

# BUCKLE INC

## FORM 10-K (Annual Report)

Filed 4/29/1999 For Period Ending 1/30/1999

Address	2407 W 24TH ST KEARNEY, Nebraska 68847
Telephone	308-236-8491
CIK	0000885245
Industry	Retail (Apparel)
Sector	Services
Fiscal Year	02/01

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

**FORM 10-K**

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

For the Fiscal Year Ended **JANUARY 30, 1999**

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: 000-20132*

**THE BUCKLE, INC.**

(Exact name of Registrant as specified in its charter)

NEBRASKA  
(State or other jurisdiction of  
incorporation or organization)

47-0366193  
(I.R.S. Employer  
Identification No.)

**2407 WEST 24TH STREET, KEARNEY, NEBRASKA 68847**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (308) 236-8491

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

TITLE OF CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$.01 par value	New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE**

Indicate 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 the 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.

The aggregate market value (based on the closing price of the New York Stock Exchange) of the Common Stock of the Registrant held by non-affiliates of the Registrant was \$184,739,602.50 on March 31, 1999. For purposes of this response, executive officers and directors are deemed to be the affiliates of the Registrant and the holdings by non-affiliates was computed as 8,210,649 shares.

The number of shares outstanding of the Registrant's Common Stock, as of March 31, 1999, was 22,048,861.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement dated April 28, 1999 for Registrant's 1999 Annual Meeting of Shareholders to be held June 4, 1999 are incorporated by reference in Part III.

**THE BUCKLE, INC.**

**FORM 10-K**  
**JANUARY 30, 1999**

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## PART I

### ITEM 1 - BUSINESS

The Buckle, Inc. (the "Company") is a retailer of medium to better-priced casual apparel for fashion conscious young men and women. As of January 30, 1999, the Company operated 222 retail stores in 29 states throughout the central United States, as well as in the northwest and southwestern states under the names "Brass Buckle" and "The Buckle." The Company markets a wide selection of mostly brand name casual apparel, including denims, other casual bottoms, tops, sportswear, outerwear, accessories, and footwear. The Company emphasizes personalized attention to its customers and provides individual customer services such as free alterations, free gift-wrapping, easy layaways and a frequent shopper program. Most stores are located in regional, high-traffic shopping malls, and this is the Company's strategy for future expansion. All of the Company's central office functions, including purchasing, pricing, advertising and distribution, are controlled from its headquarters and distribution center in Kearney, Nebraska.

Incorporated in Nebraska in 1948, the Company commenced business under the name Mills Clothing, Inc., a conventional men's clothing store with only one location. In 1967, a second store, under the trade name Brass Buckle, was purchased. In the early 1970s, the store image changed to that of a jeans store, with a wide selection of denims and shirts. The first branch store was opened in Columbus, Nebraska, in 1976. In 1977, the Company began selling young women's apparel as well, and opened its first mall store. The Company has experienced significant growth over the past ten years, growing from 56 stores at the start of 1989 to 222 stores by the close of fiscal 1998. The Company changed its corporate name to The Buckle, Inc. on April 23, 1991. All references herein to fiscal 1998 refer to the 52-week period ended January 30, 1999. Fiscal 1997 and fiscal 1996 refer to the 52-week periods ended January 31, 1998 and February 1, 1997, respectively.

The Company's principal executive offices and distribution center are located at 2407 West 24th Street, Kearney, Nebraska 68847. The Company's telephone number is (308) 236-8491. The Company publishes its corporate web site at [www.buckle.com](http://www.buckle.com).

### MARKETING AND MERCHANDISING

The Company's marketing and merchandising strategy is to offer customers a wide selection of key brand name merchandise while also providing a broad range of services designed to create customer loyalty. The Company provides a unique specialty apparel store with merchandise designed to appeal to the fashion conscious 12 to 24 year old. The merchandise mix includes denims, casual bottoms, tops, sweaters, sportswear, outerwear, accessories, and footwear. Denim is a significant contributor to total sales (over 27% of fiscal 1998 net sales) and is a key to the Company's merchandising concept. The Company believes it attracts customers with a selection of key brands and a wide variety of fits, finishes and styles in denim. Shirts and tops are also significant contributors to the total sales (34% of fiscal 1998 net sales). The Company strives to provide a continually changing selection of the latest casual fashions. Over the past five years, footwear has been a significant growth category for the Company, growing from 3.0% of net sales for fiscal 1994 to 17.3% of fiscal 1998 net sales.

The percentage of net sales over the past three fiscal years of the Company's major product lines are set forth in the following table.

Merchandise Group -----	Percentage of Net Sales		
	Fiscal 1998	Fiscal 1997	Fiscal 1996
Denims .....	27.3%	29.3%	31.6%
Slacks/Casual Bottoms .....	4.1	4.0	3.4
Tops (including sweaters) .....	34.0	35.0	34.6
Sportswear/Fashion Clothes (including dresses) .....	7.5	8.3	10.6
Outerwear .....	2.3	2.4	2.4
Accessories .....	5.8	4.4	4.7
Footwear .....	17.3	16.6	12.6
Other .....	1.7	.0	.1
Total .....	100.0%	100.0%	100.0%
	=====	=====	=====

Brand name merchandise constitutes over 85% of the Company's sales volume. The balance is comprised of private label merchandise that is manufactured to the Company's specifications. The Company's merchandisers continually work with manufacturers and vendors to produce brand name merchandise that is unique in color and style compared to the merchandise sold in other stores. While the brands offered by the Company change to meet current customer preferences, the Company currently offers brands such as Lucky Brand Dungarees, Dr. Martens, Tommy Jeans, Silver, and Polo Jeans Company. The Company believes brand name merchandise will continue to constitute the substantial majority of sales.

Management believes the Company provides a unique store setting by maintaining a high level of customer service, and by offering a wide selection of fashionable, quality merchandise at good values. The Company believes that it is essential to create an enjoyable shopping atmosphere and to provide highly motivated employees who give personal attention to customers. Each salesperson is educated to help create a complete look for the customer by showing merchandise as coordinating outfits. The Company also offers specialized services such as free alterations, free gift wrapping, layaways, a special order system which allows stores to obtain specifically requested merchandise from other Company stores, a frequent shopper card, and The Buckle private label credit card. Customers are encouraged to use the Company's layaway plan, which allows customers to make a partial payment on merchandise that is then held by the store until the balance is paid. For the past three fiscal years, an average of approximately 7% of net sales has been made on a layaway basis.

Merchandising and pricing decisions are made centrally; however, the Company's distribution system allows for variation in the mix of merchandise distributed to each store so that individual store inventories can be tailored to reflect differences in customer buying patterns at various locations. In addition, to assure a continually fresh, new look in its stores, the Company ships new merchandise daily to most stores, including varying styles and colors that differ from prior merchandise. The Company also has a transfer program which shifts specific merchandise to locations where it is selling better. This distribution and transfer system helps to maintain customer satisfaction by providing in stock popular items and reducing the need to mark down slow-moving merchandise at a particular location. The Company believes that the reduced markdowns justify the incremental costs of distribution associated with the transfer system. The Company does not hold storewide off-price sales at anytime.

In 1997, the store decor and fixtures were redesigned to provide an appealing, up-to-date appearance. The first store with the new design was opened in February 1997. Since that time, all new and fully remodeled stores have received this design. The design presents a unique atmosphere in which the store's architectural elements, including feature display walls, provide a backdrop, creating a stronger visual presentation for the customer. Special care is taken to provide a comfortable environment to which customers can relate. The interior is well lighted to provide true, bright color rendition of the merchandise. The fixtures that were redesigned help enhance the merchandise presentation within the stores.

Prior to the 1997 design, all stores opened and fully remodeled since June 1990 through the end of 1996 (180 stores) have the previous more contemporary format and do business as "The Buckle."

## **ADVERTISING AND PROMOTION**

In fiscal 1998, the Company spent \$3.6 million (net co-op reimbursements) or 1.1% of net sales on advertising and in-store point of sale materials. In-store seasonal sign kits, promotional signage and the Company's own LOOK Magazine are used to enhance merchandising presentations, the stores' image and special events at point of sale.

Magazine inserts in leading teen publications are used during key seasons to introduce new merchandise, build awareness and brand the Buckle's image. On-screen theatre advertising is utilized in select larger markets as an image builder for the Company. Radio advertising will continue to be a media source used to support special events in approximately 80% of the Company's markets. The Company also publishes a corporate web site at [www.buckle.com](http://www.buckle.com). The Internet is a great source for providing image and information to investors, customers and employees.

The Company has developed programs to help strengthen relationships with loyal guests. Seasonal postcards and birthday cards are direct mailed to loyal Shoppers. In addition, the Company will continue offering the frequent shopper program (the Buckle Primo Card), a program designed to build customer loyalty.

## STORE OPERATIONS

The Company has two Vice Presidents of Sales, two regional managers, eight district managers, and 42 area managers. All district and area managers also serve as manager of their home base store. Each store has one manager, one or two assistant managers, one to three additional full-time salespeople and up to 20 part-time salespeople. Most stores have peak levels of staff during the back-to-school and Christmas seasons. Almost every location also employs a seamstress.

The Company places great importance on educating quality personnel. The Company recruits interns and management trainees on college campuses and focuses on building its management organization from within. Store managers perform sales training of new employees at the store level. Salespeople displaying particular talent generally are assigned to stores operated by district managers for training as a store manager. A majority of the Company's store managers and most of its middle and upper level management are former salespeople, including the President of the Company, Dennis Nelson, and its Chairman, Dan Hirschfeld.

Store managers receive compensation in the form of a base salary and incentive bonuses. District and area managers also receive added incentives based upon the sales performance of stores in their district/area.

The Company has established a comprehensive program stressing the prevention and control of shrinkage losses. Steps taken to reduce shrinkage include monitoring cash refunds, voids, inappropriate discounts, employee sales and returns-to-vendor. The company also has electronic article surveillance systems in 95% of the Company's stores as well as surveillance camera systems in approximately 40% of the stores. As a result, the Company achieved a merchandise shrinkage rate of 0.5% of net sales for fiscal 1998 and 0.4% for fiscal years 1997 and 1996.

The average store is approximately 4,700 square feet (of which the Company estimates an average of approximately 85% is selling space), and stores range in size from 2,450 square feet to 7,300 square feet.

## PURCHASING AND DISTRIBUTION

The Company has a very experienced buying team. The buying team, which includes the President, Vice President of Men's Merchandising, in addition to the men's and women's merchandisers, has 5 members who have between 14 and 28 years of experience with the Company. The experience and leadership within the buying team contributes significantly to the company's success by enabling the buying team to react quickly to changes in fashion and by providing extensive knowledge of sources for branded and private label goods.

The Company purchases products from manufacturers within the United States and from some foreign manufacturers. The Company's merchandising team monitors U.S. fashion centers (in New York and on the West Coast) and shops high fashion stores to adapt new ideas to The Buckle. The Company continually monitors fabric selection, quality and delivery schedules. The Company has not experienced any material difficulties with merchandise manufactured in foreign countries. The Company does not have long-term or exclusive contracts with any brand name manufacturer or supplier. The Company does have a long term relationship with an agent in Hong Kong for the manufacture of The Buckle, Inc.'s private label merchandise. An agreement with this company was entered into on November 28, 1994, for orders placed subsequent to this date. Management believes that as the Company has grown it has been able to obtain better purchasing terms.

In fiscal 1998, Tommy Jeans (including purchases from 6 different Tommy divisions), Lucky Brand Dungarees and Dr. Martens made up 17%, 16%, and 16%, respectively, of the Company's net sales. No other vendor accounted for more than 10% of the Company's sales. Current significant vendors include Lucky Brand Dungarees, Dr. Martens, Tommy Jeans, Silver, and Polo Jeans Company. The Company continually strives to offer brands that are currently popular with its customers and therefore, the Company's suppliers and purchases from specific vendors may vary significantly from year to year.

The Buckle stores generally carry the same merchandise, with quantity and seasonal variations based upon historical sales data, climate and perceived local customer interest. The Company uses a centralized receiving and distribution center located within the corporate headquarters building in Kearney, NE. Merchandise is received daily in Kearney, sorted, tagged with bar-coded tickets, (unless the vendor UPC code can be used), and packaged for distribution to individual stores primarily via United Parcel Service. The Company's goal is to ship the majority of its merchandise out to the stores within one business day of receipt. This system allows stores to receive new merchandise almost every day, providing customers with a good reason to shop often and helping create excitement within each store. During fiscal 1998, the Company began using "pre-packs" to expedite the movement of merchandise through the distribution center.

The Company is currently in the process of remodeling its corporate headquarters and has finished the expansion of its distribution center and new office space. The building space and newly designed distribution system will allow for handling

up to 450 stores. The Company has developed an effective computerized system for tracking merchandise from the time it is checked in at the Company's distribution center until it arrives at the stores and is sold to a customer. The system's function is to insure that store shipments are delivered accurately and promptly, to account for inventory, and to assist in allocating merchandise among stores. Management can track on a daily basis which merchandise is selling at specific locations and directs transfers of merchandise from one store to another as necessary. This allows stores to carry a reduced inventory while at the same time satisfying customer demands.

To reduce inter-store shipping costs and to provide more timely restocking of in-season merchandise, the Company has increased its focus on warehousing a portion of initial shipments. Sales reports are then used to replenish on a basis of one to three times each week, those stores that are experiencing the greatest success selling specific styles, colors, and sizes of merchandise. This system is also designed to prevent a crowded, cluttered look in the stores at the beginning of a season.

### **STORE LOCATIONS AND EXPANSION STRATEGIES**

As of April 8, 1999, the Company operated 231 stores in 31 states, including 9 stores opened in 1999. The existing stores are in 5 downtown locations, 9 strip centers, 2 lifestyle centers and 215 shopping malls. The Company anticipates opening approximately 17 additional new stores in fiscal 1999 and adding 4 additional new states. All new stores for 1999 will be located in higher traffic shopping malls. The following table lists the location of existing stores as of April 8, 1999.

#### Location of Stores

State -----	Number of Stores -----	State -----	Number of Stores -----
			C>
Arizona	3	Nebraska	15
Arkansas	5	New Mexico	4
Colorado	10	North Carolina	2
Florida	2	North Dakota	3
Idaho	5	Ohio	8
Illinois	16	Oklahoma	14
Indiana	11	Oregon	1
Iowa	21	South Dakota	3
Kansas	15	Tennessee	5
Kentucky	4	Texas	22
Louisiana	6	Utah	2
Michigan	13	Washington	2
Minnesota	7	West Virginia	1
Mississippi	2	Wisconsin	12
Missouri	11	Wyoming	1
Montana	5		
		Total	231
			===

The Buckle has grown significantly over the past ten years, with the number of stores increasing from 56 at the beginning of 1989 to 222 at the end of fiscal 1998. The Company's plan is to continue expansion by developing the geographic region it currently serves and by expanding into contiguous markets. The Company intends to open new stores only when management believes there is a reasonable expectation of satisfactory results.

The following table sets forth information regarding store openings and closings since the beginning of fiscal 1989 to the end of fiscal 1998:

**Total Number of Stores Per Year**

Fiscal Year	Open at start of year	Opened in Current Year	Closed in Current Year	Total
1989	56	10	-	66
1990	66	6	1	71
1991	71	15	-	86
1992	86	18	-	104
1993	104	27	-	131
1994	131	16	-	147
1995	147	17	-	164
1996	164	17	-	181
1997	181	19	1	199
1998	199	24	1	222

The Company's criteria used when considering a particular location for expansion include:

1. Market area, including proximity to existing markets to capitalize on name recognition;
2. Trade area population (number, average age, and college population);
3. Economic vitality of market area;
4. Mall location, anchor tenants, tenant mix, average sales per square foot;
5. Available location within a mall, square footage, storefront width, and facility of using the current store design;
6. Availability of suitable management personnel for the market;
7. Cost of rent, including minimum rent, common area and extra charges;
8. Estimated construction costs, including landlord charge backs and tenant allowances.

In 1996, The Buckle began development of an updated store design. This design was used in fiscal 1997 and will continue to be used on new stores, and any regularly scheduled remodels or relocations. The Company does not plan to remodel all existing stores with the new design at this time.

The Company generally seeks sites of 4,000 to 5,000 square feet for its stores. The projected cost of opening a store with the new design is approximately \$550,000, including construction costs of approximately \$400,000 (which is prior to any construction allowance received) and inventory costs of approximately \$150,000.

The Company anticipates opening approximately 26 new stores during fiscal 1999 and completing the remodeling of approximately six existing stores. Remodels range from partial to full, with construction costs for a full remodel being nearly the same as for a new store. Of the six stores scheduled for remodeling during fiscal 1999, it is estimated that each will receive full remodeling. The Company has budgeted a total of \$22.5 million (before estimated construction allowances from landlords of \$1.5 million) for new store construction, remodeling, technology upgrades and construction at the corporate headquarters during fiscal 1999.

The Company plans to expand in 1999 by opening stores in six new states as well as openings in existing markets. New store openings are generally scheduled to coincide with the increased customer traffic of the Easter, back-to-school or Christmas holiday shopping seasons.

The Company believes that, given the time required for training personnel, staffing a store and developing adequate district and regional managers, its current management infrastructure is sufficient to support its currently planned rate of growth.

The Company's ability to expand in the future will depend, in part, on general business conditions; the ability to find suitable malls with acceptable sites on satisfactory terms; the availability of financing; and the readiness of trained store managers. There can be no assurance that the Company's expansion plans will be fulfilled in whole or in part, or that leases under negotiation for planned new sites will be obtained on terms favorable to the Company.

## MANAGEMENT INFORMATION SYSTEMS

The Company's management information systems (MIS) and electronic data processing systems (EDP) consist of a full range of retail, financial and merchandising systems, including purchasing, inventory distribution and control, sales reporting, accounts payable, and merchandise management.

The system includes PC based point-of-sale (POS) registers equipped with bar code readers in each store. These registers are polled nightly by the central computer (IBM AS/400) using a virtual private network for collection of comprehensive data, including complete item-level sales information, employee time clocking, merchandise transfers and receipts, special orders, supply orders and returns-to-vendor. In conjunction with the nightly polling, the central computer sends the PC server messages from various departments at the Company headquarters and price changes for the price lookup (PLU) file maintained within the POS registers.

Each weekday morning, the Company initiates an electronic "sweep" of the individual store bank accounts to the Company's primary concentration account. This allows the Company to meet its obligations with a minimum of borrowing and to invest excess cash on a timely basis.

Management monitors the performance of each of its stores on a continual basis. Daily information is used to evaluate inventory, determine markdowns, analyze profitability and assist management in the scheduling and compensation of employees. Additionally, reports are generated verifying daily bank deposit information against recorded sales, identifying transactions rung at prices that differ from the PLU file, and listing selected "exception" transactions (e.g. refunds, cash paid-outs, discounts). These reports are used to help assure consistency among the stores and to help prevent losses due to error or dishonesty.

The PLU system allows management to control merchandise pricing centrally, permitting faster and more accurate processing of sales at the store and the monitoring of specific inventory items to confirm that centralized pricing decisions are carried out in each of the stores. Management is able to direct all price changes, including promotional, clearance and markdowns on a central basis and estimate the financial impact of such changes.

The Company is committed to ongoing review of the MIS and EDP systems to provide productive, timely information and effective controls. This review includes testing of new products and systems to assure that the Company is aware of technological developments. Most important, continual feedback is sought from every level of the Company to assure that information provided is pertinent to all aspects of the Company's operations. The Company's discussion regarding Year 2000 issues is included in the Company's Annual Report to Shareholders as part of Management's Discussion and Analysis of Financial Condition and Results of Operations.

## EMPLOYEES

As of January 30, 1999, the Company had approximately 4800 employees - approximately 800 of whom were full-time. The Company has an experienced management team and substantially all of the management team, from store managers through senior management, commenced work for the Company on the sales floor. The Company experiences high turnover of store and distribution center employees, primarily due to having a significant number of part-time employees. However, the Company has not experienced significant difficulty in hiring qualified personnel. Of the total employees, approximately 250 are employed at the corporate headquarters and in the distribution center. None of the Company's employees are represented by a union. Management believes that employee relations are good.

The Company provides medical, dental, life insurance and long-term disability plans, as well as a 401(k) and a section 125 cafeteria plan for eligible employees. To be eligible for the plans, other than the 401(k) Plan, an employee must have worked for the Company for 90 days or more, and his or her normal workweek must be 35 hours or more. As of January 30, 1999, 635 employees participated in the medical plan, 639 in the dental plan, 658 in the life insurance plan, 590 in the long-term disability plan and 310 in the cafeteria plan. With respect to the medical, dental and life insurance plans, the Company pays 80% to 100% of the employee's expected premium cost, plus 10% to 100% of the expected cost of dependent coverage under the health plan. The exact percentage is based upon the employee's term of employment and job classification within the Company. In addition, all employees receive discounts on company merchandise.

## COMPETITION

The men's and women's apparel industries are highly competitive with fashion, selection, quality, price, location, store environment and service being the principal competitive factors. While the Company believes that it is able to compete favorably with other merchandisers, including department stores and specialty retailers, with respect to each of these factors, the Company believes it competes mainly on the basis of customer service and merchandise selection.

In the men's merchandise areas, the Company competes with specialty retailers such as Gap, American Eagle Outfitters, Gadzooks, Pacific Sunwear, and Abercrombie & Fitch. The men's market also competes with certain department stores, such as Dillards, Saks, May Company stores, Federated stores, and other local or regional department stores and specialty retailers, and with mail order merchandisers.

In the women's merchandise area, the Company competes with specialty retailers such as Maurices, American Eagle Outfitters, Gadzooks, Pacific Sunwear, Abercrombie & Fitch, Express, Gap, and Vanity. The women's sales also compete with department stores, such as Dillards, Saks, May Company stores, Federated stores, and certain local or regional department stores and specialty retailers, and with mail order merchandisers.

Many of the Company's competitors are considerably larger and have substantially greater financial, marketing and other resources than the Company, and there is no assurance that the Company will be able to compete successfully with them in the future. Furthermore, while the Company believes it competes effectively for favorable site locations and lease terms, competition for prime locations within a mall is also intense.

## **TRADEMARKS**

"Brass Buckle" and "The Buckle" are federally registered trademarks of the Company. The Company believes the strength of its trademarks is of considerable value to its business, and its trademarks are important to its marketing efforts. The Company intends to protect and promote its trademarks, as management deems appropriate.

## **EXECUTIVE OFFICERS OF THE COMPANY**

The Executive Officers of the Company are listed below, together with brief accounts of their experience and certain other information.

**DANIEL J. HIRSCHFELD, AGE 57.** Mr. Hirschfeld is Chairman of the Board of the Company. He has served as Chairman of the Board since April 19, 1991. Prior to that time, Mr. Hirschfeld served as President and Chief Executive Officer. Mr. Hirschfeld has been involved in all aspects of the Company's business, including the development of the Company's management information systems.

**DENNIS H. NELSON, AGE 49.** Mr. Nelson is President and Chief Executive Officer and a Director of the Company. He has held the titles of President and director since April 19, 1991. Mr. Nelson was elected Chief Executive Officer on March 17, 1997. Mr. Nelson began his career with the Company in 1970 as a part-time salesman while he was attending Kearney State College (now the University of Nebraska - Kearney). While attending college, he became involved in merchandising and sales supervision for the Company. Upon graduation from college in 1973, Mr. Nelson became a full-time employee of the Company and he has worked in all phases of the Company's operations since that date. Prior to his election as President and Chief Operating Officer on April 19, 1991, Mr. Nelson performed all of the functions normally associated with those positions.

**KAREN B. RHOADS, AGE 40.** Ms. Rhoads is the Vice-President - Finance, Treasurer and a Director of the Company, and is the Chief Financial Officer. Ms. Rhoads was elected a Director on April 19, 1991. She worked in the corporate offices during college, and later worked part-time on the sales floor. Ms. Rhoads practiced as a CPA for 6 1/2 years, during which time she began working on tax and accounting matters for the Company as a client. She has been employed with the Company since November 1987.

**SCOTT PORTER, AGE 37.** Mr. Porter has served as the Vice President - Men's Merchandising since April 19, 1991 and was elected as corporate Secretary on May 28, 1998. He joined the Company in May of 1978 as a part-time salesman. In 1983, he commenced full-time employment with the Company as a store manager and began participating in buying trips. Since 1987, Mr. Porter has devoted most of his time to men's merchandising, but also is involved in other aspects of the business, including advertising and store design.

**JIM SHADA, AGE 43.** Mr. Shada is Vice President - Sales. He began employment with the Company in November of 1978 as a salesperson. Between 1979 and 1985, he managed and opened new stores for the Company, and in 1985 Mr. Shada became the Company's sales manager. He is also involved in other aspects of the business including site selection and development and education of personnel as store managers and as regional and district managers.

**GARY LALONE, AGE 49.** Mr. Lalone is Vice President - Sales. Mr. Lalone joined the Company in March 1982 as the store manager. While managing, he became involved with the men's merchandising. Mr. Lalone became a regional manager and began participating in store site selection, advertising, store design and personnel development. Presently, the majority of Mr. Lalone's time is spent in sales, and in helping develop and educate personnel as store managers and as regional and district managers.

BRETT P. MILKIE, AGE 39. Mr. Milkie is Vice President-Leasing. He was elected Vice President-Leasing on May 30, 1996. Mr. Milkie was a leasing agent for a national retail mall developer for 6 years prior to joining the company in January 1992 as director of leasing.

## ITEM 2 - PROPERTIES

All of the store locations operated by the Company are leased facilities. Most of the Company's stores have lease terms of approximately ten years and generally do not contain renewal options. The Company has not in the past experienced problems renewing its leases, although no assurance can be given that the Company can renew existing leases on favorable terms. The Company seeks to negotiate extensions on leases for stores undergoing remodeling to provide terms of approximately ten years after completion of remodeling. Consent of the landlord generally is required to remodel or change the name under which the Company does business. The Company has not in the past experienced problems in obtaining such consent. Most leases provide for a fixed minimum rental plus an additional rental cost based upon a set percentage of sales beyond a specified breakpoint, plus common area and other charges.

The current terms of the Company's leases, including automatic renewal options, expire as follows:

During Fiscal Year	Number of expiring leases
-----	-----
1999	2
2000	19
2001	19
2002	24
2003	39
2004	4
2005	25
2006 and later	99
	---
Total	231
	===

The corporate headquarters and distribution center for the Company operate within a facility purchased by the Company in 1988, and located in Kearney, NE. The building provides approximately 179,000 square feet of space with over 70% of the area being allocated for the distribution and returns-to-vendor departments.

## ITEM 3 - LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of this form, the Company was not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on the Company.

## ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 1998.

## PART II

### **ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS**

The Company's common stock trades on the New York Stock Exchange under the symbol BKE. Prior to the Company's initial public offering on May 6, 1992, there was no public market for the Company's common stock. The Company has not paid any cash dividends in fiscal 1998, 1997 or 1996, and has no current plans for dividend payment. The Company issued a 3-for-2 stock split made in the form of a stock dividend on June 8, 1998.

The number of record holders of the Company's common stock as of March 31, 1999 was 421. Based upon information from the principal market makers, the Company believes there are more than 4,200 beneficial owners. The last reported sales price of the Company's common stock on March 31, 1999 was \$22.50.

The remainder of the information required by this item is incorporated by reference to the information on page 28 of the Company's 1998 Annual Report to Shareholders under the caption "Stock Prices by Quarter" which is attached to this Form 10-K.

### **ITEM 6 - SELECTED FINANCIAL DATA**

The information required by this item is incorporated by reference to the information on page 11 in the Company's 1998 Annual Report to Shareholders under the caption "Selected Financial Data" which is attached to this Form 10-K.

### **ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information required by this item is incorporated by reference to the information appearing on pages 24 through 27 in the Company's 1998 Annual Report to Shareholders which is attached to this Form 10-K.

### **ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company has evaluated the disclosure requirements of Item 305 of S-K "Quantitative and Qualitative Disclosures about Market Risk," and has concluded that the Company has no market risk sensitive instruments for which these additional disclosures are required.

### **ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements together with the report thereon of Deloitte & Touche LLP dated February 26, 1999, appearing on pages 12 through 23 of the Company's 1998 Annual Report to Shareholders (which is attached to this Form 10-K) are incorporated by reference in this Form 10-K.

### **ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## PART III

### ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item appears under the captions "Executive Officers of the Company" appearing on pages 9 and 10 of this report, and "Election of Directors" in the Company's Proxy Statement for its 1999 Annual Shareholders' Meeting and is incorporated by reference.

### ITEM 11- EXECUTIVE COMPENSATION

The information required by this item appears under the caption "Executive Compensation and Other Information" in the Company's Proxy Statement for its 1999 Annual Shareholders' Meeting and is incorporated by reference.

### ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item appears under the caption "Election of Directors" in the Company's Proxy Statement for its 1999 Annual Shareholders' Meeting and is incorporated by reference.

### ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item appears under the caption "Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement for its 1999 Annual Shareholders' Meeting and is incorporated by reference.

## PART IV

### ITEM 14 - EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

#### (a) (1) FINANCIAL STATEMENTS

The Company's 1998 Annual Report to Shareholders, a copy of which appears as Exhibit 13 to this Form 10-K Report, contains the following on pages 12 through 23 and are hereby incorporated by reference to this report:

Independent Auditors' Report Balance Sheets as of January 30, 1999, and January 31, 1998 Statements of Income for each of the three years in the period ended January 30, 1999 Statements of Stockholders' Equity for each of the three years in the period ended January 30, 1999 Statements of Cash Flows for each of the three years in the period ended January 30, 1999 Notes to Financial Statements for each of the three years in the period ended January 30, 1999

#### (a) (2) FINANCIAL STATEMENT SCHEDULE

##### **Independent Auditors' Report**

##### II. Valuation and Qualifying Accounts and Reserves

All other schedules are omitted because they are not applicable or the required information is presented in the financial statements or notes thereto. This schedule is on page 14.

#### (b) REPORTS ON FORM 8-K

The Company did not file a report on Form 8-K during the quarter ended January 30, 1999.

#### (c) EXHIBITS

See index to exhibits on pages 15 and 16.

**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.

**THE BUCKLE, INC.**

Date: April 27, 1999

By: /s/ DENNIS H. NELSON

-----  
Dennis H. Nelson,  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 27th day of April, 1999.

/s/ DANIEL J. HIRSCHFELD

-----  
Daniel J. Hirschfeld  
Chairman of the Board and Director

/s/ ROBERT E. CAMPBELL

-----  
Robert E. Campbell  
Director

/s/ DENNIS H. NELSON

-----  
Dennis H. Nelson  
President and Chief Executive Officer  
and Director

/s/ WILLIAM D. ORR

-----  
William D. Orr  
Director

/s/ KAREN B. RHOADS

-----  
Karen B. Rhoads  
Vice President of Finance and  
Chief Financial Officer and Director

-----  
Bill L. Fairfield  
Director

Ralph M. Tysdal Director

# INDEPENDENT AUDITORS' REPORT

## BOARD OF DIRECTORS THE BUCKLE, INC.

We have audited the financial statements of The Buckle, Inc. as of January 30, 1999 and January 31, 1998 and for each of the three years in the period ended January 30, 1999, and have issued our report thereon dated February 26, 1999; such financial statements and report are included in your 1998 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the financial statement schedule of The Buckle, Inc., listed in Item 14(a)(2). This 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 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.

## DELOITTE & TOUCHE, LLP

Omaha, Nebraska  
February 26, 1999

### SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

	Allowance for Doubtful Accounts
	-----
Balance, February 3, 1996	\$ 240,373
Amounts charged to costs and expenses	493,232
Recoveries of amounts previously written off	4,034
Write-off of uncollectible accounts	(425,844)
	-----
Balance, February 1, 1997	311,795
Amounts charged to costs and expenses	753,759
Recoveries of amounts previously written off	
Write-off of uncollectible accounts	(574,987)
	-----
Balance, January 31, 1998	490,567
Amounts charged to costs and expenses	1,132,004
Write-off of uncollectible accounts	(1,322,571)
	-----
Balance, January 30, 1999	\$ 300,000 =====

## INDEX TO EXHIBITS

EXHIBITS	PAGE NUMBER OR INCORPORATION BY REFERENCE TO
(3) Articles of Incorporation and By-Laws.	
(3.1) Articles of Incorporation of The Buckle, Inc. as amended	Exhibit 3.1 to Form S-1 No. 33-46294
(3.1.1) Amendment to the Articles of Incorporation of The Buckle, Inc.	
(3.2) By-Laws of The Buckle, Inc.	Exhibit 3.2 to Form S-1 No. 33-46294
(4) Instruments defining the rights of security holders, including indentures	
(4.1) See Exhibits 3.1 and 3.2 for provisions of the Articles of Incorporation and By-laws of the Registrant defining rights of holders of Common Stock of the registrant	
(4.2) Form of stock certificate for Common Stock	Exhibit 4.1 to Form S-1 No. 33-46294
(9) Not applicable	
(10) Material Contracts	
(10.1) 1991 Stock Incentive Plan	Exhibit 10.1 to Form S-1 No. 33-46294
(10.2) 1991 Non-Qualified Stock Option Plan	Exhibit 10.2 to Form S-1 No. 33-46294
(10.3) Non-Qualified Stock Option Plan and Agreement With Dennis Nelson	Exhibit 10.3 to Form S-1 No. 33-46294
(10.4) Acknowledgment for Dennis H. Nelson dated April 14, 1999	
(10.5) Acknowledgment for Scott M. Porter dated April 14, 1999	
(10.6) Acknowledgment for James E. Shada dated April 14, 1999	
(10.7) Acknowledgment for Gary L. Lalone dated April 14, 1999	
(10.8) Acknowledgment for Brett P. Milkie dated April 14, 1999	
(10.10) Cash or Deferred Profit Sharing Plan	Exhibit 10.10 to Form S-1 No. 33-46294
(10.10.1) Non-Qualified Deferred Compensation Plan	
(10.11) Programmed Lending Note dated May 11, 1998 for \$5.0 million payable to First National Bank and Trust Co. of Kearney	

- |         |  |   |
|---------|--|---|
| (10.12) | Loan Agreement dated May 11, 1998 between The Buckle, Inc. and First National Bank and Trust Co. of Kearney, regarding \$5.0 million line of credit.             |   |
| (10.13) | Letter dated May 11, 1998 from First National Bank and Trust Co. of Kearney, regarding \$5.0 million line of credit and \$5.0 million letter of credit facility. |   |
| (10.17) | 1993 Director Stock Option Plan  | Exhibit A to Proxy Statement for Annual Meeting to be held May 26, 1993 |
| (10.18) | 1993 Executive Stock Option Plan   | Exhibit B to Proxy Statement for Annual Meeting to be held May 26, 1993 |
| (10.19) | 1995 Management Incentive Plan   | Exhibit A to Proxy Statement for Annual Meeting to be held June 2, 1995 |
| (10.20) | 1995 Executive Stock Option Plan   | Exhibit B to Proxy Statement for Annual Meeting to be held June 2, 1995 |
| (10.21) | 1997 Management Incentive Plan   | Exhibit A to Proxy Statement for Annual Meeting to be held June 2, 1997 |
| (10.22) | 1998 Management Incentive Plan   | Exhibit A to Proxy Statement for Annual Meeting to be held May 28, 1998 |
| (10.23) | 1997 Executive Stock Option Plan   | Exhibit B to Proxy Statement for Annual Meeting to be held May 28, 1998 |
| (10.24) | 1998 Restricted Stock Plan   | Exhibit C to Proxy Statement for Annual Meeting to be held May 28, 1998 |
| (10.25) | 1999 Management Incentive Plan   | Exhibit A to Proxy Statement for Annual Meeting to be held June 4, 1999 |
| (12)    | Not applicable   |   |
| (13)    | 1998 Annual Report to Stockholders   |   |
| (18)    | Not applicable   |   |
| (19)    | Not applicable   |   |
| (22)    | Not applicable   |   |
| (23)    | Consent of Deloitte & Touche LLP   |   |
| (25)    | Not applicable   |   |
| (28)    | Not applicable   |   |

**EXHIBIT 3.1.1**

**ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION  
OF  
THE BUCKLE, INC.**

Pursuant to the provisions of Sec. 21-20,121 of the Business Corporation Act, the undersigned Corporation has adopted the following amendments to its Articles of Incorporation:

1. The name of the Corporation is The Buckle, Inc.

2. The text of the amendment is:

Now, THEREFORE, BE IT RESOLVED, that the Articles of Incorporation of the Company be amended so that Article VI shall read in its entirety as follows :

VI.

The authorized capital stock of said corporation shall be \$1,000,000, divided into 100,000,000 shares of \$.01 par value each. All presently issued and outstanding shares of Common Stock having a par value of \$.05 per share are automatically converted into an equal number of shares of Common Stock having a par value of \$.01 per share. The amount of stated capital of the Company is decreased from \$729,561 to \$145,902.

3. The manner in which any exchange, reclassification or cancellation of issued shares provided for in the amendment shall be effected is set forth in the amendment.

4. The date of the amendment's adoption is May 28, 1998.

5. The above amendments were adopted by the shareholders entitled to vote and represented as follows:

VOTING GROUP DESIGNATION	SHARES OUTSTANDING	NUMBER OF VOTES ENTITLED TO BE CAST	UNDISPUTED NUMBER OF VOTES REPRESENTED AT THE MEETING
Common	14,592,221	14,592,221	13,803,992

6. The shareholders voted as follows on the amendment:

VOTING GROUP DESIGNATION	VOTES FOR AMENDMENT	VOTES AGAINST AMENDMENT
Common	11,399,602	2,400,021

The number of affirmative votes was sufficient for approval by the voting group.

Dated: May 28, 1998

**THE BUCKLE, INC.**

BY: /s/ DANIEL J. HIRSCHFELD

-----  
Daniel J. Hirschfeld  
Title: Chairman of the Board

## EXHIBIT 10.4

### ACKNOWLEDGMENT

1. Dennis H. Nelson, currently employed by The Buckle, Inc. ("Company") of Kearney, Nebraska, will be paid an annual salary of \$575,000 for so long as the employee is employed by the Company during the fiscal year ending January 29, 2000.

2. In addition to the salary outlined in paragraph 1, above, a "Cash Award" for the above fiscal year will be paid to you provided you are employed by the Company on the last day of such fiscal year. Your Cash Award will be calculated based upon the Company's growth in Pre-Bonus Net Income over the previous year. You are designated a Level I Executive. The incentive multiple level based on the percentage of change in Pre-Bonus Net Income is tied to your base salary. The multiples for your fiscal 1999 cash award will be calculated as follows:

LEVEL I	Multiple of Base Salary
Change in Pre-Bonus Net Income	1999
>30% decrease	0.00
30% decrease	0.40
20% decrease	0.75
10% decrease	1.00
No Change	1.35
>10% increase	1.74
>20% increase	2.235
>30% increase	2.70
>40% increase	3.20
>50% increase	3.60

No payment of a Cash Award for the year may be made until the Company's Pre-Bonus Net Income for the year is certified by the Compensation Committee. You shall not be entitled to receive payment of a Cash Award unless you are still in the employ of (and shall not have delivered notice of resignation to) the Company on the last day of the fiscal year for which the Cash Award is earned.

The Cash Award will be paid on or before April 15 following the close of the fiscal year. For calculating this Cash Award, "Pre-Bonus Net Income" shall be defined as the Company's net income from operations after the deduction of all expenses, excluding administrative and store manager percentage bonuses and excluding income taxes, but including draws against such bonuses. Net income from operations does not include earnings on cash investments. For this purpose, net income shall be computed by the Company in accordance with the Company's normal accounting practices, and the Company's calculations will be final and conclusive.

3. Restricted Stock will be granted based upon a percentage of the Cash Award and the fair market value of the Company's stock on the date of certification by the Compensation Committee of the amount of the Cash Award. Restricted Stock grants will be based upon the following:

Change in Pre-Bonus Net Income -----	Level I Executives -----
Any decrease	none
No Change	10%
10% increase	15%
20% increase	20%
30% increase and up	30%

Restricted Stock granted pursuant to this Plan will vest 20% per year over five years. Disposal of any vested shares of Restricted Stock will be prohibited for five years, subject to waiver in the event of death or disability. The effect on income of all Restricted Stock grants will be included in the calculation of Pre-Bonus Net Income.

4. Options to purchase 103,500 shares ("Options") of The Buckle, Inc. common stock at \$26.75 per share were granted to you pursuant to the 1997 Executive Stock Option Plan as of the last day of the fiscal year preceding this Plan (1-30-99). Options granted under the Plan will vest according to the same terms as the 1997 Management Incentive Plan. Those terms include a performance feature whereby one-half of the Options granted will vest over three years if a 10% increase in Pre-Bonus Net Income is achieved, and the second one-half of the Options granted vest over three years if a 30% increase in Pre-Bonus Net Income is achieved. If the performance goals are not met the Options will ultimately vest after ten years. This Plan added an "accelerator" feature for the Options so that vesting may occur sooner than the three or ten years when and if the market price of the Company's stock doubles from the fair market value of the stock at the date of the grant. All Options will also include a "reload" feature under this Plan.

5. You are allowed personal use of a company owned vehicle. You are also allowed personal use of a corporate owned aircraft for up to 30 hours this fiscal year.

6. A credit limit of \$3,500 has been established on your The Buckle charge account, subject to annual change as determined by management. Please make sure your charge account balance does not exceed this limit. You may have payments made to your charge account via payroll withholding during the year.

Management is committed to reviewing its policies continually. Accordingly, the statements outlined above are subject to review and change at any time, with or without notice.

I understand I have the right to terminate my employment with the Company at any time, with or without notice, and the Company retains the same right, with or without cause or notice. I recognize, therefore, that I am an "at will" employee.

This acknowledgment supersedes any prior acknowledgment or agreement with the Company. This acknowledgment does not constitute an agreement of employment with the Company.

April 14, 1999  
The Buckle, Inc.

**Acknowledged by:**

**Dennis H. Nelson**

## EXHIBIT 10.5

### ACKNOWLEDGMENT

1. Scott M. Porter, currently employed by The Buckle, Inc. ("Company") of Kearney, Nebraska, will be paid an annual salary of \$325,000 for so long as the employee is employed by the Company during the fiscal year ending January 29, 2000.

2. In addition to the salary outlined in paragraph 1, above, a "Cash Award" for the above fiscal year will be paid to you provided you are employed by the Company on the last day of such fiscal year. Your Cash Award will be calculated based upon the Company's growth in Pre-Bonus Net Income over the previous year. You are designated a Level I Executive. The incentive multiple level based on the percentage of change in Pre-Bonus Net Income is tied to your base salary. The multiples for your fiscal 1999 cash award will be calculated as follows:

LEVEL I	Multiple of Base Salary -----
Change in Pre-Bonus Net Income -----	1999 ----
>30% decrease	0.00
30% decrease	0.40
20% decrease	0.75
10% decrease	1.00
No Change	1.35
>10% increase	1.74
>20% increase	2.235
>30% increase	2.70
>40% increase	3.20
>50% increase	3.60

No payment of a Cash Award for the year may be made until the Company's Pre-Bonus Net Income for the year is certified by the Compensation Committee. You shall not be entitled to receive payment of a Cash Award unless you are still in the employ of (and shall not have delivered notice of resignation to) the Company on the last day of the fiscal year for which the Cash Award is earned.

The Cash Award will be paid on or before April 15 following the close of the fiscal year. For calculating this Cash Award, "Pre-Bonus Net Income" shall be defined as the Company's net income from operations after the deduction of all expenses, excluding administrative and store manager percentage bonuses and excluding income taxes, but including draws against such bonuses. Net income from operations does not include earnings on cash investments. For this purpose, net income shall be computed by the Company in accordance with the Company's normal accounting practices, and the Company's calculations will be final and conclusive.

3. Restricted Stock will be granted based upon a percentage of the Cash Award and the fair market value of the Company's stock on the date of certification by the Compensation Committee of the amount of the Cash Award. Restricted Stock grants will be based upon the following:

Change in Pre-Bonus Net Income	Level I Executives
-----	-----
Any decrease	none
No Change	10%
10% increase	15%
20% increase	20%
30% increase and up	30%

Restricted Stock granted pursuant to this Plan will vest 20% per year over five years. Disposal of any vested shares of Restricted Stock will be prohibited for five years, subject to waiver in the event of death or disability. The effect on income of all Restricted Stock grants will be included in the calculation of Pre-Bonus Net Income.

4. Options to purchase 58,500 shares ("Options") of The Buckle, Inc. common stock at \$26.75 per share were granted to you pursuant to the 1997 Executive Stock Option Plan as of the last day of the fiscal year preceding this Plan (1-30-99). Options granted under the Plan will vest according to the same terms as the 1997 Management Incentive Plan. Those terms include a performance feature whereby one-half of the Options granted will vest over three years if a 10% increase in Pre-Bonus Net Income is achieved, and the second one-half of the Options granted vest over three years if a 30% increase in Pre-Bonus Net Income is achieved. If the performance goals are not met the Options will ultimately vest after ten years. This Plan added an "accelerator" feature for the Options so that vesting may occur sooner than the three or ten years when and if the market price of the Company's stock doubles from the fair market value of the stock at the date of the grant. All Options will also include a "reload" feature under this Plan.

5. A credit limit of \$3,500 has been established on your The Buckle charge account, subject to annual change as determined by management. Please make sure your charge account balance does not exceed this limit. You may have payments made to your charge account via payroll withholding during the year.

Management is committed to reviewing its policies continually. Accordingly, the statements outlined above are subject to review and change at any time, with or without notice.

I understand I have the right to terminate my employment with the Company at any time, with or without notice, and the Company retains the same right, with or without cause or notice. I recognize, therefore, that I am an "at will" employee.

This acknowledgment supersedes any prior acknowledgment or agreement with the Company. This acknowledgment does not constitute an agreement of employment with the Company.

April 14, 1999  
The Buckle, Inc.

**Acknowledged by:**

**Scott M. Porter**

## EXHIBIT 10.6

### ACKNOWLEDGMENT

1. James E. Shada, currently employed by The Buckle, Inc. ("Company") of Kearney, Nebraska, will be paid an annual salary of \$310,000 for so long as the employee is employed by the Company during the fiscal year ending January 29, 2000.

2. In addition to the salary outlined in paragraph 1, above, a "Cash Award" for the above fiscal year will be paid to you provided you are employed by the Company on the last day of such fiscal year. Your Cash Award will be calculated based upon the Company's growth in Pre-Bonus Net Income over the previous year. You are designated a Level I Executive. The incentive multiple level based on the percentage of change in Pre-Bonus Net Income is tied to your base salary. The multiples for your fiscal 1999 cash award will be calculated as follows:

LEVEL I		Multiple of Base Salary -----
Change in Pre-Bonus Net Income -----		1999 ----
>30% decrease		0.00
30% decrease		0.40
20% decrease		0.75
10% decrease		1.00
No Change		1.35
>10% increase		1.74
>20% increase		2.235
>30% increase		2.70
>40% increase		3.20
>50% increase		3.60

No payment of a Cash Award for the year may be made until the Company's Pre-Bonus Net Income for the year is certified by the Compensation Committee. You shall not be entitled to receive payment of a Cash Award unless you are still in the employ of (and shall not have delivered notice of resignation to) the Company on the last day of the fiscal year for which the Cash Award is earned.

The Cash Award will be paid on or before April 15 following the close of the fiscal year. For calculating this Cash Award, "Pre-Bonus Net Income" shall be defined as the Company's net income from operations after the deduction of all expenses, excluding administrative and store manager percentage bonuses and excluding income taxes, but including draws against such bonuses. Net income from operations does not include earnings on cash investments. For this purpose, net income shall be computed by the Company in accordance with the Company's normal accounting practices, and the Company's calculations will be final and conclusive.

3. Restricted Stock will be granted based upon a percentage of the Cash Award and the fair market value of the Company's stock on the date of certification by the Compensation Committee of the amount of the Cash Award. Restricted Stock grants will be based upon the following:

Change in Pre-Bonus Net Income -----	Level I Executives -----
Any decrease	none
No Change	10%
10% increase	15%
20% increase	20%
30% increase and up	30%

Restricted Stock granted pursuant to this Plan will vest 20% per year over five years. Disposal of any vested shares of Restricted Stock will be prohibited for five years, subject to waiver in the event of death or disability. The effect on income of all Restricted Stock grants will be included in the calculation of Pre-Bonus Net Income.

4. Options to purchase 34,650 shares ("Options") of The Buckle, Inc. common stock at \$26.75 per share were granted to you pursuant to the 1997 Executive Stock Option Plan as of the last day of the fiscal year preceding this Plan (1-30-99). Options granted under the Plan will vest according to the same terms as the 1997 Management Incentive Plan. Those terms include a performance feature whereby one-half of the Options granted will vest over three years if a 10% increase in Pre-Bonus Net Income is achieved, and the second one-half of the Options granted vest over three years if a 30% increase in Pre-Bonus Net Income is achieved. If the performance goals are not met the Options will ultimately vest after ten years. This Plan added an "accelerator" feature for the Options so that vesting may occur sooner than the three or ten years when and if the market price of the Company's stock doubles from the fair market value of the stock at the date of the grant. All Options will also include a "reload" feature under this Plan.

5. A credit limit of \$3,500 has been established on your The Buckle charge account, subject to annual change as determined by management. Please make sure your charge account balance does not exceed this limit. You may have payments made to your charge account via payroll withholding during the year.

Management is committed to reviewing its policies continually. Accordingly, the statements outlined above are subject to review and change at any time, with or without notice.

I understand I have the right to terminate my employment with the Company at any time, with or without notice, and the Company retains the same right, with or without cause or notice. I recognize, therefore, that I am an "at will" employee.

This acknowledgment supersedes any prior acknowledgment or agreement with the Company. This acknowledgment does not constitute an agreement of employment with the Company.

April 14, 1999  
The Buckle, Inc.

**Acknowledged by:**

**James E. Shada**

## EXHIBIT 10.7

### ACKNOWLEDGMENT

1. Gary L. Lalone, currently employed by The Buckle, Inc. ("Company") of Kearney, Nebraska, will be paid an annual salary of \$235,000 for so long as the employee is employed by the Company during the fiscal year ending January 29, 2000.

2. In addition to the salary outlined in paragraph 1, above, a "Cash Award" for the above fiscal year will be paid to you provided you are employed by the Company on the last day of such fiscal year. Your Cash Award will be calculated based upon the Company's growth in Pre-Bonus Net Income over the previous year. You are designated a Level I Executive. The incentive multiple level based on the percentage of change in Pre-Bonus Net Income is tied to your base salary. The multiples for your fiscal 1999 cash award will be calculated as follows:

LEVEL I	Multiple of Base Salary
Change in Pre-Bonus Net Income	1999
-----	-----
>30% decrease	0.00
30% decrease	0.40
20% decrease	0.75
10% decrease	1.00
No Change	1.35
>10% increase	1.74
>20% increase	2.235
>30% increase	2.70
>40% increase	3.20
>50% increase	3.60

No payment of a Cash Award for the year may be made until the Company's Pre-Bonus Net Income for the year is certified by the Compensation Committee. You shall not be entitled to receive payment of a Cash Award unless you are still in the employ of (and shall not have delivered notice of resignation to) the Company on the last day of the fiscal year for which the Cash Award is earned.

The Cash Award will be paid on or before April 15 following the close of the fiscal year. For calculating this Cash Award, "Pre-Bonus Net Income" shall be defined as the Company's net income from operations after the deduction of all expenses, excluding administrative and store manager percentage bonuses and excluding income taxes, but including draws against such bonuses. Net income from operations does not include earnings on cash investments. For this purpose, net income shall be computed by the Company in accordance with the Company's normal accounting practices, and the Company's calculations will be final and conclusive.

3. Restricted Stock will be granted based upon a percentage of the Cash Award and the fair market value of the Company's stock on the date of certification by the Compensation Committee of the amount of the Cash Award. Restricted Stock grants will be based upon the following:

Change in Pre-Bonus Net Income -----	Level I Executives -----
Any decrease	none
No Change	10%
10% increase	15%
20% increase	20%
30% increase and up	30%

Restricted Stock granted pursuant to this Plan will vest 20% per year over five years. Disposal of any vested shares of Restricted Stock will be prohibited for five years, subject to waiver in the event of death or disability. The effect on income of all Restricted Stock grants will be included in the calculation of Pre-Bonus Net Income.

4. Options to purchase 34,650 shares ("Options") of The Buckle, Inc. common stock at \$26.75 per share were granted to you pursuant to the 1997 Executive Stock Option Plan as of the last day of the fiscal year preceding this Plan (1-30-99). Options granted under the Plan will vest according to the same terms as the 1997 Management Incentive Plan. Those terms include a performance feature whereby one-half of the Options granted will vest over three years if a 10% increase in Pre-Bonus Net Income is achieved, and the second one-half of the Options granted vest over three years if a 30% increase in Pre-Bonus Net Income is achieved. If the performance goals are not met the Options will ultimately vest after ten years. This Plan added an "accelerator" feature for the Options so that vesting may occur sooner than the three or ten years when and if the market price of the Company's stock doubles from the fair market value of the stock at the date of the grant. All Options will also include a "reload" feature under this Plan.

5. A credit limit of \$3,500 has been established on your The Buckle charge account, subject to annual change as determined by management. Please make sure your charge account balance does not exceed this limit. You may have payments made to your charge account via payroll withholding during the year.

Management is committed to reviewing its policies continually. Accordingly, the statements outlined above are subject to review and change at any time, with or without notice.

I understand I have the right to terminate my employment with the Company at any time, with or without notice, and the Company retains the same right, with or without cause or notice. I recognize, therefore, that I am an "at will" employee.

This acknowledgment supersedes any prior acknowledgment or agreement with the Company. This acknowledgment does not constitute an agreement of employment with the Company.

April 14, 1999  
The Buckle, Inc.

**Acknowledged by:**

**Gary L. Lalone**

## EXHIBIT 10.8

### ACKNOWLEDGMENT

1. Brett P. Milkie, currently employed by The Buckle, Inc. ("Company") of Kearney, Nebraska, will be paid an annual salary of \$167,000 for so long as the employee is employed by the Company during the fiscal year ending January 29, 2000.

2. In addition to the salary outlined in paragraph 1, above, a "Cash Award" for the above fiscal year will be paid to you provided you are employed by the Company on the last day of such fiscal year. Your Cash Award will be calculated based upon the Company's growth in Pre-Bonus Net Income over the previous year. You are designated a Level II Executive. The incentive multiple level based on the percentage of change in Pre-Bonus Net Income is tied to your base salary. The multiples for your fiscal 1999 cash award will be calculated as follows:

LEVEL II	Multiple of Base Salary
Change in Pre-Bonus Net Income -----	1999 ----
>30% decrease	0.00
30% decrease	0.35
20% decrease	0.50
10% decrease	0.57
No Change	0.72
>10% increase	1.02
>20% increase	1.25
>30% increase	1.55
>40% increase	1.75
>50% increase	2.00

No payment of a Cash Award for the year may be made until the Company's Pre-Bonus Net Income for the year is certified by the Compensation Committee. You shall not be entitled to receive payment of a Cash Award unless you are still in the employ of (and shall not have delivered notice of resignation to) the Company on the last day of the fiscal year for which the Cash Award is earned.

The Cash Award will be paid on or before April 15 following the close of the fiscal year. For calculating this Cash Award, "Pre-Bonus Net Income" shall be defined as the Company's net income from operations after the deduction of all expenses, excluding administrative and store manager percentage bonuses and excluding income taxes, but including draws against such bonuses. Net income from operations does not include earnings on cash investments. For this purpose, net income shall be computed by the Company in accordance with the Company's normal accounting practices, and the Company's calculations will be final and conclusive.

3. Restricted Stock will be granted based upon a percentage of the Cash Award and the fair market value of the Company's stock on the date of certification by the Compensation Committee of the amount of the Cash Award. Restricted Stock grants will be based upon the following:

Change in Pre-Bonus Net Income -----	Level II Executives -----
Any decrease	none
No Change	10%
10% increase	10%
20% increase	15%
30% increase and up	20%

Restricted Stock granted pursuant to this Plan will vest 20% per year over five years. Disposal of any vested shares of Restricted Stock will be prohibited for five years, subject to waiver in the event of death or disability. The effect on income of all Restricted Stock grants will be included in the calculation of Pre-Bonus Net Income.

4. Options to purchase 25,200 shares ("Options") of The Buckle, Inc. common stock at \$26.75 per share were granted to you pursuant to the 1997 Executive Stock Option Plan as of the last day of the fiscal year preceding this Plan (1-30-99). Options granted under the Plan will vest according to the same terms as the 1997 Management Incentive Plan. Those terms include a performance feature whereby one-half of the Options granted will vest over three years if a 10% increase in Pre-Bonus Net Income is achieved, and the second one-half of the Options granted vest over three years if a 30% increase in Pre-Bonus Net Income is achieved. If the performance goals are not met the Options will ultimately vest after ten years. This Plan added an "accelerator" feature for the Options so that vesting may occur sooner than the three or ten years when and if the market price of the Company's stock doubles from the fair market value of the stock at the date of the grant. All Options will also include a "reload" feature under this Plan.

5. A credit limit of \$3,500 has been established on your The Buckle charge account, subject to annual change as determined by management. Please make sure your charge account balance does not exceed this limit. You may have payments made to your charge account via payroll withholding during the year.

Management is committed to reviewing its policies continually. Accordingly, the statements outlined above are subject to review and change at any time, with or without notice.

I understand I have the right to terminate my employment with the Company at any time, with or without notice, and the Company retains the same right, with or without cause or notice. I recognize, therefore, that I am an "at will" employee.

This acknowledgment supersedes any prior acknowledgment or agreement with the Company. This acknowledgment does not constitute an agreement of employment with the Company.

April 14, 1999  
The Buckle, Inc.

**Acknowledged by:**

**Brett P. Milkie**

**THE BUCKLE, INC.  
DEFERRED COMPENSATION PLAN  
AND TRUST AGREEMENT**

(EFFECTIVE FEBRUARY 1, 1999)

**THE BUCKLE, INC.**  
**DEFERRED COMPENSATION PLAN**

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**THE BUCKLE, INC.  
DEFERRED COMPENSATION PLAN**

**INTRODUCTION**

The Buckle, Inc. (the "Company") hereby establishes The Buckle, Inc. Deferred Compensation Plan (the "Plan") effective as of February 1, 1999, in order to provide additional deferred compensation opportunities to certain key employees. The Plan is an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. As such, the Plan is not intended to meet the qualification requirements of Section 401(a) of the Internal Revenue Code.

**ARTICLE I**

**GENERAL DEFINITIONS**

**SECTION 1.01. Account.** The account maintained for a Participant to record his or her share of the Company Contributions and Deferral Contributions and adjustments relating thereto.

**SECTION 1.02. Administration Committee or Committee.** The persons appointed pursuant to Article XI to administer the Plan in accordance with said Article.

**SECTION 1.03. Beneficiary.** Any person designated under Article IX by the Participant to receive any benefit payable under the Plan by reason of the Participant's death.

**SECTION 1.04. Board of Directors or Board.** The Board of Directors of the Company.

**SECTION 1.05. Change in Control.** Change in Control means:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) of the Securities and Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act")) other than (1) an employee benefit plan (or related trust) sponsored or maintained by the Company or any of its affiliates or (2) Dan Hirschfeld or any member of his family (including his spouse, or any lineal descendent) or The Hirschfeld Family Foundation or any of his or their affiliates, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25 percent or more of the then outstanding voting securities of the Company entitled to vote generally in the election of directors or of equity securities having a value equal to 25 percent or more of the total value of all equity securities of the Company, if, at the time of such acquisition Dan Hirschfeld, members of his family, The Hirschfeld Family Foundation and his or their affiliates own less than 50 percent of the outstanding voting securities of the Company or less than 50 percent of the total value of all equity securities

of the Company or less than 50 percent of the total value of all equity securities of the Company;

(b) individuals who, as of the effective date of the Plan, constitute the Board, and subsequently elected members of the Board whose election is approved or recommended by at least a majority of such current members or their successors whose election was so approved or recommended, cease for any reason to constitute at least a majority of such Board; or

(c) approval by the stockholders of the Company of (1) a merger, reorganization or consolidation with respect to which the individuals and entities who were the respective beneficial owners of the Common Stock and voting securities of the Company immediately before such merger, reorganization or consolidation do not, after such merger, reorganization or consolidation, beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding common shares and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such merger, reorganization or consolidation, (2) a liquidation or dissolution of the Company or (3) the sale or other disposition of all or substantially all of the assets of the Company.

SECTION 1.06. Company. The Buckle, Inc.

SECTION 1.07. Company Contribution. The credits made to the Plan by the Company under Section 3.02 hereof.

SECTION 1.08. Compensation. The total cash compensation actually paid to a Participant during a Plan Year, including pre-tax contributions made on behalf of the Participant under the Profit Sharing Plan, including deferrals under Section 125 or similar provisions of the Internal Revenue Code and deferrals under this Plan, including base salary, hourly wages, bonuses, overtime compensation, commissions and incentives, but excluding the value of any non-cash fringe benefits.

SECTION 1.09. "Deemed Investment" shall mean an investment medium permitted by the Employer in which a Participant may direct the Employer as to how the Participant's Account is deemed invested.

SECTION 1.10. Deferral Contribution. The credits made to the Plan by the Company under Section 3.01 hereof on behalf of an Eligible Employee in accordance with such Participant's election.

SECTION 1.11. Disability. A physical or mental condition which, in the judgment of the Administration Committee, based upon medical reports and other evidence satisfactory to the Administration Committee, permanently prevents an Employee from satisfactorily performing his or her usual duties for the Company or the

duties of such other position or job which the Company makes available to him or her and for which such Employee is qualified by reason of his or her training, education or experience.

SECTION 1.12. Eligible Employee. An Employee who is part of a select group of highly compensated or management employees and (a) who is identified on Appendix A attached hereto; or (b) who is declared eligible to participate in a resolution hereafter duly adopted by the Board of Directors.

SECTION 1.13. Employee. Any person who is employed by the Company.

SECTION 1.14. Former Participant. A Participant whose employment with the Company has terminated or who has otherwise ceased to be an Eligible Employee, but who has a vested Account balance under the Plan which has not been paid in full and, therefore, is continuing to participate in the allocation of Trust Fund Income.

SECTION 1.15. Good Cause. Good cause shall be deemed to exist if, and only if:

- (a) The Participant engages in acts or omissions constituting dishonesty, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance;
- (b) The Participant is convicted of a criminal violation involving fraud or dishonesty; or
- (c) The Participant materially breaches the terms of any Agreement between the Participant and the Company relating to the Participant's employment, or materially fails to satisfy the conditions and requirements of the Participant's employment with the Company, and such breach or failure by its nature is incapable of being cured, or such breach or failure remains uncured for more than thirty days following receipt by the Participant of written notice from the Company specifying the nature of the breach or failure and demanding the cure thereof. For purposes of this paragraph, inattention by the Participant to the Participant's duties shall be deemed a breach or failure incapable of cure. Notwithstanding anything herein to the contrary, in the event the Company shall terminate the employment of the Participant for Good Cause hereunder, the Company shall give at least thirty days prior written notice to the Participant specifying in detail the reason or reasons for the Participant's termination.

SECTION 1.16. Good Reason. Good Reason shall exist if:

- (a) There is a significant reduction in the scope of the Participant's authority;
- (b) There is a reduction in the Participant's rate of base pay;
- (c) The Company changes the principal location in which the Participant is required to perform services; or
- (d) The Company terminates or amends any Incentive Plan or Retirement Plan so that, when considered in the aggregate with any substitute Plan or Plans, the Incentive Plans and Retirement Plans in which the Participant is participating fail to provide the Participant with a level of benefits equivalent to at least 90 percent of the value of the level of benefits provided in the aggregate by such incentive Plans or Retirement Plans at the date of a Change in Control. "Incentive Plans" shall mean any incentive, bonus, deferred compensation or similar plan or arrangement currently or hereafter made available by the

Company in which the Participant is eligible to participate. For purposes of the 90 percent test, the level of the value of benefits shall be compared based on comparable levels of performance, and a reduction in benefits resulting from a failure to meet performance targets shall not constitute Good Reason, so long as the performance targets are comparable and the level of benefits would not have been reduced by more than 10 percent had the performance targets been achieved. "Retirement Plans" shall mean any qualified or supplemental defined benefit retirement plan or defined contribution retirement plan, currently or hereinafter made available by the Company in which the Participant is eligible to participate, or any private arrangement maintained by the Company solely for the Participant, including, but not limited to The Buckle, Inc. Cash or Deferred Profit Sharing Plan.

SECTION 1.17. Income. The net gain or loss from Deemed Investments, as reflected by deemed interest payments, dividends, realized and unrealized gains and losses on securities, other investment transactions and expenses on the Deemed Investments. In determining the Income of the Trust Fund as of any date, assets shall be valued on the basis of their then fair market value.

SECTION 1.18. Participant. Any person participating in the Plan in accordance with the provisions of Article II.

SECTION 1.19. Plan. The Buckle, Inc. Deferred Compensation Plan, the plan set forth herein, as amended from time to time.

SECTION 1.20. Plan Year. The twelve-month period commencing February 1 and ending January 31.

SECTION 1.21. Quarter. The first, second, third and fourth three-month periods of the Plan Year.

SECTION 1.22. Retirement. Termination of employment for reasons other than death or Disability.

SECTION 1.23. Profit Sharing Plan. The Buckle, Inc. Cash or Deferred Profit Sharing Plan, as amended from time to time.

SECTION 1.24. Trust or Trust Fund. The Trust or Trust Fund maintained in accordance with the terms of the Trust Agreement, as from time to time amended.

SECTION 1.25. Trust Agreement. The Trust Agreement dated as of February 1, 1999, as amended, substituted, or replaced from time to time, entered into between the Company and the Trustee, under which Company Contributions and Deferral Contributions will be received, held, invested, and disbursed for purposes of the Plan.

SECTION 1.26. Trustee. National Bank of Commerce Trust and Savings Association, or any successor trustee appointed pursuant to the Trust Agreement.

SECTION 1.27. Valuation Date. The last business day of any Quarter.

## **ARTICLE II**

### **PARTICIPATION**

SECTION 2.01. Commencement of Participation. Each Eligible Employee listed in Appendix A shall commence participation in this Plan as of February 1, 1999. Any Employee who hereafter becomes an Eligible Employee shall commence participation in this Plan as of the date specified by the Board of Directors in the resolution declaring such Employee to be eligible to participate in the Plan.

## **ARTICLE III**

### **DEFERRED COMPENSATION PLAN CONTRIBUTIONS FOR ELIGIBLE EMPLOYEES**

SECTION 3.01. Deferral Contributions for Eligible Employees. Each Participant who is an Eligible Employee may elect, on forms furnished by the Company, to reduce his or her Compensation otherwise payable to said Participant by the percentage(s) specified by the Participant in an appropriate election form; provided, however, that a Participant may not defer more than twelve percent (12%) of his or her Compensation. For an Eligible Employee who is a participant in the Profit Sharing Plan, reductions in Compensation will not begin until the amount of elective deferrals under the Profit Sharing Plan has reached the maximum amount of elective deferrals permissible for such Eligible Employee under the terms of said Profit Sharing Plan. The amounts of such reductions in Compensation shall be credited to the Plan on behalf of such Participant by the Company. Each such election shall be made prior to the period of deferral specified in the election and shall be irrevocable as to such period of deferral. A period of deferral shall commence on February 1 and shall not be shorter than twelve months; provided, an Eligible Employee who becomes eligible to participate in the Plan on February 1, 1999 as a result of the initial adoption of this Plan may make an election pursuant to this paragraph within 45 days after February 1, 1999, but

such election shall apply only to Compensation earned subsequent to the election. All amounts credited on behalf of a Participant under this paragraph shall be called "Deferral Contributions," and shall be in addition to any credits due pursuant to paragraph 3.02 hereof with respect to the same Participant.

**SECTION 3.02. Company Contributions for Participants.** The Company will credit an annual matching credit to the Plan for the Account of each Participant for whom a Deferral Contribution is made and who is employed on the last day of the Plan Year to which the Deferral Contribution relates. All credits due under this Paragraph shall be "Company Contributions" and shall be in an amount calculated as a percentage of the Deferral Contribution made on behalf of a Participant. The percentage shall be as stated on Appendix A or as set forth in a Board resolution hereafter adopted identifying an additional Eligible Employee. However, the Company shall not make Company Contributions with respect to a Participant's Deferral Contributions which exceed 6 percent of the Participant's Compensation. For example, if a Participant's Deferral Contributions total 8 percent of his or her Compensation and the Participant's Company Contribution percentage on Appendix A is 50 percent, the maximum Company Contribution will be 3 percent of the Participant's Compensation.

## **ARTICLE IV**

### **GENERAL PROVISIONS REGARDING CONTRIBUTIONS**

**SECTION 4.01. Time of Payment of Company Contribution and Deferral Contribution Amounts.** Amounts equal to Company Contributions and Deferral Contributions shall be paid to the Trustee as soon as administratively possible, but in no case later than April 15 following the close of the Plan Year for which they are made.

**SECTION 4.02. Withholding Payroll Taxes.** To the extent required by the laws in effect at the time contributions are made, the Company shall reduce such contributions made hereunder by the amount of any taxes required to be withheld from the Participant's Compensation for federal, state or local government purposes, and an amount equal to the reduction shall be withheld from the Participant's Compensation otherwise paid.

## **ARTICLE V**

### **ALLOCATIONS TO PARTICIPANTS' ACCOUNTS**

**SECTION 5.01. Accounts.** The Administration Committee shall create and maintain adequate records to disclose the interest in the Trust of each Participant, Former Participant and Beneficiary. Such records shall be in the form of individual Accounts, and credits and charges shall be made to such Accounts in the manner herein described. The maintenance of individual Accounts is only for accounting purposes, and a segregation of the assets of the Trust Fund to each Account shall not be required.

**SECTION 5.02. Allocations to Accounts.** The Accounts of Participants, Former Participants and Beneficiaries shall be adjusted in accordance with the following:

(a) **Income.** All Income of the Trust Fund for each Quarter attributable to the Deemed Investments made pursuant to Article VI hereof shall be allocated to Accounts of Participants in accordance with the Deemed Investments made for such Participants' Accounts pursuant to Article VI hereof and in proportion to their previous Account balances.

(b) **Company Contributions.** As of the end of each Plan Year, the Company Contribution for such Plan Year shall be allocated to the Accounts of Participants. Such allocations shall be in the amounts specified in Section 3.02.

(c) **Deferral Contributions.** As of the end of each Quarter, the Deferral Contributions for such Quarter shall be allocated to the Accounts of the Participants who have elected to have Deferral Contributions made on their behalf, in accordance with the amounts indicated by such elections.

## **ARTICLE VI**

### **DEEMED INVESTMENT OF CONTRIBUTIONS TO PLAN**

**SECTION 6.01. Allocation to Investment Funds.** Any amounts credited to a Participant's Account shall be deemed invested as the Participant directs among various funds or other investment vehicles or options as the Employer or Committee may allow in its sole discretion for such deemed investments.

**SECTION 6.02. Changes in Investment Elections.** The Employer or the Committee will specify the manner and frequency in which a Participant may make or change his or her deemed investment elections. Until such time as the Employer or Committee shall direct further, Participants may change their deemed investment

elections effective as soon as administratively possible following the commencement of the Quarter following the Committee's receipt of the Participant's changed investment election.

## ARTICLE VII

### VESTING

SECTION 7.01. Vesting Defined. The term "vested" or "vested interest" shall mean a nonforfeitable, noncontingent right of the Participant or his Beneficiaries to a present or future enjoyment of any allocation to the Participant's Account, including subsequent Company Contributions and Deferral Contributions and deemed investment Income allocated thereto.

SECTION 7.02. Deferral Contributions Account. A Participant shall be 100 percent vested in his or her Deferral Contributions Account at all times.

SECTION 7.03. Company Contributions Account. A Participant shall be vested in the percentage of his or her Company Contributions Account as is equal to the percentage that he or she is vested in his or her Employer Contribution Account under the Profit Sharing Plan; provided however that a Participant shall forfeit his or her entire Company Contributions Account balance upon the occurrence of one of the following events:

- (a) Participation in any fraud, commission of any felony or the intentional destruction or misappropriation of property belonging to the Company,
- (b) The Participant makes any materially disparaging statements concerning the Company following his or her termination of employment with the Company,
- (c) The Participant uses any of the Company's proprietary information following termination of employment with the Company,
- (d) Upon termination of employment, the Participant fails to execute, deliver to the Company and perform in accordance with the terms of, a confidentiality and nondisclosure agreement in form satisfactory to the Company in which the Participant agrees to maintain and keep all nonpublic information strictly confidential and to not disclose the same in any form to any person, firm or entity, or use the same for any purpose whatsoever except as such disclosures may be required by any governmental agency or at any time by law. Nonpublic information shall include, but not be limited to, all trade secrets and other information pertaining to or in any way connected with present or future products or services or any component parts thereof; the Company's routines, standards, and procedures, and all information undertaken or made in connection therewith; all information relating to customer, personnel and/or employee relations, marketing, business plans, business or marketing research; all information relating to financial and/or other business affairs; and all files, documents, contracts, materials, listings, computer programs, printouts, source codes, drawings, specifications, processes, applications, techniques, routines, formulas and information of every

name, nature or description, whether or not the same is in machine readable form or reduced to writing, which pertain thereto; or

(e) The Participant's failure to give not less than nine months' advance written notice to the Company's Chairman of the Board of the Participant's voluntary termination of employment with the Company, unless such notice is waived in writing by said Chairman of the Board.

Forfeitures of a Participant's Employer Contribution Account pursuant to this section shall not inure to the benefit of the other Plan Participants. At the direction of the Company, the Trustee will apply any Trust assets that were allocated for record keeping purposes to a Participant's forfeited Employer Contribution Account as an offset to contributions which the Company would otherwise make to the Trust after the time the forfeiture occurs.

## **ARTICLE VIII**

### **PAYMENT OF BENEFITS**

**SECTION 8.01. Time of Distribution.** Distribution of a Participant's Account balance shall be made or commence as soon as administratively practical following (but in no case later than the 60th day following the close of a Plan Year in which there occurs) the earliest of the following events:

(a) The later of the termination of employment of an actively employed Participant or such Participant's attainment of age 59 1/2.

(b) Disability of a Participant.

(c) Death of a Participant.

(d) Following a Change in Control and within 12 months thereof, the Participant's termination of employment by the Employer for any reason other than Good Cause or the Participant's voluntary termination of employment with the Company for Good Reason.

**SECTION 8.02. Method of Payments.** The Participant may elect in accordance with Section 8.03 hereof to receive payment under either of the following alternate methods:

(a) A single lump sum payment, or

(b) Periodic payments of substantially equal amounts for ten years remaining from the benefit commencement date, in which event the unpaid balance as of each Valuation Date shall share in the allocation of Trust Fund Income in accordance with the provisions of Section 5.02. Such periodic payments shall be made not less frequently than annually. If Participant's death occurs before all periodic payments have been made, the remaining amounts shall be paid to Participant's beneficiary in a lump sum on the next installment payment date following Participant's death, unless the Participant specifies in his or her election form that the periodic payments shall continue.

If the Participant fails to elect a method of payment, benefits shall be paid in a single lump sum payment.

Notwithstanding the foregoing, the Committee may, in its sole discretion and in accordance with uniform procedures as it may adopt, direct the Trustee to distribute any Account balance in less frequent periodic payments than those elected by the Participant or Beneficiary or in a single lump sum, so as to avoid the payment of anything less than a nominal amount per period as determined by the Committee.

SECTION 8.03. Participant Elections. Elections as to the time and method of distribution in accordance with this Article may be made by a Participant on a form prescribed by the Administration Committee. To be effective, such election form must be filed by the Participant at least six months prior to the date his or her benefit payments would become due under the Plan. An election shall become irrevocable and unalterable no later than the date benefits have become due and payable in accordance with Section 8.01.

## **ARTICLE IX**

### **DESIGNATION OF BENEFICIARY**

SECTION 9.01. Designation. Each Participant or Former Participant from time to time may designate any person or persons (who may be designated contingently or successively and who may be an entity other than a natural person) as his or her Beneficiary or Beneficiaries to whom his or her Plan benefits are paid if he or she dies before receipt of all such benefits. Each Beneficiary designation shall be in the form prescribed by the Administration Committee and will be effective only when filed with the Administration Committee during the Participant's lifetime. Each Beneficiary designation filed with the Administration Committee will cancel all Beneficiary designations previously filed with the Administration Committee.

SECTION 9.02. Disposition of Death Benefits on Failure to Designate Beneficiary. If any Participant or Former Participant fails to designate a Beneficiary in the manner provided above, or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, benefits shall be paid to the Personal Representative of the Participant's estate.

## **ARTICLE X**

### **FUNDING**

SECTION 10.01. Obligation of the Company. Benefits under this Plan shall be payable out of the general assets of the Company. The obligation of the Company to make benefit payments under this Plan constitutes merely the unsecured, but legally enforceable, promise of the Company to make such payments, and no Participant, Former Participant or Beneficiary shall have any lien, prior claim, or other security interest in any property of the Company.

SECTION 10.02. Trust Fund. The Trust Fund shall for all purposes be part of the general assets of the Company, and no person other than the Company shall have any interest in the Trust Fund. To the extent that any person acquires a right to receive payment from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

## **ARTICLE XI**

### **ADMINISTRATION**

SECTION 11.01. Administration Committee and Expenses. The Plan shall be administered by an Administration Committee consisting of at least three persons who shall be appointed by and serve at the pleasure of the Board of Directors of the Company. All usual and reasonable expenses of the Administration Committee may be paid in whole or in part by the Company. Any members of the Administration Committee who are Employees shall not receive compensation with respect to their services for the Administration Committee.

SECTION 11.02. Claims Procedure. The Administration Committee shall make all determinations as to the right of any person to a benefit. Any denial by the Administration Committee of the claim for benefits under the Plan by a Participant or Beneficiary shall be stated in writing by the Administration Committee and delivered or mailed to the Participant or Beneficiary, and such notice shall set forth the specific reasons for the denial, written to the best of the Administration Committee's ability in a manner that may be understood without legal counsel. In addition, the Administration Committee shall afford a reasonable opportunity to any Participant or Beneficiary whose claim for benefits has been denied for a review of the decision denying the claim.

SECTION 11.03. Duties and Powers. The Administration Committee shall have such duties and powers as it deems necessary for the administration of the Plan including, but not by way of limitation, the following:

- (a) to construe and interpret the Plan, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits hereunder;
- (b) to prescribe procedures to be followed by Participants, Former Participants or Beneficiaries filing applications for benefits;
- (c) to prepare and distribute, in such manner as the Administration Committee determines to be appropriate, information explaining the Plan;
- (d) to receive from the Company and from Participants, Former Participants or Beneficiaries such information as shall be necessary for the proper administration of the Plan;
- (e) to furnish the Company, upon request, such annual reports with respect to the administration of the Plan as are reasonable and appropriate;
- (f) to receive, review and keep on file (as it deems convenient and proper) reports of benefit payments by the Trustee and reports of disbursements for expenses directed by the Administration Committee;
- (g) to appoint or employ individuals to assist in the administration of the Plan and any other agents it deems advisable, including legal counsel.

Except as otherwise expressly provided in this Plan, the Administration Committee shall have no power to add to, subtract from or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements or eligibility for a benefit under the Plan.

SECTION 11.04. Rules. The Administration Committee may adopt such rules as it deems necessary, desirable or appropriate. All rules and decisions of the Administration Committee shall be uniformly and consistently applied to all Participants, Former Participants or Beneficiaries in similar circumstances. When making a determination or calculation, the Committee shall be entitled to rely upon information furnished by a Participant, Former Participant or Beneficiary, the Company, the legal counsel of the Company, or the Trustee.

SECTION 11.05. Action by Committee. The Administration Committee may act at a meeting or in writing without a meeting. The Administration Committee shall elect one of its members as chairman, appoint a secretary, who may or may not be an Administration Committee member, and advise the Trustee of such actions in writing. The secretary shall keep a record of all meetings and forward all necessary communications to the Company or the Trustee. The Administration Committee may adopt such bylaws and regulations as it deems desirable for the

conduct of its affairs. All decisions of the Administration Committee shall be made by the vote of the majority including actions in writing taken without a meeting.

**SECTION 11.06. Directions to Trustee.** The Administration Committee shall issue directions to the Trustee concerning all benefits which are to be paid from the Trust Fund pursuant to the provisions of the Plan and warrants that all such directions are in accordance with this Plan.

**SECTION 11.07. Applications for Benefits.** The Administration Committee may require a Participant, Former Participant or Beneficiary to complete and file with the Administration Committee an application for a benefit and all other forms approved by the Administration Committee and to furnish all pertinent information requested by the Administration Committee. The Administration Committee may rely upon all such information so furnished it, including the Participant's, Former Participant's or Beneficiary's current mailing address.

**SECTION 11.08. Benefits to Persons Under Legal Disability.** Whenever, in the Administration Committee's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Administration Committee may direct the Trustee to make payments to such person or to his or her legal representative or to a relative or friend of such person for his or her benefit, or the Administration Committee may direct the Trustee to apply the payment for the benefit of such person in such manner as the Administration Committee considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this Article shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

**SECTION 11.09. Indemnification.** The Administration Committee and the individual members thereof shall be indemnified by the Company and not from the Trust Fund against any and all liabilities arising by reason of any act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto.

## ARTICLE XII

### AMENDMENTS, ACTION BY COMPANY, AND TERMINATION

SECTION 12.01. Amendments. The Company reserves the right to make from time to time any amendment or amendments to this Plan and, subject to the provisions of Section 12.05 hereof, to terminate the Plan.

SECTION 12.02. Action by Company. Any action by the Company under this Plan may be by resolution of its Board of Directors or by any person or persons duly authorized by resolution of said Board to take such action.

SECTION 12.03. Successor Company. In the event of the dissolution, merger, consolidation or reorganization of the Company, provision may be made by which the Plan and Trust will be continued by the successor; and, in that event, the successor shall be substituted for the Company under the Plan. The substitution of the successor shall constitute an assumption of Plan liabilities by the successor, and the successor shall have all of the powers, duties and responsibilities of the Company under the Plan.

SECTION 12.04. Termination of Plan. The Company may terminate its participation in the Plan at any time. In the event of the dissolution, merger, consolidation or reorganization of the Company, the Plan shall terminate unless the Plan is continued by a successor to the Company in accordance with Section 12.03.

SECTION 12.05. Distribution of Trust Fund. Upon termination or partial termination of the Plan, the Committee may direct the Trustee: (a) to continue to administer the Trust Fund and pay account balances in accordance with Article VIII to Participants affected by the termination upon their termination of employment, or to their Beneficiaries upon such Participant's death, until the Trust Fund has been liquidated and (b) to distribute the assets remaining in the Trust Fund, after payment of any expenses properly chargeable thereto and all benefits provided by the Plan, to the Company.

## ARTICLE XIII

### MISCELLANEOUS PROVISIONS

SECTION 13.01. No Employment Contract. Nothing contained in the Plan shall be construed as a contract of employment between the Company and any Employee, or as a right of any Employee to be continued in the employment of the Company, or as a limitation of the right of the Company to discharge any of its Employees, with or without cause.

SECTION 13.02. Rights of Participants and Beneficiaries. No Participant, Former Participant or Beneficiary shall have any right to, or interest in, any assets of the Trust Fund at any time, except as provided from time to time under this Plan, and then only to the extent of the benefits payable under the Plan to such Participant, Former Participant or Beneficiary out of the assets of the Trust Fund.

SECTION 13.03. Benefits Not Assignable. Benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, including any such liability which is for alimony or other payments for the support of a spouse or former spouse or for any other relative of the Participant, Former Participant or Beneficiary, prior to actually being received by the person entitled to the benefit under the terms of the Plan; and any attempt to otherwise dispose of any right to benefits payable hereunder shall be void.

The Trust Fund shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

SECTION 13.04. Suspension of Benefits Upon Re-employment. If a Former Participant who is in receipt of periodic payments hereunder in accordance with Section 8.02 is re-employed by a Company, such payments shall be suspended during the period of such re-employment, and the Participant may make a new election in accordance with Section 8.02 with respect to the distribution of his or her Account balance to be made at the time of his or her subsequent Retirement, death or Disability.

SECTION 13.05. Gender and Number. The masculine pronoun whenever used herein will include the feminine gender, and the singular number as used herein will include the plural and the plural the singular unless the context clearly indicates a different meaning.

SECTION 13.06. Construction. The provisions of this Plan shall be construed according to the federal laws governing employee benefit plans of this type, and to the extent applicable, according to the laws of the State of Nebraska.

IN WITNESS WHEREOF, The Buckle, Inc. Deferred Compensation Plan is hereby adopted by the Company effective as of February 1, 1999.

THE BUCKLE, INC. (the "Company")

*By: /s/ DANIEL J. HIRSCHFELD*

*Title: CHAIRMAN OF BOARD*

**APPENDIX A**

**THE BUCKLE, INC. DEFERRED COMPENSATION PLAN**

**SCHEDULE OF EMPLOYEES ELIGIBLE TO PARTICIPATE  
IN DEFERRED COMPENSATION PLAN**

NAME -----	STATED PERCENTAGE OF EMPLOYER CONTRIBUTIONS -----
Dennis Nelson	65%
Scott Porter	50%
Jim Shada	50%
Gary Lalone	50%
Brett Milkie	50%
Karen Rhoads	50%

EXHIBIT 10.11

PROGRAMMED LENDING NOTE

\$5,000,000.00 MAY 11, 1998

The undersigned jointly and severally promise(s) to pay to the order of FIRST NATIONAL BANK AND TRUST CO. OF KEARNEY ("Lender") the sum of FIVE MILLION AND NO/100--DOLLARS, or so much thereof as may be advanced from time to time, with interest at the rate set forth below (calculated on the basis of actual days elapsed in a 365 day year) on the unpaid principal balance until this Note is fully paid. Principal and interest shall be payable at Lender's office, or at such other place as the holder hereof may designate, in lawful money of the United States. Unless otherwise provided herein all payments shall be applied first to accrued interest and the balance to principal. The interest rate of this Note shall be:

annual rate of \_\_\_\_\_ %.

an annual rate \_\_\_\_\_ Lender's Reference Rate as established from time to time, each change in the interest rate to be effective on the day of a change in the Reference Rate. The initial interest rate shall be \_\_\_\_\_ %.

an annual rate \_\_\_\_\_ Lender's Reference Rate, to be adjusted on the day of each during the term of this Note. The initial interest rate shall be \_\_\_\_\_ %.

an annual rate **0.00% ABOVE NEW YORK PRIME AS PUBLISHED IN THE WALL STREET JOURNAL AS ESTABLISHED FROM TIME TO TIME . The**

initial rate shall be 8.50 %.

Interest after maturity (whether this Note matures by demand, acceleration or lapse of time) shall be charged on the outstanding principal of default at % above the rate at maturity or  16.0% ("Default Rate"). In no event shall the interest charged on this Note exceed the maximum rate, if any, allowed by law.

Principal and interest shall be due in a single payment on N/A or as follows: MONTHLY INTEREST PAYMENTS DUE BEGINNING JULY 1, 1997, AND CONTINUING MONTHLY THEREAFTER; and, if not sooner paid, all unpaid principal and accrued interest shall be due and payable on MAY 31, 1999

(Check if applicable) If any payment of principal or interest is not paid within 15 days after the due date, a late charge of four percent(4%) of the amount of the delinquent payment may be assessed by the holder; provided, however, that nothing in this paragraph shall limit or affect the holder's right to accelerate the sums owing under this Note as set forth below or any other rights and remedies of the holder hereunder or under the Loan Documents (as defined below).

The term "Lender's Reference Rate" shall mean a rate established by the Lender from time to time for its internal use and guidance in the pricing of loans. Lender may, at its sole discretion, change its Reference Rate and the undersigned agree(s) that Lender is not obligated to give notice of changes in Lender's Reference Rate or other index used for establishing the interest rate of this Note. No representation is made that Lender's Reference Rate or other index used for establishing the interest rate of this Note is either the lowest, the best or a favored rate.

This obligation may be prepaid, in whole or in part, at any time without penalty. Any partial prepayment shall not postpone the due date or change the amount of any subsequent installments.

All advances under this Note made after maturity, if any, are subject to all terms and conditions hereof and are due and payable on demand; provided that Lender has no obligation to make any advances or readvances after maturity.

Upon non-payment of any installment of principal or interest when due; or if holder shall at any time believe that the prospect of timely payment of this Note is impaired; or upon the death, dissolution, termination of existence, insolvency, business failure or appointment of a receiver of any part of the property of, or upon any assignment for the benefit of creditors by, any maker(s), endorser(s), surety(ies) or guarantor(s) of this Note; or upon the occurrence of any event of default under any of the Loan Documents; the holder shall have the right to declare the entire balance due and payable without notice. If this Note is payable on demand nothing contained herein shall prevent the holder from demanding payment of this Note at any time and for any reason without prior notice. The failure of the holder to exercise this option to accelerate, or to exercise any other right or remedy hereunder or under the Loan Documents, shall not constitute a waiver of such option, right or remedy, and the holder may exercise such option, right or remedy during any existing or subsequent default regardless of any prior forbearance.

The undersigned agree(s) to pay all costs, fees and expenses incurred by the holder in connection with any action taken to collect any sums due hereunder or under the Loan Documents, to enforce any provisions hereof or of the Loan Documents, or to protect any of the holder's rights hereunder or under the Loan Documents (collectively, "Costs"). Such Costs shall include, but not be limited to, costs of title searches, commitments and policies, sums advanced to discharge liens on or otherwise to protect any collateral for this Note, and unless prohibited by law reasonable attorney fees. Such Costs shall be added to the principal sum due hereunder and draw interest at the Default Rate.

Lender shall have at all times a security interest in and right of set-off against the balances in any deposit account with respect to which the

maker(s) and endorser(s) hereof, or any of them, are parties, and may at any time, without notice, apply the same against payment of this Note or any other obligation of the undersigned to Lender, whether due or not, regardless of the existence or amount of any other security held by Lender.

The holder hereof may without notice to or consent of, and without releasing or diminishing the liability of, any maker or endorser of this Note:

(i) agree with any maker hereof to modify the rate or any terms of payment of this Note, or any terms of the Loan Documents without limitation; (ii) sell, exchange, cancel, release, surrender, realize upon or otherwise deal with in any manner and in any order all or any part of any collateral securing this Note; or  
(iii) release any party to this Note. Each maker and endorser waives presentment, demand, notice of dishonor and protest, and consents to any number of extensions and renewals for any periods without notice. The undersigned agree(s) that each provision whose box is checked is part of this Note. This Note shall be the joint and several obligation of all makers, sureties, guarantors and endorsers and shall be binding upon each of them, their successors and assigns. This Note shall be governed by the laws of the State of Nebraska.

This Note is governed by, and Lender is entitled to the benefits of, any and all loan agreement(s), security agreement(s), mortgage(s), deed(s) of trust, and other security documents executed by the undersigned, or any of them, in favor of Lender, including without limitation LOAN AGREEMENT DATED 5-11-98 (collectively, "Loan Documents").

These funds are advanced for the purpose of WORKING CAPITAL

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**THE BUCKLE, INC.**

**BY DENNIS H, NELSON**

Note No. LINE 229351 Address PO BOX 1480 KEARNEY NE 68848

## EXHIBIT 10.12

### LOAN AGREEMENT

This LOAN AGREEMENT ("Agreement") is made as of the 11th day of MAY, 1998, between FIRST NATIONAL BANK AND TRUST CO. OF KEARNEY ("Lender") and THE BUCKLE, INC. ("Borrower," whether one or more; unless expressly indicated otherwise, all references to Borrower shall be both individually and collectively if Borrower is more than one person and/or entity).

#### I. THE LOAN

1.1 LOAN. Lender shall lend Borrower the sum of \$5,000,000.00 (the "Loan"), as evidenced by the following note(s) PROGRAMMED LENDING NOTE OF EVEN DATE IN THE AMOUNT OF \$5,000,000.00 (the "Note," whether one or more), and pursuant to the terms of a loan commitment letter dated \_\_\_\_\_, 199\_\_\_\_ ("Commitment Letter"). The Loan shall be governed by the terms of this Agreement, the Commitment Letter, the Note and the other "Loan Documents" (as defined in the Note), all of which are incorporated herein by reference. The terms and conditions of this Agreement, the Commitment Letter, the Note and the other Loan Documents shall be considered cumulative and not exclusive or alternative.

1.2 PROGRAMMED LENDING. With respect to that portion of the Loan, if any, that is represented by one or more programmed lending notes, Lender at Borrower's request will advance funds under and in accordance with the terms of each such note from time to time as long as the outstanding principal balance does not exceed the maximum principal amount of the note. The actual principal balance outstanding at any one time may be increased or decreased from time to time as a result of advances by Lender and payments by Borrower, and a payment by the Borrower during the term of a programmed lending note of the entire principal balance of such note shall not operate as a discharge of Borrower under the note.

1.3 ADVANCES. All Loan advances may be made to Borrower's regular checking account number 326-406. A check or other charge presented against this account in excess of the account balance may be treated by Lender as a request for a Loan advance, and payment by Lender of any such check may at its option constitute a Loan advance under this Agreement. Advances, if made pursuant to the payment of a check or other charge, shall be debited to the Loan balance and credited to the checking account balance, and unless otherwise agreed by Lender shall be in multiples of \$1,000 or an amount equal to the unused portion of the maximum credit available if less than \$1,000.

#### II. CONDITIONS OF LENDING/ADVANCES

The obligation of Lender to make the Loan and any advances under the Note (or any of them if more than one) is subject to the following conditions precedent: (a) Borrower is not in default under any provisions of this Agreement, the Commitment Letter, any Note or any other Loan Documents; (b) all warranties and representations of Borrower under this Agreement, the Commitment Letter, the Note and the other Loan Documents are true as of the date of the requested advance; (c) no litigation or other legal proceeding is pending or threatened against Borrower that has not been disclosed to Lender in writing before the date of the Loan or advance; (d) there is no material adverse change in the financial condition or earning power of Borrower or any guarantor of the Loan, or material decrease in the value of any security for the Loan; and (e) there is no change in any law or regulation that makes it unlawful for Lender to make the Loan or advances under the Note (or any of them if more than one) or to give effect to Lender's obligations as contemplated hereby. Further, Lender may require appropriate documentation as to the reason for a requested advance before making an advance.

#### III. SECURITY

3.1 LOAN DOCUMENTS. All advances and readvances made pursuant to the Note (or any of them if more than one) and this Agreement shall be secured by all security agreements, mortgages, deed(s) of trust and other security documents set forth in the Note and included within the term "Loan Documents" therein. Such security shall secure all existing and future indebtedness owed by Borrower to Lender.

3.2 FURTHER ASSURANCES. Borrower agrees to execute and deliver such security agreements, financing statements, and other such documents as Lender will require for perfection of security interests, liens, and other security described above, as Lender may reasonably request at any time from time to time in form satisfactory to Lender.

#### IV. COVENANTS

Until payment of all sums owing under this Agreement, the Commitment Letter, the Note and the other Loan Documents Borrower shall:

4.1 FINANCIAL INFORMATION. Furnish to Lender with reasonable promptness the following financial information:

4.2 LEGAL PROCEEDINGS. Notify Lender in writing of any material legal action or proceeding commenced against Borrower.

4.3 ENVIRONMENTAL LAWS. Keep its property and operations in compliance with all applicable laws, ordinances and regulations relating to industrial hygiene or environmental protection (collectively, "Environmental Laws"); allow Lender to enter Borrower's property to conduct any and all inspections and testing that Lender reasonably deems necessary or desirable to determine whether Borrower is in compliance with Environmental Laws; notify Lender of any spill, release or discovery of any substance deemed to be hazardous or toxic under any Environmental Laws (collectively, "Hazardous Materials") on, onto or from any of Borrower's properties; notify Lender of any order, request, notice or other form of written or oral communication from any governmental agency relating to any violation or potential violation of any Environmental Laws in connection with any of Borrower's properties; and indemnify and hold harmless Lender, its directors, employees and agents, and any successors to Lender's interest, from and against any and all claims, damages, losses and liabilities arising in connection with the presence, use, disposal or transport of any Hazardous Materials on, under, from or about Borrower's property. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, THE PROVISIONS OF THIS PARAGRAPH 4.3, INCLUDING WITHOUT LIMITATION BORROWER'S OBLIGATION PURSUANT TO THE FOREGOING INDEMNITY, SHALL SURVIVE PAYMENT OF THE LOAN.

4.4 MAINTAIN ENTITY. If Borrower is or includes a corporation or partnership, maintain its existence as a duly organized corporation and/or partnership and promptly notify Lender of any change in its articles of incorporation and/or partnership agreement.

#### V. WARRANTIES AND REPRESENTATIONS

Borrower warrants and represents to Lender as follows:

5.1 FINANCIAL STATEMENTS. All financial statements relating to Borrower provided to Lender fairly reflect the financial condition of Borrower as of the dates of such statements, and there has been no material adverse change in the financial condition of Borrower since the dates thereof.

5.2 PROCEEDINGS. No proceedings exist or are threatened against Borrower that will substantially and adversely affect Borrower's condition, financial or otherwise.

#### VI. OTHER COVENANTS, WARRANTIES AND REPRESENTATIONS

In addition to the above covenants, warranties and representations, Borrower covenants, warrants and represents to Lender as follows:

#### VII. EVENTS OF DEFAULT

In addition to anything contained in the Commitment Letter, the Note and the other Loan Documents, the occurrence of any of the following shall constitute an Event of Default by Borrower:

7.1 FAILURE OF PAYMENT. Failure to pay in full all principal and interest under the Note (or any of them if more than one) when due.

7.2 FALSE WARRANTIES OR REPRESENTATIONS. Any of the warranties or representations in sections V and VI hereof being or becoming materially false, or any information contained in any schedule, statement, report, notice or other writing furnished by or on behalf of Borrower to Lender pursuant to this Agreement, or otherwise in connection with the Loan, being materially false.

7.3 BREACH OF COVENANT. A breach or failure in performance of any covenant set forth in sections IV and VI hereof.

7.4 OTHER BREACH. A breach or failure in the performance of any other provision of the Agreement, not specified above, which shall have continued for a period of thirty (30) days after Lender has given notice of such breach or failure; or a breach or failure in the performance of any term, covenant, warranty, representation or other agreement contained in the Commitment Letter, any Note or any other Loan Documents, after giving effect to any express notice requirement and/or curative period set forth therein.

7.5 OTHER INDEBTEDNESS. Any default in the payment or performance of any indebtedness, liability or obligation of Borrower (or any one or more of them if more than one) to Lender, not specified above, whether now existing or hereafter arising.

VIII. REMEDIES

The occurrence of any Event of Default shall constitute a default under the Note and the other Loan Documents, and Lender shall have all rights and remedies available under this Agreement, the Commitment Letter, the Note, the other Loan Documents and applicable law, including without limitation the right to declare the entire balance of the Note immediately due and payable, and all such rights and remedies shall be cumulative. No delay or omission of Lender in exercising any of its rights or remedies shall operate as a waiver of such right or remedy or any other right or remedy of Lender, and a waiver on any occasion shall not constitute a waiver of such right or remedy on any future occasion.

IX. MISCELLANEOUS

9.1 GOVERNING LAW. This Agreement and the Loan shall be governed by the laws of the State of Nebraska.

9.2 SURVIVAL OF REPRESENTATIONS. All covenants, warranties and representations made in writing by Borrower in connection herewith shall survive the execution and delivery of this Agreement, the Commitment Letter, the Note and the other Loan Documents.

9.3 BINDING EFFECT. All agreements, covenants, warranties and representations in this Agreement shall bind and inure to the benefit of the respective successors and assigns of the parties hereto.

9.4 ASSIGNMENT. Borrower may not assign this Agreement, the Commitment Letter, the Note (or any of them if more than one) or any other Loan Documents without the express written consent of Lender, which shall be exercised at Lender's sole discretion.

9.5 RENEWALS; EXTENSIONS. The provisions of this Agreement shall apply to any renewal or extension of the Loan, except as modified or amended in writing by the parties hereto at the time of such renewal or extension.

9.6 JOINT AND SEVERAL LIABILITY. If Borrower consists of more than one person and/or entity, the obligations, liabilities, covenants, agreements, warranties and representations contained in or arising from this Agreement are joint and several as to each such person and/or entity.

9.7 LIMITATION OF LIABILITY. LENDER SHALL NOT BE LIABLE FOR ANY CLAIMS, DEMANDS, LOSSES OR DAMAGES MADE, CLAIMED OR SUFFERED BY ANY PARTY TO THIS AGREEMENT.

9.8 ENTIRE AGREEMENT. This Agreement, the Note and the other Loan Documents contain the entire agreement of the parties, and cannot be modified or altered unless reduced to writing and consented to by all the undersigned parties.

**FIRST NATIONAL BANK AND TRUST CO. OF KEARNEY**

Name and Lender

Date: 5-11-98

BY: LARRY L. JEPSON

Title: CHAIRMAN AND CEO

THE BUCKLE, INC

Borrower

Date: 5-11-98

BY: DENNIS H. NELSON, PRESIDENT

Borrower

Date:

Borrower

STATE OF ILLINOIS \_\_\_\_\_)

)ss.

COUNTY OF \_\_\_\_\_)

The foregoing Agreement was acknowledged before me this \_\_\_\_ day of, \_\_\_\_

by \_\_\_\_\_

---

**Notary Public**

**EXHIBIT 10.13**

May 11, 1998

Dennis H. Nelson, President & CEO  
The Buckle, Inc.  
2407 West 24th Street  
P.O. Box 1480  
Kearney, NE 68848-1480

Dear Dennis:

Our bank is pleased to issue a renewal loan commitment to your Company for another year. The purpose of this loan commitment is to provide your Company with the funds for your financing needs required for this operating year, subject to the following terms and conditions:

- 1) An unsecured operating line of credit in the amount of \$5,000,000.00 available for your use until the loan expiration date of May 31, 1999, at which time it will be subject to annual renewal, as has been the case in previous years.
- 2) The interest rate charged on the unsecured operating line of credit will be the National Prime Rate as published in the "Wall Street Journal" date of change. Interest will be billed and payable monthly on the unsecured line of credit.
- 3) A \$5,000,000.00 irrevocable commercial letter of credit line.
- 4) The Company agrees to provide the bank with quarterly financial statements consisting of a balance sheet and income statement, and to provide the bank with an annual fiscal year-end audited financial statement.

We appreciate this opportunity to be able to assist your fine Company with this financing package in support of your growth objectives. If the terms and conditions of this loan commitment are satisfactory to you, please acknowledge your acceptance by signing the following Acknowledgment and returning it to my attention in the postage-paid return envelope I have provided for your convenience.

Thank you very much.

Sincerely yours,

**LARRY JEPSON**

Larry L. Jepson  
Chairman & CEO

**ACKNOWLEDGMENT**

The Undersigned acknowledges and accepts this loan commitment with attendant terms and conditions as stated, this 11th day of May, 1998.

**THE BUCKLE, INC.**

BY: DENNIS NELSON, PRESIDENT & CEO  
-----  
Dennis Nelson, President & CEO

May 11, 1998  
-----  
Date

## TO OUR SHAREHOLDERS

Once again our Buckle team raised the standard and worked diligently to produce outstanding results in 1998 on top of a great year in 1997. We appreciate the continued efforts of our growing team and the loyalty of our guests who helped make 1998 a success. Our net sales increased 26.1% over the prior year with total sales nearing \$338 million for the year ended January 30, 1999. Comparable store sales grew 15.4% and net income rose 45.9% to \$34.0 million.

I'd like to share some additional highlights from our 1998 fiscal year:

- We opened 24 new stores to end the year with 222 stores in 29 states
  - Cash and short-term investments grew to \$88.4 million
  - Average store sales grew to \$1.6 million and average sales per square foot increased to \$344
  - In June of 1998, we completed a 3 for 2 stock split
  - We repurchased 120,600 shares of our common stock at an average price per share of \$16
- The average return on equity over the past five years is approximately 24%. In 1999, we plan to open approximately 26 new stores and enter six new states. We have at least five expansion/remodel projects planned for 1999 as well. In 1998, we added 124,000 square feet to our corporate headquarters, expanding the facility to 179,000 square feet. In July of 1998, we began shipping from our new distribution center that grew from 30,000 square feet to 120,000 square feet, allowing us to service up to 450 stores. Our diverse merchandise mix allows us to satisfy the fashion demands of our guests. Through key vendors, such as Lucky Brand, Dr. Martens, Tommy Jeans, Silver, Polo Jeans Company, FUBU, Mecca, O'Neill and Quiksilver, we offer a variety of looks. We enjoy strong relationships with vendors that share our commitment to quality and service. Our private label merchandise complements the brand names we carry. Last year our private label brands accounted for approximately 10% of our sales. As we invest in the company's future, we consistently focus on ways to exceed our already high level of service. In 1999, we will complete the rollout of our new point of sale software and hardware, enabling us to process transactions more efficiently and assisting us in the Y2K transition. Through our website we have been promoting our company image for several years and anticipate marketing a limited selection of merchandise on our newly developed online store. Our goal is to continue to be the best specialty store in the marketplace. As we strive to achieve outstanding results over the short term, we intend to focus on the investments we are making in the long term goals of the company. Our investment in talented and experienced people combined with our excellent reputation and our blue chip balance sheet will help prepare us for new opportunities and allow us to continue to grow our business in 1999. The Buckle's consistent results are based on strong relationships built upon communication, teamwork and trust. Our guests make the Buckle their shopping destination because our team is dedicated to investing in relationships that make a difference. Thank you for your investment in the Buckle's success.

*/s/ DENNIS H. NELSON*

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*DENNIS H. NELSON  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER*

## SELECTED FINANCIAL DATA

	FISCAL YEAR ENDED				
	JANUARY 30, 1999	January 31, 1998	February 1, 1997	February 3, 1996	January 28, 1995
(dollar amounts in thousands, except per share and selected operating data)					
<b>INCOME STATEMENT DATA</b>					
Net Sales	\$ 337,916	\$ 267,921	\$ 206,393	\$ 172,291	\$ 145,038
Cost of sales (including buying, distribution and occupancy costs)	216,668	174,379	140,359	118,262	100,578
Gross profit	121,248	93,542	66,034	54,029	44,460
Selling expenses	59,557	49,040	38,361	33,166	27,840
General and administrative expenses	9,820	8,772	7,157	6,101	4,848
Income from operations	51,871	35,730	20,516	14,762	11,772
Other income	2,281	1,687	1,151	1,158	510
Income before provision for income taxes	54,152	37,417	21,667	15,920	12,282
Income taxes	20,123	14,086	8,043	6,073	4,586
Net income	\$ 34,029	\$ 23,331	\$ 13,624	\$ 9,847	\$ 7,696
Basic income per share	\$ 1.55	\$ 1.10	\$ 0.65	\$ 0.48	\$ 0.37
Diluted income per share	\$ 1.47	\$ 1.05	\$ 0.63	\$ 0.47	\$ 0.37
<b>SELECTED OPERATING DATA</b>					
Stores open at end of period	222	199	181	164	147
Average sales per square foot	\$ 344	\$ 300	\$ 255	\$ 238	\$ 225
Average sales per store (000's)	\$ 1,603	\$ 1,400	\$ 1,183	\$ 1,094	\$ 1,029
Comparable store sales change	15.4%	18.6%	11.1%	7.5%	(1.8%)
<b>BALANCE SHEET DATA</b>					
Working capital	\$ 104,035	\$ 77,448	\$ 54,904	\$ 37,794	\$ 28,704
Total assets	\$ 186,113	\$ 144,460	\$ 102,017	\$ 81,683	\$ 65,051
Long term debt	--	--	--	--	--
Stockholders' equity	\$ 146,130	\$ 107,881	\$ 78,043	\$ 61,629	\$ 51,782

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders  
The Buckle, Inc.  
Kearney, Nebraska

We have audited the accompanying balance sheets of The Buckle, Inc. as of January 30, 1999 and January 31, 1998, and the related statements of income, stockholders' equity and cash flows for each of the three fiscal years in the period ended January 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of The Buckle, Inc. as of January 30, 1999 and January 31, 1998 and the results of its operations and its cash flows for each of the three fiscal years in the period ended January 30, 1999 in conformity with generally accepted accounting principles.

*/s/ DELOITTE & TOUCHE LLP*

*DELOITTE & TOUCHE LLP*

*Omaha, Nebraska  
February 26, 1999*

## BALANCE SHEETS

ASSETS	JANUARY 30, 1999	JANUARY 31, 1998
	(DOLLAR AMOUNTS IN THOUSANDS)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 61,705	\$ 53,593
Short-term investments	26,691	14,013
Accounts receivable, net of allowance of \$300 and \$491, respectively	3,980	2,367
Inventory	49,411	42,339
Prepaid expenses and other assets (Note D)	2,231	1,715
	-----	-----
Total current assets	144,018	114,027
	-----	-----
PROPERTY AND EQUIPMENT (NOTE B):	74,041	59,100
Less accumulated depreciation	(34,798)	(29,688)
	-----	-----
	39,243	29,412
	-----	-----
OTHER ASSETS (NOTES D AND E)	2,852	1,021
	-----	-----
	\$ 186,113	\$ 144,460
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,817	\$ 17,248
Accrued employee compensation	16,919	14,519
	-----	-----
Accrued store operating expenses	3,317	2,407
Gift certificates redeemable	1,593	1,357
Income taxes payable	1,337	1,048
	-----	-----
Total current liabilities	39,983	36,579
	-----	-----
COMMITMENTS (NOTES C AND F)		
STOCKHOLDERS' EQUITY (NOTE H):		
Common stock, authorized 100,000,000 shares of \$.01 par value; issued and outstanding; 21,968,921 and 21,659,604 shares, respectively	220	143
Additional paid-in capital	37,431	33,783
Retained earnings	109,534	75,505
	-----	-----
Unearned compensation - restricted stock	(1,055)	(1,550)
	-----	-----
Total stockholders' equity	146,130	107,881
	-----	-----
	\$ 186,113	\$ 144,460
	=====	=====

See notes to financial statements.

## STATEMENTS OF INCOME

	FISCAL YEARS ENDED		
	JANUARY 30, 1999	JANUARY 31, 1998	FEBRUARY 1, 1997
	(DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
SALES, Net of returns and allowances of \$22,683, \$18,424 and \$13,650, respectively	\$337,916	\$267,921	\$206,393
COST OF SALES (Including buying, distribution and occupancy costs)	216,668	174,379	140,359
Gross profit	121,248	93,542	66,034
OPERATING EXPENSES:			
Selling	59,557	49,040	38,361
General and administrative	9,820	8,772	7,157
	69,377	57,812	45,518
INCOME FROM OPERATIONS	51,871	35,730	20,516
OTHER INCOME, Net	2,281	1,687	1,151
INCOME BEFORE INCOME TAXES	54,152	37,417	21,667
PROVISION FOR INCOME TAXES (Note D)	20,123	14,086	8,043
NET INCOME	\$ 34,029	\$ 23,331	\$ 13,624
BASIC INCOME PER SHARE	\$ 1.55	\$ 1.10	\$ 0.65
DILUTED INCOME PER SHARE	\$ 1.47	\$ 1.05	\$ 0.63

See notes to financial statements.

## STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNEARNED COMPENSATION	TOTAL
	(DOLLAR AMOUNTS IN THOUSANDS)				
BALANCE, February 3, 1996	\$ 68	\$ 23,011	\$ 38,550	\$ --	\$ 61,629
Common stock (136,781 shares) issued on exercise of stock options	1	2,047	--	--	2,048
Tax benefit related to exercise of employee stock options	--	742	--	--	742
Net income	--	--	13,624	--	13,624
BALANCE, February 1, 1997	69	25,800	52,174	--	78,043
2-for-1 stock split	69	(69)	--	--	--
Common stock (425,924 shares) issued on exercise of stock options	4	3,386	--	--	3,390
Tax benefit related to exercise of employee stock options	--	3,117	--	--	3,117
Restricted stock issuance (50,000 shares)	1	1,549	--	(1,550)	--
Net income	--	--	23,331	--	23,331
BALANCE, January 31, 1998	143	33,783	75,505	(1,550)	107,881
3-for-2 stock split	74	(74)	--	--	--
Common stock (347,550 shares) issued on exercise of stock options	4	2,448	--	--	2,452
Amortization of restricted stock issuance	--	--	--	264	264
Cancellation of restricted stock	--	(231)	--	231	--
Common stock (120,600 shares) purchased and retired	(1)	(1,935)	--	--	(1,936)
Tax benefit related to exercise of employee stock options	--	3,440	--	--	3,440
Net income	--	--	34,029	--	34,029
BALANCE, January 30, 1999	\$ 220	\$ 37,431	\$ 109,534	\$ (1,055)	\$ 146,130

See notes to financial statements.

## STATEMENTS OF CASH FLOWS

	FISCAL YEARS ENDED		
	JANUARY 30,	JANUARY 31,	FEBRUARY 1,
	1999	1998	1997
	(DOLLAR AMOUNTS IN THOUSANDS)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 34,029	\$ 23,331	\$ 13,624
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	6,968	5,309	5,346
Amortization of unearned compensation - restricted stock	264	--	--
Deferred taxes	(842)	(225)	167
Loss on disposal of assets	253	191	--
Changes in operating assets and liabilities:			
Accounts receivable	(1,613)	(980)	(411)
Inventory	(7,072)	(11,233)	(4,049)
Prepaid expenses	3,092	3,113	(84)
Accounts payable	(431)	7,841	745
Accrued employee compensation	2,400	4,954	2,882
Accrued store operating expenses	910	729	481
Gift certificates redeemable	236	251	185
Income taxes payable	289	(691)	(351)
Net cash flows from operating activities	38,483	32,590	18,535
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	(17,052)	(12,087)	(4,489)
Proceeds from sale of property and equipment	--	133	45
Increase in other assets	(1,157)	(361)	(182)
Purchase of short-term investments	(22,910)	(11,428)	(6,786)
Proceeds from maturities of short-term investments	10,232	5,870	3,816
Net cash flows from investing activities	(30,887)	(17,873)	(7,596)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of common stock and exercise of stock options	2,452	3,390	2,048
Purchases of common stock	(1,936)	--	--
Net cash flows from financing activities	516	3,390	2,048
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,112	18,107	12,987
CASH AND CASH EQUIVALENTS, Beginning of year	53,593	35,486	22,499
CASH AND CASH EQUIVALENTS, End of year	\$ 61,705	\$ 53,593	\$ 35,486

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

**FISCAL YEARS ENDED JANUARY 30,1999, JANUARY 31,1998 AND FEBRUARY 1,1997**  
(DOLLAR AMOUNTS ARE IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**FISCAL YEAR** - The Buckle, Inc. (the Company) has its fiscal year end on the Saturday nearest January 31. All references in these financial statements to fiscal years are to the calendar year in which the fiscal year begins. Fiscal 1998, 1997 and 1996 represent the 52-week periods ended January 30, 1999, January 31, 1998 and February 1, 1997, respectively.

**NATURE OF OPERATIONS** - The Company is a retailer of medium to better priced casual apparel and footwear for fashion conscious young men and women operating 222 stores located in 29 states throughout the central, northwestern and southern regions of the United States, as of January 30, 1999.

During fiscal 1998, the Company opened twenty-four new stores, substantially renovated six stores, and closed one store. During fiscal 1997, the Company opened nineteen new stores, substantially renovated two stores and closed one store. During fiscal 1996, the Company opened seventeen new stores and substantially renovated four stores.

**REVENUE RECOGNITION** - The Company operates on a cash and carry basis, so revenue is recognized at the time of sale. Returns are recorded at the time merchandise is returned.

**INVENTORIES** - Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

**DEPRECIATION AND AMORTIZATION** - Property and equipment are stated on the basis of historical cost. Depreciation is provided using a combination of accelerated and straight-line methods based upon the estimated useful lives of the assets. The majority of the property and equipment have useful lives of five to ten years with the exception of a building, which has an estimated useful life of 31.5 years.

**CASH EQUIVALENTS** - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

**SHORT-TERM INVESTMENTS** - Short-term investments are carried at amortized cost. All of the Company's short-term investments have been classified as held-to-maturity securities. The investments are all municipal bonds, U.S. Treasury securities or repurchase agreements. The carrying amount of the investments approximates fair value at January 30, 1999.

**PRE-OPENING EXPENSES** - Costs related to opening new stores are expensed as incurred.

**ADVERTISING COSTS** - Advertising costs are expensed as incurred and amounted to \$3,513, \$3,218 and \$2,757 for fiscal years 1998, 1997 and 1996, respectively.

**STOCK-BASED COMPENSATION** - The Company accounts for its stock-based compensation under provisions of Accounting Principles Opinion 25, Accounting for Stock Issued to Employees (APB 25).

**FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATIONS** - Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily cash, short-term investments and accounts receivable. The Company places its investments primarily in tax-free municipal bonds or U.S. Treasury securities with short-term maturities, and limits the amount of credit exposure to any one entity. Concentrations of credit risk with respect to accounts receivable are limited due to the nature of the Company's receivables; mainly layaways, for which the Company retains possession of the merchandise until the customer's account is paid in full and employee receivables, which can be offset against future compensation. Because of their maturities, the Company's financial instruments have a fair value approximating their carrying value.

**EARNINGS PER SHARE** - Basic earnings per share data are based on the weighted average outstanding common shares during the period. Diluted earnings per share data are based on the weighted average outstanding common shares and the effect of all dilutive potential common shares, including stock options and warrants.

**STOCK-SPLIT** - On May 28, 1998, the Company obtained shareholder approval to increase the number of common shares from 20 million shares to 100 million shares and decrease the par value from \$.05 to \$.01 per share. All share and per share data have been restated to reflect this change in the form of a 5-for-1 stock split. This change was made to allow for the Company's 3-for-2 stock split made in the form of a stock dividend issued on June 8, 1998. The weighted average shares outstanding and per share data for all periods have also been restated to reflect this stock dividend.

**USE OF ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**ACCOUNTING PRONOUNCEMENTS** - In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which will be effective for fiscal years beginning after June 15, 1999. The Company will adopt this Statement effective January 30, 2000. At this time, the Company believes the impact of adopting this Statement should not be significant to the results of operations or financial position.

**RECLASSIFICATION** - Certain reclassifications have been made to 1997 balances to conform to the 1998 presentation.

## B. PROPERTY AND EQUIPMENT

A summary of the cost of property and equipment follows:

	JANUARY 30, 1999	JANUARY 31, 1998
Land	\$ 639	\$ 634
Building and improvements	6,370	1,210
Office equipment	2,252	1,869
Transportation equipment	4,118	4,118
Leasehold improvements	25,711	21,366
Furniture and fixtures	30,647	25,890
Shipping/receiving equipment	3,736	1,183
Screenprinting equipment	102	102
Construction-in-progress	466	2,728
	-----	-----
	\$74,041	\$59,100
	=====	=====

## C. FINANCING ARRANGEMENTS

The Company has available an unsecured line of credit of \$5 million and a \$5 million letter of credit facility. Borrowings under the line of credit and letter of credit provide for interest to be paid at a rate equal to the prime rate published in The Wall Street Journal on the date of the borrowings. There were no bank borrowings at January 30, 1999 and January 31, 1998 or at any time during fiscal 1998, 1997 and 1996. The Company had outstanding letters of credit totalling \$1,304 and \$626 at January 30, 1999 and January 31, 1998, respectively.

## D. INCOME TAXES

The provision for income taxes consists of:

	FISCAL YEAR		
	1998	1997	1996
Current:			
Federal	\$ 17,747	\$ 11,763	\$ 6,456
State	3,218	2,548	1,420
Deferred	(842)	(225)	167
Total	\$ 20,123	\$ 14,086	\$ 8,043

Total tax expense for the year varies from the amount which would be provided by applying the statutory income tax rate to earnings before income taxes. The major reasons for this difference (expressed as a percent of pre-tax income) are as follows:

	FISCAL YEAR		
	1998	1997	1996
Statutory rate	35.0%	35.0%	35.0%
Surtax exemption	--	--	(0.5)
State income tax effect	4.0	4.9	5.0
Tax exempt interest income	(1.6)	(2.0)	(1.9)
Expenses not deductible	0.1	0.1	0.1
Benefits of state tax credits	(0.3)	(0.4)	(0.6)
	37.2%	37.6%	37.1%

Deferred tax assets and liabilities are comprised of the following:

	JANUARY 30,	JANUARY 31,
	1999	1998
Deferred tax assets:		
Inventory	\$ 789	\$ 660
Option compensation	438	579
Restricted stock/unearned compensation	758	--
Accrued vacation	270	232
Allowance for doubtful accounts	97	172
Gift certificates	61	62
Other	43	43
	\$2,456	\$1,748
Deferred tax liabilities - depreciation	\$ 243	\$ 377

The net current deferred tax asset is classified in prepaid expenses and the net noncurrent deferred tax asset is classified in other assets.

Cash paid for income taxes was \$18,003, \$10,678 and \$6,433 in fiscal years 1998, 1997 and 1996, respectively.

## E. RELATED PARTY TRANSACTIONS

Included in other assets is a \$600 note receivable from a life insurance trust fund controlled by the Company's Chairman. The note is secured by a life insurance policy on the Chairman.

## F. LEASE COMMITMENTS

The Company conducts its operations in leased facilities under numerous noncancelable operating leases expiring at various dates through January 29, 2111. Most of the Company's stores have lease terms of approximately ten years and generally do not contain renewal options. Operating lease base rental expense for fiscal 1998, 1997 and 1996 was \$15,049, \$13,108 and \$11,493, respectively. Most of the rental payments are based on a minimum annual rental plus a percentage of sales in excess of a specified amount. Percentage rents for fiscal 1998, 1997 and 1996 were \$2,457, \$1,479 and \$847, respectively. Total future minimum rental commitments under these operating leases are as follows:

FISCAL YEAR	
1999	\$ 14,957
2000	17,578
2001	17,449
2002	17,389
2003	16,152
Thereafter	50,443
	-----
Total minimum payments required	\$133,968
	=====

## G. PROFIT SHARING PLAN

The Company has a 401(k) profit sharing plan covering all eligible employees who desire to participate. Contributions to the plan are based upon the amount of the employees' deferrals and the employer's matching formula. The Company's matching contribution relates to the employees' deferrals up to 6% of the employees' compensation. The Company has elected to make matching contributions equal to 100% of the employees' deferrals not exceeding 6%. The total expense under the profit sharing plan was \$1,001, \$792 and \$638 for fiscal years 1998, 1997 and 1996, respectively.

## H. STOCK-BASED COMPENSATION

The Company has several stock option plans that provide for granting of options to purchase common stock to designated employees, officers and directors. The options may be in the form of incentive stock options or nonqualified stock options, and are granted at fair market value on the date of grant. The options generally expire ten years from the date of grant. At January 30, 1999, 1,257,350 shares of common stock were available for grant under the various option plans of which 500,300 shares were not available to executive officers of the Company.

The Company granted 50,000 shares of restricted common stock with an aggregate market value of \$1,550 at fiscal 1997 year end. Unearned compensation equivalent to the market value of the shares at the date of grant was charged to stockholders' equity. Such unearned compensation is being amortized into compensation expense over a five year period, at which time the shares will fully vest.

The Company accounts for its stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB Opinion No. 25), which utilizes the intrinsic value method. Compensation cost related to stock-based compensation was \$2,022, \$-0- and \$1,400 for the fiscal years ended 1998, 1997 and 1996, respectively.

If compensation cost for the Company's stock-based compensation plan had been determined based on the fair value at the grant dates for awards under the plans consistent with the method of SFAS No. 123, Accounting for Stock-Based Compensation, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below:

		1998	1997	1996
Net income	As reported	\$ 34,029	\$ 23,331	\$ 13,624
	Pro forma	\$ 30,167	\$ 22,482	\$ 13,362
Basic income per share	As reported	\$ 1.55	\$ 1.10	\$ 0.65
	Pro forma	\$ 1.37	\$ 1.06	\$ 0.64
Diluted income per share	As reported	\$ 1.47	\$ 1.05	\$ 0.63
	Pro forma	\$ 1.30	\$ 1.01	\$ 0.62

The weighted average fair value of options granted during the year under the SFAS No. 123 methodology was \$15.75, \$4.10 and \$3.10 per option for 1998, 1997 and 1996, respectively. The fair value of options granted under the Plans was estimated at the date of grant using a binomial option pricing model with the following assumptions:

	1998	1997	1996
Risk-free interest rate	6.00 %	6.00 %	6.00 %
Dividend yield	0.00 %	0.00 %	0.00 %
Expected volatility	58.0 %	40.0 %	40.0 %
Expected life (years)	6.0 years	6.0 years	6.0 years

A summary of the Company's stock-based compensation activity related to stock options for the last three fiscal years is as follows:

	1998		1997		1996	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding - beginning of year	3,259,055	\$ 6.21	3,107,703	\$ 5.31	2,949,810	\$ 5.03
Granted	1,241,310	22.80	818,550	8.95	652,200	6.38
Expired/terminated	(154,495)	18.06	(28,312)	7.01	(83,967)	5.75
Exercised	(440,124)	5.52	(638,886)	5.32	(410,340)	5.01
Outstanding - end of year	3,905,746	\$11.09	3,259,055	\$ 6.21	3,107,703	\$ 5.31

There were 2,509,213; 2,404,767; and 1,468,679 options exercisable at January 30, 1999, January 31, 1998 and February 1, 1997, respectively. The following table summarizes information about stock options outstanding as of January 30, 1999:

OPTIONS OUTSTANDING					OPTIONS EXERCISABLE		
RANGE OF EXERCISE PRICES		NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE	
\$ 3.000	\$ 3.000	757,100	2.88 years	\$ 3.00	757,100	\$ 3.00	
\$ 4.167	\$ 4.750	262,798	5.99	4.59	262,798	4.59	
\$ 4.958	\$ 5.583	221,475	5.01	5.41	221,475	5.41	
\$ 6.000	\$ 6.667	425,273	6.67	6.32	399,467	6.31	
\$ 8.500	\$ 9.292	1,100,735	6.47	9.11	833,960	9.15	
\$ 11.500	\$ 12.250	1,725	8.45	11.96	1,125	11.95	
\$ 20.500	\$ 34.083	1,136,640	8.97	22.80	33,288	33.99	
		3,905,746	6.41	\$ 11.09	2,509,213	\$ 6.37	

## I. EARNINGS PER SHARE

The following table provides a reconciliation between basic and diluted earnings per share:

	1998			1997			1996		
	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT	INCOME	SHARES	PER SHARE AMOUNT
Basic EPS									
Net income	\$34,029	21,964	\$ 1.55	\$23,331	21,211	\$ 1.10	\$13,624	20,857	\$ 0.65
Effect of Dilutive Securities Stock Options		1,172			1,093			704	
Diluted EPS	\$34,029	23,136	\$ 1.47	\$23,331	22,304	\$ 1.05	\$13,624	21,561	\$ 0.63

## J. SEGMENT INFORMATION

The Company is a retailer of medium to better priced casual apparel and footwear. The Company operates 222 stores located in 29 states throughout the central, northwestern and southern regions of the United States at January 30, 1999. The Company operates their business as one reportable industry segment.

The following is information regarding the Company's major product lines and are stated as a percentage of the Company's net sales:

MERCHANDISE GROUP	PERCENTAGE OF NET SALES FISCAL YEAR		
	1998	1997	1996
Denims	27.3%	29.3%	31.6%
Slacks/Casual Bottoms	4.1	4.0	3.4
Tops (including sweaters)	34.0	35.0	34.6
Sportswear/Fashion Clothes (including dresses)	7.5	8.3	10.6
Outerwear	2.3	2.4	2.4
Accessories	5.8	4.4	4.7
Shoes	17.3	16.6	12.6
Little Guys/Gals	1.3	--	--
Other	0.4	--	0.1
	100.0%	100.0%	100.0%

## K. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial information for fiscal 1998 and 1997 are as follows:

FISCAL 1998	FIRST	SECOND	QUARTER THIRD	FOURTH	TOTAL
NET SALES	\$ 67,028	\$ 70,506	\$ 96,818	\$103,564	\$337,916
GROSS PROFIT	\$ 22,741	\$ 24,266	\$ 35,567	\$ 38,674	\$121,248
INCOME FROM OPERATIONS	\$ 7,564	\$ 9,313	\$ 16,454	\$ 18,540	\$ 51,871
NET INCOME	\$ 5,013	\$ 6,038	\$ 10,592	\$ 12,386	\$ 34,029
BASIC INCOME PER SHARE	\$ 0.23	\$ 0.27	\$ 0.48	\$ 0.56	\$ 1.55
DILUTED INCOME PER SHARE	\$ 0.21	\$ 0.26	\$ 0.46	\$ 0.53	\$ 1.47

  

Fiscal 1997	First	Second	QUARTER Third	Fourth	Total
Net sales	\$ 48,325	\$ 55,220	\$ 79,604	\$ 84,772	\$267,921
Gross profit	\$ 14,765	\$ 17,441	\$ 28,942	\$ 32,394	\$ 93,542
Income from operations	\$ 3,382	\$ 5,186	\$ 12,342	\$ 14,820	\$ 35,730
Net income	\$ 2,257	\$ 3,479	\$ 7,972	\$ 9,623	\$ 23,331
Basic Income per Share	\$ 0.11	\$ 0.17	\$ 0.38	\$ 0.45	\$ 1.10
Diluted Income per Share	\$ 0.10	\$ 0.16	\$ 0.36	\$ 0.43	\$ 1.05

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

**RESULTS OF OPERATIONS**

The following table sets forth certain financial data expressed as a percentage of net sales and the percentage change in the dollar amount of such items compared to the prior period.

	PERCENTAGE OF NET SALES			PERCENTAGE INCREASE (DECREASE)	
	JANUARY 30, 1999	January 31, 1998	February 1, 1997	Fiscal Year 1997 to 1998	1996 to 1997
<b>INCOME STATEMENT DATA</b>					
Net Sales	100.0%	100.0%	100.0%	26.1%	29.8%
Cost of sales (including buying, distribution and occupancy costs)	64.1%	65.1%	68.0%	24.3%	24.2%
Gross profit	35.9%	34.9%	32.0%	29.6%	41.7%
Selling expenses	17.6%	18.3%	18.6%	21.4%	27.9%
General and administrative expenses	2.9%	3.3%	3.5%	11.9%	22.6%
Income from operations	15.4%	13.3%	9.9%	45.2%	74.1%
Other income	.7%	.7%	.6%	35.2%	46.6%
Income before income taxes	16.1%	14.0%	10.5%	44.7%	72.7%
Income taxes	6.0%	5.3%	3.9%	42.9%	75.1%
Net income	10.1%	8.7%	6.6%	45.9%	71.3%

**FISCAL 1998 COMPARED TO FISCAL 1997**

Net sales increased from \$267.9 million in fiscal 1997 to \$337.9 million in fiscal 1998, a 26.1% increase. Comparable store sales increased by \$39.0 million, or 15.4% for fiscal 1998 compared to the same period in the prior year. The Company had 4.2% sales growth in fiscal 1998 that was attributable to the inclusion of a full year of operating results in fiscal 1998 for stores opened in fiscal 1997 and 6.5% from the opening of 24 new stores in fiscal 1998. The Company's average retail price of merchandise increased \$.70 per piece in fiscal 1998 compared to fiscal 1997, primarily due to higher price points in the denim jeans and knit shirt categories. Average sales per square foot increased 14.7% from \$300 to \$344.

Gross profit after buying, distribution and occupancy costs increased \$27.7 million in fiscal 1998 to \$121.2 million, a 29.6% increase. As a percentage of net sales, gross profit increased from 34.9% in fiscal 1997 to 35.9% in fiscal 1998. The increase was primarily attributable to a decrease in occupancy costs as a percentage of net sales due to leverage provided by the strong increase in comparable store sales. Merchandise shrinkage increased to .5% in fiscal 1998 compared to .4% in fiscal 1997.

Selling expenses increased from \$49.0 million for fiscal 1997 to \$59.6 million for fiscal 1998, a 21.4% increase. Selling expenses as a percent of net sales decreased to 17.6% for fiscal 1998 from 18.3% for fiscal 1997. The primary reason for the improvement in selling expenses as a percentage of net sales is leverage provided by strong sales to the areas of salaries and advertising expense.

General and administrative expenses increased from \$8.8 million in fiscal 1997 to \$9.8 million in fiscal 1998, an 11.9% increase. As a percentage of net sales, general and administrative expense decreased to 2.9% for fiscal 1998 from 3.3% for fiscal 1997. Decreases in general and administrative expenses, as a percentage of net sales, resulted primarily from leverage provided by strong comparable sales growth.

As a result of the above changes, the Company's income from operations increased \$16.1 million to \$51.9 million for fiscal 1998 compared to \$35.7 million for fiscal 1997, a 45.2% increase. Income from operations was 15.4% as a percentage of net sales in fiscal 1998 compared to 13.3% in fiscal 1997. Other income for fiscal 1998 increased 35.2% from fiscal 1997 to \$2.3 million. The increase was primarily attributable to an increase in interest income from higher levels of cash and short-term investments in fiscal 1998 compared to fiscal 1997.

Income tax expense as a percentage of pre-tax income was 37.2% in fiscal 1998 compared to 37.6% in fiscal 1997. The decrease in the income tax percentage rate was primarily due to a lower effective state income tax rate.

### **FISCAL 1997 COMPARED TO FISCAL 1996**

Net sales increased from \$206.4 million in fiscal 1996 to \$267.9 million in fiscal 1997, a 29.8% increase. Comparable store sales increased by \$36.1 million, or 18.6% for fiscal 1997 compared to the same period in the prior year. The Company had 5.0% sales growth in fiscal 1997 that was attributable to the inclusion of a full year of operating results in fiscal 1997 for stores opened in fiscal 1996 and 6.2% from the opening of 19 new stores in fiscal 1997. The Company's average retail price of merchandise increased \$3.40 per piece in fiscal 1997 compared to fiscal 1996, primarily due to higher price points in the guy's denim category and in guy's knit shirts and from the continued growth in the company's footwear business. Average sales per square foot increased 17.6% from \$255 to \$300.

Gross profit after buying, distribution and occupancy costs increased \$27.5 million in fiscal 1997 to \$93.5 million, a 41.7% increase. As a percentage of net sales, gross profit increased from 32.0% in fiscal 1996 to 34.9% in fiscal 1997. The increase was primarily attributable to a decrease in occupancy costs as a percentage of net sales due to leverage provided by the strong increase in comparable store sales and by improvement in the merchandise margins. Improvement in the merchandise margin resulted from fewer markdowns and from several opportunistic purchases during the year. Inventory shrinkage remained at .4% in fiscal 1997 and fiscal 1996.

Selling expenses increased from \$38.4 million for fiscal 1996 to \$49.0 million for fiscal 1997, a 27.9% increase. Selling expenses as a percent of net sales decreased to 18.3% for fiscal 1997 from 18.6% for fiscal 1996. The primary reason for the improvement in selling expenses as a percentage of net sales is leverage provided by strong sales to the areas of salaries and advertising expense.

General and administrative expenses increased from \$7.2 million in fiscal 1996 to \$8.8 million in fiscal 1997, a 22.6% increase. As a percentage of net sales, general and administrative expense decreased to 3.3% for fiscal 1997 from 3.5% for fiscal 1996. Decreases in general and administrative expenses, as a percentage of net sales, resulted primarily from leverage provided by strong sales.

As a result of the above changes, the Company's income from operations increased \$15.2 million to \$35.7 million for fiscal 1997 compared to \$20.5 million for fiscal 1996, a 74.1% increase. Income from operations was 13.3% as a percentage of net sales in fiscal 1997 compared to 9.9% in fiscal 1996.

Other income for fiscal 1997 increased 46.6% from fiscal 1996. The increase was primarily attributable to an increase in interest income from higher levels of cash and short term investments in fiscal 1997 compared to fiscal 1996. This increase was partially offset by a loss on the disposal of assets due to the upgrade of the corporate computer system.

Income tax expense as a percentage of pre-tax income was 37.6% in fiscal 1997 compared to 37.1% in fiscal 1996. The increase in the income tax percentage rate was primarily due to the phase out of the surtax exemption due to the increased level of taxable income.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's primary ongoing cash requirements are for inventory, payroll, new store expansion, and remodeling. Historically, the Company's primary source of working capital has been cash flow from operations. During fiscal 1998, 1997, and 1996 the Company's cash flow from operations was \$38.5 million, \$32.6 million, and \$18.5 million, respectively. The Company has available an unsecured line of credit of \$5.0 million and a \$5.0 million letter of credit facility, all with First National Bank and Trust Co. of Kearney, Nebraska. Borrowings under the lending arrangements provide for interest to be paid at a rate equal to the prime rate published in the Wall Street Journal on the date of the borrowings. As of January 30, 1999, the Company's working capital was \$104.0 million, including \$61.7 million of cash and cash equivalents.

The Company has, from time to time, borrowed against these lines of credit during periods of peak inventory build-up. There were no borrowings during fiscal 1998, 1997 or 1996. The Company had no bank borrowings as of January 30, 1999.

During fiscal 1998, 1997, and 1996, the Company invested \$10.4 million, \$5.3 million, and \$4.3 million, respectively, in new store construction, store renovation and upgrading store technology, net of any construction allowances received from landlords. The Company also spent \$6.7 million, \$3.7 million, and \$200,000, in fiscal 1998, 1997, and 1996, respectively, in capital expenditures for the corporate headquarters. The Company also spent \$3.1 million on the purchase of a new aircraft during fiscal 1997. During fiscal 1998, the Company completed its expansion to the corporate headquarters and distribution facility. The addition is approximately 124,000 square feet, added to the current 55,000 square foot building. The majority of the space is used for the distribution center, with approximately 7,800 square feet of new office space. The distribution system was completed in June 1998 and the new office space was completed in December 1998. The former distribution area was remodeled for use as store supply warehousing and offices, merchandising and advertising offices as well as new workroom, showroom and conference room space. The remodel of this phase was completed in March 1999. The next remodeling phase in progress as of March 1999 includes remodeling and reorganizing of the existing office space. The final phase of the remodel project is estimated to be complete during fiscal 1999. The total costs of the expansion plus all phases of the remodel project are estimated to be \$8.5 million.

During fiscal 1999, the Company anticipates completing approximately 31 store construction projects, including approximately 26 new stores and approximately 5 stores to be remodeled and/or relocated. As of March 1999, leases for 16 new stores have been signed, and leases for 10 additional locations are under negotiation; however, exact new store openings, remodels and relocations may vary from those anticipated. The average cost of opening a new store during fiscal 1998 was approximately \$550,000, including construction costs of approximately \$400,000 and inventory costs of approximately \$150,000. Management estimates that total capital expenditures during fiscal 1999 will be approximately \$22.5 million, before landlord allowances, estimated to be \$1.5 million. The Company believes that existing cash and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years.

## **SEASONALITY AND INFLATION**

The Company's business is seasonal, with the Christmas season (from approximately November 15 to December 30) and the back-to-school season (from approximately July 15 to September 1) historically contributing the greatest volume of net sales. For fiscal years 1998, 1997, and 1996, the Christmas and back-to-school seasons accounted for an average of approximately 40% of the Company's fiscal year net sales. Although the operations of the Company are influenced by general economic conditions, the Company does not believe that inflation has had a material effect on the results of operations during the past three fiscal years. Quarterly results may vary depending on the timing and amount of sales and costs associated with the opening of new stores and the remodeling of existing stores.

## **YEAR 2000 MATTERS**

**YEAR 2000 BACKGROUND** - The Company recognizes that the arrival of the year 2000 poses a unique worldwide technological challenge as all computer information systems will require the ability to recognize the date change from December 31, 1999 to January 1, 2000 and forward to properly process transactions. Computer programs and hardware as well as software products that are date sensitive may recognize a date using "00" as the Year 1900 rather than the Year 2000. This could result in system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or engage in normal business activities.

The Company's goal is to be Year 2000 compliant, meaning critical systems, devices, applications or business relationships have been evaluated and are expected to be suitable for continued use into and beyond the Year 2000, or contingency plans are in place.

The Company has assessed its business computer systems, such as general ledger, payroll, accounts payable and inventory control, including distribution center functions. The majority of these systems, which are internally developed computer programs, have been corrected. This does not include the stores' Point-of-Sale systems, which operate via third-party software systems. With the construction and remodel of our distribution center and corporate headquarters, the company has modified certain critical systems, including the conveyor system and security functions. The Company presently believes these critical systems will not pose significant operational problems for the Company in Year 2000.

During August, 1997, the Company entered into an agreement with a third-party provider to prepare the customized software necessary to bring the stores' Point-of-Sale system into Year 2000 compliance. This system is currently being rolled out to the retail outlets and is scheduled to be complete by July of 1999.

The Company presently believes that with modifications to its internally developed programs and with new third-party software, the Year 2000 issue will not pose significant operational problems for the Company. However, if such modification and replacements are not made, are not completed on time or fail to function properly, the Year 2000 issue could have a material impact on the company.

**YEAR 2000 COSTS** - Total costs of this project to date have been approximately \$2.6 million and were incurred and expensed or capitalized in the normal course of operations of the Company. The total remaining cost of the Year 2000 project is estimated at less than \$4 million. The majority of such cost is for the purchase of new software and hardware for replacement of all stores' Point-of-Sale systems and will be capitalized and paid for with cash flow from operations. The hardware and software replacement would have been done regardless of the Year 2000 issue to improve the technology in the retail stores. The costs of the project and the date on which the Company plans to complete the Year 2000 modifications are based upon the management's best estimates, using currently available information and making assumptions regarding future events including the continued availability of certain resources, third-party readiness and other factors.

**RISK ASSESSMENT** - At this time, the Company believes its most reasonably likely worst case scenarios are: (1) the stores are unable to authorize bankcard sales electronically at the Point-of-Sale terminals nor verify checks tendered; and (2) that principal suppliers are not Year 2000 ready and cannot timely deliver their products. Although the Company does not believe that this scenario will occur, it has assessed the effect of such an event and does not expect that it would have a material adverse effect on the Company's financial condition and results of operations.

The Company currently operates over 230 retail stores in 31 states, has many suppliers, and believes that this will help mitigate any adverse impact. The company assessed this risk and believes that its contingency plans would mitigate the long-term effect of this scenario. In the event that a temporary disruption does occur, the Company does not expect that it would have a material adverse effect on its financial condition and results of operations.

**CONTINGENCY PLANS** - Contingency plans will be prepared so that the Company's critical business processes can be expected to continue to function on January 1, 2000 and beyond. The Company's contingency plans will be structured to address both remediation of systems and their components and overall business operating risk. These plans are intended to mitigate both internal risks and potential risks in the supply chain of the Company's suppliers. The Company believes that the contingency planning process is an ongoing process which will require flexibility as the Company obtains additional information regarding the status of third-party Year 2000 readiness.

## **FORWARD LOOKING STATEMENTS**

Information in this report, other than historical information, may be considered to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Act"). Such statements are made in good faith by the Company pursuant to the safe-harbor provisions of the 1995 Act. In connection with these safe-harbor provisions, this management's discussion and analysis contains certain forward-looking statements, which reflect management's current views and estimates of future economic conditions, company performance and financial results. The statements are based on many assumptions and factors that could cause future results to differ materially. Such factors include, but are not limited to, changes in product mix, changes in fashion trends, competitive factors and general economic conditions, economic conditions in the retail apparel industry, any impact from Year 2000 matters as well as other risks and uncertainties inherent in the Company's business and the retail industry in general. Any changes in these factors could result in significantly different results for the Company. The Company further cautions that the forward-looking information contained herein is not exhaustive or exclusive. The Company does not undertake to update any forward-looking statements, which may be made from time to time by or on behalf of the Company.

## STOCK PRICES BY QUARTER

The Company's common stock trades on the New York Stock Exchange under the symbol BKE. The Company did not pay any cash dividends in fiscal 1998, 1997 or 1996, and has no current plans for cash dividend payments.

The number of record holders of the Company's common stock as of March 31, 1999 was 421. Based upon information from the principal market makers, the Company believes there are more than 4,200 beneficial owners. The last reported sales price of the Company's common stock on March 31, 1999 was \$22.50.

Following is the Company's quarterly market range for fiscal years 1998, 1997 and 1996

	1998		1997		1996	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
Quarter						
First	36.25	23.25	11.00	8.00	10.00	6.25
Second	39.13	23.06	16.33	10.50	13.83	7.75
Third	28.19	12.25	20.67	14.17	12.67	8.33
Fourth	30.50	18.00	25.25	17.83	10.83	7.33

All stock prices reflect the Company's 2:1 stock split issued on April 24, 1997 and the 3:2 stock split issued on June 8, 1998.

### NOTES:

## **CORPORATE INFORMATION**

Date Founded  
1948

Number of Employees  
4,800

Stock Transfer Agent & Registrar  
UMB Bank, n.a.  
P.O. Box 419226  
Kansas City, Missouri 64141-6226  
(816) 860-7000

Stock Exchange Listing  
New York Stock Exchange  
Trading Symbol: BKE

Independent Public Accountants  
Deloitte & Touche, LLP  
Omaha, Nebraska

General Corporate Counsel  
Kyle L. Hanson  
The Buckle Inc.  
Kearney, Nebraska

Annual Meeting  
The Annual Meeting of Shareholders is scheduled for 10:00 a.m. Friday June 4, 1999, at the Ockinga Center, University of Nebraska at Kearney  
Kearney, Nebraska

Form 10-K  
A copy of the 10-K is available to shareholders without charge upon written request to:  
Karen B. Rhoads, Vice President of Finance The Buckle, Inc.  
P.O. Box 1480  
Kearney, Nebraska 68848-1480

Trademarks  
The Buckle is a trademark of The Buckle, Inc., which is registered in the United States.

## **BOARD OF DIRECTORS**

Daniel J. Hirschfeld  
Chairman of the Board

Dennis H. Nelson  
President & Chief Executive Officer

Karen B. Rhoads  
Vice President of Finance, Treasurer  
& Chief Financial Officer

Ralph M. Tysdal  
Owner of McDonald's restaurant franchises

Bill L. Fairfield  
President & CEO, Inacom Corp.

### **William D. Orr**

Robert E. Campbell  
President, Miller & Paine

(Real Estate Management)

**EXECUTIVE OFFICERS**

Dennis H. Nelson  
President & Chief Executive Officer

Karen B. Rhoads  
Vice President of Finance, Treasurer  
& Chief Financial Officer

James E. Shada  
Vice President of Sales

Gary L. Lalone  
Vice President of Sales

Scott M. Porter  
Vice President of Men`s Merchandising  
& Secretary

Brett P. Milkie

Vice President of Leasing

**EXHIBIT 23**

**INDEPENDENT AUDITORS' CONSENT**

We consent to the incorporation by reference in Registration Statement Nos. 33-48402, 33-70633, 33-70641 and 33-70643 on Form S-8 of our reports dated February 26, 1999, appearing in and incorporated by reference in the Annual Report on Form 10-K of The Buckle, Inc. for the year ended January 30, 1999.

**DELOITTE & TOUCHE LLP**

Omaha Nebraska

April 15, 1999

## ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	JAN 30 1999
PERIOD START	FEB 01 1998
PERIOD END	JAN 30 1999
CASH	61,705
SECURITIES	26,691
RECEIVABLES	4,280
ALLOWANCES	300
INVENTORY	49,411
CURRENT ASSETS	144,018
PP&E	74,041
DEPRECIATION	34,798
TOTAL ASSETS	186,113
CURRENT LIABILITIES	39,983
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	220
OTHER SE	145,910
TOTAL LIABILITY AND EQUITY	186,113
SALES	337,916
TOTAL REVENUES	337,916
CGS	216,668
TOTAL COSTS	69,377
OTHER EXPENSES	(2,281)
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	54,152
INCOME TAX	20,123
INCOME CONTINUING	34,029
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	34,029
EPS PRIMARY	1.55
EPS DILUTED	1.47

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