

BUCKLE INC  
Form 10-K/A  
July 11, 2006

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

**FORM 10-K/A**

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

For the Fiscal Year Ended **January 28, 2006**

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-12951

**THE BUCKLE, INC.**

(Exact name of Registrant as specified in its charter)

**Nebraska**

**47-0366193**

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

**2407 West 24th Street, Kearney, Nebraska**  
(Address of principal executive offices)

**68845-4915**  
(Zip Code)

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

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

**Name of Each Exchange on Which**

**Title of class**

**Registered**

Common Stock, \$.01 par value

New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. (See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act). Check one.

Large accelerated filer;  Accelerated filer;  Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

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 \$366,540,262.44 on July 30, 2005. 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 8,480,802 shares.

The number of shares outstanding of the Registrant's Common Stock, as of March 30, 2006, was 19,368,405.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement dated April 27, 2006 for Registrant's 2006 Annual Meeting of Shareholders to be held June 2, 2006 are incorporated by reference in Part III.

**Explanatory Note**

This Amendment No. 1 to The Buckle, Inc.'s (the "Company") Annual Report on Form 10-K/A ("Form 10-K/A") is being filed in order to correct the previously issued historical financial statements as of January 28, 2006 and January 29, 2005 and for the fiscal years ended January 28, 2006, January 29, 2005 and January 31, 2004, originally filed with the Securities and Exchange Commission (the "SEC") on April 13, 2006 (the "Original Filing"). The corrections are to report the proper presentation of investments held in auction-rate securities and the classification of certain other investment securities on the balance sheet and in the statement of cash flows. The corrections had no impact on previously issued statements of income or statements of stockholders equity. See Note M: "Restatement of Previously Issued Financial Statements" under Notes to Financial Statements included in Item 8, "Financial Statements and Supplementary Data" of this Form 10-K/A for additional discussion and a summary of the effect of these changes on the Company's financial statements as of January 28, 2006 and January 29, 2005 and for the fiscal years ended January 28, 2006, January 29, 2005 and January 31, 2004.

This Form 10-K/A amends and restates only Items 6, 7, 8 and 9A of Part II and Item 15 of Part IV of the Original Filing to reflect the effects of this restatement of our financial statements for the periods presented or as deemed necessary in connection with the completion of restated financial statements. The remaining Items contained within this Amendment No. 1 on Form 10-K/A consist of all other Items originally contained on Form 10-K for the fiscal year ended January 28, 2006. These remaining Items are not amended hereby, but are included for the convenience of the reader. Except for the forgoing amended information, this Form 10-K/A continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date.

**The Buckle, Inc.**  
**Form 10-K/A**  
**January 28, 2006**

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## PART I

### ITEM 1 - BUSINESS

The Buckle, Inc. (the "Company") is a retailer of medium to better-priced casual apparel, footwear and accessories for fashion conscious young men and women. As of January 28, 2006, the Company operated 338 retail stores in 38 states throughout the central, northwest, southeast and southwest United States under the names "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 customer services such as free alterations, free gift-wrapping, easy layaways, The Buckle private label credit card 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 164 stores at the start of 1996 to 338 stores by the close of fiscal 2005. The Company changed its corporate name to The Buckle, Inc. on April 23, 1991. All references herein to fiscal 2005 refer to the 52-week period ended January 28, 2006. Fiscal 2004 refers to the 52-week period ended January 29, 2005 and fiscal 2003 refers to the 52-week period ended January 31, 2004.

The Company's principal executive offices and distribution center are located at 2407 West 24th Street, Kearney, Nebraska 68845. The Company's telephone number is (308) 236-8491. The Company publishes its corporate web site at [www.buckle.com](http://www.buckle.com).

#### Available Information

The Company's annual reports on Form 10-K, along with all other reports and amendments filed with or furnished to the Securities and Exchange Commission, are publicly available free of charge on the Investor Information section of the Company's website at [www.buckle.com](http://www.buckle.com) as soon as reasonably practicable after the Company files such materials with, or furnishes them to, the Securities and Exchange Commission. The Company's corporate governance policies, ethics code and Board of Directors' committee charters are also posted within this section of the website. The information on the Company's website is not part of this or any other report The Buckle, Inc. files with, or furnishes to, the Securities and Exchange Commission.

#### Marketing and Merchandising

The Company's marketing and merchandising strategy is designed to create customer loyalty by offering a selection of key brand name and private label merchandise and providing a broad range of value-added services. The Company believes it 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, sportswear, outerwear, accessories and footwear. Denim is a significant contributor to total sales (42.7% of fiscal 2005 net sales) and is a key to the Company's merchandising strategy. The Company believes it attracts customers with a selection of key brands plus private label denim and a wide variety of fits, finishes and styles. Shirts and tops are also significant contributors to total sales (29.8% of fiscal 2005 net sales). The Company strives to provide a continually changing selection of the latest casual fashions.



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.

	Percentage of Net Sales		
	Fiscal 2005	Fiscal 2004	Fiscal 2003
Denims	42.7%	40.3%	36.2%
Tops (including sweaters)	29.8	31.8	32.1
Accessories	10.2	11.4	11.4
Footwear	8.1	7.6	8.9
Outerwear	3.5	2.5	2.9
Sportswear/fashions	3.1	4.2	4.5
Casual bottoms	2.5	2.1	3.8
Other	0.1	0.1	0.2
	100.0%	100.0%	100.0%

Brand name merchandise accounted for approximately 67% of the Company's sales during fiscal 2005. The remaining 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 they believe is unique in color and style. While the brands offered by the Company change to meet current customer preferences, the Company currently offers brands such as Lucky Brand Dungarees, Silver, Fossil, Billabong, Ecko, Quiksilver/Roxy, Hurley and LeTigre. The Company believes brand name merchandise will continue to constitute the majority of sales.

Management believes the Company provides a unique store environment by maintaining a high level of personalized service and by offering a wide selection of fashionable, quality merchandise. The Company believes that it is essential to create an enjoyable shopping atmosphere and, in order to fulfill this mission, we must employ highly motivated employees who give personal attention to customers. Each salesperson is educated to help create a complete look for the customer by helping them find the best fits and showing merchandise as coordinating outfits. The Company also incorporates specialized services such as free alterations, free gift wrapping, layaways, a frequent shopper card, the Buckle private label credit card and a special order system which allows stores to obtain specifically requested merchandise from other Company stores. 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 four percent 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. This allows individual store inventories to 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. The Company also has a transfer program that shifts certain merchandise to locations where it is selling best. 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 the reduced markdowns justify the incremental distribution costs associated with the transfer system. The Company does not hold storewide off-price sales at anytime.

The Company continually evaluates the store design as part of the overall shopping experience and feels the fiscal 2002 re-design continues to be very well received by guests and developers. This store design contains rich woods, real brick finishes and an interesting ceiling and lighting layout to provide a comfortable environment for the guest. The Company has developed modifications to the store design for specialized venues including lifestyle centers and larger mall fronts. The signature B icon and red color are used throughout the store on fixtures, graphic images and



print materials to reinforce the brand identity. To enhance selling and product presentation, new fixtures were introduced in fiscal 2005 and modifications were made to certain other floor fixtures. The new fixtures and tables were also rolled out to select existing stores to update their looks as well.

## **Marketing and Advertising**

In fiscal 2005, the Company spent \$6.1 million or 1.2% of net sales on seasonal marketing campaigns, advertising, promotions, online marketing and in-store point of sale materials. Seasonal image and promotional signs are presented in store window displays and on merchandising presentations throughout the store to complement the product and reinforce the brand's image. Promotions such as sweepstakes, gift with purchase offers and special events are offered to enhance the guest shopping experience. Seasonal brochures featuring current fashion trends and product selection are distributed through the stores, at special events and in new markets. Magazine advertising in leading teen publications is used during key seasons to introduce new merchandise, build awareness and brand the Buckle's image. Editorial product placement in national and regional magazines creates exposure for seasonal merchandise and the Buckle's private label brands. The Buckle partners with key merchandise vendors on joint advertising and promotional opportunities that expand the marketing reach and position the Buckle as the destination store for these specialty branded fashions.

The Company offers programs to strengthen relationships with loyal guests. The Company continues to support a frequent shopper program (the Buckle Primo Card), a rewards program designed to build customer loyalty. Private label credit card marketing is another avenue for marketing to loyal guests. The Company extends exclusive benefits to active Buckle Cardholders such as bonus rewards and special targeted mailings. The Buckle continues to build on its B-Rewards incentive program, which is offered exclusively to Buckle Cardholders. Qualifying Cardholders are mailed B-Rewards merchandise certificates at the end of each Rewards period inviting them back into the store at the start of the next season. In 2005, the Buckle tested a student credit card program in 50 store locations. The results of this test were under review at the end of fiscal 2005. The Buckle Card marketing program is partially funded by WFNNB, a third-party bank that owns the Buckle Card accounts.

The Company publishes a corporate web site at [www.buckle.com](http://www.buckle.com). The Company's web site serves as a second retail touch-point for cross-channel marketing, reaching a growing online audience. Buckle.com is an eCommerce enabled channel with an interactive, entertaining, informative and brand building environment where guests can shop, enter sweepstakes, fill out a wish list, find out about career opportunities and read the latest Buckle financial news. The Company has an opt-in online database. National email campaigns are sent bi-monthly and weekly store targeted messages are sent notifying members of the latest store promotions and product offerings. Search engine and affiliate marketing programs are managed to increase online and in-store traffic as well as conversion rates. The Buckle Online Store was launched April 26, 1999 as a marketing tool, to extend the Company's brand beyond the physical locations. Offering a growing selection of the merchandise inventory online, the Company presents the online store as a "taste test" in new markets as well as a cross-channel tool in existing markets, which means guests can shop both in the physical stores and via the online store.

## **Store Operations**

The Company has an Executive Vice President of Sales, a Vice President of Sales, 17 district managers and 63 area managers. Seven of the district managers and all of the 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. Along with sharing career opportunities with Buckle employees, the Company recruits interns and management trainees from college campuses. A majority of the Company's store managers, all of its Area and District managers and most of its upper level management are former salespeople, including the President and CEO, Dennis H. Nelson and Chairman, Daniel J. Hirschfeld. Recognizing talent and promoting managers from within allows the Company to build a strong foundation for management.

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 performance of stores in their district/area. Store managers perform sales training of new employees at the store level. Salespeople displaying particular talent are generally assigned to stores operated by district managers for training as a store manager.

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 approximately 99% of the Company's stores as well as surveillance camera systems in approximately 81% of the stores. As a result, the Company achieved a merchandise shrinkage rate of 0.6% of net sales for fiscal 2005, 0.7% of net sales for fiscal 2004 and 0.6% for fiscal year 2003.

The average store is approximately 4,900 square feet (of which the Company estimates an average of approximately 80% is selling space), and stores range in size from 2,600 square feet to 8,475 square feet.

### **Purchasing and Distribution**

The Company has an experienced buying team. The buying team includes the President, the Vice President of Women's Merchandising, four women's buyers, two men's merchandisers and three buyers. The top four members of this buying team combined, have over 90 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 as well as from foreign manufacturers. The Company's merchandising team shops and monitors U.S. fashion centers (in New York and on the West Coast) to stay abreast of the latest trends. 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, private label manufacturer or supplier. The Company plans its private label production with several private label vendors six to twelve months in advance of product delivery.

In fiscal 2005, Lucky Brand Dungarees and Koos Manufacturing (one of the Company's private label producers) made up 20.8% and 20.2% of the Company's net sales, respectively. No other vendor accounted for more than 10% of the Company's sales. Other current significant vendors include Silver, Fossil, Ecko, LeTigre, Billabong, Quiksilver/Roxy and Hurley. 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, Nebraska. Merchandise is received daily in Kearney where it is sorted, tagged with bar-coded tickets (unless the vendor UPC code can be used or the merchandise is pre-ticketed), 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 to two business days of receipt. This system allows stores to receive new merchandise almost every day, creating excitement within each store and providing customers with a good reason to shop often.

The Company completed an 82,200 square foot expansion to its corporate headquarters facility during fiscal 2005. This expansion allows additional space for our supplies and returns-to-vendor departments, as well as housing the Company's online fulfillment and customer service center. The online fulfillment center occupies approximately 100,000 square feet of space on three levels. The spaces vacated by supplies and returns will be renovated in fiscal 2006 to add new office space. The distribution center should allow for handling of 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 provide timely restocking of in-season merchandise, the Company warehouses a portion of initial shipments for later distribution. 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 an over-crowded look in the stores at the beginning of a season.

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### Store Locations and Expansion Strategies

As of April 11, 2006, the Company operated 341 stores in 38 states, including 4 stores opened and 1 closed during fiscal 2006. The existing stores are in 4 downtown locations, 11 strip centers, 16 lifestyle centers and 310 shopping malls. The Company anticipates opening approximately 17 new stores in fiscal 2006. For fiscal 2006, nine of the new stores are expected to be located in higher traffic shopping malls and eight of the new stores are expected to be located in lifestyle centers. The following table lists the location of existing stores as of April 11, 2006.

State	Number of Stores	Location of Stores		State	Number of Stores
		State	Number of Stores		
Alabama	5	Louisiana	8	Oregon	2
Arizona	8	Michigan	17	Pennsylvania	5
Arkansas	5	Minnesota	12	South Carolina	1
California	12	Mississippi	5	South Dakota	3
Colorado	12	Missouri	14	Tennessee	10