

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 October 30, 2004

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

\_\_\_\_\_

Indicate by check mark whether the registrant is an accelerated filer  
(as defined in Rule 12b-2 of the Exchange Act). YES X NO

\_\_\_\_\_

Common stock outstanding as of November 16, 2004: 140,076,823 shares of  
common stock.

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NORDSTROM, INC. AND SUBSIDIARIES

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

|  | Quarter Ended       |                     | Year to Date Ended  |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | October 30,<br>2004 | November 1,<br>2003 | October 30,<br>2004 | November 1,<br>2003 |
| Net sales  | \$1,542,075         | \$1,409,109         | \$5,031,045         | \$4,529,430         |
| Cost of sales and related<br>buying and occupancy costs      | (984,908)           | (911,429)           | (3,228,732)         | (2,991,953)         |
| Gross profit   | 557,167             | 497,680             | 1,802,313           | 1,537,477           |
| Selling, general and<br>administrative expenses              | (465,769)           | (439,006)           | (1,454,736)         | (1,351,628)         |
| Operating income   | 91,398              | 58,674              | 347,577             | 185,849             |
| Interest expense, net  | (13,485)            | (26,681)            | (64,260)            | (73,043)            |
| Service charge income<br>and other, net                      | 45,000              | 42,576              | 127,489             | 114,289             |
| Earnings before income taxes                                 | 122,913             | 74,569              | 410,806             | 227,095             |
| Income tax expense   | (45,085)            | (29,100)            | (157,336)           | (88,600)            |
| Net earnings   | \$ 77,828           | \$ 45,469           | \$ 253,470          | \$ 138,495          |
| Basic earnings per share                                     | \$ 0.55             | \$ 0.33             | \$ 1.81             | \$ 1.02             |
| Diluted earnings per share                                   | \$ 0.54             | \$ 0.33             | \$ 1.77             | \$ 1.01             |
| Basic shares   | 140,698             | 136,304             | 140,181             | 135,907             |
| Diluted shares   | 143,149             | 138,103             | 142,868             | 136,659             |
| Cash dividends paid per share<br>of common stock outstanding | \$ 0.13             | \$ 0.10             | \$ 0.35             | \$ 0.30             |

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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

|   | October 30,<br>2004 | January 31,<br>2004 | November 1,<br>2003 |
|---|---------------------|---------------------|---------------------|
|   | -----               | -----               | -----               |
| <b>ASSETS</b>   |                     |                     |                     |
| Current Assets:   |                     |                     |                     |
| Cash and cash equivalents   | \$ 335,407          | \$ 516,281          | \$ 183,666          |
| Accounts receivable, net  | 635,409             | 666,811             | 645,182             |
| Retained interest in accounts receivable  | 382,325             | 272,294             | 227,340             |
| Merchandise inventories   | 1,193,144           | 901,623             | 1,189,996           |
| Current deferred tax assets   | 134,896             | 121,681             | 111,965             |
| Prepaid expenses  | 53,231              | 49,750              | 50,083              |
|   | -----               | -----               | -----               |
| Total current assets  | 2,734,412           | 2,528,440           | 2,408,232           |
| Land, buildings and equipment (net of<br>accumulated depreciation of \$2,256,003,<br>\$2,108,936 and \$2,051,968) | 1,692,202           | 1,724,273           | 1,736,617           |
| Goodwill, net   | 51,714              | 51,714              | 51,714              |
| Tradename, net  | 84,000              | 84,000              | 84,000              |
| Other assets  | 159,631             | 150,271             | 149,778             |
|   | -----               | -----               | -----               |
| <b>TOTAL ASSETS</b>   | <b>\$4,721,959</b>  | <b>\$4,538,698</b>  | <b>\$4,430,341</b>  |
|   | =====               | =====               | =====               |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                     |                     |                     |
| Current Liabilities:  |                     |                     |                     |
| Accounts payable  | \$ 772,559          | \$ 585,331          | \$ 716,380          |
| Accrued salaries, wages<br>and related benefits   | 252,022             | 276,007             | 211,584             |
| Other accrued expenses  | 205,504             | 188,231             | 178,644             |
| Income taxes payable  | 52,877              | 66,157              | 71,105              |
| Current portion of long-term debt   | 103,021             | 6,833               | 6,198               |
|   | -----               | -----               | -----               |
| Total current liabilities   | 1,385,983           | 1,122,559           | 1,183,911           |
| Long-term debt  | 932,384             | 1,227,410           | 1,225,403           |
| Deferred lease credits  | 364,768             | 377,321             | 376,007             |
| Other liabilities   | 168,426             | 177,399             | 143,726             |
| Shareholders' Equity:   |                     |                     |                     |
| Common stock, no par:   |                     |                     |                     |
| 500,000 shares authorized;<br>139,933, 138,377 and 136,971 shares<br>issued and outstanding                       | 529,284             | 424,645             | 384,193             |
| Unearned stock compensation   | (373)               | (597)               | (671)               |
| Retained earnings   | 1,330,511           | 1,201,093           | 1,111,864           |
| Accumulated other comprehensive<br>earnings   | 10,976              | 8,868               | 5,908               |
|   | -----               | -----               | -----               |
| Total shareholders' equity  | 1,870,398           | 1,634,009           | 1,501,294           |
|   | -----               | -----               | -----               |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b>   | <b>\$4,721,959</b>  | <b>\$4,538,698</b>  | <b>\$4,430,341</b>  |
|   | =====               | =====               | =====               |

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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

|  | Year to Date Ended  |                     |
|--|---------------------|---------------------|
|  | October 30,<br>2004 | November 1,<br>2003 |
| OPERATING ACTIVITIES:  |                     |                     |
| Net earnings   | \$253,470           | \$138,495           |
| Adjustments to reconcile net earnings to net cash from operating activities: |                     |                     |
| Depreciation and amortization  | 194,593             | 185,163             |
| Amortization of deferred lease credits and other, net                        | (23,054)            | (20,316)            |
| Stock-based compensation expense   | 4,663               | 9,548               |
| Deferred income taxes, net   | (5,012)             | (4,629)             |
| Tax benefit on stock option exercises  | 19,906              | 2,664               |
| Change in operating assets and liabilities:                                  |                     |                     |
| Accounts receivable, net   | 31,951              | 17,869              |
| Retained interest in accounts receivable                                     | (110,569)           | (100,814)           |
| Merchandise inventories  | (261,610)           | (234,246)           |
| Prepaid expenses   | (1,116)             | (4,003)             |
| Other assets   | (11,118)            | (6,437)             |
| Accounts payable   | 156,559             | 223,424             |
| Accrued salaries, wages and related benefits                                 | (26,126)            | (14,440)            |
| Other accrued expenses   | 17,252              | 7,258               |
| Income taxes payable   | (42,561)            | 9,935               |
| Other liabilities  | 17,844              | 8,913               |
| Net cash from operating activities   | 215,072             | 218,384             |
| INVESTING ACTIVITIES:  |                     |                     |
| Capital expenditures   | (159,208)           | (204,536)           |
| Additions to deferred lease credits  | 10,806              | 37,157              |
| Other, net   | (959)               | (1,037)             |
| Net cash used in investing activities  | (149,361)           | (168,416)           |
| FINANCING ACTIVITIES:  |                     |                     |
| Principal payments on long-term debt   | (202,016)           | (109,148)           |
| Proceeds from sale of interest rate swap                                     | -                   | 2,341               |
| (Decrease)increase in cash book overdrafts                                   | (2,958)             | 10,284              |
| Proceeds from exercise of stock options                                      | 69,549              | 16,577              |
| Proceeds from employee stock purchase plan                                   | 12,892              | 8,861               |
| Cash dividends paid  | (49,091)            | (40,736)            |
| Repurchase of common stock   | (74,961)            | -                   |
| Net cash used in financing activities  | (246,585)           | (111,821)           |
| Net decrease in cash and cash equivalents                                    | (180,874)           | (61,853)            |
| Cash and cash equivalents at beginning of period                             | 516,281             | 245,519             |
| Cash and cash equivalents at end of period                                   | \$335,407           | \$183,666           |

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

#### Basis of Presentation

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The accompanying condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in our 2003 Annual Report. The same accounting policies are followed for preparing quarterly and annual financial data. All adjustments necessary for the fair presentation of the results of operations, financial position and cash flows have been included and are of a normal, recurring nature.

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

#### Critical Accounting Policies

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The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We regularly evaluate our estimates including those related to doubtful accounts, inventory valuation, intangible assets, income taxes, self-insurance liabilities, post-retirement benefits, sales return accruals, contingent liabilities and litigation. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Our accounting policies and methodologies in the third quarter of 2004 are consistent with those discussed in our 2003 Annual Report and our second quarter Form 10-Q.

In October 2004, we completed a review of our current and deferred tax accounts, which resulted in a lower effective tax rate. This change increased net income by approximately \$2,900 for the quarter and year to date periods ended October 30, 2004.

Nordstrom fsb, our wholly-owned bank subsidiary, offers a co-branded VISA credit card program to its customers. The balances due from the VISA cardholders are transferred to a third party trust, Nordstrom Credit Card Master Note Trust (the "Trust"). In 2002, the Trust issued \$200,000 of notes to third parties; those notes are due in 2007 and are secured by a portion of the Trust's assets. We do not record the notes that the Trust sold to third parties or the pro-rata share of the Trust's assets on our financial statements. The remaining interest in the Trust is held by our wholly-owned subsidiaries. The remaining interest is held in certificated form; it is recorded as "Retained interest in accounts receivable" on our accompanying condensed consolidated balance sheets and accounted for as investments in debt securities under Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities".

#### Note 1 - Summary of Significant Accounting Policies (Cont.)

In the third quarter of 2004, the U.S. Department of the Treasury Office of Thrift Supervision, which regulates Nordstrom fsb, directed Nordstrom, Inc. to change our accounting treatment for a portion of the remaining interest in the Trust. We asked the Securities and Exchange Commission ("SEC") staff to confirm that our existing accounting treatment for the remaining interest in

the Trust is consistent with their interpretation of accounting principles generally accepted in the United States ("U.S. GAAP"). In October 2004, the SEC staff confirmed that our existing accounting treatment and financial statement presentations comply with U.S. GAAP. Therefore, we plan to continue to follow our existing accounting treatment for the remaining certificated interest in the Trust. The SEC staff also suggested that we voluntarily expand our quarterly disclosures related to the certificated interests; please see Note 5 for this additional disclosure.

Reclassifications  
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We reclassified certain prior year amounts to conform to the current year presentation.

Stock Compensation  
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We apply Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees," in measuring compensation costs under our stock-based compensation programs, which is described more fully in our 2003 Annual Report.

If we had elected to recognize compensation cost based on the fair value of the options and shares at grant date, net earnings and earnings per share would have been as follows:

|  | Quarter Ended       |                     | Year to Date Ended  |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | October 30,<br>2004 | November 1,<br>2003 | October 30,<br>2004 | November 1,<br>2003 |
| Net earnings, as reported  | \$77,828            | \$45,469            | \$253,470           | \$138,495           |
| Add: stock-based compensation (income)/expense included in reported net earnings, net of tax | (500)               | 4,717               | 2,844               | 5,824               |
| Deduct: stock-based compensation expense determined under fair value, net of tax             | (4,160)             | (7,492)             | (16,460)            | (18,219)            |
| Pro forma net earnings   | \$73,168            | \$42,694            | \$239,854           | \$126,100           |
| Earnings per share:  |                     |                     |                     |                     |
| Basic - as reported  | \$0.55              | \$0.33              | \$1.81              | \$1.02              |
| Diluted - as reported  | \$0.54              | \$0.33              | \$1.77              | \$1.01              |
| Basic - pro forma  | \$0.52              | \$0.31              | \$1.71              | \$0.93              |
| Diluted - pro forma  | \$0.51              | \$0.31              | \$1.68              | \$0.93              |

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NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(amounts in thousands except per share amounts)  
(unaudited)

Note 2 - Postretirement Benefits

The expense components of our Supplemental Executive Retirement Plan, which provides retirement benefits to certain officers and select employees, are as follows:

|              | Quarter Ended       |                     | Year to Date Ended  |                     |
|--------------|---------------------|---------------------|---------------------|---------------------|
|              | October 30,<br>2004 | November 1,<br>2003 | October 30,<br>2004 | November 1,<br>2003 |
| Service cost | \$372               | \$205               | \$1,116             | \$615               |

|                                    |         |         |         |         |
|------------------------------------|---------|---------|---------|---------|
| Interest cost                      | 991     | 855     | 2,973   | 2,565   |
| Amortization of net loss           | 386     | 173     | 1,158   | 564     |
| Amortization of prior service cost | 240     | 188     | 720     | 519     |
|                                    | -----   | -----   | -----   | -----   |
| Total expense                      | \$1,989 | \$1,421 | \$5,967 | \$4,263 |
|                                    | =====   | =====   | =====   | =====   |

Note 3 - Earnings Per Share

|  | Quarter Ended       |                     | Year to Date Ended  |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | October 30,<br>2004 | November 1,<br>2003 | October 30,<br>2004 | November 1,<br>2003 |
|  | -----               | -----               | -----               | -----               |
| Net earnings   | \$77,828            | \$45,469            | \$253,470           | \$138,495           |
|  | =====               | =====               | =====               | =====               |
| Basic shares   | 140,698             | 136,304             | 140,181             | 135,907             |
| Dilutive effect of stock options and performance share units | 2,451               | 1,799               | 2,687               | 752                 |
|  | -----               | -----               | -----               | -----               |
| Diluted shares   | 143,149             | 138,103             | 142,868             | 136,659             |
|  | =====               | =====               | =====               | =====               |
| Basic earnings per share                                     | \$0.55              | \$0.33              | \$1.81              | \$1.02              |
| Diluted earnings per share                                   | \$0.54              | \$0.33              | \$1.77              | \$1.01              |
| Antidilutive stock options                                   | 10                  | 2,974               | 10                  | 7,578               |

Note 4 - Accounts Receivable

The components of accounts receivable are as follows:

|                                 | October 30,<br>2004 | January 31,<br>2004 | November 1,<br>2003 |
|---------------------------------|---------------------|---------------------|---------------------|
|                                 | -----               | -----               | -----               |
| Trade receivables:              |                     |                     |                     |
| Unrestricted                    | \$35,988            | \$25,228            | \$32,669            |
| Restricted                      | 544,976             | 589,992             | 567,396             |
| Allowance for doubtful accounts | (19,534)            | (20,320)            | (20,746)            |
|                                 | -----               | -----               | -----               |
| Trade receivables, net          | 561,430             | 594,900             | 579,319             |
|                                 | -----               | -----               | -----               |
| Other                           | 73,979              | 71,911              | 65,863              |
|                                 | -----               | -----               | -----               |
| Accounts receivable, net        | \$635,409           | \$666,811           | \$645,182           |
|                                 | =====               | =====               | =====               |

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NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(amounts in thousands except per share amounts)  
(unaudited)

Note 4 - Accounts Receivable (Cont.)

The restricted trade receivables relate to our proprietary credit card and back the \$300,000 Class A notes and the \$150,000 variable funding note renewed in May 2004. Other accounts receivable consist primarily of credit card receivables due from third party financial institutions, vendor receivables and cosmetic rebate receivables, which are believed to be fully realizable as they are collected soon after they are earned.

Note 5 - Retained Interest in Accounts Receivable

Our investment in master trust certificates and off-balance sheet financing are described in Note 9 of our 2003 Annual Report. In 2004, the Trust issued \$250,000 of Class A & B notes ("2004 Class A & B Notes") to Nordstrom Credit,



Inc., our wholly-owned subsidiary. The following table summarizes our VISA credit card activities and the estimated fair values of our retained interests as well as the assumptions used:

|   | October 30,<br>2004 | January 31,<br>2004 |
|---|---------------------|---------------------|
| Total face value of Nordstrom VISA credit card principal receivables  | \$571,407           | \$465,198           |
| Securities issued at fair value:                                      |                     |                     |
| Amounts not recorded on balance sheet (sold to third parties):        |                     |                     |
| 2002 Class A & B Notes  | \$200,000           | \$200,000           |
| Amounts recorded on balance sheet:                                    |                     |                     |
| Retained interest   | 132,325             | 272,294             |
| 2004 Class A & B Notes  | 250,000             | -                   |
| Total retained interest in accounts receivable                        | 382,325             | 272,294             |
| Total fair value of securities issued by the Trust                    | \$582,325           | \$472,294           |
| Assumptions used to estimate the fair value of the retained interest: |                     |                     |
| Weighted average remaining life (in months)                           | 2.3                 | 2.5                 |
| Average credit losses   | 5.4%                | 5.5%                |
| Average gross yield   | 18.2%               | 17.8%               |
| Weighted average coupon on issued securities                          | 2.6%                | 1.4%                |
| Average payment rates   | 22.0%               | 23.4%               |
| Discount rates of retained interests                                  | 8.1%-14.3%          | 6.8%-12.6%          |

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NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(amounts in thousands except per share amounts)  
(unaudited)

Note 5 - Retained Interest in Accounts Receivable (Cont.)

The following table summarizes the income earned by the retained interest that is included in service charge income and other, net on the condensed consolidated statements of earnings:

|                                    | Quarter Ended       |                     | Year to Date Ended  |                     |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | October 30,<br>2004 | November 1,<br>2003 | October 30,<br>2004 | November 1,<br>2003 |
| Income earned by retained interest | \$16,236            | \$11,515            | \$48,376            | \$29,133            |

Note 6 - Debt

Year to date we have retired \$196,770 of our 8.95% senior notes and \$1,473 of our 6.7% medium-term notes for a total cash payment of \$220,106. After considering non-cash items related to these debt retirements, our net expense for the three quarters ended October 30, 2004 was \$20,862.

In May 2004, we replaced our existing \$300,000 unsecured line of credit with a

\$350,000 unsecured line of credit, which is available as liquidity support for our commercial paper program. Under the terms of the agreement, we pay a variable rate of interest based on LIBOR plus a margin of 0.31%. The variable rate of interest increases to LIBOR plus a margin of 0.41% if more than \$175,000 is outstanding on the facility. The line of credit agreement expires in three years and contains restrictive covenants, which include maintaining a leverage ratio. We also pay a commitment fee for the line based on our debt rating.

Also in May 2004, we renewed our variable funding note backed by Nordstrom private label receivables and reduced the capacity by \$50,000 to \$150,000. This note is renewed annually and interest is paid based on the actual cost of commercial paper plus specified fees. We also pay a commitment fee for the note based on the amount of the facility.

We did not make any borrowings under our unsecured line of credit or our variable funding note backed by Nordstrom private label receivables during 2004.

We have an interest rate swap outstanding recorded in other liabilities. Our swap has a \$250,000 notional amount, expires in 2009 and is designated as a fully effective fair value hedge. Under the agreement, we receive a fixed rate of 5.63% and pay a variable rate based on LIBOR plus a margin of 2.3% set at six-month intervals (5.095% at October 30, 2004.) The fair value of our interest rate swap is as follows:

|                               | October 30,<br>2004 | January 31,<br>2004 | November 1,<br>2003 |
|-------------------------------|---------------------|---------------------|---------------------|
|                               | -----               | -----               | -----               |
| Interest rate swap fair value | (\$5,365)           | (\$8,091)           | (\$10,884)          |

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NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(amounts in thousands except per share amounts)  
(unaudited)

Note 7 - Comprehensive Net Earnings

|  | Year to Date Ended  |                     |
|--|---------------------|---------------------|
|  | October 30,<br>2004 | November 1,<br>2003 |
|  | -----               | -----               |
| Net earnings   | \$253,470           | \$138,495           |
| Foreign currency translation adjustment                      | 2,436               | 2,351               |
| Securitization adjustment, net of tax of \$210 and (\$1,268) | (328)               | 1,983               |
| SERP adjustment, net of tax of \$0 and \$720                 | -                   | (1,126)             |
| Comprehensive net earnings                                   | \$255,578           | \$141,703           |
|  | =====               | =====               |

Note 8 - Segment Reporting

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

| Quarter ended         | Retail      | Credit     | Catalog/<br>Internet | Corporate<br>and Other | Eliminations | Total       |
|-----------------------|-------------|------------|----------------------|------------------------|--------------|-------------|
| October 30, 2004      | Stores      | Operations |                      |                        |              |             |
|                       | -----       |            |                      |                        |              |             |
| Net sales             | \$1,453,528 | \$-        | \$88,547             | \$-                    | \$-          | \$1,542,075 |
| Service charge income | -           | 40,065     | -                    | -                      | -            | 40,065      |

|                       |         |         |       |          |          |          |
|-----------------------|---------|---------|-------|----------|----------|----------|
| Intersegment revenues | 8,440   | 7,323   | -     | -        | (15,763) | -        |
| Interest expense, net | (61)    | (5,833) | 26    | (7,617)  | -        | (13,485) |
| Earnings before taxes | 158,592 | 8,538   | 7,452 | (51,669) | -        | 122,913  |
| Net earnings (loss)   | 100,540 | 5,406   | 4,669 | (32,787) | -        | 77,828   |

| Quarter ended         | Retail      | Credit     | Catalog/ | Corporate |              |             |
|-----------------------|-------------|------------|----------|-----------|--------------|-------------|
| November 1, 2003      | Stores      | Operations | Internet | and Other | Eliminations | Total       |
| Net sales             | \$1,341,041 | \$-        | \$68,068 | \$-       | \$-          | \$1,409,109 |
| Service charge income | -           | 36,824     | -        | -         | -            | 36,824      |
| Intersegment revenues | 6,245       | 6,942      | -        | -         | (13,187)     | -           |
| Interest expense, net | (390)       | (5,549)    | 62       | (20,804)  | -            | (26,681)    |
| Earnings before taxes | 121,136     | 3,853      | (482)    | (49,938)  | -            | 74,569      |
| Net earnings (loss)   | 73,864      | 2,350      | (295)    | (30,450)  | -            | 45,469      |

| Year to date ended    | Retail      | Credit     | Catalog/  | Corporate |              |             |
|-----------------------|-------------|------------|-----------|-----------|--------------|-------------|
| October 30, 2004      | Stores      | Operations | Internet  | and Other | Eliminations | Total       |
| Net sales             | \$4,776,943 | \$-        | \$254,102 | \$-       | \$-          | \$5,031,045 |
| Service charge income | -           | 119,275    | -         | -         | -            | 119,275     |
| Intersegment revenues | 22,200      | 25,974     | -         | -         | (48,174)     | -           |
| Interest expense, net | (324)       | (17,058)   | 113       | (46,991)  | -            | (64,260)    |
| Earnings before taxes | 547,308     | 28,498     | 17,689    | (182,689) | -            | 410,806     |
| Net earnings (loss)   | 337,693     | 17,583     | 10,914    | (112,720) | -            | 253,470     |
| Assets                | 2,879,410   | 961,738    | 127,715   | 753,096   | -            | 4,721,959   |

| Year to date ended    | Retail      | Credit     | Catalog/  | Corporate |              |             |
|-----------------------|-------------|------------|-----------|-----------|--------------|-------------|
| November 1, 2003      | Stores      | Operations | Internet  | and Other | Eliminations | Total       |
| Net sales             | \$4,323,933 | \$-        | \$205,497 | \$-       | \$-          | \$4,529,430 |
| Service charge income | -           | 105,359    | -         | -         | -            | 105,359     |
| Intersegment revenues | 20,766      | 24,180     | -         | -         | (44,946)     | -           |
| Interest expense, net | (508)       | (16,364)   | 74        | (56,245)  | -            | (73,043)    |
| Earnings before taxes | 379,128     | 15,559     | (1,967)   | (165,625) | -            | 227,095     |
| Net earnings (loss)   | 231,213     | 9,489      | (1,200)   | (101,007) | -            | 138,495     |
| Assets                | 2,940,898   | 810,184    | 103,433   | 575,826   | -            | 4,430,341   |

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NORDSTROM, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(amounts in thousands except per share amounts)  
(unaudited)

Note 8 - Segment Reporting (Cont.)

As of October 30, 2004, January 31, 2004, and November 1, 2003, Retail Stores assets included \$35,998 of goodwill and \$84,000 of tradename, and Catalog/Internet assets included \$15,716 of goodwill. Goodwill and tradename included in all segments totaled \$135,714.

Note 9 - Litigation

We are involved in routine claims, proceedings, and litigation arising from the normal course of our business. We do not believe any such claim, proceeding or litigation, either alone or in aggregate, will have a material impact on our results of operations, financial position, or liquidity.

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 our 2003 Annual Report. All dollar amounts are in millions except per share amounts.

RESULTS OF OPERATIONS

Overview

Earnings for the third quarter of 2004 increased 71% to \$77.8 or \$0.54 per diluted share from \$45.5 or \$0.33 per diluted share for the same period in 2003. For the year to date period ended October 30, 2004, earnings increased 83% to \$253.5 or \$1.77 per diluted share from \$138.5 or \$1.01 per diluted

share for the same period in 2003. Our results improved in the quarter and year to date periods due to strong sales momentum combined with gross profit and selling, general and administrative expense improvement.

Sales

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 Total sales increased 9.4% for the quarter and 11.5% year to date on a 4-5-4 comparable basis due to substantial same-store sales increases. Same-store sales on a 4-5-4 comparable basis increased 8.1% for the quarter and 9.1% year to date. The sales growth for the quarter and year to date is a result of our continuous improvement in merchandising efforts, supported by our enhanced information systems. Our merchandise offering continues to meet customers' preferences, which drove full-price sales. The year to date increase is also attributable to the improved overall retail environment, especially in the first quarter. See our GAAP sales reconciliation on page 14.

All of our geographic regions and major merchandise divisions reported same-store sales increases in the third quarter and year to date.

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

Gross Profit

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|                                    | Third Quarter |       | Year to Date |       |
|------------------------------------|---------------|-------|--------------|-------|
|                                    | 2004          | 2003  | 2004         | 2003  |
| Gross profit as a percent of sales | 36.1%         | 35.3% | 35.8%        | 33.9% |

Gross profit as a percentage of sales improved 80 basis points for the quarter and 190 basis points for the year to date period ended October 30, 2004. The quarter to date performance was primarily due to buying and occupancy expense leverage resulting from stronger than expected sales. The year to date performance was primarily due to lower markdowns resulting from our ongoing improvement in managing our merchandise inventory and increased leverage on our buying and occupancy expenses.

Selling, General and Administrative Expense

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|   | Third Quarter |       | Year to Date |       |
|---|---------------|-------|--------------|-------|
|   | 2004          | 2003  | 2004         | 2003  |
| Selling, general and administrative expense as a percent of sales | 30.2%         | 31.1% | 28.9%        | 29.8% |

Selling, general and administrative expense as a percentage of sales improved 90 basis points for the quarter and for the year to date period ended October 30, 2004. Our existing support functions have been able to manage our same-store sales growth. As a result, the significant year over year sales increases in relation to relatively flat SG&A costs on a same-store basis have resulted in significant improvements in SG&A as a percentage of sales. Costs associated with new stores, selling, and incentive compensation have increased in 2004 in line with our sales increases and our improved operating performance.

## Interest Expense

Interest expense, net decreased by \$13.2 to \$13.5 for the quarter ended October 30, 2004 compared to the same period in 2003. The prior year expense includes debt prepayment costs of \$7.9. Also, our long-term borrowings have been reduced by 16 percent in the past 12 months, leading to lower borrowing costs.

Interest expense, net decreased by \$8.8 to \$64.3 for the year to date period ended October 30, 2004. We incurred debt prepayment costs of \$20.9 and \$14.3 in 2004 and 2003, respectively. The decrease in our long-term borrowings in 2004 as compared to 2003 resulted in the overall interest expense reduction.

## Service Charge Income and Other, net

Service charge income and other, net increased by \$2.4 for the quarter and \$13.2 for the year to date periods ended October 30, 2004. The increase is primarily due to growth in our Nordstrom fsb VISA credit card transaction volume and finance charges.

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

### Seasonality

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

### GAAP Sales Reconciliation

We converted to a 4-5-4 Retail Calendar at the beginning of 2003. This change in our fiscal calendar has resulted in one less day of sales being included in our year to date 2004 results versus the same period in the prior year. Sales performance numbers included in this document have been calculated on a comparative 4-5-4 basis. We believe that adjusting for the difference in days provides a more comparable basis from which to evaluate sales performance. The following reconciliation bridges the reported GAAP sales to the 4-5-4 comparable sales.

| Sales reconciliation (\$M) | YTD 2003  | YTD 2004  | Dollar Increase | % Change Total Sales | % Change Comp Sales |
|----------------------------|-----------|-----------|-----------------|----------------------|---------------------|
| Number of days GAAP        | 274       | 273       |                 |                      |                     |
| GAAP sales                 | \$4,529.4 | \$5,031.0 | \$501.6         | 11.1%                | 8.6%                |
| Less Feb. 1, 2003 sales    | (\$18.2)  | --        |                 |                      |                     |
| Reported 4-5-4 sales       | \$4,511.2 | \$5,031.0 | \$519.8         | 11.5%                | 9.1%                |
| 4-5-4 adjusted days        | 273       | 273       |                 |                      |                     |

### LIQUIDITY AND CAPITAL RESOURCES

Overall cash decreased by \$180.9 in 2004 as compared to \$61.9 in 2003, primarily due to additional debt prepayments and repurchases of our common stock.

### Cash Flow from Operations

Cash flow from operating activities decreased by \$3.3 to \$215.1 in 2004. Higher net earnings were offset by our merchandise purchase and payment flow changes in 2004 as compared to 2003 and the timing of income tax payments. Toward the end of 2003 and into 2004, we have achieved a more even flow of merchandise purchases in relation to our sales trends. Our 2004 inventory turns have improved over the prior year; the payables leverage we achieved in

2004 is consistent with our merchandise purchase plan. Income tax payments have increased in 2004 as a result of our earnings growth.

#### Cash Flow Used in Investing

Net cash used in investing activities decreased in 2004 as compared to 2003 due to a planned reduction in store openings which reduced our capital expenditures but also decreased our developer reimbursements.

Year to date, we opened one full-line store in Charlotte, North Carolina. In addition, we opened one full-line store in Miami, Florida in November 2004. During the first three quarters of 2003, we opened three full-line stores and two Nordstrom Rack stores; in the last quarter of 2003, we opened one full-line store.

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

We plan to spend approximately \$850.0 to \$875.0, net of developer reimbursements, on capital projects during the next three fiscal years. We plan to use approximately 35% of this investment to build new stores, 30% on remodels and 15% toward information technology. The remaining 20% is planned for maintenance and other miscellaneous spending.

#### Cash Flow Used in Financing

For the year to date period ended October 30, 2004, cash used in financing activities increased primarily due to our debt retirements and common stock repurchases, partially offset by an increase in the cash received from employee stock option exercises.

Year to date we have retired \$196.8 of our 8.95% senior notes and \$1.5 of our 6.7% medium-term notes for a total cash payment of \$220.1. After considering non-cash items related to these debt retirements, our net expense for the three quarters ended October 30, 2004 was \$20.9.

In May 2004, we replaced our existing \$300.0 unsecured line of credit with a \$350.0 unsecured line of credit, which is available as liquidity support for our commercial paper program. Under the terms of the agreement, we pay a variable rate of interest based on LIBOR plus a margin of 0.31%. The variable rate of interest increases to LIBOR plus a margin of 0.41% if more than \$175.0 is outstanding on the facility. The line of credit agreement expires in three years and contains restrictive covenants, which include maintaining a leverage ratio. We also pay a commitment fee for the line based on our debt rating.

Also in May 2004, we renewed our variable funding note backed by Nordstrom private label receivables and reduced the capacity by \$50.0 to \$150.0. This note is renewed annually and interest is paid based on the actual cost of commercial paper plus specified fees. We also pay a commitment fee for the note based on the amount of the facility.

We did not make any borrowings under our unsecured line of credit or our variable funding note backed by Nordstrom private label receivables during 2004.

In August 2004, the Board of Directors authorized \$300.0 of share repurchases. This authorization extends for three years to August 2007, although we expect the shares to be acquired through open market transactions during the next 12 months. This replaced the previous remaining share repurchase authority of \$82.4. The actual number and timing of share repurchases will be subject to market conditions and applicable SEC rules. Year to date, we have purchased 1,925,700 shares for \$75.0.

#### Liquidity

We maintain a level of liquidity to allow us to cover our seasonal cash needs and rely on short-term borrowings only as needed. We believe that our operating cash flows, existing cash and available credit facilities are sufficient to finance our cash requirements for the next 12 months. We plan to pay the remaining \$96.5 of our 6.7% medium-term notes due in July 2005 with

existing cash and cash from operations.

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

Over the long term, we manage our cash and capital structure to strengthen our financial position and maintain flexibility for future strategic initiatives. We continuously assess our debt and leverage levels, capital expenditure requirements, principal debt payments, dividend payouts, potential share repurchases, and future investments or acquisitions. We believe our operating cash flows, existing cash, and available credit facilities, as well as any potential future borrowing facilities will be sufficient to fund these scheduled future payments and potential long term initiatives.

CRITICAL ACCOUNTING POLICIES

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The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We regularly evaluate our estimates, including those related to doubtful accounts, inventory valuation, intangible assets, income taxes, self-insurance liabilities, post-retirement benefits, sales return accruals, contingent liabilities and litigation. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Our accounting policies and methodologies in the third quarter of 2004 are consistent with those discussed in our 2003 Annual Report and our second quarter Form 10-Q.

In October 2004, we completed a review of our current and deferred tax accounts, which resulted in a lower effective tax rate. This change increased net income by approximately \$2.9 for the quarter and year to date periods ended October 30, 2004.

Nordstrom fsb, our wholly-owned bank subsidiary, offers a co-branded VISA credit card program to its customers. The balances due from the VISA cardholders are transferred to a third party trust, Nordstrom Credit Card Master Note Trust (the "Trust"). In 2002, the Trust issued \$200.0 of notes to third parties; those notes are due in 2007 and are secured by a portion of the Trust's assets. We do not record the notes that the Trust sold to third parties or the pro-rata share of the Trust's assets on our financial statements. The remaining interest in the Trust is held by our wholly-owned subsidiaries. The remaining interest is held in certificated form; it is recorded as "Retained interest in accounts receivable" on our accompanying condensed consolidated balance sheets and accounted for as investments in debt securities under Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities".

In the third quarter of 2004, the U.S. Department of the Treasury Office of Thrift Supervision, which regulates Nordstrom fsb, directed Nordstrom, Inc. to change our accounting treatment for a portion of the remaining interest in the Trust. We asked the Securities and Exchange Commission ("SEC") staff to confirm that our existing accounting treatment for the remaining interest in the Trust is consistent with their interpretation of accounting principles generally accepted in the United States ("U.S. GAAP"). In October 2004, the SEC staff confirmed that our existing accounting treatment and financial statement presentations comply with U.S. GAAP. Therefore, we plan to continue to follow our existing accounting treatment for the remaining certificated interest in the Trust. The SEC staff also suggested that we voluntarily expand our quarterly disclosures related to the certificated interests; please see Note 5 for this additional disclosure.

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

FORWARD-LOOKING INFORMATION CAUTIONARY STATEMENT  
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The preceding disclosures included forward-looking statements regarding our performance, liquidity, capital expenditures and adequacy of capital resources. These statements are based on our current assumptions and expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Forward-looking statements are qualified by the risks and challenges posed by our ability to predict fashion trends, consumer apparel buying patterns, our ability to control costs, weather conditions, hazards of nature, trends in personal bankruptcies and bad debt write-offs, changes in interest rates, employee relations, our ability to continue our expansion plans, changes in governmental or regulatory requirements, and the impact of economic and competitive market forces, including the impact of terrorist activity or the impact of a war on us, our customers and the retail industry. As a result, while we believe there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements. We undertake no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances. This discussion and analysis should be read in conjunction with the condensed consolidated financial statements.

Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, we performed an evaluation under the supervision and with the participation of management, including our President and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act")). Based upon that evaluation, our President and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures are effective in the timely recording, processing, summarizing and reporting of material financial and non-financial information.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



Item 1. Legal Proceedings

Cosmetics

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

Plaintiffs seek treble damages and restitution in an unspecified amount, attorneys' fees and prejudgment interest, on behalf of a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the four years prior to the filing of the amended complaint. Defendants, including us, have answered the amended complaint denying the allegations. The defendants have produced documents and responded to plaintiffs' other discovery requests, including providing witnesses for depositions.

We entered into a settlement agreement with the plaintiffs and the other defendants on July 13, 2003. In furtherance of the settlement agreement, the case was refiled in the United States District Court for the Northern District of California on behalf of a class of all persons who currently reside in the United States and who purchased "Department Store" cosmetics from the defendants during the period May 29, 1994 through July 16, 2003. The Court has given preliminary approval to the settlement. A summary notice of class certification and the terms of the settlement have been disseminated to class members. A hearing on whether the Court will grant final approval of the settlement has been scheduled for January 11, 2005. If approved by the Court, the settlement will result in the plaintiffs' claims and the claims of all class members being dismissed, with prejudice, in their entirety. In connection with the settlement agreement, the defendants will provide class members with certain free products and pay the plaintiffs' attorneys' fees, awarded by the Court up to \$24 million. Our share of the cost of the settlement will not have a material adverse effect on our financial condition, results of operations or cash flows.

Other

We are involved in various routine legal proceedings incidental to the ordinary course of business. In management's opinion, the outcome of pending legal proceedings, separately and in the aggregate, will not have a material adverse effect on our business or consolidated financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Repurchases

(dollars in millions except per share amounts)

|                                       | Total<br>Number of<br>Shares<br>(or Units)<br>Purchased | Average<br>Price Paid<br>Per Share<br>(or Units) | Total Number<br>of Shares (or Units)<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs | Maximum Number (or<br>Approximate Dollar Value)<br>of Shares (or Units) that<br>May Yet Be Purchased Under<br>the Plans or Programs (2) |
|---------------------------------------|---|--|---|---|
| Feb. 2004<br>(2/1/04 to<br>2/28/04)   | -   | -  | -   | \$82  |
| Mar. 2004<br>(2/29/04 to<br>4/3/04)   | -   | -  | -   | \$82  |
| Apr. 2004<br>(4/4/04 to<br>5/1/04)    | 672 (1)   | \$39.99  | -   | \$82  |
| May. 2004<br>(5/2/04 to<br>5/29/04)   | -   | -  | -   | \$82  |
| Jun. 2004<br>(5/30/04 to<br>7/3/04)   | -   | -  | -   | \$82  |
| Jul. 2004<br>(7/4/04 to<br>7/31/04)   | -   | -  | -   | \$82  |
| Aug. 2004<br>(8/1/04 to<br>8/28/04)   | 258,500   | \$37.31  | 258,500   | \$290   |
| Sep. 2004<br>(8/29/04 to<br>10/2/04)  | 1,117,700   | \$38.51  | 1,117,700   | \$247   |
| Oct. 2004<br>(10/3/04 to<br>10/30/04) | 549,500   | \$40.53  | 549,500   | \$225   |

(1) The 672 shares redeemed were not part of a publicly announced repurchase plan or program. These shares were owned and tendered by an employee to Nordstrom as payment for an option exercise.

(2) In May 1995, the Board of Directors authorized \$1,100.0 of share repurchases, with no expiration date. In August 2004, the Board of Directors authorized \$300.0 of share repurchases. This replaced the previous remaining share repurchase authority of \$82.4. This authorization extends for three years to August 2007, although we expect the shares to be acquired through open market transactions during the next 12 months. The actual number and timing of share repurchases will be subject to market conditions and applicable SEC rules. Program to date, we have purchased 1,925,700 shares for \$75.0 at an average price of \$38.93 per share.

Item 6. Exhibits

- 3.2 Bylaws, as amended and restated on November 17, 2004.
- 31.1 Certification of President required by Section 302(a) of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of President regarding periodic report containing financial statements pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer regarding periodic report containing financial statements pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

NORDSTROM, INC.  
(Registrant)

/s/ Michael G. Koppel

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

Date: December 3, 2004  
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NORDSTROM INC. AND SUBSIDIARIES

Exhibit Index

| Exhibit<br>-----   | Method of Filing<br>-----         |
|--|-----------------------------------|
| 3.2 Bylaws, as amended and restated on November 17, 2004   | Filed herewith electronically     |
| 31.1 Certification of President required by Section 302(a) of the Sarbanes-Oxley Act of 2002   | Filed herewith electronically     |
| 31.2 Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002   | Filed herewith electronically     |
| 32.1 Certification of President regarding periodic report containing financial statements pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith electronically |
| 32.2 Certification of Chief Financial Officer regarding periodic report containing financial statements  | Furnished herewith electronically |

pursuant to 18 U.S.C. 1350, as  
adopted pursuant to Section 906  
of the Sarbanes-Oxley Act of 2002

BYLAWS  
OF  
NORDSTROM, INC.

(Amended and Restated as of November 17, 2004)

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 the 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 nine (9). 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 form 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-Chairmen 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 in January or February and end in January or February each year, based upon the 4-5-4 calendar as defined by the National Retail Federation ("NRF").

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 an officer of a division of the corporation, or is or was acting 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 of the corporation, as an officer of a division of the corporation, or, acting at the request of the corporation, as director or officer 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 (and not in any other capacity in which service was or is rendered by such indemnitee unless such service was authorized 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.

Certification required by Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Blake W. Nordstrom, President of Nordstrom, Inc. certify that:

1. I have reviewed this report on Form 10-Q of Nordstrom, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 3, 2004  
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/s/ Blake W. Nordstrom  
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Blake W. Nordstrom  
President

Certification required by Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Michael G. Koppel, Executive Vice President and Chief Financial Officer of Nordstrom, Inc. certify that:

1. I have reviewed this report on Form 10-Q of Nordstrom, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 3, 2004  
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/s/ Michael G. Koppel  
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Michael G. Koppel  
Executive Vice President and  
Chief Financial Officer

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

CERTIFICATION OF PRESIDENT  
REGARDING PERIODIC REPORT CONTAINING  
FINANCIAL STATEMENTS

I, Blake W. Nordstrom, the President of Nordstrom, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that the Company's Quarterly Report on Form 10-Q for the period ended October 30, 2004 (the "Report") filed with the Securities and Exchange Commission:

- fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Blake W. Nordstrom

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Blake W. Nordstrom

President

December 3, 2004

A signed original of this written statement required by Section 906 has been provided to Nordstrom, Inc. and will be retained by Nordstrom, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

NORDSTROM, INC.

1617 SIXTH AVENUE

SEATTLE, WASHINGTON 98101

CERTIFICATION OF CHIEF FINANCIAL  
OFFICER REGARDING PERIODIC REPORT CONTAINING  
FINANCIAL STATEMENTS

I, Michael G. Koppel, the Executive Vice President and Chief Financial Officer of Nordstrom, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that the Company's Quarterly Report on Form 10-Q for the period ended October 30, 2004 (the "Report") filed with the Securities and Exchange Commission:

- fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael G. Koppel

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Michael G. Koppel

Executive Vice President and Chief  
Financial Officer  
December 3, 2004

A signed original of this written statement required by Section 906 has been provided to Nordstrom, Inc. and will be retained by Nordstrom, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.