

NORDSTROM INC
Form 10-K/A
April 08, 2005

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

FORM 10-K/A

(Amendment #1)

(Mark One)

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

For the fiscal year ended January 31, 2004

OR

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

For the transition period from _____ to _____

Commission file number 001-15059

Nordstrom, Inc.

(Exact name of Registrant as specified in its charter)

Washington
**(State or other jurisdiction of
incorporation or organization)**

91-0515058
**(IRS employer
Identification No.)**

1617 Sixth Avenue, Seattle, Washington
(Address of principal executive offices)

98101
(Zip code)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

As of August 2, 2003 the aggregate market value of the Registrant's voting and non-voting stock held by non-affiliates of the Registrant was approximately \$2.1 billion using the closing sales price on that day of \$21.03.

On February 28, 2004, 138,420,456 shares of common stock were outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Nordstrom, Inc. 2003 Amended Financial Report for fiscal year ended January 31, 2004 are incorporated into Parts I, II and IV
2. Portions of Proxy Statement for 2004 Annual Meeting of Shareholders scheduled to be held on May 25, 2004 are incorporated into Part III

Explanatory Note

This Amendment to the Annual Report on Form 10-K for Nordstrom, Inc. (the Company) for the fiscal year ended January 31, 2004, is being filed to correct two errors in our previously issued financial statements: the statements of cash flows presentation of property incentive cash inflows and the balance sheet classification of leased assets that were previously treated as sale-leaseback transactions. In addition, we have reclassified balances in our previously issued financial statements to conform to our current presentation. The principal reclassification items relate to the balance sheet and cash flow presentation of the following: our Auction Rate Securities, our presentation of outstanding checks drawn on our disbursement banks, and our third party credit card receivables. We also have a reclassification in our statements of earnings related to our loyalty program. See Note 25 in our Notes to Consolidated Financial Statements of our 2003 Amended Financial Statements, incorporated by reference herein from Exhibit 13.1 of this report, for a discussion of these corrections and reclassifications, and a reconciliation of amounts previously reported to those shown herein. We have also revised our discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and have updated our lease accounting policy disclosure in Note 1. Information not affected by the corrections and reclassifications as described in Note 25 remains unchanged and reflects the disclosures made at the time of the original filing of the Form 10-K on March 30, 2004. Our previously reported net earnings, earnings per share and shareholders' equity are not impacted by these corrections and reclassifications.

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PART I

Item 1. Business.

We incorporated in the State of Washington in 1946 as the successor to a retail shoe business that started in 1901. As of January 31, 2004, we operated 92 large specialty stores, selling a wide selection of apparel, shoes and accessories for women, men and children.

We also operated 49 stores under the name Nordstrom Rack and one clearance store under the name Last Chance. The Nordstrom Rack stores purchase merchandise directly from manufacturers, as well as serving, in part, as outlets for clearance merchandise from our large specialty stores.

We also operated one free-standing shoe store under the name Nordstrom and five U.S. specialty boutiques under the name Façonnable. As a result of the acquisition of Façonnable, S.A.S. of Nice, France in October 2000, we also operated 31 Façonnable boutiques located primarily in Europe. Façonnable is a wholesaler and retailer of high quality men's and women's apparel and accessories.

We generate catalog and Internet sales through Nordstrom Direct (formerly known as Nordstrom.com) and service charge income through Nordstrom Credit, Inc.

In March 2004, we opened one large specialty store in Charlotte, NC. In addition, we plan to open a large specialty store in Miami, FL in the fall of 2004. We are scheduled to open four large specialty stores in 2005, located in Dallas, TX; San Antonio, TX; Irvine, CA; and Atlanta, GA.

The west coast and the east coast of the United States are the markets in which we have the largest presence. An economic downturn or other significant event within one of these markets may have a material effect on our operating results.

We purchase merchandise from many suppliers, no one of which accounted for more than 2% of 2003 net purchases. We believe that we are not dependent on any one supplier, and consider our relations with our suppliers to be satisfactory.

We have approximately 102 registered trademarks. The loss or abandonment of the Federally registered names Nordstrom or Façonnable would materially impact our business. The loss or abandonment of the Federally registered trademarks Brass Plum, Baby N, Caslon, Classiques Entier, Frenchi, Halogen and Rubbish may impact our business but not in a material manner. With the exception of the above-mentioned Federally registered trademarks, the loss or abandonment of any particular trademark would have little, if any, impact on our business.

Due to our anniversary sale in July and holidays in December, sales are higher in the second and fourth quarters of the fiscal year than in the first and third quarters. During the fiscal year ended January 31, 2004, we regularly employed on a full or part-time basis an average of approximately 46,000 employees. Due to the seasonal nature of our business, employment increased to approximately 54,000 employees in July 2003 and 52,000 in December 2003.

We offer our customers a liberal return policy at our full-line stores. Nordstrom Rack stores accept returns up to 30 days from the date of purchase. In general, our return policy is somewhat more generous than industry standards. We properly accrue for estimated sales returns based on our historical knowledge of return trends. We strive to maintain our inventory at optimum levels that enable us to maximize sales while minimizing markdowns.

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Item 1. Business (continued).

Our business is highly competitive. Our stores compete with other national, regional and local retail establishments within our operating areas which carry similar lines of merchandise, including department stores, specialty stores, boutiques, and mail order and Internet businesses. Our specific competitors vary from market to market. We believe the principal methods of competing in our industry include customer service, value, quality of product, fashion, advertising, store location and depth of selection.

We file annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission (SEC). You may read and copy any material we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Our Internet website is <http://www.nordstrom.com>. We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We have adopted a Code of Business Conduct and Ethics (Code of Ethics) and Corporate Governance Guidelines, as required by the listing standards of the New York Stock Exchange and the rules of the SEC. We have posted on our website our Code of Ethics, Corporate Governance Guidelines, and our Committee Charters for Audit, Compensation, Corporate Governance and Nominating, Executive, and Finance committees. These items are also available in print to any shareholder upon request to:

Nordstrom, Inc. Investor Relations
P.O. Box 2737
Seattle, Washington, 98111
(206) 303-3200
invrelations@nordstrom.com

Certain other information required under Item 1 is contained within the following sections of our 2003 Amended Financial Report, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Management s Discussion and Analysis
Note 1: Summary of Significant Accounting Policies in Notes to Consolidated Financial Statements
Note 18: Segment Reporting in Notes to Consolidated Financial Statements
Note 20: Nordstrom.com in Notes to Consolidated Financial Statements
Retail Store Facilities

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Name	Age	Title	Officer Since	Family Relationship
Laurie M. Black	45	Executive Vice President	1997	None
Mark S. Brashear	42	Executive Vice President	2001	None
James H. Bromley	40	Executive Vice President	2002	None
Linda Toschi Finn	56	Executive Vice President	1998	None
Kevin T. Knight	48	Executive Vice President; Chairman and Chief Executive Officer of Nordstrom fsb; and President of Nordstrom Credit, Inc.	1998	None
Michael G. Koppel	47	Executive Vice President and Chief Financial Officer	1999	None
Daniel F. Little	42	Executive Vice President and Chief Administrative Officer	2003	None
David L. Mackie	55	Vice President and Corporate Secretary	1994	None
Blake W. Nordstrom	43	President	1991	Brother of Erik B. and Peter E. Nordstrom; son of Bruce A. Nordstrom, a Director and Officer of the Company; and nephew of D. Wayne Gittinger, a Director of the Company.
Bruce A. Nordstrom	70	Chairman of the Board of Directors	1966	Father of Blake W., Erik B. and Peter E. Nordstrom; cousin of John N. Nordstrom, a Director of the Company and Brother-in-law of D. Wayne Gittinger, a Director of the Company.
Erik B. Nordstrom	40	Executive Vice President	1995	Brother of Blake W. and Peter E. Nordstrom; son of Bruce A. Nordstrom, a Director and Officer of the Company; and nephew of D. Wayne Gittinger, a Director of the Company.

Peter E. Nordstrom

42 Executive Vice President

1995

Brother of Blake W. and Erik B. Nordstrom; son of Bruce A. Nordstrom, a Director and Officer of the Company; and nephew of D. Wayne Gittinger, a Director of the Company.

Table of Contents**Executive Officers of the Registrant (continued)**

Name	Age	Title	Officer Since	Family Relationship
James R. O Neal	45	Executive Vice President	1997	None
Delena M. Sunday	43	Executive Vice President	1998	None

Laurie M. Black was named Executive Vice President and President of Nordstrom Rack in December 2001. Prior thereto she served as Vice President and Corporate Merchandise Manager from May 2000 to December 2001, as Vice President and Northwest Divisional Merchandise Manager from April 1999 to April 2000, and as Vice President and Northwest/Southwest Divisional Merchandise Manager from February 1997 to March 1999. Ms. Black has been employed by the Company since July 1978.

Mark S. Brashear was named Executive Vice President and President of Façonnable in December 2001. Prior thereto he served as Executive Vice President and Southwest General Manager from February 2001 to December 2001, as Division Vice President and Strategic Planning Manager of the Southwest Business Unit from April 1999 to February 2001, and as Strategic Planning Manager for California and the Southwest from February 1998 to April 1999. Mr. Brashear has been employed by the Company since September 1985.

James H. Bromley was named President of the Nordstrom Direct division in January 2004 and Executive Vice President of the Company in July 2002. He also served as President of Nordstrom Direct, Inc. from July 2002 through January 2004, and as Executive Vice President and Chief Financial Officer of Nordstrom.com, Inc. from April 2000 to July 2002. Prior to joining Nordstrom, Mr. Bromley served as Senior Vice President, Chief Financial Officer and Treasurer at Multiple Zones International, a supplier of computer products and services, from June 1999 to April 2000. From May 1998 to May 1999, he served as Managing Director at McDonald Investments.

Linda T. Finn was named Executive Vice President Marketing in September 2000. Prior thereto she served as Vice President and Marketing Director for the Full-line Store Group from October 1999 to September 2000 and as Vice President of Sales and Promotion from February 1998 to October 1999. Ms Finn has been employed by the Company since May 1975.

Kevin T. Knight was named Executive Vice President of the Company in September 2000. He also serves as Chairman and Chief Executive Officer of Nordstrom fsb, President of Nordstrom Credit, Inc., and, as of February 2000, President of Nordstrom Credit Group. Mr. Knight served as Vice President of the Company from April 1998 through September 2000, as President of Nordstrom fsb from June 1998 to June 1999, and as General Manager of the credit business from April 1998 through February 2000. Prior to joining the Company in April 1998, he served as Senior Vice President of Retailer Financial Services, a unit of General Electric Capital Corporation.

Michael G. Koppel was named Executive Vice President and Chief Financial Officer in May 2001. From August 1999 to May 2001, he served as Vice President, Corporate Controller and Principal Accounting Officer. Prior thereto Mr. Koppel served as Chief Operating Officer of CML Group, a specialty retail holding company, and as Chief Financial Officer of Lids Corporation, a mall based specialty retailer from 1997 through 1998, and from 1984 through 1997 he held a number of financial positions with the May Department Stores, most recently as Vice President-Controller of its Filenes division.

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Executive Officers of the Registrant (continued)

Daniel F. Little was named Executive Vice President and Chief Administrative Officer in March 2003. From July 2002 until March 2003, he served as Vice President of Supply Chain Strategy. Prior thereto, Mr. Little spent nine years working in various assignments with Colgate-Palmolive, most recently as Manufacturing General Manager for Personal Care Products in Europe.

David L. Mackie was named Vice President Real Estate and Corporate Secretary in December 2002. Prior thereto, he served as Vice President Real Estate and Director of Legal Affairs from June 2001 to December 2002 and as Vice President Real Estate from April 1994 to May 2001. Mr. Mackie has been employed by the Company since September 1983.

Blake W. Nordstrom was named President of the Company in August 2000. Prior thereto, he served as Executive Vice President and President of Nordstrom Rack from February 2000 to August 2000, and as Co-President of the Company from June 1995 to February 2000. Mr. Nordstrom has been employed by the Company since June 1976.

Bruce A. Nordstrom was named Chairman of the Board of Directors in August 2000. He has served as a Director of the Company since 1966, and served as Co-Chairman of the Board of Directors from 1971 until 1995. Mr. Nordstrom is the grandson of the Company founder and, with his cousins John N. Nordstrom and James F. Nordstrom and his former brother-in-law John A. McMillan, he assumed leadership of the Company from the second generation in 1968.

Erik B. Nordstrom was named Executive Vice President Full-line Stores in August 2000. Prior thereto, he served as Executive Vice President and Northwest General Manager from February 2000 to August 2000, and as Co-President of the Company from June 1995 to February 2000. Mr. Nordstrom has been employed by the Company since July 1979.

Peter E. Nordstrom was named Executive Vice President and President of Full-line Stores in September 2000. Prior thereto, he served as Executive Vice President and Director of Full-line Store Merchandise Strategy from February 2000 to September 2000, and as Co-President of the Company from June 1995 to February 2000. Mr. Nordstrom has been employed by the Company since August 1978.

James R. O Neal was named Executive Vice President and President of Nordstrom Product Group in December 2001. Prior thereto, he served as Executive Vice President and General Manager of the East Coast from August 2000 until December 2001, and as Executive Vice President and Southwest General Manager from November 1997 to December 2001. Mr. O Neal has been employed by the Company since June 1980.

Delena M. Sunday was named Executive Vice President Human Resources and Diversity Affairs in November 2002. Prior thereto, she served as Executive Vice President of Diversity Affairs from September 2000 to November 2002, and as Vice President of Diversity Affairs from February 1998 to September 2000. Ms. Sunday has been employed by the Company since April 1980.

The officers are appointed annually by the Board of Directors following each year's Annual Meeting of Shareholders. Officers serve at the discretion of the Board of Directors.

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The following table summarizes the number of retail stores owned or operated by us, and the percentage of total store area represented by each listed category at January 31, 2004:

	Number of stores	% of total store square footage
Owned stores	32	26.7%
Leased stores	106	31.5
Owned on leased land	39	40.2
Partly owned & partly leased	2	1.6
	179	100%

We also operate 6 merchandise distribution centers located throughout the U.S., which are utilized by the Retail Stores segment, all of which are owned. The Catalog/Internet segment utilizes one fulfillment center, which is owned on leased land. Our administrative offices in Seattle, Washington are a combination of leased and owned space. We lease the office building in the Denver, Colorado metropolitan area that serves as the principal offices of Nordstrom fsb and Nordstrom Credit, Inc.

Certain other information required under this item is included in the following sections of our 2003 Amended Financial Report, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Note 11: Land, Buildings and Equipment in Notes to Consolidated Financial Statements

Note 13: Long-Term Debt in Notes to Consolidated Financial Statements

Note 14: Leases in Notes to Consolidated Financial Statements

Retail Store Facilities

Item 3. Legal Proceedings.

The information required under this item is included in the following section of our 2003 Amended Financial Report, which section is incorporated by reference herein from Exhibit 13.1 of this report:

Note 23: Contingent Liabilities in Notes to Consolidated Financial Statements

Item 4. Submission of Matters to a Vote of Security Holders.

None

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

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 10, 2004 was 83,610.

Certain other information required under this item with respect to stock prices and dividends is included in the following sections of our 2003 Amended Financial Report, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Consolidated Statements of Shareholders' Equity

Note 15: Stock-based Compensation in Notes to Consolidated Financial Statement

Note 24: Selected Quarterly Data (unaudited) in Notes to Consolidated Financial Statements

Item 6. Selected Financial Data.

The information required under this item is included in the following sections of our 2003 Amended Financial Report, which sections are incorporated by reference herein from Exhibit 13.1 of this report. The items below have been amended to reflect the changes discussed in Note 25:

Management's Discussion and Analysis

Note 2: Cumulative Effect of Accounting Change in Notes to Consolidated Financial Statements

Note 19: Restructurings and Impairments in Notes to Consolidated Financial Statements

Note 20: Nordstrom.com in Notes to Consolidated Financial Statements

Eleven-Year Statistical Summary

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

The information required under this item is included in the following section of our 2003 Amended Financial Report, which section is incorporated by reference herein from Exhibit 13.1 of this report:

Management's Discussion and Analysis

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risk from changes in interest rates. In seeking to minimize risk, we manage exposure through our regular operating and financing activities. We do not use financial instruments for trading or other speculative purposes and are not party to any leveraged financial instruments.

Interest rate exposure is managed through our mix of fixed and variable rate borrowings. Short-term borrowing and investing activities generally bear interest at variable rates, but because they have maturities of three months or less, we believe that the risk of material loss is low, and that the carrying amount approximated fair value.

During 2003, we have effectively converted our \$250 million 5.63% fixed rate debt to a variable rate through the use of an interest rate swap. Under the agreement, we received a fixed rate of 5.63% and paid a variable rate based on LIBOR plus a margin of 2.3% set at six-month intervals (3.945% at January 31, 2004). The swap will expire in 2009.

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

In 2002 and 2003, we received \$4.9 million and \$2.3 million for the sale of two interest rate swaps. The first swap converted our \$300 million, 8.95% fixed-rate debt to variable rate, while the second swap converted our \$250 million, 5.63% fixed-rate debt to variable rate. The cash proceeds from each of the swaps will be recognized as interest income evenly over the remaining life of the related debt.

The table below presents information about our financial instruments that are sensitive to changes in interest rates, which consist of debt obligations and interest rate swaps for the year ended January 31, 2004. For debt obligations, 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 thousands	2004	2005	2006	2007	2008	Thereafter	Total at January 31, 2004	Fair value of liabilities January 31, 2004
Long-term debt								
Fixed	\$ 6,833	\$ 299,245	\$ 304,668	\$ 4,678	\$ 254,720	\$ 372,190	\$ 1,242,334	\$ 1,335,801
Avg. int. rate	6.2%	8.2%	4.9%	9.7%	5.7%	7.2%	6.6%	
Interest rate swap								
Fixed to variable						\$ 250,000	\$ 250,000	\$ (8,091)
Avg. pay rate						3.945%	3.945%	
Avg. receive rate						5.63%	5.63%	

Foreign Currency Exchange Risk

The majority of our revenue, expense and capital expenditures are transacted in U.S. dollars. However, we periodically enter into foreign currency purchase orders for apparel and shoes denominated in Euros. We use forward contracts to hedge against fluctuations in foreign currency prices. The fair value of our outstanding forward contracts at January 31, 2004 was not material. The use of derivatives is limited to only those financial instruments that have been authorized by our Chief Financial Officer and Treasurer.

In addition, the functional currency of Façonnable, S.A.S. of Nice, France is the Euro. Assets and liabilities of Façonnable are translated into U.S. dollars at the exchange rate prevailing at the end of the period. Income and expenses are translated into U.S. dollars at an average exchange rate during the period. Foreign currency gains and losses from the translation of Façonnable's balance sheet and income statement are included in other comprehensive earnings. Foreign currency gains or losses from certain intercompany loans are recorded in service charge income and other, net.

We considered the potential impact of a hypothetical 10% adverse change in foreign exchange rates and we believe that such a change would not have a material impact on our cash flows of financial instruments that are sensitive to foreign currency exchange risk. The model measured the change in cash flows arising from the 10% adverse change in foreign exchange rates, and covered long-term debt denominated in Euros.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk (continued)

Certain other information required under this item is included in the following sections of our 2003 Amended Financial Report, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Note 1: Summary of Significant Accounting Policies in Notes to Consolidated Financial Statements
Note 12: Notes Payable in Notes to Consolidated Financial Statements
Note 13: Long-Term Debt in Notes to Consolidated Financial Statements
Note 14: Leases in Notes to Consolidated Financial Statements
Note 22: Vulnerability Due to Certain Concentrations in Notes to Consolidated Financial Statements

Item 8. Financial Statements and Supplementary Data.

The information required under this item is included in the following sections of our 2003 Amended Financial Report, which sections are incorporated by reference herein from Exhibit 13.1 of this report:

Consolidated Statements of Earnings
Consolidated Balance Sheets
Consolidated Statements of Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Report of Independent Registered Public Accounting Firm

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

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.

In coming to the conclusion that our internal control over financial reporting was effective as of January 31, 2004, our management considered, among other things, the control deficiencies related to the cash flow statement classification of property incentives and the balance sheet classification of leased assets that were previously treated as sale-leaseback transactions, which resulted in this restatement of our previously issued financial statements, as disclosed in Note 25 of our 2003 Amended Financial Statements. After reviewing and analyzing the Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") No. 99, "Materiality", Accounting Principles Board Opinion

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Changes , and Public Company Accounting Oversight Board Auditing Standard No. 2 An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements and taking into consideration that the restatement adjustments did not impact our net sales, net earnings, diluted earnings per share, total cash flows or shareholders equity, our management concluded that the control deficiencies that resulted in this restatement of the previously issued financial statements was not a material weakness. Following our identification of these control deficiencies, we have corrected our process for preparing our statements of cash flows by performing a more thorough review of the classifications of our cash flows to comply with SFAS No. 95 Statement of Cash Flows and SFAS No. 102 Statement of Cash Flows Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale An Amendment of FASB Statement No. 95. We have also corrected our process for evaluating sale-leasebacks by incorporating a more thorough review of SFAS No. 98 Accounting for Leases and SFAS No. 66 Accounting for Sales of Real Estate to any potential sale-leasebacks. In addition, we will continue to monitor GAAP developments and changes in our business to reduce the risk of classification errors in our statements of cash flows and balance sheets.

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PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required under this item with respect to our Directors and compliance with Section 16(a) of the Exchange Act is included in the following sections of our Proxy Statement for our 2004 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:

- Board Committees
- Code of Business Conduct and Ethics
- Election of Directors
- Section 16(a) Beneficial Ownership Reporting Compliance

The information required under this item with respect to our Executive Officers is incorporated by reference from Part I, Item 1 of this report under Executive Officers of the Registrant.

Item 11. Executive Compensation.

The information required under this item is included in the following sections of our Proxy Statement for our 2004 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 in the Year Ended January 31, 2004
- Compensation Committee Report on the Fiscal Year Ended January 31, 2004
- Stock Price Performance
- Compensation of Directors

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required under this item is included in the following section of our Proxy Statement for our 2004 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.

The information required under this item is included in the following sections of our Proxy Statement for our 2004 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

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Item 14. Principal Accountant Fees and Services.

The information required under this item is included in the following section of our Proxy Statement for our 2004 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, and Reports on Form 8-K.

(a)1. Financial Statements

The following consolidated financial information and statements and the Report of Independent Registered Public Accounting Firm are incorporated by reference herein from Exhibit 13.1 of this report:

Consolidated Statements of Earnings
Consolidated Balance Sheets
Consolidated Statements of Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Report of Independent Registered Public Accounting Firm

(a)2. Financial Statement Schedules

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Other schedules for which provision is made in Regulation S-X are not required, are inapplicable, or the information is included in our 2003 Amended Financial Report as incorporated by reference herein from Exhibit 13.1 of this report.

(a)3. Exhibits

- (3.1) Articles of Incorporation of the Registrant, as amended and restated on May 21, 2002 are hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2002, Exhibit 3.1.
- (3.2) Bylaws of the Registrant, as amended and restated on November 18, 2003, hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended November 1, 2003, Exhibit 3.2.
- (4.1) Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated March 11, 1998 is hereby 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 is hereby incorporated by reference from Registration No. 333-69281, Exhibit 4.3.

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(a)3. Exhibits (continued)

- (4.3) Form of Subordinated Indenture between Registrant and Norwest Bank Colorado, N.A., as trustee, dated January 13, 1999 is hereby incorporated by reference from Registration No. 333-69281, Exhibit 4.4.
- (10.1) Merchant Agreement dated August 30, 1991 between Registrant and Nordstrom National Credit Bank is hereby 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) Nordstrom Supplemental Executive Retirement Plan (2003 Restatement) is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended November 1, 2003, Exhibit 10.1.
- (10.3) The 1993 Non-Employee Director Stock Incentive Plan is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1994, Exhibit 10.4.
- (10.4) Investment Agreement dated October 8, 1984 between the Registrant and Nordstrom Credit, Inc. is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10, Exhibit 10.1.
- (10.5) Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.1.
- (10.6) First Amendment to the Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom fsb and Wells Fargo Bank West, N.A., as trustee, dated March 1, 2000 is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.4.
- (10.7) Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Nordstrom Credit, Inc. and Norwest Bank Colorado, N.A., as trustee, is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.2.
- (10.8) First amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Nordstrom Credit, Inc. and Norwest Bank Colorado, N.A., as trustee, dated December 10, 1997 is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 1998, Exhibit 10.13.
- (10.9) Second Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated February 25, 1999, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1.
- (10.10) Third Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated October 1, 2001 is hereby incorporated by

reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002,
Exhibit 10.11.

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(a)3. Exhibits (continued)

- (10.11) Transfer and Administration Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Enterprise Funding Corporation and Nationsbank, N.A. is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.3.
- (10.12) First Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated August 19, 1997 is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1.
- (10.13) Second Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated July 23, 1998 is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.2.
- (10.14) Third Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated August 11, 1999 is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.1.
- (10.15) Fourth Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom fsb, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated March 1, 2000 is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.2.
- (10.16) Fifth Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom fsb, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated July 20, 2000 is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.3.
- (10.17) The Nordstrom, Inc. 1997 Stock Option Plan, amended and restated as of February 16, 2000 is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended August 2, 2003, Exhibit 10.1.
- (10.18) The Nordstrom, Inc. Profit Sharing and Employee Deferral Retirement Plan is hereby incorporated by reference from the Registrant's Report on Form S-8, Registration No. 333-79791 filed on June 2, 1999.
- (10.19) Amended and Restated Revolving Credit Facility between Registrant and a group of commercial banks, dated October 15, 1999 is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended October 31, 1999, Exhibit 10.1.

(10.20) Commercial Paper Dealer Agreement dated October 2, 1997 between Registrant and Bancamerica Securities, Inc. is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.1.

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(a)3. Exhibits (continued)

- (10.21) Commercial Paper Agreement dated October 2, 1997 between Registrant and Credit Suisse First Boston Corporation is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.2.
- (10.22) Issuing and Paying Agency Agreement dated October 2, 1997 between Registrant and First Trust of New York, N.A. is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, Exhibit 10.3.
- (10.23) Joint Venture Agreement between Nordstrom, Inc. and Nordstrom.com, Inc. dated as of August 24, 1999 is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.21.
- (10.24) Credit Agreement dated as of February 29, 2000, between 1700 Seventh L.P., several lenders from time to time party thereto, with Bank of America, N.A. as Administrative Agent and as Project Administrative Agent, is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.22.
- (10.25) Guaranty Agreement dated as of February 29, 2000, between Registrant, Bank of America, N.A., and the Lenders party to the Credit Agreement (described in 10.24 above), is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.23.
- (10.26) Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A.S., is hereby incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-3, Registration No. 333-50028 filed on November 15, 2000.
- (10.27) Amendment to the Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A.S., dated October 20, 2000 is hereby incorporated by reference to Exhibit 2.2 to the Registrant's Registration Statement on Form S-3, Registration No. 333-50028 filed on November 15, 2000.
- (10.28) The Put Agreement dated November 1, 1999 between Nordstrom, Inc. and the holders of the Series C Preferred Stock of Nordstrom.com, Inc. is hereby incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2000, Exhibit 10.3.
- (10.29) Amended and Restated Revolving Credit Facility between Registrant and a group of commercial banks, dated November 20, 2001 is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2002, Exhibit 10.30.
- (10.30) Receivables Purchase Agreement dated October 1, 2001 between Nordstrom Credit, Inc. and Nordstrom Private Label Receivables, LLC is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.21.

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(a)3. Exhibits (continued)

- (10.31) Transfer and Servicing Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Wells Fargo Bank Minnesota, N.A., and Nordstrom Private Label Credit Card Master Note Trust is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.22.
- (10.32) Master Indenture dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.23.
- (10.33) Series 2001-1 Indenture Supplement dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.24.
- (10.34) Series 2001-2 Indenture Supplement dated December 4, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.25.
- (10.35) Amended and Restated Trust Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, and Wilmington Trust Company, as trustee, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.26.
- (10.36) Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.25.
- (10.37) First Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, dated December 2, 2002 is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.26.
- (10.38) Second Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, dated December 2, 2003 is hereby incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2004, Exhibit 10.25.
- (10.39) Receivables Purchase Agreement dated April 1, 2002 between Nordstrom fsb and Nordstrom Credit Card Receivables LLC is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.39.
- (10.40) Administration Agreement dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Nordstrom fsb is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.40.

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(a)3. Exhibits (continued)

- (10.41) Amended and Restated Trust Agreement dated April 1, 2002 between Nordstrom Credit Card Receivables LLC and Wilmington Trust Company is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.41.
- (10.42) Master Indenture dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Wells Fargo Bank Minnesota, National Association is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.42.
- (10.43) Series 2002-1 Indenture Supplement dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Wells Fargo Bank Minnesota, National Association is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.43.
- (10.44) Transfer and Servicing Agreement dated April 1, 2002 between Nordstrom Credit Card Receivables, LLC, Nordstrom fsb, Wells Fargo Bank Minnesota, National Association and Nordstrom Credit Card Master Note Trust is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2003, Exhibit 10.44.
- (10.45) Performance Undertaking dated September 28, 2001 between Registrant and Bank One, N.A., is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2002, Exhibit 10.37.
- (10.46) Performance Undertaking dated December 4, 2001 between Registrant and Bank One, N.A., is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2002, Exhibit 10.38.
- (10.47) Stock Purchase Agreement dated May 13, 2002 between the Registrant and the investors listed on Schedule A thereto, is hereby incorporated by reference from the Registrant's Form 8-K filed on May 17, 2002, Exhibit 10.1.
- (10.48) Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and New York Life Insurance Company, is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.2.
- (10.49) Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and Life Investors Insurance Company of America, is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.3.
- (10.50) Guaranty Agreement dated April 18, 2002 between Registrant, New York Life Insurance Company and Life Investors Insurance Company of America, is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.4.
- (10.51) The 2002 Nonemployee Director Stock Incentive Plan, is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2002, Exhibit 10.1.
- (10.52) Purchase and Sale Agreement dated December 16, 2002 between Nordstrom Credit, Inc. and Nudo-Weiner Associates, LLC is hereby incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.30.

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(a)3. Exhibits (continued)

- (10.53) First Amendment to the Purchase and Sale Agreement dated December 16, 2002 between Nordstrom Credit, Inc. and Nudo-Weiner Associates, LLC, dated December 19, 2002 is hereby incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.31.
- (10.54) Nordstrom Executive Deferred Compensation Plan (2003 Restatement) is hereby incorporated by reference from the Registrant's Form 10-Q for the quarter ended August 2, 2003, Exhibit 10.2.
- (10.55) Nordstrom Directors Deferred Compensation Plan (2002 Restatement) is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2004, Exhibit 10.55.
- (10.56) Nordstrom, Inc. Separation Program for Key Management Employees, restated effective June 1, 2001 is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2004, Exhibit 10.56.
- (13.1) The Company's 2003 Amended Financial Report is filed herein as an Exhibit.
- (21.1) List of the Registrant's Subsidiaries is hereby incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2004, Exhibit 21.1.
- (23.1) Report of Independent Registered Public Accounting Firm is on page 23 of this report.
- (23.2) Consent of Independent Registered Public Accounting Firm is on page 24 of this report.
- (31.1) Certification of President required by Section 302(a) of the Sarbanes-Oxley Act of 2002 is filed herein as an Exhibit.
- (31.2) Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002 is filed herein as an Exhibit.
- (32.1) Certification of President regarding annual report containing financial statements as required by Section 906 of the Sarbanes-Oxley Act of 2002, is furnished herein as an Exhibit.
- (32.2) Certification of Chief Financial Officer regarding annual report containing financial statements as required by Section 906 of the Sarbanes-Oxley Act of 2002, is furnished herein as an Exhibit.

All other exhibits are omitted because they are not applicable, not required, or because the required information is included in our 2003 Amended Financial Report to Shareholders.

(b) Reports on Form 8-K

We filed a Form 8-K on November 6, 2003 attaching a press release to announce our preliminary October 2003 sales results.

We filed a Form 8-K on November 20, 2003 attaching a press release to announce our results of operations for the quarter ended November 1, 2003.

We filed a Form 8-K on December 4, 2003 attaching a press release to announce our preliminary November 2003 sales results.

We filed a Form 8-K on January 8, 2004 attaching a press release to announce our preliminary December 2003 sales results.

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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: April 8, 2005

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/ Peter F. Collins

Peter F. Collins
Divisional Vice President
Corporate Controller

Directors:

/s/ Phyllis J. Campbell

Phyllis J. Campbell
Director

/s/ D. Wayne Gittinger

D. Wayne Gittinger
Director

/s/ Enrique Hernandez, Jr.

Enrique Hernandez, Jr.
Director

/s/ Jeanne P. Jackson

Jeanne P. Jackson
Director

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/s/ Bruce A. Nordstrom

Bruce A. Nordstrom
Chairman of the Board of Directors
and Director

/s/ Alfred E. Osborne, Jr.

Alfred E. Osborne, Jr.
Director

/s/ Alison A. Winter

Alison A. Winter
Director

/s/ John N. Nordstrom

John N. Nordstrom
Director

/s/ William D. Ruckelshaus

William D. Ruckelshaus
Director

Date: April 8, 2005

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Exhibit 23.1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the consolidated financial statements of Nordstrom, Inc. and subsidiaries (the Company) as of January 31, 2004 and 2003 and for each of the three years in the period ended January 31, 2004, and have issued our report thereon dated March 26, 2004 (April 7, 2005, as to the effects of the restatement discussed in Note 25), relating to the consolidated financial statements of Nordstrom, Inc. and subsidiaries (the Company), (which report expresses an unqualified opinion and includes explanatory paragraphs regarding (i) the change in accounting for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, for the year ended January 31, 2003, as discussed in Note 2 to the consolidated financial statements and (ii) the effects of the restatement and reclassifications described in Note 25), appearing in and incorporated by reference in this Annual Report on Form 10-K of Nordstrom, Inc. and subsidiaries for the year ended January 31, 2004.

Our audits also included the consolidated financial statement schedule listed in Item 15(a)2. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Seattle, Washington

March 26, 2004 (April 7, 2005, as to the effects of the restatement and reclassifications discussed in Note 25)

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Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We consent to the incorporation by reference in Registration Statement Nos. 033-18321, 333-63403, 333-40064, 333-40066, 333-79791, 333-101110, and 333-118756 on Form S-8 and in Registration Statement Nos. 333-59840 and 333-69281 on Form S-3 of our reports dated March 26, 2004 (April 7, 2005, as to the effects of the restatement described in Note 25), relating to the consolidated financial statements of Nordstrom, Inc. and subsidiaries (the Company), (which report expresses an unqualified opinion and includes explanatory paragraphs regarding (i) the change in accounting for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, for the year ended January 31, 2003, as discussed in Note 2 to the consolidated financial statements and (ii) the effects of restatement and reclassifications described in Note 25 to the consolidated financial statements) and the consolidated financial statement schedule, appearing in and incorporated by reference in this Annual Report on Form 10-K/A of Nordstrom, Inc. and subsidiaries for the year ended January 31, 2004.

/s/ Deloitte & Touche LLP
Seattle, Washington
April 7, 2005

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NORDSTROM, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

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
Allowance for doubtful accounts:				
Year ended:				
January 31, 2004	\$ 22,385	\$ 27,975	\$ 30,040(A)	\$ 20,320
January 31, 2003	\$ 23,022	\$ 29,080	\$ 29,717(A)	\$ 22,385
January 31, 2002	\$ 16,531	\$ 34,750	\$ 28,259(A)	\$ 23,022
Allowance for sales return, net:				
Year ended:				
January 31, 2004	\$ 33,284	\$ 620,124	\$ 613,567(B)	\$ 39,841
January 31, 2003	\$ 31,721	\$ 520,831	\$ 519,268(B)	\$ 33,284
January 31, 2002	\$ 33,702	\$ 497,662	\$ 499,643(B)	\$ 31,721

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

(B) Deductions consist of actual returns net of related costs and commissions

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NORDSTROM INC. AND SUBSIDIARIES

Exhibit Index

Exhibit	Method of Filing
3.1 Articles of Incorporation as amended and restated on May 21, 2002	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2002, Exhibit 3.1
3.2 Bylaws, as amended and restated on November 18, 2003	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 1, 2003, Exhibit 3.2
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
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 Nordstrom Supplemental Executive Retirement Plan (2003 Restatement)	Incorporated by reference from the Registrant's Form 10-Q for the quarter November 1, 2003, Exhibit 10.1
10.3 1993 Non-Employee Director Stock Incentive Plan	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 1994, Exhibit 10.4
10.4 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
10.5 Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.1

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Exhibit	Method of Filing
10.6 First Amendment to the Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom fsb and Wells Fargo Bank West, N.A., as trustee, dated March 1, 2000	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.4
10.7 Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Nordstrom Credit, Inc. and Norwest Bank Colorado, N.A., as trustee	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.2
10.8 First amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Nordstrom Credit, Inc. and Norwest Bank Colorado, N.A., as trustee, dated December 10, 1997	Incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 1998, Exhibit 10.13
10.9 Second Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated February 25, 1999	Incorporated by reference from the Nordstrom Credit, Inc. Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1
10.10 Third Amendment to the Series 1996-A Supplement to Master Pooling and Servicing Agreement dated August 14, 1996, between Nordstrom Credit, Inc., Nordstrom National Credit Bank and Norwest Bank Colorado, N.A., as trustee, dated October 1, 2001	Incorporated by reference from the Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.11
10.11 Transfer and Administration Agreement dated August 14, 1996 between Nordstrom National Credit Bank, Enterprise Funding Corporation and Nationsbank, N.A.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996, Exhibit 10.3
10.12 First Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated August 19, 1997	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.1
10.13 Second Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated July 23, 1998	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended April 30, 1999, Exhibit 10.2

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Exhibit	Method of Filing
10.14 Third Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom National Credit Bank, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank N.A., dated August 11, 1999	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.1
10.15 Fourth Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom fsb, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated March 1, 2000	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2000, Exhibits 10.2
10.16 Fifth Amendment to the Transfer and Administration Agreement dated August 14, 1996 between Enterprise Funding Corporation, Nordstrom fsb, The Financial Institutions From Time to Time Parties Thereto, and Nationsbank, N.A., dated July 20, 2000	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended July 31, 2000, Exhibit 10.3
10.17 1997 Nordstrom Stock Option Plan, amended and restated on February 16, 2000	Incorporated by reference from the Registrant's Form 10-Q for the quarter Ended August 2, 2003, Exhibit 10.1
10.18 The Nordstrom, Inc. Profit Sharing and Employee Deferral Retirement Plan	Incorporated by reference from the Registrant's Report on Form S-8, Registration No. 333-79791 filed on June 2, 1999
10.19 Amended and Restated Revolving Credit Facility between Registrant and a group of commercial banks, dated October 15, 1999	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended October 31, 1999, Exhibit 10.1
10.20 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
10.21 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
10.22 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

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Exhibit	Method of Filing
10.23 Joint Venture Agreement between Nordstrom, Inc. and Nordstrom.com, Inc. dated as of August 24, 1999	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.21
10.24 Credit Agreement dated as of February 29, 2000, between 1700 Seventh L.P., several lenders from time to time party thereto, with Bank of America, N.A. as Administrative Agent and as Project Administrative Agent	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.22
10.25 Guaranty Agreement dated as of February 29, 2000, between Registrant, Bank of America, N.A., and the Lenders party to the Credit Agreement (described in 10.24 above)	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2000, Exhibit 10.23
10.26 Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A.S.	Incorporated by reference from the Registrant's Form S-3, Registration No. 333-50028 filed on November 15, 2000, Exhibit 2.1
10.27 Amendment to the Share Purchase and Contribution Agreement dated as of September 27, 2000 by and among Nordstrom, Inc., Nordstrom European Capital Group, and the Selling Shareholders of Façonnable, S.A.S., dated October 20, 2000	Incorporated by reference from the Registrant's Form S-3, Registration No. 333-50028 filed on November 15, 2000, Exhibit 2.2
10.28 The Put Agreement dated November 1, 1999 between Nordstrom, Inc. and the holders of the Series C Preferred Stock of Nordstrom.com, Inc.	Incorporated by reference from the Registrant's Form 10-Q for the quarter ended October 31, 2000, Exhibit 10.3
10.29 Amended and Restated Revolving Credit Facility between Registrant and a group of commercial banks, dated November 20, 2001	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2002, Exhibit 10.30
10.30 Receivables Purchase Agreement dated October 1, 2001 between Nordstrom, Credit, Inc. and Nordstrom Private Label Receivables, LLC	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.21
10.31 Transfer and Servicing Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Wells Fargo Bank Minnesota, N.A., and Nordstrom Private Label Credit Card Master Note Trust	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.22
10.32 Master Indenture dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.23

trustee

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Exhibit	Method of Filing
10.33 Series 2001-1 Indenture Supplement dated October 1, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.24
10.34 Series 2001-2 Indenture Supplement dated December 4, 2001 between Nordstrom Private Label Credit Card Master Note Trust and Wells Fargo Bank Minnesota, N.A., as trustee	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.25
10.35 Amended and Restated Trust Agreement dated October 1, 2001 between Nordstrom Private Label Receivables, LLC, and Wilmington Trust Company, as trustee	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2002, Exhibit 10.26
10.36 Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.25
10.37 First Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, dated December 2, 2002	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.26
10.38 Second Amendment to the Note Purchase Agreement dated December 4, 2001 between Nordstrom Private label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One, NA, as agent, dated December 2, 2003	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2004, Exhibit 10.25
10.39 Receivables Purchase Agreement dated April 1, 2002 between Nordstrom fsb and Nordstrom Credit Card Receivables LLC	Incorporated by reference from Registrant s Form 10-K for the year ended January 31, 2003, Exhibit 10.39
10.40 Administration Agreement dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Nordstrom fsb	Incorporated by reference from Registrant s Form 10-K for the year ended January 31, 2003, Exhibit 10.40
10.41 Amended and Restated Trust Agreement dated April 1, 2002 between Nordstrom Credit Card Receivables LLC and Wilmington Trust Company	Incorporated by reference from Registrant s Form 10-K for the year ended January 31, 2003, Exhibit 10.41
10.42 Master Indenture dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Wells Fargo Bank Minnesota, National Association	Incorporated by reference from Registrant s Form 10-K for the year ended January 31, 2003, Exhibit 10.42

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|---|--|
| 10.43 Series 2002-1 Indenture Supplement dated April 1, 2002 between Nordstrom Credit Card Master Note Trust and Wells Fargo Bank Minnesota, National Association | Incorporated by reference from Registrant s Form 10-K for the year ended January 31, 2003, Exhibit 10.43 |
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Exhibit	Method of Filing
10.44 Transfer and Servicing Agreement dated April 1, 2002 between Nordstrom Credit Card Receivables, LLC, Nordstrom fsb, Wells Fargo Bank Minnesota, National Association and Nordstrom Credit Card Master Note Trust	Incorporated by reference from Registrant s Form 10-K for the year ended January 31, 2003, Exhibit 10.44
10.45 Performance Undertaking dated September 28, 2001 between Registrant and Bank One, N.A.	Incorporated by reference from the Registrant s Form 10-K for the year ended January 31, 2002, Exhibit 10.37
10.46 Performance Undertaking dated December 4, 2001 between Registrant and Bank One, N.A.	Incorporated by reference from the Registrant s Form 10-K for the year ended January 31, 2002, Exhibit 10.38
10.47 Stock Purchase Agreement dated May 13, 2002 between the Registrant and the investors listed on Schedule A thereto	Incorporated by reference from the Registrant s Form 8-K filed on May 17, 2002, Exhibit 10.1
10.48 Promissory Note dated April 18, 2002 between 1700 Seventh, L.P. and New York Life Insurance Company	Incorporated by reference from the Registrant s Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.2
10.49 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 Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.3
10.50 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 Form 10-Q for the quarter ended April 30, 2002, Exhibit 10.4
10.51 The 2002 Nonemployee Director Stock Incentive Plan	Incorporated by reference from the Registrant s Form 10-Q for the quarter ended July 31, 2002, Exhibit 10.1
10.52 Purchase and Sale Agreement dated December 16, 2002 between Nordstrom Credit, Inc. and Nudo-Weiner Associates, LLC	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.30
10.53 First Amendment to the Purchase and Sale Agreement dated December 16, 2002 between Nordstrom Credit, Inc. and Nudo-Weiner Associates, LLC, dated December 19, 2002	Incorporated by reference from Nordstrom Credit, Inc. Form 10-K for the year ended January 31, 2003, Exhibit 10.31
10.54 Nordstrom Executive Deferred Compensation Plan (2003 Restatement)	Incorporated by reference from the Registrant s Form 10-Q for the quarter August 2, 2003, Exhibit 10.2

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Exhibit	Method of Filing
10.55 Nordstrom Directors Deferred Compensation Plan (2002 Restatement)	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2004, Exhibit 10.55
10.56 Nordstrom, Inc. Separation Program for Key Management Employees, restated effective June 1, 2001	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2004, Exhibit 10.56
13.1 2003 Amended Financial Report	Filed herewith electronically
21.1 Subsidiaries of the Registrant	Incorporated by reference from the Registrant's Form 10-K for the year ended January 31, 2004, Exhibit 21.1
23.1 Report of Independent Registered Public Accounting Firm	Filed as page 23 of this report
23.2 Consent of Independent Registered Public Accounting Firm	Filed as page 24 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 regarding annual report containing financial statements as required by Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith electronically
32.2 Certification of Chief Financial Officer regarding annual report containing financial statements as required by Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith electronically

ld;color:#000000;font-size:5pt;font-family:Times New Roman;font-style:normal;text-transform:none;font-variant:normal;">

First Pacific Advisors, LLC

3,690,774

(3

)

12.5%

11601 Wilshire Boulevard, Suite 1200, Los Angeles, CA 98025

BlackRock, Inc.

3,144,101

(4

)

10.6%

40 East 52nd Street, New York, NY 10022

Dimensional Fund Advisors LP

2,230,792

(5

)

7.5%

Palisades West - Bldg. One, 6300 Bee Cave Road, Austin, TX 78746

The Vanguard Group, Inc.

2,191,954

(7

)

7.4%

100 Vanguard Boulevard, Malver, PA 19355

FMR LLC

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2,087,165

(6

)

7.0%

82 Devonshire Street, Boston, MA 02109

Robert D. George

137,003

(8

)

*

Curtis C. Reusser

74,324

(8

)

*

Marcia J. Mason

67,013

(8

)

*

Paul V. Haack

23,883

*

Anthony P. Franceschini

19,124

*

Albert S. Yost

19,716

(8

)

*

James J. Morris

17,350

*

Delores M. Etter

11,387

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*

Gary E. Pruitt

9,562

*

Mary L. Howell

9,252

*

Scott E. Kuechle

5,412

*

Roger A. Ross

4,842

(8

)

*

Michael J. Cave

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2,081

*

Nils E. Larsen

-

*

Directors, nominees and executive officers as a group (15 persons)

404,699

(8
)

1.4%

*Less than 1%

- (1) Unless otherwise indicated, the business address of each of the shareholders named in this table is Esterline Technologies Corporation, 500 108th Avenue NE, Suite 1500, Bellevue, Washington 98004.
- (2) Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act. In computing the number of shares beneficially owned by a person or a group and the percentage ownership of that person or group, shares of Common Stock subject to options currently exercisable or exercisable within 60 days after December 14, 2016, are deemed outstanding, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. As of December 14, 2016, there were 29,640,800 shares of Common Stock outstanding. Unless otherwise indicated in the footnotes to this table, the person and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.
- (3) The information on the number of shares held is based upon a Schedule 13D filed on October 19, 2016, on behalf of First Pacific Advisors, LLC (“FPA”). Based upon such filing, FPA beneficially owns 3,690,774 shares.
- (4) The information on the number of shares held is based on a Schedule 13G filed on December 9, 2016, on behalf of BlackRock, Inc. (“BlackRock”). Based upon such filing, BlackRock beneficially owns 3,144,101 shares. BlackRock has sole voting power over 3,085,583 shares and sole dispositive power over 3,144,101 shares.
- (5) The information on the number of shares held is based upon a Schedule 13G filed on February 9, 2016, on behalf of Dimensional Fund Advisors LP (“Dimensional”). Based upon such filing, Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. Dimensional furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other investment vehicles, including commingled group trusts. These investment companies and investment vehicles are the “Funds.” In its role as investment advisor or investment manager, Dimensional possessed sole voting and investment power over all of the shares. The Funds own all of the shares, and Dimensional

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disclaims beneficial ownership of such shares. Dimensional has sole voting power over 2,205,098 shares and sole dispositive power over 2,230,792 shares.

- (6) The information on the number of shares held is based upon an ownership questionnaire dated December 6, 2016, on behalf of The Vanguard Group (“Vanguard”). Based upon such questionnaire, Vanguard beneficially owns 2,191,954 shares as of September 30, 2016.
- (7) The information on the number of shares held is based upon a Schedule 13G filed on February 12, 2016, on behalf of FMR LLC (“FMR”). Based upon such filing, FMR beneficially owns 2,087,165 shares.
- (8) Includes shares subject to options granted under the Company’s 2004 Equity Incentive Plan and the Company’s 2013 Equity Incentive Plan which are exercisable currently or within 60 days of December 14, 2016, as follows: Mr. Reusser, 38,025; Mr. George, 124,200 shares; Ms. Mason, 60,725 shares; Mr. Ross, 3,825; Mr. Yost, 13,800 shares; and directors, nominees and executive officers as a group, 244,325 shares.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The following discussion describes and analyzes Esterline’s compensation program for its NEOs. For fiscal 2016, our NEOs are:

- Curtis C. Reusser, Chairman, President & Chief Executive Officer (“CEO”);
- Robert D. George, Executive Vice President, Chief Financial Officer (“CFO”), & Corporate Development;
- Marcia J. Mason, Executive Vice President & General Counsel;
- Roger A. Ross, Executive Vice President and President, Sensors & Systems;
- Albert S. Yost, Executive Vice President and President, Advanced Materials and Avionics & Controls;

Executive Summary

The key events related to Company performance and resulting executive compensation decisions in fiscal 2016 are outlined briefly below and described more fully in later sections of this CD&A. As detailed further below, fiscal 2016 was a challenging year for the Company overall that fell short of expectations. The key events impacting fiscal 2016 performance were as follows:

- The Company’s financial performance in fiscal 2016 began with a weaker than expected first quarter impacted by weak product demand and delays in orders across a number of markets and end customers as well as internal execution challenges that impacted our expected profitability.
- As a result, the Company re-baselined its financial performance expectations for full year fiscal 2016. The Company completed the year by achieving those re-set targets, ending with fourth quarter financial results that were stronger across most key metrics, including earnings from continuing operations, than results achieved in the fourth quarter of fiscal 2015.

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The Company continued to make progress during the fiscal year on key initiatives to better position the Company for future growth, including the completion of the accelerated integration projects initially identified in fiscal 2014 and continued progress and investment in the Company's trade compliance program. These projects focused on consolidating certain facilities and creating greater cost-efficiency through shared services in sales, general administrative and support functions.

The Company's results were also impacted by discrete effects related to corporate transactions and long-term contracts.

The Company's financial results are reflected in incentive payouts to our NEOs that were significantly below target – under both the fiscal 2016 annual incentive program and the 2014-2016 long-term incentive plan (“LTIP”). More information about the key drivers for the Company's performance in fiscal 2016 is contained below under “Company Performance in Fiscal 2016” on page 19.

In fiscal 2015, Esterline transitioned its fiscal year to end approximately one month earlier than in prior years. As a result, the Company's financial results in fiscal 2015 as reported in last year's CD&A were for an 11-month transition year that ended on October 2, 2015, subject to certain exceptions that were noted in last year's CD&A. However, in this CD&A, all financial results for fiscal 2016 are for the fiscal year ended September 30, 2016, and unless otherwise noted, all financial results for fiscal 2015 are recast for the 12 months ended October 2, 2015, so as to provide more meaningful comparisons between the

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two fiscal years. Consequently, the Company’s financial results for recast fiscal 2015 reported in this CD&A are not the same as the Company’s financial results for the 11-month period ending October 2, 2015, that were reported in last year’s CD&A.

Key Compensation Decisions

- Base salaries and target annual and LTI program award opportunities for NEOs either remained unchanged from fiscal 2015 amounts or increased moderately for fiscal 2016 to acknowledge strength of individual performance and to align them more closely with the competitive market. Mr. Reusser’s long-term target opportunity was increased from 250% of base salary to 300% to help reposition his target pay opportunity relative to competitive references – moving from a low competitive baseline when Mr. Reusser joined Esterline to a level more aligned with the Company’s intended competitive positioning for executive roles in light of his performance in the CEO role.

Our fiscal 2016 annual incentive program was based on earnings from continuing operations before interest and taxes (“EBIT”), return on sales (“ROS”), and the achievement of performance objectives under our strategic plan established at the beginning of the year. The EBIT target and ROS target for fiscal 2016 were \$231.0 million and 11.0%, respectively. Based on below-target achievement of each financial metric and the pre-established strategic objectives, each NEO earned a payout that was 42.7% of target.

The 2014–2016 performance cycle of the cash-based LTIP was based on average return on invested capital (“ROIC”) and earnings per share (“EPS”) growth, with three-year targets of 9.3% and 10.0%, respectively. Actual ROIC and EPS performance, including the adjustments described later in this CD&A were below these targets. As a result, no payouts were made to our NEOs for the 2014–2016 performance cycle under the cash-based LTIP.

The Committee believes that the fiscal 2016 pay decisions were appropriate in light of the Company’s performance and that the overall pay program continues to align pay and performance over time.

Changes to Compensation-Related Programs in 2016

The Committee made changes to certain elements of the Company’s executive compensation programs in fiscal 2016. Generally, these changes strengthen the alignment of our executive pay programs with shareholder interests and work to ensure our Company’s practices are in keeping with today’s leading governance standards. More specifically, these changes include:

Increases under the Executive Stock Ownership Guidelines to five times base salary for the CEO and three times base salary for the other executive officers as of February 2016. The increase in these ownership guidelines supports a longer-term orientation to Company performance and pay. These guidelines are discussed in more detail below under “Executive Stock Ownership Requirements and Insider Trading Policy” on page 18.

Changes to the executive termination protection agreements that preserved the “double-trigger” benefits to the NEOs, but (1) expanded the “Change in Control” definition to include certain acquisitions of the Company’s outstanding securities and changes in the composition of the Board, which were eliminated as triggering events under the Company’s 2013 Equity Incentive Plan in 2015, and (2) added a severance benefit of acceleration of equity awards held by the NEO immediately prior to the qualifying change in control event to the extent the award was not accelerated in connection with the change in control. These agreements are further described under “Change in Control Arrangements” on page 27.

Changes to the Company’s peer group to better balance the Company’s position across multiple factors within the selected peers, which changes are described further below under “Compensation Decision Process” on page 16.

The Committee also approved changes to the treatment of NEO equity awards upon retirement, including stock options, restricted stock units, and performance shares, based on a competitive market review of retirement practices in support of the succession planning process among this group, which changes are further described under “Fiscal 2017 Compensation Program Changes” on page 28. Most of these changes will be implemented in grants of equity awards to NEOs beginning in fiscal 2017, so they did not impact the fiscal 2016 compensation programs for the

NEOs.

Objectives of our Executive Compensation Program

The Committee works to provide our executives with competitive compensation opportunities that reward strong performance and promote shareholder interests. We base our executive compensation practices on principles designed to align executive compensation with Company business strategy, management initiatives, financial objectives and performance. In applying these principles, the Committee has established an executive compensation program to:

- Attract and retain key executives critical to the success of the Company;
- Ensure the long-term retention and continued development of strong operating leaders capable of managing a growing number of worldwide operations;

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- Reinforce a pay-for-performance environment that provides awards based on both the Company’s annual financial results and its longer-term achievements;
- Reward executives for long-term strategic management and the enhancement of shareholder value;
- Provide an appropriate mix of fixed and variable pay; and
- Optimize organizational and individual performance, while controlling for potential risks through thoughtful program design and sound administration.

The Committee applies the same philosophy, objectives, and methods for establishing the CEO’s compensation as it does for all other executive officers.

Summary of Compensation Program Components

We believe the components of our compensation program are well-aligned to accomplish the objectives listed above. The Committee reviews the executive compensation program annually and makes adjustments as appropriate to meet Company objectives. For fiscal year 2016, our executive compensation program had the following principal components:

PRINCIPAL ELEMENTS OF COMPENSATION FOR FISCAL 2016

- | | |
|---|--|
| Base Salary | <ul style="list-style-type: none"> • Provides a competitive level of annual compensation to attract and retain executives with the skills and experience necessary to lead our Company. |
| Annual cash incentive opportunities | <ul style="list-style-type: none"> • Focus and reward our NEOs on achievement of critical annual financial goals and key performance objectives to help the Company achieve its strategic plan priorities. For fiscal 2016, performance was measured by EBIT and ROS, as well as achievement of the strategic performance objectives. • Serve as a critical element of our overall pay-for-performance approach. |
| Long-term Performance-based incentive opportunities | <ul style="list-style-type: none"> • Focuses and rewards our NEOs on driving profitable growth over time, which is strongly correlated with share price appreciation and shareholder value. • Financial metrics include three-year compound annual growth in EPS and three-year average annual ROIC. • All current performance cycles are now settled in shares under the Company's performance share plan (“PSP”); the 2014-2016 performance cycle was the last cycle to be paid in cash. |
| Stock options | <ul style="list-style-type: none"> • Link pay for our NEOs directly to the shareholder experience, as potential compensatory value to the executive comes only with increases in the Company's share price. |
| Restricted stock units | <ul style="list-style-type: none"> • Address our retention objectives directly and reinforce a strong ownership culture. • Further the alignment of executive interests with shareholders. |
| Retirement earnings opportunities | <ul style="list-style-type: none"> • Contribute to a competitive compensation package, thereby helping the Company to attract and retain talented executives. Principally, these programs are designed to: <ul style="list-style-type: none"> • Help our NEOs and other employees save for their retirement; and • Provide the opportunity to plan and defer taxation on income. • The programs are as follows: <ul style="list-style-type: none"> • A 401K savings plan, supplemented with a nonqualified, unsecured, executive retirement and deferred compensation plan (“DC SERP”) that permits deferrals in excess of certain compensation limits that apply to the underlying tax-qualified 401(k) plan. The DC SERP also provides a corresponding Company match that applies to the underlying tax-qualified |

plan. This design is commonly known as a “restoration” plan because it allows executives to contribute to and earn retirement savings levels that are equivalent to those available to the general workforce, measured as a percentage of compensation.

- A traditional pension plan, supplemented with a nonqualified, unsecured, executive retirement pension plan (“Pension SERP”) that permits executives to earn pension benefits on compensation that is in excess of certain compensation limits that apply to the tax-qualified pension program. The Pension SERP design is also a “restoration” plan because it allows executives to earn and accrue pension benefits equivalent to those of the general workforce, measured as a percentage of compensation.
- Are further described in the “Benefits and Other Programs” section of this CD&A on page 26.

PRINCIPAL ELEMENTS OF COMPENSATION FOR FISCAL 2016

Our compensation policy is primarily comprised of conservative allowances for car expenses, airline club memberships and financial planning and advisory services that (1) save time and maintain focus for our executives; (2) provide our executives value beyond their cost to the Company; and (3) are fairly common in the broader market and in keeping with reasonable, competitive practices.

Our compensation policy is designed to minimize personal considerations and maintain focus on the Company in the event of rumored or actual change in corporate control. These are “double-trigger” benefits, meaning that no benefits are due under these agreements unless there is both: (1) a change in control; and (2) a loss of employment due to termination by the Company without cause or by specified circumstances that constitute good reason to resign.

agreements

- Do not provide any tax gross-ups for personal tax liabilities that might apply to any of these change-in-control benefits.

With respect to the principal elements of our executive pay program above, we consider annual incentives, cash- and stock-based long-term incentives and stock options to be performance based, because all of these three elements are valuable to the executive only if performance goals are achieved and/or share price improves. Further, the value of RSU grants also varies directly with share price performance.

We also consider the mix of fixed (e.g., base salary) and variable (e.g., annual and long-term incentives) pay opportunity when reviewing target total compensation.

* Values for options and restricted stock units were based on the percentage of each NEO’s annual long-term incentive allocated to options and restricted stock units, respectively, as indicated in the table under “Long-Term Incentives” on page 24. Actual mix, calculated using grant date value may be slightly different.

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Compensation Decision Process

Market-Based Assessments of Pay Opportunities for Our NEOs

Each year, the Committee reviews current competitive market information on executive pay levels for our executives. For fiscal year 2016, the Committee retained Semler Brossy as its independent advisor to assist with this benchmarking work, and to advise the Committee generally as to other executive compensation matters.

In determining fiscal 2016 compensation, the Committee referenced available public information for a group of peer companies, identified with the help of Semler Brossy based principally on the following criteria: similar businesses and industries, comparable size, and subject to similar public reporting requirements.

In selecting companies with similar business focus, primary consideration was given to Aerospace and Defense, with representation of broader industrial companies not to exceed one-third of the total group. For fiscal 2016, the following 17 companies comprised the peer group. Taken as a whole and in combination with broader survey information, the Committee believes this group continues to provide an appropriate representation of the competitive market when assessing pay levels and practices for our NEOs.

AAR Corp.	Curtiss-Wright Corp.	Roper Industries Inc.
AMETEK Inc.	HEICO Corp. *	Teledyne Technologies Inc.
Barnes Group Inc. *	Hexcel Corp.	TransDigm Group Inc. *
BE Aerospace Inc.	Moog Inc.	Triumph Group Inc.
Crane Co.	Orbital ATK **	Woodward Governor Co.
Cubic Corp. *	Rockwell Collins Inc.	

*These companies were added to the peer group for fiscal 2016. Companies eliminated from the prior 2015 peer group were: Flowserve Corp., Spirit Aerosystems Holdings Inc., SPX Corp., and TriMas Corp.

** Previously Orbital Sciences Corp. and Alliant Techsystems Inc.

For fiscal 2016, the Committee removed four companies and added four new companies. In addition, two existing peers, Alliant Techsystems and Orbital Sciences Corp, merged to become Orbital ATK. Spirit Aerosystems and TriMas Corp. were removed due to their smaller scale. SPX Corp and Flowserve were replaced by companies which are more closely aligned with Esterline in terms of business fundamentals.

Key statistics for these 17 peer companies are as follows:

- Median revenue was \$2.4 billion (25th percentile: \$1.9 billion) versus Esterline's revenue of \$2.0 billion,
- Median market capitalization was \$3.2 billion (25th percentile: \$2.1 billion) versus Esterline's \$2.2 billion, and
- Median total capital was \$2.2 billion (25th percentile: \$1.6 billion) versus Esterline's \$2.5 billion.

In addition, the Committee reviewed pay information from the following published surveys to complement the peer group information. The surveys were selected to represent pay levels for positions of comparable responsibility within companies of comparable size to Esterline. The precise make-up of the participating companies is proprietary to the survey administrators and therefore not available to the Company. For fiscal 2016 compensation decisions, we looked to two leading survey sources:

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September 2015 CDB General Industry Executive Compensation Report, reporting data from 360 participating companies using a regression to the Company's \$2.0 billion in revenue in fiscal 2014 and September 2015 Equilar Top 25 Executive Compensation Survey, reporting data for 19 participating industrial organizations with annual revenues between \$1 billion and \$3 billion.

In determining fiscal 2016 compensation, the Committee reviewed and compared the executives' aggregate target direct compensation (base salary, short- and long-term incentives at target) against the aggregate compensation offered to executives in the 2016 peer group and the market surveys. In doing so, the Committee focused principally on competitive 25th and 50th percentile values. For the most part, the 25th percentile competitive reference simply acknowledges Esterline's relative size among the defined peer companies.

Review of Total Compensation

When the Committee evaluates any significant component of an executive officer's total compensation, it considers the aggregate amounts and mix of all components in making its decision. For fiscal 2016, the Committee reviewed all components

of compensation for each executive officer to get a complete picture of the total compensation opportunities awarded, including base salary, annual incentive compensation, long-term incentive compensation, retirement earnings opportunities, the dollar value to the executive and cost to the Company of all perquisites and other personal benefits. The Committee does not target any single element of compensation to specific peer company percentiles; rather, the Committee reviews pay for our NEOs relative to the peer and survey data to ensure that pay levels are reasonable relative to the 25th and 50th percentile benchmarks.

Governance Process

The Committee and the independent members of the Board approve all officer compensation programs and establish individual pay levels for all executive officers. In doing so, the Committee consults with its independent executive compensation advisor, Semler Brossy, which does no other work for and has no other business relationships with Esterline. The independent advisor routinely provides the Committee with an evaluation of the market competitiveness of executive compensation packages advice on CEO and other executive pay decisions and advice on other compensation-related matters, as requested by the Committee. The firm reports directly to the Committee, and the Committee has the authority to replace the firm or hire additional consultants at any time. A representative of the firm attends meetings of the Committee, upon request, and communicates with the Committee chair and members between meetings. While the Committee values the advice of its consultant, the Committee and the independent members of the Board are the sole decision-makers concerning compensation of executive officers. The Committee assessed the independence of its advisors, including Semler Brossy, in accordance with applicable rules of the SEC regarding independence of advisors to compensation committees. As part of this assessment, the Committee reviewed independence and conflict of interest policies of its advisors as well as each advisor's relationship with the Company. Based on this review and assessment, the Committee determined that there were no independence or conflict of interest issues related to any of its advisors, including Semler Brossy.

The Committee also seeks recommendations from management – the CEO, the Executive Vice President & Chief Human Resources Officer, and the Executive Vice President & General Counsel – as to appropriate program changes and pay levels for all executive officers apart from the CEO. For all officers, the Committee consults with its outside advisor as to those recommendations and seeks specific advice as to appropriate pay levels for the CEO. In addition, the Committee and the independent members of the Board conduct an annual performance evaluation of the CEO, the results of which significantly contribute to decisions concerning CEO compensation. On this basis, the Committee develops proposals for consideration by all independent directors, who act on those proposals in executive session, outside the presence of the CEO and any other officers.

Say on Pay Vote

We had an advisory vote on our executive compensation program (commonly referred to as the “say on pay” vote) at our annual meeting of shareholders held on February 10, 2016, as required under the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd–Frank Act”). Our 2016 “say on pay” vote received strong support from shareholders, garnering approximately 93% “For” votes. We take this strong shareholder support as an assurance that our executive pay program and practices continue to be reasonable and well aligned with shareholder expectations.

We will continue to review our overall approach to executive pay periodically, and we expect to make changes from time to time to ensure it remains well aligned with Company business strategy and with shareholder interests and provides appropriate earning opportunities for our executives.

We will continue to hold an advisory vote on executive compensation on an annual basis. We are and will remain committed to being responsive to shareholder feedback, and the results of our annual “say on pay” votes inform the Committee's discussions about the executive pay program.

Risk Assessment

In developing and reviewing the Company's executive incentive programs, management and the Committee analyze the incentives inherent in program designs to help ensure they do not induce executives to undertake unacceptable levels of business risk. Our compensation program, in total, is intended to reward the management team for strong performance over the long term, with consideration to near-term actions and results that strengthen and protect our Company. We believe our balanced approach to performance measurement and to compensation program design works and includes appropriate safeguards. Further, program administration is subject to effective internal controls, and when determining the principal outcomes – performance assessments and pay decisions – we rely on principles of sound governance and good business judgment. The Committee remains satisfied that our plan designs are conservative in this respect, and that, together, the various components of pay work as a check and balance to ensure executive incentives are consistent with shareholder interests. These checks and balances work across a few key dimensions:

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- **Time:** Our executive pay programs balance annual and long-term performance measurement and pay delivery.
 - **Performance focus:** Our incentive pay programs balance growth (e.g., EBIT, EPS) and profitability (e.g., ROS and ROIC), with both an annual and long-term lens (per the above).
 - **Cash and equity pay:** Our executive pay programs balance cash compensation – a tangible, more immediate currency – with equity compensation – which is directly tied to the shareholder experience and serves to align interests. This alignment is underscored by ownership requirements, which were increased for our NEOs in February 2016.
- Executive Stock Ownership and Holding Requirements and Insider Trading Policy

Since 2012, we have in place stock ownership requirements for our executive officers to strengthen the alignment of executive interests with those of our shareholders. Under the current policy effective in February 2016, our CEO is required to own shares of our Common Stock having a value equal to five times base salary other executive officers are required to own shares of our Common Stock having a value equal to three times base salary (the “Revised Threshold”). Prior to February 2016, the value of shares of Common Stock to be held by our CEO was three times annual base salary and by our other NEOs was one times base salary (“Original Threshold”). To ensure progress against these requirements and to ensure maintenance of these ownership levels over time, our executive officers are required:

- to hold 50% of shares of our Common Stock acquired upon the exercise of stock options granted, net of income taxes due
- to hold 50% of shares of our Common Stock received upon vesting of restricted stock units, net of income taxes due
- to receive 50% of any payment under the Company’s cash-based LTIP for plan cycles beginning in 2012, 2013 and 2014 as shares of our Common Stock (rather than cash), net of income taxes due; and
- to hold 50% of shares earned under the PSP, net of income taxes due.

These conditions apply to (i) stock options granted between December 8, 2011, and January 31, 2016, (ii) restricted stock units granted between December 5, 2013, and January 31, 2016, (iii) all cash-based LTIP awards and (iv) performance shares granted between November 18, 2015, and January 31, 2016, until the Original Threshold levels are met and apply to stock options, restricted stock units and performance shares granted on or after February 1, 2016, until the Revised Threshold levels are met. As of the end of fiscal 2016, all of our NEOs, other than Messrs. Benson and Ross, who joined the Company in fiscal 2015, had achieved the Original Threshold level of equity ownership, but none our NEOs had achieved the Revised Threshold of equity ownership due to the fact that this level was first established during fiscal 2016.

We maintain an Insider Trading Policy that includes provisions prohibiting NEOs, directors and employees from engaging in short-term or speculative transactions in the Company’s securities. The policy also prohibits other transactions in the Company’s securities such as short sales, put or call options, hedging transactions, margin accounts and pledges, and other actions that may lead to inadvertent violations of the insider trading laws.

Clawback Policy

The Committee has adopted a compensation recovery policy applicable to the Company’s incentive plans, often referred to as a “clawback” policy. This policy supplemented existing clawback provisions that apply to the CEO and CFO under the Sarbanes–Oxley Act of 2002. Sarbanes–Oxley provides that the CEO and the CFO must reimburse the Company for any bonus or other incentive-based or equity-based compensation received during the twelve-month period following the preparation of an accounting restatement, where the restatement is caused by misconduct.

The terms of the Company’s supplemental clawback policy were reviewed by the Committee in fiscal 2016. The Committee clarified that the policy applies to the top senior leaders of the Company, including the NEOs, the platform presidents and financial directors and senior managers on corporate staff. The policy extends to all incentive programs (cash and equity, annual and long-term), gains made on option exercises or stock sales, awards received, monies earned, and grants made in the current fiscal year and the previous three fiscal years. The policy covers the

following events:

- any material error that causes a financial restatement, irrespective of cause
- material error in internal, non–public business unit or platform financial statements, in addition to corporate financial statements subject to SEC public reporting and
- misconduct of any type that harms the Company, whether it affects financial statements or not (e.g., attempted bribery or other fraud, misuse of trade secrets for personal gain, etc.).

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The Committee is aware of a rule-making process pending with the SEC pursuant to its implementation of statutory clawback provisions contained in the Dodd-Frank Act. The Committee will continue to monitor developments in this area, and will reconsider and revise its policy, as needed, when the SEC issues final rules relating to compensation clawbacks.

Other Considerations

In determining executive compensation, the Committee also considers, among other factors, the possible tax consequences to Esterline and to its executives. For example:

•The Committee considers the exception for performance-based compensation under the Internal Revenue Code of 1986, as amended (“IRC”) Section 162(m) in designing our compensation programs, but retains the flexibility and discretion to grant compensation awards, whether or not deductible under Section 162(m) of the IRC.

•We considered the tax ramifications of the change in control termination protection agreements with our officers under Section 280G and Section 4999 of the IRC. The Company does not gross up such payments or otherwise pay an officer’s individual tax liability in these circumstances. The agreements generally provide that in the event any payments under the agreements are considered to be “excess parachute payments” under Section 280G, either alone or together with other payments from us, the payments will be reduced so that the payments will not be treated as “excess parachute payments.” However, this payment reduction will only take place if the reduction would provide to the officer a greater net, after-tax benefit than he or she would receive if the payments were not subject to the reduction.

•We considered the potential impact of Section 409A of the IRC on our compensation programs, which imposes tax penalties on certain nonqualified deferred compensation arrangements. We operate our covered arrangements in a manner intended to comply with or be exempt from Section 409A.

In addition to the above, the Committee considers the accounting consequences to the Company of different compensation decisions, as well as the impact on shareholder dilution.

Similar to fiscal 2015, for fiscal 2016, the Committee also considered the potential financial impacts of the accelerated integration projects launched during fiscal 2015 on the Company’s financial performance in establishing the EBIT and ROS goals for the fiscal 2016 annual incentive plan and the EPS growth and ROIC targets for the 2016-2018 performance cycle of the PSP. The Committee factored expected accelerated integration project costs of \$16.4 million into the establishment of each of the financial targets under both the annual incentive plan and the PSP. As was the case in fiscal 2015, the Committee concluded that excluding such costs was appropriate in fiscal 2016 because the projects were of a nature and extent that had not been previously undertaken by the Company, but were identified as strategically important to complete in order to position the Company for improved margin and operating income in future periods.

Company Performance in Fiscal 2016

In fiscal 2016, Esterline achieved sales of \$2.0 billion, which was even with recast fiscal 2015. The Company earned income from continuing operations of \$117.0 million, or \$3.93 per diluted share, a decline of 4.1% from recast fiscal 2015. The Company generated cash flows from operations of \$167.2 million in fiscal 2016 compared with \$193.7 million in recast fiscal 2015, down 13.7%. New orders were \$2.1 billion in fiscal 2016, while backlog ended the fiscal year at \$1.3 billion, up from \$1.9 million and \$1.2 billion, respectively, from fiscal 2015. As introduced in the Executive Summary above, fiscal 2016 financial results were impacted significantly by the following:

•The Company’s financial performance in fiscal 2016 began with a weaker than expected first quarter influenced by weak product demand and delays in orders across a number of markets and end customers as well as internal execution challenges that reduced our expected profitability. As a result, the Company re-baselined its financial

performance expectations for full year fiscal 2016. The combination of these events resulted in a substantial decline in the Company's stock price following the announcement of first quarter fiscal 2016 earnings. However, the Company completed the year by achieving those re-set targets, ending with fourth quarter financial results that were stronger than results achieved in the fourth quarter of fiscal 2015 and a stock price that fully recovered at the end of fiscal 2016 to the pre-first quarter fiscal 2016 announcement level.

- We made substantial progress on our accelerated integration projects that are focused on consolidating certain facilities and creating greater cost efficiency through shared services in sales, general administrative and support functions. The expenses associated with our accelerated integration projects for fiscal 2016 were \$17.5 million, net of taxes of \$3.3 million.

• We continued to invest in strengthening and expanding our compliance programs, which was driven in significant part by the requirements set forth in our Consent Agreement with the Department of State's office of Defense Trade Control Compliance that we entered into in fiscal 2014. For fiscal 2016, incremental compliance costs were

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\$8.8 million, net of taxes of \$1.7 million, which was a decline from compliance costs of \$15.7 million, net of taxes of \$3.3 million, in recast fiscal 2015.

•We absorbed discrete impacts associated with long-term contracts that negatively affected our fiscal 2016 financial performance by an aggregate of \$1.6 million, net of taxes of \$0.3 million.

Key operating financial metrics for fiscal 2015 and fiscal 2016, as well as adjusted fiscal 2015 and adjusted fiscal 2016 financial metrics are summarized in the table below. The amounts reported for fiscal 2015 are based on results for the eleven-month period ended October 2, 2015, and the amounts for adjusted fiscal 2015 also include various adjustments as well as an adjustment to annualize the 11-month results, in both cases, as described in the footnotes below the table. The amounts for fiscal 2016 and fiscal 2015 reflected in the tables below were the basis for financial metrics under our annual incentive plan and LTIP for both years.

In thousands, except per share amounts.

Key Operating Metrics	GAAP Fiscal 2015	Adjusted Fiscal 2015	GAAP Fiscal 2016	Adjusted Fiscal 2016
Net revenue *	\$1,774,449	\$1,691,924	\$1,992,631	\$1,992,631
Operating earnings **	156,985	191,093	170,159	190,896
Net earnings ***	59,612	106,478	101,685	119,161
Earnings per share - diluted ***	\$1.91	\$3.41	\$3.42	\$4.00

*Fiscal 2015 adjusted net revenues exclude revenue of \$82.5 million from the January 2015 acquisition of the defense, aerospace and training display (“DAT”) business of Belgium-based Barco N.V.

**Fiscal 2016 adjusted operating earnings exclude the accelerated integration expenses of \$20.7 million. Fiscal 2015 adjusted operating earnings exclude the accelerated integration expenses of \$11.7 million, incremental compliance expenses of \$12.0 million, and DAT acquisition charges, DAT first-year operating loss, a pension adjustment, and a non-income tax gain of an aggregate of \$34.1 million. Operating earnings, as adjusted, was used for the calculation of EBIT and ROS under our annual incentive plan.

***Fiscal 2016 adjusted net earnings and adjusted EPS exclude the accelerated integration expenses of \$17.5 million, net of tax of \$3.3 million. Fiscal 2015 adjusted net earnings and adjusted EPS exclude the accelerated integration expenses of \$9.8 million, net of tax of \$2.0 million, incremental compliance expenses of \$10.0 million, net of tax of \$2 million, and the effects of all of the discrete events described in the footnote above, net of tax of \$0.2 million, as well as the senior note redemption costs of an aggregate of \$35.9 million, net of tax of \$6.0 million. These adjustments yielded an adjusted net earnings which was then increased by 11.5% to account for the 11-month fiscal year 2015. The adjusted net earnings and adjusted EPS for both fiscal 2015 and fiscal 2016 were used for the calculation of ROIC the calculation of EPS growth for the fiscal 2013-2015 performance cycle and 2014-2016 performance cycle under the LTIP for both years.

Over the period from fiscal 2012 to fiscal 2016, we delivered a compound annual growth rate (“CAGR”) of +1.5% for revenue. For EPS growth, the CAGR over the same period using reported results under generally accepted accounting principles (“GAAP”) for EPS from continuing operations, except as noted in the footnote below the chart below, is +2.4%. As noted above, both fiscal 2015 and fiscal 2016 EPS results were impacted by extraordinary items.

*Fiscal 2015 revenue and diluted EPS reflect GAAP revenue and diluted EPS for the eleven-month period ended October 2, 2015, increased by 11.5% to account for the 11-month fiscal year 2015.

CEO Pay and Shareholder Returns

Our compensation programs focus on pay-for-performance and are designed to reward financial performance and shareholder value creation. Both charts below help demonstrate the link between total CEO pay and total shareholder returns. In the chart immediately below, total pay includes base salary, actual annual incentive earned, and target long-term incentives (as defined for disclosure in the Summary Compensation Table). The figure for Mr. Reusser's 2014 compensation does not include the cash sign-on bonus or special RSU award made at the time of hire. These one-time items are excluded given that both elements reflect compensation provided to replace retirement or equity benefits forfeited upon departure from his prior employer. Indexed total shareholder return shows the value of \$100 invested in our Common Stock in the first year shown. In fiscal years 2012-2013 in both charts below, R. Bradley Lawrence, who retired at the end of fiscal 2013, was CEO and Mr. Reusser became CEO in fiscal 2014.

In addition to the notes included in the introduction to the chart above that also apply to the chart below, the bar in each year in the chart below reflects the actual annual incentive payout for the CEO in that year.

*EBIT annual incentive for fiscal 2015 and fiscal 2016 and ROS annual incentive for fiscal years 2014, 2015 and 2016 were based on results that were adjusted from GAAP. Adjusted EBIT and ROS for fiscal 2016 exclude the accelerated integration expenses of \$20.7 million. Adjusted EBIT and ROS for fiscal 2015 exclude accelerated integration expenses of \$11.7 million, incremental compliance expenses of \$12.0 million, and DAT acquisition charges, DAT first-year operating loss, a pension adjustment, and a non-income tax gain of an aggregate of \$34.1 million. Adjusted EBIT and ROS for fiscal 2014 excludes accelerated integration costs of \$20.4 million and the operating results from the Sunbank acquisition completed in December 2013. Fiscal 2014 adjusted EBIT and ROS include the operating results from discontinued operations.

**The EPS annual incentives for fiscal years 2012 and 2014 were based on results that were adjusted from GAAP. The adjustments to EPS results for fiscal 2014 excludes (i) accelerated integration costs of \$16.1 million, net of tax of \$4.3 million, (ii) the loss on the assets held for sale of \$49.5 million, and (iii) losses associated with a previously sold business recorded in discontinued operations of \$0.7 million. For fiscal 2012, the Company adjusted GAAP EPS for computing the incentive award as follows: \$3.60 EPS + \$1.67 Racal Acoustics charge – \$0.30 Computershare gain = \$4.96 (rounded). Fiscal 2015 adjusted EPS excludes (i) the accelerated integration expenses of \$11.7 million, net of tax of \$2.0 million, (ii) incremental compliance expenses of \$12.0 million, net of tax of \$2.0 million, and (iii) the effects of the senior note redemption, a pension adjustment, DAT acquisition charges, DAT first-year operating loss and a non-income tax gain of an aggregate of \$35.9 million. Fiscal 2016 adjusted EPS excludes accelerated integration costs of \$17.5 million, net of tax of \$3.3 million. The EPS annual incentive for fiscal 2015 and 2016 are included for informational purposes and was not the basis for any annual incentive award payable to the CEO in fiscal 2015 or 2016.

Specific Compensation Decisions for NEOs in Fiscal 2016

Competitive Position of Total Target Compensation for Fiscal 2016

As described above in the “Compensation Decision Process” section of this CD&A starting on page 16, specific compensation decisions for our executive officers in fiscal 2016 were based on a competitive assessment of our executive compensation opportunities relative to those at comparable companies. The Committee considers available market information from our peer group and published surveys for base salary, annual incentive target values, and long-term incentive target values, which together comprise “total target compensation.”

While the Committee does not manage executive pay opportunities to a specific percentile in the market, it does reference a “competitive range” to help guide decisions. For target total compensation, this competitive range is initially established as a range between the 25th percentile and median references and then defined as plus or minus 15% of market references for each executive position. With the fiscal 2016 decisions reported below in this section, total target compensation for Mr. Reusser is within the competitive range and towards the lower end. Taking our other NEOs as a group, the fiscal 2016 decisions reported below position total target compensation within this competitive range.

Following are the specifics of fiscal 2016 decisions for the NEOs as they relate to each component of compensation.

Base Salary

The Committee targets base salaries to be competitive in the marketplaces in which we compete for key executive officers. The Committee considers available market data, referencing the peer group data and pay surveys (as discussed above), and targets pay to be within a reasonable range around the median. Our executive base salaries take into account competitive

norms, scope and complexity of responsibilities, internal equity, the Company's financial condition, as well as the qualifications, experience and sustained individual performance of the executive.

Effective January 2016, the independent members of the Board approved base salary increases for the NEOs (other than Mr. Reusser) ranging from 2.9% to 5.3%, with consideration to individual performance and to more closely align with competitive references.

The following table shows the base salary increases in fiscal 2016 for each NEO:

Executive	Title	2015 Base Salary	2016 Base Salary	% Increase
Curtis C. Reusser	Chairman, President and CEO	\$850,000	\$850,000	0.0%
Robert D. George	Executive Vice President, CFO and Corporate Development	510,000	525,000	2.9%
Marcia J. Mason	Executive Vice President & General Counsel	396,000	410,000	3.5%
Roger A. Ross	Executive Vice President and President, Sensors & Systems	375,000	395,000	5.3%
Albert S. Yost	Executive Vice President and President, Advanced Materials and Avionics & Controls	442,000	455,000	2.9%

Annual Incentive Compensation Plan

We provide executives with annual incentive opportunities contingent on meeting pre-defined financial goals for the year. The purpose of the annual incentive plan is to encourage our officers to make prudent decisions that will strengthen current year financial results for shareholders. No executive is eligible to receive annual incentive compensation unless the Company achieves a minimum level of performance recommended by the Committee at the beginning of the fiscal year and approved by the independent members of the Board.

For fiscal 2016, the Committee identified a target award amount of annual incentive compensation for each participant expressed as a percentage of the base salary rate in effect as of the last day of the fiscal year. This percentage varied in proportion to the level of the individual executive's responsibility within the Company, as well as a review of competitive compensation opportunities. The target award amount was not guaranteed, but reflected what would be payable if targeted results were achieved. The following table shows the fiscal 2016 target opportunities for each NEO under our annual incentive plan, which remained unchanged from 2015 target opportunities.

Executive	Target Annual Incentive
-----------	-------------------------------

Compensation
as % of Base
Salary

Curtis C. Reusser	90%
Robert D. George	60%
Marcia J. Mason	55%
Roger A. Ross	55%
Albert S. Yost	55%

For fiscal 2016, the financial performance measures established for the annual incentive plan were (i) EBIT weighted at 50%, (ii) ROS weighted at 30%, and (iii) a strategic component weighted at 20%. EBIT measures the performance of the core operations and does not include certain financing decisions or corporate effects (e.g., share buybacks, taxes). EBIT works well with ROS, ensuring that operational profitability is accomplished efficiently and that both profitability and growth are focus areas. For fiscal 2016, target EBIT was \$231.0 million and target ROS was 11.0%, both of which excluded the expected expenses from the Company’s accelerated integration projects. The fiscal 2016 targets were developed from the Company’s annual operating plan, which took into account the challenging performance in fiscal 2015 and expectations for fiscal 2016. While the fiscal 2016 targets were modestly down from the fiscal 2015 targets, the fiscal 2016 target reflected representative growth over fiscal 2015 actual performance.

The strategic component identifies a few specific performance objectives that are intended to set the Company up for sustained long-term success and connected to the five core elements of the Company’s strategic plan: (1) Profitable & Balanced Sales Growth, (2) Enterprise Excellence, (3) Leverage the Enterprise, (4) Employee Engagement, and (5) Regulatory & Customer Compliance. In fiscal 2016, the Committee established the following four strategic objectives:

• Minimum growth targets measured by achievement of the fiscal 2016 sales budget and target book-to-bill ratios;

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- The Company’s aggregate on–time–in–full achievement on customer deliveries and aggregate performance on product quality improvement;
- Effective implementation of the Company’s trade compliance program as measured by the business units’ aggregate level of completion of specific trade compliance initiatives and responses to corrective actions; and
- Our business units’ aggregate completion of the Company’s operating system assessment.

In addition, in fiscal 2016, the Committee added a minimum performance threshold to preserve flexibility in structuring awards under the annual incentive plan in a manner intended to qualify as performance-based compensation under Section 162(m) of the IRC. The minimum performance threshold for the fiscal 2016 annual incentive plan was \$50 million in earnings from continuing operations before income taxes, as reported in the Company’s consolidated financial statements for the fiscal year ended September 30, 2016, which performance threshold was fully achieved.

The following table shows the actual and potential payouts for each NEO under the fiscal 2016 annual incentive plan at various levels of EBIT and ROS achievement (with linear interpolation for achievement between threshold and target and between target and maximum) as well as for achievement of the specified strategic objectives. Actual award amounts for each NEO under the 2016 annual incentive plan are reflected in the “Summary Compensation Table for Fiscal 2016” included in this proxy statement.

	Actual *	Payout %	Threshold	Target	Maximum
EBIT ** (50% weighting)	\$ 190.9	17.5 %	\$ 184.8	\$ 231.0	\$ 277.2
ROS (30% weighting)	9.58 %	10.7 %	9.35 %	11.00 %	12.65 %
Strategic objectives (four objectives					
- total 20% weighting)	N/A	14.5 %	N/A	100 %	200 %
Payout (as a % of target award amount) ***		42.7 %	25 %	100 %	200 %

*The amounts for EBIT and ROS were adjusted to exclude accelerated integration expenses as further described in the second footnote to the Key Operating Metrics table on page 20. The actual amount for the strategic objectives reflects aggregated performance results across the Company’s businesses for each the four separate objectives as described further below.

**In millions.

***See the Non-Equity Incentive Plan Compensation Earnings column of the “Summary Compensation Table for Fiscal 2016” on page 31 of this proxy statement for the actual payout amount earned by each NEO.

As the table above reflects, actual results for EBIT and ROS exceeded the threshold level at 83% and 87%, respectively. This performance resulted in a payout of 17.5% of target award based on actual EBIT results and a payout of 10.7% of target award based on actual ROS results. In addition, the Committee determined that the NEOs earned an award based on the partial achievement of each of the four strategic objectives. The performance metric for each objective was challenging, but achievable, as the Committee recognized the importance of incentivizing the Company’s executives to make significant progress on, and/or effective completion of, important strategic initiatives. Each objective was weighted equally and the target achievement of each objective would result in a 5% target award for each NEO. The Committee reviewed and discussed the results summarized in a report on the Company’s achievement of the strategic objectives prepared by the Company’s CEO, which reflected the Company’s partial achievement of each objective ranging from 1.7% to 4.5% achievement for each objective and a cumulative achievement of 14.5% of the potential 20% target award. Based on these results for the strategic objectives plus the EBIT and ROS results of 17.5% and 10.7% of the target award, respectively, the Committee confirmed that the Company achieved performance that resulted in an aggregate 42.7% payout of the target award for each NEO. In

fiscal 2015, each NEO received a payout of 16.3% of the target award, which was based solely on achievement of the strategic objectives established at the beginning of fiscal 2015.

Long-Term Incentives

For fiscal 2016, we continued to use our PSP program, implemented for fiscal 2015, to further strengthen executive alignment with the shareholder experience, in addition to our prior grants of stock options and restricted stock units. The PSP program replaced the cash-based awards under our LTI program, carrying forward the focus on EPS growth and ROIC – two metrics selected for their comparatively strong correlation with the creation of shareholder value over time and that focus on both profitability and growth. This three-component approach – share price, EPS growth, and ROIC – helps to balance pay delivery and outcomes, thereby (i) working to avoid potential unintended consequences with any single measure or component, and, (ii) helping to engage our NEOs, alongside other key elements of executive pay programs. Overall, the PSP program helps to engage our NEOs to:

◆ Focus on increasing total shareholder returns over the long term by concentrating on key drivers of share price

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◆ Consider and make reasonable, long-term investments by measuring performance over multiple years and
 ◆ Use Company assets effectively in achieving earnings growth goals.

For fiscal 2016, long-term incentive opportunities under our LTI program were consistent with prior levels for the NEOs (other than Mr. Reusser) and with the competitive market. Mr. Reusser's target long-term incentive opportunity was increased from 250% of base salary to 300% of base salary (resulting in an increase in target value from \$2,125,000 to \$2,550,000), reflecting (i) growth from a starting target that was set low relative to competitive market information in light of Mr. Reusser's shorter tenure as a CEO compared with peer companies and (ii) recognition of strong contributions in his second year with the Company. The long-term incentive target award opportunities under our LTI program for each of our NEOs established in fiscal 2016 were as set forth in the table below. Mr. Reusser's heavier allocation for stock options was established when he joined the Company and was designed to provide a strong link to value creation from his point of hire, with an expectation his overall long-term award allocation would migrate over time to align with the allocation of the Company's other NEOs.

Executive	Total target annual	Target value (in thousands)	Percentage allocated to PSP	Percentage allocated to stock options	Percentage allocated to restricted stock units
	long-term incentive opportunity as % of base salary				
Curtis C. Reusser	300%	\$ 2,550	30%	45%	25%
Robert D. George	140%	735	40%	35%	25%
Marcia J. Mason	120%	492	40%	35%	25%
Roger A. Ross	120%	474	40%	35%	25%
Albert S. Yost	120%	546	40%	35%	25%

Cash-Based LTIP and Performance Share Program

Under our legacy cash-based LTIP and the new PSP, a new performance period begins with each fiscal year and extends for three years. The two relevant performance cycles for purposes of fiscal year 2016 compensation are (i) the 2014–2016 cycle under the cash-based LTIP which ended on the last day of fiscal 2016 and for which payments are to be made in early fiscal 2017, and (ii) the 2016–2018 cycle under the PSP for which target opportunities were set in early fiscal 2016. With the introduction of the PSP for the 2015–2017 cycle, the 2014–2016 cycle is the only remaining cycle still subject to the cash-based LTIP. There are two equally weighted performance goals under both the cash-based LTIP and the PSP: (1) growth in EPS and (2) ROIC. For purposes of the cash-based LTIP and PSP: (a) growth in EPS is based on all operating earnings and is calculated as the compound annual growth rate measured from the beginning of the base year to the end of the last year in a given performance cycle and (b) ROIC is calculated as: $(x+y)/z$, where:

- ◆ x is net income, before extraordinary items and before interest expense;
- ◆ y is tax-adjusted interest expense; and

z is the monthly average invested capital during the corresponding fiscal year, averaged over the applicable performance cycle and expressed as a percentage.

For these purposes, invested capital is defined as total debt plus total shareholders' equity, less cash. This definition of ROIC was initially introduced for the 2013–2015 performance cycle and has been maintained for the subsequent performance cycles. These two performance measures – EPS growth and ROIC – were selected for their direct correlation over time with the creation of shareholder value.

Cash-Based LTIP – 2014-2016 Performance Cycle

For the 2014–2016 performance cycle under the cash–based LTIP, the two performance targets were as follows: 10% EPS growth and 9.3% ROIC. Payout amounts are based on the level of achievement of each of these two performance goals relative to each other, pursuant to a matrix where EPS growth is one axis and ROIC is the other axis. Award opportunities range from 0% to 400% of target, depending on actual performance. There was no payout for the 2014–2016 performance cycle based on our adjusted EPS growth results of (8.5%) and adjusted ROIC results of 6.8%. In determining results for the 2014–2016 performance cycle, the Committee calculated ESP growth and ROIC using adjusted net income and adjusted EPS calculated as described in the third footnote to the “Key Operating Metrics” table on page 20. However, even after applying these adjustments, the negative EPS growth resulted in no payout on the matrix.

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Performance Share Program – 2016-2018 Performance Cycle

Four key payout mechanics are different for the PSP vis-à-vis the cash-based LTIP: (i) performance goals are established considering the Company's long-term strategic plan rather than a standards-based approach, (ii) all payouts are share-based rather than cash-based, (iii) payouts are determined by measuring EPS growth and ROIC independently rather than a developed matrix, and (iv) the maximum upside opportunity is 300%, reduced from the 400% maximum opportunity under the cash-based LTIP. As discussed previously in this CD&A, the Committee believes the PSP deepens the alignment with shareholders. Using individual components instead of a matrix brings clarity to the program. This clarity makes it easier to communicate and for the participants to understand the program. The decrease in the maximum payout to 300% recognizes that a share-based vehicle has share price leverage that can provide a similar payout as under the 400% maximum with the cash-based LTIP. In addition, in fiscal 2016, the Committee added a minimum performance threshold to preserve flexibility in structuring awards under the PSP in a manner intended to qualify as performance-based compensation under Section 162(m) of the IRC.

In November 2015, the independent members of the Board assigned each participating executive a target opportunity for the 2016–2018 performance cycle under the PSP based on competitive market data and on Committee recommendations, as discussed above. The target opportunity is not guaranteed, but reflects what will be payable if the Company achieves established performance goals. Actual awards paid may be larger or smaller than target depending on Company performance over the three-year period. The target and maximum number of shares that may be earned by the NEOs for the 2016–2018 performance cycle under the PSP are disclosed in the “Grants of Plan-Based Awards Table for Fiscal 2016” in this proxy statement on page 32.

Stock Options

Management and the Committee determined the number of shares subject to each stock option grant using a Black-Scholes value per option of 40% of our Common Stock's face value at grant, using a representative price of \$75.16 per share based on the average closing trading price of our Common Stock from October 1-30, 2015. Options were granted on November 18, 2015, with an exercise price equal to the closing price of our Common Stock on that date (\$79.31). The stock options granted to the NEOs in fiscal 2016 are disclosed in the “Grants of Plan-Based Awards Table for Fiscal 2016” in this proxy statement on page 32.

The independent members of the Board grant stock options based on Committee recommendations, with an exercise price equal to the closing price of our Common Stock on the date of grant. Typically, each grant vests and becomes exercisable in four equal annual installments and continues to be exercisable until ten years from the date granted. Options carry value only as the Company's share price increases, thereby linking potential executive gains with the creation of shareholder value over time.

Generally, stock options to executives are granted once per year in November when other aspects of executive compensation are reviewed, including awards based on the financial results of the prior fiscal year, which concludes at the end of September. The Committee may also recommend option grants at other times, such as in connection with promotions. We do not time employee stock option grants in coordination with the release of material nonpublic information for the purpose of affecting the value of compensation.

Restricted Stock Units

The Committee continued the use of restricted stock units as a third component to our long-term incentive opportunities for executives in fiscal 2016. Typically, each grant vests 100% after the third anniversary of the grant date, thereby providing additional retention and aligning with shareholders. Management and the Committee determined the number of restricted stock units awarded, using a representative price of \$75.16 per share based on the

average closing trading price of our Common Stock from October 1-30, 2015. Restricted stock units were granted on November 18, 2015. The restricted stock units granted to the NEOs in fiscal 2016 are disclosed in the “Grants of Plan-Based Awards Table for Fiscal 2016” in this proxy statement on page 32.

Generally, we grant restricted stock units to executives once per year along with the stock options and when other aspects of executive compensation are reviewed, as described above. The Committee may also recommend restricted stock units at other times, such as in connection with promotions or for additional retention purposes.

Benefits and Other Programs

Executive officers are allowed to participate in the Company’s standard benefit programs that are generally available to other U.S.-based employees, including medical, dental, life, disability, pension, 401(k), stock purchase, health and wellness, employee assistance, and similar retirement and health and group insurance plans.

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In addition, all of our executive officers are eligible to participate in a supplemental executive retirement pension plan that permits benefits to be earned on compensation that is in excess of certain statutory limits that apply to the traditional pension plan, as more fully described in the “Pension Benefits for Fiscal 2016” table in this proxy statement on page 35. The Committee believes that these programs are important attraction and retention tools, and that they are reasonable because they are designed to provide executives similar benefits as other employee participants, albeit on above-limit compensation. Executive officers are also eligible to participate in an executive supplemental retirement and deferred compensation plan that allows participants to defer compensation in excess of certain statutory limits in the tax-qualified 401(k) plan and provides a Company match on deferred compensation amounts that exceed certain limits in the tax-qualified 401(k) plan, allowing executives to earn an equivalent portion in Company matching funds as that available to the general workforce in the tax-qualified plan, as more fully described in the “Nonqualified Deferred Compensation Table for Fiscal 2016” in this proxy statement on page 37. The Company does not pay or guarantee above-market returns. The appreciation, if any, in the account balances of plan participants is due solely to contributions by participants, any Company matching contributions, and the underlying performance of the investment funds selected by the participants.

Executive officers also receive automobile allowances, as do the Company’s subsidiary presidents and certain sales personnel. Similarly, executive officers are eligible for relocation benefits under standard Company policy, which may be enhanced for executive officers and other management employees on a case-by-case basis. Certain executive officers and other senior managers also receive limited financial planning services, airline club memberships, an annual physical, a temporary housing stipend where the Company requires an executive to move to a substantially higher-cost area, and additional unemployment insurance. Where applicable, the value of these items is disclosed in the “Summary Compensation Table for Fiscal 2016” on page 31 and accompanying notes. These benefits are a very small percentage of total compensation for NEOs and, overall, the dollar values are in keeping with competitive norms. The Company does not provide executives with a tax gross-up to cover personal income taxes that might apply to any of these benefits, except in the case of certain Company-required, actual relocation costs that an officer must include as regular income, and for taxes due on temporary housing stipends that are provided as a transition measure to assist an executive who has relocated to a substantially higher-cost area.

Change in Control Arrangements

To help ensure key officers focus their energy and attention on the best interests of the Company’s shareholders, we have entered into “double-trigger” change in control termination protection agreements with our officers, including the NEOs. These agreements are designed to protect our executives in the event of a change in control, by assuring compensation benefits, including cash awards issuable under the Company’s annual incentive plan and PSP if an executive were terminated without cause or were to resign for good reason following a change in control. The Committee believes the amounts payable under these agreements provide our executives with reasonable protection, both in principle and with consideration to competitive market practice.

The Committee believes it is important to balance the need to provide an incentive for the NEOs to seek out and complete transactions that are in the best interests of the Company and its shareholders, while limiting equity award acceleration to certain types of change in control transactions and events that defeat the retention purpose of equity. For these reasons, all options and restricted stock units issued under the Company’s 2004 Equity Incentive Plan and 2013 Equity Incentive Plan, including those granted to the NEOs, do not accelerate in vesting upon certain transactions such as a merger or similar transaction if the successor converts, assumes or replaces such awards. In addition, as described previously in this CD&A, we amended the Company’s 2013 Equity Incentive plan to eliminate single-trigger acceleration upon certain acquisitions of the Company’s outstanding securities and changes in the composition of the Board.

In view of these change in control events in which equity awards do not accelerate, the Committee determined to make changes to the executive termination protection agreements in fiscal 2016 (i) adding as the first triggering event the “Change in Control” events as defined in the 2013 Equity Incentive Plan (after amendment), as well as the events that were eliminated from the 2013 Equity Incentive Plan and (ii) adding as an additional severance benefit the full acceleration of any equity award held by the executive immediately prior to the qualifying change in control event, to the extent such award was not accelerated in connection with the change in control event. As a result of the amendments to the 2013 Equity Incentive Plan and the executive termination protection agreements, all time-based equity awards granted to executive officers beginning in fiscal 2016 will not accelerate in vesting unless there is a qualifying change in control event and the executive is terminated without cause or resigns with good reason within 24 months following such transaction. Accordingly, the payout to executives in those circumstances is a “double-trigger” benefit. If the acquiring or successor entity does not assume or replace unvested equity, these unvested awards will generally become immediately vested and exercisable. Outstanding PSP awards as of the date of change in control for which the payout has not been determined will be prorated at the target payout level up to and including the date of the change in control. See the “Termination of Employment and Change in Control Arrangements” section of this

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proxy statement beginning on page 41 for further detail on the treatment of equity awards in alternative change in control events.

The Company does not provide executives with a tax gross-up to cover personal income or excise taxes that may apply to any of these change in control benefits.

Fiscal 2017 Compensation Program Changes

Shift in Mix of Equity Awards Granted to NEOs

For equity grants made to our NEOs as part of our fiscal 2017 compensation programs, the Committee determined to shift the mix of equity awards to 35% PSP awards, 35% stock options and 30% RSUs, which is a modest shift in the equity award mix that was in place for grants made in fiscal 2016, as indicated in the table under “Long-Term Incentives” above on page 24. This adjusted mix maintains a strong orientation to performance-based equity, and it establishes a common approach for our CEO and other NEOs.

Retirement Provisions in NEO Equity Awards

In fiscal 2016, the Committee reviewed the retirement provisions in the Company’s equity awards for NEOs. As further described in this proxy statement under “Termination of Employment and Change in Control Arrangements” on page 41, the award agreements for stock options and RSUs provide that an NEO may be eligible to retain his or her stock options and restricted stock units upon “Full Retirement,” generally defined as a voluntary termination when the participant is age 65 or older and such termination is a bona fide end to the participant’s career in the industries and markets within which the Company does business. In reviewing retirement market practices and considering the desire for more flexibility in supporting succession planning for NEOs, the Committee determined to update the definition of “retirement” under equity awards to provide for a 2-pronged definition: (i) age 65 or older or (i) age 60 or older with at least 10 years of continuous service, in each case where such termination is a bona fide end of the NEO’s career in the Company’s industries or markets.

For stock options, this means that if an NEO meets either prong of the retirement definition, the NEO’s stock options will continue to vest after retirement in accordance with the normal vesting schedule. This change will be included in grants of stock options to NEOs beginning in fiscal 2017, and in addition, outstanding stock options held by NEO’s who are eligible to meet either prong of the new retirement definition will be amended to include the new retirement definition.

For restricted stock units, in addition to the change in the definition of retirement, the Committee also determined to change the vesting and settlement dates upon retirement of the NEO. As a result of these changes, if an NEO meets either prong of the retirement definition, the restricted stock units will vest at termination of service, but settlement will follow in accordance with the original vesting schedule of the restricted stock unit award. For restricted stock units granted to NEOs prior to this change, the Committee has in its sole discretion the ability to provide that all unvested units become vested upon “Full Retirement.” Finally, the Committee also determined to structure restricted stock unit grants in a manner intended to qualify as performance-based compensation under Section 162(m) of the IRC by adding a minimum performance threshold that must generally be met in order for the “covered person” (as defined under Section 162(m) of the IRC) to earn any vested restricted stock units under the award. The performance period will be a two-year measurement period, while the restricted stock units will retain a three-year cliff vesting schedule. In addition, the minimum performance threshold will be the same minimum performance threshold utilized under the PSP. All of these changes will be included in grants of restricted stock units to NEOs beginning in fiscal 2017.

Beginning with the PSP for 2017-2019 performance period, the new definition for retirement described above will be included so that an NEO meeting either prong of the retirement definition may be entitled to retain earned performance shares. Accordingly, upon the occurrence of either prong of the retirement definition, each NEO will be entitled to awards issued in the normal course under the PSP for the full performance period based on actual achievement of the applicable PSP goals so long as the NEO completes at least one full year of continuous, active employment during the performance period. If that service period is not met, the NEO will not be entitled to any award under the PSP upon his or her retirement.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed with management the above CD&A. Based on that review and discussion, the Committee has recommended to the Board that this CD&A be included in this proxy statement.

Respectfully submitted,

ANTHONY P. FRANCESCHINI, CHAIRMAN

DELORES M. ETTER

PAUL V. HAACK

GARY E. PRUITT

STATEMENT REGARDING COMPENSATION PRACTICES

In fiscal 2016, the Compensation Committee and management continued their practice of conducting a comprehensive review of our compensation programs, including executive compensation and major broad-based compensation programs in which salaried and hourly employees at various levels of the organization participate. The goal of this review was to assess whether any of our compensation programs, either individually or in the aggregate, would encourage executives or employees to undertake unnecessary or excessive risks that were reasonably likely to have a material adverse impact on our business.

The Compensation Committee reviewed an inventory of our variable pay and sales commission plans, considering the number of participants in each plan, the target and maximum payment potential, and the performance goals of each plan. The Compensation Committee concluded that these programs were appropriate for our businesses and highly unlikely to create a material risk.

Although the programs are generally designed to pay for performance and provide incentive-based compensation, the programs contain various mitigating factors to ensure our employees, including our NEOs, are not encouraged to take unnecessary risks in managing our business. These factors include:

- Oversight of programs (or components of programs) by committees of the Board, including the Compensation Committee;
- Discretion provided to the Board and the Compensation Committee (including negative discretion) to set targets, monitor performance and determine final payouts for executive-level incentive plans;
- Oversight of programs by a broad-based group of functions within the organization, including the CEO, CFO, General Counsel, segment presidents, Chief Human Resources Officer, and at multiple levels within the organization (both corporate and business units);
- Target awards that are indexed on base pay, which is determined based on market data and the merit of individual performance; further, Company policy and practices control base pay levels carefully through analysis, reporting, and executive approvals that ensure we compensate employees fairly;
- Incentives focused primarily on the use of broad-based financial metrics (such as growth in operating profit and return on investment), including a mixture of consolidated and business-specific goals, with no one factor receiving an excessive weighting;
- A mixture of programs that provide focus on both short- and long-term goals and that provide a mixture of cash and equity compensation;
- Our long-term incentive plan focuses on earnings growth and average return on investment over overlapping three-year award periods and settles awards in shares for performance periods beginning in fiscal 2016. This creates a focus on driving sustained performance over multiple award periods, mitigating the potential for executives to take excessive risks to drive short-term performance spikes in any one award period;
- Capping the potential payouts on all Company incentive plans to eliminate the potential for dramatic or risky windfalls;
- A compensation recovery (or “clawback”) policy applicable to all executive and senior management incentive programs;
- Service-based vesting conditions with respect to equity grants; and
- The long-term ownership interests in the Company held by our key executive officers and by members of the Board of Directors.

As a result of this review, both management and the Compensation Committee concluded that our total compensation plans, programs and practices are structured in the best interest of the Company and its shareholders. They are appropriately tailored to encourage employees to grow our business, but not incent them to do so in a way that poses unnecessary or excessive material risk to us.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

All members of the Compensation Committee during the 2016 fiscal year, each of whom was listed in “Board and Board Committees – Compensation Committee” were independent directors and no member was an employee or former employee. No Compensation Committee member had any relationship requiring disclosure under Item 404 of Regulation S-K. No executive officer of the Company has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors or the Compensation Committee during the 2016 fiscal year.

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ADDITIONAL INFORMATION REGARDING EXECUTIVE COMPENSATION

The following tables and accompanying narrative disclosure should be read in conjunction with the CD&A, which presents the objectives of our executive compensation and benefits programs.

Summary Compensation Table for Fiscal 2016

The table below summarizes certain compensation information for fiscal 2016 for our NEOs, who include the CEO, CFO, and the three other most highly-compensated executive officers of the Company who were serving as executive officers at the end of fiscal 2016.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Curtis C. Reusser Chairman, President & CEO	2016	\$850,000	\$-	\$1,483,097	\$1,218,796	\$326,655	\$180,570	\$54,563	\$4,113,681
	2015	768,269	-	1,175,300	1,111,101	124,695	187,122	44,837	3,411,324
	2014	764,423	600,000	4,771,675	1,123,710	752,325	90,859	27,169	8,130,161
Robert D. George Executive Vice President, CFO &	2016	520,962	-	499,653	272,480	134,505	435,212	36,029	1,898,841
	2015	467,500	-	458,367	292,681	49,878	144,416	41,157	1,453,999
	2014	495,808	-	186,375	319,825	479,138	371,214	40,138	1,892,498
Corporate Development									
Marcia J. Mason Executive Vice President &	2016	406,231	-	333,102	184,108	96,289	381,556	31,978	1,433,264
	2015	363,250	-	305,578	195,121	35,501	150,705	36,112	1,086,267
General Counsel									
Roger A. Ross Executive Vice President and	2016	389,615	-	325,171	176,744	92,766	32,441	119,283	1,136,020

President,
Sensors

& Systems

Albert S. Yost	2016	451,500	-	372,757	202,519	106,857	175,513	32,423	1,341,569
Executive Vice President and President, Advanced	2015	382,615	-	467,396	205,960	39,625	61,989	36,130	1,193,715
	2014	391,577	-	133,125	220,420	322,346	119,382	34,264	1,221,114

Materials and

Avionics &
Controls

-
- (1) For fiscal 2015, represents amounts earned for the eleven months in the fiscal year due to the transition to an earlier fiscal year-end.
- (2) Represents the aggregate grant date fair value of awards granted during the fiscal year, computed in accordance with ASC 718. Under the Stock Awards column, amounts include the grant date fair value of the 2016-2018 performance cycle under the PSP at target as follows: Mr. Reusser, \$808,962; Mr. George, \$309,309; Ms. Mason, \$206,206; Mr. Ross, \$198,275; and Mr. Yost, \$229,999. At the maximum level of achievement, these values would be as follows: Mr. Reusser, \$2,426,886; Mr. George, \$927,927; Ms. Mason, \$618,618; Mr. Ross, \$594,825; and Mr. Yost, \$689,997. Assumptions used to calculate the amounts for fiscal 2016 are included in Note 13, "Employee Stock Plans," of the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.
- (3) For fiscal 2016, represents amounts earned under the annual incentive. There were no amounts earned under the 2014-2016 performance cycle under the LTIP.
- (4) Represents the annual increase in the actuarial present value of accumulated benefits under our Pension Plan and Supplemental Executive Retirement Plans (SERP – Pre 2005 and 2005+).
- (5) For fiscal 2016, includes match payments under the Company's 401(k) plan (\$7,950 for each NEO), the Company's Supplemental Executive Retirement & Deferred Compensation Plan (Mr. Reusser, \$21,291; Mr. George, \$8,846; Ms. Mason, \$4,995; Mr. Ross,

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\$3,461; Mr. Yost, \$5,957). Also includes the following for each NEO: Mr. Reusser (automobile allowance, financial planning and club memberships); Mr. George (automobile allowance, financial planning, club memberships and cost of annual physical); Ms. Mason (automobile allowance, financial planning, club memberships and cost of annual physical); Mr. Ross (automobile allowance, financial planning and \$89,321 for moving expenses, including a tax gross-up of \$34,606); Mr. Yost (automobile allowance and financial planning). We value the incremental cost to us for these benefits based on the actual costs or charges incurred by us for the benefits.

Grants of Plan-Based Awards Table for Fiscal 2016

The following table provides information regarding grants of plan-based awards to the NEOs under our 2016 Annual Incentive Compensation Plan and the 2013 Equity Incentive Plan during fiscal 2016.

Name	Grant Date	Threshold (\$)	Target (\$)	Maximum (\$)	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards:		Exercise Price	Grant Date or Fair Value of Stock and Option Awards (\$)
					Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Underlying Options	Number of Securities of Option Awards		
Curtis											
C.	(1)	\$191,250	\$765,000	\$1,530,000	-	-	-	-	-	\$-	\$-
Reusser	11/18/15 (2)	-	-	-	2,550	10,200	30,600	-	-	-	808,962
	11/18/15 (3)	-	-	-	-	-	-	-	33,100	79.31	1,218,796
	11/18/15 (4)	-	-	-	-	-	-	8,500	-	-	674,135
Robert											
D.	(1)	78,750	315,000	630,000	-	-	-	-	-	-	-
George	11/18/15 (2)	-	-	-	975	3,900	11,700	-	-	-	309,309
	11/18/15 (3)	-	-	-	-	-	-	-	7,400	79.31	272,480
	11/18/15 (4)	-	-	-	-	-	-	2,400	-	-	190,344
Marcia											
J.	(1)	56,375	225,500	451,000	-	-	-	-	-	-	-
Mason	11/18/15 (2)	-	-	-	650	2,600	7,800	-	-	-	206,206
	11/18/15 (3)	-	-	-	-	-	-	-	5,000	79.31	184,108
	11/18/15 (4)	-	-	-	-	-	-	1,600	-	-	126,896
Roger											
A.	(1)	54,313	217,250	434,500	-	-	-	-	-	-	-
Ross	11/18/15 (2)	-	-	-	625	2,500	7,500	-	-	-	198,275

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	11/18/15 (3)	-	-	-	-	-	-	4,800	79.31	176,744
	11/18/15 (4)	-	-	-	-	-	1,600	-	-	126,896
Albert										
S.	(1)	62,563	250,250	500,500	-	-	-	-	-	-
Yost	11/18/15 (2)	-	-	-	725	2,900	8,700	-	-	229,999
	11/18/15 (3)	-	-	-	-	-	-	5,500	79.31	202,519
	11/18/15 (4)	-	-	-	-	-	1,800	-	-	142,758

(1) This shows the potential value of the payout for each NEO under the 2016 Annual Incentive Compensation Plan if the threshold, target or maximum goals are satisfied. The potential payouts are performance driven and therefore completely at risk. The business measurements, performance goals and calculation for determining the payout are described in the Compensation Discussion and Analysis section of this proxy statement. Actual amounts earned are disclosed in the Summary Compensation Table for Fiscal 2016 in this proxy statement.

(2) This shows the potential number of shares that may be earned by each NEO under the PSP program if the threshold, target or maximum goals of the 2016-2018 performance cycle are satisfied. The potential payouts are performance driven and therefore completely at risk. The business measurements, performance goals and calculation determining the payout are described in the Compensation Discussion and Analysis section of this proxy statement. Any payouts under the 2016-2018 performance cycle will be made after November 18, 2018, pursuant to the Company's 2013 Equity Incentive Plan.

(3) The option grants were made pursuant to the Company's 2013 Equity Incentive Plan. The exercise price of the options is equal to the closing price of the Common Stock on the date of grant. The options vest at the rate of 25% per year on each of the first four anniversaries of the date of grant.

(4) The restricted stock units were granted pursuant to the Company's 2013 Equity Incentive Plan. They vest in full on the third anniversary of the date of grant.

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Annual Incentive Compensation Plan

Payments under the 2016 Annual Incentive Compensation Plan are tied to key measures of corporate performance relating to the following financial objectives: earnings before interest and taxes and return on sales, in addition to four strategic objectives. For additional information regarding the 2016 Annual Incentive Compensation Plan, please refer to the Compensation Discussion and Analysis section of this proxy statement starting on page 12.

2013 Equity Incentive Plan

Equity awards granted to our executive officers in fiscal 2016 consisted of stock options, restricted stock units and PSP awards granted under the Company's 2013 Equity Incentive Plan, as amended. Stock options have a term of ten years and typically vest in equal annual installments over the period from the date of grant until the fourth anniversary of the date of grant. The exercise price for all stock options is equal to the closing price of the Common Stock on the date of grant. Restricted stock units generally have a three-year cliff vesting. PSP awards granted in fiscal 2016 are earned based on the level of achievement of specified performance goals during a three-year performance period. To the extent earned, awards are settled in shares of fully vested Common Stock. For additional information regarding the PSP, please see the Compensation Discussion and Analysis section of this proxy statement starting on page 12.

Offer Letter for Roger A. Ross

Pursuant to Mr. Ross's offer letter dated July 27, 2015, as part of his compensation arrangements, Mr. Ross is entitled to participate in Esterline's retirement, health care and other benefit plans and in the Supplemental Retirement Income Plan and the Supplemental Executive Retirement and Deferred Compensation Plan. In addition, he is eligible receive a car allowance of up to approximately \$800 per month, before taxes, and reimbursement for certain relocation expenses in accordance with standard corporate policy. In fiscal 2016, Mr. Ross was reimbursed \$89,321 for moving expenses, including a tax gross-up of \$34,606.

Fixed Cash Compensation in Proportion to Total Compensation

The proportion of fixed cash compensation (salary) compared to total compensation (as reported in the Summary Compensation Table for Fiscal 2016 included in this proxy statement) varies somewhat among the NEOs. Specifically, allocation among the different components of compensation varies based on the position and level of responsibility as well as on market data provided by Semler Brossy that reflects the practices of other companies. For example, those NEOs with the greater ability to influence our performance will have a higher level of at-risk compensation in the form of an increased percentage of total compensation in equity awards and cash-based incentive plan target awards. The lower the level of influence of an executive, the higher the percentage of their total compensation is in the form of base salary with a correspondingly lower percentage of equity awards and cash-based incentive plan target awards. In general, the proportion of at-risk compensation increases with base salary level, which usually indicates relative scope and level of responsibility, such that those with higher salaries also have more of their total compensation at risk. Accordingly, executive compensation for higher-level executives is set to align closely with shareholder and Company long-term shared interests. In fiscal 2016, the percentage of fixed cash compensation as compared to total compensation was 20% for the CEO. For the other NEOs, the average percentage of fixed cash compensation as compared to total compensation was 36%.

Outstanding Equity Awards Table at Fiscal Year End 2016

The following table summarizes the total outstanding equity awards held as of September 30, 2016, by each of the NEOs. The market value of the restricted stock units and PSP awards is based on the closing price of the Company's Common Stock on September 30, 2016, which was \$76.04.

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Name	Grant Date	Option Awards				Stock Awards		Equity Incentive	
		Number of Securities Underlying Unexercised Options That Have Exercisable	Number of Securities Underlying Unexercisable Options	Option Exercise Price (\$)	Option Expiration Date	Number of Units of Stock That Have Not Vested	Market Value of Units of Stock That Have Not Vested (\$)	Plan Awards Number of Market or Payout Unearned Shares, or Other Rights That Have Not Vested	Market or Payout Value of Unearned Shares, or Other Rights That Have Not Vested (\$)
Curtis C. Reusser	10/28/13	(1) -	-	\$-	-	17,583	\$1,337,011	-	\$-
	12/05/13	(2) 13,000	13,000	88.75	12/05/23	-	-	-	-
	12/05/13	(3) -	-	-	-	5,800	441,032	-	-
	12/11/14	(2) 5,125	15,375	117.53	12/11/24	-	-	-	-
	12/11/14	(3) -	-	-	-	4,500	342,180	-	-
	12/11/14	(5) -	-	-	-	-	-	1,375	104,555
	11/18/15	(2) -	33,100	79.31	11/18/25	-	-	-	-
	11/18/15	(3) -	-	-	-	8,500	646,340	-	-
	11/18/15	(5) -	-	-	-	-	-	2,550	193,902
Robert D. George	12/06/07	(2) 17,100	-	53.00	12/06/17	-	-	-	-
	12/11/08	(2) 26,700	-	32.00	12/11/18	-	-	-	-
	12/10/09	(2) 21,700	-	41.00	12/10/19	-	-	-	-
	12/09/10	(2) 15,300	-	64.56	12/09/20	-	-	-	-
	07/26/11	(2) 5,000	-	78.24	07/26/21	-	-	-	-
	12/08/11	(2) 18,300	-	51.08	12/08/21	-	-	-	-
	12/06/12	(2) 7,500	2,500	60.65	12/06/22	-	-	-	-
	09/11/13	(4) -	-	-	-	2,970	225,839	-	-
	12/05/13	(2) 3,700	3,700	88.75	12/05/23	-	-	-	-
	12/05/13	(3) -	-	-	-	2,100	159,684	-	-
	12/11/14	(2) 1,350	4,050	117.53	12/11/24	-	-	-	-
	12/11/14	(3) -	-	-	-	1,500	114,060	-	-
	12/11/14	(5) -	-	-	-	-	-	600	45,624
	11/18/15	(2) -	7,400	79.31	11/18/25	-	-	-	-
	11/18/15	(3) -	-	-	-	2,400	182,496	-	-
	11/18/15	(5) -	-	-	-	-	-	975	74,139
Marcia J. Mason	12/10/09	(2) 10,800	-	41.00	12/10/19	-	-	-	-
	12/09/10	(2) 7,600	-	64.56	12/09/20	-	-	-	-
	12/08/11	(2) 8,900	-	51.08	12/08/21	-	-	-	-

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	08/01/12	(2)	20,000	-	57.03	08/01/22	-	-	-	-
	12/06/12	(2)	5,025	1,675	60.65	12/06/22	-	-	-	-
	12/05/13	(2)	2,450	2,450	88.75	12/05/23	-	-	-	-
	12/05/13	(3)	-	-	-	-	1,400	106,456	-	-
	12/11/14	(2)	900	2,700	117.53	12/11/24	-	-	-	-
	12/11/14	(3)	-	-	-	-	1,000	76,040	-	-
	12/11/14	(5)	-	-	-	-	-	-	400	30,416
	11/18/15	(2)	-	5,000	79.31	11/18/25	-	-	-	-
	11/18/15	(3)	-	-	-	-	1,600	121,664	-	-
	11/18/15	(5)	-	-	-	-	-	-	650	49,426
Roger A. Ross	08/24/15	(2)	2,625	7,875	78.87	08/24/25	-	-	-	-
	08/24/15	(1)	-	-	-	-	2,800	212,912	-	-
	11/18/15	(2)	-	4,800	79.31	11/18/25	-	-	-	-
	11/18/15	(3)	-	-	-	-	1,600	121,664	-	-
	11/18/15	(5)	-	-	-	-	-	-	625	47,525
Albert S. Yost	12/06/12	(2)	5,025	1,675	60.65	12/06/22	-	-	-	-
	09/11/13	(4)	-	-	-	-	1,250	95,050	-	-
	12/05/13	(2)	2,550	2,550	88.75	12/05/23	-	-	-	-
	12/05/13	(3)	-	-	-	-	1,500	114,060	-	-
	12/11/14	(2)	950	2,850	117.53	12/11/24	-	-	-	-
	12/11/14	(3)	-	-	-	-	1,100	83,644	-	-
	12/11/14	(5)	-	-	-	-	-	-	425	32,317
	09/17/15	(3)	-	-	-	-	1,500	114,060	-	-
	11/18/15	(2)	-	5,500	79.31	11/18/25	-	-	-	-
	11/18/15	(3)	-	-	-	-	1,800	136,872	-	-
	11/18/15	(5)	-	-	-	-	-	-	725	55,129

(1) Restricted stock units that vest in three equal annual installments beginning on the first anniversary of the grant date.

(2) Options vest and become exercisable in four equal annual installments beginning on the first anniversary of the grant date.

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- (3) Restricted stock units that fully vest on the third anniversary of the grant date.
 (4) Restricted stock units that vested or are scheduled to vest at a rate of 50% on December 15, 2014, 25% on December 15, 2015, and 25% on December 15, 2016.
 (5) Performance share plan awards reflected assume achievement of the threshold performance goal for the corresponding performance cycle.

Option Exercises and Stock Vested in Fiscal 2016

The following table summarizes the option awards exercised and restricted stock units vested during fiscal 2016 for each of the NEOs.

Name	Option Awards		Stock Awards	
	Number of	Value Realized	Number of	Value Realized
	Shares Acquired on Exercise	on Exercise	Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$) (1)	(#)	(\$) (2)
Curtis C. Reusser	-	\$-	17,583	\$1,318,725
Robert D. George	20,800	585,524	5,770	515,009
Marcia J. Mason	-	-	1,900	178,467
Roger A. Ross	-	-	1,400	107,436
Albert S. Yost	10,800	272,638	3,150	284,530

(1) Represents the difference between the exercise price and the fair market value of our Common Stock on the date of exercise.

(2) Represents the value of vested restricted stock units calculated by multiplying the number of vested restricted stock units by the closing price of our Common Stock on the vesting date.

Retirement Benefits

Pension Benefits for Fiscal 2016

The table below provides information as of September 30, 2016, regarding the number of years of credited service, the present value of accumulated benefits payable at normal retirement age, and any payments made during the last fiscal year with respect to the Esterline Technologies Retirement Plan (the "Pension Plan"), the Esterline Corporation Supplemental Retirement Income Plan for Key Executives (the "SERP Pre 2005"), and the Esterline Technologies Corporation Supplemental Retirement Income Plan (the "SERP 2005+"). Esterline froze the SERP Pre 2005 plan on December 31, 2004, and the SERP 2005+ plan became effective January 1, 2005. Mr. George and Ms. Mason are the only NEOs eligible under the SERP Pre 2005 plan. No payments were made from these plans to any of the NEOs during fiscal 2016.

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit (\$)(1)	Payments
				During Last Fiscal Year (\$)
Curtis C. Reusser	Pension Plan	2.41	\$ 62,136	\$ -
	SERP 2005+	2.41	396,415	-
	Total		\$ 458,551	\$ -
Robert D. George	Pension Plan	18.75	\$ 800,271	\$ -
	SERP Pre 2005	7.00	237,753	-
	SERP 2005+	11.75	1,302,865	-
	Total		\$ 2,340,889	\$ -
Marcia J. Mason	Pension Plan	22.75	\$ 1,177,735	\$ -
	SERP Pre 2005	11.00	157,056	-
	SERP 2005+	11.75	1,067,684	-
	Total		\$ 2,402,475	\$ -
Roger A. Ross	Pension Plan	0.58	\$ 19,915	\$ -
	SERP 2005+	0.58	12,526	-
	Total		\$ 32,441	\$ -
Albert S. Yost	Pension Plan	9.10	\$ 285,304	\$ -
	SERP 2005+	6.85	248,378	-
	Total		\$ 533,682	\$ -

(1) The assumptions and methodology used in calculating the estimated present values shown in this column are generally consistent with those used and disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016, except that the NEOs are assumed to retire at their earliest unreduced retirement age (age 65) or their current age, if later, and no pre-retirement terminations or deaths are assumed to occur. Also, no additional compensation or service is assumed beyond the fiscal year ended September 30, 2016. The specific relevant assumptions include a discount rate of 3.60% and post-retirement mortality as follows: Base table is the RP-2014 Male and Female Annuitant Mortality tables projected back to 2007 with Scale MP-2014, mortality improvement projections are based on Projection Scale MP-2015 for 2007 with future rates converging linearly to the ultimate rate by 2017. The ultimate rate is 0.8% for all ages up to 85, decreasing linearly to 0% at age 95 and beyond.

Esterline's Pension Plan is a broad based, tax-qualified defined benefit pension plan that provides a benefit to eligible employees of the Company. Approximately 41% of all U.S. employees are eligible to participate in the Pension Plan.

Qualified pension benefits are based on a final average pay formula, which takes into account years of service and highest five-year average earnings, or a cash balance formula, with annual pay credits ranging from 2% to 6% of earnings plus an additional 2% of earnings in excess of the annual Social Security Taxable Wage Base, and interest

credits which vary annually based on certain external indices. Earnings include base pay and annual and long-term incentive pay subject to statutory limitations. As of January 1, 2003, participants were given the option of continuing to accrue benefits under the final average pay formula, or to earn benefits under the cash balance formula. Since that date, all new participants are enrolled in the cash balance formula. Participants earning benefits under the final average pay formula must contribute 1% of after-tax compensation each year, while no employee contributions are required under the cash balance formula.

The standard form of benefit payment is a single life annuity for participants who are not married and a 50% joint and surviving spouse annuity for married participants. Alternatively, participants may elect a joint and surviving spouse annuity with a continuation percentage of 75% or 100%, or a life annuity with payments guaranteed for a 5-year, 10-year or 15-year period. Benefits earned under the cash balance formula may also be paid as a lump sum.

The annual benefit at normal retirement (age 65) under the final average pay formula is the participant's highest five-year average pay less the participant's primary Social Security benefit times 1.6%, times the participant's credited service up to 30 years. Participants are eligible to receive early retirement benefits when they have completed five years of plan participation and their age plus service equals 65 years. NEOs who are eligible for early retirement are Mr. George, Ms. Mason and Mr. Yost. Mr. George and Ms. Mason are eligible under the Pension Plan, the SERP Pre 2005, and the SERP 2005+. Mr. Yost is eligible under the Pension Plan and the SERP 2005+. For participants who elect to receive benefits prior to age 65, benefits

are reduced by 6 2/3% per year between ages 60 and 65, 3 1/3% per year between ages 55 and 60, 3% per year between ages 50 and 55, and 2% per year below age 50.

The Supplemental Executive Retirement Plans (SERP – Pre 2005 and 2005+) provide benefit formulas and early retirement formulas that are similar to the final average pay formula and the cash balance formula in the Pension Plan, but permit benefits to be earned on compensation that is in excess of certain statutory limits that apply to the Pension Plan. However, amounts earned under the long-term incentive compensation plan are excluded from earnings used in the benefit formulas of the SERPs.

Nonqualified Deferred Compensation Table for Fiscal 2016

The table below provides information as of September 30, 2016, regarding each NEO's activity in the Esterline Technologies Supplemental Executive Retirement & Deferred Compensation Plan (the "DC SERP"). It includes information on executive voluntary contributions, Company contributions and aggregate earnings during the fiscal year. There were no distributions from the DC SERP in fiscal 2016.

Name	Executive		Registrant		Aggregate
	Contributions in Last Fiscal Year	Contributions in Last Fiscal Year	Earnings in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Balance at Last Fiscal Year End
	(\$) (1)	(\$) (2)	(\$) (3)	(\$)	(\$) (4)
Curtis C. Reusser	\$ 48,735	\$ 21,291	\$ 12,947	\$ -	\$179,172
Robert D. George	57,012	8,846	97,886	-	1,032,115
Marcia J. Mason	17,644	4,995	31,817	-	313,949
Roger A. Ross	34,838	3,462	3,007	-	41,308
Albert S. Yost	24,536	5,957	44,347	-	519,133

(1) Represents elective deferrals of compensation that are also reported as compensation earned in the Summary Compensation Table for Fiscal 2016 in this proxy statement.

(2) Represents Company matching contributions to the DC SERP earned in fiscal 2016. Company contributions are also reported in the All Other Compensation column of the Summary Compensation Table for Fiscal 2016 in this proxy statement.

(3) Represents increases/decreases due to dividends, earnings, fees and investment gains/losses.

(4) Does not include Company contributions earned in fiscal 2016 that will not be made until early 2017 following calendar and qualified plan year closing activities. Includes amount reported in prior years.

The DC SERP became effective on January 1, 2007. The plan provides an opportunity for participants to defer a portion of their cash compensation to be paid as a lump sum or in 10 annual installments upon retirement or at another future date. The executives may defer up to 75% of base pay and annual incentive compensation and up to 100% of long-term incentive compensation. Investment earnings are pursuant to each executive's individual elections from

among available investment options, substantially similar to those in the Company's tax-qualified 401(k) plan, and are subject to daily valuation.

The DC SERP provides a Company match on part of the deferred compensation based on a formula that is substantially the same as that in the Company's tax-qualified 401(k) plan. The Company match applies to deferred compensation amounts that exceed certain statutory limits in the tax-qualified 401(k) plan. However, amounts earned under the long-term incentive compensation plan are excluded from earnings used in the match calculation of the DC SERP.

Termination of Employment and Change in Control Arrangements

Termination Protection Agreements. The Company has entered into termination protection agreements with the NEOs which provide "double-trigger" benefits that are designed to induce them to remain in the employ of the Company or any successor company in the event of a "Change in Control Event" by assuring compensation benefits if an officer is terminated without "Cause" or resigns for "Good Reason," as defined in the agreements. In the event of termination of employment within two years after the day preceding a Change in Control Event, the agreements for Messrs. Reusser, George and Yost and Ms. Mason generally provide for:

a pro rata amount of "minimum total compensation" as measured by the average compensation received during the prior two years, calculated as follows and reduced (but not below zero) by base salary previously paid to the executive: one (1) times the executive's annual rate of salary on the date immediately prior to the date of the Change in Control Event (the "effective date"), plus one (1) times the executive's target annual incentive compensation on the

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effective date, plus the actual gross cash compensation paid to the executive under the Company's long-term incentive plan during the twenty-four (24) month period ending on the Effective Date, divided by two (2);

- a lump sum payment equal to all other earned, but unpaid amounts;
- a lump sum payment equal to three times the minimum total compensation;
- full vesting of all outstanding unvested equity awards held by the executive as of the effective date to the extent such awards were not accelerated in full in connection with the Change in Control Event;
- reimbursement of certain legal fees and expenses associated with enforcing the agreement; and
- continuation of life insurance, health and accident and disability benefits for the remainder of the initial two-year period or until other full-time employment is accepted, unless participation in the Company's plans or programs is not practicable, in which case the Company may provide the executive with substantially similar benefits or cash compensation on an after-tax basis sufficient for the executive to purchase such benefits.

In the event of termination of employment within two years after the effective date, the agreement for Mr. Ross generally provides for:

- a pro rata amount of Mr. Ross's target annual incentive compensation on the effective date;
- a lump sum payment equal to all other earned, but unpaid amounts;
- a lump sum payment equal to three times the sum of Mr. Ross's annual rate of salary on the effective date plus Mr. Ross's target annual incentive compensation on the effective date;
- full vesting of all outstanding unvested equity awards held by the executive as of the effective date to the extent such awards were not accelerated in full in connection with the Change in Control Event;
- reimbursement of certain legal fees and expenses associated with enforcing the agreement; and
- an amount equal to the then-current monthly COBRA premium rate for Mr. Ross and his dependents multiplied by the number of months remaining in the 24-month period following the effective date further multiplied by 1.4.

In the event any payments under the termination protection agreements are considered to be "excess parachute payments" under Section 280G of the IRC, either alone or together with other Company payments, the payments will be reduced so that the payments will not be treated as "excess parachute payments." However, this payment reduction will only take place if the reduction would provide to the executive a greater net, after-tax benefit than he or she would receive if the payments were not subject to the reduction.

For purposes of the termination protection agreements, the following definitions apply:

"Cause" is generally defined as:

- the willful and continued failure by the executive to substantially perform his or her duties and obligations to the Company (other than any such failure resulting from illness, sickness, or physical or mental incapacity) which failure continues after the Company has given notice to the executive; or
- the willful engaging by the executive in misconduct that is significantly injurious to the Company, monetarily or otherwise.

"Good Reason" is generally defined as:

- a material diminution in the executive's authority, duties, or responsibilities, including, for example, assignment to the executive of any duties inconsistent with, or the reduction of powers or functions associated with, his or her positions, duties, responsibilities and status with the Company immediately prior to the transaction or any removal of the executive from or any failure to re-elect the executive to any positions or offices the executive held immediately prior to the transaction, except in connection with the termination of the executive's employment by the Company for cause or for disability, or a material negative change in the employment relationship, such as the failure to maintain a working environment conducive to the performance of the executive's duties or the effective exercise of the powers or functions associated with the executive's position, responsibilities and status with the Company immediately prior to the transaction;

any action or inaction that constitutes a material breach by the Company of the agreement (including, among others, the failure to maintain the compensation paid to the executive at certain levels);
the Company's mandatory transfer of the executive to another geographic location, without the executive's consent, outside of a twenty (20) mile radius from the executive's current location; or

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failure by the Company to obtain an assumption of the obligations of the Company to perform the agreement by any successor.

Termination of employment by the executive will not be deemed to be for “Good Reason” unless the executive provides written notice to the Company of the Good Reason conduct or event within 90 days of its occurrence and the Company has a 30-day opportunity after such notice to cure such conduct or event.

“Change in Control Event” is generally defined as any of the events described under “company transaction” or under “change in control” under the Equity Plans section below.

Equity Plans. Options granted pursuant to the Company’s 2004 Equity Incentive Plan or the 2013 Equity Incentive Plan to our executive officers on or after December 10, 2009, continue to vest in accordance with the normal vesting schedule in the event of termination due to retirement. For restricted stock units granted pursuant to the Company’s 2004 Equity Incentive Plan or the 2013 Equity Incentive Plan prior to the end of fiscal 2016, the Compensation Committee has in its sole discretion the ability to provide that all unvested units become vested upon retirement. In addition, upon death or disability of our executive officers, all unvested stock options and restricted stock units will automatically fully vest. Upon the retirement, death or disability of an executive officer, each executive officer is entitled to awards issued in the normal course under the PSP for the full performance period based on actual achievement of the PSP goals so long as the executive officer completes at least one full year of continuous, active employment during the performance period. If that service period is not met, the executive officer will not be entitled to any award under the PSP upon his or her retirement, death or disability.

In addition, pursuant to the Company’s 2004 Equity Incentive Plan or the 2013 Equity Incentive Plan, together with the terms of the termination protection agreements, all options and restricted stock units held by the NEOs do not vest upon certain company transactions if the successor converts, assumes or replaces such awards unless an employee is terminated without cause or resigns with good reason within 24 months following such transaction. If the outstanding options and restricted stock units held by NEOs are not converted, assumed or replaced by the successor in such transaction, the outstanding awards become fully and immediately vested and exercisable, as applicable. All options and restricted stock units held by the NEOs that were granted prior to September 2015 become fully and immediately vested and exercisable immediately prior to certain acquisitions of the Company’s outstanding securities and changes in the composition of the Board. Stock options and restricted stock units granted to NEOs after September 2015 will not vest automatically upon such events. Performance-based awards under the PSP program earned and outstanding as of the date of a company transaction and for which the payout level has been determined are payable in full in accordance with the original payout schedule. Awards under the PSP program for which the payout level has not been determined will be prorated at the target payout level up to and including the date of such transaction.

The restricted stock units granted to each of Messrs. George and Yost on September 11, 2013, vested 50% on December 15, 2014, and 25% on each of December 15, 2015, and December 15, 2016. In the event of the termination of service of Messrs. George and Yost by the Company without Cause (as defined above) or by the executive officer with “good reason,” the unvested restricted stock units due to vest on December 15, 2016, would have vested immediately as of the date of termination of service.

For purposes of the 2004 Equity Incentive Plan and awards granted under the 2013 Equity Incentive Plan prior to September 2015, the following definitions generally apply:

A company transaction is generally defined as the consummation of any of the following:

- a merger or consolidation of the Company with or into any other company or other entity;
- a sale in one transaction or a series of transactions undertaken with a common purpose of at least 50% of the Company’s outstanding voting securities; or

a sale, lease, exchange or other transfer in one transaction or a series of related transactions undertaken with a common purpose of at least 50% of the Company's assets, and excludes a transaction pursuant to which:

the beneficial ownership of the Company or the resulting company remains the same with respect to at least 70% of the voting power of the outstanding voting securities in substantially the same proportions as immediately prior to such transaction;

no entity (other than the Company or an affiliate) will beneficially own 30% or more of the outstanding shares of Common Stock of the resulting company or the voting power of the outstanding voting securities; and

the Company's incumbent board will, after the transaction, constitute at least a majority of the board of the company resulting from such transaction.

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A change in control is generally defined as the occurrence of any of the following events:

- an acquisition of beneficial ownership of 30% or more of either (a) the then outstanding shares of Common Stock of the Company or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (excluding any acquisition directly from the Company, any acquisition by the Company, any acquisition by any employee benefit plan of the Company, or an acquisition pursuant to certain related party transactions); or
- a change in the composition of the Board during any two-year period such that the incumbent board members cease to constitute at least a majority (not including directors whose election was approved by at least two-thirds of the incumbent board).

In September 2015, we amended the 2013 Equity Incentive Plan to delete the definition of change of control, as described above, and to change the term “company transaction” to “change in control” such that as amended, change in control has the meaning of company transaction as set forth above.

Annual Incentive Compensation Plan. Under the terms of the 2016 Annual Incentive Compensation Plan, participants must remain employed by the Company through the entire fiscal year and through the payment date (generally within 60 days following fiscal year-end) to be entitled to receive payment, unless termination is due to retirement, disability or death, in which case the participant will be entitled to a pro-rata amount based on the participant’s period of active employment. Payments made under the 2016 Annual Incentive Compensation Plan are subject to the Company’s compensation recovery, or “clawback,” policy.

Cash-Based Long-Term Incentive Plan. Under the terms of the cash LTIP, participants must be actively employed by the Company through the entire performance period and through the payment date (generally in January of the calendar year immediately following the conclusion of the performance period) to be entitled to receive payment, unless termination is due to retirement, disability or death, in which case the participant will be entitled to the actual award for the full performance period in the normal course so long as the participant completed at least one year of continuous employment during the performance period. Payments made under the LTIP are subject to the Company’s compensation recovery, or “clawback,” policy.

Pension Plans. Under the terms of the Pension Plan and SERPs (Pre 2005 and 2005+), a participant must earn five years of service to receive a termination benefit. Disability benefits are available to any active participant who becomes totally and permanently disabled and remains so until normal retirement age. The disability benefit is calculated assuming the rate of pay at disability continues in effect until normal retirement age, and includes service from the date of disability until normal retirement age. Normal retirement age is 65, with 5 years of service, and early retirement can occur once a participant’s age plus years of service equal at least 65 years.

Potential Payments Upon Termination of Employment or Change in Control

The estimated potential incremental payments and benefits for the NEOs under each termination scenario are outlined in the following table. The table does not include amounts payable under the DC SERP and benefits generally available to all employees on a non-discriminatory basis or earned benefits, which are payments and benefits that the NEOs would have already earned during their employment with us whether or not a termination or change in control event had occurred. Actual amounts payable can only be determined at the time of termination or change in control.

Name	Benefit	Termination Scenario ⁽¹⁾				
		Involuntary		Termination	Change in	
		Retirement,	Without		Control	
		Death or	Cause	or for Good	Termination	
		Voluntary		Reason		
		Disability		(\$)	(\$)	
		(\$)	(\$)			
Curtis C. Reusser	Severance Payment	(2)	\$-	\$-	\$ -	\$5,599,478
	Incentive Plan Awards	(3)	-	1,520,483	-	526,014
	Accelerated Equity	(4)	-	2,766,589	-	2,766,589
	Continued Equity Vesting	(5)	-	-	-	-
	Benefit Continuation	(6)	-	-	-	37,063
	Excess Retirement Benefit	(7)	-	1,772,738	-	-
	Reduction of CIC Benefits	(8)	-	-	-	(1,229,651)
Robert D. George	Severance Payment	(2)	\$-	\$-	\$ -	\$2,802,654
	Incentive Plan Awards	(3)	-	613,557	-	215,595
	Accelerated Equity	(4)	-	946,393	225,839	946,393
	Continued Equity Vesting	(5)	-	38,475	-	-
	Benefit Continuation	(6)	-	-	-	37,783
	Excess Retirement Benefit	(7)	-	350,964	-	-
Marcia J. Mason	Severance Payment	(2)	\$-	\$-	\$ -	\$2,101,688
	Incentive Plan Awards	(3)	-	415,657	-	143,851
	Accelerated Equity	(4)	-	329,938	-	329,938
	Continued Equity Vesting	(5)	-	25,778	-	-
	Benefit Continuation	(6)	-	-	-	15,748
	Reduction of CIC Benefits	(8)	-	-	-	(130,431)
Roger A. Ross	Severance Payment	(2)	\$-	\$-	\$ -	\$2,026,000
	Incentive Plan Awards	(3)	-	282,866	-	63,251
	Accelerated Equity	(4)	-	334,576	-	334,576
	Continued Equity Vesting	(5)	-	-	-	-
	Benefit Continuation	(6)	-	-	-	37,037

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	Excess Retirement Benefit	(7)	-	739,144	-	-
Albert S. Yost	Severance Payment	(2)	\$-	\$-	\$-	\$2,337,284
	Incentive Plan Awards	(3)	-	456,641	-	156,327
	Accelerated Equity	(4)	-	664,514	95,050	664,514
	Continued Equity Vesting	(5)	-	25,778	-	-
	Benefit Continuation	(6)	-	-	-	37,156
	Excess Retirement Benefit	(7)	-	577,223	-	-
	Reduction of CIC Benefits	(8)	-	-	-	(364,659)

-
- (1) All scenarios assume termination and/or change in control occurred on September 30, 2016, the last day of fiscal 2016. The closing price of the Company's Common Stock on that date was \$76.04 per share.
- (2) Pro rata payment of Minimum Total Cash Compensation plus 3x Minimum Total Compensation (based on amended Sections 4.1(a) and (c) of Termination Protection Agreement). Effective fiscal year 2016, Minimum Total Compensation includes one times the executive's annual rate of salary on the date immediately prior to the date of the change in control event (the "effective date"), plus one times the executive's target annual incentive compensation on the effective date, plus the actual gross cash compensation paid to the executive under the Company's long-term incentive plan during the twenty-four month period ending on the effective date, divided by two. For Mr. Ross, he will receive cash severance of a lump sum payment equal to 3x the sum of Mr. Ross's annual rate of salary on the effective date plus his target annual incentive compensation on the effective date.
- (3) The amounts under the Retirement, Death or Disability column represent (1) actual amounts earned under the 2016 Annual Incentive Compensation Plan and the 2014-2016 performance cycle under the cash-based LTIP that participants would only be entitled to if

termination was due to retirement, death or disability, plus (2) target amounts under the 2015-2017 and 2016-2018 performance cycles under the PSP that participants would only be entitled to if termination was due to retirement, death or disability. The terms of the PSP provide that participants are entitled to the actual award for the full performance period in the event of retirement, death or disability after at least one year of continuous employment during a performance cycle, but the amounts in the table reflect the target amounts for the 2015-2017 and 2016-2018 performance cycles because actual awards under these cycles cannot be determined at this time.

- (4) The amounts under the Change in Control Termination column represent (1) the difference between the closing price of the Company's Common Stock on September 30, 2016, and the exercise price of the accelerated options, (2) the value of the accelerated restricted stock units based on the closing price of the Company's Common Stock on September 30, 2016, and (3) the value of the 2015-2017 and 2016-2018 performance cycles under the PSP program prorated at target up to September 30, 2016, based on the closing price of the Company's Common Stock on September 30, 2016. Stock options, restricted stock units and awards under the PSP program, granted prior to September 30, 2016, may accelerate even if the executive's employment is not terminated. For purposes of stock options and restricted stock units granted under the 2004 Equity Incentive Plan and the 2013 Equity Incentive Plan, this assumes the stock options and restricted stock units are not assumed or substituted for by the successor company in a company transaction. The amounts in the Retirement, Death or Disability column (1) represent the value of the accelerated restricted stock units based on the closing price of the Company's Common Stock on September 30, 2016, (2) assumes that either termination was due to death or disability or that the Compensation Committee exercised its discretion in the case of retirement to provide that all unvested units become vested and (3) assumes one full-year of continuous, active employment during the performance period of the PSP. The amounts under the Involuntary Termination Without Cause or for Good Reason column represent the value of the accelerated special restricted stock units (granted on September 11, 2013) based on the closing price of the Company's Common Stock on September 30, 2016.
- (5) Represents the difference between the closing price of the Company's Common Stock on September 30, 2016, and the exercise price of options that were unvested as of September 30, 2016, but that would have continued to vest after termination of employment due to retirement.
- (6) Represents the cost of continuation of benefits for Messrs. Reusser, George and Yost and Ms. Mason for two years after the transaction, which is the longest period provided for under the termination protection agreements. These benefits include medical, dental, accident, disability and life insurance. . For Mr. Ross, the amount represents COBRA payments [for him and his dependents] for two years after the transaction, multiplied by a factor of 1.4.
- (7) Represents the value of additional benefits due to termination of employment as a result of disability in excess of what is shown in the Pension Benefits for Fiscal 2016 table in this proxy statement.
- (8) Represents the reduction estimated to be necessary to avoid excise taxes under Section 280G of the Internal Revenue Code of 1986, as amended, on payments related to a change in control. Under the terms of the termination protection agreements, payments are only reduced if the reduction would provide the executive a greater net, after-tax benefit than the executive would receive if the payments were not subject to the reduction.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company reviews related-party transactions. Related party transactions are transactions that involve the Company's directors, executive officers, director nominees, 5% or more beneficial owners of the Company's Common Stock, immediate family members of these persons, or entities in which one of these persons has a direct or indirect material interest, as specified under applicable SEC regulations. Transactions that are reviewed as related-party transactions by the Company are transactions that involve amounts that would exceed \$120,000 and/or are required to be disclosed in the proxy statement under SEC regulations and certain other similar transactions. Pursuant to the Company's Code of Business Conduct and Ethics, employees and directors have a duty to report any potential conflicts of interest to the appropriate level of management or to the Board of Directors, in the case of directors. The Company evaluates these reports along with responses to the Company's annual director and officer questionnaires for any

indication of possible related-party transactions. If a transaction is deemed by the Company to be a related-party transaction, the information regarding the transaction is forwarded to the Audit Committee for review and approval. Pursuant to the Audit Committee's charter, it has been delegated the authority to review and approve all related party transactions. Since the beginning of fiscal year 2016, other than as detailed below, there have been no transactions in excess of \$120,000 between the Company and a related person in which the related person had a direct or indirect material interest.

The FPA Agreement

On October 18, 2016, the Company entered into an Agreement with FPA, which beneficially owns approximately 12.5% of the outstanding Common Stock of the Company. The following are the material terms of the FPA Agreement:

•The Company agreed to increase the size of the Board of Directors to ten directors and appointed Mr. Nils E. Larsen as a new independent director of the Company, with a term expiring at the 2017 annual meeting. The Board also acted to nominate Mr. Larsen for election at the 2017 annual meeting for a further, regular three-year term expiring at the 2020 annual meeting of stockholders. The Company is recommending, supporting and soliciting proxies for Mr. Larsen in the same manner as the other Company Board nominees identified in this proxy statement for election at the 2017 annual meeting. If at any time during the Standstill Period FPA fails to satisfy the Minimum Ownership Threshold, Mr. Larsen will submit to the Company his resignation from the Board and its committees.

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As part of the process to select a candidate to replace Mr. James J. Morris, FPA has the right to submit the FPA Candidates to the Nominating & Corporate Governance Committee to be considered for election as a director. The Nominating & Corporate Governance Committee shall give due and careful consideration to the FPA Candidates and share with FPA information pertaining to the other final proposed candidates it considers for the nominee to replace Mr. Morris.

Since it is currently anticipated that Mr. Morris's replacement will be selected at some time following the 2017 annual meeting, at the end of the 2017 annual meeting, the Board of Directors will accept Mr. Morris's resignation and reduce the number of authorized members of the Board of Directors to nine. At such time that Mr. Morris's replacement nominee is identified and approved by the Board, the size of the Board will be increased to ten directors, and the replacement nominee will be appointed to fill the vacancy and assigned to the class of directors whose term expires at the 2020 annual meeting.

The Company agreed that FPA shall have the right to request that the Board take all necessary actions to allow the shareholders of the Company to vote at the 2018 annual meeting, and in certain circumstances at the 2019 annual meeting, on a binding proposal to amend the Company's Certificate of Incorporation to eliminate the Company's classified Board.

FPA agreed to appear in person or by proxy at the 2017 annual meeting (and, if an FPA Candidate has been appointed as Mr. Morris's replacement, the 2018 annual meeting), and will vote all shares beneficially owned by FPA at such meeting or meetings: (i) in favor of the election of the director nominees recommended by the Board, (ii) in favor of the ratification of the appointment of Ernst & Young, LLP as the Company's independent registered public accounting firm for the year ending September 29, 2017, or, if applicable, the year ending September 28, 2018, and (iii) in accordance with the Board's recommendation with respect to the Company's "say-on-pay" proposal, unless Institutional Shareholder Services Inc. and Glass Lewis & Co., LLC recommends otherwise with respect to such "say-on-pay" proposal.

FPA agreed that it will not acquire beneficial ownership of any Common Stock of the Company in excess of 15% prior to the earlier of (x) the conclusion of the 2018 annual meeting or (y) February 28, 2018, and may acquire 20% of the then outstanding shares of Common Stock thereafter. In addition, in the event that FPA's beneficial ownership of Common Stock exceeds 15%, FPA will not engage in any sale of the Company's Common Stock if the purchaser of such Common Stock would beneficially own 5% or more of the Company's Common Stock, with certain limited exceptions.

The Company agreed to reimburse FPA for its reasonable, documented out-of-pocket fees and expenses (including legal expenses) incurred in connection with the matters related to the negotiation and execution of the Agreement in an amount not to exceed \$125,000.

FPA agreed to customary standstill restrictions during the Standstill Period, which is the period from October 18, 2016, until the earlier of (i) the date that is fifteen (15) business days prior to the deadline for the submission of stockholder nominations for the 2020 annual meeting pursuant to the Bylaws and (ii) the date that is 100 days prior to the first anniversary of the 2019 annual meeting.

For additional details regarding the terms of the FPA Agreement, including a copy of the FPA Agreement, please see Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2016.

AUDIT COMMITTEE REPORT

The Audit Committee of the Company's Board of Directors consists of four non-employee directors, each of whom the Board has determined (i) meets the independence criteria specified by the SEC and the requirements of Section 303A.02 and other applicable sections of the NYSE listing standards and (ii) is financially literate in accordance with the requirements of Section 303A.07 of the NYSE listing standards. The Audit Committee annually reviews and reassesses its written charter, a copy of which is available on the Company's website at www.esterline.com under the Corporate Governance tab.

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls for financial reporting. The Audit Committee is responsible for overseeing the Company's financial reporting processes on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements relating to the fiscal year ended September 30, 2016, and discussed with management the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee selects and retains the Company's independent registered public accounting firm, which was Ernst & Young LLP for fiscal 2016.

The Audit Committee discussed with the independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters relating to the audit required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 1300. In addition, the Audit Committee has discussed with the independent registered public accounting firm the accounting firm's independence from management and the Company and received the written disclosures from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board requiring the independent accountant's communications with the Audit Committee concerning independence.

The Audit Committee discussed with the Company's internal auditors and the independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee met with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended September 30, 2016, for filing with the Securities and Exchange Commission.

Respectfully submitted,

SCOTT E. KUECHLE, CHAIRMAN

PAUL V. HAACK

MARY L. HOWELL

JAMES J. MORRIS

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S FEES

The aggregate fees billed by Ernst & Young LLP, the Company's independent registered public accounting firm, in fiscal 2016 and 2015 were as follows:

	Fees	
	2016	2015
Audit fees ⁽¹⁾	\$4,136,825	\$4,001,395
Audit-related fees ⁽²⁾	52,078	37,500
Tax fees ⁽³⁾	412,045	421,058
All other fees ⁽⁴⁾	-	10,750

(1) Includes professional services for the audit of the Company's annual financial statements and internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, included in the Company's Annual Reports on Form 10-K, and for reviews of the financial statements included in the Company's Form 10-Q filings. Included are services that are normally provided by the Company's independent registered public accounting firm in connection with statutory and regulatory filings or engagements and

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services that generally only the independent registered public accounting firm can reasonably provide, such as comfort letters, statutory audits, attest services, consents and assistance with and review of documents filed with the SEC.

(2) Includes fees associated with assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements, including, if applicable, fees related to assistance in financial due diligence related to mergers and acquisitions and consultation regarding generally accepted accounting principles. These services include employee benefit plan (pension and 401(k)) audits and other assurance services not directly related to the audit of the Company’s consolidated financial statements.

(3) Includes fees associated with tax compliance, tax advice, and domestic and international tax planning. This category includes fees relating to tax planning on mergers and acquisitions, restructurings and other services related to tax disclosure and filing requirements.

(4) Consists of fees for all other services not included in the three categories set forth above.

The Audit Committee has adopted procedures for pre-approving all audit and permissible non-audit services provided by the independent registered public accounting firm. The Audit Committee may either pre-approve such services without consideration of specific case-by-case services (“general approval”) or pre-approve specific services (“specific pre-approval”). Unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee. In some cases, pre-approval is provided by the full Audit Committee for up to a year, and relates to a particular category or group of services and is subject to a specific budget. In other cases, the Chairman of the Audit Committee has the delegated authority from the Audit Committee to pre-approve additional services, and such pre-approvals are then communicated to the full Audit Committee at the following meeting. When pre-approving services, the Audit Committee considers whether such services are consistent with the SEC’s rules on auditor independence. The Audit Committee also considers whether the independent registered public accounting firm is best positioned to provide the most effective and efficient services, for reasons such as familiarity with the Company’s business, people, culture, accounting systems, and risk profile and whether the services enhance the Company’s ability to manage or control risks and improve audit quality.

The Audit Committee has designated the Corporate Controller to monitor the services provided by the independent registered public accounting firm, to determine whether such services are in compliance with the pre-approval policy and to report the results of such monitoring to the Audit Committee on a periodic basis.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information as of September 30, 2016, about the shares of Common Stock that may be issued upon the exercise of options, warrants and rights under the 2002 Employee Stock Purchase Plan, the 2004 Equity Incentive Plan and the 2013 Equity Incentive Plan, the only equity compensation plans of the Company in effect during the Company’s last fiscal year.

Plan Category	Number of securities to be issued upon exercise of outstanding	Weighted average price of outstanding options, warrants	Number of securities remaining available for future issuance under
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	options, warrants	and rights (2)	equity compensation
	and rights (1)		plans (excluding securities reflected in the first column) (3) (4)
Equity compensation plans approved			
by security holders	1,730,039	\$ 68.3093	1,266,645
Equity compensation plans not approved			
by security holders	-	-	-
	1,730,039	\$ 68.3093	1,266,645

(1) Includes 142,030 shares subject to outstanding options under the U.K. ShareSave Scheme, which is a subplan to the 2002 Employee Stock Purchase Plan. Also includes shares subject to the 2015-2017 and 2016-2018 performance cycles under the PSP program at target levels.

(2) Excludes restricted stock units and awards under the PSP program, which have no exercise price.

(3) Of these shares, 801,558 shares are available for issuance under the 2013 Equity Incentive Plan and 465,087 shares are available for purchase under the 2002 Employee Stock Purchase Plan as of the end of the Company's last completed fiscal year.

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- (4) Each of the Company's non-employee directors receives an automatic grant of shares of Common Stock not subject to any restriction under the 2013 Equity Incentive Plan within 45 days after each annual shareholders meeting with an aggregate market value of \$110,000 based on the closing price of the Common Stock on that date.

PROPOSAL TWO:

APPROVAL OF THE COMPANY'S AMENDED AND RESTATED 2013 EQUITY INCENTIVE PLAN

The Board, the Compensation Committee of the Board, and Company management all believe that the effective use of stock-based long-term incentive compensation has been integral to the Company's success in the past and is vital to its ability to achieve continued strong performance in the future. The Company's 2013 Equity Incentive Plan was originally approved by shareholders on March 6, 2013, and was amended and restated by the Board on September 17, 2015, to eliminate "single-trigger" acceleration in certain change in control events for awards granted beginning in September 2015.

The Board is seeking shareholder approval of the amendment and restatement of the Company's 2013 Equity Incentive Plan, as approved by the Board on December 16, 2016, subject to shareholder approval (the "Amended and Restated 2013 Plan"), which includes amendments to:

- increase the number of shares authorized for issuance by 1,800,000;
- add a limit on the aggregate value of all awards that may be granted during any calendar year to any member of the Board who is not an employee of the Company;
- add a minimum vesting requirement, such that all awards will vest no earlier than one year after the date of grant (except if accelerated pursuant to a change in control or a termination of service), except that that awards for up to an aggregate maximum of 5% of the aggregate number of shares authorized for issuance may be granted without regard to such minimum vesting requirement;
- limit the Compensation Committee's discretion to permit the transfer of an award, such that the Compensation Committee may not permit a participant to assign or transfer an award to a third party financial institution in exchange for a cash payment or other consideration without stockholder approval; and
- certain other administrative revisions.

Under Section 162(m) of the IRC, we are generally prohibited from deducting compensation paid to "covered employees" in excess of \$1 million per person in any year. "Covered employees" are defined as the principal executive officer and the three other most highly compensated NEOs (excluding the principal financial officer). Compensation that qualifies as "performance-based" is excluded for purposes of calculating the amount of compensation subject to the \$1 million limit. In general, one of the requirements that must be satisfied to qualify as "performance-based" compensation under Section 162(m) of the IRC is that the material terms of the performance goals under which compensation may be paid must be disclosed to and approved by our shareholders every five years. Accordingly, shareholders are being asked to approve this Proposal, which is intended to constitute re-approval of the material terms of the performance goals under the Amended and Restated 2013 Plan, to ensure that the Company continues to have the flexibility to grant awards under the Amended and Restated 2013 Plan that are intended to qualify as "performance-based" compensation under Section 162(m) of the IRC.

Key Features of the Amended and Restated 2013 Plan

The Amended and Restated 2013 Plan includes several features that are consistent with the interests of our shareholders and sound corporate governance practices, including the following:

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No automatic share replenishment or “evergreen” provision. There is no evergreen feature pursuant to which the shares authorized for issuance under the Amended and Restated 2013 Plan can be automatically replenished.

❖No discounted options or SARs. Stock options and SARs may not be granted with an exercise or grant price lower than the fair market value of the underlying shares on the date of grant, except in the case of awards granted in substitution or exchange for awards previously granted by an acquired entity.

❖No repricing of options or SARs without shareholder approval. The Amended and Restated 2013 Plan prohibits the repricing of options or SARs without prior shareholder approval.

❖No liberal share counting or “recycling” of shares. The following shares will not become available for issuance under the Amended and Restated 2013 Plan: (1) shares tendered to the Company to satisfy the exercise price of options, (2) shares reserved for issuance upon grant of SARs, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs, and (3) shares withheld by or tendered to the Company to satisfy tax withholding obligations for an award.

❖No liberal change-in-control definition. Change in control benefits are triggered only by the occurrence, rather than shareholder approval, of a merger or other change in control event.

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• Double-trigger vesting where awards are assumed or substituted in a company transaction. In the event of a change in control in which awards (other than performance shares and performance units) are assumed or substituted by a successor company, such awards will not automatically vest or pay out solely as a result of the transaction.

Information Regarding Additional Shares Requested

The Amended and Restated 2013 Plan authorizes the issuance of 3,300,000 shares of Common Stock, which includes an increase of 1,800,000 shares from the 1,500,000 shares initially authorized for issuance. In addition, up to an aggregate maximum of 2,640,025 shares authorized for issuance under the Company’s Amended and Restated 2004 Equity Incentive Plan (as amended) (the “Prior Plan”) may become available for issuance under the Amended and Restated 2013 Plan to the extent such shares, as of March 6, 2013, (a) had not been issued under the Prior Plans and were not subject to outstanding awards under the Prior Plans or (b) were subject to outstanding awards under the Prior Plans but subsequently cease to be subject to such awards (other than by reason of exercise or settlement of the awards in shares).

We believe that the number of shares that will be available under the Amended and Restated 2013 Plan will be sufficient to cover the Company’s expected future grants of awards for the next three years, taking into account, among other considerations, the Company’s past grant practices and anticipated future grant practices, including those resulting from the introduction of restricted stock units as part of the Company’s long-term incentive compensation program for executives and other eligible Company employees.

In setting the proposed increase in the number of shares authorized for issuance under the Amended and Restated 2013 Plan, the Compensation Committee and the Board considered a number of factors, including the factors discussed further below.

Shares Available and Subject to Outstanding Awards

The “Equity Compensation Plan Information” table in this proxy statement provides information about shares that may be issued under our equity compensation plans as of September 30, 2016. The following bullets set forth information regarding shares available and outstanding under all of the company’s equity plans (excluding the 2002 Employee Stock Purchase Plan), as of November 25, 2016:

- 423,837 shares remained available for grant. The Board believes the additional shares will be needed under the Amended and Restated 2013 Plan to provide appropriate incentives to key employees.
 - 1,450,651 stock options (vested and unvested) were outstanding with a weighted-average exercise price of \$76.56 per share and a weighted-average remaining term of 6.51 years.
- 18,595 shares underlying restricted stock unit awards were outstanding.
- 31,375 shares underlying performance share awards (at target) were outstanding.

As of November 25, 2016, we had 29,617,263 shares of Common Stock issued and outstanding and the weighted average common stock (basic) outstanding was 29,483,515 shares. The closing price of our Common Stock as reported on the New York Stock Exchange on November 25, 2016, was \$87.50 per share.

Historical Equity Award Granting Practices

In fiscal 2014, 2015 and 2016, the Company granted equity awards as follows:

2014	2015	2016
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Stock options granted	207,200		203,200		221,200	
Restricted stock units granted	77,975		28,150		37,000	
Performance shares granted at target	-		36,800		56,275	
Performance shares earned	-		-		-	
Weighted-average basic common shares outstanding at fiscal year end	31,839,915		30,729,172		29,490,290	
Annual burn rate *	0.90	%	0.75	%	0.88	%
Three-year average burn rate					0.84	%

* Annual burn rate is equal to (i) the number of stock options and time-based restricted stock units granted, plus (ii) the number of performance shares earned, divided by (iii) the weighted average basic common shares outstanding at fiscal-year end for the year indicated. Our future burn rate will depend on a number of factors, including the number of participants, the price per share of the Common Stock, any changes to our compensation strategy, changes in business practices or industry standards, changes in our capital structure due to stock splits or similar events, the compensation practices of our competitors or changes in compensation practices in the market generally, and the methodology used to establish the equity award mix.

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Expected Value Transfer and Potential Dilution

As of November 25, 2016, our dilution, or equity overhang (the number of shares subject to outstanding equity awards plus the number of shares available to be granted (“Total Award Shares”)), divided by total outstanding Common Stock was 6.85%, or 6.41% on a fully diluted basis (Total Award Shares divided by total outstanding Common Stock plus Total Award Shares). If the proposed 1,800,000 share increase is approved, the potential dilution will be 12.93%, or 11.45% on a fully diluted basis.

Description of the Amended and Restated 2013 Plan

The following description of the Amended and Restated 2013 Plan is a summary, does not purport to be a complete description of the Amended and Restated 2013 Plan and is qualified in its entirety by the full text of the Amended and Restated 2013 Plan. A copy of the Amended and Restated 2013 Plan is attached to this proxy statement as Annex A and is incorporated herein by reference.

Purpose

The purpose of the Amended and Restated 2013 Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies by providing them with the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company’s shareholders.

Administration

The Amended and Restated 2013 Plan will be administered by the Board or the Compensation Committee of the Board, which must be composed of two or more directors, each of whom is a “non-employee director” within the meaning of Rule 16b-3(b)(3) under the Securities Exchange Act of 1934, as amended, and an “outside director” within the meaning of Section 162(m) of the IRC. The Board may delegate concurrent administration of the Amended and Restated 2013 Plan to different committees consisting of one or more members of the Board in accordance with the Amended and Restated 2013 Plan’s terms. In addition, the Board or the Compensation Committee may delegate granting authority to one or more officers of the Company in accordance with the Amended and Restated 2013 Plan’s terms. References to the “Committee” in this plan description are, as applicable, to the Board or the Compensation Committee, or other committee or officers authorized to administer the Amended and Restated 2013 Plan.

The Committee is authorized to select the individuals to be granted awards, the types of awards to be granted, the number of shares to be subject to awards, and the other terms, conditions and provisions of such awards, as well as to interpret and administer the Amended and Restated 2013 Plan and any award or agreement entered into under the Amended and Restated 2013 Plan.

Eligibility

Awards may be granted under the Amended and Restated 2013 Plan to employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies selected by the Committee. As of September 30, 2016, 13,572 employees (including 6 executive officers), 9 non-employee directors and approximately 1,200 consultants/advisors and independent contractors were eligible to receive grants under the Amended and Restated 2013 Plan. Under the Company’s equity award granting practices, approximately 1,400 senior operations managers, other senior corporate managers (including executive officers) and high-performing key employees were eligible to receive grants under the Amended and Restated 2013 Plan as of September 30, 2016.

Number of Shares

The number of shares of Common Stock authorized for issuance under the Amended and Restated 2013 Plan is 3,300,000 shares, plus, any shares not issued or subject to outstanding awards under the Prior Plans as of March 6, 2013, and any shares then subject to outstanding awards under the Prior Plans that subsequently cease to be subject to such awards (other than by reason of exercise or settlement of the awards in shares) will automatically become available for issuance under the Amended and Restated 2013 Plan, up to an aggregate maximum of 2,640,025 shares. The shares of Common Stock issuable under the Amended and Restated 2013 Plan will consist of authorized and unissued shares or shares now held or subsequently acquired by the Company as treasury shares.

If any award lapses, expires, terminates or is canceled prior to the issuance of shares or if shares are issued under the Amended and Restated 2013 Plan and thereafter are forfeited to the Company, the shares subject to such awards and the forfeited shares will again be available for issuance under the Amended and Restated 2013 Plan. The following shares will not become available for issuance under the Amended and Restated 2013 Plan:

- shares tendered by a participant as full or partial payment upon exercise of a stock option;

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- shares reserved for issuance upon grant of stock appreciation rights (“SARs”), to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs; and
- shares withheld by, or otherwise tendered to, the Company to satisfy a participant’s tax withholding obligations in connection with an award.

Awards granted in assumption of or in substitution for awards previously granted by an acquired company will not reduce the number of shares authorized for issuance under the Amended and Restated 2013 Plan.

Adjustments

If certain changes in our Common Stock occur by reason of a stock dividend, stock split, spin-off, recapitalization, merger, consolidation, combination or exchange of shares, distribution to shareholders other than a normal cash dividend or other change in our corporate or capital structure, the Committee will make proportional adjustments to (a) the maximum number and kind of securities available for issuance under the Amended and Restated 2013 Plan, (b) the maximum number and kind of securities issuable as incentive stock options, (c) the maximum number and kind of securities issuable as “performance-based” compensation under Section 162(m) of the IRC and (d) the number and kind of securities subject to any outstanding awards and/or the per share price of such securities.

The Committee may also make adjustments as described in the paragraph above in the event of any distribution of assets to shareholders other than a normal cash dividend. In determining adjustments to be made, the Committee may take into account such factors as it deems appropriate and, in light of such factors or circumstances, may make adjustments that are not uniform or proportionate among outstanding awards, modify vesting dates, defer the delivery of stock certificates or make other equitable adjustments. Any such adjustments to outstanding awards will be effected in a manner that precludes the enlargement of rights and benefits under such awards.

Fungible Share Plan

The aggregate number of shares available for issuance under the Amended and Restated 2013 Plan will be reduced by 1.9 shares for each share delivered in settlement of awards other than stock options or SARs and one share for each share delivered in settlement of stock options or SARs. Any shares that again become available for issuance under the Amended and Restated 2013 Plan will be added back to the plan as 1.9 shares if such shares were subject to awards other than stock options or SARs and one share if such shares were subject to stock options or SARs.

Limit on Awards to Non-Employee Directors

The aggregate value of all awards (based on grant date fair value computed as of the date of grant in accordance with applicable financial accounting standards) granted during any calendar year to any member of the Board who is not an employee of the Company will not exceed \$500,000.

Types of Awards

The Amended and Restated 2013 Plan permits the granting of any or all of the following types of awards:

Stock Options. Stock options entitle the holder to purchase a specified number of shares of Common Stock at a specified price, which is called the exercise price, subject to the terms and conditions of the stock option grant. The Committee may grant either incentive stock options, which must comply with Section 422 of the IRC, or nonqualified stock options. The Committee sets exercise prices and terms, except that stock options must be granted with an exercise price not less than 100% of the fair market value of our Common Stock on the date of grant (excluding stock options granted in connection with assuming or substituting stock options in acquisition transactions). Unless the Committee determines otherwise, fair market value means, as of a given date, the closing price of our Common

Stock. At the time of grant, the Committee determines when stock options are exercisable and what the term of the stock options will be, except that the term cannot exceed ten years.

In the event of termination of service with the Company or a related company, a participant will be able to exercise his or her stock option for the period of time and on the terms and conditions determined by the Committee and stated in the stock option agreement. If the stock option agreement does not provide otherwise, stock options may be exercised in accordance with following:

- Any portion of a stock option that is not vested and exercisable on the date of termination of service will expire on the date of termination of service.
- Any portion of a stock option that is vested and exercisable on the date of termination of service will expire on the earlier of:
 - the date that is three months after termination of service, if termination of service is for reasons other than cause, retirement, disability or death;

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- the three-year anniversary of termination of service, if termination of service occurs by reason of retirement, disability or death; or
- the expiration date of the stock option.

If a participant dies after his or her termination of service but while the stock option is otherwise exercisable, the portion of the stock option that is vested and exercisable on the date of termination of services will generally expire upon the earlier of the stock option expiration date and the one-year anniversary of the date of death. If a participant is terminated for cause, all stock options will generally automatically expire upon notification to the participant of the termination.

Stock Appreciation Rights. The Committee may grant SARs as a right in tandem with the number of shares underlying stock options granted under the Amended and Restated 2013 Plan or as a freestanding award. Upon exercise, SARs entitle the holder to receive payment per share in stock or cash, or in a combination of stock and cash, equal to the excess of the share's fair market value on the date of exercise over the grant price of the SAR. The grant price of a tandem SAR is equal to the exercise price of the related stock option, and the grant price for a freestanding SAR is determined by the Committee in accordance with the procedures described above for stock options. Exercise of an SAR issued in tandem with a stock option will reduce the number of shares underlying the related stock option to the extent of the SAR exercised. The term of a freestanding SAR cannot be more than ten years, and the term of a tandem SAR cannot exceed the term of the related stock option.

Stock Awards, Restricted Stock and Stock Units. The Committee may grant awards of shares of Common Stock or awards designated in units of Common Stock. These awards may be made subject to repurchase or forfeiture restrictions at the Committee's discretion. The restrictions may be based on continuous service with the Company or the achievement of specified performance criteria, as determined by the Committee. Stock units may be paid in stock or cash or a combination of stock and cash, as determined by the Committee.

Performance Awards. The Committee may grant performance awards in the form of performance shares or performance units. Performance shares are units valued by reference to a designated number of shares of Common Stock. Performance units are units valued by reference to a designated amount of property other than shares of Common Stock. Performance shares and performance units may be payable upon the attainment of performance criteria and other terms and conditions as established by the Committee. Performance awards may be payable in stock, cash or other property, or a combination thereof.

Other Stock or Cash-Based Awards. The Committee may grant other incentives payable in cash or in shares of Common Stock, subject to the terms of the Amended and Restated 2013 Plan and any other terms and conditions determined by the Committee.

Minimum Vesting Requirement

Notwithstanding any other provision of the Amended and Restated 2013 Plan to the contrary, all awards will vest and become exercisable, and any applicable restrictions or forfeiture provisions will lapse, no earlier than one year after the date of grant (except if accelerated pursuant to a change in control or termination of service), except that awards for up to an aggregate maximum of 5% of the aggregate number of shares authorized for issuance under the Amended and Restated 2013 Plan may be granted without regard to such minimum vesting requirement.

No Repricing

Without shareholder approval, the Committee is not authorized to (a) lower the exercise or grant price of a stock option or SAR after it is granted, except in connection with certain adjustments to our corporate or capital structure permitted by the Amended and Restated 2013 Plan, such as stock splits, (b) take any other action that is treated as a

repricing under generally accepted accounting principles or (c) cancel a stock option or SAR at a time when its exercise or grant price exceeds the fair market value of the underlying stock, in exchange for cash, another stock option or SAR, restricted stock or other equity award, unless the cancellation and exchange occur in connection with a merger, acquisition, spin-off or similar corporate transaction.

Performance-Based Compensation under Section 162(m)

Performance Goals and Criteria. Under Section 162(m) of the IRC, we are generally prohibited from deducting compensation paid to our principal executive officer and our three other most highly compensated executive officers (other than our principal financial officer) in excess of \$1 million per person in any year. However, compensation that qualifies as “performance-based” is excluded for purposes of calculating the amount of compensation subject to the \$1 million limit.

For awards intended to qualify as “performance-based” compensation under Section 162(m) of the IRC, performance goals may be based on the attainment of specified levels of one, or any combination, of the following performance criteria for the Company as a whole or any affiliate or business unit, as reported or calculated by the Company: cash flows (including, but not limited to, operating cash flow, free cash flow or cash flow return on capital); working capital; earnings per share; book value

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per share; operating income (including or excluding depreciation, amortization, extraordinary items, restructuring charges or other expenses); revenues; operating margins; return on assets; return on equity; return on sales (including or excluding financial effects of acquisitions or divestitures); debt; debt plus equity; market or economic value added; stock price appreciation; total shareholder return; cost control; strategic initiatives; market share; net income; return on invested capital; improvements in capital structure; or customer satisfaction, employee satisfaction, services performance, subscriber, cash management or asset management metrics.

The performance goals also may be based on the achievement of specified levels of performance for the Company as a whole (or of any affiliate or business unit) under one or more of the performance criteria described above relative to the performance of other corporations.

The evaluation of performance may include or exclude any of the following events that occur during a performance period: asset write-downs, litigation or claim judgments or settlements, the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, any reorganization and restructuring programs, any unusual, infrequently occurring and/or nonrecurring items of gain or loss, that in all of the foregoing the Company identifies in its audited financial statements, including notes to the financial statements, or the Management's Discussion and Analysis section of the Company's periodic reports, acquisitions or divestitures, discontinued operations, foreign exchange gains and losses, and gains and losses on asset sales.

Adjustments. Awards that are intended to qualify as "performance-based" compensation under Section 162(m) of the IRC may be adjusted downwards but not upwards. In addition, achievement of the applicable performance goals related to an award may not be waived, except in the case of the participant's death or disability. Section 162(m) of the IRC requires that a qualifying committee certify that performance goals were achieved before the payment of the "performance-based" compensation.

Limitations. Subject to certain adjustments for changes in our corporate or capital structure, participants who are granted awards intended to qualify as "performance-based" compensation may not be granted awards, other than performance units, for more than 200,000 shares of Common Stock in any calendar year. However, additional onetime grants of such awards may be granted for up to 400,000 shares to newly hired or newly promoted individuals. The maximum dollar value payable to any participant with respect to performance units or any other awards payable in cash that are intended to qualify as "performance-based" compensation cannot exceed \$4,000,000 in any calendar year.

Change in Control

Effect of Change in Control. Under the Amended and Restated 2013 Plan, unless the Committee determines otherwise in the instrument evidencing an award or in a written employment, services or other agreement between a participant and the Company or a related company, in the event of a change in control:

If the change in control is a transaction in which awards, other than performance shares and performance units, could be converted, assumed, substituted for or replaced by the successor company, then, to the extent that the successor company converts, assumes, substitutes for or replaces such awards, the vesting restrictions and forfeiture provisions applicable to such awards will not be accelerated or lapse, and all such vesting restrictions and forfeiture provisions will continue with respect to any shares of the successor company or other consideration that may be received with respect to such awards. To the extent such outstanding awards are not converted, assumed, substituted for or replaced by the successor company, such awards will become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions will lapse, immediately prior to the change in control. Such awards will then terminate at the effective time of the change in control.

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All performance shares and performance units earned and outstanding as of the date the change in control occurs and for which the payout level has been determined will be payable in full in accordance with the payout schedule included in the instrument evidencing the award. Any remaining outstanding performance shares or performance units for which the payout level has not been determined will be prorated at the target payout level up to and including the date of the change in control and will be payable in accordance with the payout schedule included in the instrument evidencing the award.

•The Committee may in its discretion instead provide that a participant's outstanding awards will terminate in exchange for a cash payment.

Definition of Change in Control. Unless the Committee determines otherwise with respect to an award at the time it is granted or unless otherwise defined for purposes of an award in a written employment, services or other agreement between a participant and the Company or a related company, a change in control of the Company generally means consummation of a merger or consolidation of the Company with or into another company, a sale of at least 50% of the Company's outstanding voting securities, or a sale, lease, exchange or other transfer of at least 50% of the assets of the Company, unless (a) after such

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transaction the beneficial owners of Common Stock and voting securities immediately prior to the transaction retain at least 70% of such Common Stock and voting securities of the company resulting from such transaction, (b) no person beneficially owns 30% or more of the then outstanding Common Stock or voting securities of the company resulting from such transaction, and (c) at least a majority of the board of directors of the company resulting from such transaction were incumbent directors of the Company prior to such transaction.

If we dissolve or liquidate, unless the Committee determines otherwise, outstanding awards will terminate immediately prior to such dissolution or liquidation.

Term, Termination and Amendment

Unless earlier terminated by the Board or the Compensation Committee, the Amended and Restated 2013 Plan will terminate, and no further awards may be granted, as of March 6, 2023. The Board or the Compensation Committee may amend, suspend or terminate the Amended and Restated 2013 Plan at any time, except that, if required by applicable law, regulation or stock exchange rule, shareholder approval will be required for any amendment, and only the Board may amend the Plan if shareholder approval of the amendment is required. The amendment, suspension or termination of the Amended and Restated 2013 Plan or the amendment of an outstanding award generally may not, without a participant's consent, materially adversely affect any rights under an outstanding award.

Federal Income Tax Information

The following is a brief summary of the U.S. federal income tax consequences of the Amended and Restated 2013 Plan generally applicable to the Company and to participants in the Amended and Restated 2013 Plan who are subject to U.S. federal taxes. The summary is based on the IRC, applicable Treasury Regulations and administrative and judicial interpretations thereof, each as in effect on the date of this proxy statement and is, therefore, subject to future changes in the law, possibly with retroactive effect. The summary is general in nature and does not purport to be legal or tax advice. Furthermore, the summary does not address issues relating to any U.S. gift or estate tax consequences or the consequences of any state, local or foreign tax laws.

Nonqualified Stock Options. A participant generally will not recognize taxable income upon the grant or vesting of a nonqualified stock option with an exercise price at least equal to the fair market value of our Common Stock on the date of grant and no additional deferral feature. Upon the exercise of a nonqualified stock option, a participant generally will recognize compensation taxable as ordinary income in an amount equal to the difference between the fair market value of the shares underlying the stock option on the date of exercise and the exercise price of the stock option. When a participant sells the shares, the participant will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the greater of the fair market value of the shares on the exercise date or the exercise price of the stock option.

Incentive Stock Options. A participant generally will not recognize taxable income upon the grant of an incentive stock option. If a participant exercises an incentive stock option during employment as an employee or within three months after his or her employment ends (12 months in the case of permanent and total disability), the participant will not recognize taxable income at the time of exercise for regular U.S. federal income tax purposes (although the participant generally will have taxable income for alternative minimum tax purposes at that time as if the stock option were a nonqualified stock option). If a participant sells or otherwise disposes of the shares acquired upon exercise of an incentive stock option after the later of (a) one year from the date the participant exercised the option and (b) two years from the grant date of the stock option, the participant generally will recognize long-term capital gain or loss equal to the difference between the amount the participant received in the disposition and the exercise price of the stock option. If a participant sells or otherwise disposes of shares acquired upon exercise of an incentive stock option

before these holding period requirements are satisfied, the disposition will constitute a “disqualifying disposition,” and the participant generally will recognize taxable ordinary income in the year of disposition equal to the excess of the fair market value of the shares on the date of exercise over the exercise price of the stock option (or, if less, the excess of the amount realized on the disposition of the shares over the exercise price of the stock option). The balance of the participant’s gain on a disqualifying disposition, if any, will be taxed as short-term or long-term capital gain, as the case may be.

With respect to both nonqualified stock options and incentive stock options, special rules apply if a participant uses shares of Common Stock already held by the participant to pay the exercise price or if the shares received upon exercise of the stock option are subject to a substantial risk of forfeiture by the participant.

Stock Appreciation Rights. A participant generally will not recognize taxable income upon the grant or vesting of an SAR with a grant price at least equal to the fair market value of our Common Stock on the date of grant and no additional deferral feature. Upon the exercise of an SAR, a participant generally will recognize compensation taxable as ordinary income in an

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amount equal to the difference between the fair market value of the shares underlying the SAR on the date of exercise and the grant price of the SAR.

Unrestricted Stock Awards. Upon receipt of an unrestricted stock award, a participant generally will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid by the participant with respect to the shares. When a participant sells the shares, the participant generally will have short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the amount, if any, paid by the participant with respect to the shares plus the amount of taxable ordinary income recognized by the participant upon receipt of the shares.

Restricted Stock Awards. A recipient of a restricted stock award generally will recognize compensation taxable as ordinary income when the shares cease to be subject to restrictions in an amount equal to the excess of the fair market value of the shares on the date the restrictions lapse over the amount, if any, paid by the participant with respect to the shares. Any dividends paid with respect to shares of restricted stock generally will be taxable as ordinary income to the participant at the time the dividends are received. However, no later than 30 days after a participant receives the restricted stock award, the participant may elect to recognize compensation taxable as ordinary income in an amount equal to the fair market value of the shares at the time of receipt. Provided the election is properly made in a timely manner, when the restrictions on the shares lapse, the participant will not recognize any additional income. If the participant forfeits the shares to the Company (e.g., upon the participant's termination prior to expiration of the restriction period), the participant may not claim a deduction with respect to the income recognized as a result of making the election. Any dividends paid with respect to shares of restricted stock for which the foregoing election has been made generally will be taxable as dividend income to the participant at the time the dividends are received. Dividend income generally is subject to tax at long-term capital gain rates.

Restricted Stock Units. A participant generally will not recognize income at the time a restricted stock unit is granted. When any part of a stock unit is issued or paid, the participant generally will recognize compensation taxable as ordinary income at the time of such issuance or payment in an amount equal to the then fair market value of any shares the participant receives.

Performance Awards. A participant generally will not recognize taxable income upon the grant of a performance award. Upon the distribution of cash, shares or other property to a participant pursuant to the terms of a performance award, the participant generally will recognize compensation taxable as ordinary income equal to the excess of (a) the amount of cash or the fair market value of any other property issued or paid to the participant pursuant to the terms of the award over (b) any amount paid by the participant with respect to the award.

Other Stock or Cash-Based Awards. The U.S. federal income tax consequences of other stock or cash-based awards will depend upon the specific terms of each award.

Tax Consequences to the Company. In the foregoing cases, we generally will be entitled to a deduction at the same time, and in the same amount, as a participant recognizes ordinary income, subject to certain limitations imposed under the IRC.

Section 409A of the IRC. We intend that awards granted under the Amended and Restated 2013 Plan comply with, or otherwise be exempt from, Section 409A of the IRC, but make no representation or warranty to that effect.

Tax Withholding. We are authorized to deduct or withhold from any award granted or payment due under the Amended and Restated 2013 Plan, or require a participant to remit to us, the amount of any withholding taxes due in respect of the award or payment and to take such other action as may be necessary to satisfy all obligations for the

payment of applicable withholding taxes. We are not required to issue any shares of Common Stock or otherwise settle an award under the Amended and Restated 2013 Plan until all tax withholding obligations are satisfied.

Plan Benefits

Awards made under the Amended and Restated 2013 Plan will be made at the Committee's discretion, subject to the terms of the Amended and Restated 2013 Plan. Therefore, the benefits and amounts that will be received or allocated under the Amended and Restated 2013 Plan are not determinable at this time. However, please refer to the Summary Compensation Table For Fiscal 2016 in this proxy statement which sets forth certain information regarding awards granted to our NEOs during fiscal 2016. Equity grants to our non-employee directors are described under the Director Compensation section in this proxy statement.

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The following table sets forth, as of November 25, 2016, the stock option, restricted stock unit, performance share and stock awards that have been granted under the Amended and Restated 2013 Plan to the individuals indicated below since its original adoption on March 6, 2013:

Name and Position	Number of Shares Underlying Stock Option Awards	Number of Shares Underlying Restricted Stock Unit Awards	Number of Shares Underlying Performance Share Awards*	Number of Stock Awards
Each named executive officer:				
Curtis C. Reusser - Chairman, President and CEO	105,700	81,850	27,700	-
Robert D. George - Executive Vice President, CFO	28,000	20,980	9,900	-
and Corporate Development				
Marcia J. Mason - Executive Vice President &	18,700	6,100	6,600	-
General Counsel				
Roger A. Ross - Executive Vice President and	20,400	7,800	5,800	-
President, Sensors & Systems				
Albert S. Yost - Executive Vice President and	20,200	13,200	7,300	-
President, Advanced Materials and Avionics				
& Controls				
All current executive officers, as a group	225,300	144,730	61,700	-
All current directors who are not executive	-	-	-	39,965
officers, as a group				
Each nominee for election as a director:				
Michael J. Cave	-	-	-	2,081
Anthony P. Franceschini	-	-	-	5,412
Nils E. Larsen	-	-	-	-
Each associate of any such directors, executive	-	-	-	-
officers or nominees				
Each person who received 5% of such awards	-	-	-	-
All employees, including all current officers who	656,700	58,175	73,475	-
are not executive officers, as a group				

*Performance share awards are shown at target.

The Board of Directors unanimously recommends a vote FOR approval of the Amended and Restated 2013 Equity Incentive Plan.

PROPOSAL THREE:

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the Dodd-Frank Act, we are offering our shareholders the opportunity to cast an advisory vote (commonly referred to as the “say on pay” vote) on the Company’s executive compensation program for NEOs. The Board of Directors has determined to include this proposal in the Company’s proxy materials annually and expects to continue this practice if shareholders approve, on an advisory basis, the recommendation of the Board of Directors in Proposal Four that the frequency of this say on pay vote should be held every year. Although this advisory vote is nonbinding, the Board of Directors and the Compensation Committee will take into account the outcome of the vote when considering future compensation decisions for NEOs.

As discussed in the Compensation Discussion and Analysis section of this proxy statement, we believe our compensation program is based on a pay-for-performance structure, is well-aligned with the long-term interests of our shareholders, and is designed to attract, motivate, and retain executive officers who are critical to our success. Some of the features of our compensation program that illustrate our philosophy are:

- A significant portion of an executive’s compensation is at-risk and is subject to the Company’s performance. In fiscal 2016, the executive compensation package (base salary, short- and long-term incentives at target) included 80% of at-risk compensation for the CEO and an average of 64% of at-risk compensation for the other NEOs.

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Base salary increases are typically modest and in keeping with market pay data for executives with similar responsibilities and level of experience. Exceptional increases are limited to promotions or situations where the executive's job performance is strong and his/her base salary is significantly under the market median.

Our stock option awards feature graduated vesting over a four-year period.

Our restricted stock unit awards generally feature three-year cliff vesting.

Our cash-based long-term incentive plan has three-year performance periods, the final one of which ended in fiscal 2016. The Company instituted a performance share plan in lieu of the cash-base plan that retained the three-year performance period but is settled in shares beginning with the fiscal 2015-2017 cycle to encourage executives to make decisions that align our long-term goals with shareholder interests.

Our annual incentive program features financial metrics of earnings before interest and taxes and return on sales and strategic objectives to focus management attention on balanced growth and achievement in critical areas to help ensure the Company will be well-positioned for future growth.

Stock Ownership Guidelines require executive officers to acquire and hold certain amounts of the Company's Common Stock, which levels increased effective in fiscal 2016, to further strengthen alignment of management's interests with those of our shareholders.

We have established a clawback policy that covers awards under all of our incentive programs and also includes prohibitions on hedging/pledging activities under our Insider Trading Policy.

Shareholders are encouraged to read the full details of our executive compensation program as described in the Compensation Discussion and Analysis section of this proxy statement, the accompanying compensation tables and related narrative disclosure to properly evaluate our approach to compensating our executives.

For the reasons provided above, we recommend that the shareholders vote in favor of the following resolution:

RESOLVED, that the shareholders approve, on an advisory basis, the compensation of the Company's NEOs, as disclosed in the Compensation Discussion and Analysis section of this proxy statement and the accompanying compensation tables and related narrative disclosure in this proxy statement.

The Board of Directors unanimously recommends that you vote FOR this proposal to approve, on an advisory basis, the compensation of the Company's NEOs.

PROPOSAL FOUR:

ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with the Dodd-Frank Act, in addition to having the opportunity to cast an advisory vote on executive compensation for named executive officers (as provided in Proposal Three), shareholders also have the opportunity to cast an advisory vote on the frequency of such advisory votes on executive compensation, specifically whether such votes should be held every year, every two years, or every three years. Although this advisory vote on frequency is nonbinding, the Board of Directors and the Compensation Committee will take into account the outcome of the vote when considering the frequency with which they will ask for shareholders' advisory votes on executive compensation.

Accordingly, we are requesting that you indicate on the proxy card your preference by voting on whether the advisory vote on executive compensation should be held every year, every two years, every three years, or you may abstain from the vote.

The Board of Directors believes that continuing to hold an advisory vote on executive compensation every year is the best approach for our Company to ensure shareholders have a regular opportunity to convey their opinions to the Compensation Committee and the Board of Directors.

Please note that the proxy card will provide shareholders with the opportunity to indicate their preference by voting among all four options (holding the vote every year, every two years, every three years, or abstaining from the vote) and, therefore, shareholders will not be voting to approve or disapprove the recommendation of the Board of Directors.

The Board of Directors unanimously recommends a vote in favor of holding the advisory vote on executive compensation every 1 YEAR.

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PROPOSAL FIVE:

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM

Ernst & Young LLP was the independent registered public accounting firm that audited the Company's consolidated financial statements for the fiscal year ended September 30, 2016. The Audit Committee of the Board of Directors of the Company requests that shareholders ratify its selection of Ernst & Young LLP to serve as the Company's independent registered public accounting firm to audit its consolidated financial statements for the fiscal year ending September 29, 2017, at its annual meeting. Ernst & Young LLP has served as our independent auditor since fiscal 2000.

The Company is not obligated by law, its Restated Certificate of Incorporation or Amended and Restated Bylaws to seek ratification of the directors' selection of its independent registered public accounting firm, but is doing so as a matter of corporate practice. If the selection of its independent registered public accounting firm is not ratified by shareholders, the Company may continue to use Ernst & Young LLP as its independent registered public accounting firm or, even if shareholders vote in favor of the selection, may select a new firm if, in the opinion of the Audit Committee, such a change would be in the best interests of the Company and its shareholders.

The Company expects that representatives of Ernst & Young LLP will be present at the 2017 annual meeting, will be given the opportunity to make a statement if they wish to do so, and will be available to respond to appropriate questions.

The Board of Directors recommends a vote FOR the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, generally requires the Company's directors, executive officers and 10% or greater shareholders to file electronically reports of their ownership of Common Stock and of changes in such ownership to the SEC. SEC regulations also require the Company to identify in this proxy statement any person subject to this requirement who did not file a Section 16 report on a timely basis. Based solely upon a review of such reports furnished to the Company and written representations from the executive officers and directors that no other reports were required, the Company believes that all such reports were filed on a timely basis during fiscal 2016, other than with respect to reports on Form 4 to report vesting of restricted stock units ("RSUs") in December 2015 for Mr. George (2,800 vested RSUs), Ms. Mason (1,900 vested RSUs), Mr. Yost (1,900 vested RSUs) and Mr. Gary Posner, the Company's Chief Accounting Officer (600 vested RSUs), and a report on Form 4 with respect to 5,800 stock options and 2,300 RSUs granted to Mr. Yost in November 2016. These reports were filed late due to administrative error. Reports on Form 4 to report the vested RSUs for Messrs. George, Yost and Posner and Ms. Mason were filed on December 17, 2015, and a Form 4 reporting the stock option and RSU grants to Mr. Yost was filed on November 14, 2016.

OTHER MATTERS

As of the date of this proxy statement, the only matters which management intends to present at the meeting are those set forth in the notice of meeting and in this proxy statement. Management knows of no other matters that may come before the meeting. However, if any other matters properly come before the meeting, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the person or persons voting

as proxies.

FORM 10-K AND OTHER CORPORATE GOVERNANCE INFORMATION

The 2016 Annual Report of the Company was provided or otherwise made available to shareholders with this proxy statement. The Company will furnish without charge a copy of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016, including the consolidated financial statements and the financial statement schedules, to any shareholder who makes a request. Contact Esterline Technologies Corporation, Attn: Corporate Communications, 500 108th Avenue NE, Suite 1500, Bellevue, WA 98004 or call (425) 453-9400. This proxy statement, the 2016 Annual Report and the Annual Report on Form 10-K for the fiscal year ended September 30, 2016, are also available on the Company's website, www.esterline.com, under the Investor Relations tab. In addition, shareholders may find information relating to the Company's corporate governance posted on the Company's website, www.esterline.com, under the Corporate Governance tab. Documents located in this section include the charters for the Audit, Compensation, and Nominating & Corporate Governance Committees, the Corporate Governance Guidelines and the Code of Business Conduct and Ethics.

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SHAREHOLDER PROPOSALS FOR 2018

In accordance with the Company's Amended and Restated Bylaws, proposals of shareholders of the Company that are intended to be included in the Company's proxy statement and presented by such shareholders at the Company's 2018 annual meeting must be received at the Company's principal executive office not fewer than 120 days nor more than 150 days prior to the date of the 2018 annual meeting, and must include the information specified in the Company's Amended and Restated Bylaws. It is anticipated that the 2018 annual meeting will be held on February 8, 2018, in which case, proposals must be received no earlier than September 11, 2017, and no later than October 11, 2017. Any shareholder proposals submitted after October 11, 2017, will be considered untimely and/or not properly brought before the 2018 annual meeting. A copy of the pertinent Bylaw provisions is available on request to the following address: Corporate Secretary, Esterline Technologies Corporation, 500 108th Avenue NE, Suite 1500, Bellevue, Washington 98004.

Pursuant to Rule 14a-8 of the Exchange Act, in order for a shareholder's proposal to be eligible for inclusion in the Company's proxy statement for the 2018 annual meeting, among other things, the proposal must be received by August 31, 2017, the shareholder must own at least one percent of the outstanding shares of Common Stock or shares of Common Stock with a market value of \$2,000 for at least one year prior to submitting the proposal, and the shareholder must continue to own such stock through the date of the 2018 annual meeting.

By order of the Board of Directors

/s/ Amy L. Watson
AMY L. WATSON
Associate General Counsel and

Corporate Secretary

December 29, 2016

ANNEX A

ESTERLINE TECHNOLOGIES CORPORATION

2013 EQUITY INCENTIVE PLAN,
(As amended and restated effective December 16, 2016)

SECTION 1. PURPOSE

The purpose of the Esterline Technologies Corporation 2013 Equity Incentive Plan, as amended and restated, is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its Related Companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's stockholders.

SECTION 2. DEFINITIONS

Certain capitalized terms used in the Plan have the meanings set forth in Appendix A.

SECTION 3. ADMINISTRATION

3.1 Administration of the Plan

(a) The Plan shall be administered by the Board or the Compensation Committee, which shall be composed of two or more directors, each of whom is a "non employee director" within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission and an "outside director" within the meaning of Section 162(m) of the Code, or any successor provision thereto.

(b) Notwithstanding the foregoing, the Board may delegate concurrent responsibility for administering the Plan, including with respect to designated classes of Eligible Persons, to different committees consisting of one or more independent members of the Board, subject to such limitations as the Board deems appropriate, except with respect to Awards to Participants who are subject to Section 16 of the Exchange Act or Awards granted pursuant to Section 16 of the Plan. Members of any committee shall serve for such term as the Board may determine, subject to removal by the Board at any time. To the extent consistent with applicable law, the Board or the Compensation Committee may authorize one or more officers of the Company to grant Awards to designated classes of Eligible Persons, within limits specifically prescribed by the Board or the Compensation Committee; provided, however, that no such officer shall have or obtain authority to grant Awards to himself or herself or to any person subject to Section 16 of the Exchange Act. All references in the Plan to the "Committee" shall be, as applicable, to the Board, the Compensation Committee or any other committee or any officer to whom authority has been delegated to administer the Plan.

3.2 Administration and Interpretation by Committee

(a) Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Committee shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board or a Committee composed of members of the Board, to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Award to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms and conditions of any Award granted under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of

Common Stock or other property or canceled or suspended; (vii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement executed or entered into under the Plan; (viii) establish such rules and regulations as it shall deem appropriate for the proper administration of the Plan; (ix) delegate ministerial duties to such of the Company's employees as it so determines; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(b) In no event, however, shall the Committee have the right, without stockholder approval, to (i) lower the price of an Option or SAR after it is granted, except in connection with adjustments provided in Section 15.1; (ii) take any other action that is treated as a repricing under generally accepted accounting principles; or (iii) cancel an Option or SAR at a time when its strike price exceeds the fair market value of the underlying stock, in exchange for cash, another option, stock appreciation

right, restricted stock, or other equity, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction.

(c)The effect on the vesting of an Award of a Company-approved leave of absence or a Participant's reduction in hours of employment or service shall be determined by the Company's chief human resources officer or other person performing that function or, with respect to directors or executive officers, by the Compensation Committee, whose determination shall be final.

(d)Decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, any Participant, any stockholder and any Eligible Person. A majority of the members of the Committee may determine its actions.

SECTION 4. SHARES SUBJECT TO THE PLAN

4.1 Authorized Number of Shares

Subject to adjustment from time to time as provided in Section 15.1, the number of shares of Common Stock available for issuance under the Plan shall be:

(a)3,300,000 shares; plus

(b)any authorized shares (i) not issued or subject to outstanding awards under the Company's Amended and Restated 1997 Stock Option Plan or 2004 Equity Incentive Plan (as amended) (the "Prior Plans") on the Effective Date and (ii) any shares subject to outstanding awards under the Prior Plans on the Effective Date that cease to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in shares), up to an aggregate maximum of 2,640,025 shares, subject to adjustment from time to time as provided in Section 15.1, which shares shall cease, as of such date, to be available for grant and issuance under the Prior Plans, but shall be available for issuance under the Plan.

Shares issued under the Plan shall be drawn from authorized and unissued shares or shares now held or subsequently acquired by the Company as treasury shares.

4.2 Share Usage

(a)If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Common Stock are issued under the Plan to a Participant and thereafter are forfeited to the Company, the shares subject to such Awards and the forfeited shares shall again be available for issuance under the Plan. The following shares shall not become available for issuance under the Plan: (i) shares of Common Stock tendered by a Participant as full or partial payment to the Company upon exercise of an Option, (ii) shares of Common Stock reserved for issuance upon grant of SARs, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs, and (iii) shares of Common Stock withheld by, or otherwise tendered to, the Company to satisfy a Participant's tax withholding obligations in connection with an Award.

(b)The Committee shall also, without limitation, have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

(c)Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Substitute Awards under the Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not

adopted in contemplation of such acquisition or combination, then, to the extent determined by the Board or the Compensation Committee, the shares available for grant pursuant to the terms of such preexisting plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of common stock of the entities that are parties to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Related Company prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation is completed is approved by the Board and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Committee

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without any further action by the Committee, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

(d) Notwithstanding the other provisions in this Section 4.2 to the contrary, the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate share number stated in Section 4.1, subject to adjustment as provided in Section 15.1.

4.3 Fungible Share Plan

The aggregate number of shares of Common Stock available for issuance under the Plan shall be reduced by 1.9 shares for each share delivered in settlement of Awards other than Options or SARs and one share for each share delivered in settlement of Options or SARs. Any shares of Common Stock that again become available for issuance under the Plan pursuant to Section 4.2(a) shall be added back to the Plan as 1.9 shares if such shares were subject to Awards other than Options or SARs and one share if such shares were subject to Options or SARs.

4.4 Limit on Awards to Non-Employee Directors

Notwithstanding any other provision of the Plan to the contrary, the aggregate value of all Awards (based on grant date fair value computed as of the Grant Date in accordance with applicable financial accounting standards) granted during any calendar year to any member of the Board who is not an employee of the Company, shall not exceed \$500,000.

SECTION 5. ELIGIBILITY

An Award may be granted to any employee, officer or director of the Company or a Related Company whom the Committee from time to time selects. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that (a) are not in connection with the offer and sale of the Company's securities in a capital raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

SECTION 6. AWARDS

6.1 Form, Grant and Settlement of Awards

The Committee shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under the Plan. Such Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Committee shall determine.

6.2 Evidence of Awards

Awards granted under the Plan shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the Committee shall deem advisable and that are not inconsistent with the Plan.

6.3 Dividends and Distributions

Participants may, if the Committee so determines, be credited with dividends paid with respect to shares of Common Stock underlying an Award in a manner determined by the Committee in its sole discretion; provided, however, that

with respect to Awards that are subject to achievement of performance goals, any such credited dividends may only be paid with respect to the portion of such Awards that is actually earned. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Stock Units. Notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on the number of shares underlying an Option or a Stock Appreciation Right may not be contingent, directly or indirectly on the exercise of the Option or Stock Appreciation Right, and must comply with or qualify for an exemption under Section 409A. Also notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on Restricted Stock must (i) be paid at the same time they are paid to other stockholders and (ii) comply with or qualify for an exemption under Section 409A.

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6.4 Minimum Vesting Requirement

Notwithstanding any other provision of the Plan to the contrary, all Awards shall vest and become exercisable, and any applicable restrictions or forfeiture provisions shall lapse, no earlier than one year after the Grant Date (except if accelerated pursuant to a Change of Control or a Termination of Service); provided, however, that Awards for up to an aggregate maximum of 5% of the aggregate number of shares specified in Section 4.1 may be granted without regard to such minimum one-year vesting requirement.

SECTION 7. OPTIONS

7.1 Grant of Options

The Committee may grant Options designated as Incentive Stock Options or Nonqualified Stock Options.

7.2 Option Exercise Price

Options shall be granted with an exercise price per share not less than 100% of the Fair Market Value of the Common Stock on the Grant Date (and shall not be less than the minimum exercise price required by Section 422 of the Code with respect to Incentive Stock Options), except in the case of Substitute Awards.

7.3 Term of Options

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be ten years from the Grant Date. For Incentive Stock Options, the maximum term shall comply with Section 422 of the Code, as specified in Section 8.4.

7.4 Exercise of Options

The Committee shall establish and set forth in each instrument that evidences an Option the time at which, or the installments in which, the Option shall vest and become exercisable, any of which provisions may be waived or modified by the Committee at any time.

To the extent an Option has vested and become exercisable, the Option may be exercised in whole or from time to time in part by delivery to or as directed or approved by the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Committee, setting forth the number of shares with respect to which the Option is being exercised, the restrictions imposed on the shares purchased under such exercise agreement or notice, if any, and such representations and agreements as may be required by the Committee, accompanied by payment in full as described in Sections 7.5. An Option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the Committee.

7.5 Payment of Exercise Price

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Committee for that purchase, which forms may include:

(a) cash;

(b)check or wire transfer;

(c)having the Company withhold shares of Common Stock that would otherwise be issued on exercise of the Option that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(d)tendering (either actually or, so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) shares of Common Stock owned by the Participant that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(e)so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to deliver promptly to the Company the aggregate amount of proceeds

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to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(f) such other consideration as the Committee may permit.

7.6 Effect of Termination of Service

The Committee shall establish and set forth in each instrument that evidences an Option whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Committee at any time. If not so established in the instrument evidencing the Option, the Option shall be exercisable according to the following terms and conditions, which may be waived or modified by the Committee at any time:

(a) Any portion of an Option that is not vested and exercisable on the date of a Participant's Termination of Service shall expire on such date.

(b) Any portion of an Option that is vested and exercisable on the date of a Participant's Termination of Service shall expire on the earliest to occur of:

(i) if the Participant's Termination of Service occurs for reasons other than Cause, Retirement, Disability or death, the date that is three months after such Termination of Service;

(ii) if the Participant's Termination of Service occurs by reason of Retirement, Disability or death, the three year anniversary of such Termination of Service; and

(iii) the Option Expiration Date.

Notwithstanding the foregoing, if a Participant dies after his or her Termination of Service but while an Option is otherwise exercisable, the portion of the Option that is vested and exercisable on the date of such Termination of Service shall expire upon the earlier to occur of (y) the Option Expiration Date and (z) the one year anniversary of the date of death, unless the Committee determines otherwise.

Also notwithstanding the foregoing, in case a Participant's Termination of Service occurs for Cause, all Options granted to the Participant shall automatically expire upon first notification to the Participant of such termination, unless the Committee determines otherwise. If a Participant's employment or service relationship with the Company is suspended pending an investigation of whether the Participant shall be terminated for Cause, all the Participant's rights under any Option shall likewise be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after a Participant's Termination of Service, any Option then held by the Participant may be immediately terminated by the Committee, in its sole discretion.

SECTION 8. INCENTIVE STOCK OPTION LIMITATIONS

Notwithstanding any other provision of the Plan to the contrary, the terms and conditions of any Incentive Stock Options shall in addition comply in all respects with Section 422 of the Code, or any successor provision, and any applicable regulations thereunder.

SECTION 9. STOCK APPRECIATION RIGHTS

9.1 Grant of Stock Appreciation Rights

The Committee may grant Stock Appreciation Rights to Participants at any time on such terms and conditions as the Committee shall determine in its sole discretion. An SAR may be granted in tandem with an Option or alone ("freestanding"). The grant price of a tandem SAR shall be equal to the exercise price of the related Option. The grant price of a freestanding SAR shall be established in accordance with procedures for Options set forth in Section 7.2. An SAR may be exercised upon such terms and conditions and for the term as the Committee determines in its sole discretion; provided, however, that, subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the SAR, the maximum term of a freestanding SAR shall be ten years, and in the case of a tandem SAR, (a) the term shall not exceed the term of the related Option and (b) the tandem SAR may be exercised for all or part of the shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option, except that the tandem SAR may be exercised only with respect to the shares for which its related Option is then exercisable.

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9.2 Payment of SAR Amount

Upon the exercise of an SAR, a Participant shall be entitled to receive payment in an amount determined by multiplying: (a) the excess of the Fair Market Value of the Common Stock on the date of exercise over the grant price of the SAR by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Committee as set forth in the instrument evidencing the Award, the payment upon exercise of an SAR may be in cash, in shares, in some combination thereof or in any other manner approved by the Committee in its sole discretion.

9.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive any other terms, conditions or restrictions on any SAR under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 10. STOCK AWARDS, RESTRICTED STOCK AND STOCK UNITS

10.1 Grant of Stock Awards, Restricted Stock and Stock Units

The Committee may grant Stock Awards, Restricted Stock and Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with the Company or a Related Company or the achievement of any performance goals, as the Committee shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

10.2 Vesting of Restricted Stock and Stock Units

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Stock Units, or upon a Participant's release from any terms, conditions and restrictions of Restricted Stock or Stock Units, as determined by the Committee (a) the shares of Restricted Stock covered by each Award of Restricted Stock shall become freely transferable by the Participant, and (b) Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock. Any fractional shares subject to such Awards shall be paid to the Participant in cash.

10.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive the repurchase or forfeiture period and any other terms, conditions or restrictions on any Restricted Stock or Stock Unit under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 11. PERFORMANCE AWARDS

11.1 Performance Shares

The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award. Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Committee

shall determine in its sole discretion.

11.2 Performance Units

The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award. Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Units may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

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SECTION 12. OTHER STOCK OR CASH-BASED AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Committee deems appropriate, the Committee may grant other incentives payable in cash or in shares of Common Stock under the Plan.

SECTION 13. WITHHOLDING

The Company may require the Participant to pay to the Company the amount of (a) any taxes that the Company is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award ("tax withholding obligations") and (b) any amounts due from the Participant to the Company or to any Related Company ("other obligations"). Notwithstanding any other provision of the Plan to the contrary, the Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

The Committee may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations and other obligations by (a) paying cash to the Company, (b) having the Company withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant, (c) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, or (d) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations. The value of the shares so withheld or tendered may not exceed the employer's minimum required tax withholding rate; provided, however, that, in the discretion of the Committee and to the extent permitted under applicable financial accounting standards, the value of shares so withheld or tendered may exceed the employer's minimum required tax withholding rate but may not be greater than the employer's maximum tax withholding rate, so long as the exercise of such discretion by the Committee would not result in adverse treatment for financial accounting purposes.

SECTION 14. ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death. During a Participant's lifetime, an Award may be exercised only by the Participant. Notwithstanding the foregoing and to the extent permitted by Section 422 of the Code, the Committee, in its sole discretion, may permit a Participant to assign or transfer an Award subject to such terms and conditions as the Committee shall specify, except that the Committee may not permit a Participant to assign or transfer an Award to a third party financial institution in exchange for a cash payment or other consideration without stockholder approval.

SECTION 15. ADJUSTMENTS

15.1 Adjustment of Shares

(a) In the event that, at any time or from time to time, a stock dividend, stock split, spin off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (i) the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or (ii) new, different or additional securities of the Company or any other company being

received by the holders of shares of Common Stock, then the Committee shall make proportional adjustments in (1) the maximum number and kind of securities available for issuance under the Plan; (2) the maximum number and kind of securities issuable as Incentive Stock Options as set forth in Section 4.2; (3) the maximum numbers and kind of securities set forth in Section 16.3; and (4) the number and kind of securities that are subject to any outstanding Award and/or the per share price of such securities. The determination by the Committee, as to the terms of any of the foregoing adjustments shall be conclusive and binding.

(b)The Committee may also make adjustments as described in Section 15.1(a)(1)-(4) in the event of any distribution of assets to stockholders other than a normal cash dividend. In determining adjustments to be made under this Section 15.1(b), the Committee may take into account such factors as it deems appropriate, including (i) the restrictions of applicable law, (ii) the potential tax and accounting consequences of an adjustment and (iii) the possibility that some Participants might receive an adjustment and a distribution or other unintended benefit, and in light of such factors or circumstances may make adjustments that are not uniform or proportionate among outstanding Awards, modify vesting dates, defer the delivery of stock certificates

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or make other equitable adjustments. Any such adjustments to outstanding Awards shall be effected in a manner that precludes the enlargement of rights and benefits under such Awards.

(c) Adjustments, if any, and any determinations or interpretations, including any determination of whether a distribution is other than a normal cash dividend, made by the Committee, as to the terms of any of the foregoing adjustments shall be conclusive and binding. Notwithstanding the foregoing provisions of this Section 15.1, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also notwithstanding the foregoing, a dissolution or liquidation of the Company or a Change in Control shall not be governed by this Section 15.1 but shall be governed by Sections 15.2 and 15.3, respectively.

15.2 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Committee in its sole discretion, Awards shall terminate immediately prior to the dissolution or liquidation of the Company. To the extent a vesting condition, forfeiture provision or repurchase right applicable to an Award has not been waived by the Committee, the Award shall be forfeited immediately prior to the consummation of the dissolution or liquidation.

15.3 Change in Control

Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, in the event of a Change in Control:

(a) If the Change in Control is a transaction in which Awards, other than Performance Shares and Performance Units, could be converted, assumed, substituted for or replaced by the Successor Company, then, if and to the extent that the Successor Company converts, assumes, substitutes or replaces an Award, the vesting restrictions and/or forfeiture provisions applicable to such Award shall not be accelerated or lapse, and all such vesting restrictions and/or forfeiture provisions shall continue with respect to any shares of the Successor Company or other consideration that may be received with respect to such Award. If and to the extent that such Awards are not converted, assumed, substituted for or replaced by the Successor Company, such Awards shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change in Control and such Awards shall terminate at the effective time of the Change in Control.

For the purposes of this Section 15.3(a), an Award shall be considered converted, assumed, substituted for or replaced by the Successor Company if following the Change in Control the option or right confers the right to purchase or receive, for each share of Common Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) received in the Change in Control by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the Successor Company, the Committee may, with the consent of the Successor Company, provide for the consideration to be received pursuant to the Award, for each share of Common Stock subject thereto, to be solely common stock of the Successor Company substantially equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control. The determination of such substantial equality of value of consideration shall be made by the Committee, and its determination shall be conclusive and binding.

(b) All Performance Shares or Performance Units earned and outstanding as of the date the Change in Control is determined to have occurred and for which the payout level has been determined shall be payable in full in accordance with the payout schedule pursuant to the instrument evidencing the Award. Any remaining outstanding Performance Shares or Performance Units (including any applicable performance period) for which the payout level has not been determined shall be prorated at the target payout level up to and including the date of such Change in Control and shall be payable in accordance with the payout schedule pursuant to the instrument evidencing the Award. Any existing deferrals or other restrictions not waived by the Committee in its sole discretion shall remain in effect.

(c) Notwithstanding the foregoing, the Committee, in its sole discretion, may instead provide in the event of a Change in Control that a Participant's outstanding Awards shall terminate upon or immediately prior to such Change in Control and that such Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the value of the

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per share consideration received by holders of Common Stock in the Change in Control, or, in the event the Change in Control is one of the transactions listed under subsection (c) in the definition of Change in Control or otherwise does not result in direct receipt of consideration by holders of Common Stock, the value of the deemed per share consideration received, in each case as determined by the Committee in its sole discretion, multiplied by the number of shares of Common Stock subject to such outstanding Awards (to the extent then vested and exercisable or whether or not then vested and exercisable, as determined by the Committee in its sole discretion) exceeds (y) if applicable, the respective aggregate exercise price or grant price for such Awards.

(d) For the avoidance of doubt, nothing in this Section 15.3 requires all outstanding Awards to be treated similarly.

15.4 Further Adjustment of Awards

Subject to Sections 15.2 and 15.3, the Committee shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change of control of the Company, as defined by the Committee, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Committee may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Committee may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change of control that is the reason for such action.

15.5 No Limitations

The grant of Awards shall in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

15.6 No Fractional Shares

In the event of any adjustment in the number of shares covered by any Award, each such Award shall cover only the number of full shares resulting from such adjustment, and any fractional shares resulting from such adjustment shall be disregarded.

15.7 Section 409A

Notwithstanding any other provision of the Plan to the contrary, (a) any adjustments made pursuant to this Section 15 to Awards that are considered "deferred compensation" within the meaning of Section 409A shall be made in compliance with the requirements of Section 409A and (b) any adjustments made pursuant to this Section 15 to Awards that are not considered "deferred compensation" subject to Section 409A shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A or (ii) comply with the requirements of Section 409A.

SECTION 16. CODE SECTION 162(m) PROVISIONS

Notwithstanding any other provision of the Plan to the contrary, if the Committee determines, at the time Awards are granted to a Participant who is, or is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Section 16

is applicable to such Award.

16.1 Performance Criteria

If an Award is subject to this Section 16, then the lapsing of restrictions thereon and the distribution of cash, shares of Common Stock or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one of or any combination of the following "performance criteria" for the Company as a whole or any business unit of the Company, as reported or calculated by the Company: cash flows (including, but not limited to, operating cash flow, free cash flow or cash flow return on capital); working capital; earnings per share; book value per share; operating income (including or excluding depreciation, amortization, extraordinary items, restructuring charges or other expenses); revenues; operating margins; return on assets; return on equity; return on sales (including or excluding financial effects of acquisitions or divestitures); debt; debt plus equity; market or economic value added; stock price appreciation; total stockholder return; cost control; strategic initiatives; market share; net income; return on invested capital; improvements in capital structure; or customer satisfaction,

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employee satisfaction, services performance, subscriber, cash management or asset management metrics (together, the "Performance Criteria").

Such performance goals also may be based on the achievement of specified levels of Company performance (or performance of an applicable affiliate or business unit of the Company) under one or more of the Performance Criteria described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code, or any successor provision thereto, and the regulations thereunder.

The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (iv) any reorganization and restructuring programs, (v) any unusual, infrequently occurring and/or nonrecurring items of gain or loss, that in all of the foregoing the Company identifies in its audited financial statements, including notes to the financial statements, or the Management's Discussion and Analysis section of the Company's periodic reports, (vi) acquisitions or divestitures, (vii) discontinued operations, (viii) foreign exchange gains and losses, and (ix) gains and losses on asset sales. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that satisfies the requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

16.2 Adjustment of Awards

Notwithstanding any provision of the Plan other than Section 15, with respect to any Award that is subject to this Section 16, the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance goals except in the case of the death or disability of the Covered Employee.

16.3 Limitations

Subject to adjustment from time to time as provided in Section 15.1, no Covered Employee may be granted Awards other than Performance Units subject to this Section 16 in any calendar year period with respect to more than 200,000 shares of Common Stock for such Awards, except that the Company may make additional onetime grants of such Awards for up to 400,000 shares to newly hired or newly promoted individuals, and the maximum dollar value payable with respect to Performance Units or other awards payable in cash subject to this Section 16 granted to any Covered Employee in any one calendar year is \$4,000,000.

The Committee shall have the power to impose such other restrictions on Awards subject to this Section 16 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

SECTION 17. AMENDMENT AND TERMINATION

17.1 Amendment, Suspension or Termination

The Board or the Compensation Committee may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the Plan; and provided, further, that any amendment that requires stockholder approval may be made only by the Board. Subject to Section 17.3, the Committee may amend the terms of any outstanding Award, prospectively or retroactively.

17.2Term of the Plan

Unless sooner terminated as provided herein, the Plan shall terminate ten years from the Effective Date. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions. Notwithstanding the foregoing, no Incentive Stock Options may be granted more than ten years after the earlier of the approval by the Board or the stockholders of the Plan (or any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code).

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17.3 Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Any change or adjustment to an outstanding Incentive Stock Option shall not, without the consent of the Participant, be made in a manner so as to constitute a "modification" that would cause such Incentive Stock Option to fail to continue to qualify as an Incentive Stock Option. Notwithstanding the foregoing, any adjustments made pursuant to Section 15 shall not be subject to these restrictions.

SECTION 18. GENERAL

18.1 No Individual Rights

No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant's employment or other relationship at any time, with or without cause.

18.2 Issuance of Shares

(a) Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(b) The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

(c) As a condition to the exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (i) the Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such shares and (ii) such other action or agreement by the Participant as may from time to time be necessary to comply with the federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurring in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Committee may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

(d) To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

18.3 Indemnification

Each person who is or shall have been a member of the Board, or a committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on

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such person's own behalf, unless such loss, cost, liability or expense is a result of such person's own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

18.4 No Rights as a Stockholder

Unless otherwise provided by the Committee or in the instrument evidencing the Award or in a written employment, services or other agreement, no Award, other than a Stock Award or Restricted Stock Award, shall entitle the Participant to any cash dividend, voting or other right of a stockholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

18.5 Compliance with Laws and Regulations

(a) In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an "incentive stock option" within the meaning of Section 422 of the Code.

(b) The Plan and Awards granted under the Plan are intended to be exempt from the requirements of Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the exclusion applicable to stock options, stock appreciation rights and certain other equity-based compensation under Treasury Regulation Section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to the Plan or any Award granted under the Plan, it is intended that the Plan and any Awards granted under the Plan comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, the Plan and any Award granted under the Plan shall be interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, with respect to any payments and benefits under the Plan or any Award granted under the Plan to which Section 409A applies, all references in the Plan or any Award granted under the Plan to the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i). In addition, if the Participant is a "specified employee," within the meaning of Section 409, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under the Plan or any Award granted under the Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death. Notwithstanding any other provision of the Plan to the contrary, the Committee, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify the Plan and any Award granted under the Plan so that the Award qualifies for exemption from or complies with Section 409A; provided, however, that the Committee makes no representations that Awards granted under the Plan shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to Awards granted under the Plan.

18.6 Participants in Other Countries or Jurisdictions

Without amending the Plan, the Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the Company or any Related Company may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax-efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

18.7No Trust or Fund

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

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18.8 Successors

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

18.9 Severability

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

18.10 Choice of Law and Venue

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Washington without giving effect to principles of conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of Washington.

18.11 Legal Requirements

The granting of Awards and the issuance of shares of Common Stock under the Plan are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

SECTION 19. EFFECTIVE DATE

The effective date (the "Effective Date") is March 6, 2013.

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APPENDIX A

DEFINITIONS

As used in the Plan,

"Acquired Entity" means any entity acquired by the Company or a Related Company or with which the Company or a Related Company merges or combines.

"Award" means any Option, Stock Appreciation Right, Stock Award, Restricted Stock, Stock Unit, Performance Share, Performance Unit, cash-based award or other incentive payable in cash or in shares of Common Stock as may be designated by the Committee from time to time.

"Board" means the Board of Directors of the Company.

"Cause," unless otherwise defined in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means dishonesty, fraud, serious or willful misconduct, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor violations), in each case as determined by the Company's chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Compensation Committee, whose determination shall be conclusive and binding.

"Change in Control," unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means consummation of:

(a) a merger or consolidation of the Company with or into any other company;

(b) a sale in one transaction or a series of transactions undertaken with a common purpose of at least 50% of the Company's outstanding voting securities; or

(c) a sale, lease, exchange or other transfer in one transaction or a series of related transactions undertaken with a common purpose of at least 50% of the Company's assets,

excluding, however, in each case, a transaction pursuant to which

(i) the Entities who are the beneficial owners of the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities") immediately prior to such Change in Control will beneficially own, directly or indirectly, at least 70% of the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Successor Company in substantially the same proportions as their ownership, immediately prior to such Change in Control, of the Outstanding Company Common Stock and Outstanding Company Voting Securities;

(ii) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, a Related Company or a Successor Company) will beneficially own, directly or indirectly, 30% or more of, respectively, the outstanding shares of common stock of the Successor Company or the combined voting power of the outstanding voting securities of the Successor Company entitled to vote generally in the election of directors unless such

ownership resulted solely from ownership of securities of the Company prior to the Change in Control; and

(iii) individuals who were members of the Board immediately prior to the Change in Control will immediately after the consummation of the Change in Control constitute at least a majority of the members of the board of directors of the Successor Company.

Where a series of transactions undertaken with a common purpose is deemed to be a Change in Control, the date of such Change in Control shall be the date on which the last of such transactions is consummated.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" has the meaning set forth in Section 3.1.

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"Common Stock" means the common stock, par value \$0.20 per share, of the Company.

"Company" means Esterline Technologies Corporation, a Delaware corporation.

"Compensation Committee" means the Compensation Committee of the Board.

"Covered Employee" means a "covered employee" as that term is defined for purposes of Section 162(m)(3) of the Code or any successor provision.

"Disability," unless otherwise defined by the Committee for purposes of the Plan in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means a mental or physical impairment of the Participant that is expected to result in death or that has lasted or is expected to last for a continuous period of six months or more and that causes the Participant to be unable to perform his or her material duties for the Company or a Related Company and to be engaged in any substantial gainful activity, in each case as determined by the Company's chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Compensation Committee, whose determination shall be conclusive and binding.

"Effective Date" has the meaning set forth in Section 19.

"Eligible Person" means any person eligible to receive an Award as set forth in Section 5.

"Entity" means any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act).

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Fair Market Value" means the closing price for the Common Stock on any given date during regular trading, or if not trading on that date, such price on the last preceding date on which the Common Stock was traded, unless determined otherwise by the Committee using such methods or procedures as it may establish.

"Grant Date" means the later of (a) the date on which the Committee completes the corporate action authorizing the grant of an Award or such later date specified by the Committee and (b) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

"Incentive Stock Option" means an Option granted with the intention that it qualify as an "incentive stock option" as that term is defined for purposes of Section 422 of the Code or any successor provision.

"Nonqualified Stock Option" means an Option other than an Incentive Stock Option.

"Option" means a right to purchase Common Stock granted under Section 7.

"Option Expiration Date" means the last day of the maximum term of an Option.

"Outstanding Company Common Stock" has the meaning set forth in the definition of "Change in Control."

"Outstanding Company Voting Securities" has the meaning set forth in the definition of "Change in Control."

"Parent Company" means a company or other entity which as a result of a Change in Control owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries.

"Participant" means any Eligible Person to whom an Award is granted.

"Performance Award" means an Award of Performance Shares or Performance Units granted under Section 11.

"Performance Criteria" has the meaning set forth in Section 16.1.

"Performance Share" means an Award of units denominated in shares of Common Stock granted under Section 11.1.

"Performance Unit" means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 11.2.

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"Plan" means the Esterline Technologies Corporation 2013 Equity Incentive Plan, as amended and restated from time to time.

"Prior Plan" has the meaning set forth in Section 4.1(b).

"Related Company" means any entity that is directly or indirectly controlled by, in control of or under common control with the Company.

"Restricted Stock" means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are subject to restrictions prescribed by the Committee.

"Retirement," unless otherwise defined in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means "Retirement" as defined for purposes of the Plan by the Committee or, if not so defined, means Termination of Service on or after the date the Participant reaches "normal retirement age," as that term is defined in Section 411(a)(8) of the Code.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Section 409A" means Section 409A of the Code.

"Stock Appreciation Right" or "SAR" means a right granted under Section 9.1 to receive the excess of the Fair Market Value of a specified number of shares of Common Stock over the grant price.

"Stock Award" means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are not subject to restrictions prescribed by the Committee.

"Stock Unit" means an Award denominated in units of Common Stock granted under Section 10.

"Substitute Awards" means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

"Successor Company" means the surviving company, the successor company or Parent Company, as applicable, in connection with a Change in Control.

"Termination of Service" means a termination of employment or service relationship with the Company or a Related Company for any reason, whether voluntary or involuntary, including by reason of death, Disability or Retirement. Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company's chief human resources officer or other person performing that function or, with respect to directors and executive officers, by the Compensation Committee, whose determination shall be conclusive and binding. Transfer of a Participant's employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Compensation Committee determines otherwise, a Termination of Service shall be deemed to occur if the Participant's employment or service relationship is with an entity that has ceased to be a Related Company. A Participant's change in status from an employee of the Company or a Related Company to a nonemployee director, consultant, advisor, or independent contractor of the Company or a Related Company or a change in status from a nonemployee director, consultant, advisor or independent contractor of the Company or a Related Company to an employee of the Company or a Related Company, shall not be considered a Termination of Service.

"Vesting Commencement Date" means the Grant Date or such other date selected by the Committee as the date from which an Award begins to vest.

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Esterline Technologies Corporation IMPORTANT ANNUAL MEETING INFORMATION Using a black ink pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. X Annual Meeting Proxy Card PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. A Proposals — The Board of Directors recommends a vote FOR all the nominees listed, FOR Proposals 2, 3 and 5 and 1 YEAR on Proposal 4. 1. Election of Directors: For Against Abstain For Against Abstain For Against Abstain + 01 - Michael J. Cave* 02 - Anthony P. Franceschini* 03 - Nils E. Larsen* * Each to serve a term that expires in 2020. For Against Abstain For Against Abstain 2. To consider and approve the Company's Amended and 3. To approve, on an advisory basis, the compensation of the Restated 2013 Equity Incentive Plan. Company's named executive officers for the fiscal year ended September 30, 2016. 1 Year 2 Years 3 Years Abstain 4. To approve, on an advisory basis, the frequency of 5. To ratify the selection of Ernst & Young LLP as the the advisory vote on executive compensation. Company's independent registered public accounting firm for the fiscal year ending September 29, 2017. B Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below Note: please sign as name appears hereon. Joint owners should each sign. When signing as an attorney, executor, administrator, trustee or guardian, please give full title as such. Date (mm/dd/yyyy) — Please print date below. Signature 1 — Please keep signature within the box. Signature 2 — Please keep signature within the box. 1UPX 3007402 + 02HHOD

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. Proxy — Esterline Technologies Corporation This Proxy is Solicited on Behalf of the Board of Directors The undersigned hereby appoints Curtis C. Reusser, Marcia J. Mason and Amy L. Watson and each of them as proxies, each with full power of substitution,

to represent and vote for and on behalf of the undersigned, the number of shares of common stock of Esterline Technologies Corporation that the undersigned would be entitled to vote if personally present at the annual meeting of shareholders to be held on February 9, 2017, or at any adjournment or postponement thereof. The undersigned directs that this proxy be voted as stated on the reverse side. This proxy when properly executed, will be voted in the manner directed on this proxy card. If no specification is made, a vote FOR all nominees, FOR proposals 2, 3, 5 and for 1 YEAR on proposal 4 will be entered. In their discretion, the holders of this proxy are authorized to vote upon such other business as may properly come before the meeting or any adjournment or postponement thereof. The undersigned hereby revokes any proxy or proxies heretofore given for such shares and ratifies all that said proxies or their substitutes may lawfully do by virtue hereof. Important notice regarding the Internet availability of proxy materials for the Annual Meeting of Shareholders. The Proxy Statement and the 2016 Annual Report to Shareholders are available at: www.edocumentview.com/ESL (Continued and to be marked, dated and signed, on the other side)