

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended April 30, 1999

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-15059

Nordstrom, Inc.

\_\_\_\_\_  
(Exact name of Registrant as specified in its charter)

Washington

91-0515058

\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)

\_\_\_\_\_  
(IRS Employer  
Identification No.)

1617 Sixth Avenue, Seattle, Washington 98101

\_\_\_\_\_  
(Address of principal executive offices) (Zip code)

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

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

YES    X            NO  
      \_\_\_\_\_        \_\_\_\_\_

Common stock outstanding as of May 27, 1999: 140,270,506 shares of common stock.

NORDSTROM, INC. AND SUBSIDIARIES

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

	Three Months Ended April 30,	
	1999	1998
Net sales	\$1,039,105	\$1,040,215
Costs and expenses:		
Cost of sales and related buying and occupancy	688,196	698,300
Selling, general and administrative	314,384	309,263
Interest, net	12,009	10,232
Service charge income and other, net	(27,172)	(30,417)
	987,417	987,378
Earnings before income taxes	51,688	52,837
Income taxes	20,150	20,500
Net earnings	\$ 31,538	\$ 32,337
Basic earnings per share	\$ .22	\$ .22
Diluted earnings per share	\$ .22	\$ .21
Cash dividends paid per share of common stock outstanding	\$ .08	\$ .07

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

NORDSTROM, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(dollars in thousands)  
(unaudited)

	April 30, 1999	January 31, 1999	April 30, 1998
	-----	-----	-----
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 71,932	\$ 241,431	\$ 19,728
Accounts receivable, net	536,252	587,135	596,741
Merchandise inventories	864,832	750,269	907,322
Prepaid income taxes and other	107,301	101,572	99,316
	-----	-----	-----
Total current assets	1,580,317	1,680,407	1,623,107
Land, buildings and equipment, net	1,378,113	1,362,400	1,261,539
Other assets	81,194	72,600	23,342
	-----	-----	-----
<b>TOTAL ASSETS</b>	<b>\$3,039,624</b>	<b>\$3,115,407</b>	<b>\$2,907,988</b>
	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities:			
Notes payable	\$ -	\$ 78,783	\$ 103,252
Accounts payable	391,532	339,635	382,322
Accrued salaries, wages and related benefits	140,427	202,914	136,280
Income taxes and other accruals	86,554	83,869	83,132
Current portion of long-term debt	105,341	63,341	51,129
	-----	-----	-----
Total current liabilities	723,854	768,542	756,115
Long-term debt	762,821	804,893	619,505
Deferred lease credits	169,854	147,188	76,380
Other liabilities	80,672	78,131	71,839
Shareholders' Equity:			
Common stock, no par:			
250,000,000 shares authorized;			
140,925,098, 142,114,167 and			
148,721,480 shares issued and outstanding			
	237,309	230,761	206,321
Unearned stock compensation	(4,454)	(4,703)	-
Retained earnings	1,069,568	1,090,595	1,177,828
	-----	-----	-----
Total shareholders' equity	1,302,423	1,316,653	1,384,149
	-----	-----	-----
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$3,039,624</b>	<b>\$3,115,407</b>	<b>\$2,907,988</b>
	=====	=====	=====

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

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

	Three Months Ended April 30,	
	1999	1998
<b>OPERATING ACTIVITIES:</b>		
Net earnings	\$ 31,538	\$ 32,337
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	45,695	40,903
Amortization of deferred lease credits and other, net	(704)	(538)
Stock-based compensation expense	1,720	-
Change in:		
Accounts receivable, net	50,883	67,707
Merchandise inventories	(114,563)	(81,277)
Prepaid income taxes and other	(5,729)	(3,945)
Accounts payable	51,897	61,011
Accrued salaries, wages and related benefits	(62,487)	(49,935)
Income tax liabilities and other accruals	3,323	13,058
Other liabilities	1,903	5,396
Net cash provided by operating activities	3,476	84,717
<b>INVESTING ACTIVITIES:</b>		
Additions to land, buildings and equipment	(61,408)	(49,929)
Additions to deferred lease credits	24,201	-
Other, net	(9,403)	(3,112)
Net cash used in investing activities	(46,610)	(53,041)
<b>FINANCING ACTIVITIES:</b>		
Decrease in notes payable	(78,783)	(160,515)
Proceeds from issuance of long-term debt, net	-	297,175
Principal payments on long-term debt	(94)	(50,156)
Proceeds from issuance of common stock	5,077	5,271
Cash dividends paid	(11,355)	(10,629)
Purchase and retirement of common stock	(41,210)	(117,888)
Net cash used in financing activities	(126,365)	(36,742)
Net decrease in cash and cash equivalents	(169,499)	(5,066)
Cash and cash equivalents at beginning of period	241,431	24,794
Cash and cash equivalents at end of period	\$ 71,932	\$ 19,728

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

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

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the "Company") as of April 30, 1999 and 1998, and the related consolidated statements of earnings and cash flows for the periods then ended, have been prepared from the accounts without audit.

The consolidated financial information applicable to interim periods is not necessarily indicative of the results for the fiscal year.

The financial information should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Nordstrom, Inc. Annual Report on Form 10-K for the fiscal year ended January 31, 1999.

In the opinion of management, the consolidated financial information includes all adjustments (consisting only of normal, recurring adjustments) necessary to present fairly the financial position of Nordstrom, Inc. and subsidiaries as of April 30, 1999 and 1998, and the results of their operations and cash flows for the periods then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Reclassifications

Certain reclassifications of prior year balances have been made to conform with the presentation for the current year.

Note 2 - Earnings Per Share

On May 19, 1998, the Company's Board of Directors approved a two-for-one stock split effective June 30, 1998. All share and per share amounts have been adjusted to give retroactive effect to the stock split.

	Three Months Ended April 30,	
	1999	1998
Basic shares	141,844,713	150,220,670
Dilutive effect of stock options and restricted stock	1,131,501	537,874
Diluted shares	142,976,214	150,758,544
Antidilutive options	0	293,942

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

Note 3 - Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting For Derivative Instruments and Hedging Activities." SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company expects to adopt SFAS 133 in the fiscal year beginning February 1, 2001. Adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Note 4 - Segment Reporting

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

April 30, 1999	Retail Stores	Credit Operations	Corporate and Other	Eliminations	Total
-----					
Net sales and revenues to external customers	\$ 994,274	-	\$ 44,831	-	\$1,039,105
Service charge income	-	\$ 28,378	-	-	28,378
Intersegment revenues	-	4,977	-	\$(4,977)	-
Net earnings	53,358	7,674	(29,494)	-	31,538

April 30, 1998	Retail Stores	Credit Operations	Corporate and Other	Eliminations	Total
-----					
Net sales and revenues to external customers	\$ 991,705	-	\$ 48,510	-	\$1,040,215
Service charge income	-	\$ 31,451	-	-	31,451
Intersegment revenues	-	5,430	-	\$(5,430)	-
Net earnings	53,387	6,691	(27,741)	-	32,337

Note 5 - Contingent Liabilities

Because all of the lawsuits described below are in their preliminary stages, the Company is not in a position at this time to quantify the amount or range of any possible losses related to those claims. The Company intends to vigorously defend itself in the described cases. While no assurance can be given as to the ultimate outcomes of these lawsuits, based on preliminary investigations, management currently believes that resolving these matters will not have a material adverse effect on the Company's financial position.

Cosmetics

The Company is one of nine defendants along with other department stores in nine separate but substantially identical lawsuits filed in various Superior Courts of the State of California in May, June and July of 1998. The cases,

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

Note 5 - Contingent Liabilities (cont.)

which have now been consolidated in Marin County state court, seek class certification for all California residents who purchased cosmetics for personal use. The complaints allege that the Company and the other department stores collusively control the sale price of cosmetics by charging identical prices, agreeing not to discount cosmetics and urging cosmetic manufacturers to refuse to sell to stores which discount cosmetics. The plaintiffs seek treble damages in an unspecified amount, attorneys' fees and prejudgment interest. Defendants, including the Company, have answered the complaint denying the allegations. Discovery has just commenced and defendants have begun the process of responding to plaintiffs' discovery requests.

Nine West

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The Company is one of 11 defendants in 12 substantially identical lawsuits filed in Federal District Court in New York in January and February of 1999. In addition to Nine West, a manufacturer of non-athletic footwear, other defendants include various department stores and specialty retailers. The lawsuits purport to be brought on behalf of a class of persons who purchased Nine West footwear from the defendants and allege that the retailer defendants conspired with Nine West and with each other by agreeing to minimum prices to be charged for Nine West shoes. The plaintiffs seek treble damages in an unspecified amount, attorneys' fees and prejudgment interest. All of the lawsuits now have been consolidated in Federal District Court in New York. The defendants have moved to dismiss the consolidated complaint rather than file an answer, and briefing on the motion is complete. The defendants are awaiting a hearing on the motion in June. The Court has stayed discovery pending its decision and plaintiffs have not yet moved for class certification.

In addition, both the New York Attorney General and the Federal Trade Commission have opened investigations into the allegations contained in the consolidated lawsuit. The Company and the other defendants have begun submitting documents and information to these agencies.

Saipan

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The Company is one of 28 defendants, which include 17 United States retailers and buyers and 11 manufacturers, in an action filed in Federal District Court in Los Angeles on January 13, 1999 (the "Federal Complaint"). A companion action was contemporaneously filed in state court in San Francisco against 18 defendants, consisting of United States retailers and buyers including the Company (the "State Complaint"). The Federal Complaint purports to be filed as a class action on behalf of persons who have been employed in garment factories since 1988. The State Complaint is a purported public interest private attorney general action concerning garment manufacturing conditions in Saipan. Both lawsuits allege 'sweatshop' conditions in certain Saipan factories, some of which manufacture clothing which has been sold to the Company.



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

Note 5 - Contingent Liabilities (cont.)

In the Federal Complaint, all of the defendants, including the Company, have filed motions to transfer the venue of that case to Saipan. That motion is noted for consideration on July 12, 1999. The retailer or buyer defendants, including the Company, have responded to written interrogatories concerning witnesses and documents that relate to the Saipan garment business. The retailer or buyer defendants, including the Company, also have submitted a motion to dismiss all of the causes of action in the Federal Complaint, other than the claim for false imprisonment, on the grounds that the allegations of the complaint fail to state a claim upon which relief can be granted. In addition, the defendants, including the Company, in the State Complaint have filed a motion to dismiss the claims asserted in that lawsuit. The hearing on that motion is currently unscheduled.

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

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

The following discussion should be read in conjunction with the Management's Discussion and Analysis section of the Nordstrom, Inc. Annual Report on Form 10-K for the fiscal year ended January 31, 1999.

Results of Operations:

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For the quarter ended April 30, 1999, diluted earnings per share were \$0.22, an increase of 4.8% over the \$0.21 achieved in the prior year. Diluted earnings per share reflects \$0.02 per share of non-recurring costs related to the relocation of the Company's data center from Seattle, Washington to Denver, Colorado.

During the first quarter of 1999, sales decreased 0.1% compared to the same quarter in 1998. Comparable store sales declined 2.6%, reflecting lower merchandise levels, which in some cases negatively affected product assortment depth and mix.

Cost of sales and related buying and occupancy expenses as a percentage of net sales were 66.2% for the quarter ended April 30, 1999, compared to 67.1% for the quarter ended April 30, 1998. The decrease, as a percentage of sales, was due primarily to higher merchandise margins resulting from favorable pricing strategies and lower markdowns. The decrease in cost of sales was partially offset by increased occupancy costs due primarily to new and remodeled stores.

Selling, general and administrative expenses as a percentage of sales were 30.3% for the quarter ended April 30, 1999, compared to 29.7% for the quarter ended April 30, 1998. The increase was due to several factors. Management

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

expenses increased due primarily to additional personnel and consulting resources related to the Company's strategic and planning initiatives. Information services costs increased due primarily to non-recurring costs related to the Company's data center relocation from Seattle, Washington to Denver, Colorado, and higher information system operational costs. These increases were offset by decreased credit expenses due to lower bad debt costs, and lower sales promotion costs due to the timing of certain direct mail projects.

Interest, net increased \$1.8 million compared to the same quarter in 1998, reflecting higher borrowing levels as a result of the Company's share repurchase activity.

Service charge income and other, net decreased \$3.2 million for the quarter, compared to the corresponding period in 1998, due primarily to lower accounts receivable balances on which the Company earns service charges.

Liquidity and Capital Resources:

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During the quarter, the Company repurchased 1.4 million shares of its common stock for an aggregate of approximately \$50 million, including \$9 million payable at April 30, 1999.

During the quarter, the Company opened a full-line store at MacArthur Center in Norfolk, Virginia and a Rack at Howe 'Bout Arden Shopping Center in Sacramento, California. Construction is progressing as planned on new stores scheduled to open later this year and in 2000.

Year 2000

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The Company is taking steps to avoid potential negative consequences of Year 2000 software non-compliance and presently believes that any such non-compliance will not have a material effect on its business, results of operations or financial condition. However, if unforeseen difficulties arise or if the modification, conversion and replacement activities that the Company has undertaken are not completed in a timely manner, the Company's operations may be negatively affected, either from its own computer systems or from interactions with vendors and other third parties with which it does business.

The Company is currently evaluating, replacing or upgrading its computer systems in an effort to make them Year 2000 compliant, and expects to have remediation efforts completed for its critical computer systems by mid-1999. Testing is being conducted based on criticality. Non-information technology systems, such as microchips embedded in elevators, are also being evaluated, replaced or upgraded, as needed. Although the Company's initial assessment of its Year 2000 compliance has been completed, reassessments are conducted on an ongoing basis to provide reasonable assurance that all critical risks have been identified and will be mitigated.

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

The Company's cumulative Year 2000 expenses through April 30, 1999, were approximately \$14 million. Approximately \$1 million of expenses were incurred during each of the quarters ended April 30, 1999, and April 30, 1998. Approximately \$3 million of expenses are expected to be incurred throughout the remainder of 1999. In order to meet Year 2000 compliance goals, the Company has redeployed existing resources. While this reallocation of resources has resulted in the deferral of certain information technology projects, the impact of those deferrals is not material to the Company. The Company believes that all necessary Year 2000 compliance work will be completed in a timely fashion. However, there can be no guarantee that all systems will be compliant by the Year 2000, that the estimated cost of remediation will not increase, or that the systems of others (e.g. vendors and other third parties) on which the Company relies will be compliant.

Since 1996, the Company has been communicating with vendors to determine their state of readiness with regard to the Year 2000 issue. Based on its assessment to date, the Company has no indication that any third party is likely to experience Year 2000 non-compliance of a nature which would have a material impact on the Company. However, the risk remains that vendors or other third parties may not have accurately determined their state of readiness, in which case such parties' lack of Year 2000 compliance may have a material adverse effect on the Company's results of operations. The Company will continue to monitor the Year 2000 compliance of third parties with which it does business.

The Company believes that the most likely worst-case scenarios that it might confront with respect to Year 2000 issues have to do with the possible failure of third party systems over which the Company has no control, such as, but not limited to, power and telecommunications services. The Company has in place a business continuity plan that addresses recovery from various kinds of disasters, including recovery from significant interruption in conveyance of data within the Company's network information systems. The Company is using this plan to assist in development of more specific Year 2000 contingency plans, which it expects to complete around mid-1999.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to the risk of fluctuating interest rates in the normal course of business, primarily as a result of its short-term borrowing and investment activities at variable interest rates.

During the quarter ended April 30, 1999, the Company reduced short-term investments by \$169 million, to a balance of \$63 million at April 30, 1999, due primarily to share repurchase activity, maturities of notes payable and repayments of short-term debt.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Note 5 in Notes to Consolidated Financial Statements

Item 6. Exhibits and Reports on Form 8-K

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(a) Exhibits

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- ( 3.1) Amended and Restated Articles of Incorporation of the Registrant are filed herein as an Exhibit.
- ( 3.2) Bylaws (as amended and restated) of the Registrant are filed herein as an Exhibit.
- (10.1) First Amendment to the Transfer and Administration Agreement dated August 19, 1997 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A. is filed herein as an Exhibit.
- (10.2) Second Amendment to the Transfer and Administration Agreement dated July 23, 1998 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A. is filed herein as an Exhibit.
- (10.3) Second Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated February 25, 1999, is incorporated by reference from the Nordstrom Credit, Inc. Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1
- (10.4) Amendment to the Nordstrom, Inc. 1997 Stock Option Plan is filed herein as an Exhibit.
- (10.5) The Nordstrom, Inc. Profit Sharing and Employee Deferral Retirement Plan is hereby incorporated by reference from the Registrant's Report on Form S-8, Registration No. 333-79791 filed on June 2, 1999.
- (27.1) Financial Data Schedule is filed herein as an Exhibit.

(b) Reports on Form 8-K

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

SIGNATURES

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

NORDSTROM, INC.  
(Registrant)

/s/ Michael A. Stein

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

Date: June 10, 1999  
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NORDSTROM, INC. AND SUBSIDIARIES

Exhibit Index

Exhibit -----	Method of Filing -----
3.1 Amended and Restated Articles of Incorporation	Filed herewith electronically
3.2 Bylaws, (as amended and restated)	Filed herewith electronically
10.1 First Amendment to the Transfer and Administration Agreement dated August 19, 1997 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A.	Filed herewith electronically
10.2 Second Amendment to the Transfer and Administration Agreement dated July 23, 1998 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A.	Filed herewith electronically
10.3 Second Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank, and Norwest Bank Colorado, N.A., as trustee, dated February 25, 1999.	Incorporated by reference from the Nordstrom Credit, Inc. Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1
10.4 Amendment to the Nordstrom, Inc. 1997 Stock Option Plan	Filed herewith electronically
10.5 Nordstrom, Inc. Profit Sharing and Employee Deferral Retirement Plan	Incorporated by reference from the Registrant's Report on Form S-8, Registration No. 333-79791 filed on June 2, 1999.
27.1 Financial Data Schedule	Filed herewith electronically

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF NORDSTROM, INC.

Pursuant to the provisions of the Washington Business Corporation Act and RCW 23B.10.020 and RCW 23B.10.070, the following Amended and Restated Articles of Incorporation are hereby submitted for filing.

ARTICLE I

The name of the corporation is Nordstrom, Inc.

ARTICLE II

The period of duration of the corporation is perpetual.

ARTICLE III

The purpose of the corporation is to engage in any and all business, the conduct of which is not forbidden to corporations by the Constitution, statutes or common law of the state of Washington.

ARTICLE IV

The aggregate number of shares which the Corporation shall have authority to issue is 250,000,000 shares of Common Stock, all of which are without par value.

The shareholders of the corporation shall not have preemptive rights to acquire additional shares or securities convertible into shares offered for sale or otherwise issued by the corporation.

No shareholder will be permitted to cumulate his votes at any election of directors.

ARTICLE V

The number of directors constituting the Board of Directors shall be such number, not less than three, as may be specified from time to time in the Bylaws.

ARTICLE VI

The corporation shall have the right to purchase its own shares to the extent of unreserved and unrestricted surplus available therefor, whether capital surplus or earned surplus. The Board of Directors may, from time to time, distribute to the shareholders a portion of the assets of this corporation, in cash or property, out of the capital surplus of this corporation.

ARTICLE VII

The power to adopt, alter, amend or repeal the Bylaws shall be vested in the Board of Directors.

ARTICLE VIII

This corporation reserves the right to amend, change or repeal any provision of these Amended and Restated Articles of Incorporation in the manner now or hereafter prescribed by law, and all rights conferred upon shareholders herein are subject to this reserved power.

ARTICLE IX

Any personal liability of a director to the corporation or its shareholders for monetary damages for conduct as a director is eliminated, except for any liability for any acts or omissions that involve intentional misconduct by a director or a knowing violation of law by a director, for conduct violating RCW 23B.08.310, for any transaction from which the director will personally receive a benefit in money, property, or services to which the director is not legally entitled, or for any act or omission occurring prior to the date when this Article becomes effective. If hereafter the Washington Business Corporation Act is amended to change the corporation's power to eliminate or limit the liability of a director to the corporation, then, upon the effective date of the amendment and without further act:

if the amendment permits further elimination or limitation of liability, the liability of a director shall be additionally eliminated and limited to such further extent, or

if the amendment changes to power to eliminate the liability of a director in any other respect, the liability of a director shall be eliminated and limited with respect to acts or omissions occurring after the effective date of the amendment to the fullest extent permitted by the Washington Business Corporation Act as so amended.

No amendment or repeal of these Amended and Restated Articles of Incorporation shall adversely affect any right or any elimination or limitation of liability of a director existing immediately prior to the amendment or repeal.



IN WITNESS WHEREOF, the undersigned submits these Amended and Restated  
Articles of Incorporation as of May 18, 1999.

By /s/ John J. Whitacre  
-----  
John J. Whitacre  
Chairman of the Board

(Amended and Restated as of May 18, 1999)

ARTICLE I  
Offices

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

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

ARTICLE II  
Shareholders

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

declare to the meeting that the nomination was defective and the defective nomination shall be disregarded.

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

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

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

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

ARTICLE III  
Board of Directors

Section 1. General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, its Board of Directors, except as may be otherwise provided in these Bylaws, the Amended and Restated Articles of Incorporation or the Washington Business Corporation Act.

Section 2. Number, Tenure and Qualifications. The number of directors of the corporation shall be eleven (11). Each director shall hold office until the next annual meeting of shareholders and until his successors shall have been elected and qualified. Directors need not be residents of the state of Washington or shareholders of the corporation.

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

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

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

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

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

Section 8. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors

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

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

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

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

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

Section 11.2. Removal. The Board of Directors may remove any member of any committee elected or appointed by it but only by the affirmative vote of



the greater of a majority of the directors then in office and the number of directors required to take action in accordance with these Bylaws.

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

#### ARTICLE IV Special Measures Applying to Both Shareholder and Director Meetings

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

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

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

ARTICLE V  
Officers

Section 1. Number. The offices and officers of the corporation shall be as designated from time to time by the Board of Directors. Such offices may include a Chairman or two or more Co-Chairmen of the Board of Directors, a President or two or more Co-Presidents, one or more Vice Presidents, a Secretary and a Treasurer. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same persons.

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

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

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

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

Section 6. President. The President or Co-Presidents, together with the Chairman or Co-Chairmen of the Board of Directors, shall have general supervision and control over the business and affairs of the corporation subject to the authority of the Chairman or Co-Chairmen of the Board of Directors and the Board of Directors. The President or a Co-President may sign any and all documents, mortgages, bonds, contracts, leases, or other

instruments in the ordinary course of business with or without the signature of a second corporate officer, may sign certificates for shares of the corporation with the Secretary or Assistant Secretary of the corporation and may sign any documents which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties, authority and responsibilities as may be prescribed by the Chairman or Co-Chairmen of the Board of Directors or the Board of Directors from time to time.

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

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

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

Section 10. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the Chairman or Co-Chairmen of the Board of Directors, President or a Co President, or with a Vice President, certificates for shares of the corporation or contracts, deeds or mortgages, the issuance or execution of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the Chairman or Co-Chairmen of the Board of Directors, President or any Co-President, or by the Board of Directors.

#### ARTICLE VI

##### Contracts, Loans, Checks and Deposits

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

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

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

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

#### ARTICLE VII

##### Certificates for Shares and Their Transfer

Section 1. Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman (or any Co Chairman) of the Board of Directors, the President (or any Co-President) or a Vice President and by the Secretary or an Assistant Secretary and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the corporation itself or one of its employees. If any officer who signed a certificate, either manually or in facsimile, no longer holds such office when the certificate is issued, the certificate is nevertheless valid. All certificates for shares shall be consecutively numbered or otherwise

identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

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

#### ARTICLE VIII

##### Fiscal Year

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

#### ARTICLE IX

##### Dividends

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

#### ARTICLE X

##### Corporate Seal

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

#### ARTICLE XI

##### Indemnification of Directors, Officers and Others

Section 1. Right to Indemnification. Each person (including a person's personal representative) who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending, or completed action, suit or proceeding,

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

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

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

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

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

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

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

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

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

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

## ARTICLE XII Books and Records

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



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

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

ARTICLE XIII  
Amendment of Bylaws

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

FIRST AMENDMENT TO TRANSFER AND ADMINISTRATION AGREEMENT

This FIRST AMENDMENT TO TRANSFER AND ADMINISTRATION AGREEMENT (this "Amendment"), dated as of August 19, 1997 is among ENTERPRISE FUNDING CORPORATION, a Delaware corporation (the "Company"), NORDSTROM NATIONAL CREDIT BANK, a national banking association (the "Transferor"), THE FINANCIAL INSTITUTIONS FROM TIME TO TIME PARTIES THERETO (collectively, the "Bank Investors" and each a "Bank Investor"), and NATIONSBANK, N.A. as agent for the Company and the Bank Investors (in such capacity, the "Agent") and as a Bank Investor.

PRELIMINARY STATEMENTS:

- 1.The Company, the Transferor, the Bank Investors, and the Agent have entered into a Transfer and Administration Agreement dated as of August 14, 1996, (capitalized terms used and not otherwise defined herein have the meanings assigned to such terms in the Transfer and Administration Agreement).
- 2.The Transferor has requested certain amendments to the Transfer and Administration Agreement.
- 3.The Company is, on the terms and conditions stated below, willing to grant such requests of the Transferor.

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

Section 1. Amendments to Transfer and Administration Agreement. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the Transfer and Administration Agreement is hereby amended as follows:

(a)In Section 1.1 the definition of "Commitment Termination Date" shall be amended such that the reference to the date appearing in such definition shall be amended to read "August 12, 1998.",

(b)In Section 1.1 the definition of "Facility Limit" shall be deleted in its entirety and replaced with the following:

"Facility Limit" shall mean \$200,000,000; provided that such amount may not at any time exceed the aggregate Commitments at any time in effect; provided, further, that from and after the Termination Date the Facility Limit shall at all times equal the Class A Invested Amount plus the aggregate Interest Component of all outstanding Related Commercial Paper.

(c)Section 2.2 (a) (i) shall be deleted in its entirety and replaced with the following:

such Additional Class A Invested Amount shall not cause the Net Investment plus the Interest Component of all outstanding Related Commercial Paper to exceed the Facility Limit

Section 2. Conditions to Effectiveness. This Amendment shall become effective when the Company has executed this Amendment and has received counterparts of this Amendment executed by the Transferor, the Collection Agent, the Bank Investors, and the Agent.

Section 3. Representations and Warranties.

(a) Authority. The Transferor, the Bank Investors, and the Agent each has the requisite corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the Transfer and Administration Agreement (as modified hereby) to which it is a party. The execution, delivery and performance by the Transferor, the Bank Investors, and the Agent of this Amendment and the performance of the Transfer and Administration Agreement (as modified hereby) have been duly approved by all necessary corporate action and no other corporate proceedings are necessary to consummate such transactions.

(b) Enforceability. This Amendment has been duly executed and delivered by the Transferor, the Bank Investors, and the Agent. This Amendment (as modified hereby) is the legal, valid and binding obligation of the Transferor, the Bank Investors, and the Agent, enforceable against the Transferor, the Bank Investors, and the Agent in accordance with its terms, and is in full force and effect.

(c) Representations and Warranties. The representations and warranties contained in the Transfer and Administration Agreement (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are correct on and as of the date hereof as though made on and as of the date hereof.

(d) No Termination Event. No event has occurred and is continuing that constitutes a Termination Event.

Section 4. Reference to and Effect on the Transfer and Administration Agreement.

(a) Except as specifically amended and modified above, the Transfer and Administration Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as waiver of any right, power or remedy of the Company under the Transfer and Administration Agreement, nor constitute a waiver of any provision of the Transfer and Administration Agreement.

Section 5. Execution in Counterparts. This amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 6. Successors and Assigns.

This Amendment shall bind, and the benefits hereof shall inure to the parties hereof and their respective successors and permitted assigns; provided,

however, the Transferor may not assign any of its rights or delegate any of its duties under this Amendment without the prior written consent of the Company.

Section 7. Governing Law

THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE TRANSFEROR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8. Severability.

Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ENTERPRISE FUNDING CORPORATION,  
as Company

By: /s/ Stewart L. Cutler  
-----  
Name: Stewart L. Cutler  
Title: Vice President

NORDSTROM NATIONAL CREDIT BANK,  
as Transferor

By: /s/ John C. Walgamott  
-----  
Name: John C. Walgamott  
Title: President

NATIONSBANK, N.A.,  
as Agent and Bank Investor

By: /s/ Michelle M. Heath  
-----

Name: Michelle M. Heath  
Title: Senior Vice President

ABN AMRO BANK N.V., SEATTLE BRANCH  
as Agent and Bank Investor

By: /s/ Lee Lee Miao / Leif H. Olsson  
-----

Name: Lee Lee Miao / Leif H. Olsson  
Title: Vice President/Senior Vice President

BANK OF AMERICA, N.T. & S.A.  
as Bank Investor

By: /s/ Albert K. Yoshmura  
-----

Name: Albert K. Yoshmura  
Title: as Attorney-in-Fact

BANK OF MONTREAL  
as Bank Investor

By: /s/ D. W. Rourke  
-----

Name: D. W. Rourke  
Title: Director

MORGAN GUARANTY TRUST COMPANY OF NEW  
YORK  
as Bank Investor

By: /s/ Robert L. Barrett  
-----

Name: Robert L. Barrett  
Title: Vice President

SECOND AMENDMENT TO TRANSFER AND ADMINISTRATION AGREEMENT

This SECOND AMENDMENT TO TRANSFER AND ADMINISTRATION AGREEMENT (this "Amendment"), dated as of July 23rd, 1998 is among ENTERPRISE FUNDING CORPORATION, a Delaware corporation (the "Company"), NORDSTROM NATIONAL CREDIT BANK, a national banking association (the "Transferor"), THE FINANCIAL INSTITUTIONS FROM TIME TO TIME PARTIES THERETO (collectively, the "Bank Investors" and each a "Bank Investor"), and NATIONSBANK, N.A. as agent for the Company and the Bank Investors (in such capacity, the "Agent") and as a Bank Investor.

PRELIMINARY STATEMENTS:

1. The Company, the Transferor, the Bank Investors, and the Agent have entered into a Transfer and Administration Agreement date as of August 14th, 1996, as amended by the First Amendment thereto, dated as of August 19th, 1997 (capitalized terms used and not otherwise defined herein have the meanings assigned to such terms in the "Agreement").
2. The Transferor has requested certain amendments to the Transfer and Administration Agreement.
3. The Company is, on the terms and conditions stated below, willing to grant such requests of the Transferor.

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

Section 1. Amendments to the Agreement. Effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the Transfer and Administration Agreement is hereby amended as follows:

In Section 1.1 of the Agreement, the definition of "Commitment Termination Date" shall be amended such that the reference to the date appearing in such definition shall be amended to read " August 11th, 1999.";

In Section 3.1 of the Agreement, the following subclause (p) shall be inserted immediately follow subclause (o):

(P) Year 2000 Compliance. The Transferor has initiated a review and assessment of all computer applications (including, but not limited to those of its suppliers, vendors, customers and any third party servicers), which are related to or involved in the origination, collection management or servicing of the Receivable (the "Receivable System") and has determined that such Receivable Systems will be, reasonably expected on a timely basis to be able to perform properly date-sensitive functions for all dates before and after January 1st, 2000 (that is be "Year 2000 Compliant").

In Section 3.3 of the Agreement, the following subclause (k) shall be inserted immediately following subclause (j):

(K) Year 2000 Covenant. The Transferor will promptly notify the Agent in the event the Transferor discovers or determines that any computer application (including those of its suppliers, vendors and customers) that is necessary for the origination, collection, management, or servicing of the Receivable will not be Year 2000 Compliant on or before January 1st, 1999 and thereafter. The Transferor will deliver simultaneously with any quarterly or annual financial statements or reports to be delivered under the Agreement, a letter signed by an appropriate officer that no material event, problems or conditions have occurred which would prevent or delay the Transferor's plan to become Year 2000 Compliant.

Section 2. Conditions to Effectiveness. This Amendment shall become effective when the Company has executed this Amendment and has received counterparts of this Amendment executed by the Transferor, the Collection Agent, the Bank Investors, and the Agent.

Section 3. Representations and Warranties.

(a) Authority. The Transferor has the requisite corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the Agreement (as modified hereby). The execution, delivery and performance by the Transferor of this Amendment and the performance of the Agreement (as modified hereby) have been duly approved by all necessary corporate action and no other corporate proceedings are necessary to consummate such transactions.

(b) Enforceability. This Amendment has been duly executed and delivered by the Transferor. The Amendment (as modified hereby) is the legal, valid and binding obligation of the Transferor, enforceable against the Transferor in accordance with its terms, and is in full force and effect.

(c) Representations and Warranties. The representations and warranties contained in the Agreement (other than any such representations or warranties that, by their terms, are specifically of the Transferor made as of a date other than the date hereof) are correct on and as of the date hereof as though made on and as of the date hereof.

(d) No Termination Event. No event has occurred and is continuing that constitutes a Termination Event.

Section 4. Reference to and Effect on the Transfer and Administration Agreement.

(a) Except as specifically amended and modified above, the Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as Waiver of any right, power or remedy of the Company under the Agreement, nor constitute a waiver of any provision of the Agreement.



Section 5. Execution in Counterparts. This amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 6. Successors and Assigns. This Amendment shall bind, and the benefits hereof shall inure to the parties hereof and their respective successors and permitted assigns; provided, however, the Transferor may not assign any of its rights or delegate any of its duties under this Amendment without the prior written consent of the Company.

Section 7. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE TRANSFEROR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8. Severability. Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(Remainder of page intentionally blank)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ENTERPRISE FUNDING CORPORATION,  
as Company

By: /s/ Stewart Cutler  
-----  
Name: Stewart Cutler  
Title: Vice President

NORDSTROM NATIONAL CREDIT BANK,  
as Transferor

By: /s/ Kevin Knight  
-----  
Name: Kevin Knight  
Title: President

NATIONSBANK, N.A.,  
as Agent and Bank Investor

By: /s/ Michelle M. Heath  
-----  
Name: Michelle M. Heath  
Title: Senior Vice President

ABN AMRO BANK N.V., SEATTLE BRANCH  
as Bank Investor

By: /s/ Susan Hendrixson / Leif H. Olsson  
-----  
Name: Susan Hendrixson / Leif H. Olsson  
Title: Vice President/Senior Vice President

BANK OF AMERICA, N.T. & S.A.  
as Bank Investor

By: /s/ Jack T. Wagler  
-----  
Name: Jack T. Wagler  
Title: as Attorney-In-Fact

MORGAN GUARANTY TRUST COMPANY OF NEW YORK  
as Bank Investor

By: /s/ Robert Bottamedi  
-----  
Name: Robert Bottamedi  
Title: Vice President

NORDSTROM, INC.  
1997 STOCK OPTION PLAN\*  
(As amended on February 17, 1998  
and February 15, 1999)

1. Purposes of the Plan. The purposes of this 1997 Nordstrom Stock Option Plan (the "Plan") are to attract and retain the best available personnel for positions of substantial responsibility with Nordstrom, Inc. (the "Company"), to provide additional incentive in the form of options to purchase the Company's shares of common stock, no par value per share (the "Common Stock"), shares of restricted Common Stock or performance shares based on the value of Common Stock (the "Benefits") to employees of the Company or any parent or subsidiary of the Company which now exists or hereafter is organized or acquired by or acquires the Company, and to promote the success of the business.
2. Eligibility. Any employee of the Company or any parent or subsidiary of the Company may receive Benefits under the Plan.
3. Administration. The Plan shall be administered by the Compensation Committee of the Board of Directors of the Company, or a subcommittee thereof (the "Committee"). The Committee shall either (i) consist solely of two or more directors of the Company who are "non-employee directors" as defined under Section 16 under the Securities Exchange Act of 1934, as amended and "outside directors" as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended, or (ii) cause any director who is not a non-employee or outside director to abstain from any action by the Committee related to granting Benefits to executive officers of the Company. The Board of Directors may also appoint one or more separate committees of the Board of Directors who may administer the Plan with respect to employees who are not executive officers of the Company.
4. Effective Date and Termination of Plan. Subject to shareholder approval, the effective date of the Plan is May 20, 1997. The Plan shall terminate when all shares of stock subject to Benefits granted under the Plan shall have been acquired or on May 19, 2007, whichever is earlier, or at such earlier time as the Board of Directors may determine. Termination of the Plan will not affect the rights and obligations arising under Benefits granted under the Plan and then in effect.
5. Shares Subject to the Plan. The Common Stock subject to Benefits authorized to be granted under the Plan shall consist of 10,000,000 shares of Common Stock, no par value, or the number and kind of shares of Common Stock or other securities which shall be substituted or adjusted for such shares as provided in Section 8. All or any shares of Common Stock subject to Benefits which for any reason terminate may again be made subject to Benefits under the Plan.
6. Grant, Terms and Conditions of Options. The Committee may grant incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended and non-qualified stock options at any time and from time to time prior to the termination of the Plan to those employees of the Company or any parent or subsidiary of the Company who, in the Committee's judgment, are

largely responsible through their judgment, interest, ability and special efforts for the successful conduct of the Company's operations. However, no participant shall be granted options in any year to purchase more than 400,000 shares of Common Stock as adjusted as provided in Section 9.

No participant shall have any rights as a shareholder of the Company with respect to any Common Stock underlying any option granted hereunder until those shares have been issued. Each option shall be evidenced by a written stock option agreement which will expressly identify the option as an incentive stock option or as a non-qualified stock option. Furthermore, the grant of an incentive option pursuant to the Plan shall in no way be construed as an alternative to the right of an optionee to purchase stock pursuant to any present or future grant of a non-qualified option under any of the Company's current or future stock option plans. Options granted pursuant to the Plan need not be identical but each option is subject to the terms of the Plan and is subject to the following terms and conditions:

6.1 Price. The exercise price of each option granted under the Plan shall be at least equal to the fair market value of the Common Stock on the date of grant, as determined by the Committee. The exercise price may be paid as determined by the Committee.

6.2 Duration and Exercise or Termination of Option. Each option granted under the Plan shall be exercisable in such manner and at such times as the Committee shall determine. Each option granted must expire within a period of ten (10) years from the grant date.

6.3 Transferability of Options. Each option shall be transferable only by will or the laws of descent and distribution except and unless the option provides for additional rights to transfer.

6.4 Other Terms and Conditions. Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Committee shall deem appropriate. No option, however, shall be repriced, and nothing contained in the Plan shall confer upon any participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate his or her employment or service at any time.

7. Grant, Terms and Conditions of Restricted Common Stock. The Committee may grant shares of Common Stock with such restrictions, terms and conditions as may be determined in the sole discretion of the Committee; provided, however, that if the only restriction attached to the grant is vesting based on the lapse of time, the minimum period for full vesting of the grant shall be three years. Grants of shares of restricted Common Stock shall be made at such cost as the Committee shall determine and may be issued for no monetary consideration, subject to applicable state law. Shares of restricted Common Stock shall be issued and delivered at the time of the grant or as otherwise determined by the Committee, but may be subject to forfeiture until provided otherwise in the applicable restricted stock agreement. Each certificate representing shares of restricted Common Stock shall bear a legend referring to the risk of forfeiture of the shares and stating that such shares are nontransferable until all restrictions have been satisfied and the legend has been removed. At the discretion of the Committee, the grantee may or may not be entitled to full voting and dividend rights with respect to all shares of

restricted stock from the date of grant. No participant shall be granted more than 400,000 shares of restricted Common Stock in any year, as adjusted as provided in Section 9.

8. Grant, Terms and Conditions of Performance Share Units. The Committee may grant performance share units which shall entitle the participant to shares of Common Stock or cash in lieu thereof (the "Performance Shares") upon the achievement of such performance goals as may be established by the Committee at the time of grant based on any one or combination of 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 capital employed 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. At such time as it is certified by the Committee that the performance goals established by the Committee have been attained or otherwise satisfied, the Committee shall authorize the payment of cash in lieu of Performance Shares or the issuance of Performance Shares registered in the name of the participant, or both.

If the participant's employment with the Company or any parent or subsidiary of the Company, as the case may be, is terminated before the end of the period of time, designated by the Committee, over which Performance 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 Performance 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 Performance Shares that were being earned during the Performance Cycle. No participant shall be granted Performance Shares for more than 400,000 shares of Common Stock in any year, as adjusted as provided in Section 9.

9. Adjustment Upon Changes in Capitalization/Change in Control. The number and kind of shares of Common Stock subject to Benefits under the Plan shall be appropriately adjusted along with a corresponding adjustment in the option exercise price, if applicable, to reflect any stock dividend, stock split, split-up or any combination or exchange of shares, however accomplished. An appropriate adjustment shall also be made with respect to the aggregate number and kind of shares available for grant under the Plan. If the Company or the shareholders of the Company enter into an agreement to dispose of all or substantially all of the assets or shares by means of a sale, a reorganization, a liquidation, or otherwise, all options shall become immediately exercisable with respect to the full number of shares subject to

those options, all restrictions on any shares of restricted stock granted under the Plan shall be immediately removed and all Performance Shares shall be earned as if the applicable performance goals had been attained or otherwise satisfied.

10. Withholding. To the extent required by applicable federal, state, local or foreign law, a participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise pursuant to Benefits granted under the Plan. The Company shall not be required to issue shares until such obligations are satisfied. The Committee may (but shall not be required to) permit these obligations to be satisfied by having the Company withhold a portion of the shares of stock that otherwise would be issued to the participant or by delivering shares previously owned by the participant.

11. Amendment and Termination. The Board of Directors may amend or terminate the Plan as desired, without further action by the Company's shareholders, except to the extent required by applicable law.

\* NOTE: As restated to reflect a two-for-one stock split of the Company's common stock declared on May 19, 1998 in the form of a share dividend, payable on June 30, 1998 to all shareholders of record on June 8, 1998.

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JAN-31-2000  
APR-30-1999  
71,932  
0  
558,005  
21,753  
864,832  
1,580,317  
1,378,113  
0  
3,039,624  
723,854  
762,821  
0  
0  
237,309  
1,065,114  
3,039,624  
1,039,105  
1,039,105  
688,196  
975,408  
0  
0  
12,009  
51,688  
20,150  
31,538  
0  
0  
0  
31,538  
0.22  
0.22