

UNION PACIFIC CORP
Form 4
November 24, 2014

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
TOTUSEK JEFFREY P

(Last) (First) (Middle)
1400 DOUGLAS STREET
(Street)

OMAHA, NE 68179

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
UNION PACIFIC CORP [UNP]

3. Date of Earliest Transaction
(Month/Day/Year)
11/20/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
VP CONTROLLER & CAO UPC

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Ownership (Instr. 4)
				(A) or (D) Code V Amount (D) Price			
Common Stock ⁽¹⁾	11/20/2014		G ⁽²⁾	V 732 D \$ 0	105,182	D	
Common Stock					55,472	I	By Family LLC
Common Stock ⁽³⁾					200	I	by Son

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction (Instr. 6)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
TOTUSEK JEFFREY P 1400 DOUGLAS STREET OMAHA, NE 68179			VP CONTROLLER & CAO UPC	

Signatures

By: Trevor L. Kingston, Attorney-in-Fact For: Jeffrey P. Totusek
Date: 11/24/2014

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
 - On June 6, 2014, Union Pacific Corporation effected a 2-for-1 stock split in the form of a stock dividend. Amounts of securities and the grant price or prices with respect to options, if any, and restricted stock or restricted stock units, if any, reported on this form have been adjusted to reflect the stock split.
 - The reporting person made a gift of shares to a donor-advised charitable fund.
 - The reporting person disclaims beneficial ownership of these securities.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. > Prussia Rack 45,000 2002
New York, NY

Jeffrey 11,000 2007 Austin, TX Gateway Center Rack 35,000 2009

Dallas, TX Park Lane Rack 36,000 2009

Nordstrom Rack Group

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Plano, TX Preston Shepard Place Rack 39,000 2000

San Antonio, TX The Rim Rack 35,000 2008

Chandler, AZ

Chandler Festival Rack 37,000 2000 Southlake, TX Shops of Southlake Rack 36,000 2009

Phoenix, AZ

Last Chance 48,000 1992¹ Salt Lake City, UT Sugarhouse Rack 31,000 1991

Scottsdale, AZ

Scottsdale Promenade Rack 38,000 2000 Sandy, UT The Commons at Southtowne Rack 35,000 2009

Brea, CA

Brea Union Plaza Rack 45,000 1999 Sterling, VA Dulles Town Crossing Rack 41,000 2001

Chino, CA

Chino Spectrum Towne Center Rack 38,000 1987¹ Woodbridge, VA Potomac Mills Rack 46,000 1990

Colma, CA

Colma Rack 31,000 1987 Auburn, WA SuperMall of the Great

Costa Mesa, CA

Metro Pointe at South Coast Rack 50,000 1983¹ Northwest Rack 48,000 1995

East Palo Alto, CA

Ravenswood 101 Rack 41,000 2009 Bellevue, WA Factoria Mall Rack 46,000 1997

Fresno, CA

Villaggio Retail Center Rack 32,000 2002 Lynnwood, WA Golde Creek Plaza Rack 38,000 1985¹

Glendale, CA

Glendale Fashion Center Rack 36,000 2000 Seattle, WA Downtown Seattle Rack 42,000 1987

Laguna Hills, CA

Laguna Hills Mall Rack 35,000 2008 Spokane, WA NorthTown Mall Rack 28,000 2000

Long Beach, CA

Long Beach CityPlace Rack 33,000 2002 Tukwila, WA Southcenter Square Rack 35,000 2007

¹This store has been subsequently relocated.

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Item 3. Legal Proceedings.

We are subject from time to time to various claims and lawsuits arising in the ordinary course of business including lawsuits alleging violations by us of state and/or federal wage and hour laws. Some of these suits purport or have been determined to be class actions and/or seek substantial damages. While we cannot predict the outcome of these matters with certainty, we do not believe any such claim, proceeding or litigation, either alone or in aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Item 4. Reserved.

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Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.****MARKET, SHAREHOLDER AND DIVIDEND INFORMATION**

Our common stock, without par value, is traded on the New York Stock Exchange under the symbol JWN. The approximate number of holders of common stock as of March 12, 2010 was 134,493 based upon the number of registered and beneficial shareholders, as well as the number of employee shareholders in the Nordstrom 401(k) Plan and Profit Sharing Plan. On this date we had 218,020,643 shares of common stock outstanding.

The high and low sales prices of our common stock and dividends declared for each quarter of 2009 and 2008 are presented in the table below:

	Common Stock Price				Dividends per Share	
	2009		2008		2009	2008
	High	Low	High	Low		
1st Quarter	\$23.17	\$11.19	\$40.59	\$30.72	\$0.16	\$0.16
2nd Quarter	\$26.70	\$18.15	\$38.65	\$25.67	\$0.16	\$0.16
3rd Quarter	\$36.52	\$26.25	\$37.00	\$13.66	\$0.16	\$0.16
4th Quarter	\$39.01	\$31.32	\$18.17	\$6.61	\$0.16	\$0.16
Full Year	\$39.01	\$11.19	\$40.59	\$6.61	\$0.64	\$0.64

STOCK PRICE PERFORMANCE

The following graph compares, for each of the last five fiscal years ending January 30, 2010, the cumulative total return of Nordstrom, Inc. common stock, Standard & Poor's Retail Index and Standard & Poor's 500 Index. The Retail Index is comprised of 30 retail companies, including Nordstrom, Inc., representing an industry group of the Standard & Poor's 500 Index. The cumulative total return of Nordstrom, Inc. common stock assumes \$100 invested on January 29, 2005 in Nordstrom, Inc. common stock and assumes reinvestment of dividends.

PERFORMANCE GRAPH

End of fiscal year:	2004	2005	2006	2007	2008	2009
Nordstrom, Inc. common stock	100	179	243	172	56	158
Standard & Poor's Retail Index	100	108	123	99	61	93
Standard & Poor's 500 Index	100	110	124	119	71	92

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(Dollars in millions except sales per square foot and per share amounts)

The following selected financial data are derived from the audited Consolidated Financial Statements and should be read in conjunction with Item 1A Risk Factors, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Consolidated Financial Statements and related notes included in Item 8 of this Annual Report on Form 10-K.

Fiscal year	2009	2008	2007⁶	2006⁷	2005⁸
Earnings Results					
Net sales	\$8,258	\$8,272	\$8,828	\$8,561	\$7,727
Credit card revenues	369	301	252	105	99
Gross profit ¹	2,930	2,855	3,302	3,207	2,833
Selling, general and administrative (SG&A) expenses:					
Retail stores, direct and other segments (Retail ²)	(2,109)	(2,103)	(2,161)	(2,180)	(2,000)
Credit segment ²	(356)	(274)	(198)	(92)	(83)
Earnings on investment in asset-backed securities, net ^{2,3}	-	-	18	109	83
Earnings before interest and income taxes (EBIT)	834	779	1,247	1,149	933
Interest expense, net	(138)	(131)	(74)	(43)	(43)
Earnings before income taxes (EBT)	696	648	1,173	1,106	889
Net earnings	441	401	715	678	553
Balance Sheet and Cash Flow Data					
Accounts receivable, net	\$2,035	\$1,942	\$1,788	\$684	\$644
Investment in asset-backed securities	-	-	-	428	56
Merchandise inventories	898	900	956	997	951
Current assets	4,054	3,217	3,361	2,742	2,877
Land, buildings and equipment, net	2,242	2,221	1,983	1,757	1,777
Total assets	6,579	5,661	5,600	4,822	4,922
Current liabilities	2,014	1,601	1,635	1,433	1,622
Long-term debt, including current portion	2,613	2,238	2,497	631	933
Shareholders' equity	1,572	1,210	1,115	2,169	2,097
Cash flow from operations	1,251	848	312	1,142	777
Performance Metrics					
Same-store sales percentage (decrease) increase ⁴	(4.2%)	(9.0%)	3.9%	7.5%	6.0%
Gross profit % of net sales	35.5%	34.5%	37.4%	37.5%	36.7%
SG&A % of net sales:					
Retail	25.5%	25.4%	24.5%	25.5%	26.0%
Total	29.8%	28.7%	26.7%	26.5%	27.1%
EBIT as a percentage of total revenues	9.7%	9.1%	13.7%	13.3%	11.9%
EBT as a percentage of total revenues	8.1%	7.6%	12.9%	12.8%	11.3%
Net earnings as a percentage of total revenues	5.1%	4.7%	7.9%	7.8%	7.1%
Return on average shareholders' equity	31.7%	34.5%	43.6%	31.8%	28.4%
Sales per square foot ⁵	\$368	\$388	\$435	\$423	\$391
Retail SG&A expense per square foot ⁵	\$94	\$99	\$106	\$108	\$103
Per Share Information					
Earnings per diluted share	\$2.01	\$1.83	\$2.88	\$2.55	\$1.93

Dividends per share	0.64	0.64	0.54	0.42	0.3
Book value per share	7.22	5.62	5.05	8.43	7.7

Store Information (at year end)

Full-line stores	112	109	101	98	9
Rack and other stores ⁶	72	60	55	57	5
International Façonnable boutiques ⁶	-	-	-	36	3
Total square footage	22,773,000	21,876,000	20,502,000	20,170,000	20,070,000

¹Gross profit is calculated as net sales less cost of sales and related buying and occupancy costs (for all segments).

²In 2009, we reclassified other income and expense, net in our consolidated statement of earnings, which was previously presented separately. A portion of other income and expense, net has been reclassified to earnings on investment in asset-backed securities, net, and the remaining portion has been reclassified to selling, general and administrative expenses.

³On May 1, 2007, we combined our Nordstrom private label credit card and Nordstrom VISA credit card programs into one securitization program. At that time the Nordstrom VISA credit card receivables were brought on-balance sheet.

⁴Same-stores include stores that have been open at least one full year at the beginning of the year and sales from our Direct segment.

⁵Sales per square foot and Retail SG&A expense per square foot are calculated as net sales and Retail SG&A expense, respectively, divided by weighted average square footage.

⁶During the third quarter of 2007, we completed the sale of our Façonnable business and realized a gain on sale of \$34 (\$21, net of tax). Results of operations for fiscal year 2007 include the international Façonnable boutiques through August 31, 2007 and the domestic Façonnable boutiques through October 31, 2007. Prior to the sale, the domestic Façonnable boutiques were included in Rack and other stores.

⁷Fiscal year 2006 includes an extra week (the 53rd week) as a result of our 4-5-4 retail reporting calendar. The 53rd week is not included in our calculation of same-store sales.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(Dollar, share and square footage amounts in millions except percentages, per share and per square foot amounts)

OVERVIEW

Nordstrom is a fashion specialty retailer offering high-quality apparel, shoes, cosmetics and accessories for women, men and children. We offer a wide selection of brand name and private label merchandise. We offer our products through various channels: our Nordstrom branded full-line stores and Web site (which we refer to as multi-channel), our off-price Nordstrom Rack stores, and our Jeffrey boutiques. Our stores are located throughout the United States. In addition, we offer our customers a loyalty program associated with a variety of payment products and services, including credit and debit cards.

We believe our multi-channel offering is important to our success and is consistent with our commitment to customer service. Our goal is to provide a seamless integrated shopping experience to our customers whenever and however they choose to shop. With that in mind, we are continuing to make improvements to our multi-channel capabilities. In 2008, we launched the Buy Online, Pick Up in Store service, which allows customers to purchase merchandise online and then pick up their item(s) at a Nordstrom store on the same day. In 2009, we updated our inventory platform to create shared inventory across all of our full-line stores and our online store, allowing us to fulfill online orders from any full-line store. These enhancements have led to greater merchandise selections online, improved convenience, as well as significant improvements in our sell-through rates (the proportion of available merchandise that we are able to sell) and inventory turnover.

Our merchandising efforts have also been a significant contributor to our recent success. By managing our inventory levels effectively during the economic downturn that began approximately two years ago, we were well positioned to increase purchases as sales improved and maintain fresh merchandise in our stores without taking excessive markdowns. Our customers have continued to respond favorably to our merchandise assortment, thereby contributing to additional sales growth and higher rates of regular-priced sales.

Throughout 2009, we demonstrated discipline in the management of our expenses. Our model is focused on controlling our fixed expenses, while flexing our variable and performance-related expenses with our sales and earnings results. Our sales per square foot in 2009 declined to \$368, consistent with our sales per square foot of \$369 in 2004. However, as a result of our expense management efforts, we decreased our selling, general and administrative expenses per square foot for our Retail Stores, Direct and Other segments over the same time period, from \$100 in 2004 to \$94 in 2009. This flexibility in managing our business and the ability to adjust quickly to changes in trends have put us in a healthy position heading into 2010.

The economic environment continues to have a significant impact on our customers. Consumers are cautious about spending, unemployment levels continue to be high and economic uncertainty remains. As a result of these conditions, we experienced elevated delinquency and write-off rates on our credit card portfolio. We expect unemployment levels will remain elevated during 2010.

We recognize the importance of increasing our presence in top retail markets across the country. During 2009 we opened three Nordstrom full-line stores, relocated another, and opened 13 Nordstrom Racks. In 2010 we will continue to open full-line and Rack stores while returning to a more regular remodeling schedule of five-to-six in 2010, compared to one remodel in 2009, as we continue to pursue our long-term growth strategy.

We entered 2009 with considerable uncertainty, including an economic downturn and a volatile retail environment. Our continued focus on improving service through our multi-channel offering, improved merchandising and disciplined inventory, expense and capital management, enabled us to adapt as our trends improved, and as a result we are well positioned going into 2010. Following a year of improving performance and with a more efficient business model, we are focused on improving execution and growing our market share. We believe that our response to the adversity of the past two years has left us better positioned financially, competitively, and most important, with our customers.

RESULTS OF OPERATIONS

Retail Stores, Direct and Other Segments

Summary

Our Retail Stores segment includes our full-line, Rack and Jeffrey stores; our Direct segment includes our online

store; and our Other segment includes our product development group and corporate center operations (collectively the Retail Business). The following table summarizes the combined sales and expenses of our Retail Business for the fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008:

Fiscal year	2009	2008	2007
Net sales	\$8,258	\$ 8,272	\$8,828
Cost of sales and related buying and occupancy costs	(5,273)	(5,367)	(5,479)
Gross profit ¹	2,985	2,905	3,349
Selling, general and administrative expenses	(2,109)	(2,103)	(2,161)
% of net sales:			
Cost of sales and related buying and occupancy costs	63.9%	64.9%	62.1%
Gross profit	36.1%	35.1%	37.9%
Selling, general and administrative expenses	25.5%	25.4%	24.5%

¹Gross profit is calculated as net sales less cost of sales and related buying and occupancy costs for our Retail Business.

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Fiscal year	2009	2008	2007
Net sales	\$8,258	\$8,272	\$8,828
Net sales (decrease) increase	(0.2%)	(6.3%)	3.1%
Same-store (decrease) increase by channel:			
Full-line stores	(7.2%)	(12.4%)	2.5%
Direct	14.5%	8.4%	17.9%
Multi-channel	(5.0%)	(10.6%)	3.5%
Rack	2.5%	3.1%	8.7%
Total company	(4.2%)	(9.0%)	3.9%
Percentage of net sales by merchandise category:			
Women s apparel	34%	34%	35%
Shoes	22%	21%	20%
Men s apparel	15%	16%	18%
Women s accessories	12%	12%	11%
Cosmetics	11%	11%	11%
Children s apparel	3%	3%	3%
Other	3%	3%	2%
Total	100%	100%	100%

NET SALES - 2009 VS 2008

Net sales for 2009 were approximately flat compared to 2008. The decline in multi-channel same-store sales was mostly offset by new store openings during 2009 and an increase in same-store sales for Rack.

Our multi-channel same-store sales declined 5.0% compared to 2008 as the decrease at our full-line stores was partially offset by the strong performance of Direct. During 2009, we made continued progress on our multi-channel strategy, providing our customers with access to more of our merchandise. In the fall of 2009, we updated our inventory platform to allow for shared inventory across all of our full-line stores and our Web site, allowing us to fulfill online orders from any full-line store or from our fulfillment center. These enhancements increased sales and led to significant improvements in our sell-through rates and inventory turnover, following their implementation in the second half of the year. Our merchandising efforts also contributed to our improving multi-channel sales trends during the second half of the year. By managing our inventory levels effectively during the downturn in sales over the past two years, we had the flexibility to increase purchases as sales improved and maintain current merchandise in our stores without taking excessive markdowns. As a result, our percentage of regular price sales improved measurably over the course of the year.

Same-store sales for our full-line stores decreased 7.2% compared to the same period last year. Highlights for the year included both women s shoes and accessories. Women s shoes benefited from sales of high-end shoes and boots, while fashion jewelry led accessories. Men s clothing, particularly young contemporary wear and men s furnishings, remained challenging throughout the year. This continues the trend we experienced last year as sales of men s clothing declined in conjunction with economic deterioration. The South and Mid-Atlantic regions were the top performing geographic areas for full-line stores. California and the Northwest had same-store sales below the full-line store average in 2009, although we saw improvements in both regions during the latter part of the year.

Direct's net sales increased 14.5% for the year, with results driven by the accessories, women's apparel and women's shoes categories. Accessories benefited from the sales of handbags and fashion jewelry while women's apparel was led by special occasion dresses. Junior footwear and high-end shoes drove the improvement in women's shoes. The growth in our Direct business was helped by our investments in technology and systems to better align our merchandise offering and improve the online shopping experience.

Rack had its eighth consecutive year of positive sales growth with a same-store sales increase of 2.5% for the year. The shoes and women's apparel categories led the positive performance for the year. Junior and active footwear drove shoes while women's apparel benefited from knitwear and blouses.

During 2009 we opened three full-line and thirteen Rack stores. These stores represent 2.6% of our total net sales for 2009, and increased our gross square footage by 4.1% during 2009.

NET SALES - 2008 VS 2007

Net sales declined 6.3% in 2008 compared to 2007. The decrease was due to same-store sales declines in our full-line stores, partially offset by increases in same-store sales for Rack and Direct, as well as new store openings.

Same-store sales for our full-line stores decreased 12.4% compared to the same period in 2007 primarily as a result of the economic downturn. The largest same-store sales decreases came in women's apparel and men's apparel. Women's apparel continued to experience a market-wide deterioration and we saw a decline in men's apparel correspond to the economic downturn, particularly during the fourth quarter. Regionally, business trends were most challenging in markets undergoing the largest housing price corrections. California was the most challenging region throughout 2008, with same-store sales below the full-line store average. All other regions were above the same-store sales average for full-line stores.

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Direct net sales increased 8.4% in 2008, driven by our efforts to better align our merchandise offering and experience with our full-line stores. Our new Buy Online, Pick Up in Store service was launched in 2008 and proved to be a convenient and valued service for our customers. The accessories, women's apparel and kids' merchandise categories led the growth in our Direct sales in 2008.

Rack same-store sales increased 3.1% for the year in 2008. The accessories category, led by designer handbags, and men's apparel category, led by premium denim, drove this growth. All regions contributed to the positive same-store sales results.

During 2008 we opened eight full-line and six Rack stores. These stores represented 3.3% of our total net sales for fiscal 2008, and increased our gross square footage by 6.7% during 2008.

SAME-STORE SALES OUTLOOK - 2010

We expect 2010 same-store sales to increase approximately 2% to 4%. The same-store sales increase in the first half of 2010 is expected to be approximately 300 basis points higher than in the second half of 2010.

As of March 19, 2010, we have opened three Rack stores. In total, we plan to open three full-line stores, relocate one full-line store and open fourteen additional Rack stores during the remainder of 2010. This will increase retail square footage by approximately 4.5%.

Retail Business Gross Profit

Fiscal year	2009	2008	2007
Gross profit ¹	\$2,985	\$2,905	\$3,349
Gross profit rate ²	36.1%	35.1%	37.9%
Average inventory per square foot	\$43.96	\$49.00	\$52.70
Inventory turnover rate ³	5.41	5.20	5.16

¹Gross profit is calculated as net sales less Retail Business cost of sales and related buying and occupancy costs.

²Gross profit rate is calculated as gross profit divided by net sales.

³Inventory turnover rate is calculated as annual cost of sales and related buying and occupancy costs (for all segments) divided by 4-quarter average inventory.

GROSS PROFIT - 2009 VS 2008

Retail gross profit increased \$80 from last year while our gross profit rate improved 101 basis points compared with the same period in 2008. Retail gross profit consists of merchandise margin offset by buying and occupancy costs. The improvement for the year was driven by overall improvement in our merchandise margin, particularly in the second half of the year. The latter half of 2008 was highly promotional among retailers, meaning many competitors took steep markdowns and/or offered special events or incentives to attract customers, as sales declined. We were able to be less promotional and reduce markdowns during 2009, particularly during the second half of the year, by aligning inventory with sales trends. All major merchandise categories at our full-line stores contributed to this improvement over 2008. The improvement in our merchandise margin was offset by an increase in our buying and occupancy costs. Buying and occupancy costs as a percentage of sales increased 51 basis points. This increase was primarily driven by incentives that were a result of strong company performance relative to our plans for 2009.

Our inventory turnover rate increased 4.0% over last year while our average inventory per square foot decreased 10.3%. Our merchandising efforts have enabled us to manage inventory levels consistent with sales trends and maintain fresh merchandise in our stores. Combined with the increased sell-through resulting from our improved multi-channel inventory capabilities, these efforts led to a significant increase in our inventory turnover rate.

GROSS PROFIT - 2008 VS 2007

Retail gross profit in 2008 decreased \$444 from 2007 while our gross profit rate declined 280 basis points. The deterioration in 2008 was driven primarily by a decrease in our merchandise margin rate as we utilized markdowns to respond to slower sales and a more promotional environment. All major merchandise categories at our full-line stores contributed to this decrease. Our buying and occupancy costs as a percentage of sales increased 76 basis points as many of these costs were fixed relative to the sales decline.

Our inventory turnover rate improved slightly in 2008 while our average inventory per square foot decreased 7.0%. Our merchants' efforts to align inventory levels to lower demand resulted in the improvement in our inventory turnover rate and our lower inventory per square foot. Our objective was to match the change in inventory per square foot, which declined 7.0% on average, with our same-store sales rate, which declined 9.0% for the year.

GROSS PROFIT OUTLOOK - 2010

In 2010, we expect a 20 to 60 basis point improvement in our total company gross profit rate, which includes both our Retail gross profit and our cost of loyalty points within our Credit segment. We expect greater improvement in the first half of the year when compared to 2009, when weaker sales trends in the first and second quarters increased markdown pressure. The improvement will be partially offset by additional occupancy expense for the three new full-line and seventeen new Rack stores in 2010.

Retailers do not uniformly record the costs of buying and occupancy and supply chain operations (freight, purchasing, receiving, distribution, etc.) between gross profit and selling, general and administrative expense. As such, our gross profit and selling, general and administrative expenses and rates may not be comparable to other retailers' expenses and rates.

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Fiscal year	2009	2008	2007
Selling, general and administrative expenses	\$2,109	\$2,103	\$2,161
Selling, general and administrative rate ¹	25.5%	25.4%	24.5%

¹Selling, general and administrative rate is calculated as selling, general and administrative expenses for our Retail Business as a percentage of net sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES - 2009 VS 2008

Our Retail Business selling, general and administrative expenses (Retail SG&A) increased \$6 due to increased performance-related incentives, partially offset by lower variable expenses and cost savings resulting from controlling our fixed costs. We increased our provision for performance-related expense as the year progressed to reflect the improved performance of our overall business relative to our plan. This reflects our pay for performance approach to compensation. Our variable expenses decreased in conjunction with lower sales volume, and we worked diligently to maintain our discipline in managing fixed costs. During 2009, we opened three full-line stores and thirteen Rack stores, which contributed \$41 of additional expenses. Although we opened more stores compared to 2008, the majority were Rack stores, which incur lower expenses than a full-line store. These drivers led our Retail SG&A expenses as a percentage of net sales to be approximately flat versus last year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES - 2008 VS 2007

Our SG&A expenses for our Retail Business decreased \$58 due to lower variable expenses as well as cost savings resulting from our focus on controlling fixed expenses, partially offset by the additional expenses related to our new stores. During 2008, we opened eight full-line stores and six Rack stores, which contributed \$72 of additional expenses. Our Retail SG&A expenses as a percentage of net sales increased 94 basis points. The increase as a percentage of net sales was due to the fixed nature of many of our selling, general and administrative expenses and the impact of declining sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES OUTLOOK - 2010

In 2010, our Retail SG&A dollars are expected to increase \$125 to \$175, while our Retail SG&A expenses as a percentage of net sales will decrease 10 to 20 basis points. The majority of this increase relates to our expectations for increased variable expenses consistent with the planned increase in sales, as well as approximately \$50 to \$60 of additional selling, general and administrative expenses from new stores to be opened during 2010.

Gain on Sale of Façonnable

During the third quarter of 2007, we completed the sale of the Façonnable business in exchange for cash of \$216, net of transaction costs, and realized a gain on sale of \$34. The impact to reported earnings per diluted share for 2007 was \$0.09, net of tax of \$13.

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Table of Contents**Credit Segment**

The Nordstrom credit card products are designed to strengthen customer relationships and grow retail sales by providing valuable services, loyalty benefits and payment products. We believe that owning our credit card business allows us to fully integrate our rewards program with our retail stores and provide better service to our customers, thus deepening our relationship with them and driving greater customer loyalty. Cardholders can participate in the Nordstrom Fashion Rewards[®] program, through which customers accumulate points based on their level of spending (generally two points per dollar spent at Nordstrom and one point per dollar spent outside of Nordstrom). Upon reaching two thousand points, customers receive twenty dollars in Nordstrom Notes[®], which can be redeemed for goods or services in our stores. As customers increase their level of spending they receive additional benefits, including rewards such as complimentary shipping and alterations in our retail stores. Our cardholders tend to visit our stores more frequently and spend more with us than non-cardholders. We believe the Fashion Rewards program, including these additional rewards, helps drive sales in our Retail Stores and Direct segments.

The table below illustrates a detailed view of the operational results of our Credit segment, consistent with the segment disclosure provided in the notes to the consolidated financial statements. In order to view the economic contribution of our credit card program, the following items are also included in the table below:

Intercompany merchant fees represent the estimated intercompany income of our credit business from the usage of our cards in the Retail Stores and Direct segments. To encourage the use of Nordstrom cards in our stores, the Credit segment does not charge the Retail Stores and Direct segments an intercompany interchange merchant fee. On a consolidated basis, we avoid costs that would be incurred if our customers used third-party cards.

During 2007, we combined our Nordstrom private label credit card and Nordstrom VISA credit card programs into one securitization program. At that time the Nordstrom VISA credit card receivables were brought on-balance sheet. While the underlying economics of the business did not change (Nordstrom has always owned 100% of its Credit segment), the accounting for this business segment did change. For comparability between years, **off-balance sheet income (expense), net** (credit card revenues, net of bad debt and interest expense) is shown for 2007.

Interest expense is assigned to the Credit segment in proportion to the amount of estimated capital needed to fund our credit card receivables, which assumes a mix of 80% debt and 20% equity. The average accounts receivable investment metric included in the following table represents our best estimate of the amount of capital for our credit card program that is financed by equity. As a means of assigning a comparable cost of capital for our credit card business, we believe it is important to maintain a capital structure similar to other financial institutions. Based on our research, debt as a percentage of credit card receivables for other credit card companies ranges from 70% to 90%. We believe that debt equal to 80% of our credit card receivables is appropriate given our overall capital structure goals.

Fiscal year	2009	2008	2007
Finance charge revenue	\$264	\$215	\$194
Interchange - third party	71	69	47
Late fees and other revenue	35	18	12
Total credit card revenues	370	302	253
Interest expense	(41)	(50)	(64)
Net credit card income	329	252	189
Cost of sales and related buying and occupancy costs - loyalty program	(55)	(50)	(47)
Selling, general and administrative expenses	(356)	(274)	(198)
Total expense	(411)	(324)	(245)

Earnings on investment in asset-backed securities, net	-	-	18
Credit segment loss before income taxes, as presented in segment disclosure	(82)	(72)	(38)
Inter-company merchant fees	50	48	48
Off-balance sheet income, net ¹	-	-	9
Credit segment (loss) contribution, before income taxes	(\$32)	(\$24)	\$19
Average accounts receivable investment (assuming 80% of accounts receivable is funded with debt)	\$420	\$382	\$332
Credit segment (loss) contribution, net of tax, as a percentage of average accounts receivable investment	(4.7%)	(3.9%)	3.5%

¹In 2007, this includes off-balance sheet finance charges and other income of \$22, off-balance sheet interest expense of \$6, and off-balance sheet bad debt expense of \$7.

Net Credit Card Income

Credit card revenues include finance charges, interchange fees, late fees and other fees. Interchange fees are earned from the use of Nordstrom VISA credit cards at merchants outside of Nordstrom.

Credit card revenues increased to \$370 in 2009 compared with \$302 in 2008 due to an increase in our annual percentage rate terms implemented in the fourth quarter of 2008, growth in our accounts receivable balance and increased finance charges and late fees associated with increased delinquencies during the economic downturn. The increase in credit card revenues from \$253 in 2007 to \$302 in 2008 was in part due to the Nordstrom VISA portfolio being on-balance sheet for a full year in fiscal 2008 compared to only three quarters in fiscal 2007. The increase was also due to portfolio growth and the change in our credit card pricing terms implemented in the fourth quarter of 2008, partially offset by a significant reduction in the average prime rate.

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In 2010, credit card revenues are expected to increase \$35 to \$45, due to moderate growth in our accounts receivable. In May 2009, the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Credit CARD Act) was passed. In January 2010, final rules implementing portions of the Credit CARD Act were issued, including new restrictions on credit card pricing, finance charges and fees, customer billing practices and payment application. These rules are requiring us to make changes to our credit card business practices and systems. We have completed and implemented the necessary changes and new procedures to enable compliance with those rules that had a mandatory effective date of February 22, 2010. However, the Credit CARD Act's full impact on our business is unknown at this time. Additional proposed rules implementing other portions of the Credit CARD Act, effective in August 2010, were published in early March, and interpretations of the new and proposed rules continue to emerge. Depending on the nature and extent of the full impact from these rules, any interpretations or additional rules, the practices, revenues and profitability of our credit business could be adversely affected.

Interest expense decreased to \$41 in 2009 from \$50 in 2008 and \$64 in 2007. These year-over-year decreases were due to declining variable interest rates, partially offset by higher average borrowings.

Credit Segment Cost of Sales and Related Buying and Occupancy Costs

Cost of sales and related buying and occupancy costs, which includes the estimated cost of Nordstrom Notes that will be issued and redeemed under our Fashion Rewards program, increased to \$55 in 2009 compared with \$50 in 2008. The increase was primarily due to increased use of Nordstrom credit cards, resulting in additional expense related to the Fashion Rewards program. Cost of sales and related buying and occupancy costs of \$50 in 2008 increased slightly from \$47 in 2007 due to growth in volume.

Credit Segment Selling, General and Administrative Expenses

Selling, general and administrative expenses for our Credit segment are made up of operational and marketing expenses and bad debt. These expenses are summarized in the following table:

Fiscal year	2009	2008	2007
Operational and marketing expense	\$105	\$101	\$91
Bad debt expense	251	173	107
Total credit selling, general and administrative expense	\$356	\$274	\$198

Operational and marketing expenses are incurred to support and service our credit card products and the related rewards programs, and are included in selling, general and administrative expenses in the consolidated statement of earnings. Operational and marketing expense remained relatively constant at \$105 in 2009 compared with \$101 in 2008. This reflects expenses that are relatively fixed when compared to portfolio growth and our continued focus on controlling expenses. The increase to \$101 in 2008 compared with \$91 in 2007 was due to additional marketing expenses as a result of an increase in promotions related to our loyalty program in 2008.

Bad debt expense increased to \$251 in 2009 from \$173 in 2008 due to increased write-offs reflecting consumer credit trends.

The following table illustrates the allowance for doubtful accounts activity for the past three fiscal years:

Fiscal year	2009	2008	2007
Allowance at beginning of period	\$138	\$73	\$17
Bad debt provision ¹	251	173	86
Net write-offs (on-balance sheet)	(199)	(108)	(30)
Allowance at end of period	\$190	\$138	\$73
Allowance as a percentage of ending accounts receivable	8.8%	6.8%	4.1%
	5.3%	3.7%	2.5%

Delinquent balances over thirty days as a percentage of accounts receivable			
Bad debt provision as a percentage of average on-balance sheet accounts receivable	11.9%	9.1%	5.8%
Net write-offs as a percentage of average receivables ²	9.5%	5.6%	3.5%

¹ In 2007, the one-time transitional charge-offs on the Nordstrom VISA receivables of \$21 are included in bad debt expense in selling, general and administrative expenses. These charge-offs represent actual write-offs on the Nordstrom VISA credit card portfolio during the eight-month transitional period and are not included in the allowance for doubtful accounts activity in the table above for 2007.

² Calculated as net write-offs for the combined Nordstrom private label and Nordstrom VISA portfolio as a percentage of average receivables, including average off-balance sheet receivables in 2007 of \$182.

Delinquency rates and write-offs ran at elevated levels throughout 2009. As of January 30, 2010, our delinquency rate was 5.3%, an increase from 3.7% in 2008 and 2.5% in 2007. Write-offs increased \$91 to \$199, or 9.5% of average receivables in 2009 compared with \$108, or 5.6% of average receivables in 2008. Our write-offs have a strong long-term correlation with national unemployment rates, and this trend continued during 2009 as U.S. unemployment increased from 7.6% to 9.7%. In California, unemployment rates in 2009 trended above the national unemployment rate. California continues to experience particular weakness relative to our other geographic regions and accounts for approximately 50% of our total write-offs. We are currently planning our business assuming an average unemployment rate of approximately 10.5% in 2010. In light of this economic

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environment and based on our delinquency and write-off trends, we increased our allowance for doubtful accounts by \$52 to \$190 in 2009 compared with an increase of \$65 to \$138 in 2008.

We anticipate that 2010 selling, general and administrative expenses for our Credit segment will decrease by \$10 to \$25, primarily due to lower bad debt expense relative to 2009 as growth in the unemployment rate and growth in our associated write-offs slows down.

Total Company Results**Interest Expense, Net**

Fiscal year	2009	2008	2007
Interest expense, net	\$138	\$131	\$74

Interest expense, net increased \$7 in 2009 compared with 2008 due to higher average debt levels resulting from the \$400 debt offering in the second quarter of 2009, partially offset by the \$250 senior notes which matured in January 2009 and the impact of declining variable interest rates.

Interest expense, net increased \$57 in 2008 compared with 2007 due to higher average debt levels resulting from the \$1,000 debt offering in the fourth quarter of 2007, as well as the \$850 securitization transaction in May 2007.

We anticipate interest expense, net to decrease by \$15 to \$25 in 2010 due to lower debt levels, reductions in interest rates and lower borrowing facility fees.

Income Tax Expense

Fiscal year	2009	2008	2007
Income tax expense	\$255	\$247	\$458
Effective tax rate	36.6%	38.1%	39.0%

The increase in our income tax expense in 2009 compared with 2008 was driven by the increase in our earnings before income taxes, while the decline in income tax expense in 2008 compared with 2007 correlated with the decline in earnings before income taxes.

The following table illustrates the components of our effective tax rate for 2009, 2008 and 2007:

Fiscal year	2009	2008	2007
Statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income taxes	3.5	3.4	3.4
Deferred tax adjustment	(1.8)	(3.2)	-
Permanent differences	(0.6)	2.0	-
Other, net	0.5	0.9	0.6
Effective tax rate	36.6%	38.1%	39.0%

In 2009 and 2008, our effective tax rate was impacted by adjustments related to our deferred tax assets primarily driven by the closure of several tax years under audit, as well as permanent items related to investment valuation. These adjustments reduced our effective tax rate by 2.4% and 1.2% in 2009 and 2008, respectively.

We anticipate our effective tax rate to be approximately 39.0% in 2010.

Net Earnings and Earnings per Diluted Share

Fiscal year	2009	2008	2007
--------------------	-------------	-------------	-------------

Net earnings	\$441	\$401	\$715
Net earnings as a percentage of total revenues	5.1%	4.7%	7.9%
Earnings per diluted share	\$2.01	\$1.83	\$2.88

In 2009, net earnings increased 9.9% and earnings per diluted share increased \$0.18 primarily as a result of improved gross profit and continued expense performance, partially offset by increased performance-related expenses related to our strong operating results relative to our plan and increased bad debt expense.

In 2008, net earnings decreased 43.9% and earnings per diluted share decreased 36.5% as a result of lower sales volume, increased markdowns and higher bad debt expense, partially offset by decreased variable costs and reductions in fixed expenses. The decline in earnings per share was also partially offset by the impact of share repurchases, which caused our weighted average shares outstanding to decrease in 2008 compared with 2007.

We expect our earnings per diluted share to be in the range of \$2.35 to \$2.55 in 2010.

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Table of Contents**Fourth Quarter Results**

Quarter Ended	January 30, 2010	January 31, 2009
Net sales	\$2,539	\$2,301
Cost of sales and related buying and occupancy costs	(1,593)	(1,565)
Gross profit	946	736
Selling, general and administrative expenses	(737)	(665)
Net earnings	172	68
Earnings per diluted share	\$0.77	\$0.31
% of net sales:		
Cost of sales and related buying and occupancy costs	62.7%	68.0%
Gross profit	37.3%	32.0%
Selling, general and administrative expenses	29.0%	28.9%

Our fourth quarter performance reflected continued improvement in our sales and gross margin trends that we experienced throughout the year, particularly in the second half. Earnings per diluted share were \$0.77 for the quarter ended January 30, 2010 compared to \$0.31 for the quarter ended January 31, 2009. Net earnings for the fourth quarter of 2009 were \$172 compared with \$68 in 2008.

NET SALES

Total sales for the quarter increased 10.3% to \$2,539 while same-store sales improved 6.9%. Multi-channel same-store sales increased 7.1%, with full-line same-store sales increasing 3.9% and Direct sales increasing 32.1%. Our multi-channel results benefited this year from both the comparison to a difficult period last year, as well as our shared inventory platform which enables online orders to be fulfilled from our full-line stores.

Results in full-line stores improved, as same-store sales increased 3.9% for the quarter. Our top performing categories were women's better apparel, women's shoes, and accessories. Women's better apparel benefited primarily from sweaters. Women's shoes were led by high-end shoes and junior shoes, while jewelry drove the increase in accessories. The Midwest, South and Northwest regions were the top performing geographic regions for full-line stores relative to the fourth quarter of 2008.

Net sales for the Direct segment increased 32.1%, led by the performance of women's shoes and apparel. Shoes was driven by junior shoes and high-end footwear, while coats and dresses performed well in women's apparel.

Rack same-store sales increased 4.6% for the fourth quarter. Shoes, driven by juniors and active footwear, and women's clothing, driven by denim and knit tops, were the leading categories for Rack.

GROSS PROFIT

Our gross profit rate increased 527 basis points to 37.3% from 32.0% last year. The improvement was mainly driven by merchandise margin as a percentage of net sales, partially offset by the impact of higher performance-related expenses included in buying and occupancy. Markdowns improved in the fourth quarter of 2009 when compared with the highly promotional fourth quarter experienced in 2008. We were effective in our management of inventory and ended the year with an inventory turn of 5.4, the highest in recent company history. We also ended the quarter with inventory per square foot down 4.1% from the fourth quarter of 2008.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Selling, general and administrative dollars for our Retail Business increased \$56 compared to last year's fourth quarter. The increase was largely driven by increased performance-related expenses due to our strong performance relative to our plan and higher variable expenses as a result of the improvement in sales. Our new store expenses in the fourth quarter of 2009 were \$13, which partially offset fixed expense savings during the quarter. These drivers contributed to the 11 basis point increase in Retail Business selling, general and administrative expenses.

In the fourth quarter, selling, general and administrative expenses for our credit segment were \$106, up from \$90 in 2008. A majority of the increase was driven by higher bad debt expense from increased write-offs associated with higher unemployment.

For further information on our quarterly results in 2009 and 2008, refer to Note 15 in the Notes to Consolidated Financial Statements in Item 8.

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Table of Contents**Return on Invested Capital (ROIC) (Non-GAAP financial measure)**

We define Return on Invested Capital (ROIC) as follows:

$$\text{ROIC} = \frac{\text{Net Operating Profit After Taxes (NOPAT)}}{\text{Average Invested Capital}}$$

Average Invested Capital

We believe that ROIC is a useful financial measure for investors in evaluating our operating performance for the periods presented. When read in conjunction with our net earnings and total assets and compared to return on assets, it provides investors with a useful tool to evaluate our ongoing operations and our management of assets from period to period. ROIC is one of our key financial metrics, and we also incorporate it into our executive incentive measures. Our research has shown that, historically, overall performance as measured by ROIC correlates directly to shareholders' return over the long term. For the 12 fiscal months ended January 30, 2010, our ROIC increased to 12.1% compared to 11.6% for the 12 fiscal months ended January 31, 2009. ROIC is not a measure of financial performance under GAAP, should not be considered a substitute for return on assets, net earnings or total assets as determined in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies. The closest GAAP measure is return on assets, which increased slightly to 7.1% from 7.0% for the 12 fiscal months ended January 30, 2010 compared to the 12 fiscal months ended January 31, 2009. The following is a reconciliation of return on assets to ROIC:

	12 fiscal months ended	
	January 30, 2010	January 31, 2009
Net earnings	\$441	\$401
Add: income tax expense	255	247
Add: interest expense, net	138	131
Earnings before interest and income taxes	834	779
Add: rent expense	43	37
Less: estimated depreciation on capitalized operating leases ¹	(23)	(19)
Net operating profit	854	797
Estimated income tax expense ²	(313)	(303)
Net operating profit after tax (NOPAT)	\$541	\$494
Average total assets ³	\$6,197	\$5,768
Less: average non-interest-bearing current liabilities ⁴	(1,562)	(1,447)
Less: average deferred property incentives ³	(462)	(400)
Add: average estimated asset base of capitalized operating leases ⁵	311	322

Average invested capital	\$4,484	\$4,243
Return on assets	7.1%	7.0%
ROIC	12.1%	11.6%

¹Depreciation based upon estimated asset base of capitalized operating leases as described in footnote 5 below.

²Based upon our effective tax rate multiplied by the net operating profit for the fiscal years ended January 30, 2010 and January 31, 2009.

³Based upon the trailing 12-month average.

⁴Based upon the trailing 12-month average for accounts payable, accrued salaries, wages and related benefits, and other current liabilities.

⁵Based upon the trailing 12-month average of the monthly asset base, which is calculated as the trailing 12 months rent expense multiplied by 8.

Our ROIC increased primarily due to an increase in our earnings before interest and income taxes compared to the prior year, offset by an increase in our average invested capital attributable primarily to growth in cash and cash equivalents.

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Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

We maintain a level of liquidity sufficient to allow us to cover our seasonal cash needs and to maintain appropriate levels of short-term borrowings. We believe that our operating cash flows and available credit facilities are sufficient to finance our cash requirements for the next 12 months and beyond.

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

For the fiscal year ended January 30, 2010, cash and cash equivalents increased by \$723 to \$795, primarily due to cash provided by operations of \$1,251, partially offset by \$360 of capital expenditures; and \$182 of purchases, net of payments, made by our customers for third-party merchandise and services using Nordstrom VISA credit cards. Additionally, we received proceeds from long-term borrowings of \$399, repaid commercial paper and long-term borrowings totaling \$300, and paid cash dividends of \$139.

Operating Activities

Net cash provided by operating activities was \$1,251 in 2009 and \$848 in 2008. The majority of our operating cash inflows are related to sales to our customers, including the collection of accounts receivable. We also receive cash payments for property incentives from developers. Our operating cash outflows generally consist of payments to our inventory vendors (net of vendor allowances), payments to our employees for wages, salaries and other employee benefits, and payments to our landlords for rent. Operating cash outflows also include payments for income taxes and interest payments on our short and long-term borrowings.

The increase in cash provided by operating activities in 2009 compared with 2008 was due to working capital initiatives and improved earnings. The positive impact from the change in accrued salaries, wages and related benefits primarily reflects the increase in performance-related expenses as our overall results improved relative to our plans in 2009 that will be paid in the first quarter of fiscal year 2010.

In 2010, although we expect net earnings to increase, we expect our operating cash flows to decline. This is a result of increases in working capital to support sales growth and payment of performance-related expenses that were included in accrued salaries, wages and related benefits at the end of 2009.

Investing Activities

Net cash used in investing activities was \$541 in 2009 and \$792 in 2008. Our investing cash flows primarily consist of capital expenditures and, beginning in the second quarter of 2007 (when we brought our Nordstrom VISA credit card receivables on-balance sheet), customer purchases (net of payments) for goods and services outside of Nordstrom using the Nordstrom VISA credit cards.

CAPITAL EXPENDITURES

Our capital expenditures over the last three years totaled \$1,424, with \$360 in 2009, \$563 in 2008 and \$501 in 2007. Compared with 2008, capital expenditures declined as we opened fewer full-line stores in 2009. While we opened more Rack stores in 2009 compared with 2008, the investment to open a Rack store is significantly less than a full-line store. Additionally, we reduced the number of full-line store remodels in 2009 compared with 2008.

Our capital expenditures included investments in new store openings and relocations, major and minor remodels, and information technology improvements. We also received property incentives from our developers of \$96 in 2009, \$119 in 2008 and \$58 in 2007. These incentives are included in our cash provided by operations in our consolidated statements of cash flows, however operationally we view these as an offset to our capital expenditures. Our capital expenditure percentage, net of property incentives, for the last three years by category are summarized in the following table:

Fiscal year	2009	2008	2007
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Category and expenditure percentage:

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New store openings and relocations	59%	55%	51%
Remodels (major and minor)	15%	30%	27%
Information technology	13%	8%	8%
Other	13%	7%	14%
Total	100%	100%	100%

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The following table summarizes our store count and square footage activity during 2009:

	Store Count			Square Footage		
	Total	Full line Stores	Rack and Other Stores	Total	Full line Stores	Rack and Other Stores
Balance at January 31, 2009	169	109	60	21.9	19.6	2.3
New store openings	16	3	13	0.9	0.4	0.5
Store closings	(1)	-	(1)	-	-	-
Balance at January 30, 2010	184	112	72	22.8	20.0	2.8

In 2009 we opened three full-line stores and opened thirteen Rack stores. Together these openings increased our gross square footage by 4.1%.

To date in 2010, we have opened three Rack stores. During the remainder of 2010, we anticipate opening three full-line stores, relocating one full-line store and opening fourteen additional Rack stores.

We expect that our capital expenditures (net of property incentives) will be approximately \$2,100 over the next five years, with approximately \$325 to \$375 in 2010. Over these five years, we plan to use 37% of this investment to build new and relocated stores, 41% on remodels (major and minor), 11% on information technology and 11% for other projects. Our current five-year plans include 28 new stores announced through 2012, and two announced with dates to be determined, which represents a 9% increase in square footage. Almost one third of these stores will be in the South. We believe that we have the capacity for additional capital investments should opportunities arise.

CHANGE IN CREDIT CARD RECEIVABLES ORIGINATED AT THIRD PARTIES

The Nordstrom VISA credit cards allow our customers to make purchases at merchants outside of Nordstrom and accumulate points for our Nordstrom Fashion Rewards®. In 2009, we experienced a decrease in third party purchases made by our customers using their Nordstrom VISA credit cards. This decrease was driven by reductions in general consumer spending in response to economic conditions during 2009. This caused a decrease in cash used for accounts receivable originating at third parties, which was \$182 in 2009 compared with \$232 in 2008.

Financing Activities

Our net cash provided by financing activities was \$13 in 2009 compared with \$342 used in financing activities in 2008. Our financing activities include our short-term and long-term borrowing activity, dividends paid, and repurchases of common stock.

SHORT-TERM AND LONG-TERM BORROWING ACTIVITY

During 2009, we issued \$400 of senior unsecured notes at 6.75% due June 2014. After deducting the original issue discount, underwriting fees and other expenses of \$4, net proceeds from the offering were \$396. These net borrowings were partially offset by the repayment of \$275 in commercial paper borrowings and regularly scheduled principal payments of \$25 on other long term borrowings.

During the year, we entered into interest rate swap agreements (collectively, the swap) to manage the interest rate risk associated with our fixed-rate borrowings. Our swap transaction has a \$650 notional amount and matures in 2018.

Under the swap, we receive a fixed rate of 6.25% and pay a variable rate based on one month LIBOR plus a margin of 2.9% (3.1% at January 30, 2010).

DIVIDENDS

Fiscal year	2009	2008	2007
Cash dividends paid per share	\$0.64	\$0.64	\$0.54

In 2009, we paid dividends of \$0.64 per share, which was consistent with our dividend payments for 2008. This followed twelve consecutive years of annual dividend increases. In determining the amount of dividends to pay, we analyze our dividend payout ratio and dividend yield, and balance the dividend payment with our operating performance and capital resources. For the dividend yield, which is calculated as our dividends per share divided by our stock price, we plan to target a 1.0% to 1.5% long-term yield. We will balance any potential future dividend changes with our operating performance and available capital resources.

In February 2010, we declared a first quarter dividend of \$0.16 per share, which is consistent with 2009.

SHARE REPURCHASES

Our reported results for 2008 include \$264 in share repurchases. During 2008, we repurchased 6.9 shares of our common stock for an aggregate purchase price of \$238, at an average price per share of \$34.29. In addition, our results for the period include the settlement of \$26 in repurchases initiated in the fourth quarter of 2007. In August 2007 our Board of Directors authorized a \$1,500 share repurchase program and in November 2007 authorized an additional \$1,000 for share repurchases, bringing the total program to \$2,500. We suspended our share repurchase program in September 2008, with \$1,126 of remaining capacity. During 2009 we did not repurchase shares. The share repurchase program expired in August 2009. The actual amount and timing of any future share repurchases will be subject to market conditions, approval by our Board of Directors, and applicable Securities and Exchange Commission rules.

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Table of Contents**Free Cash Flow (Non-GAAP financial measure)**

We define Free Cash Flow as:

$$\text{Free Cash Flow} = \text{Net Cash Provided By Operating Activities} - \text{Capital Expenditures} - \text{Change in Credit Card Receivables Originated at Third Parties} - \text{Cash Dividends Paid} + \text{Increase in Cash Book Overdrafts}$$

Free cash flow is one of our key liquidity measures, and we believe that our cash levels are more appropriately analyzed using this measure. Free cash flow is not a measure of liquidity under GAAP and should not be considered a substitute for operating cash flows as determined in accordance with GAAP. In addition, free cash flow does have limitations:

Free cash flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs; and

Other companies in our industry may calculate free cash flow differently than we do, limiting its usefulness as a comparative measure.

To compensate for these limitations, we analyze free cash flow in conjunction with other GAAP financial and performance measures impacting liquidity, including operating cash flows. The closest GAAP measure is net cash provided by operating activities, which was \$1,251 and \$848 for the 12 months ended January 30, 2010 and January 31, 2009. The following is a reconciliation of our net cash provided by operating activities and free cash flow:

	Fiscal year	
	2009	2008
Net cash provided by operating activities	\$1,251	\$848
Less: Capital expenditures	(360)	(563)
Change in credit card receivables originated at third parties	(182)	(232)
Cash dividends paid	(139)	(138)
Add: Increase in cash book overdrafts	9	20
Free Cash Flow	\$579	\$(65)
Net cash used in investing activities	\$(541)	\$(792)
Net cash provided by (used in) financing activities	\$13	\$(342)

Credit Capacity and Commitments

As of January 30, 2010, we had total short-term borrowing capacity available for general corporate purposes of \$950. Of the total capacity, we had \$650 under our commercial paper program, which is backed by our unsecured revolving credit facility and \$300 under our Variable Funding Note facility (2007-A VFN).

During 2009, we entered into a new unsecured revolving credit facility (the revolver) with a capacity of \$650. This revolver replaced our previously existing \$650 unsecured line of credit, which was scheduled to expire in November 2010. The revolver, which expires in August 2012, is available for working capital, capital expenditures and general corporate purposes. Under the terms of the agreement, we pay a variable rate of interest and a facility fee based on our debt rating. Under the revolver we have the option to increase the revolving commitment by up to \$100, to a total of \$750, provided that we obtain written consent from the lenders who choose to increase their commitment. Our \$650 commercial paper program allows us to use the proceeds to fund share repurchases as well as operating cash requirements. Under the terms of the commercial paper agreement, we pay a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The issuance of commercial paper has the effect, while it is outstanding, of reducing borrowing capacity under our revolver by an amount equal to the principal amount of commercial paper. As of January 30, 2010 we had no outstanding issuances under our \$650 commercial paper

program and no outstanding borrowings under our revolver.

During 2009, we renewed our 2007-A VFN. The 2007-A VFN has a capacity of \$300 and matures in January 2011. The 2007-A VFN is backed by substantially all of the Nordstrom private label card receivables and a 90% interest in the co-branded Nordstrom VISA credit card receivables. Borrowings under the 2007-A VFN incur interest based upon the cost of commercial paper issued by a third-party bank conduit plus specified fees. We pay a commitment fee for the notes based on the size of the commitment. Under the renewed 2007-A VFN, we have the option to reduce the total capacity or, provided that written consent is obtained from each of the parties to the Note Purchase Agreement, the facility contains the option to increase the total capacity. As of January 30, 2010, we had no outstanding issuances against this facility.

Our wholly owned federal savings bank, Nordstrom fsb, also maintains a variable funding facility with a short-term credit capacity of \$100. This facility is backed by the remaining 10% interest in the Nordstrom VISA credit card receivables and is available, if needed, to provide liquidity support to Nordstrom fsb. At the end of 2009 and 2008, Nordstrom fsb had no outstanding borrowings under this facility. Borrowings under the facility incur interest based upon the cost of commercial paper issued by the third-party bank conduit plus specified fees.

We maintain import and standby letters of credit to facilitate international payments. As of January 30, 2010, we have \$10 available under an import letter of credit, with \$5 outstanding. We additionally hold a \$15 standby letter of credit, with \$12 outstanding under this facility at the end of the year.

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We currently have an automatic shelf registration statement on file with the Securities and Exchange Commission. Under the terms of the registration statement, and subject to the filing of certain post-effective amendments, we are authorized to issue an unlimited principal amount of debt securities.

Our next debt maturity is a \$350 securitized note due in April 2010. Beginning in the first quarter of 2010, we will make monthly cash deposits into a restricted account until the note is due in accordance with the debt agreement. We will continue to monitor the credit markets and our potential financing needs in order to ensure we have adequate cash on hand to pay this debt when it becomes due. We expect to retire the \$350 securitized note with available cash when it matures.

Debt Covenants

Our \$650 unsecured line of credit requires that we maintain a leverage ratio of not greater than four times Adjusted Debt to EBITDAR, and a fixed charge coverage ratio of at least two times.

The fixed charge coverage ratio is defined as:

$$\frac{\text{EBITDAR less gross capital expenditures}}{\text{Interest expense, net + rent expense}}$$

As of January 30, 2010 and January 31, 2009 we were in compliance with these covenants. We will continue to monitor these covenants to ensure that we make any necessary adjustments to our plans and believe that we will remain in compliance with these covenants during 2010. See additional disclosure of Adjusted Debt to EBITDAR on the following page.

The following table shows our credit ratings at the date of this report:

Credit Ratings	Moody's	Standard and Poor's
Senior unsecured debt	Baa2	BBB+
Commercial paper	P-2	A-2
Senior unsecured outlook	Stable	Positive

These ratings could change depending on our performance and other factors. Our \$100 variable funding facility can be cancelled or not renewed if our debt ratings fall below Standard and Poor's BB+ rating or Moody's Ba1 rating. Our other outstanding debt is not subject to termination or interest rate adjustments based on changes in our credit ratings. We are currently three ratings above the minimum for our Standard and Poor's covenant requirements, and two ratings above the minimum for our Moody's covenant requirements.

Table of Contents**Adjusted Debt to EBITDAR (Non-GAAP financial measure)**

We define Adjusted Debt to Earnings before Interest, Income Taxes, Depreciation, Amortization and Rent (EBITDAR) as follows:

$$\text{Adjusted Debt to EBITDAR} = \frac{\text{Adjusted Debt}}{\text{EBITDAR}}$$

Adjusted Debt to EBITDAR is one of our key financial metrics, and we believe that our debt levels are best analyzed using this measure. Our current goal is to manage debt levels to maintain an investment grade credit rating as well as operate with an efficient capital structure for our size, growth plans and industry. Investment grade credit ratings are important to maintaining access to a variety of short-term and long-term sources of funding, and we rely on these funding sources to continue to grow our business. We believe a higher ratio, among other factors, could result in rating agency downgrades. In contrast, we believe a lower ratio would result in a higher cost of capital and could negatively impact shareholder returns. As of both January 30, 2010 and January 31, 2009, our Adjusted Debt to EBITDAR was 2.5.

Adjusted Debt to EBITDAR is not a measure of financial performance under GAAP and should not be considered a substitute for debt to net earnings, net earnings or debt as determined in accordance with GAAP. In addition, Adjusted Debt to EBITDAR does have limitations:

Adjusted Debt is not exact, but rather our best estimate of the total company debt we would hold if we had purchased the property and issued debt associated with our operating leases;

EBITDAR does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments, including leases, or the cash requirements necessary to service interest or principal payments on our debt; and

Other companies in our industry may calculate Adjusted Debt to EBITDAR differently than we do, limiting its usefulness as a comparative measure.

To compensate for these limitations, we analyze Adjusted Debt to EBITDAR in conjunction with other GAAP financial and performance measures impacting liquidity, including operating cash flows, capital spending and net earnings. The closest GAAP measure is debt to net earnings, which was 5.9 and 6.3 for 2009 and 2008, respectively. The following is a reconciliation of debt to net earnings and Adjusted Debt to EBITDAR:

	2009₁	2008₁
Debt ²	\$2,613	\$2,513
Add: rent expense x 8 ³	341	298
Adjusted Debt	\$2,954	\$2,811
Net earnings	441	401
Add: income tax expense	255	247
Add: interest expense, net	138	131
Earnings before interest and income taxes	834	779
Add: depreciation and amortization of buildings and equipment	313	302
Add: rent expense	43	37

EBITDAR	\$1,190	\$1,118
Debt to Net Earnings	5.9	6.3
Adjusted Debt to EBITDAR	2.5	2.5

¹The components of adjusted debt are as of the end of 2009 and 2008, while the components of EBITDAR are for the 12 months ended January 30, 2010 and January 31, 2009.

²Debt included \$275 of commercial paper borrowings outstanding as of January 31, 2009. There were no outstanding commercial paper borrowings as of January 30, 2010.

³The multiple of eight times rent expense used to calculate adjusted debt is our best estimate of the debt we would record for our leases that are classified as operating if they had met the criteria for a capital lease, or if we had purchased the property.

Nordstrom, Inc. and subsidiaries 29

Table of Contents**Contractual Obligations**

The following table summarizes our contractual obligations and the expected effect on our liquidity and cash flows as of January 30, 2010. We expect to fund these commitments primarily with operating cash flows generated in the normal course of business and credit available to us under existing and potential future facilities.

		Less than			More than
	Total	1 year	1-3 years	3-5 years	5 years
Long-term debt	\$4,141	\$478	\$746	\$625	\$2,292
Capital lease obligations	17	2	4	4	7
Other long-term liabilities	195	3	38	25	129
Operating leases	854	98	190	160	406
Purchase obligations	1,221	1,139	80	2	-
Total	\$6,428	\$1,720	\$1,058	\$816	\$2,834

Included in the required debt repayments disclosed above are estimated total interest payments of \$1,539 as of January 30, 2010, payable over the remaining life of the debts.

Other long-term liabilities consist of workers' compensation and general liability insurance reserves and postretirement benefits. The repayment amounts presented above were estimated based on historical payment trends. Other long-term liabilities not requiring cash payments, such as deferred property incentives and deferred revenue, were excluded from the table above. Also excluded from the table above are unrecognized tax benefits of \$48, as we are unable to reasonably estimate the timing of future cash payments for these liabilities.

Purchase obligations primarily consist of purchase orders for unreceived goods or services and capital expenditure commitments.

CRITICAL ACCOUNTING ESTIMATES

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 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. The following discussion highlights the estimates we believe are critical and should be read in conjunction with the Notes to the Consolidated Financial Statements. Our management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors and the Audit Committee has reviewed our disclosures that follow.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts represents our best estimate of the losses inherent in our Nordstrom private label card and Nordstrom VISA credit card receivables as of the balance sheet date. We evaluate the collectability of our accounts receivable based on several factors, including historical trends of aging of accounts, write-off experience and expectations of future performance, including trends in unemployment rates. We recognize finance charges on delinquent accounts until the account is written off. We write off credit card loans when accounts are, at a minimum, 151 days contractually delinquent. Accounts relating to cardholder bankruptcies, cardholder deaths and fraudulent transactions are written off earlier.

Management believes the allowance for doubtful accounts is adequate to cover anticipated losses in our credit card accounts receivable under current conditions; however, significant deterioration in any of the factors mentioned above or in general economic conditions could materially change these expectations. Recent increases in unemployment and associated delinquency and write-off trends have prompted us to record significant increases to our allowance for doubtful accounts, which increased from \$138 at January 31, 2009 to \$190 at January 30, 2010. A 10% change in our allowance for doubtful accounts would have affected net earnings by \$12 for the fiscal year ended January 30, 2010.

Revenue Recognition

We record sales net of estimated returns and we exclude sales taxes. We recognize revenue from sales at our retail stores at the point of sale. Revenue from our online and catalog sales includes shipping revenue and is recognized upon estimated receipt by the customer. We estimate customer merchandise returns based on historical return patterns and reduce sales and cost of sales accordingly.

Although we believe we have sufficient current and historical knowledge to record reasonable estimates of sales returns, there is a possibility that actual returns could differ from recorded amounts. In the past three years, we have made no material changes to our estimates included in the calculations of our sales return reserve. A 10% change in the sales return reserve would have had a \$5 impact on our net earnings for the year ended January 30, 2010.

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Inventory

Our merchandise inventories are stated at the lower of cost or market value using the retail inventory method. Under the retail method, the valuation of inventories and the resulting gross margins are determined by applying a calculated cost-to-retail ratio to the retail value of ending inventory. To determine if the retail value of our inventory should be marked down, we consider current and anticipated demand, customer preferences, age of the merchandise and fashion trends. Inherent in the retail inventory method are certain management judgments that may affect the ending inventory valuation as well as gross margin. Among others, the significant estimates used in inventory valuation are obsolescence and shrinkage.

We reserve for obsolescence based on historical trends and specific identification. Shrinkage is estimated as a percentage of net sales for the period from the most recent semi-annual inventory count based on historical shrinkage results. Therefore, our obsolescence reserve and shrinkage percentage contain uncertainties as the calculations require management to make assumptions and to apply judgment regarding a number of factors, including market conditions, the selling environment, historical results and current inventory trends.

We do not believe that the assumptions used in these estimates will change significantly based on prior experience. In the past three years, we have made no material changes to our estimates included in the calculations of the obsolescence and shrinkage reserves. A 10% change in the obsolescence reserve or our shrink percentage would not have a material effect on our net earnings.

Income Taxes

We calculate income taxes using the asset and liability approach. We recognize deferred tax assets and liabilities based on the difference between the financial statement carrying amounts and respective tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the years in which we expect those temporary differences to reverse.

We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that some portion of the tax benefit will not be realized. In the past three years we have not recorded any valuation allowance related to our deferred tax assets.

In addition, we regularly evaluate the likelihood of realizing the benefit for income tax positions we have taken in various federal, state and foreign filings by considering all relevant facts, circumstances and information available to us. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount which we believe is cumulatively greater than 50% likely to be realized. Our unrecognized tax benefit was \$43 as of January 30, 2010 and \$28 as of January 31, 2009.

Deferred tax asset valuation allowances and unrecognized tax benefits require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits, and our particular facts and circumstances. Also, as audits are completed or statutes of limitations lapse, it may be necessary to record adjustments to our taxes payable, deferred tax assets, tax reserves or income tax expense. Such adjustments reduced our effective income tax rate by 1.8 percentage points in 2009 and 3.2 percentage points in 2008.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 to our consolidated financial statements for a discussion of recent accounting pronouncements. We do not expect any of these pronouncements to have a material effect on our results of operations, liquidity or capital resources as they primarily address financial statement disclosures.

Nordstrom, Inc. and subsidiaries 31

Table of Contents**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

(Dollars in millions)

INTEREST RATE RISK

Our primary exposure to market risk is through changes in interest rates. As of January 30, 2010, we have gross trade receivables of \$2,162, which generate finance charge income at a combination of fixed and variable rates, and long-term debt of \$2,613, including \$1,150 that bears interest at LIBOR-based rates. Changing interest rates can therefore affect our credit card revenues and interest expense. The annualized effect of a one-percentage-point change in interest rates would not materially affect our net earnings, cash flows, or the fair value of our fixed-rate debt.

We manage our net interest rate exposure through our mix of fixed and variable rate borrowings and associated current and long-term assets. From time to time, we may also enter into interest rate swap transactions for purposes of hedging the exposure of changes in fair value of our long-term debt from interest rate risk. We do not use financial instruments for trading or other speculative purposes and are not party to any leveraged financial instruments.

The table below presents information about our long-term debt obligations and interest rate swaps that are sensitive to changes in interest rates as of January 30, 2010. For debt obligations, including our capital leases, the table presents principal amounts, at book value, by maturity date, and related weighted average interest rates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates.

Notional amounts are the predetermined dollar principal on which the exchanged interest payments are based.

Dollars in millions	2010	2011	2012	2013	2014	Thereafter	Total at January 30, 2010	Fair value at January 30, 2010
Long-term debt								
Fixed	\$356	\$6	\$6	\$7	\$406	\$1,333	\$2,114	\$2,324
Avg. int. rate	5.0%	8.8%	8.5%	8.4%	6.8%	6.7%	6.5%	
Variable	-	-	\$500	-	-	-	\$500	\$486
Avg. int. rate ¹	-	-	0.3%	-	-	-	0.3%	
Interest rate swaps								
Fixed to variable	-	-	-	-	-	\$650	\$650	\$(1)
Avg. pay rate ¹	-	-	-	-	-	3.1%	3.1%	
Avg. receive rate	-	-	-	-	-	6.3%	6.3%	

¹Interest rates as of January 30, 2010.**FOREIGN CURRENCY EXCHANGE RISK**

The majority of our revenues, expenses and capital expenditures are transacted in U.S. dollars. However, we periodically enter into foreign currency purchase orders denominated in Euros for apparel, accessories and shoes. We use forward contracts to hedge against fluctuations in foreign currency prices. The fair value of our outstanding forward contracts at January 30, 2010 is not material.

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Item 8. Financial Statements and Supplementary Data.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as is defined in the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance, with respect to reporting financial information.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of January 30, 2010.

Deloitte & Touche LLP, an independent registered public accounting firm, is retained to audit Nordstrom's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting. Its accompanying reports are based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

/s/ Michael G. Koppel

Michael G. Koppel

Executive Vice President and Chief Financial Officer

/s/ Blake W. Nordstrom

Blake W. Nordstrom

President

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Nordstrom, Inc.
Seattle, Washington

We have audited the internal control over financial reporting of Nordstrom, Inc. and subsidiaries (the Company) as of January 30, 2010, based on criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 30, 2010, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended January 30, 2010 of the Company and our report dated March 19, 2010, expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Seattle, Washington

March 19, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Nordstrom, Inc.
Seattle, Washington

We have audited the accompanying consolidated balance sheets of Nordstrom, Inc. and subsidiaries (the Company) as of January 30, 2010 and January 31, 2009, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended January 30, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)2. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Nordstrom, Inc. and subsidiaries as of January 30, 2010 and January 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended January 30, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 30, 2010, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 19, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Seattle, Washington

March 19, 2010

Nordstrom, Inc. and subsidiaries 35

Table of Contents**Nordstrom, Inc.****Consolidated Statements of Earnings**

In millions except per share amounts

Fiscal year	2009	2008	2007
Net sales	\$8,258	\$8,272	\$8,828
Credit card revenues	369	301	252
Total revenues	8,627	8,573	9,080
Cost of sales and related buying and occupancy costs	(5,328)	(5,417)	(5,526)
Selling, general and administrative expenses:			
Retail stores, direct and other segments	(2,109)	(2,103)	(2,161)
Credit segment	(356)	(274)	(198)
Gain on sale of Façonnable	-	-	34
Earnings on investment in asset-backed securities, net	-	-	18
Earnings before interest and income taxes	834	779	1,247
Interest expense, net	(138)	(131)	(74)
Earnings before income taxes	696	648	1,173
Income tax expense	(255)	(247)	(458)
Net earnings	\$441	\$401	\$715
Earnings per basic share	\$2.03	\$1.85	\$2.92
Earnings per diluted share	\$2.01	\$1.83	\$2.88
Basic shares	216.8	216.6	244.8
Diluted shares	219.7	219.2	248.8

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

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Table of Contents**Nordstrom, Inc.**
Consolidated Balance Sheets

In millions

	January 30, 2010	January 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$795	\$72
Accounts receivable, net	2,035	1,942
Merchandise inventories	898	900
Current deferred tax assets, net	238	210
Prepaid expenses and other	88	93
Total current assets	4,054	3,217
Land, buildings and equipment, net	2,242	2,221
Goodwill	53	53
Other assets	230	170
Total assets	\$6,579	\$5,661
Liabilities and Shareholders Equity		
Current liabilities:		
Commercial paper	-	\$275
Accounts payable	\$726	563
Accrued salaries, wages and related benefits	336	214
Other current liabilities	596	525
Current portion of long-term debt	356	24
Total current liabilities	2,014	1,601
Long-term debt, net	2,257	2,214
Deferred property incentives, net	469	435
Other liabilities	267	201
Commitments and contingencies		
Shareholders equity:		
Common stock, no par value: 1,000 shares authorized; 217.7 and 215.4 shares issued and outstanding	1,066	997
Retained earnings	525	223
Accumulated other comprehensive loss	(19)	(10)
Total shareholders equity	1,572	1,210
Total liabilities and shareholders equity	\$6,579	\$5,661

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

Nordstrom, Inc. and subsidiaries 37

Table of Contents**Nordstrom, Inc.****Consolidated Statements of Shareholders Equity**

In millions except per share amounts

	Common Stock		Retained	Accumulated Other Comprehensive Earnings (Loss)	Total
	Shares	Amount	Earnings		
Balance at February 3, 2007	257.3	\$827	\$1,351	\$(9)	\$2,169
Cumulative effect of accounting change	-	-	(3)	-	(3)
Adjusted Beginning Balance at February 3, 2007	257.3	827	1,348	(9)	2,166
Net earnings	-	-	715	-	715
Other comprehensive (loss) earnings:					
Foreign currency translation adjustment	-	-	-	(15)	(15)
Postretirement plan adjustments, net of tax of (\$5)	-	-	-	7	7
Fair value adjustment to investment in asset-backed securities, net of tax of \$3	-	-	-	(5)	(5)
Comprehensive net earnings					702
Cash dividends paid (\$0.54 per share)	-	-	(134)	-	(134)
Issuance of common stock for:					
Stock option plans	2.2	61	-	-	61
Employee stock purchase plan	0.4	17	-	-	17
Other	0.1	5	-	-	5
Stock-based compensation	-	26	-	-	26
Repurchase of common stock	(39.1)	-	(1,728)	-	(1,728)
Balance at February 2, 2008	220.9	\$936	\$201	\$(22)	\$1,115
Net earnings	-	-	401	-	401
Other comprehensive earnings:					
Postretirement plan adjustments, net of tax of (\$8)	-	-	-	12	12
Comprehensive net earnings					413
Cash dividends paid (\$0.64 per share)	-	-	(138)	-	(138)
Effect of postretirement plan measurement date change	-	-	(3)	-	(3)
Issuance of common stock for:					
Stock option plans	0.8	17	-	-	17
Employee stock purchase plan	0.6	17	-	-	17
Other	-	1	-	-	1
Stock-based compensation	-	26	-	-	26
Repurchase of common stock	(6.9)	-	(238)	-	(238)

Balance at January 31, 2009	215.4	\$997	\$223	\$(10)	\$1,210
Net earnings	-	-	441	-	441
Other comprehensive loss:					
Postretirement plan adjustments, net of tax of \$6	-	-	-	(9)	(9)
Comprehensive net earnings					432
Cash dividends paid (\$0.64 per share)	-	-	(139)	-	(139)
Issuance of common stock for:					
Stock option plans	1.5	27	-	-	27
Employee stock purchase plan	0.7	13	-	-	13
Other	0.1	1	-	-	1
Stock-based compensation	-	28	-	-	28
Balance at January 30, 2010	217.7	\$1,066	\$525	\$(19)	\$1,572

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

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Table of Contents**Nordstrom, Inc.****Consolidated Statements of Cash Flows**

In millions

Fiscal year	2009	2008	2007
Operating Activities			
Net earnings	\$441	\$401	\$715
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of buildings and equipment, net	313	302	269
Amortization of deferred property incentives and other, net	(42)	(21)	(36)
Stock-based compensation expense	32	28	26
Deferred income taxes, net	(58)	(36)	(42)
Tax benefit from stock-based payments	6	3	28
Excess tax benefit from stock-based payments	(7)	(4)	(26)
Provision for bad debt expense	251	173	107
Gain on sale of Façonnable	-	-	(34)
Change in operating assets and liabilities:			
Accounts receivable	(159)	(93)	(1,083)
Investment in asset-backed securities	-	-	420
Merchandise inventories	(1)	53	-
Prepaid expenses and other assets	(38)	38	(36)
Accounts payable	168	16	(19)
Accrued salaries, wages and related benefits	120	(54)	(64)
Other current liabilities	8	28	36
Income taxes	73	(76)	(6)
Deferred property incentives	96	119	58
Other liabilities	48	(29)	(1)
Net cash provided by operating activities	1,251	848	312
Investing Activities			
Capital expenditures	(360)	(563)	(501)
Change in credit card receivables originated at third parties	(182)	(232)	(151)
Proceeds from sale of Façonnable	-	-	216
Other, net	1	3	15
Net cash used in investing activities	(541)	(792)	(421)
Financing Activities			
(Repayments) proceeds from commercial paper borrowings, net	(275)	275	-
Proceeds from long-term borrowings, net of discounts	399	150	2,510
Principal payments on long-term borrowings	(25)	(410)	(680)

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Increase in cash book overdrafts	9	20	5
Cash dividends paid	(139)	(138)	(134)
Repurchase of common stock	-	(264)	(1,702)
Proceeds from exercise of stock options	21	13	34
Proceeds from employee stock purchase plan	13	17	17
Excess tax benefit from stock-based payments	7	4	26
Other, net	3	(9)	(12)
Net cash provided by (used in) financing activities	13	(342)	64
Net increase (decrease) in cash and cash equivalents	723	(286)	(45)
Cash and cash equivalents at beginning of year	72	358	403
Cash and cash equivalents at end of year	\$795	\$72	\$358

Supplemental Cash Flow Information

Cash paid during the year for:

Interest (net of capitalized interest)	\$134	\$145	\$75
Income taxes	\$240	\$340	\$478

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

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NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Founded in 1901 as a shoe store in Seattle, today Nordstrom is a fashion specialty retailer that offers customers a well-edited selection of high-quality fashion brands focused on apparel, shoes, cosmetics and accessories for men, women and children. This breadth of merchandise allows us to serve a wide range of customers who appreciate quality fashion and a superior shopping experience. We offer a wide selection of brand name and private label merchandise through multiple retail channels: our Nordstrom branded 112 full-line stores and online store at www.nordstrom.com (collectively, multi-channel), 69 off-price Nordstrom Rack stores, two Jeffrey boutiques, and one clearance store. Our stores are located throughout the United States.

Through our Credit segment, we offer our customers a variety of payment products and services, including a Nordstrom private label card, two Nordstrom VISA credit cards and a debit card for Nordstrom purchases. These products also allow our customers to participate in our loyalty program.

Fiscal Year

Our fiscal year ends on the Saturday closest to January 31st. References to 2009, 2008 and 2007 relate to the 52-week fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008, respectively. References to 2010 relate to the 52-week fiscal year ending January 29, 2011.

Principles of Consolidation

The consolidated financial statements include the balances of Nordstrom, Inc. and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Uncertainties regarding such estimates and assumptions are inherent in the preparation of financial statements and actual results may differ from those estimates and assumptions. Our significant accounting judgments and estimates include allowance for doubtful accounts, sales return reserve, inventory obsolescence and shrinkage reserves, deferred tax asset valuation and unrecognized tax benefits.

Reclassification

In 2009, we reclassified other income and expense, net in our consolidated statement of earnings to selling, general and administrative expenses and earnings on investment in asset-backed securities, net. Results for 2008 and 2007 have been reclassified for consistency with the 2009 presentation. These reclassifications do not impact our reported net earnings, earnings per share or cash flows for these periods.

Net Sales

We recognize revenue from sales at our retail stores at the point of sale, net of estimated returns and excluding sales taxes. Revenue from our sales to customers shipped directly from our stores and our online and catalog sales includes shipping revenue, when applicable, and is recognized upon estimated receipt by the customer. We estimate customer merchandise returns based on historical return patterns and reduce sales and cost of sales accordingly. Our sales return reserves were \$76 and \$70 at the end of 2009 and 2008.

Credit Card Revenues

Credit card revenues include finance charges, late fees and other fees generated by our combined Nordstrom private label card and Nordstrom VISA credit card programs, and interchange fees generated by the use of Nordstrom VISA cards at third-party merchants. These fees are assessed according to the terms of the related cardholder agreements and recognized as revenue when earned.

Cost of Sales

Cost of sales includes the purchase cost of inventory sold (net of vendor allowances), in-bound freight, and certain costs of loyalty program benefits related to our credit and debit cards.

Buying and Occupancy Costs

Buying costs consist primarily of compensation and other costs incurred by our merchandising and product development groups. Occupancy costs include rent, depreciation, property taxes and facility operating costs of our retail, corporate center and distribution operations.

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Rent

We recognize minimum rent expense, net of landlord reimbursements, on a straight-line basis over the minimum lease term from the time that we control the leased property. For leases that contain predetermined, fixed escalations of the minimum rent, we recognize the rent expense on a straight-line basis and record the difference between the rent expense and the rent payable as a liability. Contingent rental payments, typically based on a percentage of sales, are recognized in rent expense when payment of the contingent rent is probable.

We receive incentives from landlords to construct stores in certain developments. These incentives are recorded as a deferred credit and recognized as a reduction of rent expense on a straight-line basis over the lease term. At the end of 2009 and 2008, the deferred credit balance was \$518 and \$478.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of compensation and benefits costs (other than those included in buying and occupancy costs), advertising, shipping and handling costs, bad debt expense related to our credit card operations, and other miscellaneous expenses.

Advertising

Production costs for newspaper, radio and other media are expensed the first time the advertisement is run. Total advertising expenses, net of vendor allowances, of \$85, \$98 and \$101 in 2009, 2008 and 2007, respectively, were included in selling, general and administrative expenses.

Vendor Allowances

We receive allowances from merchandise vendors for cosmetic selling expenses, purchase price adjustments, cooperative advertising programs and various other expenses. Allowances for cosmetic selling expenses are recorded in selling, general and administrative expenses as a reduction of the related costs when incurred. Purchase price adjustments are recorded as a reduction of cost of sales at the point they have been earned and the related merchandise has been sold. Allowances for cooperative advertising and promotion programs and other expenses are recorded in cost of sales and related buying and occupancy costs and selling, general and administrative expenses as a reduction of the related costs when incurred. Any allowances in excess of actual costs incurred that are included in selling, general and administrative expenses are recorded as a reduction of cost of sales. The following table shows vendor allowances earned during the year:

Fiscal year	2009	2008	2007
Cosmetic selling expenses	\$106	\$112	\$120
Purchase price adjustments	91	96	86
Cooperative advertising and promotion	63	65	61
Other	2	3	2
Total vendor allowances	\$262	\$276	\$269

Shipping and Handling Costs

Our shipping and handling costs include payments to third-party shippers and costs to hold, move and prepare merchandise for shipment. These costs do not include inbound freight to our distribution centers, which we include in the cost of our inventory. Shipping and handling costs of \$103, \$106 and \$87 in 2009, 2008 and 2007, respectively, were included in selling, general and administrative expenses.

Loyalty Program

Customers who spend a certain amount with us using our Nordstrom private label cards or our Nordstrom VISA credit cards receive Nordstrom Notes[®], which can be redeemed for goods or services in our stores. We estimate the net cost of the Nordstrom Notes that will be issued and redeemed and record this cost as rewards points are accumulated. In

addition to this long-standing benefit, in 2007 we launched an enhanced loyalty program, Fashion Rewards®. Under this program, Nordstrom customers receive benefits such as free alterations based on their annual levels of spending. We record the cost of the loyalty program benefits for Nordstrom Notes and alterations in cost of sales given that we provide customers with products or services for these rewards. Other costs of the loyalty program, which primarily include shipping and fashion events, are recorded in selling, general and administrative expenses. These expenses are recorded based on estimates of benefits expected to be accumulated and redeemed in relation to sales.

Stock-Based Compensation

We recognize stock-based compensation expense related to stock options at their estimated grant-date fair value, recorded on a straight-line basis over the requisite service period. The total compensation expense is reduced by estimated forfeitures expected to occur over the vesting period of the award. We estimate the fair value of stock options granted using the Binomial Lattice option valuation model. Stock-based compensation expense also includes amounts related to performance share units and our Employee Stock Purchase Plan, based on their fair values as of the end of each reporting period.

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New Store Opening Costs

Non-capital expenditures associated with opening new stores, including marketing expenses, relocation expenses and temporary occupancy costs, are charged to expense as incurred. These costs are included in both buying and occupancy costs and selling, general and administrative expenses according to their nature as disclosed above.

Gift Cards

We recognize revenue from the sale of gift cards when the gift card is redeemed by the customer, or we recognize breakage income when the likelihood of redemption, based on historical experience, is deemed to be remote. Based on an analysis of our program since its inception in 1999, we determined that balances remaining on cards issued beyond five years are unlikely to be redeemed and therefore may be recognized as income. Breakage income was \$8, \$7 and \$6 in 2009, 2008 and 2007. To date, our breakage rate is approximately 3.2% of the amount initially issued as gift cards. Gift card breakage income is included in selling, general and administrative expenses in our consolidated statement of earnings. We had outstanding gift card liabilities of \$174 and \$175 at the end of 2009 and 2008, which are included in other current liabilities.

Income Taxes

We use the asset and liability method of accounting for income taxes. Using this method, deferred tax assets and liabilities are recorded based on differences between the financial reporting and tax basis of assets and liabilities. The deferred tax assets and liabilities are calculated using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, it is determined that some portion of the tax benefit will not be realized.

We regularly evaluate the likelihood of realizing the benefit for income tax positions we have taken in various federal, state and foreign filings by considering all relevant facts, circumstances and information available. If we believe it is more likely than not that our position will be sustained, we recognize a benefit at the largest amount which we believe is cumulatively greater than 50% likely to be realized.

Interest and penalties related to income tax matters are classified as a component of income tax expense.

Comprehensive Net Earnings

Comprehensive net earnings include net earnings and other comprehensive earnings and losses. Other comprehensive loss of \$9 in 2009 and other comprehensive earnings of \$12 in 2008 consisted of adjustments, net of tax, related to our postretirement benefit obligations. In 2007, other comprehensive loss of \$13 consisted primarily of a foreign currency translation adjustment and a fair value adjustment to our investment in asset-backed securities, partially offset by postretirement plan adjustments.

The accumulated other comprehensive losses of \$19 and \$10 at the end of 2009 and 2008 consist entirely of unrecognized losses on postretirement benefit obligations. During 2009 and 2008, we did not own any material foreign subsidiaries, and therefore, we did not recognize any foreign currency translation in accumulated other comprehensive loss.

Cash Equivalents

Cash equivalents are short-term investments with a maturity of three months or less from the date of purchase and are carried at amortized cost, which approximates fair value. Our cash management system provides for the reimbursement of all major bank disbursement accounts on a daily basis. Accounts payable at the end of 2009 and 2008 included \$74 and \$66 of checks not yet presented for payment drawn in excess of our bank deposit balances.

Accounts Receivable

We record credit card accounts receivable on our consolidated balance sheets at the outstanding balance, net of an allowance for doubtful accounts. We estimate the allowance for doubtful accounts based on our best estimate of the losses inherent in our receivables as of the balance sheet date. We evaluate the collectability of our accounts receivable based on several factors, including historical trends of aging of accounts, write-off experience and expectations of future performance, including trends in unemployment rates. We recognize finance charges on

delinquent accounts until the account is written off. Delinquent accounts, including fees, are written off when they are determined to be uncollectible, usually after the passage of 151 days without receiving a full scheduled monthly payment. Accounts are written off sooner in the event of customer bankruptcy or other circumstances that make further collection unlikely.

Our Nordstrom private label cards can be used only in Nordstrom stores, while the Nordstrom VISA cards allow our customers the option of using the cards for purchases of Nordstrom merchandise and services, as well as for purchases outside of Nordstrom. Cash flows from the use of both the private label cards and Nordstrom VISA credit cards for sales originating at our stores are treated as an operating activity in the consolidated statements of cash flows as they relate to sales at Nordstrom. Cash flows arising from the use of Nordstrom VISA cards outside of our stores are treated as an investing activity within the consolidated statements of cash flows, as they represent loans made to our customers for purchases at third parties.

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Securitization of Accounts Receivable

Prior to May 2007, our private label card receivables were held in a trust, which could issue third-party debt that was secured by the private label receivables. The private label program was treated as on-balance sheet, with the receivables, net of bad debt allowance, and debt recorded on our consolidated balance sheet; the finance charge income recorded in credit card revenues; and the bad debt expense recorded in credit segment selling, general and administrative expenses.

The Nordstrom VISA credit card receivables were held in a separate trust (the VISA Trust), which could issue third-party debt that was secured by the Nordstrom VISA credit card receivables. The Nordstrom VISA credit card program was treated as off-balance sheet prior to May 2007. We recorded the fair value of our interest in the VISA Trust on our consolidated balance sheet, gains on the sale of receivables to the VISA Trust and our share of the VISA Trust's finance income in earnings on investment in asset-backed securities, net.

On May 1, 2007, we converted the Nordstrom private label cards and Nordstrom VISA credit card programs into one securitization program, which is accounted for as a secured borrowing (on-balance sheet). When we combined the securitization programs, our investment in asset-backed securities, which was accounted for as available-for-sale securities, was eliminated and we reacquired all of the Nordstrom VISA credit card receivables previously held off-balance sheet. Nordstrom VISA credit card receivables are now recorded at the outstanding balance, net of an allowance for doubtful accounts, on our consolidated balance sheet.

The following table summarizes certain income, expenses and cash flows received from and paid to the VISA Trust prior to the May 2007 transaction:

Period	3 months ended May 1, 2007
Principal collections reinvested in new receivables	\$819
Gains on sales of receivables	3
Income earned on beneficial interests	21
Cash flows (used in) provided by beneficial interests:	
Investment in asset-backed securities	(457)
Servicing fees	2

Net credit losses were \$9 in 2007.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market, using the retail method (weighted average cost).

Land, Buildings and Equipment

Land is recorded at historical cost, while buildings and equipment are recorded at cost less accumulated depreciation. Capitalized software includes the costs of developing or obtaining internal-use software, including external direct costs of materials and services and internal payroll costs related to the software project.

We capitalize interest on construction in progress and software projects during the period in which expenditures have been made, activities are in progress to prepare the asset for its intended use, and actual interest costs are being incurred.

Depreciation is computed using the straight-line method over the asset's estimated useful life, which is determined by asset category as follows:

Asset	Life (in years)
Buildings and improvements	5-40

Store fixtures and equipment	3-15
	Shorter of initial lease term or asset
Leasehold improvements	life
Capitalized software	3-7

Leasehold improvements made at the inception of the lease are amortized over the shorter of the asset life or the initial lease term. Leasehold improvements made during the lease term are amortized over the shorter of the asset life or the remaining lease term. Lease terms include the fixed, non-cancelable term of a lease, plus any renewal periods determined to be reasonably assured.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the related net assets acquired, and is not subject to amortization.

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Impairment

When facts and circumstances indicate that the carrying values of long-lived tangible assets may be impaired, we perform an evaluation of recoverability by comparing the carrying values of the net assets to their related projected undiscounted future cash flows in addition to other quantitative and qualitative analyses. Upon indication that the carrying values of long-lived assets may not be recoverable, we recognize an impairment loss. We estimate the fair value of the assets using the expected present value of future cash flows of the assets. Property, plant and equipment assets are grouped at the lowest level at which there are identifiable cash flows when assessing impairment. Cash flows for our retail store assets are identified at the individual store level.

We review our goodwill annually for impairment as of the first day of the first quarter or when circumstances indicate its carrying value may not be recoverable. We perform this evaluation at the reporting unit level, comprised of the principal business units within our Retail and Direct segments, through the application of a two-step fair value test. The first step of the test compares the carrying value of the reporting unit to its estimated fair value, which is based on the expected present value of future cash flows. If fair value does not exceed carrying value then a second step is performed to quantify the amount of the impairment. Based on the results of our tests, fair value substantially exceeds carrying value, therefore we had no goodwill impairment in 2009, 2008 or 2007.

Self Insurance

We retain a portion of the risk for certain losses related to employee health and welfare, workers' compensation and general liability claims. Liabilities associated with these losses include undiscounted estimates of both losses reported and losses incurred but not yet reported. We estimate our ultimate cost based on an actuarially based analysis of claims experience, regulatory changes and other relevant factors.

Derivatives

Our interest rate swap agreements (collectively, the swap) are designated as fully effective fair value hedges. As such, we recognize our swap as either an asset or liability at fair value in our consolidated balance sheet, with an offsetting adjustment to the carrying value of our long-term debt. See Note 7: Debt and Credit Facilities for additional information related to our swap.

We periodically enter into foreign currency purchase orders denominated in Euros for apparel, accessories and shoes. We use forward contracts to hedge against fluctuations in foreign currency prices. These forward contracts do not qualify for derivative hedge accounting; therefore any changes in the fair value of financial contracts are reflected in the statement of earnings. The notional amounts of our foreign currency forward contracts at the contract rates were \$1 and \$3 at the end of 2009 and 2008.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature. The estimated fair value of long-term debt, including current maturities, based on quoted market prices of the same or similar issues, was \$2,809 and \$1,743 at the end of 2009 and 2008, compared to carrying values of \$2,613 and \$2,238, respectively.

The fair value of our swap was a \$1 liability as of January 30, 2010. This fair value is estimated based upon open-market quotes for identical or comparable assets from reputable third-party brokers using market-based inputs, adjusted for credit risk, and as such is considered a Level 2 fair value measurement.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2009-01, *Generally Accepted Accounting Principles (ASC 105, Generally Accepted Accounting Principles)*, which established the FASB Accounting Standards Codification (the Codification or ASC) as the official single source of authoritative U.S. generally accepted accounting principles (GAAP). All existing accounting standards were superseded and all other accounting guidance not included in the Codification is now considered non-authoritative. The Codification is not intended to change GAAP, but is meant to organize and simplify authoritative GAAP literature. The Codification became effective for interim and annual periods ending after September 15, 2009.

Following the Codification, the FASB no longer issues new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it issues Accounting Standards Updates (ASU) which serve to update the Codification, provide background information about the guidance and the basis for conclusions on the changes to the Codification.

The impact on our consolidated financial statements is disclosure-only in nature as all references to authoritative accounting literature will be made in accordance with the Codification. In order to ease the transition to the Codification, we are providing the Codification cross-reference alongside the references to the standards issued and adopted prior to the effective date of the Codification.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS 161) (contained within ASC 815, *Derivatives and Hedging*). SFAS 161 expanded the disclosure requirements in SFAS 133 about an entity s derivative instruments and hedging activities. This statement became effective for us as of the beginning of fiscal year 2009 and did not impact our consolidated financial position or results of operations, as its requirements are disclosure-only in nature.

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NOTE 2: ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	January 30, 2010	January 31, 2009
Trade receivables:		
Restricted	\$2,136	\$2,005
Unrestricted	26	14
Allowance for doubtful accounts	(190)	(138)
Trade receivables, net	1,972	1,881
Other	63	61
Accounts receivable, net	\$2,035	\$1,942

The following table summarizes the restricted trade receivables:

	January 30, 2010	January 31, 2009
Nordstrom VISA credit card receivables	\$1,469	\$1,369
Private label card receivables	667	636
Restricted trade receivables	\$2,136	\$2,005

The restricted trade receivables relate to substantially all of our Nordstrom private label card receivables and our Nordstrom VISA credit card receivables. Under our securitization program, the restricted trade receivables are transferred to a third-party trust on a daily basis. The restricted trade receivables secure our Series 2007-1 Notes, the Series 2007-2 Notes and our two variable funding notes. Our credit card securitization agreements set a maximum percentage of receivables that can be associated with various receivable categories, such as employee or foreign receivables. As of January 30, 2010 and January 31, 2009, these maximums were not exceeded.

The unrestricted trade receivables consist primarily of the remaining portion of our Nordstrom private label card receivables and our Nordstrom VISA credit card receivables and accrued finance charges not yet allocated to customer accounts. Other accounts receivable consist primarily of credit card receivables due from third-party financial institutions and vendor claims.

NOTE 3: LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	January 30, 2010	January 31, 2009
Land and land improvements	\$70	\$67
Buildings and building improvements	924	847
Leasehold improvements	1,735	1,631
Store fixtures and equipment	2,267	2,214

Capitalized software	382	347
Construction in progress	180	222
	5,558	5,328
Less: accumulated depreciation and amortization	(3,316)	(3,107)
Land, buildings and equipment, net	\$2,242	\$2,221

The total cost of buildings and equipment held under capital lease obligations was \$28 at the end of both 2009 and 2008, with related accumulated amortization of \$22 in 2009 and \$21 in 2008. The amortization of capitalized leased buildings and equipment of \$1 in both 2009 and 2008 was recorded in depreciation expense.

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NOTE 4: SELF INSURANCE

Our self insurance reserves are summarized as follows:

	January 30, 2010	January 31, 2009
Employee health and welfare	\$20	\$16
Workers compensation	50	53
General liability	10	11
Total	\$80	\$80

We are self-insured for the majority of our employee health and welfare coverage, and we do not use stop-loss coverage. Participants contribute to the cost of their coverage through both premiums and out-of-pocket expenses and are subject to certain plan limits and deductibles.

Our workers compensation policies have a retention per claim of \$1 or less and no policy limits. Our general liability policies, encompassing employment practices liability and commercial general liability, have a retention per claim of \$1 or less and a policy limit up to \$25 and \$150, respectively.

NOTE 5: 401(k) AND PROFIT SHARING

We provide a 401(k) and profit sharing plan for our employees. Our Board of Directors establishes our profit sharing contribution each year. The 401(k) component is funded by voluntary employee contributions. In February 2009, the plan was amended to replace our fixed company matching contribution with a discretionary contribution in an amount determined by our Board of Directors. Our expense related to the profit sharing component and matching contributions to the 401(k) component totaled \$74, \$39 and \$50 in 2009, 2008 and 2007.

NOTE 6: POSTRETIREMENT BENEFITS

We have an unfunded defined benefit Supplemental Executive Retirement Plan (SERP), which provides retirement benefits to certain officers and select employees. The SERP has different benefit levels depending on the participant's role in the company. At the end of 2009 and 2008 there were 35 and 33 officers and select employees eligible for SERP benefits. This plan is non-qualified and does not have a minimum funding requirement.

Benefit Obligations and Funded Status

	January 30, 2010	January 31, 2009
Change in benefit obligation:		
Benefit obligation at beginning of year	\$85	\$95
Participant service cost	2	3
Interest cost	6	7
Benefits paid	(4)	(4)
Actuarial loss (gain)	13	(16)
Benefit obligation at end of year	\$102	\$85
Change in plan assets:		
Fair value of plan assets at beginning of year	-	-
Employer contribution	\$4	\$4
Benefits paid	(4)	(4)

Fair value of plan assets at end of year	-	-
Underfunded status at end of year	\$(102)	\$(85)

The accumulated benefit obligation, which is the present value of benefits earned to date, assuming no salary growth, was \$96 and \$81 at the end of 2009 and 2008.

Amounts recognized as liabilities in the consolidated balance sheets consist of the following:

	January 30, 2010	January 31, 2009
Current liabilities	\$5	\$5
Noncurrent liabilities	97	80
Net amount recognized	\$102	\$85

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Components of SERP Expense

The components of SERP expense recognized in the consolidated statements of earnings are as follows:

Fiscal year	2009	2008	2007
Participant service cost	\$2	\$2	\$2
Interest cost	6	6	6
Amortization of net loss	-	2	3
Amortization of prior service cost	-	1	1
Total SERP expense	\$8	\$11	\$12

Amounts not yet reflected in SERP expense and included in accumulated other comprehensive earnings (pre-tax) consist of the following:

	January 30, 2010	January 31, 2009
Accumulated loss	\$(22)	\$(9)
Prior service cost	(2)	(2)
Total accumulated comprehensive loss	\$(24)	\$(11)

In 2010, we expect \$2 of costs currently in accumulated other comprehensive earnings to be recognized as components of SERP expense.

Assumptions

Weighted-average assumptions used to determine benefit obligation and SERP expense are as follows:

Fiscal year	2009	2008	2007
Assumptions used to determine benefit obligation:			
Discount rate	5.95%	6.95%	6.35%
Rate of compensation increase	3.00%	3.00%	3.00%
Assumptions used to determine SERP expense:			
Discount rate	6.95%	6.35%	6.00%
Rate of compensation increase	3.00%	3.00%	4.00%

In accordance with ASC 715, *Compensation-Retirement Benefits* (formerly SFAS 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans*), during 2008, we recognized a one-time adjustment of (\$3) to retained earnings in shareholders' equity as a result of changing our benefit obligation measurement date from October 31 to our fiscal year-end.

Future Benefit Payments and Contributions

As of January 30, 2010, the expected future benefit payments based upon the assumptions described above and including benefits attributable to estimated future employee service are as follows:

Fiscal year

2010	\$5
2011	5
2012	5
2013	6
2014	7
2015-2019	38

In 2010, we expect to make contributions to the plan of \$5.

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NOTE 7: DEBT AND CREDIT FACILITIES**Debt**

A summary of our long-term debt is as follows:

	January 30, 2010	January 31, 2009
Secured		
Series 2007-1 Class A Notes, 4.92%, due April 2010	\$326	\$326
Series 2007-1 Class B Notes, 5.02%, due April 2010	24	24
Series 2007-2 Class A Notes, one-month LIBOR plus 0.06% per year, due April 2012	454	454
Series 2007-2 Class B Notes, one-month LIBOR plus 0.18% per year, due April 2012	46	46
Mortgage payable, 7.68%, due April 2020	60	63
Other	15	17
	925	930
Unsecured		
Senior notes, 6.75%, due June 2014, net of unamortized discount	399	-
Senior notes, 6.25%, due January 2018, net of unamortized discount	647	646
Senior debentures, 6.95%, due March 2028	300	300
Senior notes, 7.00%, due January 2038, net of unamortized discount	343	343
Other	(1)	19
	1,688	1,308
Total long-term debt	2,613	2,238
Less: current portion	(356)	(24)
Total due beyond one year	\$2,257	\$2,214

Both the Series 2007-1 Class A & B Notes and the Series 2007-2 Class A & B Notes are secured by substantially all of the Nordstrom private label card receivables and a 90% interest in the Nordstrom VISA credit card receivables. Our mortgage payable is secured by an office building which had a net book value of \$78 at the end of 2009.

During 2009, we issued \$400 of senior unsecured notes at 6.75%, due June 2014. After deducting the original issue discount of \$1 and other fees and expenses of \$3, net proceeds from the offering were \$396. We used a portion of the proceeds from the issuance to repay the \$140 in outstanding issuances of commercial paper as of May 26, 2009, the date the senior notes were issued. During 2009, we also repaid \$19 in unsecured debt related to the acquisition of

Jeffrey.

Other secured debt as of January 30, 2010 consists primarily of capital lease obligations. Other unsecured debt as of January 30, 2010 consists primarily of an adjustment to the carrying value of our long-term debt associated with the fair value of our interest rate swap.

During 2009, we entered into interest rate swap agreements (collectively, the swap) with a \$650 notional amount maturing in 2018. Under the swap we receive a fixed rate of 6.25% and pay a variable rate based on one month LIBOR plus a margin of 2.9% (3.1% at January 30, 2010).

Required principal payments on long-term debt, excluding capital lease obligations, are as follows:

Fiscal year	
2010	\$355
2011	5
2012	505
2013	5
2014	404
Thereafter	1,328

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Interest Expense

The components of interest expense, net are as follows:

Fiscal year	2009	2008	2007
Interest expense on long-term debt and short-term borrowings	\$148	\$145	\$102
Less:			
Interest income	(3)	(3)	(16)
Capitalized interest	(7)	(11)	(12)
Interest expense, net	\$138	\$131	\$74

Credit Facilities

As of January 30, 2010, we had total short-term borrowing capacity available for general corporate purposes of \$950. Of the total capacity, we had \$650 under our commercial paper program, which is backed by our unsecured revolving credit facility and \$300 under our Variable Funding Note facility (2007-A VFN).

During 2009, we entered into a new unsecured revolving credit facility (the revolver) with a capacity of \$650. This revolver replaced our previously existing \$650 unsecured line of credit, which was scheduled to expire in November 2010. The revolver, which expires in August 2012, is available for working capital, capital expenditures and general corporate purposes. Under the terms of the agreement, we pay a variable rate of interest and a facility fee based on our debt rating. Consistent with our previous unsecured revolving credit facility, the new revolver requires that we maintain a leverage ratio of not greater than four times Adjusted Debt to EBITDAR. The revolver also requires that we maintain a fixed charge coverage ratio of at least two times, defined as:

**EBITDAR less gross capital
expenditures**

Interest expense, net + rent expense

As of January 30, 2010 and January 31, 2009 we were in compliance with these covenants.

Under the revolver we have the option to increase the revolving commitment by up to \$100, to a total of \$750, provided that we obtain written consent from the lenders who choose to increase their commitment.

Our \$650 commercial paper program allows us to use the proceeds to fund share repurchases as well as operating cash requirements. Under the terms of the commercial paper agreement, we pay a rate of interest based on, among other factors, the maturity of the issuance and market conditions. The issuance of commercial paper has the effect, while it is outstanding, of reducing borrowing capacity under our revolver by an amount equal to the principal amount of commercial paper. As of January 30, 2010 we had no outstanding issuances under our \$650 commercial paper program and no outstanding borrowings under our revolver. As of January 31, 2009, we had \$275 in outstanding issuances under our \$650 commercial paper program and no outstanding borrowings under our revolver.

During 2009, we renewed our 2007-A VFN. The 2007-A VFN has a capacity of \$300 and matures in January 2011. The 2007-A VFN is backed by substantially all of the Nordstrom private label card receivables and a 90% interest in the co-branded Nordstrom VISA credit card receivables. Borrowings under the 2007-A VFN incur interest based upon the cost of commercial paper issued by a third-party bank conduit plus specified fees. We pay a commitment fee for the notes based on the size of the commitment. At the end of 2009 and 2008, we had no outstanding issuances against this facility.

Our wholly owned federal savings bank, Nordstrom fsb, also maintains a variable funding facility with a short-term credit capacity of \$100. This facility is backed by the remaining 10% interest in the Nordstrom VISA credit card receivables and is available, if needed, to provide liquidity support to Nordstrom fsb. At the end of 2009 and 2008, Nordstrom fsb had no outstanding borrowings under this facility. Borrowings under the facility incur interest based upon the cost of commercial paper issued by the third-party bank conduit plus specified fees.

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NOTE 8: LEASES

We lease the land or the land and buildings at many of our full-line stores, and we lease the buildings at many of our Rack stores. Additionally, we lease office facilities, warehouses and equipment. Most of these leases are classified as operating leases and they expire at various dates through 2080. Our fixed, non-cancelable lease terms are generally 20 to 30 years for full-line stores and 10 to 15 years for Rack stores. Many of our leases include options that allow us to extend the lease term beyond the initial commitment period, subject to terms agreed to at lease inception. Most of our leases also provide for payment of operating expenses, such as common area charges, real estate taxes and other executory costs, and some leases require additional payments based on sales.

Future minimum lease payments as of January 30, 2010 are as follows:

Fiscal year	Capital Leases	Operating Leases
2010	\$2	\$98
2011	2	101
2012	2	89
2013	2	82
2014	2	78
Thereafter	7	406
Total minimum lease payments	17	\$854
Less amount representing interest	(5)	
Present value of net minimum lease payments	\$12	

Rent expense for 2009, 2008 and 2007 was as follows:

Fiscal year	2009	2008	2007
Minimum rent:			
Store locations	\$76	\$63	\$67
Offices, warehouses and equipment	13	13	14
Percentage rent - store locations	9	9	14
Property incentives - store locations	(55)	(48)	(47)
Total rent expense	\$43	\$37	\$48

The rent expense above does not include common area maintenance costs which were \$19 in each of 2009, 2008 and 2007.

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NOTE 9: COMMITMENTS AND CONTINGENT LIABILITIES

Our estimated total purchase obligations, capital expenditure contractual commitments and inventory purchase orders were \$1,221 as of January 30, 2010. In connection with the purchase of foreign merchandise, we have outstanding import letters of credit totaling \$5 as of January 30, 2010.

We are subject from time to time to various claims and lawsuits arising in the ordinary course of business including lawsuits alleging violations by us of state and/or federal wage and hour laws. Some of these suits purport or have been determined to be class actions and/or seek substantial damages. While we cannot predict the outcome of these matters with certainty, we do not believe any such claim, proceeding or litigation, either alone or in aggregate, will have a material impact on our financial condition, results of operations or cash flows.

NOTE 10: SHAREHOLDERS EQUITY**Share Repurchase Program**

The following is a summary of the activity related to our share repurchase programs in 2007, 2008 and 2009:

Period	Shares	Average Price per Share	Amount
Capacity at February 4, 2007			\$592
August 2007 authorization			1,500
November 2007 authorization			1,000
Shares repurchased (2/4/07 to 2/2/08)	39.1	\$44.17	(1,728)
Capacity at February 2, 2008			\$1,364
Shares repurchased (2/3/08 to 1/31/09)	6.9	\$34.29	(238)
Capacity at January 31, 2009			\$1,126
Shares repurchased (2/1/09 to 1/30/10)	-	-	-
Unused capacity upon program expiration in August 2009			(1,126)
Capacity at January 30, 2010			-

Fiscal 2007 share repurchases included \$300 repurchased as part of an accelerated share repurchase program. We repurchased 5.4 shares of our common stock on May 23, 2007 at \$55.17 per share and in June 2007, we received 0.4 shares at no additional cost, based on the volume weighted average price of our common stock from June 1, 2007 to June 26, 2007. This resulted in an average price per share of \$51.69 for the accelerated share repurchase as a whole.

Dividends

We paid dividends of \$0.64 per share in 2009 and 2008 and \$0.54 per share in 2007.

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NOTE 11: STOCK COMPENSATION PLANS

We currently have three stock-based compensation plans: the 2004 Equity Incentive Plan, the 2002 Nonemployee Director Stock Incentive Plan and our Employee Stock Purchase Plan. Under our 2004 Equity Incentive plan, we grant non-qualified stock options, performance share units and common shares to employees. As of January 30, 2010, we have 48.4 shares authorized, 25.4 shares issued and outstanding and 7.8 shares available for grant. The Nonemployee Director Stock Incentive Plan authorizes the grant of stock awards to our nonemployee directors. These awards may be deferred or issued in the form of restricted or unrestricted stock, non-qualified stock options or stock appreciation rights. As of January 30, 2010, we had 0.9 shares authorized and 0.7 remaining shares available for issuance. In 2009, we deferred shares with a total expense of \$1.

Under the Employee Stock Purchase Plan (ESPP), employees may make payroll deductions of up to ten percent of their base and bonus compensation. At the end of each six-month offering period, participants may apply their accumulated payroll deductions toward the purchase of shares of our common stock at 90% of the fair market value on the last day of the offer period. As of January 30, 2010, we had 9.4 shares authorized and 1.7 shares available for issuance under the ESPP. We issued 0.7 shares under the ESPP during 2009. At the end of 2009 and 2008, we had current liabilities of \$4 and \$5, respectively, for future purchases of shares under the ESPP.

The following table summarizes our stock-based compensation expense:

Fiscal year	2009	2008	2007
Stock options	\$26	\$24	\$23
Performance share units	3	-	(1)
Employee stock purchase plan	1	2	2
Other	2	2	2
Total stock-based compensation expense before income tax benefit	32	28	26
Income tax benefit	(12)	(10)	(9)
Total stock-based compensation expense, net of income tax benefit	\$20	\$18	\$17

The stock-based compensation expense before income tax benefit was recorded in our consolidated statements of earnings as follows:

Fiscal year	2009	2008	2007
Cost of sales and related buying and occupancy costs	\$10	\$10	\$10
Selling, general and administrative expenses	22	18	16
Total stock-based compensation expense before income tax benefit	\$32	\$28	\$26

The benefits of tax deductions in excess of the compensation cost recognized for stock-based awards are classified as financing cash inflows and are reflected as Excess tax benefit from stock-based payments in the consolidated statements of cash flows.

Stock Options

We used the following assumptions to estimate the fair value for stock options at grant date:

Fiscal year	2009	2008	2007
Risk-free interest rate: Represents the yield on U.S. Treasury zero-coupon securities that mature over the 10-year life of the stock options.	0.7% -3.3%	2.0% -4.3%	4.6% -4.7%
Weighted average volatility: Based on a combination of the historical volatility of our common stock and the implied volatility of exchange traded options for our common stock.	61.0%	45.0%	35.0%
Weighted average expected dividend yield: Our forecasted dividend yield for the next ten years.	1.3%	1.3%	1.0%
Expected life in years: Represents the estimated period of time until option exercise. The expected term of options granted was derived from the output of the Binomial Lattice option valuation model and was based on our historical exercise behavior, taking into consideration the contractual term of the option and our employees' expected exercise and post-vesting employment termination behavior.	5.3	5.5	5.7

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The weighted average fair value per option at the grant date was \$7, \$15 and \$20 in 2009, 2008 and 2007. In 2009, 2008 and 2007, stock option awards to employees were approved by the Compensation Committee of our Board of Directors and their exercise price was set at \$13.47, \$38.02 and \$53.63, the closing price of our common stock on February 27, 2009, February 28, 2008 and March 1, 2007 (the dates of grant). The stock option awards provide recipients with the opportunity for financial rewards when our stock price increases. The awards are determined based upon a percentage of the recipients' base salary and the fair value of the stock options. In 2009, we awarded stock options to 1,213 employees compared to 1,230 and 1,195 employees in 2008 and 2007.

As of January 30, 2010, we have 14.5 options outstanding under the 2004 Equity Incentive Plan. Options generally vest over four years, and expire ten years after the date of grant. A summary of the stock option activity for 2009 is presented below:

Fiscal Year	Shares	Weighted-Average Exercise Price	2009 Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, beginning of year	11.8	\$27		
Granted	4.9	13		
Exercised	(1.5)	14		
Cancelled	(0.5)	29		
Expired	(0.2)	20		
Outstanding, end of year	14.5	\$24	6	\$193
Options exercisable at end of year	7.3	\$25	4	\$93
Options vested or expected to vest at end of year	13.5	\$24	6	\$180

The total intrinsic value of options exercised during 2009, 2008 and 2007 was \$23, \$14 and \$79. The total fair value of stock options vested during 2009 was \$25 and for both 2008 and 2007 it was \$24. As of January 30, 2010, the total unrecognized stock-based compensation expense related to nonvested stock options was \$38, which is expected to be recognized over a weighted average period of 29 months.

Performance Share Units

We grant performance share units to executive officers as one of the ways to align compensation with shareholder interests. Performance share units vest after a three-year period only when our total shareholder return (reflecting daily stock price appreciation and compound reinvestment of dividends) is positive and outperforms companies in a defined group of competitors determined by the Compensation Committee of our Board of Directors. The percentage of units that are earned depends on our relative position at the end of the vesting period and can range from 0% to 125% of the number of units granted.

Performance share units are payable in either cash or stock as elected by the employee; therefore they are classified as a liability award. The liability is remeasured, with a corresponding adjustment to earnings, at each fiscal quarter-end during the vesting period. The performance share unit liability is remeasured using the estimated percentage of units earned multiplied by the closing market price of our common stock on the current period-end date and is pro-rated

based on the amount of time passed in the vesting period. The price used to issue stock or cash for the performance share units upon vesting is the closing market price of our common stock on the vest date.

Following is a summary of performance share unit activity:

Fiscal year	2009	2008	2007
Outstanding, beginning of year	117,389	113,743	255,467
Granted	144,891	79,504	50,070
Vested but unearned	(44,827)	(57,006)	-
Vested and earned	-	-	(191,794)
Cancelled	(8,007)	(18,852)	-
Outstanding, end of year	209,446	117,389	113,743
Total fair value of performance share units earned	-	-	\$12
Total amount of performance share units settled or to be settled in cash	-	-	\$3

As of January 30, 2010, our other liabilities included \$3 for performance share units. As of January 31, 2009, we had no liabilities related to performance share units. As of January 30, 2010, the remaining unrecognized stock-based compensation expense for unvested performance share units was \$4, which is expected to be recognized over a weighted average period of 22 months.

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NOTE 12: INCOME TAXES

Income tax expense consists of the following:

Fiscal year	2009	2008	2007
Current income taxes:			
Federal	\$275	\$244	\$435
State and local	38	39	65
Total current income tax expense	313	283	500
Deferred income taxes:			
Current	(28)	(29)	(24)
Non-current	(30)	(7)	(18)
Total deferred income tax benefit	(58)	(36)	(42)
Total income tax expense	\$255	\$247	\$458

A reconciliation of the statutory Federal income tax rate to the effective tax rate on earnings before income taxes is as follows:

Fiscal year	2009	2008	2007
Statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income taxes	3.5	3.4	3.4
Deferred tax adjustment	(1.8)	(3.2)	-
Permanent differences	(0.6)	2.0	-
Other, net	0.5	0.9	0.6
Effective tax rate	36.6%	38.1%	39.0%

In 2009 and 2008, the IRS completed its routine examination of our federal filings for the 2007 and 2002 through 2006 years, respectively. As a result of adjustments identified in the IRS examinations and revisions of estimates, we increased our deferred tax assets, which resulted in a reduction in our effective tax rate in 2009 and 2008.

The major components of deferred tax assets and liabilities are as follows:

	January 30, 2010	January 31, 2009
Compensation and benefits accruals	\$123	\$99
Accrued expenses	67	63
Merchandise inventories	24	26
Land, buildings and equipment basis and depreciation differences	13	7
Gift cards and gift certificates	18	17

Loyalty reward certificates	12	11
Allowance for doubtful accounts	74	54
Federal benefit of state taxes	11	10
Other	11	2
Total deferred tax assets	353	289
Total deferred tax liabilities	-	-
Net deferred tax assets	\$353	\$289

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A reconciliation of the beginning and ending amount of unrecognized tax benefits for 2009, 2008 and 2007 is as follows:

Fiscal Year	2009	2008	2007
Unrecognized tax benefit at beginning of year	\$28	\$27	\$21
Gross increase to tax positions in prior periods	18	2	5
Gross decrease to tax positions in prior periods	(3)	(1)	(1)
Gross increase to tax positions in current period	3	4	3
Lapse of statute	-	(1)	(1)
Settlements	(3)	(3)	-
Unrecognized tax benefit at end of year	\$43	\$28	\$27

At the end of 2009, 2008 and 2007, \$25, \$10 and \$9 of the ending gross unrecognized tax benefit balance relates to deferred items which, if recognized, would not impact the effective tax rate.

During both 2009 and 2008, our income tax expense included \$2 of tax-related interest and penalties. During 2007, our income tax expense included \$3 of tax-related interest and penalties. At the end of 2009, 2008 and 2007, our liability for interest and penalties was \$7, \$6 and \$4.

We file income tax returns in federal and various state and local jurisdictions. Prior to 2008, we filed returns in France and other foreign jurisdictions. With few exceptions, we are no longer subject to federal, state and local, or non-U.S. income tax examinations for years before 2001. The federal tax returns for 2008 and 2009 are under concurrent year processing (accelerated audits), which are expected to be completed in 2010 and 2011. We also currently have an open audit in France for the years 2001 through 2004, related to our Façonnable business which we sold in 2007.

Unrecognized tax benefits related to federal, state and foreign tax positions may decrease by \$3 by January 29, 2011, subject to the completion of examinations and the expiration of various statutes of limitations.

NOTE 13: EARNINGS PER SHARE

Earnings per basic share is computed using the weighted average number of common shares outstanding during the year. Earnings per diluted share uses the weighted average number of common shares outstanding during the year plus dilutive common stock equivalents, primarily stock options and performance share units.

The computation of earnings per share is as follows:

Fiscal year	2009	2008	2007
Net earnings	\$441	\$401	\$715
Basic shares	216.8	216.6	244.8
Dilutive effect of stock options and performance share units	2.9	2.6	4.0
Diluted shares	219.7	219.2	248.8
Earnings per basic share	\$2.03	\$1.85	\$2.92
Earnings per diluted share	\$2.01	\$1.83	\$2.88

Options and other equity instruments totaling 7.2 shares in 2009, 4.9 shares in 2008 and 2.7 shares in 2007 were excluded from earnings per diluted share because their impact was anti-dilutive.

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NOTE 14: SEGMENT REPORTING

As of January 30, 2010, we have identified four reportable segments: **Retail Stores**, **Direct**, **Credit** and **Other**. Our **Retail Stores** segment includes our Nordstrom full-line stores and our Nordstrom Rack off-price stores, which meet the aggregation criteria set forth in ASC 280, *Segment Reporting*. Through our **Direct** segment, we operate our Nordstrom branded online store. With our multi-channel initiative, we are increasingly integrating our Nordstrom full-line stores and online store. Our goal is to create a seamless, consistent merchandise offering and service experience for our customers regardless of how they choose to shop.

Through our **Credit** segment, we offer our customers a variety of payment products and services, including a Nordstrom private label card, two Nordstrom VISA credit cards and a debit card for Nordstrom purchases. Our card products also include a loyalty program that provides benefits to our cardholders based on their level of spending.

The **Other** segment includes our product development group, which coordinates the design and production of private label merchandise sold in our retail stores, and our distribution network. This segment also includes our corporate center operations. During the time that we owned it, this segment also included the operations of our Façonnable business.

The following table summarizes net sales by merchandise category:

Fiscal year	2009	2008	2007
Women's apparel	\$2,845	\$2,812	\$3,063
Shoes	1,787	1,721	1,784
Men's apparel	1,262	1,362	1,571
Women's accessories	970	963	941
Cosmetics	895	921	950
Children's apparel	283	269	285
Other	216	224	234
Total	\$8,258	\$8,272	\$8,828

The following table presents our sales by merchandise category as a percentage of net sales:

Fiscal year	2009	2008	2007
Women's apparel	34%	34%	35%
Shoes	22%	21%	20%
Men's apparel	15%	16%	18%
Women's accessories	12%	12%	11%
Cosmetics	11%	11%	11%
Children's apparel	3%	3%	3%
Other	3%	3%	2%
Total	100%	100%	100%

In general, we use the same measurements to compute earnings before income taxes for reportable segments as we do for the consolidated company. However, redemptions of our Nordstrom Notes[®] are included in net sales for our Retail Stores segment. The sales amount in our Other segment includes an entry to eliminate these transactions from our consolidated net sales. There is no impact to consolidated earnings before income taxes for this adjustment. In

addition, our sales return reserve and other corporate adjustments are recorded in the Other segment. Other than described above, the accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in Note 1.

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The following tables set forth information for our reportable segments:

Fiscal year 2009	Retail Stores	Direct	Credit	Other	Total
Net sales ¹	\$7,564	\$799	-	\$(105)	\$8,258
Net sales (decrease) increase	(1.4%)	14.5%	N/A	N/A	(0.2%)
Credit card revenue	-	-	\$370	(1)	369
Earnings (loss) before interest and income taxes	935	256	(41)	(316)	834
Interest expense, net ²	-	-	(41)	(97)	(138)
Earnings (loss) before income taxes	935	256	(82)	(413)	696
Earnings (loss) before income taxes as a % of net sales	12.4%	32.0%	N/A	N/A	8.4%
Capital expenditures	339	2	7	12	360
Depreciation and amortization	274	7	2	30	313
Goodwill	38	15	-	-	53
Assets ³	2,807	122	2,070	1,580	6,579

Fiscal year 2008	Retail Stores	Direct	Credit	Other	Total
Net sales ¹	\$7,674	\$698	-	\$(100)	\$8,272
Net sales (decrease) increase	(5.9%)	8.4%	N/A	N/A	(6.3%)
Credit card revenue	-	-	\$302	(1)	301
Earnings (loss) before interest and income taxes	884	187	(22)	(270)	779
Interest expense, net ²	-	-	(50)	(81)	(131)
Earnings (loss) before income taxes	884	187	(72)	(351)	648
Earnings (loss) before income taxes as a % of net sales	11.5%	26.8%	N/A	N/A	7.8%
Capital expenditures	529	15	2	17	563
Depreciation and amortization	259	8	1	34	302
Goodwill	38	15	-	-	53
Assets ³	2,740	123	1,963	835	5,661

Fiscal year 2007	Retail Stores	Direct	Credit	Other	Total
Net sales ¹	\$8,159	\$644	-	\$25	\$8,828
Net sales increase	3.1%	17.9%	N/A	N/A	3.1%
Credit card revenue	-	-	\$253	(1)	252
Earnings (loss) before interest and income taxes	1,256	165	26	(200)	1,247

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Interest expense, net ²	-	-	(64)	(10)	(74)
Earnings (loss) before income taxes	1,256	165	(38)	(210)	1,173
Earnings (loss) before income taxes as a % of net sales	15.4%	25.6%	N/A	N/A	13.3%
Capital expenditures	431	35	3	32	501
Depreciation and amortization	228	3	1	37	269
Goodwill	38	15	-	-	53
Assets ³	2,555	133	1,783	1,129	5,600

¹Net sales in Other include foreign sales of \$62 in 2007.

²Interest income of \$1, \$2 and \$14 for 2009, 2008 and 2007 is recorded in our Other segment as an offset to interest expense, net.

³Assets in Other include unallocated assets in corporate headquarters, consisting primarily of cash, land, buildings and equipment, and deferred tax assets.

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NOTE 15: SELECTED QUARTERLY DATA (UNAUDITED)

Fiscal year 2009	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	\$1,706	\$2,145	\$1,868	\$2,539	\$8,258
Same-store sales percentage change	(13.2%)	(9.8%)	(1.2%)	6.9%	(4.2%)
Credit card revenues	86	87	95	101	369
Gross profit ¹	599	727	658	946	2,930
Selling, general and administrative expenses:					
Retail stores, direct and other segments	447	531	500	631	2,109
Credit segment	92	77	81	106	356
Earnings before income taxes	115	170	134	277	696
Net earnings	81	105	83	172	441
Net earnings as a percentage of total revenues	4.5%	4.7%	4.2%	6.5%	5.1%
Earnings per basic share	\$0.38	\$0.49	\$0.38	\$0.79	\$2.03
Earnings per diluted share	\$0.37	\$0.48	\$0.38	\$0.77	\$2.01
Fiscal year 2008	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net sales	\$1,879	\$2,287	\$1,805	\$2,301	\$8,272
Same-store sales percentage change	(6.5%)	(6.0%)	(11.1%)	(12.5%)	(9.0%)
Credit card revenues	70	72	74	85	301
Gross profit ¹	700	799	620	736	2,855
Selling, general and administrative expenses:					
Retail stores, direct and other segments	493	545	490	575	2,103
Credit segment	50	57	77	90	274
Earnings before income taxes	196	235	94	123	648
Net earnings	119	143	71	68	401
Net earnings as a percentage of total revenues	6.1%	6.1%	3.8%	2.8%	4.7%
Earnings per basic share	\$0.54	\$0.66	\$0.33	\$0.32	\$1.85
Earnings per diluted share	\$0.54	\$0.65	\$0.33	\$0.31	\$1.83

¹Gross profit is calculated as net sales less cost of sales and related buying and occupancy costs.**NOTE 16: SALE OF FAÇONNABLE**

During the third quarter of 2007, we completed the sale of our Façonnable business in exchange for cash of \$216, net of transaction costs. As part of this transaction, goodwill of \$28, acquired tradename of \$84, and foreign currency translation of \$16 were removed from our consolidated balance sheet and we recorded a gain of \$34. Upon the closing of this transaction, we entered into a Transition Services Agreement, whereby we provided back office functions related to the Façonnable U.S. wholesale business. This agreement ended during 2009.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

As of the end of the period covered by this Annual Report on Form 10-K, the Company performed an evaluation under the supervision and with the participation of management, including our President and Chief Financial Officer, of the design and effectiveness of our disclosure controls and procedures (as defined in rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)). Based upon that evaluation, our President and our Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective in the timely and accurate recording, processing, summarizing and reporting of material financial and non-financial information within the time periods specified within the Commission's rules and forms. Our President and Chief Financial Officer also concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our President and Chief Financial Officer, to allow timely discussions regarding required disclosure.

There have been no changes 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 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The following information required under this item is filed as part of this report:

	Page
<u>Management's Report on Internal Control Over Financial Reporting</u>	33
<u>Report of Independent Registered Public Accounting Firm</u>	34

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required under this item is included in the following sections of our Proxy Statement for our 2010 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

- Executive Officers
- Election of Directors
- Board Committees
- Director Nominating Process
- Web site Access to Corporate Governance Documents
- Section 16(a) Beneficial Ownership Reporting Compliance
- Corporate Governance

The certifications of our President and Chief Financial Officer required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are included as exhibits to this Annual Report on Form 10-K and were included as exhibits to each of our quarterly reports on Form 10-Q. Our President certified to the New York Stock Exchange (NYSE) on June 8, 2009 pursuant to Section 303A.12(a) of the NYSE's listing standards, that he was not aware of any violation by the Company of the NYSE's corporate governance listing standards as of that date.

Item 11. Executive Compensation.

The information required under this item is included in the following sections of our Proxy Statement for our 2010 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

- Compensation of Executive Officers
- Compensation Discussion and Analysis
- Director Compensation
- Compensation Committee Interlocks and Insider Participation

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

The information required under this item is included in the following section of our Proxy Statement for our 2010 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Security Ownership of Certain Beneficial Owners and Management
Equity Compensation Plans

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required under this item is included in the following sections of our Proxy Statement for our 2010 Annual Meeting of Shareholders, which sections are incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Election of Directors
Certain Relationships and Related Transactions

Item 14. Principal Accounting Fees and Services.

The information required under this item is included in the following section of our Proxy Statement for our 2010 Annual Meeting of Shareholders, which section is incorporated by reference herein and will be filed within 120 days after the end of our fiscal year:

Ratification of the Appointment of Independent Registered Public Accounting Firm

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following information required under this item is filed as part of this report:

(a)1. FINANCIAL STATEMENTS

	Page
<u>Management's Report on Internal Control Over Financial Reporting</u>	33
<u>Report of Independent Registered Public Accounting Firm</u>	34
<u>Report of Independent Registered Public Accounting Firm</u>	35
<u>Consolidated Statements of Earnings</u>	36
<u>Consolidated Balance Sheets</u>	37
<u>Consolidated Statements of Shareholders' Equity</u>	38
<u>Consolidated Statements of Cash Flows</u>	39

(a)2. FINANCIAL STATEMENT SCHEDULE

	Page
<u>Schedule II - Valuation and Qualifying Accounts</u>	64

(a)3. EXHIBITS

Exhibits are incorporated herein by reference or are filed with this report as set forth in the Index to Exhibits on pages 65 through 70 hereof.

All other schedules and exhibits are omitted because they are not applicable, not required, or because the information required has been given as part of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORDSTROM, INC.
(Registrant)

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

Date: March 19, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Principal Financial Officer:

/s/ Michael G. Koppel

Michael G. Koppel
Executive Vice President and Chief Financial Officer

Principal Executive Officer:

/s/ Blake W. Nordstrom

Blake W. Nordstrom
President

Principal Accounting Officer:

/s/ James A. Howell

James A. Howell
Vice President, Finance

Directors:

/s/	Phyllis J. Campbell	/s/	Enrique Hernandez, Jr.
	Phyllis J. Campbell Director		Enrique Hernandez, Jr. Chairman of the Board of Directors

/s/	Robert G. Miller	/s/	Blake W. Nordstrom
	Robert G. Miller Director		Blake W. Nordstrom Director

/s/	Erik B. Nordstrom	/s/	Peter E. Nordstrom
	Erik B. Nordstrom Director		Peter E. Nordstrom Director

/s/	Philip G. Satre	/s/	Robert D. Walter
	Philip G. Satre Director		Robert D. Walter Director

/s/

Alison A. Winter

Alison A. Winter
Director

Date: March 19, 2010

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 033-18321, 333-63403, 333-40064, 333-40066, 333-79791, 333-101110, 333-118756, and 333-146049 on Form S-8 and No. 333-147664 on Form S-3 of our reports dated March 19, 2010, relating to the consolidated financial statements and financial statement schedule of Nordstrom, Inc. and subsidiaries and the effectiveness of Nordstrom, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Nordstrom, Inc. for the year ended January 30, 2010.

/s/ Deloitte & Touche LLP

Seattle, Washington

March 19, 2010

Nordstrom, Inc. and subsidiaries 63

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NORDSTROM, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Dollars in millions)

Column A	Column B	Column C	Column D	Column E
Description	Balance at beginning of period	Additions Charged to costs and expenses	Deductions	Balance at end of period
Deducted from related consolidated balance sheet account				
Allowance for doubtful accounts:				
Year ended:				
January 30, 2010	\$138	\$251	\$199 (B)	\$190
January 31, 2009	73	173	108 (B)	138
February 2, 2008	17	86 (A)	30 (B)	73
Reserves				
Allowance for sales return, net:				
Year ended:				
January 30, 2010	\$70	\$1,030	\$1,024 (C)	\$76
January 31, 2009	56	1,051	1,037 (C)	70
February 2, 2008	55	1,023	1,022 (C)	56

(A) These expenses do not include write-offs of \$21 related to the one-time transition of our VISA portfolio to on-balance sheet, which are included in credit selling, general and administrative expenses.

(B) Deductions consist of write-offs of uncollectible accounts, net of recoveries.

(C) Deductions consist of actual returns offset by the value of the merchandise returned and the sales commission reversed.

Table of Contents**Nordstrom, Inc. and Subsidiaries
Exhibit Index**

Exhibit	Method of Filing
3.1 Articles of Incorporation as amended and restated on February 21, 2007	Incorporated by reference from the Registrant's Form 8-K filed on February 23, 2007, Exhibit 3.1
3.2 Bylaws, as amended and restated on November 19, 2008	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 3.1
4.1 Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated March 11, 1998	Incorporated by reference from Registration No. 333-47035, Exhibit 4.1
4.2 Senior indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999	Incorporated by reference from Registration No. 333-69281, Exhibit 4.3
4.3 Form of Subordinated Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999	Incorporated by reference from Registration No. 333-69281, Exhibit 4.4
4.4 Series 2007-1 Note purchase agreement, dated as of April 25, 2007, by and between Nordstrom Credit Card Master Note Trust II and J.P. Morgan Securities Inc. and Greenwich Capital Markets, Inc., as representative of the initial purchasers	Incorporated by reference from the Registrant's Form 8-K filed on May 1, 2007, Exhibit 4.1
4.5 Series 2007-2 Note purchase agreement, dated as of April 25, 2007, by and between Nordstrom Credit Card Master Note Trust II and J.P. Morgan Securities Inc. and Greenwich Capital Markets, Inc., as representative of the initial purchasers	Incorporated by reference from the Registrant's Form 8-K filed on May 1, 2007, Exhibit 4.2
4.6 Amended and Restated Master Indenture, dated as of May 1, 2007, by and between Nordstrom Credit Card Master Note Trust II and Wells Fargo Bank, National Association, as indenture trustee	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 4.1
4.7 Series 2007-1 Indenture Supplement, dated as of May 1, 2007, by and between Nordstrom Credit Card Master Note Trust II and Wells Fargo Bank, National Association, as indenture trustee	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 4.2
4.8 Series 2007-2 Indenture Supplement, dated as of May 1, 2007, by and between Nordstrom Credit Card Master Note Trust II and Wells Fargo Bank, National Association, as indenture trustee	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 4.3

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|------|---|--|
| 4.9 | Form of 6.25% Note due January 2018 | Incorporated by reference from the Registrant's Form 8-K filed on December 3, 2007, Exhibit 4.1 |
| 4.10 | Form of 6.75% Note due June 2014 | Incorporated by reference from the Registrant's Form 8-K filed on May 26, 2009, Exhibit 4.1 |
| 4.11 | Amended and Restated Series 2007-A Indenture Supplement, dated as of November 13, 2009, by and between Nordstrom Credit Card Master Note Trust II, as issuer, and Wells Fargo Bank, National Association, as indenture trustee | Incorporated by reference from the Registrant's Form 8-K filed on November 18, 2009, Exhibit 4.1 |
| 4.12 | Note Purchase Agreement, dated as of November 13, 2009, by and between Nordstrom Credit Card Receivables II LLC, Nordstrom fsb, Nordstrom Credit, Inc., Falcon Asset Securitization Company, LLC and J.P. Morgan Chase Bank, N.A. | Incorporated by reference from the Registrant's Form 8-K filed on November 18, 2009, Exhibit 4.2 |
| 4.13 | First Amendment to the Note Purchase Agreement dated November 13, 2009, by and between Nordstrom Credit Card Receivables II LLC, Nordstrom fsb, Nordstrom Credit, Inc., Falcon Asset Securitization Company, LLC and J.P. Morgan Chase Bank, N.A., dated January 20, 2010 | Incorporated by reference from the Registrant's Form 8-K filed on January 21, 2010, Exhibit 4.1 |

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Exhibit	Method of Filing
10.1 Merchant Agreement dated August 30, 1991 between Registrant and Nordstrom National Credit Bank	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1991, Exhibit 10.1
10.2 Investment Agreement dated October 8, 1984 between the Registrant and Nordstrom Credit, Inc.	Incorporated by reference from the Nordstrom Credit, Inc. Form 10, Exhibit 10.1
10.3* 1997 Nordstrom Stock Option Plan, amended and restated on February 16, 2000	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 2, 2003, Exhibit 10.1
10.4 Commercial Paper Dealer Agreement dated October 2, 1997 between Registrant and Bancamerica Securities, Inc.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.1
10.5 Commercial Paper Agreement dated October 2, 1997 between Registrant and Credit Suisse First Boston Corporation	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.2
10.6 Issuing and Paying Agency Agreement dated October 2, 1997 between Registrant and First Trust of New York, N.A.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.3
10.7 Performance Undertaking dated December 4, 2001 between Registrant and Bank One, N.A.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended January 31, 2002, Exhibit 10.38
10.8 Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and New York Life Insurance Company	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.2
10.9 Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and Life Investors Insurance Company of America	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.3
10.10 Guaranty Agreement dated April 18, 2002 between Registrant, New York Life Insurance Company and Life Investors Insurance Company of America	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.4
10.11 The 2002 Nonemployee Director Stock Incentive Plan	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2002, Exhibit 10.1
10.12* Nordstrom, Inc. Leadership Separation Plan (Effective March 1, 2005)	Incorporated by reference from Registrant's Annual Report on Form 10-K for the year ended January 29, 2005, Exhibit 10.43

10.13*	Nordstrom, Inc. Executive Management Group Bonus Plan	Incorporated by reference from Registrant's definitive proxy statement filed with the Commission on April 15, 2004
10.14*	2004 Equity Incentive Plan	Incorporated by reference from Registrant's definitive proxy statement filed with the Commission on April 15, 2004
10.15	Commitment of Nordstrom, Inc. to Nordstrom fsb dated June 17, 2004	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.4
10.16	Nordstrom fsb Segregated Earmarked Deposit Agreement and Security Agreement by and between Nordstrom fsb and Nordstrom, Inc. dated July 1, 2004	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2004, Exhibit 10.5

* This exhibit is a management contract, compensatory plan or arrangement

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Exhibit	Method of Filing
10.17 Press release dated August 21, 2007 announcing that its Board of Directors authorized a \$1.5 billion share repurchase program	Incorporated by reference from the Registrant's Form 8-K filed on August 22, 2007, Exhibit 99.1
10.18 Revolving Credit Facility Agreement dated November 4, 2005, between Registrant and each of the initial lenders named therein as Lenders, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Syndication Agents, U.S. Bank, National Association, as Documentation Agent and Bank of America, N.A. as administrative agent	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 29, 2005, Exhibit 10.1
10.19 Press release dated November 19, 2007 announcing that its Board of Directors authorized a \$1.0 billion share repurchase program	Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 99.1
10.20 Director Compensation Summary	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 3, 2007, Exhibit 10.54
10.21* 2007 Stock Option Notice Award Agreement and Form of Notice	Incorporated by reference from the Registrant's Form 8-K filed on February 26, 2007, Exhibit 10.1
10.22* 2007 Performance Share Unit Award Agreement and Form of Notice	Incorporated by reference from the Registrant's Form 8-K filed on February 26, 2007, Exhibit 10.2
10.23 Form of Restricted Stock Award under the 2002 Nonemployee Director Stock Incentive Plan	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 4, 2007, Exhibit 10.1
10.24 Nordstrom, Inc. 2002 Nonemployee Director Stock Incentive Plan (2007 Amendment)	Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.39
10.25* Nordstrom Executive Deferred Compensation Plan (2007)	Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.40
10.26 Nordstrom Directors Deferred Compensation Plan (2007)	Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.41
10.27* Nordstrom, Inc. 2004 Equity Incentive Plan (2007 Amendment)	Incorporated by reference from the Registrant's Form 8-K filed on November 19, 2007, Exhibit 10.44

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10.28	First Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated March 1, 2000	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.32
10.29	Second Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated March 2, 2000	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.33
10.30	Third Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated October 1, 2001	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.34
10.31	Fourth Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated November 1, 2002	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.35
10.32	Fifth Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated November 1, 2005	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.36

* This exhibit is a management contract, compensatory plan or arrangement

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Exhibit	Method of Filing
10.33* Forms of Notice of 2001 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.40
10.34 Sixth Amendment to Merchant Agreement and Operating Procedures dated August 30, 1991 between Registrant and Nordstrom National Credit Bank, dated May 1, 2007	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.37
10.35* Forms of Notice of 1999 Stock Option Grant and Stock Option Agreements under the Nordstrom, Inc. 1997 Equity Incentive Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.38
10.36* Form of Notice of 2002 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.41
10.37* Form of Notice of 2003 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.42
10.38* Form of Notice of 2004 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.43
10.39* Form of Notice of 2005 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 2004 Equity Incentive Plan	Incorporated by reference from the Registrant's Form 8-K filed on March 1, 2005, Exhibit 10.1
10.40* Form of Notice of 2006 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 2004 Equity Incentive Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.45
10.41 Participation Agreement, dated as of May 1, 2007, by and between Nordstrom fsb, as seller and Nordstrom Credit, Inc., as purchaser	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.1
10.42 Servicing Agreement, dated as of May 1, 2007, by and between Nordstrom fsb, and Nordstrom Credit, Inc.	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.2
10.43 Amended and Restated Receivables Purchase Agreement, dated as of May 1, 2007, by and between Nordstrom Credit, Inc., as seller and Nordstrom Credit Card Receivables II LLC, as purchaser	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.3

10.44	Amended and Restated Transfer and Servicing Agreement, dated as of May 1, 2007, by and between Nordstrom Credit Card Receivables II LLC, as transferor, Nordstrom fsb, as servicer, Wells Fargo Bank, National Association, as indenture trustee, and Nordstrom Credit Card Master Note Trust II, as issuer	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.4
10.45	Second Amended and Restated Trust Agreement, dated as of May 1, 2007, by and between Nordstrom Credit Card Receivables II LLC, as transferor, and Wilmington Trust Company, as owner trustee	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.5
10.46	Amended and Restated Administration Agreement, dated as of May 1, 2007, by and between Nordstrom Credit Card Master Note Trust II, as issuer, and Nordstrom fsb, as administrator	Incorporated by reference from the Registrant's Form 8-K filed on May 8, 2007, Exhibit 99.6
10.47*	Amendment 2006-1 to the Nordstrom, Inc. Leadership Separation Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.56

* This exhibit is a management contract, compensatory plan or arrangement

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Exhibit	Method of Filing
10.48 Notice of Exercise of Accordion on Revolving Credit Facility Agreement dated May 13, 2008	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 2, 2008, Exhibit 10.1
10.49* Nordstrom 401(k) Plan & Profit Sharing, amended and restated on August 27, 2008	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 1, 2008, Exhibit 10.1
10.50* Nordstrom, Inc. Employee Stock Purchase Plan, amended and restated on August 27, 2008	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 1, 2008, Exhibit 10.2
10.51* Nordstrom, Inc. 2004 Equity Incentive Plan (2008 Amendment)	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 10.1
10.52* Amendment 2008-1 to the Nordstrom Executive Deferred Compensation Plan (2007)	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 10.2
10.53* Amendment 2008-1, Nordstrom, Inc. Leadership Separation Plan	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 10.3
10.54* Nordstrom Supplemental Executive Retirement Plan (2008)	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2008, Exhibit 10.4
10.55* 2008 Stock Option Notice Award Agreement and Form of Notice	Incorporated by reference from the Registrant's Form 8-K filed on February 22, 2008, Exhibit 10.1
10.56* 2008 Performance Share Unit Agreement and Form of Notice	Incorporated by reference from the Registrant's Form 8-K filed on February 22, 2008, Exhibit 10.2
10.57* Form of Notice of 2000 Stock Option Grant and Stock Option Agreement under the Nordstrom, Inc. 1997 Equity Incentive Plan	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended February 2, 2008, Exhibit 10.39
10.58 Form of Independent Director Indemnification Agreement	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2009, Exhibit 10.1
10.59* 2009 Nonqualified Stock Option Grant Agreement and Form of Notice	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2009, Exhibit 10.2
10.60* 2009 Performance Share Unit Award Agreement and Form of Notice	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2009, Exhibit 10.3
10.61* Amendment 2009-1 to the Nordstrom Supplemental Executive Retirement Plan	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2009, Exhibit 10.4

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10.62*	Amendment 2009-1 to the Nordstrom 401(k) Plan & Profit Sharing	Incorporated by reference from the Registrant's Form 8-K filed on March 3, 2009, Exhibit 10.5
10.63*	Nordstrom, Inc. Executive Management Bonus Plan	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended May 2, 2009, Exhibit 10.6
10.64*	Amendment 2008-2 to the Nordstrom Executive Deferred Compensation Plan	Incorporated by reference from the Registrant's Form S-8 filed on September 9, 2009, Exhibit 10.4
10.65	Amendment 2009-1 to the Nordstrom Directors Deferred Compensation Plan	Incorporated by reference from the Registrant's Form S-8 filed on September 9, 2009, Exhibit 10.5

* This exhibit is a management contract, compensatory plan or arrangement

Nordstrom, Inc. and subsidiaries 69

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	Exhibit	Method of Filing
10.66*	2010 Stock Option Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2009, Exhibit 10.1
10.67*	2010 Performance Share Unit Award Agreement	Incorporated by reference from the Registrant's Form 8-K filed on November 24, 2009, Exhibit 10.2
10.68	Confirmation of transaction between The Royal Bank of Scotland plc and Nordstrom Inc., dated as of December 22, 2009	Incorporated by reference from the Registrant's Form 8-K filed on December 23, 2009, Exhibit 10.1
10.69	Confirmation of transaction between Wachovia Bank N.A. and Nordstrom Inc., dated as of December 22, 2009	Incorporated by reference from the Registrant's Form 8-K filed on December 23, 2009, Exhibit 10.2
21.1	Significant subsidiaries of the Registrant	Filed herewith electronically
23.1	Consent of Independent Registered Public Accounting Firm	Filed as page 63 of this report
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 and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith electronically
101.INS	XBRL Instance Document	Furnished herewith electronically
101.SCH	XBRL Taxonomy Extension Schema Document	Furnished herewith electronically
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Furnished herewith electronically
101.	XBRL Taxonomy Extension Labels Linkbase LAB Document	Furnished herewith electronically
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Furnished herewith electronically
101.DEF		Furnished herewith electronically

XBRL Taxonomy Extension Definition Linkbase
Document

* This exhibit is a management contract, compensatory plan or arrangement
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