixty days after receipt of the written notice of denial. As part of such written request, the Claiming Party may request a review of the Plan document or other pertinent documents, may submit any written issues and comments, and may request an extension of time for such written submission of issues and comments.

9.4 Decision upon Review of Denied Claim. The decision on the review of the denied claim shall be rendered by the Administrative Committee within sixty days after receipt of the request for review. The Administrative Committee may extend this period for up to sixty additional days with advance notice to the Claiming Party, an explanation of why the extension is necessary, and an estimated date of decision. The decision shall be in writing and shall state the specific reasons for the decision, including reference to specific provisions of the Plan on which the decision is based.

ARTICLE X  
AMENDMENT AND TERMINATION

The Plan may be amended or terminated at any time for any reason. Such amendment or termination may modify or eliminate any benefit hereunder, provided that no such amendment or termination shall in any way reduce the vested portion of the affected Participants' or Beneficiaries' Accounts. To be effective, an amendment must be in writing and must be signed by a person who has amendment authority under the terms of the Plan. Oral amendments or modifications to the Plan, and any written amendments that are not signed by an authorized person, are not valid or binding on the Company or any other person. Upon termination of the Plan, the Board of Directors may elect to accelerate distribution of Participant Accounts, but only if the accelerated distribution would not result in additional tax to the Participant under Code Section 409A.

ARTICLE XI  
MISCELLANEOUS

11.1 No Employment Contract. The terms and conditions of the Plan shall not be deemed to constitute a contract of employment between the Company and an employee. Nothing in this Plan shall be deemed to give an Eligible Employee the right to be retained in the service of the Company, its subsidiaries or affiliates or to interfere with any right of the Company, its subsidiaries or affiliates to discipline or discharge the Eligible Employee at any time.

11.2 Employee Cooperation. As a condition to participation in the Plan, an Eligible Employee must cooperate with the Company by furnishing any and all information reasonably requested by any of the Company, its subsidiaries or affiliates, and take such other actions as may be requested to facilitate Plan administration and the payment of benefits hereunder.

11.3 Illegality and Invalidity. If any provision of this Plan is found illegal or invalid, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had not been included herein.

11.4 Required Notice. Any notice which shall be or may be given under the Plan or a Deferral Agreement shall be in writing and shall be mailed by United States mail, postage prepaid, or in such other manner as the Company determines is appropriate. If notice is to be given to the Company, such notice shall be addressed to the Company c/o Leadership Benefits Department, at 1700 Seventh Avenue, Suite 900, Seattle Washington 98101-4407. The appeal from a denied claim must be in writing and sent physically by mail or courier to Leadership Benefits. If notice is to be given to a Participant, such notice shall be addressed to the last known address, either geographic or electronic, in the Company's Human Resources records. Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail (either physical or electronic), to the last known address of the Participant. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

11.5 Interest of Participant's Spouse. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

11.6 Tax Liabilities from Plan. If all or any portion of a Participant's benefit under this Plan generates a tax liability to the Participant, including a liability under Code Section 409A, prior to the time that the Participant is entitled to a distribution from the Plan, the Administrative Committee may, in its discretion, instruct the Company to distribute immediately available funds to the Participant in an amount necessary to satisfy such tax liability.

11.7 Benefits Nonexclusive. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Company. The Plan shall supplement and shall not supersede,

modify or amend any other such plan or program except as may otherwise be expressly provided.

11.8 Discharge of Company Obligation. The payment of benefits under the Plan to a Participant or Beneficiary shall fully and completely discharge the Company, the Board, and the Administrative Committee from all further

obligations under this Plan with respect to a Participant, and that Participant's Deferral Agreement shall terminate upon such full payment of benefits.

11.9 Costs of Enforcement. If any action at law or in equity is necessary by the Administrative Committee or the Company to enforce the terms of the Plan, the Administrative Committee or the Company shall be entitled to recover reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which that party may be entitled.

11.10 Gender and Case. Unless the context clearly indicates otherwise, masculine pronouns shall include the feminine and singular words shall include the plural and vice versa.

11.11 Titles and Headings. Titles and headings of the Articles and Sections of the Plan are included for ease of reference only and are not to be used for the purpose of construing any portion or provision of the Plan document.

11.12 Applicable Law. To the extent not preempted by federal law, the Plan shall be governed by the laws of the State of Washington.

11.13 Counterparts. This instrument and any Deferral Agreement may be executed in one or more counterparts, each of which is legally binding and enforceable.

11.14 Additional Definitions:

- (a) "Board" means the Board of Directors of Nordstrom, Inc.
- (b) "Code" means the Internal Revenue Code of 1986, as amended.
- (c) The "Plan Year" means the calendar year.

IN WITNESS WHEREOF, this instrument setting forth the terms and conditions of this amendment and restatement to the NORDSTROM EXECUTIVE DEFERRED COMPENSATION PLAN is executed this 15th day of November, 2007, effective for compensation deferred and vested on and after January 1, 2008, except as otherwise provided herein.

NORDSTROM, INC.

By: /s/ Delena Sunday

Title: Executive Vice President -  
Human Resources and Diversity  
Affairs

NORDSTROM  
 DIRECTORS DEFERRED COMPENSATION PLAN  
 (2007 Restatement)

Except as specifically stated, this Restatement applies to amounts deferred and vested on or after January 1, 2008. Amounts deferred and vested prior to January 1, 2005 (and investment gains and losses attributable to such amounts) are governed by the 2002 Restatement and any amendments to the 2002 Restatement. Amounts initially deferred and vested after December 31, 2004 and before January 1, 2008 are subject to the provisions of this Restatement, except to the extent modified by transition rules separately documented by the Company.

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TABLE OF CONTENTS

ARTICLE I TITLE, PURPOSE AND EFFECTIVE DATE.....1  
 1.1 Title.....1  
 1.2 Purpose.....1  
 1.3 Effective Date.....1  
 ARTICLE II ELIGIBILITY.....1  
 2.1 Participation.....1  
 2.2 Time of Eligibility.....1  
 ARTICLE III DEFERRAL OF COMPENSATION.....1  
 3.1 Deferral Elections.....1  
 3.2 Amount of Deferral.....2  
 3.3 Effect of Election to Defer Equity Compensation.....3  
 3.4 Minimum Deferral.....3  
 3.5 Requirement for Deferral Agreement.....3  
 3.6 Applicability of Deferral Agreement.....3  
 3.7 Suspension of Participation.....3  
 ARTICLE IV APPRECIATION UNIT AWARDS AND VALUATION.....3  
 4.1 Participation.....3  
 4.2 Award of Units.....4  
 4.3 Nature of Units.....4  
 4.4 Conversion.....4  
 4.5 Valuation.....4

4.6	Participation Agreement.....	4
4.7	Effect of Change in Stock.....	5
ARTICLE V BOOKKEEPING ACCOUNT AND CREDITING.....		5
5.1	Bookkeeping Account.....	5
5.2	Time of Crediting Accounts.....	6
5.3	Participant Deemed Investments.....	6
5.4	Investments by the Company.....	6
5.5	Limited Effect of Allocation.....	7
5.6	Report of Account.....	7
ARTICLE VI RIGHTS OF PARTICIPANT IN PLAN.....		8
6.1	Ownership Rights in Bookkeeping Account.....	8
6.2	Rights in Plan are Unfunded and Unsecured.....	8
6.3	No Transfer of Interest in Plan Allowed.....	8
6.4	Plan Binding Upon Parties.....	8
ARTICLE VII DISTRIBUTIONS.....		8
7.1	Retirement.....	8
7.2	In-Service Distributions.....	9
7.3	Distribution Following Separation from Service (Non-Retirement).....	10
7.4	Retirement Distributions.....	10
7.5	Cash and Stock Distributions.....	11
7.6	Acceleration of Payment.....	11
ARTICLE VIII DEATH BENEFITS.....		11
8.1	Designation of Beneficiary.....	11
8.2	Deemed Beneficiary.....	11
8.3	Surviving Beneficiary.....	12
8.4	Determination of Account Balance at Death.....	12
8.5	Distribution of Bookkeeping Account Balance at Death.....	12
8.6	Determination of Beneficiary.....	13
8.7	Payments to Minor or Incapacitated Beneficiaries.....	13
8.8	Effect of Divorce.....	13
ARTICLE IX ADMINISTRATION OF THE PLAN.....		13
9.1	Plan Sponsor and Administrator.....	13
9.2	Powers and Authority of the Company.....	13
9.3	Administrative Committee.....	14
9.4	Powers and Authority of Leadership Benefits...	15
9.5	Reliance on Opinions.....	16
9.6	Information.....	16
9.7	Indemnification.....	16
ARTICLE X CLAIMS PROCEDURE.....		16
10.1	Submission of Claim.....	16
10.2	Denial of Claim.....	16
10.3	Review of Denied Claim.....	16
10.4	Decision Upon Review of Denied Claim.....	17
ARTICLE XI AMENDMENT AND TERMINATION.....		17
ARTICLE XII MISCELLANEOUS.....		17
12.1	No Employment Contract.....	17
12.2	Cooperation.....	17
12.3	Illegality and Invalidity.....	17
12.4	Required Notice.....	17
12.5	Interest of Participant's Spouse.....	18
12.6	Tax Liabilities from Plan.....	18
12.7	Benefits Nonexclusive.....	18
12.8	Discharge of Company Obligation.....	18
12.9	Costs of Enforcement.....	18
12.10	Gender and Case.....	18
12.11	Titles and Headings.....	18
12.12	Applicable Law.....	19
12.13	Counterparts.....	19
12.14	Definitions.....	19

## ARTICLE I

### TITLE, PURPOSE AND EFFECTIVE DATE

1.1 Title. This plan shall be known as the Nordstrom Directors Deferred Compensation Plan, and any reference in this instrument to the Plan shall include the plan as described herein and as amended from time to time.

1.2 Purpose. The Plan is intended to constitute an unfunded plan maintained primarily for the purpose of providing deferred compensation for non-employee members of the Board of Nordstrom, Inc., a Washington corporation, and its affiliates ("Company"). Because the Plan does not cover any employees of the Company, it is exempt from the Employee Retirement Income Security Act of 1974, as amended.

1.3 Effective Date. The Plan was originally effective as of January 1, 1994 and was restated effective January 1, 2003. The Plan is again restated to comply with Section 409A of the Code. Except as specifically stated to the contrary, this restatement applies only to amounts deferred and vested on or after January 1, 2008. Amounts deferred and vested prior to January 1, 2005 (and investment gains and losses attributable to such amounts) are governed by the 2002 Restatement and any amendments to the 2002 Restatement. Amounts initially deferred and vested after December 31, 2004 and before January 1, 2008 are subject to the provisions of this Restatement, except to the extent modified by transition rules separately documented by the Company.

## ARTICLE II

### ELIGIBILITY

2.1 Participation. A Board member becomes a Participant in the Plan when he or she elects to defer a portion of his or her director's fees pursuant to the terms of the Plan and Article III or when the Company awards Appreciation Units to the Board member pursuant to the terms of the Plan and Article IV. A Board member remains a Participant as long as he or she has a Bookkeeping Account balance that has not yet been entirely distributed.

2.2 Time of Eligibility. A Board member shall be eligible to participate in the Plan upon becoming a Board member. Subject to the provisions of the Plan, all Board members will be eligible to defer compensation and receive benefits at the time and in the manner provided hereunder.

## ARTICLE III

### DEFERRAL OF COMPENSATION

3.1 Deferral Elections. A Board member wishing to defer Eligible Compensation must properly execute a Deferral Agreement in accordance with procedures established by the Company's Leadership Benefits Department on or before the applicable Election Date.

(a) Deferral Agreement. As used in this instrument, the term Deferral Agreement means the written or electronic form prescribed by the Administrative Committee, and developed in conjunction with Leadership Benefits, and which indicates the portion of the Participant's director's fees he or she elects to defer for any Plan Year and the time and form of

payment of the deferred amounts. No Deferral Agreement shall be effective until accepted by the Company or its designated agent.

(b) Election Date. The Election Date is the date by which a Participant must submit a valid Deferral Agreement to the Company, determined as follows:

(1) Plan Year Open Enrollment-Cash Fees. The Election Date for deferrals of cash fees is December 31 of the year preceding the year in which the Participant performs the services that generate the cash fees.

(2) Election Date for Stock Units and Restricted Stock. The Election Date for deferrals of Stock Units and for shares of Restricted Stock granted under the Nordstrom, Inc. 2002 Non-Employee Director Stock Incentive Plan, or a successor plan ("Director Incentive Plan") is December 31 of the year

preceding the year in which the grant is made. Grants under the Director Incentive Plan are made for services to be performed in the 12-month period following the grant.

(3) New Participants. The Election Date for any Participant who first becomes a Board member during the Plan Year is thirty (30) days after the date the Participant first becomes a Board member.

(c) Eligible Compensation. For purposes of this Plan, the following items of a Participant's remuneration shall be considered Eligible Compensation:

(1) Cash Fees. The Participant's director's fees payable in cash that are attributable to services performed in the year following the Plan Year containing the Election Date.

(2) Equity Compensation. Equity Compensation includes the following grants under the Director Incentive Plan:

(A) Restricted Shares. The Participant's Restricted Shares; and

(B) Stock Units. The Participant's Stock Units.

3.2 Amount of Deferral. A Participant may, for any Plan Year, irrevocably elect to have the following amounts of Eligible Compensation deferred and credited to the Participant's Bookkeeping Account in accordance with the terms and conditions of the Plan:

(a) Cash Fees. All or a portion of the Participant's cash director's fees;

(b) Restricted Stock. All or a portion of the Participant's Restricted Stock; and

(c) Stock Units. All or a portion of the Participant's settlement of Stock Units in a future year.

3.3 Effect of Election to Defer Equity Compensation. At the time of deferral, a Participant must elect the time and form of payment of Equity Compensation. Once the deferral election becomes irrevocable as of an Election Date, the time and form of payment of Equity Compensation subject to that election shall be governed solely by the election under this Plan and shall not be governed by the time and form of payment provisions under the Director Incentive Plan.

3.4 Minimum Deferral. Each Participant must agree to defer a minimum of five thousand dollars (\$5,000) per Plan Year; provided, however, that this minimum need not be met if director's fees actually paid are insufficient to yield such minimum deferral in accordance with the Participant's Deferral Election.

3.5 Requirement for Deferral Agreement. A Participant who has not timely submitted a valid Deferral Agreement may not defer any Eligible Compensation for the applicable Plan Year under the Plan.

3.6 Applicability of Deferral Agreement. A Deferral Agreement remains in effect for the Plan Year to which it applies, except that the Deferral Agreement shall automatically be cancelled for the remainder of any Plan Year in which a Participant's request for an unforeseeable financial emergency is approved. A Participant must file a new Deferral Agreement for each Plan Year. The terms of any Deferral Agreement may, but need not be, similar to the terms of any prior Agreement.

3.7 Suspension of Participation. If a Participant receives an unscheduled in-service distribution (with penalty) under the 2002 restatement of this Plan, the Participant's eligibility to defer under this Plan shall continue for the remainder of the Plan Year in which the unscheduled in-service distribution is received, but shall be suspended for the next two Plan Years.

#### ARTICLE IV APPRECIATION UNIT AWARDS AND VALUATION

4.1 Participation. The Corporate Governance and Nominating Committee may designate members of the Board who, in the judgment of the Corporate Governance and Nominating Committee, are expected to perform future services of special importance on behalf of the Board or of the Company and should be entitled to an award of Appreciation Units under this Plan. Each Board member so designated must execute a Participation Agreement in the form and manner prescribed by the Compensation Committee as a condition to receiving an award of Appreciation Units.

4.2 Award of Units. After execution of a Participation Agreement, the

Company shall award Appreciation Units to designated Participants on such terms and conditions as the Corporate Governance and Nominating Committee deems appropriate. Such Units shall be immediately fully vested.

4.3 Nature of Units. Each Appreciation Unit represents the Company's agreement to pay to the Participant as deferred compensation an amount based on changes in the value of one share of common stock of the Company, determined under section 4.5. Appreciation Units represent a contractual right to receive deferred compensation, and the Participant holding such right shall be a general, unsecured creditor of the Company. Appreciation Units are intended to reflect changes in the value of actual shares of common stock of the Company, but they are not common stock of the Company, are not transferable or assignable, shall not give the Participant any right to purchase actual shares of Company stock, and shall not confer on the Participant any of the ownership rights associated with shares of common stock of the Company.

4.4 Conversion. Upon the occurrence of a distribution event under Article VII, or at any time upon the election of a Participant, some or all of the Appreciation Units shall be converted into a dollar amount, which represents the difference in value of shares of Company common stock from the date the Appreciation Units are awarded to the date the Units are converted. The value of the converted Units shall be determined under section 4.5, shall be credited to the Participant's Bookkeeping Account, and shall be deemed invested in accordance with the Participant's deemed investments under section 5.3. Unless a distribution event has occurred under Article VII, the fact that a Participant elects to convert one or more Appreciation Units to a cash value does not create the right to receive a distribution or payment of any kind from this Plan.

4.5 Valuation. Upon the Participant's election to convert some or all of the Appreciation Units or upon occurrence of a distribution event described in Article VII, the value of the Units shall be determined as follows:

(a) First, the base value of the Units shall be determined by multiplying the number of Units awarded by the closing price of Company common stock on the New York Stock Exchange on the date that the Units are awarded.

(b) Second, the adjusted value of the Units shall be determined by multiplying the number of converted Units by the closing price of Company common stock on the New York Stock Exchange on the date that the Units are converted.

(c) Third, the dollar amount under (a) shall be subtracted from the dollar amount in (b), and the difference shall be credited to the Participant's Bookkeeping Account. In the event that the difference results in a number less than zero, the converted Units shall be cancelled without any liability or obligation to pay on the part of the Company or the Participant.

4.6 Participation Agreement. As used in this Plan, the term Participation Agreement means the written form prescribed by the Compensation Committee that specifies the number of Appreciation Units awarded to a member of the Board. The Participation Agreement may include such terms and conditions applicable to the award and conversion of the Appreciation Units as the Corporate Governance and Nominating Committee may deem reasonable and necessary to achieve the objectives of this Plan. In addition, the Participation Agreement with respect to each separate award of Appreciation Units shall specify the Participant's elections for the time and form of distribution of the value of the Units, and the elections can be modified only as provided in Article VII. The Participation Agreement must be executed prior to an actual award of Appreciation Units, and shall not be effective until approved and accepted by the Company.

4.7 Effect of Change in Stock. The Units and the value of the Units shall be proportionately adjusted for increase or decrease in the number of shares of Company stock subsequent to the effective date of a Participation Agreement resulting from a split, division, or consolidation of shares, a capital adjustment, or other increase or decrease in the number of shares of Company stock without receipt of consideration by the Company.

## ARTICLE V BOOKKEEPING ACCOUNT AND CREDITING

5.1 Bookkeeping Account. A Bookkeeping Account is the account established on the books of the Company as a record of each Participant's Plan balance. A Bookkeeping Account may, at the discretion of the Administrative Committee, include one or more sub-accounts to reflect amounts credited to a Participant under the various terms of the Plan. As of the effective date of this



Restatement, the Administrative Committee has established the following four sub-accounts:

(a) Deemed Investment Sub-Account: A Deemed Investment sub-account, expressed as a dollar amount, reflecting the Participant's account balance resulting from the following:

(1) Deferred cash director's fees;

(2) Cash paid as the result of settlement of Stock Units under the Director Incentive Plan deferred pursuant to Article III; converted Appreciation Units pursuant to Article IV; or dividends issued in the form of cash under the Director Incentive Plan; and

(3) The Participant's deemed investment of such amounts under Section 5.3.

(b) Company Shares Sub-Account. A Company Shares Sub-Account, expressed in units (each unit representing one share of Company common stock) in which the Participant is vested resulting from settlement of Stock Units under the Director Incentive Plan; or dividends issued in the form of Stock Units under the Director Incentive Plan.

(c) Restricted Shares Sub-Account. A Restricted Shares sub-account, expressed in units (denominated in units of shares of the Company's Common Stock), reflecting the number of Restricted Shares in the Company's stock granted under the Director Incentive Plan and deferred pursuant to Article III.

(d) Appreciation Units Sub-Account. An Appreciation Units sub-account reflecting the number of Appreciation Units under Article IV. The balance in such sub-account shall be expressed in units (each unit representing one share of the Company's Common Stock). The value of Appreciation Units converted to cash shall be reflected in the Deemed Investment Sub-Account.

5.2 Time of Crediting Accounts. Amounts deferred by a Participant under the Plan shall be credited to the Participant's Bookkeeping Account as soon as administratively practicable after the date deferred amounts would otherwise have been received (or beneficially received in the case of Company contributions) by the Participant. Subject to 5.4(c)(ii) regarding the underwriting of the Plan's investment vehicles, Earnings shall be credited to a Participant's Bookkeeping Account on the date determined by the Company, but no later than the month following the month in which deferrals and Company contributions were credited to the Bookkeeping Account in accordance with the preceding sentence. Earnings are based on the performance of the investment options selected by Participants in accordance with Section 5.3.

5.3 Participant Deemed Investments. Subject to Section 5.3(b), each Participant may, from time to time, select from the various indices provided by the Administrative Committee (under Section 5.4(b)) in which his or her Bookkeeping Account will be deemed invested; provided, however, that the Administrative Committee is under no obligation to acquire or provide any of the investments designated by the Participant.

(a) Deemed Investment Sub-Account. A Participant's Deemed Investment Sub-Account shall be credited or debited from time to time, as determined by the Administrative Committee, with additional amounts equal to the appreciation (or loss) such accounts would have experienced had they actually been invested in the specified fund indices at the relevant times. This crediting and debiting will take into account the date that a Participant's Bookkeeping Account transactions (such as deferrals, contributions, distributions and transfers among funds) are actually reflected by the Plan's record-keeping system.

(b) Company Shares, Restricted Shares and Appreciation Units Sub-Accounts. The number of units in a Participant's Company Shares, Restricted Shares, and Appreciation Units Sub-Accounts shall be appropriately adjusted periodically to reflect any dividend (if applicable), split, split-up or any combination or exchange, however accomplished, with respect to the shares of the Company's common stock represented by such units.

5.4 Investments by the Company. In order to provide funds to satisfy its obligations under the Plan, the Company may, but shall not be required to, keep cash or invest and reinvest in mutual funds, stocks, bonds securities or any other assets as may be reasonably selected by the Administrative Committee in its discretion. Such investments may, but need not, follow the investment indices chosen by the Participants.

(a) Investment Advice. In the exercise of the foregoing investment powers, the Administrative Committee may engage investment counsel and, if the Administrative Committee so desires, may delegate to such counsel full or limited authority to select the assets in which the funds are to be invested. Such investment counsel may be an Officer and Employee of the Company.

(b) Choice of Investment Indices. The Administrative Committee, or its investment counsel, may specify one or more investment funds to serve as indices for the investment performance of amounts credited under the Bookkeeping Accounts. The Administrative Committee has the authority to expand or limit the type or number of fund indices and to prescribe, in conjunction with the Company, the frequency with which Participants may change their deemed investment elections.

(c) Insurance. If the Administrative Committee elects to purchase an insurance policy or policies insuring the life of the Participant to allow the Company to recover the cost of providing the benefits hereunder:

(1) The Participant shall, as a condition to continued participation in the Plan, sign any papers and undergo any medical examinations or tests that may be necessary or required for such purpose;

(2) Notwithstanding the Participant's election or direction or any provision in the Plan to the contrary, the Participant's Account may be deemed invested in a money market fund or instrument or other liquid asset selected by the Administrative Committee or its delegate, pending the underwriting and delivery of such policy or annuity; and

(3) The Participant, Participant's Beneficiary, and any other person claiming through the Participant shall not have or acquire any rights whatsoever in such policy or policies or in the proceeds of the policies.

5.5 Limited Effect of Allocation. The fact that any allocation shall be made and credited to a Bookkeeping Account shall not vest in a Participant any right, title or interest in or to any assets of the Company, or in any right to payment, except at the time(s) and upon the conditions elsewhere set forth in the Plan.

5.6 Report of Account. A Participant shall be provided information regarding Participant's Bookkeeping Account balance within a reasonable time after requesting such information from Leadership Benefits. The Company shall furnish each Participant statements on a periodic basis, no less frequently than annually, as soon as administratively practicable after the allocations for the end of the Plan Year have been completed. The Company may, in its discretion, provide Participants with account balance statements more frequently than provided in the preceding sentence.

## ARTICLE VI RIGHTS OF PARTICIPANT IN PLAN

6.1 Ownership Rights in Bookkeeping Account. Subject to the restrictions provided in this Article or stated in awards of Equity Compensation under the Director Incentive Plan, each Participant shall at all times have a fully vested interest in the value of the Participant's Bookkeeping Account.

6.2 Rights in Plan are Unfunded and Unsecured. The Company's obligation under the Plan shall in every case be an unfunded and unsecured promise to pay. A Participant's right to Plan distributions shall be no greater than the rights to payment of general, unsecured creditors of the Company. The Company may establish one or more grantor trusts (as defined in Code Section 671 et seq.) to facilitate the payment of benefits hereunder; however, the Company shall not be obligated under any circumstances to fund its financial obligations under the Plan. Any assets which the Company may acquire or set aside to defray its financial liabilities shall be general assets of the Company, and such assets, as well as any assets set aside in a grantor trust, shall be subject to the claims of its general creditors.

6.3 No Transfer of Interest in Plan Allowed. Except as permitted by applicable law, no sale, transfer, alienation, assignment, pledge, collateralization or attachment of any benefits under the Plan shall be valid or recognized by the Company. Neither the Participant, Participant's spouse or a designated Beneficiary shall have any power to hypothecate, mortgage, commute, modify or otherwise encumber in advance of any of the benefits payable hereunder. Said benefits shall not be subject to seizure for the payment of any debts, judgments, alimony, maintenance owed by the Participant or a Beneficiary, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. Notwithstanding the foregoing, the Company may, if the Administrative Committee so determines in its sole discretion, follow the terms of any court order issued in connection with any domestic relations proceeding including but not limited to marital dissolution or child support.

6.4 Plan Binding Upon Parties. The Plan shall be binding upon the Company, its assigns, and any successor company that acquires substantially all of its

assets and business through merger, acquisition or consolidation; and upon all Participants and any Participant's Beneficiaries, assigns, heirs, executors and administrators.

## ARTICLE VII DISTRIBUTIONS

7.1 Retirement. A Participant's Retirement shall mean the Participant's Early Retirement, if applicable, or if not applicable, the later of the Participant's 60th birthday or the date on which the Participant ceases to be a Board member. Early Retirement shall mean the date on which the Participant ceases to be a Board member if the Participant is at least fifty (50) years of age on such date and has been a Board member for at least ten (10) years. For this purpose, years served as a Board member are measured in consecutive full years (i.e., periods of 12 consecutive months), based on service from the date Participant began serving as a Board member.

7.2 In-Service Distributions. While a Participant is a Board member, the Participant may receive Plan distributions as provided in this Section 7.2.

(a) Unforeseeable Financial Emergency. At the request of a Participant before his or her service with the Company terminates, the Administrative Committee may, in its sole discretion, pay all or part of the value of the Participant's Bookkeeping Account in the event of an unforeseeable financial emergency beyond the requesting party's control. Such hardship distributions may be allowed only as follows:

(1) Financial Emergency. An unforeseeable financial emergency is defined as a severe financial hardship resulting from (A) an illness or accident of the Participant, his or her spouse, his or her tax dependent, or his or her Beneficiary, (B) the loss of a Participant's or Beneficiary's property due to casualty, or (C) other similar extraordinary, unforeseeable and unforeseen circumstances arising as a result of events beyond the control of the requesting party.

(2) Amount. The amount of an accelerated distribution shall be limited to an amount necessary to relieve such emergency, which may include an amount necessary to pay tax liabilities reasonably anticipated to result from the distribution. A distribution on account of unforeseeable financial emergency may not be made to the extent that such emergency is or may be alleviated by reimbursement or compensation from insurance or liquidation of the Participant's other assets (provided that the liquidation would not itself cause a severe hardship).

(3) Effect on Deferral Agreement. A Participant's Deferral Agreement shall be automatically canceled for the remainder of the Plan Year in which the unforeseeable financial emergency distribution is made.

(b) Scheduled Distributions. Prior to Retirement, a Participant may elect, in a Deferral Agreement (or in a Participation Agreement for each award of Appreciation Units), to receive a specified percentage of the Participant's deferrals for a Plan Year in a specified later Plan Year while the Participant continues to be a Board member. The scheduled distribution must designate a Plan Year that begins after the deferred amounts have been credited to this Plan for at least two full Plan Years (e.g., an election in December 2007 could provide for a scheduled distribution no sooner than the Plan Year beginning January 1, 2011). The Participant must elect the calendar year and the month (either January or June) of the scheduled distribution. The amount payable to a Participant in connection with a

scheduled distribution shall in all cases be a specified dollar amount or a specified percentage of the Participant's Account balance for the Plan Year to which the Deferral Agreement applies. A Participant may change the time of a scheduled distribution by submitting a change request by the last day of the Plan Year that ends at least 12 months before the scheduled distribution date and postponing the scheduled distribution for a period of at least five years. If the Participant terminates service as a Board member before a scheduled distribution date, then the Plan's provisions (and the Participant's elections, if applicable) for distributions following a separation from service (Retirement or Non-Retirement, depending on the Participant's age and years of service) shall supersede the Participant's scheduled distribution elections.

7.3 Distribution Following Separation from Service (Non-Retirement. If a Participant's service as a Board member terminates prior to Retirement, that Participant shall receive the value of that Participant's Bookkeeping Account in a single lump sum payment within 90 days after such termination. The Participant is prohibited from designating the Plan Year in which the distribution will be made.

#### 7.4 Retirement Distributions.

(a) Form of Payment. Upon Retirement, distribution of a Participant's Bookkeeping Account balance shall be made in accordance with the distribution options specified in the Participant's Deferral Agreement or the Participation Agreement for the Appreciation Units to which the distribution relates. The distribution options available to a Participant are: (i) lump sum payment; or (ii) installments over five (5), ten (10) or fifteen (15) years.

(b) Lump Sum in lieu of Installments. If the Participant's Account balance as of his or her Retirement is equal to or less than \$10,000, Leadership Benefits may order the distribution of the Participant's entire Account in a single lump sum rather than in installments, provided that the lump sum payment results in the termination and liquidation of the Participant's entire interest under this Plan and all other plans or arrangements that must be aggregated with this Plan under the rules set forth under Code Section 409A. The Participant may not exercise any discretion to convert an installment election into a lump sum under this provision.

(c) Time of Payment. The distribution (or in the case of installments, the first installment payment) shall be paid within 90 days after the Participant's Retirement. Subsequent installments, if applicable, shall be paid in January of each succeeding Plan Year.

(d) Amount of Payment. If the form of distribution is a lump sum, the value of the entire vested Bookkeeping Account shall be distributed in one payment. If the form of distribution is installments, the amount of each installment payment shall be determined by multiplying the Participant's vested Bookkeeping Account balance as of the Valuation Date immediately preceding the distribution date by a fraction, the numerator of which is one (1) and the denominator of which is (N minus P), where N is total number of annual installments and P is the number of annual installments previously paid to the Participant. For example, if the form of payment is five annual installments, the first annual distribution is the account balance divided by 5 (5 minus 0), the second annual distribution is the account balance divided

by 4 (5 minus 1), the third annual distribution is the account balance divided by 3 (5 minus 2), the fourth annual distribution is the account balance divided by 2 (5 minus 3), and the fifth annual distribution is the entire remaining account balance (5 minus 4). Bookkeeping Accounts subject to installment payment shall continue to be valued as provided in Section 5.3 until fully distributed.

(e) Change in Time or Form of Distribution. A Participant may change the form of distribution by submitting a change request by the last day of the calendar year that ends at least 12 months before his or her Retirement date, provided that his or her change cannot take effect earlier than twelve months after the change is requested. In addition, the Participant must agree to postpone the distribution for a period of at least five years from the date that the amount would otherwise have been payable. In the case of installment payments, the five year period of postponement is measured from the date that the first payment in the series of installments would have been paid.

7.5 Cash and Stock Distributions. Distributions of a Participant's Deemed Investment Sub-Account shall be made in cash only. Distributions of a Participant's Company Shares Sub-Account shall be made in Common Stock of the Company. Distributions of a Participant's Restricted Shares Sub-Account shall be made in Restricted Shares of the Company. Distributions of a Participant's Appreciation Units Sub-Account shall be converted to a cash value prior to distribution and distributed from the Deemed Investment Sub-Account.

7.6 Acceleration of Payment. Generally, neither the Company nor any Participant may accelerate the timing of any payment under the Plan, except as specifically set forth in this Plan document. However, the Administrative Committee retains the discretion to accelerate distribution of any payment to the extent such acceleration is specifically permitted under the final regulations under Code Section 409A. Such accelerations include, but are not limited to, a distribution to permit a Participant to pay taxes on amounts deferred under this Plan, including any taxes that may be imposed under Code Section 409A.

#### ARTICLE VIII DEATH BENEFITS

8.1 Designation of Beneficiary. A Participant shall designate a Beneficiary to receive death benefits under the Plan by completing the beneficiary designation form specified by the Administrative Committee. A Participant

shall have the right to change the Beneficiary by submitting to Leadership Benefits a form designating the Participant's change of Beneficiary. No beneficiary designation or change of beneficiary shall be effective until accepted by the Company.

8.2 Deemed Beneficiary. If a Participant is married, his or her legal spouse shall be deemed the designated Beneficiary, unless the spouse consents in writing to designation of a different Beneficiary on a form acceptable to the Administrative Committee. If no designation has been made, or if the deemed or designated Beneficiary has predeceased the Participant, then the Participant will be deemed to have designated the following as his or her

surviving beneficiaries and contingent beneficiaries with priority in the order named below:

- (a) first, to his widow or her widower, or his or her life partner, as the case may be;
- (b) next, to his or her children, in equal shares;
- (c) next, to his or her parents, in equal shares;
- (d) next, to his or her brothers and sisters, in equal shares; or
- (e) next, to his or her estate.

8.3 Surviving Beneficiary. For purposes of determining the appropriate named or deemed beneficiary or contingent beneficiary, an individual is considered to survive the Participant if that individual is alive seven (7) days after the date of the Participant's death.

8.4 Determination of Account Balance at Death. The value of a Participant's Account shall be determined as of the later of: (a) the date of the Participant's death; or (b) the date the Administrative Committee approves the distribution under Section 8.4. The amounts in such Account shall be maintained in the deemed investment Sub-Accounts under Section 5.3 after the Participant's death and until the time of distribution, unless the Participant's Beneficiary elects in writing to transfer such amounts from the deemed investment accounts into a separate interest-bearing account designated by the Administrative Committee for this purpose. Upon transfer to the interest-bearing account, the Account shall no longer be deemed invested under Section 5.3(a) and will not be adjusted for deemed investment gains and losses after the date of transfer.

8.5 Distribution of Bookkeeping Account Balance at Death. Upon a Participant's death, the value of Participant's Bookkeeping Account shall be distributed as follows:

(a) Death Prior to Retirement. If a Participant dies before Retirement, the Participant's Beneficiary shall receive the balance of the Participant's Bookkeeping Account. Additionally, if the Participant's death is not attributable to suicide committed within two years of becoming a Participant, such Beneficiary shall receive an amount equal to twice the Participant's actual deferrals under Section 3.2 that have been credited to the Participant's Account as of December 31, 2007 (exclusive of any earnings thereon). Compensation deferred after December 31, 2007 shall not be taken into account in calculating this pre-retirement death benefit. This 8.5(a) pre-retirement death benefit shall be paid in a single lump sum by the last day of the Plan Year in which the Participant dies. A lump sum payment will be treated as having been made in the Plan Year containing the Participant's death as long as the payment is made not later than the 15th day of the third month of the following calendar year.

(b) Death After Retirement. If a Participant dies after Retirement, the Participant's Beneficiary shall receive the Participant's remaining Account Balance in a manner consistent with the Participant's distribution election under Section 7.4 together with interest credited under the interest bearing account.

8.6 Determination of Beneficiary. If the Administrative Committee has any doubt as to the proper Beneficiary to receive payments hereunder, the Administrative Committee shall have the right to direct the Company to withhold such payments until the matter is finally adjudicated. However, as provided in Section 12.8, any payment made by the Company, in good faith and in accordance with the Plan and the directions of the Administrative Committee shall fully discharge the Company, the Board and the Administrative Committee from all further obligations with respect to that payment.

8.7 Payments to Minor or Incapacitated Beneficiaries. In distributing property hereunder to or for the benefit of any minor or incapacitated

Beneficiary, the Administrative Committee, in its sole and absolute discretion, may direct the Company to make such distribution to a legal or natural guardian of such Beneficiary, or to any adult with whom the minor or incompetent temporarily or permanently resides. The receipt by such guardian or other adult shall be a complete discharge of liability to the Company, the Board, and the Administrative Committee. Neither the Board, the Administrative Committee, nor the Company shall have any responsibility to see to the proper application of any payments so made.

8.8 Effect of Divorce. If a Participant and his or her named Beneficiary are or become married and thereafter their marriage is dissolved by entry of a decree of dissolution or other court order having the effect of dissolving the marriage, then any such pre-divorce beneficiary designation shall be deemed automatically revoked as to such beneficiary spouse as of the date of such dissolution unless the death benefit rights of such former spouse are subsequently reaffirmed by a qualified domestic relations order or the Participant's subsequent written designation.

#### ARTICLE IX ADMINISTRATION OF THE PLAN

9.1 Plan Sponsor and Administrator. The Company is the Plan Sponsor, and its address is: Nordstrom, Inc., 1700 Seventh Avenue, Seattle, Washington 98101-4407. The Administrative Committee acts as Plan Administrator.

9.2 Powers and Authority of the Company. The Company, acting through the Compensation Committee of its Board of Directors, has the following absolute powers and authority under the Plan:

- (a) To amend or terminate the Plan, at any time and for any reason;
- (b) To determine the amount, timing, vesting, and other conditions applicable to contributions to the Plan contributions and benefits;
- (c) To set aside funds to assist the Company to meet its obligations under this Plan, provided that the funds are set aside in a manner that does not result in immediate taxation to Participants;
- (d) To establish investment policy guidelines applicable to funds (if any) set aside under (c);
- (e) To establish one or more grantor trusts (as defined in Code Section 671 et seq.) to facilitate the payment of benefits under the Plan;
- (f) To take any such other actions as it deems advisable to carry out the purposes of the Plan; and
- (g) To delegate its authority to any officer, employee, committee or agent of the Company, as it deems advisable for the effective administration of the Plan.

9.3 Administrative Committee.

(a) Role of Administrative Committee. The Company has appointed the Administrative Committee to act as Plan Administrator. All actions taken by the Administrative Committee, or by its delegate, as Plan Administrator will be conclusive and binding on all persons having any interest under the Plan, subject only to the provisions of Article X. All findings, decisions and determinations of any kind made by the Administrative Committee or its delegate shall not be disturbed unless the Administrative Committee has acted in an arbitrary and capricious manner.

(b) Powers and Authority. The Administrative Committee has the following powers and authority under the Plan:

- (1) In the exercise of its sole, absolute, and exclusive discretion, to construe and interpret the terms and provisions of the Plan, to remedy and resolve ambiguities, to grant or deny any and all non-routine claims for benefits and to determine all issues relating to eligibility for benefits;
- (2) To authorize withdrawals due to unforeseeable financial emergency;
- (3) To amend the Plan for legal, technical, administrative, or compliance purposes, as recommended by legal counsel;
- (4) To retain and pay service providers whose services the Administrative Committee deems necessary to effective administration of the Plan;
- (5) To implement, in the manner it deems appropriate, the investment policy

guidelines established by the Compensation Committee; and

(6) To delegate its authority to any officer, employee, committee or agent of the Company, as it deems advisable for the effective administration of the Plan, any such delegation to carry with it the full discretion and authority vested in the Administrative Committee.

(c) Exercise of Authority. All resolutions or other actions taken by the Administrative Committee shall be either: (a) by vote of a majority of those present at a meeting at which a majority of the members are present; or (b) in writing by a majority of all the members at the time in office if they act without a meeting.

9.4 Powers and Authority of Leadership Benefits. Leadership Benefits has the following powers and authority under the Plan:

(a) To carry out day-to-day administration of the Plan, including notifying Board members of the provisions of the Plan, approving and processing Deferral Agreements, providing Participants with periodic statements of Account, approving and processing changes in the time and/or form of

distributions, and forwarding non-routine distribution requests to the Administrative Committee;

(b) To prepare forms necessary for the administration of the Plan, including Deferral Agreements, beneficiary designation forms, investment designation forms, and any other form or document deemed necessary to the effective administration of the Plan;

(c) To approve and adopt communications to be furnished to eligible Board members explaining the material provisions, terms, and conditions of the Plan;

(d) To process routine distributions;

(e) To process non-routine distributions that have been approved by the Administrative Committee;

(f) To negotiate and document agreements with Plan service providers, subject to final approval by the Administrative Committee;

(g) To implement any policies or procedures approved by the Company or the Administrative Committee;

(h) To recommend amendments to the Plan for adoption by the Company or the Administrative Committee;

(i) To work with Plan service providers to ensure the effective administration of the Plan; and

(j) To perform any and all tasks, duties, and responsibilities delegated by the Company or the Administrative Committee.

9.5 Reliance on Opinions. The members of the Administrative Committee and the officers, employees and directors of the Company responsible for administration of the Plan shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel, including legal counsel for the Company.

9.6 Information. The Company shall supply full and timely information to the Administrative Committee on all matters relating to Plan administration as the Administrative Committee may reasonably require.

9.7 Indemnification. The Company shall indemnify and hold harmless each Administrative Committee or Board member, and each Company employee, performing services or acting in any capacity with respect to the Plan, from and against any and all expenses and liabilities arising in connection with services performed in regard to this Plan. Expenses against which such individual shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such individual may be entitled as a matter of law or other agreement. However, the right to indemnification does not apply where an expense or liability is incurred due to an individual's fraudulent or intentionally dishonest acts.

10.1 Submission of Claim. Benefits shall be paid in accordance with the provisions of this Plan. The Participant, or any person claiming through the Participant ("Claiming Party"), shall make a written request for benefits under this Plan, mailed or delivered to Leadership Benefits. If the claim cannot be processed as a routine payment of benefits, Leadership Benefits will forward the claim to the Administrative Committee for its review.

10.2 Denial of Claim. If a claim for payment of benefits is denied in full or in part, the Administrative Committee or its delegate shall provide a written notice to the Claiming Party within ninety (90) days setting forth: (a) the specific reasons for denial; (b) any additional material or information necessary to perfect the claim; (c) an explanation of why such material or information is necessary; and (d) an explanation of the steps to be taken for a review of the denial. A claim shall be deemed denied if the Administrative Committee or its delegate does not take any action within the aforesaid ninety (90) day period.

10.3 Review of Denied Claim. If the Claiming Party desires Administrative Committee review of a denied claim, the Claiming Party shall notify the Administrative Committee or its delegate in writing within sixty (60) days after receipt of the written notice of denial. As part of such written request, the Claiming Party may request a review of the Plan document or other relevant documents, may submit any written issues and comments, and may request an extension of time for such written submission of issues and comments.

10.4 Decision Upon Review of Denied Claim. The decision on the review of the denied claim shall be rendered by the Administrative Committee within sixty (60) days after receipt of the request for review (or within 120 days if special circumstances exist). The decision shall be in writing and shall state the specific reasons for the decision, including reference to specific provisions of the Plan on which the decision is based.

## ARTICLE XI AMENDMENT AND TERMINATION

The Board of Directors may amend or terminate the Plan at any time. Such amendment or termination may modify or eliminate any benefit hereunder, provided that no such amendment or termination shall in any way reduce the vested portion of the affected Participants' or Beneficiaries' Bookkeeping Accounts. In addition, the Compensation Committee has the authority on behalf of the Board, to review, finalize, approve and adopt amendments to the Plan, other than amendments relating to benefit amounts and Plan eligibility. To be effective, an amendment must be in writing and must be signed by a person who has amendment authority under the terms of the Plan. Oral amendments or modifications to the Plan, and any written amendments that are not signed by an authorized person, are not valid or binding on the Company or any other person. An amendment or termination of the Plan shall not affect the time or form of distributions under the Plan, except as expressly permitted under Code Section 409A.

## ARTICLE XII MISCELLANEOUS

12.1 No Employment Contract. The terms and conditions of the Plan shall not be deemed to constitute a contract of employment between the Company and any Board member. Nothing in this Plan shall be deemed to give any Board member the right to be retained in the service of the Company or to interfere with any right of the Company to discipline or discharge the Board member at any time.

12.2 Cooperation. A Board member will cooperate with the Company by furnishing any and all information reasonably requested by the Company and take such other actions as may be requested to facilitate Plan administration and the payment of benefits hereunder.

12.3 Illegality and Invalidity. If any provision of this Plan is found illegal or invalid, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had not been included herein.

12.4 Required Notice. Any notice which shall be or may be given under the Plan or a Deferral Agreement or Participation Agreement shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Company, such notice shall be addressed to the Company c/o Leadership Benefits Department, at 1700 Seventh Avenue, Suite 900, Seattle Washington 98101-4407. If notice is to be given to a Participant, such



notice shall be addressed to the last known address on the Company's records. Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

12.5 Interest of Participant's Spouse. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

12.6 Tax Liabilities from Plan. If all or any portion of a Participant's benefit under this Plan generates a state or federal income tax liability (including a liability under Code Section 409A) to the Participant prior to receipt, the Administrative Committee may instruct the Company to distribute to the Participant immediately available funds in an amount equal to that Participant's federal, state and local tax liability associated with such taxation, which liability shall be measured by using that Participant's then current highest federal, state and local marginal tax rate, plus the rates or amounts for the applicable additions to tax, penalties and interest. Such a distribution shall affect and reduce the benefits to be paid under Articles VII and VIII hereof.

12.7 Benefits Nonexclusive. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to the Participant under any other plan or program for directors of the Company. The Plan shall supplement and shall not supersede,

modify or amend any other such plan or program except as may otherwise be expressly provided.

12.8 Discharge of Company Obligation. The payment of benefits under the Plan to a Participant or Beneficiary shall fully and completely discharge the Company, the Board, and the Administrative Committee from all further obligations under this Plan with respect to a Participant, and that Participant's Deferral Agreement and Participation Agreement shall terminate upon such full payment of benefits.

12.9 Costs of Enforcement. If any action at law or in equity is necessary by the Administrative Committee or the Company to enforce the terms of the Plan, the Administrative Committee or the Company shall be entitled to recover reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which that party may be entitled.

12.10 Gender and Case. Unless the context clearly indicates otherwise, masculine pronouns shall include the feminine and singular words shall include the plural and vice versa.

12.11 Titles and Headings. Titles and headings of the Articles and Sections of the Plan are included for ease of reference only and are not to be used for the purpose of construing any portion or provision of the Plan document.

12.12 Applicable Law. To the extent not preempted by federal law, the Plan shall be governed by the laws of the State of Washington.

12.13 Counterparts. This instrument and any Deferral Agreement may be executed in one or more counterparts, each of which is legally binding and enforceable.

12.14 Definitions:

(a) "Administrative Committee" means the committee established by the Board to oversee administration of the Plan, in cooperation with Leadership Benefits.

(b) "Board" means the Board of Directors of Nordstrom, Inc.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Compensation Committee" means the Compensation Committee of the Board.

(e) The "Plan Year" means the calendar year.

IN WITNESS WHEREOF, this instrument setting forth the terms and conditions of this amendment and restatement to the NORDSTROM DIRECTORS DEFERRED COMPENSATION PLAN (2007 Restatement) is executed this 15th day of November, 2007, effective January 1, 2008, except as otherwise provided herein.

NORDSTROM, INC.

By: /s/ Delena Sunday

Title: Executive Vice President -  
Human Resources and Diversity  
Affairs

Nordstrom, Inc.  
 2004 Equity Incentive Plan  
 (2007 Amendment)

TABLE OF CONTENTS

	Page
ARTICLE 1. INTRODUCTION.....	1
ARTICLE 2. ADMINISTRATION.....	1
2.1 Committee Composition.....	1
2.2 Committee Responsibilities.....	1
2.3 Committee for Non-Officer/Director Grants.....	1
ARTICLE 3. SHARES AVAILABLE FOR GRANTS.....	2
3.1 Basic Limitation.....	2
3.2 Share Sub-limitations.....	2
3.3 Additional Shares.....	2
ARTICLE 4. ELIGIBILITY.....	2
4.1 Grants.....	2
4.2 Incentive Stock Options.....	2
ARTICLE 5. OPTIONS.....	3
5.1 Stock Option Agreement.....	3
5.2 Number of Shares.....	3
5.3 Exercise Price.....	3
5.4 Exercisability and Term.....	3
5.5 Effect of Change in Control.....	3
5.6 Modification or Assumption of Options/No Repricing.....	3
ARTICLE 6. PAYMENT FOR OPTION SHARES.....	4
6.1 General Rule.....	4

6.2	Stock Swap.....	4
6.3	Exercise/Sale.....	4
6.4	Exercise/Pledge.....	4
	ARTICLE 7. STOCK APPRECIATION RIGHTS.....	4
7.1	SAR Agreement.....	4
7.2	Number of Shares.....	4
7.3	Exercise Price.....	5
7.4	Exercisability and Term.....	5
7.5	Effect of Change in Control.....	5
7.6	Exercise of SARs.....	5
7.7	Modification or Assumption of SARs/No Repricing.....	5
	ARTICLE 8. UNRESTRICTED SHARES.....	5
8.1	Unrestricted Stock.....	5
8.2	Payment for Awards.....	5
	ARTICLE 9. RESTRICTED SHARES.....	6
9.1	Restricted Stock Agreement.....	6
9.2	Payment for Awards.....	6
9.3	Vesting Conditions.....	6
9.4	Voting and Dividend Rights.....	7
	ARTICLE 10. PERFORMANCE SHARE UNITS.....	7
10.1	Performance Share Units.....	7
10.2	Agreement.....	7
10.3	Payment for Awards.....	7
10.4	Vesting Conditions.....	7
10.5	Voting and Dividend Rights.....	8
10.6	Form and Time of Settlement of Units.....	9
10.7	Creditors' Rights.....	9
	ARTICLE 11. PROTECTION AGAINST DILUTION.....	9
11.1	Adjustments.....	9
11.2	Dissolution or Liquidation.....	10
	ARTICLE 12. AWARDS UNDER OTHER PLANS.....	10
	ARTICLE 13. LIMITATION ON RIGHTS.....	10
13.1	Retention Rights.....	10
13.2	Shareholders' Rights.....	10
13.3	Regulatory Requirements.....	10
13.4	Compliance with Code Section 409A.....	10
	ARTICLE 14. WITHHOLDING TAXES.....	11
14.1	General.....	11
14.2	Share Withholding.....	11
	ARTICLE 15. FUTURE OF THE PLAN.....	11
15.1	Term of the Plan.....	11
15.2	Amendment or Termination.....	11
	ARTICLE 16. DEFINITIONS.....	11

Nordstrom, Inc.  
2004 Equity Incentive Plan  
(2007 Amendment)

#### ARTICLE 1. INTRODUCTION

The purpose of the Plan is to promote the long-term success of the Company and its subsidiaries and the creation of shareholder value by (a) encouraging Employees and Non-Employee Directors to focus on critical long-range objectives, (b) encouraging the attraction and retention of Employees and Non-Employee Directors with exceptional qualifications and (c) linking Employees and Non-Employee Directors directly to shareholder interests through stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Options (which may constitute incentive stock options (ISOs) or nonqualified stock options (NSOs)), stock appreciation rights (SARs), Unrestricted Shares, Restricted Shares and Performance Share Units.

The Plan was originally approved by the Board and the Shareholders of the Company in 2004, and the Plan is hereby amended in 2007 to accomplish the changes necessary to keep the Plan compliant with Code Section 409A and also to make other administrative and clarifying changes to the Plan.

The Plan shall be governed by, and construed in accordance with, the laws of the State of Washington (except their choice of law provisions).

#### ARTICLE 2. ADMINISTRATION

2.1 Committee Composition. The Committee shall administer the Plan. The Committee shall consist exclusively of two or more directors of the Company, who shall be appointed by the Board.

2.2 Committee Responsibilities. The Committee shall (a) select the Employees and Non-Employee Directors who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other features and conditions of such Awards, (c) interpret the Plan and (d) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

2.3 Committee for Non-Officer/Director Grants. The Board may also appoint a secondary committee of the Board or a senior executive officer to administer the Plan with respect to Employees who are not considered officers or directors of the Company under Section 16 of the Exchange Act. That committee or senior executive officer may grant Awards under the Plan to such Employees and may determine all features and conditions of such Awards. Within the limitations of this Section 2.3, any reference in the Plan to the Committee shall include such secondary committee or senior executive officer, as the case may be.

#### ARTICLE 3. SHARES AVAILABLE FOR GRANTS

3.1 Basic Limitation. Shares issued pursuant to the Plan shall be authorized but unissued shares. The aggregate number of Options, SARs, Unrestricted Shares, Restricted Shares or Performance Share Units awarded

under the Plan shall not exceed (a) 6,185,476 plus (b) the additional shares of Common Stock described in Section 3.3 plus (c) the 2,814,524 shares of Common Stock that, as of March 17, 2004, were available for issuance under the Company's 1997 Stock Option Plan (the "Prior Plan") or that thereafter become available for issuance under the Prior Plan in accordance with its terms as in effect on such date. The limitations of this Section 3.1 and Section 3.2 shall be subject to adjustment pursuant to Article 11.

3.2 Share Sub-limitations. The aggregate number of Unrestricted Shares awarded under the Plan shall not exceed 1,000,000.

3.3 Additional Shares. If Restricted Shares are forfeited, then such Restricted Shares shall again become available for Awards under the Plan. If Options, SARs or Performance Share Units are forfeited or terminate for any

other reason before being exercised, then the corresponding shares of Common Stock shall again become available for Awards under the Plan. If Performance Share Units are settled, then only the number of shares of Common Stock (if any) actually issued in settlement of such Performance Share Units shall reduce the number available under Sections 3.1 and 3.2 and the balance shall again become available for Awards under the Plan. If SARs are exercised, then only the number of shares of Common Stock (if any) actually issued in settlement of such SARs shall reduce the number available under Sections 3.1 and 3.2 and the balance shall again become available for Awards under the Plan. If dividend equivalents are granted, then only the number of shares of Common Stock (if any) actually issued with respect to such rights shall reduce the number available under Sections 3.1 and 3.2. Shares that are exchanged by a Participant or withheld by the Company as full or partial payment in connection with any Award under the Plan shall be available for subsequent Awards under the Plan. The foregoing notwithstanding, the aggregate number of shares of Common Stock that may be issued under the Plan upon the exercise of ISOs shall not be increased when Restricted Shares, Unrestricted Shares or other shares of Common Stock are forfeited.

#### ARTICLE 4. ELIGIBILITY

4.1 Grants. Employees and Non-Employee Directors shall be eligible for the grant of NSOs, SARs, Unrestricted Shares, Restricted Shares, or Performance Share Units.

4.2 Incentive Stock Options. Only Employees who are common-law employees of the Company or a Subsidiary shall be eligible for the grant of ISOs. In addition, an Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or any of its Subsidiaries shall not be eligible for the grant of an ISO unless the requirements set forth in section 422(c)(6) of the Code are satisfied.

#### ARTICLE 5. OPTIONS

5.1 Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is an NSO or an ISO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

5.2 Number of Shares. Each Stock Option Agreement shall specify the number of shares of Common Stock subject to the Option, which shall be subject to adjustment in accordance with Article 11. Options granted to any Employee in a single fiscal year of the Company shall not cover more than 250,000 shares of Common Stock. The limitation set forth in the preceding sentence shall be subject to adjustment in accordance with Article 11.

5.3 Exercise Price. Each Stock Option Agreement shall specify the Exercise Price; provided that the Exercise Price under an Option shall in no event be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant.

5.4 Exercisability and Term. Each Stock Option Agreement shall specify the date or event when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an ISO shall in no event exceed 10 years from the date of grant. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service. Options may be awarded in combination with SARs, and such an Award may provide that the Options will not be exercisable unless the related SARs are forfeited.

5.5 Effect of Change in Control. The Committee may determine, at the time of granting an Option or thereafter, in a manner that meets the requirements of Code Section 409A, that such Option shall become exercisable as to all or part of the shares of Common Stock subject to such Option in the event that a Change in Control occurs with respect to the Company. However, in the case of an ISO, the acceleration of exercisability shall not occur without the Optionee's written consent. In addition, acceleration of exercisability may be required under Section 11.1.

5.6 Modification or Assumption of Options/No Repricing. Within the limitations of the Plan, the Committee may modify Options, or assume outstanding options granted by another issuer, provided that no Option shall be repriced. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

## ARTICLE 6. PAYMENT FOR OPTION SHARES

6.1 General Rule. The entire Exercise Price of shares of Common Stock issued upon exercise of Options shall be payable in cash or cash equivalents at the time when such shares of Common Stock are purchased, except as follows:

(a) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Article 6.

(b) In the case of an NSO, the Committee may at any time accept payment in any form(s) described in this Article 6.

6.2 Stock Swap. To the extent that this Section 6.2 is applicable, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, shares of Common Stock that are already owned by the Optionee. Such shares of Common Stock shall be valued at their Fair Market Value on the date when the new shares of Common Stock are purchased under the Plan. If originally received pursuant to any Company benefit plan, shares of Common Stock swapped in payment of the Exercise Price must have been held by the Optionee for at least six months.

6.3 Exercise/Sale. To the extent that this Section 6.3 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the shares of Common Stock being purchased under the Plan and to deliver all or part of the sales proceeds to the Company.

6.4 Exercise/Pledge. To the extent that this Section 6.4 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to pledge all or part of the shares of Common Stock being purchased under the Plan to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company.

## ARTICLE 7. STOCK APPRECIATION RIGHTS

7.1 SAR Agreement. Each grant of an SAR under the Plan shall be evidenced by an SAR Agreement between the Participant and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical.

7.2 Number of Shares. Each SAR Agreement shall specify the number of shares of Common Stock to which the SAR pertains and shall provide for the adjustment of such number in accordance with Article 11. SARs granted to any Participant in a single calendar year shall in no event pertain to more than 250,000 shares of Common Stock. The limitation set forth in the preceding sentence shall be subject to adjustment in accordance with Article 11.

7.3 Exercise Price. Each SAR Agreement shall specify the Exercise Price; provided that the Exercise Price under an SAR shall in no event be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant.

7.4 Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR. An SAR Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service. SARs may be awarded in combination with Options, and such an Award may provide that the SARs will not be exercisable unless the related Options are forfeited.

7.5 Effect of Change in Control. The Committee may determine, at the time of granting an SAR or thereafter, that such SAR shall become fully exercisable as to all shares of Common Stock subject to such SAR in the event that the Company is subject to a Change in Control. In addition, acceleration of exercisability may be required under Section 11.1.

7.6 Exercise of SARs. Upon exercise of an SAR, the Participant (or any person having the right to exercise the SAR after his or her death) shall receive from the Company (a) shares of Common Stock, (b) cash or (c) a combination of shares of Common Stock and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of shares of

Common Stock received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the shares of Common Stock subject to the SARs exceeds the Exercise Price.

7.7 Modification or Assumption of SARs/No Repricing. Within the limitations of the Plan, the Committee may modify SARs, or assume outstanding stock appreciation rights granted by another issuer, provided that no SAR shall be repriced. The foregoing notwithstanding, no modification of an SAR shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such SAR.

#### ARTICLE 8. UNRESTRICTED SHARES

8.1 Unrestricted Stock. The Committee may grant up to 1,000,000 shares of Common Stock that have no restrictions. Such Unrestricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. In no event shall the number of Unrestricted Shares that are granted to any Participant in a single fiscal year exceed 50,000, subject to adjustment in accordance with Article 11.

8.2 Payment for Awards. Unrestricted Shares may be awarded under the Plan for such consideration consisting of any tangible or intangible property or benefit to the Company as the Committee may determine, including cash, promissory notes, services performed and contracts for services to be performed.

#### ARTICLE 9. RESTRICTED SHARES

9.1 Restricted Stock Agreement. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

9.2 Payment for Awards. Restricted Shares may be awarded under the Plan for such consideration consisting of any tangible or intangible property or benefit to the Company as the Committee may determine, including cash, promissory notes, services performed and contracts for services to be performed.

9.3 Vesting Conditions. Each Award of Restricted Shares shall be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. If the only restriction on an Award of Restricted Shares is vesting based on the lapse of time, the minimum period for full vesting shall be three years. The Committee may include among such conditions the requirement that the performance of the Company or a business unit of the Company for at least a one-year period equal or exceed a target determined in advance by the Committee. Such target shall be based on any one or combination of the following performance criteria: (a) achievement of a specified percentage

increase or quantitative level in the Company's shareholder return as compared to the S&P Retail Store Composite or other comparator group, (b) achievement of a specified percentage increase or quantitative level in the trading price of the Company's Common Stock, (c) achievement of a specified percentage increase or quantitative level in the results of operations, such as sales, earnings, cash flow, economic profit or return on investment (including return on equity, return on invested capital or return on assets) of the Company or of a subsidiary or division or other segment of the Company for which the participant has responsibilities, (d) achievement of a specified percentage increase or quantitative level in the other financial results, such as profit margins, expense reduction or asset management goals of the Company or of a subsidiary or division or other segment of the Company for which the participant has responsibilities, or (e) achievement of a specified percentage increase or quantitative level in the internal or external market share of a product or line of products. The Committee shall identify such conditions not later than the 90th day of such period, and before 25% of such period has elapsed. The Committee shall certify in writing prior to payout that such conditions and any other material terms were in fact satisfied. Approved minutes of a meeting of the Committee may be treated as such written certification.

In no event shall the number of Restricted Shares which are subject to performance-based vesting conditions and which are granted to any Participant in a single fiscal year exceed 250,000, subject to adjustment in accordance with Article 11.

If the participant's employment with the Company or Subsidiary is terminated before the end of the period of time, designated by the Committee, over which Restricted Shares may be earned (a "Performance Cycle") for any reason other



than retirement, disability, or death, the participant shall forfeit all rights with respect to any Restricted Shares that were being earned during the Performance Cycle. The Committee, in its sole discretion, may establish guidelines providing that if a participant's employment is terminated before the end of a Performance Cycle by reason of retirement, disability, or death, the participant shall be entitled to a prorated payment with respect to any shares of Restricted Stock that were being earned during the Performance Cycle. Alternatively, a Restricted Stock Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events. The Committee may determine, at the time of granting Restricted Shares or thereafter, that all or part of such Restricted Shares shall become vested in the event that a Change in Control occurs with respect to the Company or in the event that the Participant is subject to an Involuntary Termination after a Change in Control.

9.4 Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the voting, dividend and other rights as set forth in their Restricted Stock Agreement, and may have the same voting, dividend and other rights as the Company's other shareholders. A Restricted Stock Agreement may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

#### ARTICLE 10. PERFORMANCE SHARE UNITS

10.1 Performance Share Units. Performance Share Units are designated in shares of Common Stock.

10.2 Agreement. Each grant of Performance Share Units under the Plan shall be evidenced by an Agreement between the recipient and the Company, shall be subject to all applicable terms of the Plan, and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Performance Share Unit Agreements entered into under the Plan need not be identical. Performance Share Units may be granted in consideration of a reduction in the recipient's other compensation.

10.3 Payment for Awards. To the extent that an Award is granted in the form of Performance Share Units no cash consideration shall be required of the Award recipients.

10.4 Vesting Conditions. Each Award of Performance Share Units shall be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Performance Share Unit Agreement. If the only restriction on an Award of Performance Share Units is vesting based on the lapse of time, the minimum period for full vesting shall be three years. The Committee may include among such conditions, the requirement that the performance of the Company or a business unit of the Company for at least a one-year period (a "Performance Cycle") equal or exceed a target determined in advance by the Committee. Such target shall be based on any one or combination of the following performance criteria: (a) achievement of a specified percentage increase or quantitative level in the Company's shareholder return as compared to the S&P Retail Store Composite or other comparator group, (b) achievement of a specified percentage increase or quantitative level in the trading price of the Company's Common Stock, (c) achievement of a specified percentage increase or quantitative level in the results of operations, such as sales, earnings, cash flow, economic profit or return on investment (including return on equity, return on invested capital or return on assets) of the Company or of a subsidiary or division or other segment of the Company for which the participant has responsibilities, (d) achievement of a specified percentage increase or quantitative level in the other financial results, such as profit margins, expense reduction or asset management goals of the Company or of a subsidiary or division or other segment of the Company for which the participant has responsibilities, or (e) achievement of a specified percentage increase or quantitative level in the internal or external market share of a product or line of products. The Committee shall determine such conditions not later than the 90th day of the Performance Cycle, and before 25% of the Performance Cycle has elapsed. The Committee shall certify in writing prior to payout that such conditions and any other material terms were in fact satisfied. Approved minutes of a meeting of the Committee may be treated as such written certification.

In no event shall the number of Performance Share Units which are subject to performance-based vesting conditions and which are granted to any Participant in a single fiscal year exceed 250,000, subject to adjustment in accordance with Article 11.

If the participant's employment with the Company or Subsidiary is terminated before the date that Performance Share Units vest, the participant shall

forfeit all rights with respect to any unvested Performance Share Units. However, with respect to Performance Share Units subject to performance-based vesting conditions, the Committee, in its sole discretion at the time that an

Award of Performance Share Units is made, may establish guidelines providing that if a participant's employment is terminated before the end of a Performance Cycle by reason of retirement, disability, or death, the participant shall be entitled to a prorated payment with respect to any Performance Share Units that were being earned during the Performance Cycle. Alternatively, a Performance Share Unit Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other objectively-determinable events. The Committee may determine, at the time of granting Performance Share Units or thereafter, that all or part of the Performance Share Units shall become vested in the event that the Company is subject to a Change in Control or in the event that the Participant is subject to an Involuntary Termination after a Change in Control. In addition, acceleration of vesting may be required under Section 11.1.

10.5 Voting and Dividend Rights. The holders of Performance Share Units shall have no voting rights. Prior to settlement or forfeiture, any Performance Share Unit awarded under the Plan may, at the Committee's discretion as evidenced in the Agreement, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one share of Common Stock while the Performance Share Unit is outstanding. Dividend equivalents may be converted into additional Performance Share Units. Settlement of dividend equivalents may be made in the form of cash, in the form of shares of Common Stock, or in a combination of both. Prior to distribution, any dividend equivalents that are not paid shall be subject to the same conditions and restrictions as the Performance Share Units to which they attach.

10.6 Form and Time of Settlement of Units. Settlement of vested Performance Share Units may be made in the form of (a) cash, (b) shares of Common Stock (Unrestricted Shares or Restricted Shares) or (c) any combination of both, as determined by the Committee. Methods of converting Performance Share Units into cash may include (without limitation) a method based on the average Fair Market Value of shares of Common Stock over a series of trading days. Vested Performance Share Units shall be settled in a lump sum by the last day of the calendar year in which all vesting conditions applicable to the Performance Share Units have been satisfied or have lapsed. Until an Award of Performance Share Units is settled, the number of such Share Units shall be subject to adjustment pursuant to Article 11.

10.7 Creditors' Rights. A holder of Performance Share Units shall have no rights other than those of a general creditor of the Company. Performance Share Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Performance Share Unit Agreement.

#### ARTICLE 11. PROTECTION AGAINST DILUTION

11.1 Adjustments. Upon or in contemplation of any reclassification, recapitalization, stock split (including a stock split in the form of a share dividend) or reverse stock split ("stock split"); any merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of shares of Common Stock (whether in the form of securities or property); any exchange of shares of Common Stock or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of shares of Common Stock; or a sale of all or substantially all the assets of the Company as an entirety;

then the Committee shall, in such manner, to such extent (if any) and at such time as it deems appropriate and equitable in the circumstances:

(a) proportionately adjust any or all of (A) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of Awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan), (B) the number, amount and type of shares of Common Stock (or other securities or property) subject to any or all outstanding Awards, (C) the grant, purchase, or exercise price of any or all outstanding Awards, (D) the securities, cash or other property deliverable upon exercise of any or all outstanding Awards, or (E) the performance standards appropriate to any or all outstanding Awards, or

(b) make provision for a cash payment or for the assumption, substitution or exchange of any or all outstanding share-based Awards or the cash, securities or property deliverable to the holder of any or all outstanding share-based Awards, based upon the distribution or consideration payable to holders of the outstanding shares of Common Stock upon or in respect of such event.

The Committee may adopt such valuation methodologies for outstanding Awards

as it deems reasonable in the event of a cash or property settlement and, in the case of Options, SARs or similar rights, but without limitation on other methodologies, may base such settlement solely upon the excess if any of the per share amount payable upon or in respect of such event over the grant price of the Award, unless otherwise provided in, or by authorized amendment to, the Award or provided in another applicable agreement with the Participant. With respect to any ISO, in the discretion of the Committee, the adjustment may be made in a manner that would cause the Option to cease to qualify as an ISO.

11.2 Dissolution or Liquidation. To the extent not previously exercised, settled or assumed, Options, SARs, and Performance Share Units shall terminate immediately prior to the dissolution or liquidation of the Company.

#### ARTICLE 12. AWARDS UNDER OTHER PLANS

The Company may grant awards under other plans or programs. Such awards may be settled in the form of shares of Common Stock issued under this Plan.

#### ARTICLE 13. LIMITATION ON RIGHTS

13.1 Retention Rights. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an Employee or Non-Employee Director. The Company and its Subsidiaries reserve the right to terminate the Service of any Employee or Non-Employee Director at any time, with or without cause, subject to applicable laws, the Company's Restated Articles of Incorporation and Bylaws and a written employment agreement (if any).

13.2 Shareholders' Rights. Unless otherwise provided in this Plan or in any Award, a Participant shall have no dividend rights, voting rights or other rights as a shareholder with respect to any shares of Common Stock covered by his or her Award prior to the time when a stock certificate for such shares of Common Stock is issued or, if applicable, the time when he or she becomes entitled to receive such shares of Common Stock by filing any required notice of exercise and paying any required Exercise Price. No adjustment shall be

made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

13.3 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue shares of Common Stock under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of shares of Common Stock pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such shares of Common Stock related to their registration, qualification or listing or to an exemption from registration, qualification or listing.

13.4 Compliance with Code Section 409A. Awards under the Plan are intended to comply with Code Section 409A and all Awards shall be interpreted in a manner that results in compliance with Section 409A, Department of Treasury regulations, and other interpretive guidance under Section 409A. Notwithstanding any provision of the Plan or an Award to the contrary, if the Committee determines that any Award does not comply with Code Section 409A, the Company may adopt such amendments to the Plan and the affected Award (without consent of the Participant) or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary and appropriate to (a) exempt the Plan and the Award from application of Code Section 409A and/or preserve the intended tax treatment of amounts payable with respect to the Award, or (b) comply with the requirements of Code Section 409A.

#### ARTICLE 14. WITHHOLDING TAXES

14.1 General. To the extent required by applicable federal, state, local or foreign law, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any shares of Common Stock or make any cash payment under the Plan until such obligations are satisfied.

14.2 Share Withholding. To the extent that applicable law subjects a Participant to tax withholding obligations, the Committee may permit such Participant to satisfy all or part of such obligations by having the Company withhold all or a portion of any shares of Common Stock that otherwise would be issued to him or her or by surrendering all or a portion of any shares of Common Stock that he or she previously acquired. Such shares of Common Stock shall be valued at their Fair Market Value on the date when they are withheld

or surrendered.

#### ARTICLE 15. FUTURE OF THE PLAN

15.1 Term of the Plan. The Plan, as set forth herein, became effective, subject to approval by the Company's shareholders, on February 26, 2004, the date the Board adopted the Plan and shall remain in effect for a period of 10 years unless earlier terminated under Section 15.2.

15.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's shareholders only to the extent

required by applicable laws, regulations or rules. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

#### ARTICLE 16. DEFINITIONS

16.1 "Award" means any award of an Option, an SAR, an Unrestricted Share, a Restricted Share, or a Performance Share Unit under the Plan, including dividend equivalent rights at the discretion of the Committee.

16.2 "Board" means the Company's Board of Directors, as constituted from time to time.

16.3 "Cause" means (a) the unauthorized use or disclosure of the confidential information or trade secrets of the Company, which use or disclosure causes material harm to the Company, (b) conviction of, or a plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State thereof, (c) gross negligence, (d) willful misconduct or (e) a failure to perform assigned duties that continues after the Participant has received written notice of such failure. The foregoing, however, shall not be deemed an exclusive list of all acts or omissions that the Company (or the Subsidiary employing the Participant) may consider as grounds for the discharge of the Participant without Cause.

16.4 "Change in Control" means:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board (other than due to the retirement of directors upon reaching the Board's mandatory retirement age), as a result of which fewer than 50% of the incumbent directors are directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 25% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Paragraph (d), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act

but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a Subsidiary and (ii) a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

- 16.5 "Code" means the Internal Revenue Code of 1986, as amended.
- 16.6 "Committee" means the Compensation Committee of the Company's Board.
- 16.7 "Company" means Nordstrom, Inc., a Washington corporation.
- 16.8 "Employee" means a common-law employee of the Company or a Subsidiary.
- 16.9 "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- 16.10 "Exercise Price," in the case of an Option, means the amount for which one share of Common Stock may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of an SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one share of Common Stock in determining the amount payable upon exercise of such SAR.
- 16.11 "Fair Market Value" means the market price of a share of Common Stock, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the closing price on the date of the Award as reported by the New York Stock Exchange, or the primary exchange or quotation system on which the Common Stock is then trading. Such determination shall be conclusive and binding on all persons.
- 16.12 "ISO" means an incentive stock option described in Section 422(b) of the Code.
- 16.13 "NSO" means a stock option not described in Sections 422 or 423 of the Code.
- 16.14 "Non-Employee Director" means a member of the Company's Board or the Board of Directors of a Subsidiary who is not an Employee. Service as a Non-Employee Director shall be considered employment for all purposes of the Plan, except as provided in Section 4.1.
- 16.15 "Option" means an NSO or an ISO granted under the Plan and entitling the holder to purchase shares of Common Stock.
- 16.16 "Optionee" means an individual or estate who holds an Option.
- 16.17 "Participant" means an individual or estate who holds an Award.
- 16.18 "Performance Share Unit" means a bookkeeping entry representing the equivalent of one share of Common Stock, as awarded under the Plan.
- 16.19 "Performance Share Unit Agreement" means the agreement between the Company and the recipient of a Performance Share Unit that contains the terms, conditions and restrictions pertaining to such Performance Share Unit.
- 16.20 "Plan" means this Nordstrom, Inc. 2004 Equity Incentive Plan, as amended from time to time, including this 2007 Amendment and restatement, to maintain the Plan's compliance with Code Section 409A.
- 16.21 "Restricted Share" means a share of Common Stock awarded under the Plan, with such restrictions as set forth in the applicable Restricted Stock Agreement.
- 16.22 "Restricted Stock Agreement" means the agreement between the Company and the recipient of a Restricted Share that contains the terms, conditions and restrictions pertaining to such Restricted Share.
- 16.23 "SAR" means a stock appreciation right granted under the Plan.
- 16.24 "SAR Agreement" means the agreement between the Company and a Participant that contains the terms, conditions and restrictions pertaining to his or her SAR.
- 16.25 "Service" means service as an Employee or Non-Employee Director.
- 16.26 "Stock Option Agreement" means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.
- 16.27 "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of

stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

16.28 "Unrestricted Share" means a share of Common Stock awarded under the Plan.