SUNTRON CORP
Form 8-K
April 14, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

March 29, 2005
(Date of earliest event reported)

SUNTRON CORPORATION

(Exact Name of Registrant as Specified in Charter)

DELAWARE
(State or other jurisdiction of incorporation)

0-49651	86-1038668
(Commission File Number)	(IRS Employer Identification Number)

2401 WEST GRANDVIEW ROAD
PHOENIX, ARIZONA
85023
(Address of Principal Executive Offices)
(Zip Code)

(602) 789-6600
(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)) o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.

On March 29, 2005, the compensation committee of the board of directors of Suntron Corporation (the Company) approved a cash bonus plan for 2005 (the 2005 Bonus Plan) and the Company began communicating the terms of the 2005 Bonus Plan to its senior management on April 8, 2005. The 2005 Bonus Plan is an annual cash bonus plan in which the Company s senior management may be awarded cash bonuses based on the achievement of financial, customer growth and operational performance goals. Bonuses paid to senior management are based on the Company s achievement of certain performance metrics, determined using three variables for each performance metric: (1) the participant s target bonus, which is a percentage of the participant s annual base salary based on his or her grade in the Company s compensation structure (a range from 50% to 100% of base salary); multiplied by (2) a payout percentage based on the percentage achievement of the applicable Company performance metric; multiplied by (3) the individual weighting for the applicable Company performance metric.

Item 9.01. Financial Statements and Exhibits

(a) *Financial Statements of Business Acquired.*
Not applicable.

(b) *Pro Forma Financial Information.*
Not applicable.

(c) *Exhibits.*
Not applicable.

SIGNATURE

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

SUNTRON CORPORATION

Date: April 14, 2005

By: /s/ Peter W. Harper
Peter W. Harper
Chief Financial Officer

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nbsp; 77,470

Nick White

80,000 53,900 133,900

(1) The amounts in the "Stock Awards" column represent the grant date fair value of the stock awards made in fiscal 2009, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation, and is equal to the closing market price of 7,000 shares on the date of grant.

(2) Mr. Watts began serving as a Nonemployee Director in August 2009 and received a retainer of $37,500 as well as 3,500 restricted shares of the Company's Class A Common Stock.

Employee Directors are not compensated for their service on the Board or attendance at Board meetings.

Compensation Committee Interlocks and Insider Participation

Peter R. Johnson, Warren A. Stephens and Nick White each served on the Compensation Committee during fiscal 2009. None of the members of the Compensation Committee were during fiscal 2009 or ever has been an officer or employee of the Company. With the exception of transactions described as Items 3 and 4 under "Certain Relationship and Transactions", none of the members of the Compensation Committee participated in a transaction requiring disclosure under Item 404 of Regulation S-K. During fiscal 2009, no member of the Compensation Committee, nor any other director of the Company, served as an executive officer of any entity on whose board of directors an executive officer of the Company served as a director.

Board Recommendation

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT STOCKHOLDERS VOTE ***FOR*** THE SLATE OF DIRECTORS NOMINATED BY THE BOARD. PROXIES SOLICITED BY THE BOARD WILL BE VOTED ***FOR*** EACH NOMINEE UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.

Vote Required

Approval of a nominee to serve as a Class A Director requires the affirmative vote of a majority of the outstanding shares of Class A Common Stock. Approval of a nominee to serve as a Class B Director requires the affirmative vote of a majority of the outstanding shares of Class B Common Stock.

Stockholders are not entitled to cumulative voting with respect to the election of Directors. The Board does not contemplate that any of the nominees will be unable to stand for election, but should any nominee become unavailable for election, all proxies will be voted for the election of a substitute nominated by the Executive Committee, or the Board as a whole, in accordance with the Company's by-laws.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis provides information regarding the compensation paid to our Chief Executive Officer, Chief Financial Officer and certain other executive officers who were the three most highly compensated in fiscal year 2009. These individuals, referred to as "named executive officers" or "NEOs," are identified below:

- William Dillard, II, Chief Executive Officer
- Alex Dillard, President
- Mike Dillard, Executive Vice President
- Drue Matheny, Executive Vice President
- James I. Freeman, Senior Vice President and Chief Financial Officer

This section should be read in conjunction with the detailed tables and narrative descriptions under the section titled "Executive Compensation" in this Proxy Statement.

Objectives, Purposes and Rewards of Our Compensation Program

Our compensation program is designed to maintain our competitive position in our industry by providing benefits equivalent to those offered by our leading competitors. The program's objectives are to:

- Provide compensation opportunities that are equivalent to those offered by comparable companies, thereby allowing the Company to compete for and retain talented executives who are critical to our long-term success;
- Motivate executive officers by rewarding them for attainment of profitability of the Company; and
- Align the interests of executives with the long-term interests of stockholders by awarding equity-based compensation in the form of stock option grants and participation in retirement, stock option and stock bonus plans thus encouraging stock ownership by our executives.

We have designed our compensation programs to attract, retain and motivate talented individuals and encourage these individuals to engage in behaviors necessary to enable us to succeed in creating stockholder value in a highly competitive marketplace.

Elements of Compensation

Our compensation program consists of the following elements: Base Salary, Annual Cash Performance Bonuses, Equity-Based Compensation Awards and Pension Plan Benefits. We choose to pay each separate element with the intent of rewarding certain behaviors believed to be beneficial to the Company and to accomplish specific purposes, as described below.

Base Salary is designed to:

- Reward competencies of our executives relative to skills, position and contributions to the success of our Company; and

Provide a level of annual cash compensation competitive with the marketplace that recognizes contributions to the overall success of the Company and provides the potential to enjoy annual increases reflecting those contributions.

Annual Cash Performance Bonuses are designed to:

- Motivate employees to assist in the attainment of profitability; and
- Foster a pay-for-performance culture that aligns our overall compensation programs with our business strategy and rewards employees for their contributions towards our goal of increasing profitability.

Equity-Based Compensation awards are designed to:

- Link compensation rewards to the creation of stockholder wealth; and
- Encourage our management to work together for the common good by associating a material portion of compensation to the value of our common stock.

Pension Plan benefits are designed to:

- Provide competitive incentives to our executive officers to focus on long-term success of the Company; and
- Provide a secure retirement after a long and productive career with the Company.

The Compensation Committee believes that this combination of programs provides an appropriate mix of fixed and variable pay, balances short-term operational performance with long-term stockholder value, and encourages executive recruitment and retention. In addition, the use of these programs enables us to reinforce our pay-for-performance philosophy as well as strengthen our ability to attract and retain highly qualified executives.

The following table sets forth for each NEO the percentage that each element of compensation accounts for in such NEOs total compensation mix for fiscal 2009:

NEO	Base Salary	Annual Cash Performance Bonuses	Equity-Based Compensation Awards	Pension Plan Benefits	All Other Compensation
William Dillard II	16.5%	16.5%	9.2%	56.2%	1.6%
Alex Dillard	14.9%	16.8%	9.3%	57.6%	1.4%
James I. Freeman	28.0%	26.0%	1.7%	42.0%	2.3%
Mike Dillard	21.9%	20.3%	1.3%	54.4%	2.1%
Drue Matheny	18.8%	18.4%	1.1%	60.5%	1.2%

How We Determine Compensation

Role of the Compensation Committee. The Compensation Committee has responsibility for establishing, implementing and monitoring adherence to our compensation philosophy. In carrying out this function, the Compensation Committee strives to ensure that the total compensation paid to executive officers is fair, reasonable and competitive.

The Compensation Committee evaluates both performance and compensation to ensure that we maintain the ability to attract and retain qualified management personnel and that compensation provided to our employees remains competitive relative to the compensation paid by our competitors. The Compensation Committee strives to achieve this objective by providing compensation packages that include a base salary, performance-based incentive bonuses and equity-based compensation.

The Compensation Committee annually reviews compensation packages and amounts paid by our primary competitors and other family-founded and family-managed companies in structuring elements to be included in our compensation packages and determining compensation amounts. This review, along with the independent judgment exercised by members of the Compensation Committee, guides the Compensation Committee's decisions regarding the allocation of compensation amounts between long-term and currently paid compensation, and the allocation between cash and non-cash amounts.

In administering our compensation package, the Compensation Committee attempts to foster a pay-for-performance culture providing executives with the opportunity to increase their level of overall compensation based on the financial performance of the Company as compared to the Company's operating budget. The Compensation Committee also takes into account how competitive pressures and economic conditions over which our executive officers may have little or no control can have an negative impact on the Company's financial performance.

We believe that our compensation packages, and each individual element included, are competitive in our industry. Our programs are designed to allow our executives the opportunity to both increase their annual cash compensation through performance based bonuses and to capitalize on any increases in our stock price resulting from the Company's success.

Role of Executive Officers in Compensation Decisions. Our chief executive officer, president and chief financial officer provide input to the Compensation Committee regarding Company performance. However, the Compensation Committee exercises complete discretion in making all compensation decisions regarding cash compensation and equity awards for all of our executive officers.

Role of Comparable Company Analysis in our Compensation Decisions. In order to develop a competitive compensation package for our executive officers, the Compensation Committee compares our compensation package with those of a comparison group of companies. The comparison group is composed of department stores, specialty stores and other public companies that were family-founded and continue to be family-managed. A complete listing of the companies in the comparison group appears below:

Abercrombie & Fitch Co.	The Men's Wearhouse, Inc.	The Bon Ton Stores, Inc.
Aeropostale, Inc.	Nordstrom, Inc.	The Gap, Inc.
Charming Shoppes, Inc.	Retail Ventures, Inc.	The TJX Companies, Inc.
Chico's FAS, Inc.	SAKS Incorporated	Tiffany & Co.
The Children's Place Retail Stores, Inc.	Shoe Carnival, Inc.	Wet Seal, Inc.
J.C. Penney Company, Inc	Starbucks Corporation	Williams-Sonoma, Inc.
Macy's, Inc.	Stein Mart, Inc.	
The McGraw-Hill Companies, Inc.	The Talbots, Inc.	

The Compensation Committee believes that the companies in the comparison group are comparable to the Company in operations, management style and culture (even though not all of the companies in our comparison group are included in the Standard & Poor's Supercomposite Department Stores Index). In addition to these comparisons, we believe that the number of senior executives retained by the Company is generally lower than the number of senior executives at other companies of similar size (although given consolidations and reorganizations in our industry it is not possible to be certain that our competitors continue to manage as they have historically). Nevertheless, the Compensation Committee believes that our executive management is placed closer in the chain of command to the associates for whom they are responsible. The benefit of this structure is that we are able to effectively manage our associates without unnecessary layers of intermediate managers. The Compensation Committee believes this approach increases the demands upon the executive's time and requires a greater depth of knowledge of operations than that of his/her peers in the comparison group.

Consequently, we believe that our executive officers' compensation should reflect this increased responsibility.

While we do not specifically benchmark our compensation to these or other companies, our Compensation Committee annually performs a compensation regression analysis to companies in our comparable group and periodically surveys the compensation practices of those companies to assess our competitiveness. In doing so, we take into account factors such as the relative financial performance of those companies, as well as certain other factors the Compensation Committee believes differentiate us from those companies. These additional factors include the Company's homogenous, unified business plan of operating virtually identical department stores primarily in the southeastern and southwestern parts of the country that allows for more streamlined, cohesive operations and its flatter management structure.

Specific Elements of Our Compensation Program

Base Salary

Our executive officers receive a base salary established by the Compensation Committee on an annual basis. Base salaries are set at the discretion of the Compensation Committee and, unlike the annual cash performance bonus and equity-based compensation awards, are not specifically related to any Company performance criteria. In establishing base salary levels, the Compensation Committee considers the aggregate compensation and benefits of the executive officers and bases any increase in salary on targets established by a regression analysis of salaries paid versus total revenues for our comparison group. The regression analysis relates each component of compensation expense to total revenue for each company in the comparison group and provides an expected level of aggregate compensation expense based on the Company's total revenue.

Adjustments to the base salary level may be made based on various factors, including comparisons to base salaries paid by members of the comparison group and evaluation of the executive's level of responsibility and experience as well as Company-wide performance. The Compensation Committee also considers the executive's success in achieving business results, promoting our core values and demonstrating leadership. The Compensation Committee considers appropriate ranges of compensation given the level of position, and performance of the individual and the Company for the period under consideration. This is done to ensure that the executive understands (a) that his/her responsibility to the stockholders to increase long term value by increasing the value of the Company's stock is of greater importance than a guaranteed annual salary and (b) that a bonus tied to performance and profitability is at least equally as important as salary.

For fiscal 2009, each named executive officer's base salary was as follows: William Dillard, II $810,000, Alex Dillard $720,000, Mike Dillard $610,000, James I. Freeman $610,000 and Drue Matheny $580,000. The Compensation Committee assigned higher base salary amounts to Messrs. William Dillard, II and Alex Dillard to reflect their level of responsibility, experience, the importance of their respective positions within the Company, and their ability to affect stockholder value relative to other NEOs. Based on the challenging economic environment in fiscal 2009, the Compensation Committee determined not to approve any adjustment in base salary from the fiscal 2008 level. As resulted in the table above, fiscal 2009 base salaries for named executive officers were below the expected level of salaries produced by our regression analysis.

Annual Cash Performance Bonus

Our compensation program includes performance bonuses payable under our Senior Management Cash Bonus Plan (the "*Cash Bonus Plan*") to reward executive officers based on our performance and the individual executive's contribution to that performance. Under the terms of the Cash Bonus Plan, performance bonuses may be paid only if the Company realizes positive net income before federal and state income taxes for the fiscal year, which we refer to as pre-tax income, and no bonus under the Cash Bonus Plan can exceed one percent of the Company's pre-tax income. This reflects a Company policy of requiring a certain level of financial and operational performance as compared to the Company's prior operating performance before any cash bonuses are earned by the named executive officers.

Under the Company's Cash Bonus Plan, persons who occupy the following positions are eligible to receive bonuses:

- Chief Executive Officer;
- President;
- Executive Vice Presidents; and
- Senior Vice Presidents.

From this pool of persons, the Compensation Committee, within 90 days after the start of a fiscal year and in its sole discretion, designates those individuals eligible to receive a cash performance bonus under the Cash Bonus Plan. In making its determination, the Compensation Committee considers the recommendation of senior management. For example, in the past, senior management has recommended that no bonuses be given to senior management as a group because of disappointing operating results and because other employees were not awarded bonuses. In addition to the Company's performance, the Compensation Committee takes into consideration the contribution of each executive officer to the Company's performance. In making this determination, the Compensation Committee may consider factors which are more individualized to specific circumstances which were unforeseen at the time the original allocations were made.

When the Compensation Committee designates the individuals eligible to participate in the Cash Bonus Plan, it also designates the maximum percentage of the bonus pool each individual will be entitled to receive. At the beginning of each fiscal year, the Compensation Committee assigns a percentage of the bonus pool to each participant, taking into consideration the individual's level of responsibility for both operating results and management of the organization. The assigned percentage could vary from year to year. The year end amount of the individual's bonus is mathematically determined by applying this percentage to the bonus pool. In March 2009, the bonus pool for fiscal 2009 was allocated as follows: William Dillard II 29%; Alex Dillard 29%; James I. Freeman 14%; Mike Dillard 14%; and Drue Matheny 14%. The Compensation Committee assigned higher percentage amounts to Messrs. William Dillard, II and Alex Dillard to reflect their level of responsibility and ability to affect stockholder value relative to other NEOs.

Bonuses are paid under the Cash Bonus Plan at the conclusion of the fiscal year from a bonus pool, which is equal to the sum of (x) $1^1/_2$% of the Company's pre-tax income for the fiscal year, plus (y) $3^1/_2$% of the increase in pre-tax income over the prior fiscal year. In fiscal 2009, our pre-tax income was $81,221,000. Since we incurred a pre-tax loss in fiscal 2008, the Compensation Committee also utilized $81,221,000 as the increase in pre-tax income. This resulted in a total available bonus pool of $4,050,000 for fiscal 2009.

The following table sets forth for each named executive officer, such officer's: (i) assigned percent allocation of the fiscal 2009 bonus pool; (ii) actual percent allocation of the fiscal 2009 bonus pool, as adjusted to comply with Cash Bonus Plan limits; and (iii) actual bonus payment under the Cash Bonus Plan for fiscal 2009:

NEO	Assigned Percent Allocation of the Fiscal 2009 Bonus Pool	Actual Percent Allocation of the Fiscal 2009 Bonus Pool	Fiscal 2009 Cash Bonus Payment under Cash Bonus Plan
William Dillard, II	29%	20%	$ 812,000
Alex Dillard	29%	20%	$ 812,000
James I. Freeman	14%	14%	$ 567,000
Mike Dillard	14%	14%	$ 567,000
Drue Matheny	14%	14%	$ 567,000

The Compensation Committee retains the discretion to reduce or eliminate any bonuses that might otherwise be due under the terms of the Cash Bonus Plan. The Compensation Committee also reserves the right to award smaller or no bonuses in order to conserve cash for operations or for other business opportunities that could either preserve or enhance stockholder value. The Compensation Committee cannot, however, increase the amounts payable under the Cash Bonus Plan. The Compensation Committee made no adjustments to the bonuses paid under the Cash Bonus Plan in fiscal 2009.

Equity-Based Compensation

We believe that equity ownership in our Company is important to tie the ultimate level of an executive officer's compensation to the performance of our Common Stock and stockholder gains while creating an incentive for sustained growth. To meet these objectives, each member of our senior management team receives equity-based compensation through one or more of the following plans (each of which is further discussed below): a qualified defined contribution retirement plan (the "*Retirement Plan*"), the Dillard's, Inc. Stock Purchase Plan (the "*Stock Purchase Plan*"), The Dillard's, Inc. Stock Bonus Plan (the "*Stock Bonus Plan*"), and the 2000 Incentive and Non-Qualified Stock Option Plan (the "*Stock Option Plan*"). The amount of compensation provided through our Retirement Plan, Stock Bonus Plan and Stock Purchase Plan is tied directly to the aggregate amount of cash compensation paid in the forms of salary and cash bonuses.

The equity-based compensation awarded under the Retirement Plan, Stock Purchase Plan and Stock Bonus Plan are established by a predetermined formula set forth in each plan. The Compensation Committee believes these formulas are appropriate and should not be altered. While the Compensation Committee technically has the discretion to alter the Stock Bonus Plan's formula, the Compensation Committee has never exercised this discretion since inception of the plan.

The determination of whether to grant awards under the Stock Option Plan is made in the sole discretion of the Compensation Committee. In determining the appropriate level of equity-based compensation to be granted to a specific individual during any fiscal year under the Stock Option Plan, the Compensation Committee (i) considers the compensation practices of our comparison group, and (ii) exercises its own judgment as to the appropriate level of equity-based compensation to be granted for a company of our size and financial performance.

Stock Option Grants. Stock options may be awarded to our executive officers under our Stock Option Plan. These grants are used to provide long-term incentive compensation to our executive officers and tie their compensation directly to the market performance of our Common Stock. The exercise price for the options granted is 100% of the fair market value of the shares underlying such options on the date of grant and have value to the executive officers only if our stock price subsequently increases.

The determination of whether to grant these awards to specific individuals, and the amount and timing of any such grants, is made in the sole discretion of the Compensation Committee. In making this determination, the Compensation Committee considers several factors, including but not limited to, the value of aligning the interests of managers with the interests of the Company and its stockholders, the possible dilutive effect on existing stockholders of stock option grants, the individual manager's contribution to profit and the price of the stock at the time of the grant. We do not backdate options or grant options retroactively. In addition, we do not plan to coordinate grants of options so that they are made before announcement of favorable information or after announcement of unfavorable information. Compensation Committee meetings are held at least once annually. The timing of the grants is determined by the Compensation Committee. There are times when the Compensation Committee may grant stock options after quarter end and quarterly reports are filed with the SEC.

Our executive officers, and primarily our chief executive officer, participate to a limited extent in the granting of stock options by recommending the granting of options to non-executive employees. The decision of whether to grant options, however, is left solely to the Compensation Committee.

The Company granted no options during fiscal 2009 because the Compensation Committee determined that the stock options which had been granted in prior years were deemed sufficient for both retaining and rewarding the affected personnel.

Retirement Plan. The Retirement Plan permits executives to make elective contributions to the Retirement Plan of up to the lesser of $15,500 ($20,500 if the executive is at least 50 years old) or 75% of eligible pay. Company matching contributions are calculated on the eligible executive's first 6% of elective deferrals with the first 1% being matched 100% and the next 5% being matched 50%. All contributions are used to purchase Class A Common Stock at market prices.

Stock Purchase Plan. The Stock Purchase Plan allows executives to make contributions only to the extent they were prevented from contributing to the Retirement Plan because of nondiscrimination rules and dollar limitations of the Internal Revenue Code. Company matching contributions are calculated on the eligible executive's first 5% of elective deferrals and are matched 100%. All contributions to the Stock Purchase Plan are applied to the purchase of Class A Common Stock at market prices.

Stock Bonus Plan. The Stock Bonus Plan provides a stock grant award equal to 6% of each executive's annual total cash compensation in excess of $15,000 (less applicable withholding) divided by the current fair market value per share on the date that the stock bonus is granted. The Stock Bonus Plan was first ratified by the stockholders in 1991 and most recently ratified by the stockholders in 2009. It is exclusively for highly compensated employees. The Compensation Committee does not have any discretion to make any stock grants different from those required based on the formula set forth in the Stock Bonus Plan.

Special Stock Bonus. In reviewing the compensation paid in fiscal 2009, the Compensation Committee determined that, because of the formulaic and fixed nature of much of the Company's compensation program, the total compensation paid to Messrs. William Dillard, II and Alex Dillard did not adequately compensate them for the exemplary performance of the Company in fiscal 2009 or their individual contributions to that performance and resulting increase in stockholder value. As such, the Compensation Committee elected to award Messrs. William Dillard, II and Alex Dillard each a special stock bonus of 15,000 shares of the Company's Class A Common Stock, in consideration of their contributions to the Company's performance in fiscal 2009.

Pension Plan

We also maintain a non-qualified defined benefit pension plan (the "*Pension Plan*") for our executive officers. The Pension Plan provides an annual award following retirement based upon the level of each officer's salary and bonus during the officer's tenure, as well as the total years of service provided to the Company. Specifically, the award is calculated by multiplying each officer's years of service by 1.5% and multiplying the result by the average of the highest three years of each officer's "pension earnings". Pension earnings are defined as total salary plus total bonus minus the maximum wage base for FICA withholding in that year.

The Pension Plan complies with the requirements of Section 409A of the Internal Revenue Code and regulations issued by the United States Department of the Treasury (the "*Treasury Regulations*"). In addition, in order to provide for more stable retirement planning for the officers, because the inherent uncertainties surrounding a change-in-control might lead some officers to retire prematurely or leave the Company and as a result of published surveys of like provisions contained in similar plans maintained by other companies, the Pension Plan provides that the present value of the annual pension benefit determined as of the date of a change in control would be paid in a lump sum within 60 days of the change in control. For purposes of the Pension Plan, a "change in control" is deemed to occur upon the happening of any of the following: (i) any person or entity acquires more than 50 percent of the Class B common stock whether by direct sale, merger, consolidation, share exchange or other form of corporate reorganization, (ii) a majority of the members of the Board of Directors is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors before the date of the appointment or election, or (iii) any person or entity acquires more than 80 percent the Company's assets. However, it will not be a "change in control" under the Pension Plan in any of the above instances if the acquirer in such transaction is either an entity controlled by the Company or controlled by the descendents of William Dillard or any spouse of any such descendants. All employees with a benefit accrued under the Pension Plan up to the date of the change in control are eligible and no further benefits are paid from the Pension Plan. For persons not yet eligible for early retirement, there is a $2^1/_2$% reduction in the amount of annual pension benefit for each year or partial year between the person's 65^{th} birthday and the person's attained age on the date of the change in control. The lump sum payment is further reduced if necessary to prevent them from becoming "parachute payments" under Section 280G of the Internal Revenue Code. Additional information about such lump sum payments, including how the present value would be determined and the estimated lump sum pension benefits that each named executive office would have received if a change in control were to have occurred on the last business day of fiscal 2009 fiscal year is provided below under "Potential Payments upon Termination or Change in Control".

Other Benefits

Health Insurance. We provide an enhanced health insurance plan to our executive officers. This plan provides for their physical well being and insures that they are able to devote their energies to the management of the Company.

Company Aircraft. Executive officers are allowed access to Company-owned aircraft for both business flights as well as personal use. This benefit increases the level of safety and security for the executive officers as well as allowing them to make better use of their time by being able to travel more efficiently. The Company reports imputed income for income tax purposes for the value of any personal use based upon the Standard Industry Fare Level (SIFL) in accordance with the Internal Revenue Code and Treasury Regulations. For purposes of the Summary Compensation Table below, the Company reports additional compensation for the NEOs based on the incremental cost for flights constituting personal use.

Tax Deductibility of Executive Compensation

Within our performance-based compensation program, we aim to compensate our executive officers in a manner that is tax effective, but we do not let tax considerations drive compensation decisions. Section 162(m) of the Internal Revenue Code generally disallows an income tax deduction to publicly-held corporations for compensation in excess of $1,000,000 paid for any fiscal year to the corporation's chief executive officer or to any of its other three most highly compensated officers other than its chief executive officer or chief financial officer. However, the statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. The Compensation Committee has historically structured executive compensation in order to preserve its deductibility under Section 162(m). The Compensation Committee reserves the right, however, to grant or approve compensation or awards that may not be deductible when it believes such compensation or awards are in the best interests of the Company and its stockholders or are necessary to assure competitive total compensation for our executive officers.

Other Compensation Considerations

Severance and Change in Control Arrangements. We have not entered into agreements or arrangements to provide severance or change-in-control payments to any of our executives, other than with respect to the Pension Plan as described above. Our past practice has not included the payment of severance to any executives.

Compensation Recovery Policy. The Compensation Committee does not have a specific policy seeking reimbursement of compensation awards. However, it will evaluate on a case by case basis whether to seek the reimbursement of certain compensation awards paid to an executive officer if such executive engages in material misconduct that caused, or partially caused, a restatement of financial results. If it should ever occur, when making this determination, the Compensation Committee will likely consider the totality of the circumstances surrounding the misconduct, including the intent of the officer in engaging in the misconduct and the expense which the company might have to incur seeking reimbursement as compared to the amount of reimbursement, and whether there were additional officers involved and, if so, the role played by the individual in the misconduct.

Compensation Policies and Practices and Risk Management. The Compensation Committee takes risk into consideration when reviewing and approving executive compensation and believes that the composition of total compensation should not encourage inappropriate or excessive risk-taking. The Company monitors the risk associated with its compensation program for all employees, including NEOs, as well as the components of our program and individual compensation decisions, on an ongoing basis. This ongoing assessment includes consideration of the primary design features of the Company's compensation plans and the process to determine incentive compensation eligibility and grant awards for employees and analysis of how those features could encourage or mitigate risk-taking. The Company believes that its compensation policies and practices for all employees, including NEOs, do not create risks that are reasonably likely to have a material adverse effect on the Company.

Compensation Committee Report

We have reviewed and discussed with management the Compensation Discussion and Analysis to be included in the Dillard's, Inc. 2010 Annual Meeting of Stockholders Schedule 14A Proxy Statement, filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 (the "*Proxy Statement*"). Based on the review and discussions referred to above, we recommend to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in the Proxy Statement.

Stock Option and Executive
Compensation Committee

Peter R. Johnson, Chairman
Warren A. Stephens
Nick White

EXECUTIVE COMPENSATION

The following table summarizes the total compensation earned or paid to our Named Executive Officers during fiscal years 2009, 2008 and 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation ($)(5)	All Other Compensation ($)(6)	Total Compensation ($)
William Dillard, II	2009	$ 810,000	$	$ 454,235(2)	$	$ 812,000	$ 2,758,692	$ 76,955	$ 4,911,882
Chief Executive	2008	810,000		47,700			1,559,080	86,812	2,503,592
Officer	2007	810,000		196,346			1,569,288	219,702	2,795,336
Alex Dillard	2009	720,000		448,731(3)		812,000	2,776,987	67,428	4,825,146
President	2008	720,000		42,300			508,104	78,241	1,348,645
	2007	720,000		190,946			1,065,809	211,229	2,187,984
Mike Dillard	2009	610,000		36,404		567,000	1,516,745	60,184	2,790,333
Executive Vice	2008	610,000		35,700			211,018	60,647	917,365
President	2007	610,000		107,389			398,587	125,929	1,241,905
Drue Matheny	2009	580,000		34,569		567,000	1,867,348	38,081	3,086,998
Executive Vice	2008	580,000		33,900			382,465	47,457	1,043,822
President	2007	580,000		105,517			1,178,938	124,317	1,988,772
James I. Freeman	2009	610,000		36,404		567,000	913,981	50,973	2,178,358
Senior Vice President	2008	610,000		35,700			199,405	58,974	904,079
and Chief Financial Officer	2007	610,000		107,386			550,141	121,571	1,389,098

(1) Reflects the amounts awarded in fiscal 2009 relaxing to stock grant awards pursuant to a special stock bonus and in fiscal 2009, 2008 and 2007 relating to stock grant awards pursuant to the Stock Bonus Plan. The amount reported in this column for each named executive officer reflects the aggregate fair value on the date of grant, as determined under Financial Accounting Standards Board Accounting Standards Codification Topic 718 (*Stock Compensation*).

(2) Reflects $48,635 awarded in fiscal 2009 relating to stock grant awards pursuant to the Stock Bonus Plan and $405,600 awarded by the Compensation Committee on April 14, 2010 as a special stock bonus.

(3) Reflects $43,131 awarded in fiscal 2009 relating to stock grant awards pursuant to the Stock Bonus Plan and $405,600 awarded by the Compensation Committee on April 14, 2010 as a special stock bonus.

(4) Reflects amounts earned by NEOs under the Company's Cash Bonus Plan.

(5) Reflects the increase in the present value of the accumulated benefit under the Corporate Officers Non-Qualified Pension Plan.

(6) Other compensation includes amounts contributed to the Retirement Plan for the benefit of the NEOs, the incremental cost to the Company for personal use of Company aircraft by NEOs as well as the amount of premiums paid for health insurance for the NEOs as detailed in the table below:

All Other Compensation

	Retirement Plan	Airplane Use(a)	Insurance	Total
William Dillard, II	$ 37,735	$ 7,334	$ 31,886	$ 76,955
Alex Dillard	33,062	2,480	31,886	67,428
Mike Dillard	28,298		31,886	60,184
Drue Matheny	25,889		12,192	38,081
James I. Freeman	27,423		23,550	50,973

(a) The Company reports imputed income for income tax purposes for the value of any personal use of Company-owned aircraft based upon the Standard Industry Fare Level (SIFL) in accordance with the Internal Revenue Code and Treasury Regulations. The amounts reported in this column reflect additional compensation for the executive officers based on the incremental cost for flights constituting personal use

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2009 Grants of Plan-Based Awards

The Company granted the awards below pursuant to the Stock Bonus Plan to the NEOs during the fiscal year ended January 30, 2010:

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards:	All Other Option Awards:		
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**Number of Shares of Stock or Units (#)(1)**	**Number of Securities Underlying Options (#)**	**Exercise or Base Price of Options Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards(2)**
William Dillard, II	March 13, 2009(3)							7,916			$ 47,700
Alex Dillard	March 13, 2009(3)							7,020			42,300
Mike Dillard	March 13, 2009(3)							5,600			35,700
Drue Matheny	March 13, 2009(3)							6,217			33,900
James I. Freeman	March 13, 2009(3)							6,547			35,700

(1) Reflects number of shares of stock granted after withholding applicable federal and state income tax.

(2) The stock grant awards reflected in the table are not subject to vesting.

(3) Reflects amounts earned by NEOs in fiscal 2008 under the Company's Stock Bonus Plan. Such awards are reported as 2008 compensation in the Summary Compensation Table. For more detailed information on the Stock Bonus Plan, including a general description of the procedure and formula utilized by the Company in determining the amounts payable, see the discussion and tables in the section titled "Compensation Discussion and Analysis" in this Proxy Statement.

Outstanding Equity Awards at 2009 Fiscal Year-End

The following table sets forth information concerning stock options held by NEOs as of January 31, 2009:

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares Or Units Of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**

William Dillard, II	500,000(1)	$ 25.740	1/24/2016
	127,683(2)	$ 26.230	5/24/2011
Alex Dillard	500,000(1)	$ 25.740	1/24/2016
	127,207(3)	$ 26.455	5/24/2011
Mike Dillard	300,000(1)	$ 25.740	1/24/2016
	61,559(4)	$ 26.570	5/24/2011
Drue Matheny	300,000(1)	$ 25.740	1/24/2016
	23,781(5)	$ 24.730	5/24/2011
	34,139(6)	$ 25.950	5/24/2011
James I. Freeman	300,000(1)	$ 25.740	1/24/2016

(1) Stock options were vested 100% upon grant on January 24, 2006.

(2) Stock options were vested 100% upon grant on January 12, 2005.

(3) Stock options were vested 100% upon grant on January 11, 2005.

(4) Stock options were vested 100% upon grant on January 13, 2005.

(5) Stock options were vested 100% upon grant on March 12, 2002.

(6) Stock options were vested 100% upon grant on January 20, 2006.

2009 Option Exercises and Stock Vested

The table below set forth the number of shares acquired and the value realized upon exercise of stock options and vesting of stock awards during fiscal year 2009 by each of the NEOs.

	Option Awards		Stock Awards(1)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
William Dillard, II			7,916	$ 47,700
Alex Dillard			7,020	42,300
Mike Dillard			5,600	35,700
Drue Matheny			6,217	33,900
James I. Freeman			6,547	35,700

(1) The number of shares reflected as underlying Stock Awards in the table represent grants during 2009 of stock grant awards pursuant to the Company's Stock Bonus Plan. These awards are not subject to vesting and, accordingly, are treated in this table as having "vested" upon grant. The amounts reflected as "Value Realized on Vesting" represent the market value of the shares on the date of grant.

2009 Pension Benefits

The following table discloses the pension benefits and other information as of January 30, 2010 for the NEOs pursuant to the Pension Plan.

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
William Dillard, II	Corporate Officers Non-Qualified Pension Plan	41	$ 22,036,590	$
Alex Dillard	Corporate Officers Non-Qualified Pension Plan	38	15,096,640	
Mike Dillard	Corporate Officers Non-Qualified Pension Plan	38	7,673,301	
Drue Matheny	Corporate Officers Non-Qualified Pension Plan	41	11,023,910	
James I. Freeman	Corporate Officers Non-Qualified Pension Plan	22	4,479,718	

The calculation of benefits under the Pension Plan is discussed in the Pension Plan portion of the Compensation Discussion and Analysis. The methodology and material assumptions used in quantifying the present value of the accumulated benefit are disclosed in Note 10 to the audited financial statements filed in the Company's annual report on Form 10-K for the fiscal year ended January 30, 2010.

Potential Payments Upon Termination or Change-in-Control

In order to provide for more stable retirement planning for the officers, because the inherent uncertainties surrounding a change-in-control might lead some officers to retire prematurely or leave the Company and as a result of published surveys of like provisions contained in similar plans maintained by other companies, the Pension Plan was amended in 2007 to provide for a lump sum payment to be paid to participants within 60 days of a change-in-control of the Company.

All employees with a benefit accrued under the Pension Plan up to the date of the change in control are eligible and no further benefits would be paid from the Pension Plan. The table below details the benefits that would be paid to the named executive officers, assuming a change-in-control occurred on January 30, 2010, the last day of fiscal 2009. The lump sum payment is equal to the present value of the annual pension benefit determined as of the date of the change in control. As discussed in the Compensation Discussion and Analysis, the amount of the lump sum payment is reduced in particular situations. For purposes of determining the lump sum payment, present value is determined by using the interest rate determined under Section 417(e) of the Internal Revenue Code for the month of December preceding the calendar year in which the change in control occurs and by using for post-retirement mortality the 1994 Group Annuity Reserving Mortality Table projected to 2002 based on a fixed blend of 50% of the uploaded male mortality rates and 50% of the uploaded female mortality rates.

NEO	Lump Sum Payment
William Dillard, II	$ 22,036,590
Alex Dillard	19,222,917
Mike Dillard	10,731,797
Drue Matheny	11,890,437
James I. Freeman	5,527,118

We have not entered into agreements or arrangements to provide severance or change-in-control payments to any of our executives, other than the Pension Plan benefits described above.

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CERTAIN RELATIONSHIPS AND TRANSACTIONS

The following list is a summary of transactions occurring during fiscal year 2009, or that are currently proposed, (i) in which the Company was or is to be a participant, (ii) where the annual amount involved exceeds $120,000, and (iii) in which the Company's executive officers, directors, nominees, principal stockholders and other related parties had a direct or indirect material interest or which the Company has chosen to voluntarily disclose:

1. Denise Mahaffy, a Vice President of the Company, is a sibling of William Dillard, II, Drue Matheny, Alex Dillard and Mike Dillard. For fiscal 2009, the Company paid Denise Mahaffy total salary and bonus of $400,000. During fiscal 2009, the Company also made defined contributions for the benefit of Denise Mahaffy in the amount of $39,810 pursuant to its benefit plans.

2. William Dillard, III, a Vice President of the Company, is the son of William Dillard, II. For fiscal 2009, the Company paid William Dillard, III total salary and bonus of $350,000. During fiscal 2009, the Company also made defined contributions for the benefit of William Dillard, III in the amount of $39,036 pursuant to its benefit plans.

3. During 2009, media properties owned by Stephens Media Group received advertising fees from Dillard's and its affiliates of approximately $2,500,000. Warren A. Stephens is Co-Chairman and 50% owner of SF Holding Corp., which is the general partner of the partnership which owns Stephens Media Group.

4. During 2009, Stephens Insurance, LLC received commissions from third parties of $1,117,000 in connection with the sale of voluntary insurance benefits to Dillard's employees. It is estimated that approximately $280,000 of this amount represents commissions from premiums paid by Dillard's on behalf of employee insurance programs. Stephens Insurance, LLC is wholly-owned by Warren A. Stephens.

All related party transactions described above have been reviewed by the Board of Directors, which has determined the transactions are fair to the Company. It is the policy of the Board of Directors of Dillard's, Inc. which has been formally adopted in writing as a Board Resolution: (1) to require that related persons must disclose to the Board of Directors the material terms of any potential related party transaction, or any material amendment or modification of such a transaction, that may require disclosure in the proxy statement and (2) to provide that the Board of Directors establish in each individual case a group of disinterested directors with the responsibility to review such potential transaction, amendment or modification, to determine whether such transaction is fair to the Company and, if so, to approve or ratify the transaction. Due to the myriad of different situations which could present themselves to this group of directors, no specific standards to apply during review of a related party transaction have yet been developed.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

Effective January 1, 2008, the Company amended its Retirement Plan. As a result of this amendment, the Company's Stock Purchase Plan, which allows executives to make contributions only to the extent that they were prevented from contributing to the Retirement Plan because of the nondiscrimination rules and dollar limitations of the Internal Revenue Code, no longer met all of the requirements for an "Excess Benefit Plan" pursuant to Rule 16b-3(b)(2) under the Exchange Act. Consequently, acquisitions of our Class A Common Stock under the Stock Purchase Plan by certain executive officers were not exempt from the reporting requirements of Section 16(a) of the Exchange Act pursuant to Rules 16b-3(c) and 16a-3(f)(1)(i)(B) under the Exchange Act (however these acquisitions continued to be exempt from potential liability under Section 16(b) of the Exchange Act pursuant to Rule 16b-3(d) under the Exchange Act). Upon realization of these facts early in 2009, Forms 4 to report the weekly acquisitions under the Stock Purchase Plan began to be timely filed. The following numbers of Forms 4 were filed to report the individual acquisitions that should have previously been reported: William Dillard, II (3 filings, 51 transactions); Alex Dillard (3 filings, 47 transactions); Mike Dillard (2 filings, 8 transactions); Drue Matheny (3 filings, 39 transactions); James I. Freeman (3 filings, 40 transactions); Paul J. Schroeder, Jr. (3 filings, 34 transactions); Burt Squires (3 filings, 35 transactions); Kent Burnett (3 filings, 37 transactions); Robin Sanderford (3 filings, 37 transactions); David Terry (2 filings, 27 transactions); Julie A. Taylor (2 filings, 21 transactions); and Steven K. Nelson (1 filing, 20 transactions).

Except as disclosed in the preceding paragraph, to the Company's knowledge, based solely on a review of copies of reports provided by individuals subject to the reporting requirements of Section 16(a) of the Exchange Act to the Company and written representations of such individuals that no other reports were required, during the fiscal year ended January 30, 2010, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter adopted by the Board of Directors. Each of the members of the Audit Committee qualifies as an "independent" director under the applicable rules of the Securities and Exchange Commission and the NYSE listing standards relating to audit committees. The Board of Directors has determined that Peter R. Johnson is an audit committee financial expert and is independent of management as defined by rules of the Securities and Exchange Commission. The designation as an audit committee financial expert does not impose any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed by being a member of the audit committee or board of directors. The Audit Committee held ten meetings during the fiscal year ended January 30, 2010.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended January 30, 2010 with management and PricewaterhouseCoopers LLP, the independent registered public accounting firm for the Company. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The discussions with PricewaterhouseCoopers LLP included the matters required by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. Also, PricewaterhouseCoopers LLP provided to the Audit Committee the written disclosures and the letter regarding its independence required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and the Audit Committee has discussed with PricewaterhouseCoopers LLP its independence. The Audit Committee also considered whether the provision of non-audit services by PricewaterhouseCoopers 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 to be filed with the Securities and Exchange Commission for the year ended January 30, 2010.

Audit Committee of the Board of Directors,

Robert C. Connor, Chairman
Peter R. Johnson
R. Brad Martin

PROPOSAL 2. RATIFICATION OF THE SELECTION OF THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Board of Directors recommends to the stockholders that they ratify the selection by the Audit Committee of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for the fiscal year ending January 29, 2011. In the event that the stockholders fail to ratify the appointment, the Audit Committee will consider the view of the stockholders in determining its selection of the Company's independent public accountants for the subsequent fiscal year. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a new independent accounting firm at any time during the year if the Audit Committee feels that such a change would be in the best interests of the Company and the stockholders. A representative of PricewaterhouseCoopers LLP will be present at the annual meeting and will have the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

In April 2009, the Audit Committee conducted a competitive process to select a firm to serve as the Company's independent registered public accounting firm for the fiscal year ending January 30, 2010. The Audit Committee invited several firms to participate in this process, including Deloitte & Touche LLP ("*Deloitte*"), the Company's independent registered public accounting firm since fiscal 1988. As a result of this process and following careful deliberation, on May 4, 2009, the Audit Committee approved the engagement of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending January 30, 2010, and dismissed Deloitte from that role on May 5, 2009.

Deloitte's audit reports on the Company's consolidated financial statements as of and for the fiscal years ended January 31, 2009, and February 2, 2008, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended January 31, 2009, and February 2, 2008, respectively, and in the subsequent interim period through May 4, 2009, there were (1) no disagreements between the Company and Deloitte on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte, would have caused Deloitte to make reference to the subject matter of the disagreement in their reports on the financial statements for such years, and (2) no "reportable events" as that term is defined in Item 304(a)(1)(v) of Regulation S-K. The Company provided Deloitte with a copy of the disclosures in this Proxy Statement prior to the time it was filed with the SEC. In the event Deloitte believed the disclosures were incorrect or incomplete, Deloitte was permitted to express its views in a brief statement to be included in this Proxy Statement. Deloitte did not submit such a statement as it did not believe that the disclosures were incorrect or incomplete.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL NO. 2.

INDEPENDENT ACCOUNTANT FEES

The following table summarizes the fees billed by PricewaterhouseCoopers LLP for 2009 and Deloitte for 2008 for audit and other related fees:

	2009	2008
Audit Fees	$ 1,025,000	$ 1,889,548
Audit Related Fees	16,500(1)	406,917(4)
Tax Fees	350,554(2)	
All Other Fees	3,000(3)	
	$ 1,395,054	$ 2,296,465

(1) Includes audits of Company sponsored employee benefit plans.

(2) Includes review of income tax returns and appeals support services.

(3) License for accounting research tool.

(4) Includes audits of Company sponsored employee benefit plans, special review of controls and procedures ordered by the audit committee, procedures performed in conjunction with the acquisition of a business and the review of a registration statement.

None of the services described above were approved pursuant to the de minimis exception provided in Rule 2-01(c)(7)(i)(C) of Regulation S-X promulgated by the SEC.

The policy of the Audit Committee requires it to pre-approve all audit and non-audit services to be performed by the independent accountant. During 2009, the Audit Committee approved all of the services described above under the captions "Audit Fees", "Audit Related Fees," "Tax Fees" and "All Other Fees" in accordance with this policy.

OTHER MATTERS

Management of the Company knows of no other matters that may come before the Annual Meeting. However, if any matters other than those referred to herein should properly come before the Annual Meeting, it is the intention of the persons named in the enclosed Proxy to vote the Proxy in accordance with their judgment.

STOCKHOLDER PROPOSALS FOR THE 2011 ANNUAL MEETING

The Company's Annual Meeting of Stockholders in 2011 is scheduled to be held on Saturday, May 21, 2011. If a stockholder intends to submit a proposal to be included in the Company's proxy statement and form of proxy relating to the Company's 2011 Annual Meeting of Stockholders in accordance with Securities and Exchange Rule 14a-8, the proposal must be received by the Company at its principal executive offices not later than December 21, 2010. Such proposal must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy statement and related form of proxy for the Annual Meeting of Stockholders in 2011.

Under the Company's by-laws, if a stockholder intends to submit a proposal at the Annual Meeting of Stockholders in 2011, and such proposal is not intended to be included in the Company's proxy statement and form of proxy relating to such meeting pursuant to SEC Rule 14a-8, the stockholder's notice of such proposal (including certain information specified in the by-laws) must be received by the Company's Secretary at the principal executive office of the Company no earlier than January 16, 2011 and no later than February 14, 2011. If a stockholder fails to submit the proposal within such time period, the proposal will not be considered at the Annual Meeting of Stockholders in 2011.

STOCKHOLDER COMMUNICATIONS

Stockholders and other interested parties may direct communications to individual directors, to a Board committee, the non-management directors as a group or to the Board as a whole, by addressing the communication to the individual Director, the "Non-Management Members of the Board of Directors" or the "Board of Directors," as applicable, at 1600 Cantrell Road, Little Rock, Arkansas 72201. In general, any communications delivered to the corporate office for forwarding to the Board of Directors or specified Board members will be forwarded in accordance with its instructions. However, prior to the communications being forwarded to the Board member, the Corporate Secretary reviews communications and reserves the right not to forward to Board members any inappropriate materials.

GENERAL

The Company's annual report for the fiscal year ended January 30, 2010 is being mailed with this Proxy Statement but is not to be considered as a part hereof. These materials are also available at http://investor.shareholder.com/dillards/annuals.cfm.

The Company has adopted a procedure called "householding," which the SEC has approved. Under this procedure, the Company is delivering a single copy of this Proxy Statement and the Annual Report to multiple stockholders who share the same address unless the Company has received contrary instructions from one or more of the stockholders. Stockholders who participate in householding will continue to receive separate proxy cards. Upon request, the Company will promptly deliver a separate copy of this Proxy Statement and the Annual Report to any stockholder at a shared address to which the Company delivered a single copy of any of these documents.

If you are a registered holder of Common Stock and would like to either request a separate copy of this Proxy Statement and the Annual Report, revoke your consent to householding and in the future receive your own set of proxy materials, or if your household is currently receiving multiple copies of the proxy materials and you would like in the future to receive only a single set of proxy materials at your address, you may do so by contacting the Company's stock transfer agent, Register and Transfer Company, via e-mail at info@rtco.com, by mail at 10 Commerce Drive, Cranford, New Jersey 07016-3572 or by calling 1-800-368-5948.

Stockholders who own Common Stock in street name through a broker or other nominee should contact their brokers or nominees if they have questions, require additional copies of this Proxy Statement or Annual Report, or wish either to give instructions to household or to revoke their decision to household.

The material in this Proxy Statement under the captions "Compensation Committee Report" and "Audit Committee Report" shall not be deemed soliciting material or otherwise deemed filed and shall not be deemed to be incorporated by any general statement of incorporation by reference in any filings made under the Securities Act of 1933 or the Securities Exchange Act of 1934.

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND SCHEDULES THERETO, REQUIRED TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, MAY BE OBTAINED WITHOUT CHARGE BY ANY STOCKHOLDER WHOSE 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

PAUL J. SCHROEDER, JR.
Vice President, General Counsel,
Secretary

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