Employers Holdings, Inc.
Form 8-K
December 19, 2017

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): December 1, 2017

EMPLOYERS HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

NEVADA	001-33245	04-3850065
(State or Other Jurisdiction of	(Commission	(I.R.S. Employer
Incorporation)	File Number)	Identification No.)

10375 Professional Circle	
Reno, Nevada	89521
(Address of Principal Executive Offices)	(Zip Code)

Registrant’s telephone number including area code: (888) 682-6671

No change since last report
(Former Name or 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:

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

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

Emerging growth company o

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

Section 8 – Other Events

Item 8.01. Other Events.

On December 1, 2017, John P. Nelson, Executive Vice President, Chief Administrative Officer of Employers Holdings, Inc. (the “Company”), entered into a pre-arranged trading plan in accordance with the requirements specified in Rule 10b5-1 of the Securities and Exchange Act of 1934, as amended.

Rule 10b5-1 trading plans permit individuals who are not then in possession of material non-public information to establish pre-arranged plans to buy or sell the Company’s common stock. Trading plans can minimize the market effect of insider purchases or sales by spreading these purchases or sales over a more extended period than the limited trading “windows” designated by the Company’s Insider Trading Policy.

The trading plan referred to above was entered into during the Company’s Open Trading Window and Mr. Nelson represented that he was not in possession of any material, non-public information. The trading plan is scheduled to terminate on December 31, 2018 and may be terminated earlier by Mr. Nelson, subject to applicable securities laws and the Company’s Insider Trading Policy. Transactions under this trading plan will be publicly reported to the Securities Exchange Commission in accordance with applicable securities laws, rules, and regulations.

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.

EMPLOYERS
HOLDINGS, INC.

Dated: December 18, 2017 /s/ Lenard T. Ormsby
Lenard T. Ormsby
Executive Vice President,
Chief Legal Officer and General Counsel

eff">

$8.03 - $9.00				
3,019	6	$9	2,003	$9
$9.01 - $13.00				
2,742	5	12	2,705	12
$13.01 - $20.00				
3,238	5	19	1,794	18
$20.01 - $40.27				
3,859	9	33	424	26
12,858	6	$19	6,926	$13

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

NOTE 7: STOCK-BASED COMPENSATION (CONT.)

Performance Share Units

We grant performance share units to align certain elements of our senior management compensation with our shareholder returns. Performance share units vest after a three-year performance period only when our total shareholder return (growth in stock price and reinvestment of dividends) is positive and outperforms companies in a defined peer group of direct competitors determined by the Compensation Committee of our Board of Directors. The percentage of units that vest depends on our relative position at the end of the performance period and can range from 0% to 125% of the number of units granted. As participants may elect to exchange each unit earned for one share of stock or the cash equivalent, these units are classified as a liability award.

At the end of each period, we record the performance share unit liability based on the vesting factors described above. At the end of October 28, 2006 and October 29, 2005, our liabilities included $9,314 and $11,716 for the units. For the nine months ended October 28, 2006 and October 29, 2005, stock-based compensation expense was $3,696 and $6,460. As of October 28, 2006, the remaining unrecognized stock-based compensation expense related to nonvested performance share units was $4,160, which is expected to be recognized over a weighted average period of 18 months. At January 28, 2006, 412,648 units were unvested. During the nine months ended October 28, 2006, 68,092 units were granted, 216,865 units vested and 8,396 units cancelled, resulting in an ending balance of 255,479 unvested units as of October 28, 2006.

The following table summarizes the information for performance share units that vested during the period:

	Nine Months Ended	
	October 28, 2006	October 29, 2005
Number of performance share units vested	216,865	336,892
Total fair value of performance share units vested	$ 11,310	$ 10,159
Total amount of performance share units settled for cash	$ 5,982	$ 1,836

Nonemployee Director Stock Incentive Plan

The Nonemployee Director Stock Incentive Plan authorizes the grant of stock awards to our nonemployee directors. These awards may be deferred or issued in the form of restricted or unrestricted stock, nonqualified stock options or stock appreciation rights. We issued 5 shares of unrestricted stock for a total expense of $169 in 2006. An additional 15 shares were deferred for a total expense of $514. As of October 28, 2006, we had 755 remaining shares available for issuance.

Employee Stock Purchase Plan

We offer an Employee Stock Purchase Plan as a benefit to our employees. Employees may make payroll deductions of up to ten percent of their base and bonus compensation. At the end of each six-month offering period, participants may purchase shares of our common stock at 90% of the fair market value on the last day of each offer period. We record compensation expense over the purchase period at the fair value of the ESPP at the end of each reporting period.

We issued 446 shares under the ESPP during the nine months ended October 28, 2006. As of October 28, 2006 and October 29, 2005, we had current liabilities of $1,543 and $1,407 for future purchase of shares under the ESPP.

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(Unaudited)

NOTE 8: SEGMENT REPORTING

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

Quarter ended October 28, 2006	**Retail Stores**	**Credit**	**Direct**	**Other**	**Eliminations**	**Total**
Net sales	$ 1,712,061		$ 131,367	$ 28,675		$ 1,872,103
Net sales increase (decrease)	11.0%	N/A	28.2%	31.4%	N/A	12.4%
Intersegment revenues		$ 9,019			$ (9,019)	
Interest expense, net		(6,481)		(4,938)		(11,419)
Other income including finance charges, net	(1,344)	63,397	(197)	(3,037)		58,819
Earnings before income tax expense	254,258	15,627	32,238	(80,953)		221,170
Earnings before income tax expense as a percentage of net sales	14.9%	N/A	24.5%	N/A	N/A	11.8%

Quarter ended October 29, 2005	**Retail Stores**	**Credit**	**Direct**	**Other**	**Eliminations**	**Total**
Net sales	$ 1,541,823		$ 102,484	$ 21,823		$ 1,666,130
Net sales increase (decrease)	8.9%	N/A	(3.6%)	N/A	N/A	8.0%
Intersegment revenues		$ 7,836			$ (7,836)	
Interest expense, net		(6,270)		(3,978)		(10,248)
Other income including finance charges, net	(2,003)	54,065	102	(4,814)		47,350
Earnings before income tax expense	189,423	8,753	22,144	(57,308)		163,012
Earnings before income tax expense as a percentage of net sales	12.3%	N/A	21.6%	N/A	N/A	9.8%

Nine months ended October 28, 2006	**Retail Stores**	**Credit**	**Direct**	**Other**	**Eliminations**	**Total**
Net sales	$ 5,494,677		$ 367,867	$ 67,250		$ 5,929,794
Net sales increase (decrease)	8.8%	N/A	16.6%	6.3%	N/A	9.3%
Intersegment revenues		$ 30,069			$ (30,069)	
Interest expense, net		(20,665)		(14,288)		(34,953)
	(6,953)	188,122	(546)	(7,115)		173,508

Other income including finance charges, net						
Earnings before income tax expense	792,061	48,896	88,304	(202,653)		726,608
Earnings before income tax expense as a percentage of net sales	14.4%	N/A	24.0%	N/A	N/A	12.3%
Total assets	2,466,157	932,699	126,939	1,182,587		4,708,382

Nine months ended October 29, 2005	**Retail Stores**	**Credit**	**Direct**	**Other**	**Eliminations**	**Total**
Net sales	$ 5,048,371		$ 315,404	$ 63,267		$ 5,427,042
Net sales increase	7.8%	N/A	4.8%	N/A	N/A	7.9%
Intersegment revenues		$ 27,556			$ (27,556)	
Interest expense, net		(18,818)		(14,973)		(33,791)
Other income including finance charges, net	(6,609)	162,800	66	(21,205)		135,052
Earnings before income tax expense	666,186	33,754	61,346	(183,501)		577,785
Earnings before income tax expense as a percentage of net sales	13.2%	N/A	19.4%	N/A	N/A	10.6%
Total assets	2,509,339	1,089,054	119,453	1,071,687		4,789,533

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NOTE 8: SEGMENT REPORTING (CONT.)

The segment information for the quarter and the nine months ended October 29, 2005 has been adjusted from our 2005 Form 10-Q disclosures as we now reflect Façonnable, Nordstrom Product Group and the distribution network in Other. Also, beginning in September 2005, we changed our internal method for recognizing returns of Direct sales at Retail Stores. Previously, these returns were recognized in the Direct segment and now they are recognized in the Retail Stores segment.

NOTE 9: SUPPLEMENTARY CASH FLOW INFORMATION

	Nine Months Ended	
	October 28, 2006	**October 29, 2005**
Cash paid during the year for:		
Interest (net of capitalized interest)	$ 44,593	$ 43,825
Income taxes	$ 336,357	$ 287,362

NOTE 10: CONTINGENCIES

Gain Contingencies

In July 2006, we received $5,586 of proceeds from the VISA Check/Master Money Antitrust Litigation. These proceeds were recorded as a gain in the second quarter of 2006 in other income including finance charges, net.

Loss Contingencies

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

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Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations (Dollar amounts in millions except per share amounts)

The following discussion should be read in conjunction with the Management s Discussion and Analysis section of our Annual Report on Form 10-K for the fiscal year ended January 28, 2006.

RESULTS OF OPERATIONS

Overview

	Third Quarter		Nine Months	
	2006	**2005**	**2006**	**2005**
Net earnings	**$135.7**	$107.5	**$445.7**	$360.9
Net earnings as a percentage of net sales	**7.2%**	6.4%	**7.5%**	6.7%
Diluted earnings per share	**$ 0.52**	$ 0.39	**$ 1.67**	$ 1.30

Net earnings as a percentage of net sales improved 80 basis points for the quarter and 87 basis points for the nine months ended October 28, 2006 compared to the same periods last year. These results were driven by the combination of continued sales growth, merchandise margin rate expansion, stable selling cost rates, and leverage of general and administrative costs. Key highlights include:

Net sales increased 12.4% in the third quarter and 9.3% in the nine months ended October 28, 2006. Third quarter same-store sales increased 10.7%, our largest increase in the past ten quarters. For the nine months ended October 28, 2006, same-store sales increased 7.2%. For both periods all of our retail sales channels and geographic regions delivered positive same-store sales increases.

Gross profit as a percentage of net sales (gross profit rate) increased 156 basis points for the quarter and 71 basis points for the nine months ended October 28, 2006, delivered by merchandise margin improvement and leverage on our buying and occupancy costs.

Sales leverage on expenses resulted in a 17 basis point reduction in selling, general and administrative expenses as a percentage of net sales (SG&A rate) for the quarter and a 43 basis point reduction for the nine months ended October 28, 2006.

We repurchased 0.9 million shares of our common stock for $32.6 during the third quarter and 16.0 million shares for $595.5 during the first nine months of 2006. The resulting reduction in weighted-average shares outstanding had no material impact on diluted earnings per share for the quarter and a $0.06 impact for the nine months ended October 28, 2006.

Net Sales

	Third Quarter		Nine Months	
	2006	**2005**	**2006**	**2005**
Net sales	**$1,872.1**	$1,666.1	**$5,929.8**	$5,427.0
Net sales increase	**12.4%**	8.0%	**9.3%**	7.9%
Retail segment net sales increase	**11.0%**	8.9%	**8.8%**	7.8%
Direct segment net sales increase	**28.2%**	(3.6%)	**16.6%**	4.8%
Total company same-store sales increase	**10.7%**	5.9%	**7.2%**	6.1%

Retail segment net sales for the quarter and nine month periods increased over the same periods in the prior year due to same-store sales increases and new stores. Since the third quarter of 2005, net sales have benefited from the opening of two Full-Line stores and the relocation and expansion of another Full-Line store. These three stores increased our retail square footage by 2.1% compared to last year.

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Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations (Cont.)
(Dollar amounts in millions except per share amounts)

All major merchandise categories achieved same-store sales growth above our overall sales plan. Key categories that performed ahead of plan were: Women s Apparel, Accessories, and Designer merchandise across all categories. During the first and second quarter of this year our women s apparel merchandise category had slight same-store sales decreases. In the third quarter, women s apparel had a mid-single digit increase; same-store sales for the category were flat to last year for the nine months ended October 28, 2006.

For the quarter, our Direct segment had a 28.2% net sales increase and a 16.6% net sales increase for the nine months ended October 28, 2006. These increases were driven by continued growth in our online sales.

Gross Profit

	Third Quarter		Nine Months	
	2006	**2005**	**2006**	**2005**
Gross profit	**$ 712.0**	$ 607.7	**$2,200.0**	$1,974.9
Gross profit rate	**38.0%**	36.5%	**37.1%**	36.4%

	Four Quarters Ended	
	October 28, 2006	**October 29, 2005**
Average inventory per square foot	**$54.21**	$54.08
Inventory turnover rate (for the most recent four quarters)	**4.73**	4.53

Compared to the same periods last year, our gross profit rate improved 156 basis points for the quarter and 71 basis points for the nine months ended October 28, 2006, driven primarily by improvements in our merchandise margin. All of our major merchandise categories delivered margin rate improvement for the quarter and all except one delivered rate improvement for the nine months ended October 28, 2006, as compared to the same periods last year. Additionally, for both periods, we experienced leverage on buying and occupancy expenses from better than planned sales.

Our buying and occupancy costs included $2.9 in the third quarter and $8.3 in the nine months ended October 28, 2006 for costs related to stock options awarded primarily to our merchant and product development groups. These costs impacted our gross profit rate by 16 basis points for the quarter and 14 basis points for the nine month period.

Our four-quarter average inventory turnover rate improved 4.6% in 2006, indicating that our merchandise planning and execution have continued to improve.

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Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations (Cont.)
(Dollar amounts in millions except per share amounts)
Selling, General and Administrative Expenses (SG&A)

	Third Quarter		Nine Months	
	2006	**2005**	**2006**	**2005**
Selling, general and administrative expenses	**$ 538.2**	$ 481.8	**$ 1,612.0**	$ 1,498.4
SG&A rate	**28.7%**	28.9%	**27.2%**	27.6%

Compared to the same period last year, our SG&A rate improved 17 basis points for the quarter and 43 basis points for the nine months ended October 28, 2006. For both periods, the performance resulted primarily from sales growth leverage. Our variable expense rate, which consists primarily of selling labor and credit expenses, was slightly lower than last year, and we leveraged our general and administrative costs, including non-selling labor and advertising. In the third quarter, further rate improvement was held back by a rise in compensation costs linked to the price of our company s stock, which appreciated 38.4% in the quarter. This cost increase impacted our SG&A rate by 64 basis points and diluted earnings per share by $0.03 for the quarter. This increase reverses the favorable impact on SG&A that these costs had in the second quarter (due to a decline in our stock price), and for the nine months ended October 28, 2006 compensation costs that are tied to our stock s performance have decreased by $4.3 compared to the same period in the prior year.

SG&A included $3.6 in the third quarter and $12.2 in the nine months ended October 28, 2006 for costs related to stock options awarded to employees in our store operations, business units and corporate service center. These costs impacted our SG&A rate by 19 basis points for the quarter and 20 basis points for the nine month period.

Interest Expense, net

Interest expense, net increased by $1.2 to $11.4 for the quarter ended October 28, 2006 and $35.0 for the nine months ended October 28, 2006 compared to the same periods in 2005. We had an increase in our average interest rates and slightly lower interest income as we reduced our cash and short-term investment balances in 2006 as compared to 2005.

Other Income Including Finance Charges, net

	Third Quarter		Nine Months	
	2006	**2005**	**2006**	**2005**
Other income including finance charges, net	**$ 58.8**	$ 47.4	**$173.5**	$135.1
Other income including finance charges, net as a percentage of net sales	**3.1%**	2.8%	**2.9%**	2.5%

Other income including finance charges, net increased by $11.5 for the quarter and $38.5 for the nine months ended October 28, 2006. For both periods, the increase was primarily due to growth in our co-branded Nordstrom VISA credit card program.

In July 2006, we received $5.6 of proceeds from the VISA Check/Master Money Antitrust Litigation. These proceeds were recorded as a gain in the second quarter of 2006 in other income including finance charges, net.

Seasonality

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

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Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations (Cont.)
(Dollar amounts in millions except per share amounts)
Return on Invested Capital (ROIC) (Non-GAAP financial measure)

In the past two years, we have incorporated Return on Invested Capital (ROIC) into our key financial metrics, and since 2005 have used it as an executive incentive measure. Overall performance as measured by ROIC correlates directly to shareholders return over the long-term. For the 12 months ended October 28, 2006, we improved our ROIC to 19.5% compared to 15.7% for the 12 months ended October 29, 2005. Our ROIC improved primarily from increased earnings before interest and taxes. See our GAAP ROIC reconciliation below. The closest GAAP measure is return on assets, which improved to 13.1% from 10.5% for the last 12 months ended October 28, 2006 compared to the 12 months ended October 29, 2005.

We define ROIC as follows:

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

Numerator = NOPAT	**Denominator = Average Invested Capital**
Net Earnings	Average total assets
+ Income tax expense	- Average non-interest-bearing current liabilities
+ Interest expense, net	- Average deferred property incentives
= EBIT	+ Average estimated asset base of capitalized operating leases
+ Rent expense	**= Average invested capital**
- Estimated depreciation on capitalized operating leases	
= Net operating profit	
- Estimated income tax expense	
= NOPAT	

A reconciliation of our return on assets to ROIC is as follows:

	12 months ended	
	October 28, 2006	**October 29, 2005**
Net earnings	$ 636.1	$ 500.9
Add: income tax expense	398.0	313.4
Add: interest expense, net	46.4	46.9
Earnings before interest and income tax expense	1,080.5	861.2
Add: rent expense	45.8	47.0
Less: estimated depreciation on capitalized operating leases[1]	(24.4)	(25.1)
Net operating profit	1,101.9	883.1
Estimated income tax expense	(423.9)	(335.2)

Net operating profit after tax	$ 678.0	$ 547.9
Average total assets[2]	$ 4,864.3	$ 4,759.6
Less: average non-interest-bearing current liabilities[3]	(1,390.2)	(1,307.6)
Less: average deferred property incentives[2]	(360.7)	(370.9)
Add: average estimated asset base of capitalized operating leases[4]	360.0	417.4
Average invested capital	$ 3,473.4	$ 3,498.5
Return on Assets	13.1%	10.5%
ROIC	19.5%	15.7%

1 Depreciation based upon estimated asset base of capitalized operating leases as described in Note 4 below.

2 Based upon the trailing 12-month average.

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

4 Based upon the trailing 12-month average of the monthly asset base which is calculated as the trailing

12 months rent
expense
multiplied by 8.

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Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations (Cont.)
(Dollar amounts in millions except per share amounts)

LIQUIDITY AND CAPITAL RESOURCES

In the first nine months of 2006, cash decreased by $253.9. Cash outflows of $595.5 for common stock repurchases and the retirement of the $300.0 Private Label Securitization Notes were partially offset by cash inflows from operations of $712.5, including the $350.0 reduction in our investment in asset backed securities.

Operating Activities

In comparison to last year, net cash flow from operating activities increased by $336.1 to $712.5 in 2006, primarily due to the reduction of our investment in asset backed securities. Between July and September 2006, the VISA Trust issued a total of $350.0 for cash of variable funding notes at par. The proceeds received by the VISA Trust were then sent to us in exchange for a reduction in the Transferor Interest in the VISA Trust held by Nordstrom, Inc. (reflected as the investment in asset backed securities in our condensed consolidated balance sheets). The reduction in the Transferor Interest was equal to a $350.0 reduction in our share of the principal balance of the underlying VISA credit card receivables since our last fiscal year end.

Excluding the proceeds from the reduction of our investment in asset backed securities, our net cash flow from operating activities decreased $13.9, due partially to the timing of income tax payments.

Investing Activities

Net cash used in investing activities decreased by $63.5 to $140.1, primarily due to a reduction in capital expenditures and sales of short-term investments. Our capital expenditures decreased in 2006 as a result of the timing of our new store openings and remodels. In the first nine months of 2006, we opened one Full-Line store in Palm Beach Gardens, Florida and relocated and expanded our existing store at the Topanga Plaza in Canoga Park, California. During the same period in 2005, we opened four new stores.

In 2006, we sold our short-term investments and primarily used the proceeds for the common stock repurchases described below.

Financing Activities

Net cash used in financing activities increased to $826.3 in 2006 from $327.5 in 2005, due to an increase in cash outflows for common stock repurchases and the retirement of our $300.0 Private Label Securitization Notes, offset by a $100.0 borrowing under our variable funding note facility, secured by the Private Label receivables.

In the first nine months of 2006, we repurchased 16.0 million shares of our common stock for an aggregate purchase price of $595.5 (an average price per share of $37.18). In May 2006, our Board of Directors authorized $1,000.0 of share repurchases. As of October 28, 2006, the unused authorization was $617.4. The actual amount and timing of future share repurchases will be subject to market conditions and applicable SEC rules.

Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations (Cont.)
(Dollar amounts in millions except per share amounts)

In October 2006, we amended our existing variable funding note facility to increase the capacity of this facility from $450.0 to $600.0. This facility was used to borrow $100.0 in October 2006 secured by our Private Label receivables. Additionally, the VISA Trust used this facility to issue $300.0 of Notes in July 2006 and an additional $50.0 of Notes in September 2006. As the VISA Trust is a statutory business trust and the VISA credit card receivables transferred to it are accounted for as a sale under SFAS No. 140, the obligations of the VISA Trust are not recorded in our financial statements. The VISA Trust sent the proceeds from this note issuance to us in return for a reduction in our interest in the VISA Trust equal to a $350.0 decrease in our share of the principal balance of VISA credit card receivables since our last fiscal year end.

Liquidity

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

In April 2007, the $200.0 2002 Class A & B Notes issued by the VISA Trust will mature. We are evaluating alternatives to combine the Private Label and VISA credit card borrowing programs in the first half of 2007.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. Our critical accounting policies and methodologies in 2006 are consistent with those discussed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2006.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 requires that the tax effects of a position be recognized only if it is more likely than not to be sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. The provisions of FIN 48 are effective for us as of the beginning of our 2007 fiscal year. We are currently evaluating the impact of adopting FIN 48 on our financial statements.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. We are assessing the potential impact on our financial statements.

Also in September 2006, the FASB issued Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158). FAS 158 addresses the accounting for defined benefit pension plans and other postretirement benefit plans. It will require the recognition of a plan s overfunded or underfunded status as an asset or liability in the balance sheet and the recognition of changes in that funded status in the year in which the changes occur through comprehensive income. FAS 158 also requires the measurement date for plan assets and liabilities to coincide with the plan sponsor s fiscal year end. This statement is effective for fiscal years ending after December 15, 2006, except the change in measurement date provisions, which is effective for fiscal years ending after December 15, 2008. We have two benefit plans that are impacted by this standard: our Supplemental Executive Retirement Plan (SERP) and our retiree medical plan. Based on recent valuations and projections of the funded status of these plans, we expect that the effect of the adoption of FAS 158 will be to increase total liabilities and to reduce shareholders equity by approximately $14 million. The actual impact of adopting FAS 158 will depend on the valuation of our plan obligations as of our 2006 measurement date.

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Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations (Cont.)
(Dollar amounts in millions except per share amounts)
FORWARD-LOOKING INFORMATION CAUTIONARY STATEMENT

Certain statements in this Quarterly Report on Form 10-Q contain forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties, including anticipated financial results, use of cash and liquidity, store openings and trends in our operations. Actual future results and trends may differ materially from historical results or current expectations depending upon various factors including, but not limited to:

- the impact of economic and competitive market forces,
- the impact of terrorist activity or war on our customers and the retail industry,
- our ability to predict fashion trends,
- consumer apparel buying patterns,
- trends in personal bankruptcies and bad debt write-offs,
- changes in interest rates,
- employee relations,
- our ability to continue and control our expansion, remodel and investment plans,
- changes in government or regulatory requirements,
- our ability to control costs,
- weather conditions, and
- hazards of nature.

These and other factors could affect our financial results and trends and cause actual results and trends to differ materially from those contained in any forward-looking statements we may provide. As a result, while we believe there is a reasonable basis for the forward-looking statements, you should not place undue reliance on those statements. We undertake no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances. This discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements.

Item 3. Quantitative And Qualitative Disclosures About Market Risk

We discussed our interest rate risk and our foreign currency exchange risk in Item 7A of our Annual Report on Form 10-K for the fiscal year ended January 28, 2006. There has been no material change to these risks since that time.

Item 4. Controls And Procedures

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

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

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

Cosmetics

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

Plaintiffs sought treble damages and restitution in an unspecified amount, attorneys fees and prejudgment interest, on behalf of a class of all California residents who purchased cosmetics and fragrances for personal use from any of the defendants during the four years prior to the filing of the original complaints.

While we believe that the plaintiffs claims are without merit, we entered into a settlement agreement with the plaintiffs and the other defendants on July 13, 2003 in order to avoid the cost and distraction of protracted litigation. In furtherance of the settlement agreement, the case was re-filed in the United States District Court for the Northern District of California on behalf of a class of all persons who currently reside in the United States and who purchased Department Store cosmetics and fragrances from the defendants during the period May 29, 1994 through July 16, 2003. The Court gave preliminary approval to the settlement, and a summary notice of class certification and the terms of the settlement was disseminated to class members. On March 30, 2005, the Court entered a final judgment approving the settlement and dismissing the plaintiffs claims and the claims of all class members with prejudice, in their entirety. On April 29, 2005, two class members who had objected to the settlement filed notices of appeal from the Court s final judgment to the United States Court of Appeals for the Ninth Circuit. One of the objectors has since dropped her appeal, but the other filed her appeal brief on March 20, 2006. Plaintiffs and defendants briefs were filed on May 25, 2006. The remaining objector filed her reply brief on June 14, 2006. The Ninth Circuit has not yet scheduled oral argument on the appeal. It is uncertain when the appeal will be resolved, but the appeal process could take as much as another year or more. If the Court s final judgment approving the settlement is affirmed on appeal, or the appeal is dismissed, the defendants will provide class members with certain free products with an estimated retail value of $175 million and pay the plaintiffs attorneys fees, awarded by the Court, of $24 million. We do not believe the outcome of this matter will have a material adverse effect on our financial condition, results of operations or cash flows.

Other

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

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Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended January 28, 2006. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K.

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

(c) Repurchases

(dollars in millions, except per share amounts)

	Total Number of Shares (or Units Purchased)	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) Of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs[1]
August 2006 (July 30, 2006 to August 26, 2006)	210,000	$ 34.08	210,000	$ 642.8
September 2006 (August 27, 2006 to September 30, 2006)	685,800	$ 37.10	685,800	$ 617.4
October 2006 (October 1, 2006 to October 28, 2006)				$ 617.4
Total	895,800	$ 36.39	895,800	

1 In the first nine months of 2006, we repurchased 16.0 million shares of our common stock for an aggregate purchase price of $595.5 (an average price per share of $37.18). In May 2006, our Board of

Directors authorized $1,000.0 of share repurchases. As of October 28, 2006, the unused authorization was $617.4. The actual amount and timing of future share repurchases will be subject to market conditions and applicable SEC rules.

Item 6. Exhibits

Exhibits are incorporated herein by reference or are filed with this report as set forth in the Index to Exhibits on page 27 hereof.

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SIGNATURES

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

NORDSTROM, INC.
(Registrant)

/s/ Michael G. Koppel

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

Date: December 5, 2006

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NORDSTROM, INC. AND SUBSIDIARIES
Exhibit Index

	Exhibit	Method of Filing
10.1	Note Purchase Agreement dated December 4, 2001 between Nordstrom Private Label Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and Bank One NA (incorporated by reference from Nordstrom Credit, Inc. s Annual Report on Form 10-K for the year ended January 31, 2002, Exhibit 10.25), as amended February 25, 2005, February 24, 2006, June 26, 2006, and October 10, 2006.	Filed herewith electronically
10.2	Note Purchase Agreement dated December 16, 2004 between Nordstrom Credit Card Receivables, LLC, Nordstrom fsb, Falcon Asset Securitization Corporation, and JPMorgan Chase Bank NA, as amended October 10, 2006.	Filed herewith electronically
31.1	Certification of President required by Section 302(a) of the Sarbanes-Oxley Act of 2002	Filed herewith electronically
31.2	Certification of Chief Financial Officer required by Section 302(a) of the Sarbanes-Oxley Act of 2002	Filed herewith electronically
32.1	Certification of President and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith electronically

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