

DILLARDS INC
Form DEF 14A
April 25, 2002

DILLARD'S, INC. PROXY STATEMENT

DILLARD'S, INC.
POST OFFICE BOX 486
LITTLE ROCK, ARKANSAS 72203

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 18, 2002

PROXY STATEMENT

DILLARD'S, INC.
POST OFFICE BOX 486
LITTLE ROCK, ARKANSAS 72203

TO THE HOLDERS OF CLASS A AND
CLASS B COMMON STOCK:

Notice is hereby given that the annual meeting of Stockholders of Dillard's, Inc. Dillard's Corporate Office, 1600 Cantrell Road, Little Rock, Arkansas on Saturday, May 18 purposes:

1. To elect 12 Directors of the Company (four Directors to represent Class A represent Class B Stockholders).

2. To transact such other business as may properly come before the meeting or any

The stock transfer books of the Company will not be closed, but only stockholders March 29, 2002, will be entitled to notice of, and to vote at, the meeting.

Your participation in the meeting is earnestly solicited. If you do not expect to please sign, date, and fill in the enclosed Proxy and return it by mail in the enclosed envelope if mailed in the United States of America.

By Order of the B

JAMES I. FREEMAN

Senior Vice President
Chief Financial Officer
Assistant Secretary

DILLARD'S, INC.
POST OFFICE BOX 486
LITTLE ROCK, ARKANSAS 72203
Telephone (501) 376-5200

April 18, 2002

PROXY STATEMENT

The enclosed Proxy is solicited by and on behalf of the management of Dillard's, Inc., a corporation, for use at the annual meeting of stockholders to be held on Saturday, May 18, 2002, at Dillard's Corporate Office, 1600 Cantrell Road, Little Rock, Arkansas, or at any adjournment or a

Any stockholder giving a Proxy has the power to revoke it, at any time before it is voted, by presenting it to the Secretary of the Company. Proxies solicited herein will be voted in accordance with any directions on the Proxy is received in such form or at such time as to render it ineligible to vote, or unless otherwise specified, the shares will be voted in accordance with the recommendations of the Board of Directors.

If matters of business other than those described in the Proxy properly come before the meeting, the Proxy will vote in accordance with their best judgment on such matters. The Proxies solicited herein are intended to vote at any meeting of stockholders other than the meeting to be held on May 18, 2002, or any adjournment thereof.

The cost of soliciting Proxies will be borne by the Company. The Company will reimburse other fiduciaries for their charges and expenses in forwarding proxy material to beneficial owners. In connection with the solicitation by mail, certain officers and employees of the Company may solicit Proxies by telephone. These persons will receive no compensation other than their regular salaries. The Company has retained a professional proxy solicitation firm, to assist in the solicitation of proxies. The fees of such firm are estimated to be \$7,000.

OUTSTANDING STOCK; VOTING RIGHTS; VOTE REQUIRED FOR APPROVAL

The stock transfer books of the Company will not be closed, but only stockholders of record as of March 29, 2002, will be entitled to notice of, and to vote at, the meeting. At that date, there were 10,000,000 shares of Class A Common Stock outstanding and 4,010,929 shares of Class B Common Stock outstanding.

Each holder of Class A Common Stock and each holder of Class B Common Stock shall be entitled to one vote for each share standing in his name except that the holders of Class A Common Stock are empowered to elect one-third of the Directors and the holders of Class B Common Stock are empowered to elect two-thirds of the Directors. Stockholders will not be allowed to vote for a greater number of nominees than the number of nominees for director of each class, to be elected, must receive a plurality of the votes cast for Directors is not permitted. Under Delaware General Corporate Law, if shares are held by a broker, the broker will not have discretionary authority to vote on a particular matter ("broker non-votes"), those shares will be entitled to vote with respect to that matter, but such shares will be counted with respect to that matter if they are present. Abstentions will not be counted as votes cast for election of directors.

The last date for the acceptance of Proxies by management is the close of business on the day after that date will be voted by management at the meeting.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth certain information regarding persons who beneficially own a significant class of the Company's outstanding voting securities at the close of business on February 2, 2002.

| Name and Address | Class | No. of Shares Owned |
|--|--------------------|---------------------|
| Dillard's, Inc. Retirement Trust 1600 Cantrell Road Little Rock, AR 72201 | Class A | 10,337,250 (2) |
| Dodge & Cox One Sansome St. 35th Floor San Francisco, CA 94014 | Class A | 6,940,536 (2) |
| Flippin, Bruce & Porter, Inc. 800 Main Street, Suite 200 Lynchburg, VA 24505 | Class A | 4,010,130 (2) |
| FMR Corp. 82 Devonshire Street Boston, MA 02109 | Class A | 11,323,267 (2) |
| W.D. Company (3) Little Rock, Arkansas | Class A Class B | 41,496 3,985,776 |

* Denotes less than 0.1%

- (1) At February 2, 2002 there were a total of 79,876,747 shares of the Company's Class A and Class B Common Stock outstanding.
- (2) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission.
- (3) William Dillard II, Chief Executive Officer of the Company, Alex Dillard, President, and John Dillard, Director, are officers and directors of W.D. Company, Inc. and own 26.3%, 27.9% and 26.3% of the voting stock of W.D. Company, Inc.

ELECTION OF DIRECTORS

Four Directors representing Class A Stockholders and eight Directors representing Class B Stockholders and the Class B Stockholders, respectively, at the annual meeting of the Company to elect and qualify their successors. The Proxies solicited hereby will be voted "FOR" for the persons hereinafter identified under "Nominees for Election as Directors" if not specified otherwise. If any nominee who will be unable to serve, but should any nominee be unable or decline to serve, the proxy in the Proxy will be exercised to vote for a substitute or substitutes. Management has no intention of nominating any other persons and no other nominee will be required.

In 1998, the Company adopted a resolution amending its by-laws to provide that nominees shall be of independent persons only. For these purposes, independent shall mean a person who is not an affiliate in any executive capacity within the last five years; was not, and is not a member of the Company's paid advisers or consultants; is not employed by a significant customer, supplier or service provider; has no personal services contract with the Company; is not employed by a foundation or other organization that receives grants or endowments from the Company; is not a relative of the management of the Company; is not a party to any shareholder agreements legally binding him to vote with management; and is not the chairman or Chief Executive Officer is also a board member.

All of the nominees to represent Class A Stockholders listed below qualify as independent persons under the resolution.

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION AS DIRECTORS OF THE 12 PERSONS HEREINAFTER IDENTIFIED.

NOMINEES FOR ELECTION AS DIRECTORS

The following table briefly indicates the principal occupation of each nominee, the age and Class B Common Stock of the Company beneficially owned by each nominee as of February 2, 2007, and the number of shares of Class A and Class B Common Stock of the Company beneficially owned by the executive officers named under "Compensation of Directors and Executive Officers" and the number of shares beneficially owned by the directors and executive officers, as a group, as of February 2, 2007.

| Name | Age | Principal Occupation | Director Since | Shares of Common Stock Beneficially Owned as of February 2, 2007 |
|--|-----|---|----------------|--|
| Calvin N. Clyde Jr. (b) | 81 | Chairman of the Board, T.B. Butler Publishing Co., Inc., Tyler, TX | 1985 | Class A Class B |
| Robert C. Connor (a) | 60 | Investments | 1987 | Class A Class B |
| Drue Corbusier (b) | 55 | Executive Vice President of the Company | 1994 | Class A Class B |
| Will D. Davis (a) | 72 | Partner, Heath, Davis & McCalla, Attorneys, Austin, TX | 1972 | Class A Class B |
| Alex Dillard (b) (6) | 52 | President of the Company | 1975 | Class A Class B |
| Mike Dillard (b) (6) | 50 | Executive Vice President of the Company | 1976 | Class A Class B |
| William Dillard II (b) (6) | 57 | Chief Executive Officer of the Company | 1967 | Class A Class B |
| James I. Freeman (b) | 52 | Senior Vice President and Chief Financial Officer of the Company | 1991 | Class A Class B |
| John Paul Hammerschmidt (a) | 79 | Retired Member of Congress | 1992 | Class A Class B |
| John H. Johnson (a) | 84 | Chairman and Chief Executive Officer, Johnson Publishing Company, Inc., Chicago, IL | 1986 | Class A Class B |
| Warren A. Stephens (b) Executive Officer, | 45 | President and Chief Executive Officer, Stephens Group and Stephens, Inc., Little Rock, AR | - | Class A Class B None |
| William H. Sutton (b) | 71 | Managing Partner, Friday, Eldredge & Clark, Attorneys, Little Rock, AR | 1994 | Class A Class B |
| All Nominees and Executive Officers as a Group (a total of 21 persons) | | | | Class A Class B |

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(a) Class A Director

(b) Class B Director

*Denotes less than 0.1%

- (1) Based on information furnished by the respective individuals.
- (2) Calvin N. Clyde owns 7,087 shares of Class A Common Stock and has the right to acquire be pursuant to currently exercisable options granted under Company stock option plans.
- (3) Includes nine shares owned by his wife. Robert C. Connor owns 10,000 shares of Class A acquire beneficial ownership of 19,000 shares pursuant to currently exercisable option option plans.
- (4) Drue Corbusier owns 137,195 shares of Class A Common Stock and has the right to acquir shares pursuant to currently exercisable options granted under Company stock option plans.
- (5) Will D. Davis owns 12,440 shares of Class A Common Stock and has the right to acquire bene pursuant to currently exercisable options granted under Company stock option plans.
- (6) William Dillard II, Alex Dillard and Mike Dillard are directors and officers of W. D. Comp 26.3%, respectively, of the outstanding voting stock of such company.
- (7) Includes 41,496 shares of Class A Common Stock and 3,985,776 of Class B Common Stock owned shares William Dillard II, Alex Dillard and Mike Dillard are each deemed to have a ben respective relationships with W. D. Company, Inc. See "Principal Holders of Voting Se individually owns 592,419 shares of Class A Common Stock and has the right to acquire bene shares pursuant to currently exercisable options granted under Company stock option pla individually own 420,275 and 48,311 shares, respectively, of Class A Common Stock, a beneficial ownership of 1,275,000 shares pursuant to currently exercisable options gran plans. Mike Dillard individually owns 315,208 shares of Class A Common Stock, has sol 40,905 shares held in trust for three minor children and has the right to acquire beneficia pursuant to currently exercisable options granted under Company stock option plans.
- (8) James I. Freeman owns 116,467 shares of Class A Common Stock, has sole voting power wit trust for a minor child and has the right to acquire beneficial ownership of 564,609 s exercisable options granted under Company stock option plans.
- (9) John Paul Hammerschmidt owns 2,000 shares of Class A Common Stock and has the right to 19,000 shares pursuant to currently exercisable options granted under Company stock option
- (10) Johnson Publishing Company, Inc., of which John H. Johnson is Chairman and Chief Execut Class A Common Stock. Mr. Johnson individually owns 2,000 shares of Class A Common acquire beneficial ownership of 19,000 shares pursuant to currently exercisable option option plans.
- (11) William H. Sutton owns 11,000 shares of Class A Common Stock and has the right to acquir shares pursuant to currently exercisable options granted under Company stock option plans.
- (12) The shares in which William Dillard II, Alex Dillard and Mike Dillard are deemed to have respective relationships with W. D. Company, Inc. have been included in this compu aggregated for such purpose.
- (13) Includes the right to acquire beneficial ownership of 5,926,535 shares pursuant to currn under Company stock option plans.

The following nominees for director also hold directorships in the designated companies:

| | |
|-------------------------|--|
| Name | Director of |
| William Dillard, II | Acxiom Corporation and Barnes & Noble, Inc. |
| John Paul Hammerschmidt | American Freightways Corporation, First Federal B Southwestern Energy Co. |
| Warren A. Stephens | Alltel Corporation, American Capital Access Holdi |

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Group, Inc., Stephens Holding Company and Stephens

The business associations of the nominees as shown in the table under "Nominees for Election for more than five years, except that prior to 1998 Drue Corbusier was Vice President of the Company and William Dillard II was President and Chief Operating Officer of the Company and was elected to the Board of Directors at the annual meeting of stockholders held May 19, 2001, except

The Board of Directors met four times during the last 12 months, on May 19, September 7, and

Audit Committee members are Calvin N. Clyde, Jr., Robert C. Connor, Chairman; and John four meetings during the year.

The Executive Compensation Committee members are Robert C. Connor; Will D. Davis, Chairman; Executive Compensation Committee held one meeting during the year.

The Stock Option Committee members are Robert C. Connor; Will D. Davis, Chairman and John Committee held one meeting during the year.

All of the nominees for director attended at least 75% of the aggregate of (1) the total number of meetings held by all committees of the board and (2) the total number of meetings held by all committees of the board on which they

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Cash and Other Compensation

The following table sets forth, for the fiscal years indicated, the cash and other compensation of the Chief Executive Officer and each of the four most highly compensated executive officers of the Company in all capacities in which they served.

SUMMARY COMPENSATION TABLE

| (a) Name and Principal Position | (b) Year | Annual Compensation | | | Long Term Compensation Awards | |
|---|-------------|---------------------|-------------------|---|---|---|
| | | (c) Salary (\$) | (d) Bonus (\$) | (e) Other Annual Compensation (\$) | (f) Restricted Stock Award(s) (\$) | (g) Securities Underlying Options SAR |
| William Dillard II Chief Executive Officer | 2001 | \$710,000 | \$ 0 | -- | -- | |
| | 2000 | 710,000 | 0 | -- | -- | |
| | 1999 | 680,000 | 1,335,000 | -- | -- | |
| Alex Dillard President | 2001 | 620,000 | 0 | -- | -- | |
| | 2000 | 620,000 | 1,335,000 | -- | -- | |

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| | | | | | |
|---------------------------|------|---------|---------|----|----|
| | 1999 | 590,000 | | -- | -- |
| Mike Dillard | 2001 | 540,000 | 0 | -- | -- |
| Executive Vice President | 2000 | 540,000 | 0 | -- | -- |
| | 1999 | 520,000 | 690,000 | -- | -- |
| Drue Corbusier | 2001 | 500,000 | 0 | -- | -- |
| Executive Vice President | 2000 | 500,000 | 0 | -- | -- |
| | 1999 | 475,000 | 625,000 | -- | -- |
| James I. Freeman | 2001 | 500,000 | 0 | -- | -- |
| Senior Vice President and | 2000 | 500,000 | 0 | -- | -- |
| Chief Financial Officer | 1999 | 475,000 | 465,000 | -- | -- |

(1) Amounts represent the Company's defined contributions for the benefit of the named executive officers.

Stock Option Grants

The following table sets forth information concerning stock options granted under the named executive officers:

Option/SAR Grants in Last Fiscal Year

| Individual Grants | | | | | | |
|--------------------|---|---|--------------------------------|-----------------|--|-----|
| (a) | (b) | (c) | (d) | (e) | | |
| Name | Number of Securities Underlying Options/SAR's Granted (#) (1) | % of Total Options/SARs Granted to Employees in Fiscal Year | Exercise or Base Price (\$/Sh) | Expiration Date | | 5% |
| William Dillard II | 165,000 | 25.2% | \$15.74 | 4/24/2011 | | \$1 |
| Alex Dillard | 165,000 | 25.2 | 15.74 | 4/24/2011 | | 1 |

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| | | | | |
|------------------|--------|------|-------|-----------|
| Mike Dillard | 80,000 | 12.2 | 15.74 | 4/24/2011 |
| Drue Corbusier | 80,000 | 12.2 | 15.74 | 4/24/2011 |
| James I. Freeman | 60,000 | 9.2 | 15.74 | 4/24/2011 |

(1) If payment for shares upon exercise of any of these options is made with shares of the optionee, the optionee shall be granted on that date an option ("Reload Option") to purchase the same number of shares tendered to the Company. The exercise price of the Reload Option shall be the price of the common stock on the Reload Option grant date, and the expiration date of the Reload Option shall be the expiration date of the original option.

Stock Option Exercises and Holdings

The following table sets forth information concerning stock options exercised during the fiscal year ending as of the end of the last fiscal year by the named executive officers.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

| (a) | (b) | (c) | (d) | |
|--------------------|---------------------------------|---------------------|---------------|--|
| Name | Shares Acquired on Exercise (#) | Value Realized (\$) | Exercisable | Number of Securities Unexercised Option SARs at FY-End (#) |
| | | | Unexercisable | |
| William Dillard II | 0 | \$ 0 | 1,275,000 | 0 |
| Alex Dillard | 0 | 0 | 1,275,000 | 0 |
| Mike Dillard | 0 | 0 | 910,000 | 0 |
| Drue Corbusier | 0 | 0 | 640,000 | 0 |
| James I. Freeman | 180,000 | 1,007,700 | 564,609 | 0 |

(1) Represents the amount by which the market price at fiscal year end of the shares under the option exceeds the exercise price for such shares.

Pension Plan

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The following table shows the estimated annual benefits payable pursuant to the Company's compensation and years of service categories upon retirement.

Pension Plan Table Years of Service

| Compensation | 15 | 20 | 25 | 30 |
|--------------|----------|----------|-----------|-----------|
| \$300,000 | \$67,500 | \$92,066 | \$117,066 | \$142,066 |
| 350,000 | 79,566 | 108,733 | 137,900 | 167,066 |
| 400,000 | 92,066 | 125,400 | 158,733 | 192,066 |
| 450,000 | 104,566 | 142,066 | 179,566 | 217,066 |
| 500,000 | 117,066 | 158,733 | 200,400 | 242,066 |
| 550,000 | 129,566 | 175,400 | 221,233 | 267,066 |
| 600,000 | 142,066 | 192,066 | 242,067 | 292,066 |
| 650,000 | 154,566 | 208,733 | 262,900 | 317,066 |
| 700,000 | 167,066 | 225,400 | 283,733 | 342,066 |
| 750,000 | 179,566 | 242,067 | 304,567 | 367,066 |

A participant's compensation covered by the Company's pension plan is his average salary (see Table) for the last five years of his employment with the Company. The credited years of service for officers is as follows: William Dillard II, 33 years; Alex Dillard, 30 years; Mike Dillard, 30 years; James I. Freeman, 13 years. Benefits shown are computed as a single life annuity with five years of service and are not subject to deduction for social security or other offset amounts.

Compensation of Directors

Directors who are not officers of the Company each receive an annual retainer of \$20,000 a year in cash and 10,000 shares of Company Stock. In addition, committee chairmen receive an annual retainer of \$10,000. Directors who do not attend a board meeting receive \$1,000 for each committee meeting, and actual travel expenses.

Report of Executive Compensation and Stock Option Committees

The following report addresses the Company's compensation policies for executive officers and the Executive Compensation and Stock Option Committees (the "Compensation Committee") of the Board of Directors.

General

The Compensation Committee, which is composed of independent directors who are not employees of the Company, relating to the compensation of employees and oversees the administration of the Company's employee compensation program. The program of the Company has been designed (1) to provide compensation opportunities that are competitive with other companies, thereby allowing the Company to compete for and retain talented executives who are essential to the success of the Company, (2) to motivate key senior officers by rewarding them for attainment of profitability and growth objectives, and (3) to align the interests of executives with the long-term interests of stockholders by awarding stock options. The compensation provided to them.

In order to develop a competitive compensation package for the executive officers of the Company, the Compensation Committee compares the Company's compensation package with those of a comparison group. The comparison group is composed of retail stores and other public companies that were family-founded and continue to be family-managed. The comparison group are included in the Standard & Poor's Supercomposite Department Stores Index. Because the companies in the comparison group are comparable to the Company in management style and size, the Compensation Committee has made these comparisons, it also has taken into account that as the size of the Company's senior executives has not grown proportionately, so that the number of senior executives relative to the number of senior executives at other companies of similar size.

Currently, the Company's compensation program consists of salary, annual cash performance bonus, and long-term incentive opportunities in the form of stock options. The compensation

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and long-term performance of the Company, rewarding executives for both achievement of profitability

Salary -- Each year the Compensation Committee establishes the salary for all executive officers at the discretion of the Compensation Committee and are not specifically related to any company performance bonus and stock option portions of the compensation program, which are discussed below. However, base any increase in salary on targets based on a regression analysis of salaries of a peer comparison group. For fiscal 2001, the salaries set by the Compensation Committee were below the regression analysis.

Cash Performance Bonus -- Cash performance bonuses may be paid annually to senior management. The Company must have income before federal and state income taxes ("pre-tax income") for the fiscal year within ninety (90) days after the start of a fiscal year, designates those individuals in senior management to receive a performance bonus. Bonuses are paid at the conclusion of a fiscal year from a bonus pool, which is equal to (1-1/2%) of the Company's pre-tax income plus three and one-half (3-1/2%) of the increase in pre-tax income for the year. When the Compensation Committee designates the individuals eligible to participate in the bonus program, it also designates the percent of the bonus pool each individual will be entitled to receive. The Compensation Committee has the authority to adjust downward the amount of bonus any individual may receive pursuant to the terms of the bonus plan. For fiscal 2001, the Company experienced a pre-tax income of \$111,571,000 and no increase in pre-tax income over the prior year.

The Compensation Committee decided to eliminate the amount of bonus, which the named executive officers received for fiscal 2001.

Stock Options -- Stock option grants under the Company's 2000 Incentive and Non-Qualified Stock Option Plan are made for long-term incentive compensation for executive officers. These stock option grants relate to the performance of the Company's stock. The exercise price for the options granted is one hundred percent of the price of the shares underlying such options on the date of grant and have value to the executive officer if the stock price increases. The stock options are exercisable on or after April 24, 2001. When making option grants, the Compensation Committee does not consider the number of options already held by an executive officer.

As discussed in previous Compensation Committee Reports, the Omnibus Budget Reconciliation Act of 1986 limits the amount that can be deducted from a company's taxable income for compensation exceeding \$1 million paid to a company's top executives. This deduction limit does not apply to "performance-based compensation." The Compensation Committee believes that the necessary steps have been taken to qualify as performance-based compensation the compensation bonus and stock option portions of the Company's compensation program.

Chief Executive Officer

In setting the Chief Executive Officer's compensation, the Compensation Committee makes the same decisions regarding cash performance bonus and stock options as discussed above for the other named executive officers. The Chief Executive Officer's salary over the prior fiscal year resulted in a salary lower than the regression analysis discussed above.

Robert C. Connor
John Paul Hammerschmidt
Will D. Davis, Chairman

Company Performance

The graph below compares for each of the last five fiscal years the cumulative total return on investment in the Company's Class A Common Stock, the Standard & Poor's 500 Index and the Standard & Poor's Supercomposite Department Store Index. The graph on the Company's Class A Common Stock assumes \$100 invested in such stock on February 2, 1997 and

| | | 1997 | 1998 | 1999 | 2000 |
|-------------------------------|-----|--------|--------|--------|-------|
| Dillard's, Inc. | 100 | 118.16 | 83.79 | 65.4 | 52.1 |
| S&P 500 | 100 | 126.99 | 168.38 | 181.27 | 177.1 |
| S&P Supercomposite Dept. Strs | 100 | 133.15 | 135.63 | 99.79 | 125.1 |

CERTAIN RELATIONSHIPS AND TRANSACTIONS

William Dillard II, Drue Corbusier, Alex Dillard and Mike Dillard are siblings.

Mr. William H. Sutton is Managing Partner of the law firm Friday, Eldredge & Clark, which provides legal services.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and more than 10% of the Company's Class A Common Stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of stock of the Company.

To the Company's knowledge, based solely on a review of copies of reports provided by such individuals and their representations of such individuals that no other reports were required, during the fiscal year 2002, the Company is in compliance with the Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners.

Management of the Company knows of no other matters that may come before the Board of Directors other than those referred to herein should properly come before the meeting, it is the intent of the enclosed Proxy to vote the Proxy in accordance with their judgment.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter adopted by the Board of Directors. The Audit Committee is independent as defined under the listing standards of the New York Stock Exchange.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended February 2, 2002, with management and the independent auditors, Deloitte & Touche LLP. Management represented to the Audit Committee that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The discussions with Deloitte & Touche LLP included the matters required by Statement of Financial Accounting Standards No. 82, amended (Communications with Audit Committees). Deloitte & Touche LLP provided to the Audit Committee a letter regarding its independence as required by Independence Standards Board Standard No. 1 (Independence Standards Board, "Independence Standards Board Standard No. 1 (Communications with Audit Committees)"). The Audit Committee also considered whether the provision of non-audit services by Deloitte & Touche LLP is compatible with maintaining the auditor's independence.

Based upon the reviews and discussions noted above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended February 2, 2002.

Robert C. Connor
Calvin N. Clyde
John H. Johnson

INDEPENDENT PUBLIC ACCOUNTANTS

A representative of Deloitte & Touche LLP, the Company's independent public accountants for the current year, will be present at the meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

Audit Fees

Deloitte & Touche LLP billed the Company a total of \$732,538 for professional services for the Company's annual financial statements for the year ended February 2, 2002 and for the reports included in the Company's quarterly reports on Form 10-Q for fiscal 2001.

Financial Systems Design and Implementation Fees

No fees were paid to Deloitte & Touche LLP for any information technology services (as defined in 2-01(c)(4)(ii)(B) of Regulation S-X) during 2001.

All Other Fees

The Company paid Deloitte & Touche LLP an aggregate of \$3,121,891 for all services provided by the LLP other than the audit and financial systems design and implementation described above.

The Audit Committee of the Board of Directors has considered whether the provision of services under "Financial Systems Design and Implementation Fees" and "All Other Fees" is consistent with the independence of Deloitte & Touche LLP.

STOCKHOLDER PROPOSALS FOR THE 2003 ANNUAL MEETING

Proposals of stockholders intended to be presented at the Company's annual meeting were received by the Company at its principal executive offices not later than December 19, 2002. A copy of the Company's Proxy Statement and form of Proxy relating to that meeting is being mailed to stockholders.

ANNUAL REPORTS

The Company's annual report for the fiscal year ended February 2, 2002 is being mailed to stockholders but is not to be considered as a part hereof.

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS, IS REQUIRED TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, MAY BE OBTAINED WITHOUT CHARGE. A COPY OF THE PROXY IS SOLICITED UPON WRITTEN REQUEST TO:

DILLARD'S, INC.
Post Office Box 486
Little Rock, Arkansas 72203
Attention: James I. Freeman,
Senior Vice President,
Chief Financial Officer

By Order of the Board Of Directors

JAMES I. FREEMAN

Senior Vice President,
Chief Financial Officer,
Assistant Secretary

**REVOCABLE PROXY
DILLARD'S, INC.**

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

Dillard's, Inc.

Post Office Box 486

Little Rock, Arkansas 72203 PROXY

Telephone No. (501) 376-5200 William Dillard II and James I. Freeman as Proxies, each with the power to substitute, and hereby authorizes them to vote, as designated below, all the shares of the Class A Common Stock of Dillard's, Inc., held by the undersigned on March 29, 2002, at the annual meeting of stockholders to be held on May 18, 2002, or any adjournment thereof.

1. ELECTION OF DIRECTORS. ? FOR all Class A ? WITHHOLD
nominees listed to vote for all below (except as Class
marked to the contrary below)

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR AN INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH IN THE LIST BELOW.)

Class A Nominees

Robert C. Connor * Will D. Davis * John Paul Hammerschmidt * John H. Johnson

Management of the Company supports this proposal

2. In their discretion, the Proxies are authorized to vote upon such other business as may come before the meeting.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED. IF NO DIRECTION IS MADE, THE PROXY WILL BE VOTED FOR PROPOSAL 1.

**REVOCABLE PROXY
DILLARD'S, INC.**

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

Dillard's, Inc.

Post Office Box 486

Little Rock, Arkansas 72203 PROXY

Telephone No. (501) 376-5200 William Dillard II and James I. Freeman as Proxies, each with the power to hereby authorize them to represent and vote on behalf of the shares of the Class B Common Stock of Dillard's, Inc., held by the undersigned on March 29, 2002, at the annual meeting of stockholders to be held on May 18, 2002, or any adjournment thereof.

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1. ELECTION OF DIRECTORS. ? FOR all Class B ? WITHHOLD AUTHORITY
vote for all below (except as Class B nominees
marked to the contrary below)

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR AN INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH
BELOW.)

Class B Nominees

Calvin N. Clyde, Jr. * Drue Corbusier * Alex Dillard * Mike Dillard * William Dillard II * James
William H. Sutton

Management of the Company supports this proposal.

2. In their discretion, the Proxies are authorized to vote upon such other business as may

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED
MADE, THE PROXY WILL BE VOTED FOR PROPOSAL 1.