

BUCKLE INC  
Form DEF 14A  
May 01, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE  
COMMISSION**  
Washington, D.C. 20549  
**SCHEDULE 14A**

OMB APPROVAL  
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**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No.     )**

Filed by the Registrant   **x**  
Filed by a Party other than the Registrant   **o**

Check the appropriate box:

- o** Preliminary Proxy Statement
- o** **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x** Definitive Proxy Statement
- o** Definitive Additional Materials
- o** Soliciting Material Pursuant to Rule §240.14a-12

**THE BUCKLE, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x** No fee required.
- o** Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

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2. Aggregate number of securities to which transaction applies:

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3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4. Proposed maximum aggregate value of transaction:

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SEC 1913 (04-05)

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1. Amount Previously Paid:

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2. Form, Schedule or Registration Statement No.:

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3. Filing Party:

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4. Date Filed:

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THE BUCKLE, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD JUNE 2, 2006

To Our Stockholders:

The Annual Meeting of Stockholders of The Buckle, Inc. will be held at the Holiday Inn, Kearney, Nebraska, on Friday, June 2, 2006 at 10:00 A.M., for the following purposes:

1. To elect a Board of Directors. The Board of Directors intends to nominate the following persons, each of whom currently serves as a Board member: Daniel J. Hirschfeld, Dennis H. Nelson, Karen B. Rhoads, James E. Shada, Robert E. Campbell, Ralph M. Tysdal, Bill L. Fairfield, Bruce L. Hoberman and David A. Roehr; and as a new Board member: John P. Peetz, III.

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2. To ratify the appointment of Deloitte & Touche LLP as the Company's independent accountants for the fiscal year ending February 3, 2007.
  3. To approve the Company's 2006 Management Incentive Plan.
  4. To approve an Amendment to the Company's 2005 Restricted Stock Plan.
  5. To approve Performance Based Awards granted pursuant to the Company's 2005 Restricted Stock Plan.
  6. To approve the amendment of the Company's 1993 Director Stock Option Plan.
  7. To ratify the grant of non-qualified stock options to the Company's non-employee Directors.
  8. To transact such other business as may properly come before the meeting and any adjournments or postponements thereof.
- Only stockholders of record at the close of business on March 30, 2006 are entitled to notice of and to vote at the Annual Meeting and at any and all adjournments or postponements thereof.

A copy of the Company's annual report is being mailed with this proxy statement to stockholders entitled to notice of this meeting.

By Order of the Board of Directors,

Kyle L. Hanson, Secretary

April 25, 2006

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE DATE, SIGN AND RETURN THE  
ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN THE ENCLOSED ENVELOPE.

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THE BUCKLE, INC.  
2407 West 24th Street  
Kearney, NE 68845

### PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD JUNE 2, 2006

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of The Buckle, Inc. ( the Company ) for use at the Annual Meeting of Stockholders of the Company to be held June 2, 2006, or at any adjournments of said meeting (the Meeting ). The enclosed form of proxy, if executed, may nevertheless be revoked at any time insofar as it has not been exercised. When such proxy is properly executed and returned, the shares it represents will be voted at the meeting in accordance with any directions noted thereon; or if no direction is indicated, it will be voted in favor of the proposals set forth in the notice attached hereto.

The Company will bear the cost of solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation materials to beneficial owners of stock. In addition to the use of mail, proxies may be solicited by personal interview, by telegram or by telephone. Copies of the Proxy Statement and proxy form will be first provided to stockholders on May 2, 2006.

#### VOTING INFORMATION

As of March 30, 2006, the Company has outstanding 19,368,405 shares of Common Stock. Each share of Common Stock is entitled to one vote. Only stockholders of record on March 30, 2006 will be entitled to vote at the Annual Meeting of Stockholders. A holder of Common Stock is entitled to cumulate his or her votes in the election of Directors and may give one or more candidates as many votes as the number of Directors to be elected multiplied by the total number of shares owned by such Stockholder. Under Nebraska law there are no conditions precedent to the exercise of cumulative voting rights. On all other matters which may come before the Meeting, each holder of Common Stock will be entitled to one vote for each share owned.

Votes cast by proxy or in person at the Annual Meeting will be tabulated by the election inspector appointed for the meeting and will determine whether or not a quorum is present. The election inspector will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of determining the approval of any matter submitted to the stockholders for a vote. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

#### BENEFICIAL OWNERSHIP OF COMMON STOCK

##### Principal Stockholders

As of March 30, 2006, the Common Stock was held of record by 351 stockholders. The following table sets forth certain information concerning the beneficial ownership of Common Stock by each stockholder who is known by the Company to own beneficially in excess of 5% of the outstanding Common Stock, by each Director, and by all executive officers and Directors as a group, as of March 30, 2006. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares of Common Stock assuming the exercise of all outstanding Options, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares of Common Stock.

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Name of Beneficial Owner	Shares of Common Stock			
	Sole Voting and Investment Power	Shared Voting and Investment Power (1)	Right to Acquire (2)	Percent
Daniel J. Hirschfeld	9,400,000	0	0	48.58%
Dennis H. Nelson	1,036,258	32,571	750,900	8.49%
James E. Shada	57,118	1,050	300,260	1.67
Karen B. Rhoads	111,230	678	159,360	1.27
Bill L. Fairfield	1,560	0	13,500	*
Robert E. Campbell	4,000	0	17,850	*
William D. Orr	4,500	0	5,250	*
Ralph M. Tysdal	6,500	0	17,550	*
Bruce L. Hoberman	1,000	0	3,750	*
David A. Roehr	0	0	3,000	*
All executive officers and Directors as a group (14)	10,712,796	35,862	1,742,050	58.27%

\* Less than 1%

- (1) These amounts include shares owned within participants 401(k) accounts for which the voting power is held by Wells Fargo Bank, N.A. Share amounts include Dennis H. Nelson with 1,471 and all executive officers as a group with 2,249.
- (2) These amounts represent shares as to which the named individual has the right to acquire through exercise of options which are exercisable within the next 60 days.

### Proposal 1

#### ELECTION OF DIRECTORS

Directors will be elected at the June 2, 2006 Annual Meeting to serve until the next Annual Meeting and until their successors are elected and qualified. The By-laws of the Company provide that ten Directors are to be elected.

The Board of Directors recommends the election of the ten nominees listed below. In the absence of instructions to the contrary, shares represented by the Proxy will be voted for the election of all such nominees to the Board of Directors. The Board of Directors has no reason to believe that any of these nominees will be unable to serve. However, if any nominee should for any reason be unavailable to serve, the proxies will be voted for the election of such other person to the office of Director as the Board of Directors may recommend in place of such nominee. Set forth below is certain information concerning the nominees which is based on data furnished by them.

**Daniel J. Hirschfeld, age 64.** 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 56.** Mr. Nelson is the President and Chief Executive Officer and a Director of the Company. He has served as President and Director since April 19, 1991. Mr. Nelson was elected as Chief Executive Officer by the Board of Directors 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 47.** Ms. Rhoads is the Vice-President Finance, Treasurer, Chief Financial Officer and a Director of the Company. 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.

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**James E. Shada, age 50.** Mr. Shada is the Executive Vice-President - Sales and a Director of the Company. Mr. Shada was elected Vice-President of Sales on April 19, 1991 and Executive Vice-President of Sales on May 31, 2001. He was elected as a Director on March 11, 2002. Mr. Shada began his career with the Company in November of 1978 as a part-time salesman while attending Kearney State College (now the University of Nebraska - Kearney). He later served as store manager for the Company before returning to the corporate office in 1985 as 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 area and district managers.

**Robert E. Campbell, age 63.** Mr. Campbell has been a Director of the Company since July 1, 1991. Since 1985, Mr. Campbell served as Chairman and Chief Executive Officer, and currently President and Operating Manager, of Miller & Paine LLC, a company which owns and manages office and retail properties in Lincoln, Nebraska. Before 1988, Miller & Paine owned and operated department stores in Lincoln and Grand Island, Nebraska, which were sold to Dillard's Department Stores, Inc. Since September 1997, Mr. Campbell has also served as Development Officer for the Madonna Foundation, which supports the Madonna Rehabilitation Hospital in Lincoln, Nebraska.

**Ralph M. Tysdal, age 68.** Mr. Tysdal has served as a Director of the Company since July 1, 1991. Mr. Tysdal retired in 2002. He previously owned and operated McDonald's restaurants in Broken Bow, North Platte and Ogallala, Nebraska. He began his McDonald's ownership in 1978.

**Bill L. Fairfield, age 59.** Mr. Fairfield has served as a Director of the Company since May 30, 1996. Mr. Fairfield is currently the Chairman of DreamField Capital Ventures, LLC, a company focused on economic development of the Mid-Plains region through management services and venture capital assistance. Mr. Fairfield currently serves on the Board of Directors of MSI, Inc. and on the Board of Directors of InfoUSA, and is Chairman of their Compensation Committee. In 2003 and 2004 Mr. Fairfield was the Executive Vice President of Sitel Corporation, and from 1991 until October 2000, Mr. Fairfield was President and Chief Executive Officer of Inacom Corp., a technology management services company. Prior to 1991 Mr. Fairfield was Chief Executive Officer of Valcom, the predecessor company to Inacom Corp.

**Bruce L. Hoberman, age 59.** Mr. Hoberman has served as a Director of the Company since June 2, 2000. He is currently the CEO of Proxibid, Inc., an internet auction service provider and a member of the MSI, Inc. Board of Directors. Mr. Hoberman was the Founder and President of Homer's, Inc., a retail chain and distribution company, based in Omaha, Nebraska, from 1971-1993.

**David A. Roehr, age 49.** Mr. Roehr has served as a Director of the Company since September 18, 2000. Mr. Roehr retired in January, 2006 from Cabela's where he served as Executive Vice President of Cabela's, Inc., since July 2003. Prior to that, he had served as President and Chief Financial Officer of Cabela's, Inc., the world's foremost outfitter of hunting, fishing, camping and outdoor gear, headquartered in Sidney, Nebraska. Mr. Roehr also served as Chairman, President and Chief Executive Officer of World's Foremost Bank, a bank subsidiary of Cabela's, headquartered in Lincoln, Nebraska. He had been employed by Cabela's since 1994. Prior to Mr. Roehr's association with Cabela's, he served as a tax partner at Grant Thornton, LLP in Lincoln, Nebraska where he practiced public accounting from 1981-1994.

**John P. (Jack) Peetz, age 56.** Mr. Peetz is a new nominee for the Buckle, Inc.'s Board of Directors. Mr. Peetz is nominated to replace William D. Orr, who retired from the Board. Subject to stockholder approval, Jack's term will be effective on June 2, 2006. Mr. Peetz is currently the Executive Vice President and Chief Operating Officer for Crete Carrier Corporation, one of the largest privately held trucking companies in the United States, located in Lincoln, Nebraska. He has held this position since 1991 and held various other positions with that organization prior to that date. Prior to joining the Crete organization, Mr. Peetz practiced law in Sidney, Nebraska with the firm of Peetz, Peetz & Sonntag.

Approval of this Proposal requires a favorable vote of the holders of a majority of the votes cast by all holders of the outstanding shares of Common Stock voting together as a single class at the meeting. Therefore, an abstention will not have the effect of a vote for or against the Proposal and will not be counted in determining the number of votes required for approval, but will be counted in determining the presence of a quorum.

### Board Committee Charters

The Charter for the Company's Audit Committee is available free of charge as set forth in the Report of the Audit Committee appearing later in this Proxy Statement. The Charter for the Company's Nominating Committee is available on the Company's website at [www.buckle.com](http://www.buckle.com). The Charter for the Compensation Committee is attached to this Proxy Statement as Exhibit C and is posted on the Company's website at [www.buckle.com](http://www.buckle.com).

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### Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities. The Corporate Governance Guidelines are available free of charge on the Company's website at [www.buckle.com](http://www.buckle.com) or upon written request to the Corporate Secretary, The Buckle, Inc., P.O. Box 1480, Kearney, NE 68848.

### Code of Ethics

The Company has a Code of Ethics that applies to all employees, including the Chief Executive Officer and the Chief Financial Officer, as well as all members of the Board of Directors. The Code of Ethics is available free of charge on the Company's website at [www.buckle.com](http://www.buckle.com) or upon written request to the Corporate Secretary, The Buckle, Inc., P.O. Box 1480, Kearney, NE 68848.

The Company intends to satisfy its disclosure obligations under applicable rules of the Securities and Exchange Commission regarding an amendment to or waiver from a provision of the Company's Code of Ethics that applies to the Company's Chief Executive Officer or its Chief Financial Officer, by posting such information on its internet website.

### Independence

The Company's Corporate Governance Guidelines require that a majority of the Board consist of Directors who qualify as independent under the New York Stock Exchange ( NYSE ) Listing Standards. The Board has determined that all non-employee Directors of the Company, comprising six of the ten members of the Board, are independent under NYSE Standards. In addition, all committee members, other than the Executive Committee members, meet the applicable independence requirements of the NYSE Standards.

### Executive Sessions of Non-Management Directors

The Company's independent Directors meet separately in executive session without employee Directors or representatives of management at each regularly scheduled quarterly meeting of the Board. The Chair of these executive sessions is rotated among the non-employee Directors alphabetically.

### Stockholder Communication with the Board of Directors

Stockholders or other interested parties may contact the Board of Directors, or the non-employee Directors as a group, at the following address:

Board of Directors or Outside Directors  
The Buckle, Inc.  
P.O. Box 1480  
Kearney, NE 68848

Communications regarding accounting, internal accounting controls or auditing matters may also be reported to the Company's Board of Directors using the above address or through The Buckle Ethics Hotline.

Information about how to contact The Buckle Ethics Hotline is available on the Company's website at [www.buckle.com](http://www.buckle.com) and in the Company's Code of Ethics.

### Company Website

Information on the Company's website is not incorporated by reference into this Proxy Statement.

### Meetings and Committees of the Board

During fiscal 2005, four meetings of the Board of Directors, twelve meetings of the Executive Committee, six meetings of the Compensation Committee, two meetings of the Nominating Committee and eight meetings of the Audit Committee were held. No Director was absent from more than twenty-five percent of the aggregate of (1) the total number of meetings of the Board of Directors and (2) the total number of meetings held by all committees on which he or she served. The Company has the following standing committees:

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Executive Committee. The Executive Committee has the power and authority of the Board of Directors to manage the affairs of the Company between meetings of the Board of Directors. The Executive Committee establishes compensation for all non-officer employees of The Company. The Committee also regularly reviews significant corporate matters and recommends action as appropriate to the Board. Members of the Executive Committee presently are Daniel J. Hirschfeld, Dennis H. Nelson, and Karen B. Rhoads.

Audit Committee. The Audit Committee meets with the Company's Chief Financial Officer and independent accountants to review the scope of auditing procedures and the policies relating to internal controls and to review the Company's public financial statements. The current members of such committee are Robert E. Campbell, Bill L. Fairfield, Bruce L. Hoberman and David A. Roehr. The Board of Directors has determined that the Company has at least one audit committee member that meets the requirements of a financial expert. David A. Roehr, serving on the audit committee and fulfilling the audit committee financial expert role, is independent with respect to the Company and its management.

Compensation Committee. The Compensation Committee is responsible for establishing the Company's philosophy, policies and strategies relating to executive compensation and for evaluating the performance of the Company's Chief Executive Officer. The Compensation Committee also administers the Company's 1991 Stock Incentive Plan, the Company's Non-Qualified Stock Option Plan and Agreement with Dennis H. Nelson, the Company's 1991 Non-Qualified Stock Option Plan, the Company's 1993 Executive Stock Option Plan, the Company's 1995 Executive Stock Option Plan, the 1995 Management Incentive Plan, the 1997 Executive Stock Option Plan, the 1997 Restricted Stock Plan, the 1997 Management Incentive Plan, the 1998 Management Incentive Plan, the 1999 Management Incentive Plan, the 2002 Management Incentive Plan, the 2004 Management Incentive Plan, 2005 Management Incentive Plan, the 2005 Restricted Stock Plan and the 2006 Management Incentive Plan. The current members of the Compensation Committee are Robert E. Campbell, William D. Orr, Ralph M. Tysdal, and David A. Roehr.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for researching and recruiting new qualified members for the Company's Board of Directors. The Committee is also responsible for reviewing the Company's Corporate Governance Guidelines and recommending to the Board any modifications the Committee deems appropriate. The Committee is charged with overseeing the evaluation and reporting to the Board on the performance and effectiveness of the Board and its committees. The Nominating and Corporate Governance Committee will consider nominees for Directors recommended by stockholders of the Company and will evaluate such nominees using the same criteria used to evaluate Director candidates otherwise identified by the Committee. Stockholders wishing to make such recommendations should write to the Nominating and Corporate Governance Committee, c/o Kyle Hanson, Secretary, The Buckle, Inc., P. O. Box 1480, Kearney, NE 68848. Persons making submissions should include the full name and address of the recommended nominee, a description of the proposed nominee's qualifications and other relevant biographical information. The current members of the Nominating and Corporate Governance Committee are Ralph M. Tysdal, William D. Orr, Bill L. Fairfield and Bruce L. Hoberman.

### Attendance at Annual Meetings.

The Company requires all Directors to use all reasonable efforts to attend the Annual Meeting of Stockholders; indeed, the Board of Directors holds one of its regularly scheduled quarterly meetings immediately following adjournment of the Annual Stockholder Meeting. Each Director of the Company attended the Annual Meeting held in May of 2005.

### CEO Certification.

The Listing Standards of the NYSE require that the Company's CEO certify to the NYSE each year that he or she is not aware of any violation by the Company of the NYSE Corporate Governance Listing Standards, qualifying the certification to the extent necessary. The Company's CEO, Dennis H. Nelson, filed such a certification with the NYSE for this fiscal year, subject to the qualification that for the greater part of the fiscal year the Company was a controlled company under the NYSE Corporate Governance Listing Standards. As a controlled company the Company through its Board of Directors chose to take advantage of all of the exemptions available to it. The Company was exempt from the requirements:



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1. to have a majority of independent Directors (although the Board of Directors had determined that a majority of the Company's Directors were independent under the NYSE Standards);
2. to have a Nominating/Corporate Governance Committee composed entirely of independent directors; and
3. to have a Compensation Committee with a written Charter meeting the NYSE Standards which is composed entirely of independent Directors (although the Company has had a Compensation Committee composed entirely of independent Directors since immediately prior to the Company's initial public stock offering in 1992).

The Company is no longer a controlled company and thus no longer is exempt from the foregoing requirements.

### Director Compensation

For their services as Directors in fiscal 2005, the members of the Board of Directors who are not employees of the Company were paid \$12,000 annually, \$2,500 for each quarterly board meeting they attended and \$500 for each telephonic meeting held for the board or any committee thereof. The Chairman of each Committee of the Board receives an additional \$500 per quarter for their service as Chairman.

In addition, each non-employee Director (defined as a Director of the Company who is not an officer or employee of the Company or any Subsidiary) is annually granted options to purchase shares of Common Stock of the Company. See Proposals 6 and 7 with regard to options for the non-employee Directors. Options to purchase 3,000 shares will be granted to each non-employee Director on the first day of the Company's fiscal year. In addition, each non-employee Director is granted options to purchase 300 shares on the date such Director is first elected to the Board of Directors of the Company. All options have a term of ten years from the date of grant and are exercisable 25 percent immediately, with an additional 25 percent being exercisable on each of the first three successive anniversaries of the date of the grant. The exercise price for each option is the fair market value of a share on the date of grant. Fair market value means the average of the highest and lowest quoted selling price of a share of Common stock as reported on New York Stock Exchange. There are no family relationships among any of the Directors or Officers of the Company.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's officers, Directors and greater than 10% stockholders ("Reporting Persons") to file certain reports ("Section 16 Reports") with respect to beneficial ownership of the Company's equity securities. Based solely on its review of the Section 16 Reports furnished to the Company by its Reporting Persons and, where applicable, any written representations by any of them that no Form 5 was required, all Section 16(a) filing requirements applicable to the Company's Reporting Persons during and with respect to fiscal 2005 have been complied with on a timely basis, except that one report on Form 4 was filed late by each of Robert E. Campbell, Ralph M. Tysdal, Bill L. Fairfield, Bruce L. Hoberman, William D. Orr and David A. Roehr.

## **Proposal 2**

### **RATIFICATION OF INDEPENDENT ACCOUNTANTS**

For the years ended January 28, 2006 and January 29, 2005, professional services were performed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively "Deloitte & Touche"). Subject to stockholder ratification, the Audit Committee has re-appointed the firm of Deloitte & Touche LLP, an independent registered public accounting firm, as independent auditors to audit the accounts of the Company for the fiscal year 2006. Deloitte & Touche LLP has served as the independent auditors of the Company since December, 1990.

The Board of Directors recommends that stockholders vote **FOR** such ratification. Unless contrary instructions are given, the proxies solicited by the Board of Directors will be voted **FOR** such ratification. Ratification will require affirmative vote of holders of a majority of the Common Stock present or in proxy, at the meeting.

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Audit and audit-related fees aggregated \$429,145 and \$533,715 for the years ended January 28, 2006 and January 29, 2005, respectively and were composed of the following:

### Audit Fees

The aggregate fees billed for the audit of the Company's annual financial statements for the fiscal years ended January 28, 2006 and January 29, 2005 and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for the fiscal years were \$400,000 and \$458,000, respectively.

### Audit-Related Fees

The aggregate fees billed for Audit-Related services for the fiscal years ended January 28, 2006 and January 29, 2005 were \$12,900 and \$75,715, respectively. These fees relate to 404 readiness services provided to the Company for the purpose of analyzing the internal control environment and providing recommendations to management for improvements during the fiscal year ended January 29, 2005, and for the audit of the Company's 401(k) Profit Sharing Plan for the plan years ended January 31, 2006 and 2005.

### Tax Fees

The aggregate fees billed for tax services for the fiscal years ended January 28, 2006 and January 29, 2005 were \$16,245 and \$20,385, respectively. These fees relate to preparation of the state and federal income tax returns for the fiscal year ended January 29, 2006 and to preparation of the state and federal income tax returns as well as work related to electing change in accounting methods for certain income tax items for the fiscal year ended January 29, 2005.

### All Other Fees

The aggregate fees for services not included above were \$0 and \$0, respectively, for the fiscal years ended January 28, 2006 and January 29, 2005.

One or more representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Approval of this Proposal requires a favorable vote of the holders of a majority of the votes cast by all holders of the outstanding shares of Common Stock voting together as a single class at the meeting. Therefore, an abstention will not have the effect of a vote for or against the Proposal and will not be counted in determining the number of votes required for approval, but will be counted in determining the presence of a quorum.

### **Proposal 3**

#### **PROPOSAL TO APPROVE THE COMPANY'S 2006 MANAGEMENT INCENTIVE PLAN**

The Board of Directors believes that the continued success of the Company depends on its ability to attract, retain and motivate key employees. Accordingly, the Compensation Committee of the Board of Directors has reviewed the Company's executive incentive compensation program and recommends that the Company's stockholders approve the 2006 Management Incentive Plan (the "2006 Incentive Plan"). In order for payment of certain incentive awards to be deductible under the current Internal Revenue Code (the "Code"), such awards must be paid under a plan like the 2006 Incentive Plan, which has been approved by the stockholders. The 2006 Incentive Plan is set forth in Exhibit A to this Proxy Statement. The following discussion is qualified in its entirety by reference to the text of the 2006 Incentive Plan.

### Background.

The 2006 Incentive Plan is modeled after the 2005 Management Incentive Plan approved by the stockholders of the Company at the Annual Meeting held in 2005 (the "2005 Incentive Plan"). The 2005 Incentive Plan was designed to motivate the Company's key employees to improve stockholder value by linking a portion of their compensation to the Company's financial performance. The 2005 Incentive Plan was a one-year plan. The 2006 Incentive Plan is also a one-year plan.

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The goals of the Compensation Committee with regard to cash compensation have been and continue to be:

- to establish base salaries at a competitive level;
- to establish a cash bonus program that rewards exceptional performance;
- to eliminate cash bonuses based upon participation in the first dollar of profits; and
- to eliminate an automatic and mathematical bonus in the event that the Company's performance does not at least equal performance for the immediately preceding fiscal year.

### Description of the Incentive Plan.

The 2006 Incentive Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee must be comprised solely of Directors who are outside Directors as defined in Section 162(m) of the Code. The 2006 Incentive Plan encompasses two types of incentives.

- an annual Cash Award; and
- an annual grant of Restricted Stock pursuant to the 2005 Restricted Stock Plan.

The Committee's powers include authority, within the limitations set forth in the 2006 Incentive Plan, to:

- select the persons to be granted Cash Awards and Shares of Restricted Stock;
- determine the time when Cash Awards and Restricted Stock will be granted;
- determine whether objectives and conditions for earning Cash Awards and Restricted Stock have been met;
- determine whether payment of Cash Awards and Restricted Stock will be made at the end of an award period or deferred; and
- approve discretionary year-end cash incentives for extraordinary events.

Any employee of the Company whose performance the Committee determines can have a significant effect on the success of the Company - designated a Key Employee by the Plan - will be granted annual incentive Cash Awards under the 2006 Incentive Plan. Because the number of Key Employees may change over time and because the selection of participants is discretionary, it is impossible to determine the number of persons who will be eligible for awards under the 2006 Incentive Plan during its term. However, it is anticipated that seven persons will receive Cash Awards for fiscal 2006 under the 2006 Incentive Plan.

The 2006 Incentive Plan includes the creation of a Bonus Pool as a Cash Incentive for executives. This Bonus Pool will be calculated based upon dollars of growth in key performance categories compared to the Base Year Amounts, multiplied by the applicable percentage amounts as outlined in the Plan, multiplied by a factor determined by the growth in Pre-Bonus Net Income (the Pre-Bonus Net Income Factor) and multiplied by a factor determined by the growth in Gross Margin (the Margin Factor) (see Exhibit A). The applicable percentage amounts for the 2006 Incentive Plan include 8.5% of the increase in Same Store Sales, 5% of the increase in Margin, and 15% of the increase in Pre-Bonus Net Income. The Base Year Amounts are determined using the immediately preceding fiscal year for Same Store Sales and the prior three-year rolling average for the Margin and Pre-Bonus Net Income, with the prior fiscal year receiving a weighting factor of 4 and the other two years receiving a weighting factor of 1. The Pre-Bonus Net Income Factor is .80 of the 15% of the increase in Pre-Bonus Net Income for increases from 0% to 19.99%; .70 for growth in Pre-Bonus Net Income of at least 20.0% and up to 29.99%; 0.64 for growth in Pre-Bonus Net Income of at least 30.0% and up to 39.99%; and .55 for growth in Pre-Bonus Net Income of 40% or greater. The Margin Factor is .80 for growth in Margin up to 19.99%; .70 for growth in Margin of at least 20.0% and up to 39.99%; and .64 for growth in Margin of 40% or greater. Bonus Pool Awards pursuant to the 2006 Incentive Plan will be in addition to Base Salaries.

Base salaries for fiscal 2006 for the executive officers included in the Summary Compensation Table are as follows:

NAME	BASE SALARY
Dennis H. Nelson	\$805,000
James E. Shada	\$460,000
Kari G. Smith	\$265,000

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Patricia K. Whisler	\$285,000
Brett P. Milkie	\$270,000

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### Cash Awards.

Each Participant in the Plan shall receive a Cash Award equal to 100% of the Participant's share of the Bonus Pool. The President's share of the Bonus Pool is 40.0%, and the share of each other Participant in the Bonus Pool shall be determined by the President prior to the first day of each Plan Year (or immediately upon adoption of the Plan).

No payment of a Cash Award for the year may be made to an Executive until the Company's Same Store Sales, Margin and Pre-Bonus Net Income for the year are certified by the Committee. A Participant shall not be entitled to receive payment of an Award unless such Participant is 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.

### Restricted Stock

Restricted Stock was granted, subject to stockholder approval, to Participants pursuant to the 2005 Restricted Stock Plan as of January 31, 2006. Shares awarded under the Plan will vest according to a performance feature whereby one-half of the shares granted will vest over four years if a 5% increase in fiscal 2006 Pre-Bonus Net Income is achieved, and the second half of the shares granted will vest over four years if an 8% increase in fiscal 2006 Pre-Bonus Net Income is achieved. Upon the Compensation Committee's certification of the achievement of the performance results, 20% of the Restricted Stock Shares would vest immediately, with 20% vesting in January of 2008, 30% in January of 2009 and 30% in January of 2010. The Participant must remain in the employ of the Company on the vesting date in order to become Vested in the Shares.

### Amendments.

The Committee may amend the 2006 Incentive Plan from time to time, provided that no amendment to the 2006 Incentive Plan shall be effective unless approved by the Company's stockholders, to the extent that such stockholder approval is required under Section 162(m) of the Code with respect to awards which are intended to qualify under that Section.

### New Plan Benefits.

No Cash Awards have been granted under the 2006 Incentive Plan, and it is not determinable what Cash Awards will be received by any employee under the 2006 Incentive Plan. However, the following table provides information concerning the Cash Award and Restricted Stock that would have been received by each of the following persons and groups for the last completed fiscal year had the 2006 Incentive Plan been in effect.

#### NEW PLAN BENEFITS 2006 Management Incentive Plan

Name and Position	Cash Award	Restricted Stock
Dennis H. Nelson, President & CEO	1,517,957	50,000
James E. Shada, Executive Vice-President Sales	758,978	17,000
Kari G. Smith, Vice-President Sales	303,591	8,250
Patricia K. Whisler, Vice-President Women's Merchandising	303,591	8,250
Brett P. Milkie, Vice-President Leasing	303,591	8,250
All Executive Officers	3,538,737	102,500
Non-Executive Officer Directors (0 persons)	-0-	-0-

Approval of this Proposal requires a favorable vote of the holders of a majority of the votes cast by all holders of the outstanding shares of Common Stock voting together as a single class at the meeting. Therefore, an abstention will not have the effect of a vote for or against the Proposal and will not be counted in determining the number of votes required for approval, but will be counted in determining the presence of a quorum.

WITH RESPECT TO PROPOSAL 3, THE BOARD OF DIRECTORS RECOMMENDS THE STOCKHOLDERS VOTE FOR APPROVAL OF THE COMPANY'S 2006 MANAGEMENT INCENTIVE PLAN.

**Proposal 4**

**PROPOSAL TO AMEND  
THE 2005 RESTRICTED STOCK PLAN**

The Board of Directors of the Company has adopted, subject to stockholder approval, the following amendments to the 2005 Restricted Stock Plan (the Executive Plan ):

An increase in the number of shares of Common Stock authorized for issuance under the plan from 200,000 shares of Common Stock to 225,000 shares of Common Stock and an extension of the term of the plan for one additional year.

Description of the 2005 Restricted Stock Plan

The 2005 Restricted Stock Plan is administered by the Compensation Committee of the Board of Directors, which Committee is composed of Directors who are not eligible to participate in the 2005 Restricted Stock Plan and who qualify as non-employee Directors as contemplated by Rule 16(b)(3) adopted by the Securities and Exchange Commission and as outside Directors under Section 162(m) of the Internal Revenue Code. The Compensation Committee has authority under the 2005 Restricted Stock Plan to grant awards of Restricted Stock. Non-employee Directors are not eligible to receive awards under the 2005 Restricted Stock Plan.

A total of 200,000 shares of Common Stock are reserved for issuance under the 2005 Restricted Stock Plan. There is no limit on the number of Shares of Restricted Stock that may be issued to any Participant. Shares subject to the 2005 Restricted Stock Plan are authorized but unissued shares. Shares re-acquired by the Company are returned to the status of authorized but unissued shares pursuant to the Business Corporation Act of Nebraska.

The provisions governing the disposition of specific awards granted under the 2005 Restricted Stock Plan in the event of the retirement, disability, death or other termination of employment of the Participant, as well as the restrictions and vesting requirements with respect to shares will be determined by the Compensation Committee at the time such awards are granted. The 2005 Restricted Stock Plan provides that the Compensation Committee can take certain actions to protect Participants' rights in the event of a change in control of the Company. Restricted stock shares are not transferable other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code.

The 2005 Restricted Stock Plan grants the Compensation Committee the ability to qualify grants of Restricted Stock as Qualified Performance Based Compensation. Qualified Performance Based Compensation means compensation that is intended to qualify as Qualified Performance Based Compensation as described in Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended (the Code ). In making grants of Restricted Stock as Qualified Performance Based Compensation the Compensation Committee is granted the authority under the Plan to determine and select the Performance Criteria and the applicable Performance Period, and to establish Performance Goals. The Plan provides that Performance Criteria that will be used to establish Performance Goals are limited to the following: net earnings (either before or after interest, taxes, depreciation and amortization), net losses, sales or revenue, operating earnings, operating cash flow, return on net assets, return on stockholders equity, return on assets, return on capital, stockholder returns, gross or net profit margin, earnings per share, price per share of Stock, and market share, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. Performance Periods may be one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and payment of, a Performance Based Award.

The Compensation Committee may amend or terminate the 2005 Restricted Stock Plan. However, no such amendment or termination may impair any shares previously awarded under the Plan. Stockholder approval is required for any amendment (i) which must be approved by stockholders under applicable law or the rules of any stock exchange on which shares of the Common Stock are traded, or (ii) which must be approved by stockholders in order to maintain the qualifications of the 2005 Restricted Stock Plan under Section 162(m) of the Internal Revenue Code. The 2005 Restricted Stock Plan was effective February 10, 2005 and will remain in effect until terminated by the Compensation Committee.

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Stock awarded pursuant to the 2005 Restricted Stock Plan will be taxed at the earlier of vesting or removal of restriction of sale or transfer. Generally, no income will be realized by the employee at the time the shares are granted, except by individual voluntary election filed with the Internal Revenue Service. When the shares vest, ordinary income in an amount equal to then fair market value of the shares will be realized. The holding period to determine whether at disposition any appreciation (or depreciation) after the shares vested is treated as short-term or long-term capital gain or loss will begin on the date of vesting. The Company generally will be entitled to a deduction equal to the amount that is taxable as ordinary income to the employee in the year that such income becomes taxable.

### Reasons for Amendments

The 2005 Restricted Stock Plan originally provided that 200,000 shares were reserved for issuance under the plan based on approval by the Compensation Committee and that the plan had a term of one year. As of January 31, 2006, 136,000 shares of restricted stock were granted and only 122,500 shares remained available for option grants. Therefore, in order to fulfill grants for fiscal 2006, it will be necessary to increase the number of shares available for issuance. The Board of Directors recommends that an additional 25,000 shares of Common Stock be added to the Plan and that the term of the plan be extended for one additional year, covering fiscal 2006.

### Stockholder Action

The Board of Directors believes that the above-described 2005 Restricted Stock Plan is appropriate and consistent with the Company's objectives of attracting and retaining executives of outstanding competence and aligning their interests with those of the stockholders of the Company. Accordingly, the Board believes that approval of the Amendment is in the best interest of the Company and its stockholders.

Approval of this Proposal requires a favorable vote of the holders of a majority of the votes cast by all holders of the outstanding shares of Common Stock voting together as a single class at the meeting. Therefore, an abstention will not have the effect of a vote for or against the Proposal and will not be counted in determining the number of votes required for approval, but will be counted in determining the presence of a quorum.

WITH RESPECT TO PROPOSAL 4, THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR APPROVAL OF THE AMENDMENT TO THE 2005 RESTRICTED STOCK PLAN.

### Proposal 5

#### PROPOSAL TO APPROVE PERFORMANCE-BASED AWARDS GRANTED PURSUANT TO THE COMPANY'S 2005 RESTRICTED STOCK PLAN

On January 31, 2006, the Compensation Committee approved grants of Restricted Stock to certain executive officers of the Company, as follows:

Name	Number of Restricted Shares	Name	Number of Restricted Shares
Dennis H. Nelson	50,000	Patricia K. Whisler	8,250
James E. Shada	17,000	Brett P. Milkie	8,250
Kari G. Smith	8,250		

The Shares of Restricted Stock were granted subject to a Performance Feature that requires that the Company's fiscal 2006 Pre-Bonus, Pre-Tax Net Income to increase at least 5% above the fiscal 2005 Pre-Bonus, Pre-Tax Net Income for one-half of the Shares of Restricted Stock to be Vested; and to increase 8% above the fiscal 2005 Pre-Bonus, Pre-Tax Net Income for the second half of the Shares of Restricted Stock to be Vested. The grant of Restricted Stock provides that if the performance target is met, the Restricted Stock will vest 20% upon the Compensation Committee's certification of the performance results, 20% in January of 2008, 30% in January of 2009 and 30% in January of 2010. The Participant must remain in the employ of the Company on the vesting date in order to become Vested in the Shares.

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You are being asked to approve the terms of the performance goals. This approval is required under the Internal Revenue Code and Internal Revenue Service Regulations (the Code ) in order to preserve the Company's federal income tax deduction with respect to the grant of these restricted shares. The amendment of the 2005 Restricted Share Plan, pursuant to which the restricted shares were granted, is subject to approval by our stockholders at the Annual Meeting of Stockholders to be held on June 2, 2006.

### Purpose of Proposal.

As discussed in the Report of the Compensation Committee in this Proxy Statement, the Company generally seeks to preserve its ability to claim tax deductions for compensation paid to executives to the greatest extent practicable. Section 162(m) of the Code sets limits on the Company's federal income tax deduction for compensation paid in any taxable year to an individual who, on the last day of the taxable year, was (i) the Chief Executive Officer or (ii) among the four other highest-compensated executive officers whose compensation is reported in the Summary Compensation Table of the Proxy Statement. Qualified performance-based compensation which can include compensation from stock options, cash awards and certain grants of restricted stock, is not subject to this deduction limit, and therefore is fully deductible, if certain conditions are met. One of the conditions is stockholder approval of the material terms of the performance goals under which the compensation is paid.

Restricted stock granted by the Compensation Committee on January 31, 2006 was subject to the condition that the stockholders approve the amendment in the number of shares approved for issuance under the Plan.

### Material terms of the performance goals.

Under the grant of restricted stock, the performance goals apply to fiscal 2006, and require that the Pre-Bonus, Pre-Tax Net Income for the year increase at least 5% and 8% over the Pre-Bonus, Pre-Tax Net Income for the prior fiscal year before each one-half of the restricted stock vests. Restricted stock was granted to each executive officer.

Approval of this Proposal requires a favorable vote of the holders of a majority of the votes cast by all holders of the outstanding shares of Common Stock voting together as a single class at the meeting. Therefore, an abstention will not have the effect of a vote for or against the Proposal and will not be counted in determining the number of votes required for approval, but will be counted in determining the presence of a quorum.

WITH RESPECT TO PROPOSAL 5, THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR APPROVAL OF THE PERFORMANCE-BASED AWARDS GRANTED PURSUANT TO THE COMPANY'S 2005 RESTRICTED STOCK PLAN.

## **Proposal 6**

### **PROPOSAL TO APPROVE THE AMENDMENT OF THE COMPANY'S 1993 DIRECTOR STOCK OPTION PLAN**

#### Overview

Proposals 6 and 7 relate to stock options granted and to be granted to the non-employee Directors of the Company. At the Annual Meeting of Stockholders of the Company held on May 26, 1993, the Stockholders of the Company approved the 1993 Director Stock Option Plan. A detailed description of the Plan appears under the caption "Description of the Director Plan" directly below. For purposes of this overview, it is important to note that the Plan provided that it would terminate on the tenth anniversary of the effective date of the Plan which effective date was the date of approval by the Stockholders of the Company, i.e., May 26, 1993.

Following the original approval of the Plan, the Stockholders of the Company approved two separate Amendments to the Director Plan.

At the Annual Meeting of Stockholders held on May 28, 1998, the stockholders approved an Amendment to the Director Stock Option Plan which increased the number of shares of Common Stock authorized for issuance under the Plan from 20,000 shares of Common Stock to 50,000 shares of Common Stock; and an Amendment that changed the number of shares covered by the automatic option grants under the Director



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Plan, from 1,000 shares during the fiscal year beginning January 31, 1999, to 2,500 shares during the fiscal year beginning January 30, 2000, 2,000 shares for option grants during the fiscal year beginning January 29, 2001, and 3,000 shares per year for each year thereafter. (All of the share numbers have been adjusted to reflect stock splits effected after May 26, 1993.)

At the Annual Meeting of Stockholders held on May 30, 2002, the stockholders approved an Amendment to the Director Stock Option Plan which Amendment increased the number of shares of Common Stock reserved for issuance under the Director Plan from 75,000 shares to 175,000 shares of Common Stock. The Company's Proxy Statement for the meeting held on May 30, 2002, stated as a reason for the Amendment as follows: The Director Plan currently provides that 75,000 shares are reserved for issuance upon the exercise of options. As of March 22, 2002, options covering 58,500 shares were outstanding and only 15,000 shares remained available for option grants. Therefore, in order to fulfill grants for fiscal 2003 and future years, it will be necessary to increase the number of shares available for issuance. The Board of Directors recommends that an additional 100,000 shares of Common Stock be added to the Plan's reserve. The Amendment adopted at the Annual Meeting held on May 30, 2002, clearly contemplated the grant of options pursuant to the Director Plan in years following the year 2003, but the Company failed at that time to extend the Director Plan beyond its stated expiration date.

Pursuant to the increase in the number of shares reserved for issuance pursuant to the Director Plan, the Company issued Stock Option Agreements to its non-employee Directors authorizing them to purchase 3,000 shares each of Common Stock of the Company on the first day of each fiscal year thereafter, including options to purchase 3,000 shares granted to each non-employee Director on February 1, 2004, January 30, 2005 and January 29, 2006.

Proposal 6 embodies a proposal by the Board of Directors of the Company to amend and revise the 1993 Director Stock Option Plan in its entirety and to extend the term of the Director Plan for an additional ten years commencing with the date of approval by the stockholders of the Company. Proposal 7 embodies the proposal of the Board of Directors that the stockholders of the Company ratify the Stock Option Agreements issued to the non-employee Directors on each of February 1, 2004, January 30, 2005 and January 29, 2006.

**Proposals 6 and 7 are independent matters. Stockholders are entitled to vote on them separately. However, the Board of Directors encourages stockholders to review and consider them as related items.**

### **Amended and Restated Plan**

The Board of Directors of the Company has adopted, subject to stockholder approval, an Amendment and Restatement of the 1993 Director Stock Option Plan (the Director Plan) which amends and restates the Director Plan in its entirety to (1) extend the term of the Plan; and (2) allow for a change in the timing of expiration of stock options upon mandatory retirement of a Director. A copy of the Director Plan is set forth on *Exhibit B* to this Proxy Statement.

### **Description of the Director Plan**

Under the Director Plan each non-employee Director (defined as a Director of the Company who is not an officer or employee of the Company or any Subsidiary) is annually granted options to purchase shares of Common Stock of the Company. The Plan is essentially self-operative, that is, the timing, amounts, recipients and other terms of individual option grants are determined by the provisions of the Plan itself and are not subject to the discretion of any individual or group of individuals. Options to purchase 3,000 shares are granted to each non-employee Director on the first day of each fiscal year of the Company. In addition, each non-employee Director is granted options to purchase 300 shares on the date such Director is first elected to the Board of Directors of the Company. All options have a term of ten years from the date of grant and are exercisable 25% immediately, with an additional 25% being exercisable on each of the first three successive anniversaries of the date of the grant. The exercise price for each option is the fair market value of a share on the date of grant. The fair market value means the average of the highest and lowest quoted selling price of a share of Common Stock as reported on the New York Stock Exchange, when and if such shares are listed on such Exchange, or when not so listed but quoted on an automated quotation system, on such automated quotation system.

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A total of 175,000 shares of Common Stock are presently reserved for issuance under the Director Plan. This amount will be appropriately adjusted in the event of certain changes in the Company's capitalization or in a merger or similar corporate transaction. Shares subject to the Director Plan may be either authorized but unissued shares or treasury shares.

Options that have not become exercisable are forfeited as of the date an optionee ceases to serve as a Director for any reason other than the Director's death, disability or retirement (as defined). Upon the death, retirement or disability of the Director, each option is deemed to have vested in full as of the date of death, retirement or disability, and any unexercised portion of the option is exercisable at any time within one year of the date of termination by reason of death, disability or retirement. In no event is any option exercisable following the tenth anniversary of the date of grant.

Options are not transferable other than by Will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Internal Revenue Code (the Code) or Title I of the Employees Retirement Income Security Act of 1974, as amended (ERISA).

The Board of Directors may amend or terminate the Director Plan. However, currently no such amendment or termination may (i) impair any option previously granted under the Plan without the agreement of the option holder, (ii) effect a change in the formula for the amount of shares subject to an option more than once every six months, other than to comport with changes in the Code, ERISA, or the rules thereunder, or (iii) without stockholder approval, amend the provisions of the Plan setting the terms of options or option grants.

### Reasons for Amendments

As set forth in the Overview above, it is necessary to extend the term of the Director Plan, since the Plan has expired. Further, it is recommended that the Plan be amended to allow a Director whose Directorship is terminated by reason of disability or retirement (as defined) to exercise the unexercised portion of any options at any time within one year of the date of termination as a result of disability or retirement. The Prior Plan permitted such exercise only within thirty days of the date of disability or retirement, while permitting exercise for one year following death. It is recommended that exercise be permitted within one year in the case of death, disability or retirement.

Since the Director Plan has been amended twice in the past, the Board recommends that, in amending the Plan to accomplish these two purposes, the Director Plan be restated in its entirety.

### Stockholder Action

The Board of Directors believes that the above-described Amendment to the Director Plan is appropriate and consistent with the Company's objectives of attracting and retaining Directors of outstanding competence and aligning their interests with those of the stockholders of the Company. Accordingly, the Board believes that approval of the Amendments is in the best interest of the Company and its stockholders.

Approval of this Proposal requires a favorable vote of the holders of a majority of the votes cast by all holders of the outstanding shares of Common Stock voting together as a single class at the meeting. Therefore, an abstention will not have the effect of a vote for or against the Proposal and will not be counted in determining the number of votes required for approval, but will be counted in determining the presence of a quorum.

WITH RESPECT TO PROPOSAL 6, THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR APPROVAL OF THE AMENDMENT OF THE COMPANY'S 1993 DIRECTOR STOCK OPTION PLAN.

## Proposal 7

**PROPOSAL TO RATIFY GRANTS OF  
NON-QUALIFIED STOCK OPTIONS TO NON-EMPLOYEE DIRECTORS**

As set forth more fully under the caption "Overview" in Proposal 6 immediately preceding this Proposal, on the first day of each fiscal year commencing with the year 2004, the Company, acting through its officers, issued stock options to the non-employee Directors of the Company, in the belief that the 1993 Director Stock Option Plan authorized such stock options. Although the stockholders of the Company at the Annual Meeting held on May 30, 2002, had authorized an increase in the number of shares reserved for issuance to non-employee Directors pursuant to the 1993 Director Stock Option Plan by 100,000 shares, which action clearly evidenced a belief by the Board of Directors and the stockholders that options would continue to be granted to the non-employee Directors on an automatic basis pursuant to the terms of the 1993 Director Stock Option Plan, neither the Company's officers, Directors, nor stockholders were made aware of the fact that the 1993 Director Stock Option Plan terminated by its terms on May 26, 2003.

The Stock Option Agreements in question were granted to the following Directors on the following dates, in the following amounts, and with the following exercise prices:

Director Name:	February 1, 2004		January 30, 2005		January 29, 2006	
	Number of Shares	Exercise Price	Number of Shares	Exercise Price	Number of Shares	Exercise Price
Robert E. Campbell	3,000	\$25.75	3,000	\$28.28	3,000	\$34.47
William D. Orr	3,000	\$25.75	3,000	\$28.28	3,000	\$34.47
Ralph						