

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

FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) February 22, 2006

NORDSTROM, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

WASHINGTON 001-15059 91-0515058

(STATE OR OTHER JURISDICTION (COMMISSION FILE (I.R.S. EMPLOYER
OF INCORPORATION) NUMBER) IDENTIFICATION NO.)

1617 SIXTH AVENUE, SEATTLE, WASHINGTON 98101
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (206) 628-2111

INAPPLICABLE
(FORMER NAME OR FORMER ADDRESS IF CHANGED SINCE LAST REPORT)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

Named Executive Officer Compensation

On February 22, 2006 the Compensation Committee (the "Committee") of the Board of Directors of Nordstrom, Inc. (the "Company") approved the following executive compensation actions relative to the Company's Named Executive Officers (as defined in Regulation S-K item 402(a)(3)):

Named Executive Officer	2005 Bonus (1)	2006 Stock Option Grants (#) (2)	2006-09 Performance Share Unit Awards (#) (3)	2006 Base Salary (4)
Blake W. Nordstrom President	\$1,506,680	49,048	8,720	\$700,000
Peter E. Nordstrom Executive Vice President	\$1,184,091	31,531	5,606	\$490,000

Erik B. Nordstrom Executive Vice President	\$1,184,091	31,531	5,606	\$490,000
Michael G. Koppel Executive Vice President and Chief Financial Officer	\$ 489,368	28,728	5,107	\$440,000
James O'Neal Executive Vice President	\$ 488,246	22,495	3,999	\$385,000

(1) The 2005 cash bonuses were determined based on the achievement of pre-established performance measures set by the Compensation Committee under the shareholder approved Nordstrom, Inc. Executive Management Group Bonus Plan.

(2) Stock options were granted pursuant to the terms of the Nordstrom, Inc. 2004 Equity Incentive Plan (the "Plan"). Stock option grants have a term of ten years with an exercise price of \$40.27, the closing sales price of the Company's Common Stock on February 22, 2006, as reported on the New York Stock Exchange, and vesting occurs at the rate of 25% annually beginning one year from the date of grant.

(3) Performance Share Units (PSUs) are awarded pursuant to the terms of the Nordstrom, Inc. 2004 Equity Incentive Plan. PSUs entitle the participant to settle in shares of Company Common Stock or cash in lieu thereof upon the achievement of such performance goals as may be established by the Compensation Committee at the time of grant based on any one or combination of certain performance criteria enumerated in the Plan. 2006-2009 PSUs are earned over a three-year period. The percentage of PSUs granted that will actually be earned at the end of the three-year period is based upon the Company's total shareholder return compared to the total shareholder return

of companies in a pre-defined group of retail peers. Additionally, PSUs will only be earned if the Company's total shareholder return for the period is positive. The form of 2006-09 Performance Share Unit Notice and Award Agreement is attached hereto as Exhibit 10.1.

(4) Represents Named Executive Officers' base salaries effective April 1, 2006 set by the Compensation Committee on February 22, 2006.

SIGNATURE

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

NORDSTROM, INC.

By: /s/ David L. Mackie

David L. Mackie
Vice President, Real Estate
and Corporate Secretary

Dated: February 28, 2006

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10.1	Form of 2006 Performance Share Unit Notice and Performance Share Unit Award Agreement
10.2	Nordstrom, Inc. Executive Management Group Bonus Plan, incorporated by reference to Registrant's definitive proxy statement filed with the Commission on April 15, 2004.
10.3	Nordstrom, Inc. 2004 Equity Incentive Plan, incorporated by reference to Registrant's definitive proxy statement filed with the Commission on April 15, 2004.

performance share unit award agreement

AN AWARD FOR PERFORMANCE SHARE UNITS for the number of shares of Common Stock (hereinafter the "Unit") as noted in your Notice of Award of Performance Share Units (the "Notice"), of Nordstrom, Inc., a Washington Corporation (the "Company"), is hereby granted to the "Unit holder" on the date set forth in your Notice. The Unit is subject to the terms, definitions and provisions of the Nordstrom, Inc. 2004 Equity Incentive Plan (the "Plan") adopted by the Company and approved by its shareholders, which is incorporated in this agreement. Each vested Unit is equal in value to one share of Nordstrom stock. To the extent inconsistent with this Agreement, the terms of the Plan shall govern. The Compensation Committee of the Board has the discretionary authority to construe and interpret the Plan and this Agreement. The Units are subject to the following:

1. VESTING AND SETTLEMENT OF UNITS

At the end of three fiscal years following the date of the awards ("the performance cycle"), units shall vest and be settled in accordance with the provisions of the Plan as follows:

(a) Vesting

Except as set forth in paragraph (c), Units shall vest at the applicable percentage when the Compensation Committee of the Board certifies that (1) the Company's Total Shareholder Return (TSR) is positive, and (2) its TSR performance relative to the TSR of other companies in the comparator group exceeds the following corresponding percentile rankings. For purposes of determining the Company's TSR relative to the TSR of other companies in the comparator group, the share price of the Common Stock of the Company, and the share prices of the companies in the comparator group, shall be based on a thirty (30) trading day average established prior to the commencement of the performance cycle and a thirty (30) trading day average established at the end of the performance cycle.

Percentile Ranking	Vest %
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100.00%	125%
93.00%	125%
86.00%	125%
80.00%	100%
73.00%	85%
66.00%	85%
60.00%	75%
53.00%	75%
0-50.00%	0%

The relative percentile rankings may change during the performance period based upon mergers, acquisitions, dissolutions and other industry consolidation involving the companies in the comparator group. Generally, PSU's will be earned if the Nordstrom TSR for the three-year period following the grant is in the top half of performers relative to the other companies in the comparator group.

(b) Settlement

Units shall be settled upon vesting, unless the Unit holder has elected to defer the Units into the Executive Deferred Compensation Plan (EDCP). Such deferral election must be in writing, must be

executed at least 12 months prior to the beginning of the Plan Year in which the Units vest, and must be irrevocable. Upon deferral, the vested Units (and their subsequent settlement and payment) shall be governed by the terms and conditions of the EDCP as that Plan may be amended from time to time by the Company.

At the time of settlement, unless earlier deferred into the EDCP, the Unit holder shall elect to receive one share of Common Stock for each vested Unit or receive an equivalent amount of cash (in accordance with procedures established by the Company). The amount of cash will be

determined on the basis of the market value of the Common Stock on the last day of the performance cycle, determined at the time of vesting.

(c) Withholding Taxes

No stock certificates or cash will be distributed to the Unit holder, or amounts deferred into the EDCP, unless the Unit holder has made acceptable arrangements to pay any withholding taxes that may be due as a result of the settlement of this Award. These arrangements may include withholding shares of Common Stock that otherwise would be distributed when the Units are settled. The fair market value of these shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

(d) Restrictions on Resale

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

2. TERMINATION OF EMPLOYMENT

Except as set forth below, Units vest and may only be settled while the Unit holder is an employee of the Company. If the Unit holder's employment is terminated, the Units shall continue to vest pursuant to the schedule set forth in subparagraph 1(a) above, and the Unit holder or his or her legal representative shall have the right to settlement of the Units after such termination only as follows:

(a) If the Unit holder dies, the persons to whom the Unit holder's rights have passed by will or the laws of descent and distribution shall be entitled to settlement of the Units. The Unit holder's beneficiary(ies) shall be entitled to a prorated payment with respect to Units earned during the Performance Cycle based on their period of service during the term of this agreement.

(b) If the Unit holder is separated due to his or her disability, as defined in Section 22(e)(3) of the Internal Revenue Code, the Unit holder shall be entitled to a prorated payment with respect to Units earned during the Performance Cycle based on their period of service during the term of this agreement.

(c) If the Unit holder is separated due to retirement between the ages of 53 and 57 with 10 years of service to the Company, or upon attaining age 58, the Unit holder shall be entitled to a prorated payment with respect to Units earned during the Performance Cycle based on their period of service during the term of this agreement.

(d) If the Unit holder is separated for any reason other than those

set forth in subparagraphs (a), (b) and (c) above, Units, to the extent not vested and settled as of the date of his or her separation, shall be forfeited as of that date.

Notwithstanding anything above to the contrary, if during the term of this Award, the Unit holder directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, shareholder, corporate officer, director or in any other capacity, engages or assists any third party in engaging in any business competitive with the Company; divulges any confidential or proprietary information of the Company to a third party who is not authorized by the Company to receive the confidential or proprietary information; or uses any confidential or proprietary information of the Company, then the post-separation proration of Units and settlement rights set forth above shall cease immediately, and all outstanding vested and unvested portions of the Award shall be automatically forfeited.

3. TERM

Units not certified by the Compensation Committee of the Board as having vested as of the end of the three-year performance cycle for which the Units were awarded, shall be forfeited.

4. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

The number and kind of shares of Company stock subject to this Award shall be appropriately adjusted pursuant to the Plan to reflect any stock dividend, stock split, split-up or any combination or exchange of shares, however accomplished.

5. ADDITIONAL UNITS

The Committee may or may not grant the Unit holder additional

performance share units in the future. Nothing in this Award or any future award should be construed as suggesting that additional unit awards to the Unit holder will be forthcoming.

6. RIGHTS AS A SHAREHOLDER

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

7. NO RETENTION RIGHTS

Nothing in this Agreement or in the Plan shall give the Unit holder the right to be retained by the Company (or a subsidiary of the Company) as an employee or in any capacity. The Company and its subsidiaries reserve the right to terminate the Unit holder's service at any time, with or without cause.

8. ENTIRE AGREEMENT

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

9. CHOICE OF LAW

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington, as such laws are applied to contracts entered into and performed in such State.

Nordstrom, Inc.

Notice of Award of Performance Share Units

First Name, Last Name

Employee No:

Award No:

On _____, Nordstrom, Inc. awarded _____ Performance Share Units (PSUs) to you.

Your PSUs are earned based on the Nordstrom Total Shareholder Return (TSR) relative to the performance of our retail comparator group over the three-year period ending on January 31, 2009. At the end of the three-year period, if Nordstrom TSR is a positive number, your PSUs will be earned as detailed below:

Percentile Ranking	Vest %
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100.00%	125%
93.00%	125%
86.00%	125%
80.00%	100%
73.00%	85%
66.00%	85%
60.00%	75%
53.00%	75%
0-50.00%	0%

TSR results are provided to you via e-mail on a quarterly basis during the fiscal year. The periodic TSR communication shows you how Nordstrom stock is performing in relation to our retail comparator group for each PSU grant, and the progress that has been made toward earning your PSUs. Final vesting of PSU's will be based on the actual TSR measured at the end of the performance cycle.

Please keep this Notice for your records.

If you have any questions about your grant, please call Nordstrom Leadership Benefits at (206) 303-5855, tie line 8-805-5855 or e-mail leadership.benefits@nordstrom.com.