

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

FORM 8-K

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

Date of Report (Date of earliest event reported) **March 1, 2023**

NORDSTROM

Nordstrom, Inc.

(Exact name of registrant as specified in its charter)

001-15059

(Commission
File Number)

91-0515058

(IRS Employer
Identification No.)

Washington
(State or other jurisdiction
of incorporation)

1617 Sixth Avenue, Seattle, Washington 98101

(Address of principal executive offices)

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

Inapplicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, without par value	JWN	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

e) Compensatory Arrangements of Certain Officers

On March 1, 2023, the Compensation, People and Culture Committee (the "Committee") of the Board of Directors of the Company approved the following actions relative to salary and performance-based awards for the Company's Principal Executive Officer and the Named Executive Officers ("NEOs") set forth in the Company's proxy statement dated April 7, 2022 (collectively the "Executives"):

Executive	2022 Bonus ¹	2023 Base Salary ²
Erik B. Nordstrom Chief Executive Officer (Principal Executive Officer)	\$—	\$758,500
Peter E. Nordstrom President, Nordstrom Inc. and Chief Brand Officer	\$—	\$758,500
Kenneth J. Worzel Chief Customer Officer	\$—	\$895,000

¹ Nordstrom follows a pay-for-performance philosophy. The Company's compensation plans are designed to encourage executives to focus on goals that align with business strategy, operating performance and shareholder values. In support of our philosophy, performance-based awards pay out only when pre-determined results are achieved. The 2022 cash bonuses were determined based on the achievement of pre-established performance measures set by the Committee under the shareholder-approved Nordstrom, Inc. Executive Management Bonus Plan. On February 28, 2023, the Committee approved Company earnings before interest and taxes ("EBIT") and return on invested capital ("ROIC") results, which yielded zero bonus payout for the Executives.

² Base salary amounts for the Executives are unchanged from base salary amounts in 2022.

Also on March 1, 2023, the Committee determined to award stock option grants to the Executives, to be effective March 6, 2023, the first open window trading date after Committee approval. Stock options were granted pursuant to the terms of the Nordstrom, Inc. 2019 Equity Incentive Plan (the "Equity Plan") and have a term of ten years with an exercise price equivalent to the closing price of the Company's Common Stock on March 6, 2023. Vesting occurs at a rate of 50% in year three, and 50% in year four, in each case on the tenth day of the month immediately following the date of grant. The number of options to be awarded to each individual is a function of base pay, an option long-term incentive ("LTI") percentage and the fair value of an option. The Binomial Lattice model is used to estimate the fair value of an option. This model requires the input of certain assumptions, including the risk-free interest rate, volatility, expected dividend yield and expected life. The formula for determining the number of options granted is:

$$\text{Number of Options} = (\text{base pay} \times \text{option LTI}\%) / \text{option fair value}$$

This summary of the key terms of the foregoing nonqualified stock option grants is qualified in its entirety by the provisions of the 2023 Nonqualified Stock Option Award Agreement, a copy of which is attached to this Current Report on Form 8-K as Exhibit 10.1 and incorporated by reference. The number of options actually granted to the Executives, once determined, will be reported in an amendment to this Current Report on Form 8-K.

On that same date, the Committee also determined to award PSUs to the Executives pursuant to the terms of the Equity Plan. The PSU awards are effective March 6, 2023. PSUs may only be settled in shares of Company Common Stock upon the achievement of such performance goals as may be established by the Committee at the time of grant based on any one or a combination of certain performance criteria enumerated in the Equity Plan. The 2023 PSUs may be earned over a three-year period from fiscal year 2023 through fiscal year 2025. The percentage of PSUs granted that will actually be earned at the end of the three-year period is based upon the Company's cumulative sales and earnings before interest and tax ("EBIT") margin results over the same period. The minimum percentage of PSUs that can be earned at the end of the three-year performance cycle is 75% and the maximum is 150%. The number of PSUs to be awarded to each individual is a function of base pay, a PSU LTI percentage and the fair value of a PSU. The fair value of a PSU is calculated as the stock price as of the effective date less the present value of Company stock dividends over the vesting period. This calculation requires the input of certain assumptions, including the risk-free interest rate and the expected Company stock dividends. The formula for determining the number of PSUs granted is:

$$\text{Number of PSUs} = (\text{base pay} \times \text{PSU LTI}\%) / \text{PSU fair value}$$

The foregoing summary of the key terms of the PSU awards is qualified in its entirety by the provisions of the 2023 Performance Share Unit Award Agreement, a copy of which is attached to this Current Report on Form 8-K as Exhibit 10.2 and incorporated by reference. The number of PSUs actually granted to the Executives, once determined, will be reported in an amendment to this Current Report on Form 8-K.

ITEM 9.01 Financial Statements and Exhibits

10.1	Form of 2023 Nonqualified Stock Option Award Agreement	Filed herewith electronically
10.2	Form of 2023 Performance Share Unit Award Agreement	Filed herewith electronically
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	

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 hereunto duly authorized.

NORDSTROM, INC.
(Registrant)

/s/ Ann Munson Steines
Ann Munson Steines
Chief Legal Officer,
General Counsel and Corporate Secretary

Date: March 6, 2023

Nonqualified Stock Option Award Agreement

A NONQUALIFIED STOCK OPTION AWARD (hereinafter the "Option") for the number of shares of Nordstrom Common Stock ("Common Stock"), as noted in the Nonqualified Stock Option Award Notice (the "Notice"), of Nordstrom, Inc., a Washington Corporation (the "Company"), is hereby granted to the Recipient ("Optionee") on the date set forth in the Notice, subject to the terms and conditions of this Award Agreement. The Option is also subject to the terms, definitions and provisions of the Nordstrom, Inc. 2019 Equity Incentive Plan (the "Plan"), adopted by the Board of Directors of the Company (the "Board") and approved by the Company's shareholders, which is incorporated in this Award Agreement. To the extent inconsistent with this Award Agreement, the terms of the Plan shall govern. Terms not defined herein shall have the meanings as set forth in the Plan. The Compensation, People and Culture Committee of the Board (the "Committee") has the discretionary authority to construe and interpret the Plan and this Award Agreement. All decisions of the Committee upon any question arising under the Plan or under this Award Agreement shall be final and binding on all parties. The Option is subject to the following terms and conditions:

1. OPTION EXERCISE PRICE

The Option exercise price is one hundred percent (100%) of the fair market value of a share of Common Stock as determined by the closing price of Common Stock on the New York Stock Exchange on the date of grant. For this purpose, the date of grant is indicated in the Notice.

2. VESTING AND EXERCISING OF OPTION

Except as set forth in Section 5, the Option shall vest and be exercisable pursuant to the terms of the vesting schedule set forth in the Notice. The certificate(s) or shares of Common Stock as to which the Option shall be exercised shall be registered in the name of the person(s) exercising the Option unless another person is specified. An Option hereunder may not at any time be exercised for a fractional number of shares.

- (a) Method of Exercise. The Option shall be exercisable (only to the extent vested) by a written notice in a form prescribed by the Company that shall:
 - (i) state the election to exercise the Option, the number of shares, the total option exercise price, and the name and address of the Optionee;
 - (ii) be signed by the person entitled to exercise the Option; and
 - (iii) be in writing and delivered to Nordstrom Compensation department, or any successor department, (either directly or through a broker).
- (b) Payment upon Exercise. Payment of the option exercise price for any shares with respect to which an Option is being exercised shall be by:
 - (i) check or bank wire transfer, or
 - (ii) giving an irrevocable direction for a broker approved by the Company to sell all or part of the Option shares and to deliver to the Company from the sale proceeds an amount sufficient to pay the option exercise price and any amount required to be withheld to meet the Company's minimum statutory withholding requirements, including the employee's share of payroll taxes. (The balance of the sale proceeds, if any, will be delivered to the Optionee.)
- (c) Restrictions on Exercise. The Option may not be exercised if the issuance of the shares upon such exercise would constitute a violation of any applicable federal or state securities or other law or valid regulation, or the Company's Insider Trading Policy. As a condition to the exercise of the Option, the Company may require the person exercising the Option to make any representation and warranty to the Company as the Company's counsel advises and as may be required by the Company or by any applicable law or regulation.

3. ACCEPTANCE OF OPTION AND TERMS

Although the Company may or may not require the Optionee's signature upon accepting the grant, the Optionee remains subject to the terms and conditions of this Award Agreement. The Optionee agrees to comply with any and all legal requirements and Company policies related to this Option or shares of Company Common Stock which may be acquired upon exercise of this Option. The Optionee acknowledges receipt of a copy of the Plan in connection with the acceptance of the Award.

4. NONTRANSFERABILITY OF OPTION

The Option may not be sold, pledged, assigned or transferred in any manner except in the event of the Optionee's death. In the event of the Optionee's death, the Option may be transferred to the person indicated on a valid beneficiary form, as designated by the Company, or if no designated beneficiary form is available, then to the person to whom the Optionee's rights have passed by will or the laws of descent and distribution. Except as set forth in Section 5, the Option may be exercised during the lifetime of the Optionee only by the Optionee or by the guardian or legal representative of the Optionee. The terms of this Award Agreement shall be binding upon the executors, administrators, heirs and successors of the Optionee.

5. SEPARATION OF EMPLOYMENT

Except as set forth in this section, a vested Option may only be exercised while the Optionee is an employee of the Company or one of its subsidiaries (the "Employer"). If an Optionee's employment is terminated, the Optionee or his or her legal representative shall have the right to exercise the Option after such termination as follows:

- (a) If the Optionee dies while employed by the Employer, the Option shall immediately vest and may be exercised during the period ending four years after the Optionee's death. The recipient named on the beneficiary form, as designated by the Company, may exercise such rights. If no valid beneficiary form exists, then the person to whom the Optionee's rights have passed by will or the laws of descent and distribution may exercise such rights. In no event may the Option be exercised more than 10 years from the date of grant.
- (b) If the Optionee is separated due to his or her disability, as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Optionee provides Nordstrom Compensation department, or any successor department, with reasonable documentation of the Optionee's disability, the Option shall immediately vest as of the date of such separation and may be exercised during the period ending four years after separation. In no event may the Option be exercised more than 10 years from the date of grant.
- (c) If the Optionee terminates employment after having met any of the requirements set forth below, and the Option was granted at least six months prior to the termination date, the Option shall continue to vest in accordance with the terms of the Notice and may be exercised during the period ending four years after separation notwithstanding such termination of employment:
 - (i) the Optionee has attained age 55 with 10 continuous years of service to the Employer from the most recent hire date with the Employer; or
 - (ii) the Optionee has attained age 60.In no event may the Option be exercised more than 10 years from the date of grant. If the Option was granted less than six months prior to the termination date, such Option shall be forfeited as of the date of termination.
- (d) Notwithstanding subparagraphs (a), (b) and (c) of this section, the Optionee shall immediately forfeit any unvested and vested Option represented by this Award and any shares of Common Stock or proceeds from the sale of such shares of Common Stock, and the post-separation vesting and exercise rights of the Option set forth above shall cease immediately, if: (i) he or she is terminated by the Company or any of its subsidiaries for: embezzlement, theft of funds, fraud, violation of rules, regulations or policies, or any intentional harmful act or acts; or (ii) he or she at any time during the term of this Award directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, shareholder, corporate officer, director or in any other capacity, with respect to the Company or any of its subsidiaries, engages or assists any third party in engaging in any competitive business, divulges any confidential or proprietary information to a third party who is not authorized to receive the confidential or proprietary information, or improperly uses any confidential or proprietary information.
- (e) If the Optionee is separated for any reason other than those set forth in subparagraphs (a), (b), (c) and (d) above, the Optionee (or Optionee's beneficiary) may exercise his or her Option, to the extent vested as of the date of his or her separation, within 100 days after separation. In no event may the Option be exercised more than 10 years from the date of grant. Any unvested portion of the Option will be forfeited as of the date of separation.

6. TERM OF OPTION

The Option may not be exercised more than 10 years from the date of grant of the Option, and the vested portion of such Option may be exercised during such term only in accordance with the Plan and the terms of the Option.

7. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

The Option shall be adjusted pursuant to the Plan, in such manner, to such extent (if any) and at such time as the Committee deems appropriate in the circumstances, as provided in Article 12 of the Plan.

8. ADDITIONAL OPTIONS

The Committee may or may not grant the Optionee additional Options in the future. Nothing in this Option or any future grant should be construed as suggesting that additional grants to the Optionee will be forthcoming.

9. LEAVES OF ABSENCE

For purposes of this Award Agreement, the Optionee's service does not terminate due to a military leave, a medical leave or another bona fide leave of absence if the leave was approved by the Employer in writing and if continued crediting of service is required by the terms of the leave or by applicable law. But service terminates when the approved leave ends unless the Optionee immediately returns to active work.

If the Optionee goes on a leave of absence approved by the Employer, then the vesting schedule specified in the Notice may be adjusted in accordance with the Employer's leave of absence policy or the terms of the leave.

10. TAX WITHHOLDING

In the event that the Company determines that it is required to withhold any tax as a result of the exercise of the Option, the Optionee, as a condition to the exercise of their Option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements.

11. INDEPENDENT TAX ADVICE

The tax consequences to the Optionee of receiving the Option or disposing of the shares of Common Stock which may be issuable upon the exercise of the Option is complicated and will depend, in part, on the Optionee's specific tax situation. The Optionee is advised to consult with an independent tax advisor for a full understanding of the specific tax consequences of receiving the Option or disposing of the shares of Common Stock which may be received upon exercise of the Option.

12. RIGHTS AS A SHAREHOLDER

Neither the Optionee nor the Optionee's beneficiary or representative shall have any rights as a shareholder with respect to any Common Stock subject to the Option, unless and until (i) the Optionee or the Optionee's beneficiary or representative becomes entitled to receive such Common Stock by filing a notice of exercise and paying the option exercise price pursuant to the Option, and (ii) the Optionee or Optionee's beneficiary or representative has satisfied any other requirement imposed by applicable law or the Plan.

13. NO RETENTION RIGHTS

Nothing in this Award Agreement or in the Plan shall give the Optionee the right to be retained by the Employer as an employee or in any capacity. The Employer reserves the right to terminate the Optionee's service at any time, with or without cause.

14. CLAWBACK POLICY

The Option, and any proceeds (Common Stock or cash) received in connection with the exercise of the Option or subsequent sale of such issued Common Stock, shall be subject to the Clawback Policy adopted by the Company's Board, as amended from time to time, whether such policy was in effect as of the grant date or thereafter.

In the event the Clawback Policy is deemed unenforceable with respect to the Option, or with respect to the proceeds received in connection with the exercise of the Option or subsequent sale of Common Stock issued pursuant to the Option, then the Option grant subject to this Award Agreement shall be deemed unenforceable due to lack of adequate consideration.

15. ENTIRE AGREEMENT

The Notice, this Award Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof. In the event of any inconsistency between the Plan and this Award Agreement, the terms of the Plan shall control.

Performance Share Unit Award Agreement

AN AWARD ("AWARD") FOR PERFORMANCE SHARE UNITS ("UNITS"), representing a number of shares of Nordstrom Common Stock ("Common Stock") as noted in the Performance Share Unit Award Notice (the "Notice"), of Nordstrom, Inc., a Washington Corporation (the "Company"), is hereby granted to the Recipient ("Unit holder") on the date set forth in the Notice, subject to the terms and conditions of this Award Agreement. The Units are also subject to the terms, definitions and provisions of the Nordstrom, Inc. 2019 Equity Incentive Plan (the "Plan"), adopted by the Board of Directors of the Company (the "Board") and approved by the Company's shareholders, which is incorporated in this Award Agreement. To the extent inconsistent with this Award Agreement, the terms of the Plan shall govern. Terms not defined herein shall have the meanings as set forth in the Plan. The Compensation, People and Culture Committee of the Board (the "Committee") has the discretionary authority to construe and interpret the Plan and this Award Agreement. All decisions of the Committee upon any question arising under the Plan or under this Award Agreement shall be final and binding on all parties. The Units are subject to the following terms and conditions:

1. VESTING AND SETTLEMENT OF UNITS

Units shall vest and be settled in accordance with the provisions of the Plan as follows:

(a) Vesting

Each Unit is equal in value to one share of Common Stock. Except as set forth in Section 4, Units shall vest at the applicable earned percentage when the Committee certifies the Company's achievement of the Performance Goals set forth in the Notice, which certification must occur in the calendar year in which the Performance Cycle ends; provided, however, that in the event that the Company's achievement of either or both metrics falls below the lowest applicable payout percentage set forth in the Notice, then the payout percentage shall be 75%.

Cumulative Net Sales shall mean Net Sales for the Performance Cycle. Net Sales shall be calculated in accordance with GAAP, subject at all times to adjustment pursuant to Section 6 and the Plan. Cumulative EBIT Margin % shall mean the Earnings Before Interest and Income Taxes expressed as a percent of Net Sales for the Performance Cycle. EBIT and Net Sales shall be calculated in accordance with GAAP, subject at all times to adjustment pursuant to Section 6 and the Plan.

(b) Settlement

Vested Units shall be settled and automatically converted into Common Stock, unless the Unit holder has elected to defer all or a portion of the Units into the Deferred Compensation Plan ("DCP") in accordance with its rules. For the avoidance of doubt, only Common Stock shall be deliverable upon the vesting of the Units. No fractional shares of Common Stock will be issued and the number of Units that vest will be rounded down to the next whole number upon conversion of the Units into Common Stock. The delivery of Common Stock on vesting of the Units is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), together with regulatory guidance issued thereunder, and shall occur as soon as administratively possible, but not to exceed 90 days from the vesting date set forth in the notice.

(c) Withholding Taxes

No stock certificates will be distributed to the Unit holder, or amounts deferred into the DCP, unless the Unit holder has made acceptable arrangements to pay any withholding taxes that may be due as a result of the settlement of this Award. These arrangements may include withholding shares of Common Stock that otherwise would be distributed when the Units are settled. The fair market value of the shares required to cover withholding will be applied to the withholding of taxes prior to the Unit holder receiving the remaining shares.

If the Unit holder becomes retirement eligible, as outlined in Section 4 subparagraph (c), during the vesting life of the Units, then the Company retains the right to withhold that number of shares required to cover the Social Security, Medicare, and any other applicable taxes due in the calendar year in which the Unit holder becomes retirement eligible.

(d) Restrictions on Resale

The Unit holder agrees not to sell any shares of Common Stock at a time when applicable laws or Company policies prohibit a sale. This restriction will apply as long as the Unit holder is an employee, director or affiliate of the Company.

2. ACCEPTANCE OF UNITS AND TERMS

Although the Company may or may not require the Unit holder's signature upon accepting the Award, the Unit holder remains subject to the terms and conditions of this Award Agreement. The Unit holder agrees to comply with any and all legal requirements and Company policies related to the resale or disposition of any Awards under this Award Agreement. The Unit holder acknowledges receipt of a copy of the Plan in connection with the Award.

3. NONTRANSFERABILITY OF UNITS

The Units may not be sold, pledged, assigned or transferred in any manner except in the event of the Unit holder's death. In the event of the Unit holder's death, the Units may be transferred to the person indicated on a valid beneficiary form, as designated by the Company, or if no designated beneficiary form is available, then to the person to whom the Unit holder's rights have passed by will or the laws of descent and distribution. Except as set forth in Section 4, the Units may be settled during the lifetime of the Unit holder only by the Unit holder or by the guardian or legal representative of the Unit holder. The terms of the Award Agreement shall be binding upon the executors, administrators, heirs and successors of the Unit holder.

4. SEPARATION OF EMPLOYMENT

If the Unit holder is not an employee of the Company or one of its subsidiaries (the "Employer") on the vesting date, all Units are forfeited except as set forth in this section. If the Unit holder's employment with the Employer is terminated, the Units shall vest only as follows:

- (a) If the Unit holder dies while employed by the Employer, a prorated number of Units represented by the Award shall immediately vest at a one-hundred percent (100%) payout percentage, based on the number of days the Unit holder was employed during the Performance Cycle, as of the date of the Unit holder's death and be delivered in Common Stock as soon as administratively possible, but not to exceed 90 days, to the person named on the Unit holder's beneficiary form, as designated by the Company. If no valid beneficiary form exists, then the Common Stock delivered pursuant to the preceding sentence shall be issued to the person to whom the Unit holder's rights have passed by will or the laws of descent and distribution.
- (b) If the Unit holder is separated due to his or her disability, as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Unit holder provides Nordstrom Compensation department, or any successor department, with reasonable documentation of his or her disability, a prorated number of Units represented by the Award shall immediately vest at a one-hundred percent (100%) payout percentage, based on the number of days the Unit holder was employed during the Performance Cycle, as of the date of such separation and be delivered in Common Stock as soon as administratively possible, but not to exceed 90 days.
- (c) If the Unit holder terminates employment after having met any of the requirements set forth below, and the Units were granted at least six months prior to the termination date, the Unit holder shall be entitled to a prorated distribution, based on the number of days the Unit holder was employed during the Performance Cycle, and based on the extent to which the Performance Goals were achieved during the entire Performance Cycle (and payable at the time set forth in Section 1(b) above):
 - (i) the Unit holder has attained age 55 with 10 continuous years of service to the Employer from the most recent hire date with the Employer; or
 - (ii) the Unit holder has attained age 60.

If the Units were granted less than six months prior to termination, such Units shall be forfeited as of the date of termination with no rights to a prorated distribution at settlement.

- (d) Notwithstanding subparagraphs (a), (b) and (c) of this section, a Unit holder shall immediately forfeit any unvested and unsettled Units represented by this Award and any shares of Common Stock or proceeds from the sale of such shares of Common Stock, and the post-separation proration of Units and settlement rights set forth above shall cease immediately, if: (i) he or she is terminated by the Company or any of its subsidiaries for embezzlement, theft of funds, fraud, violation of rules, regulations or policies, or any intentional harmful act or acts; or (ii) he or she directly or indirectly at any time during the term of this Award, either as an employee, employer, consultant, agent, principal, partner, shareholder, corporate officer, director or in any other capacity, with respect to the Company or any of its subsidiaries, engages or assists any third party in engaging in any competitive business, divulges any confidential or proprietary information to a third party who is not authorized to receive the confidential or proprietary information, or improperly uses any confidential or proprietary information.
- (e) Except as otherwise provided in the Plan with respect to a Change in Control, if the Unit holder is separated for any reason other than those set forth in subparagraphs (a), (b), (c) and (d) above, Units, to the extent not vested and settled as of the date of his or her separation, shall be forfeited as of that date.

5. TERM OF UNITS

Units not certified by the Committee as having vested as of the end of the Performance Cycle for which the Units were awarded shall be forfeited.

6. ADJUSTMENTS TO PERFORMANCE GOALS

The Performance Goals may be subject to the following adjustments as determined by the Committee: unusual or non-recurring items of gain or loss; gains or losses on the disposition of a business, a segment of a business, or significant assets outside the ordinary course of business; changes in tax or accounting standards, principles, regulations or laws; the effect of a merger or acquisition, including all financial results derived therefrom during the period from the merger or acquisition date through the end of the Performance Cycle in which the merger or acquisition occurred; gains or losses due to non-cash adjustments which relate to the valuation of long-term assets rather than current-year performance (including but not necessarily limited to asset impairments, gain or loss recognized for store closures, lease terminations, pension adjustments and mark to market adjustments); the impact of other similar occurrences outside of the Company's core, on-going business activities (including but not necessarily limited to litigation or tax reserves, financing activities, foreign exchange rate fluctuations and restructuring charges); and material impacts of non-operational tax items (e.g., reorganizations, settlements, method changes).

7. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

The Units shall be adjusted pursuant to the Plan, in such manner, to such extent (if any) and at such time as the Committee deems appropriate and equitable in the circumstances, as set forth in Article 12 of the Plan.

8. NO DIVIDEND RIGHTS

Except to the extent required pursuant to Section 7 of this Award Agreement or under the terms of the DCP (for any Units deferred under that plan), ownership of Units shall not entitle the Unit holder to receive any dividends declared with respect to Common Stock.

9. ADDITIONAL UNITS

The Committee may or may not grant the Unit holder additional Units in the future. Nothing in this Award or any future Award Agreement should be construed as suggesting that additional Units to the Unit holder will be forthcoming.

10. LEAVES OF ABSENCE

For purposes of this Award, the Unit holder's service does not terminate due to a military leave, a medical leave or another bona fide leave of absence if the leave was approved by the Employer in writing and if continued crediting of service is required by the terms of the leave or by applicable law. But, service terminates when the approved leave ends unless the Unit holder immediately returns to active work.

11. INDEPENDENT TAX ADVICE

The tax consequences to the Unit holder of receiving the Units or disposing of the shares of Common Stock which may be issuable upon vesting and conversion of the Units are complicated and will depend, in part, on the Unit holder's specific tax situation. The Unit holder is advised to consult with an independent tax advisor for a full understanding of the specific tax consequences of receiving or disposing of the Units or the shares of Common Stock that may be received upon vesting and conversion of the Units.

12. RIGHTS AS A SHAREHOLDER

Neither the Unit holder nor the Unit holder's beneficiary or representative shall have any rights as a shareholder with respect to any Common Stock subject to these Units, unless and until the Units vest and are settled in Common Stock.

13. NO RETENTION RIGHTS

Nothing in this Award Agreement or in the Plan shall give the Unit holder the right to be retained by the Employer as an employee or in any capacity. The Employer reserves the right to terminate the Unit holder's service at any time, with or without cause.

14. CLAWBACK POLICY

The Units, and any proceeds (Common Stock or cash) received in connection with the settlement of the Units or subsequent sale of such issued Common Stock, shall be subject to the Clawback Policy adopted by the Company's Board, as amended from time to time, whether such policy was in effect as of the Grant Date or thereafter.

In the event the Clawback Policy is deemed unenforceable with respect to the Units, or with respect to the proceeds received in connection with the settlement of the Units or subsequent sale of such issued Common Stock, then the award of Units subject to this agreement shall be deemed unenforceable due to lack of adequate consideration.

15. DEFERRAL OF UNITS

A Unit holder may elect to defer all or a portion of the Units into the DCP in accordance with its terms. Upon deferral, the vested Units (and their subsequent settlement and payment) shall be governed by the terms and conditions of the DCP, as that plan may be amended from time to time by the Company.

16. ENTIRE AGREEMENT

The Notice, this Award Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof. In the event of any inconsistency between the Plan and this Award Agreement, the terms of the Plan shall control.

This Award Agreement may not be modified or amended, except for a unilateral amendment by the Company that does not materially adversely affect the rights of the Unit holder under this Award Agreement. No party to this Award Agreement may unilaterally waive any provision hereof, except in writing. Any such modification, amendment or waiver signed by, or binding upon, the Unit holder, shall be valid and binding upon any and all persons or entities who may, at any time, have or claim any rights under or pursuant to this Award Agreement.

17. CHOICE OF LAW

This Award Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington, without regard to principles of conflicts of laws, as such laws are applied to contracts entered into and performed in such State.

18. SEVERABILITY

If any provision of this Award Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Award Agreement, and this Award Agreement shall be carried out as if such invalid or unenforceable provision were not contained herein.

19. CODE SECTION 409A

The Company reserves the right, to the extent the Company deems reasonable or necessary in its sole discretion, to unilaterally amend or modify this Award Agreement as may be necessary to ensure that all vesting or delivery of compensation provided under this Award Agreement is made in a manner that complies with Section 409A of the Code, together with regulatory guidance issued thereunder. Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any additional tax or penalty on any Unit holder under Section 409A of the Code and neither the Company nor the Committee will have any liability to any Unit holder for such tax or penalty.