

DILLARDS INC  
Form DEF 14A  
April 04, 2016

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Dillard's Inc.**

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(Name of Registrant as Specified In Its Charter)

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

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**NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held on Saturday, May 21, 2016**

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The 2016 Annual Meeting of Stockholders (the "*Annual Meeting*") of Dillard's, Inc. (the "*Company*") will be held at the Company's Corporate Office, 1600 Cantrell Road, Little Rock, Arkansas on Saturday, May 21, 2016, at 9:00 a.m. CDT for the following purposes:

1. To elect as directors the twelve nominees named in the attached Proxy Statement (four of whom are to be elected by Class A stockholders and eight of whom are to be elected by Class B stockholders).
2. To ratify the appointment of KPMG LLP as the independent registered public accounting firm of the Company for fiscal 2016.
3. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Details regarding the business to be conducted are more fully described in the accompanying Proxy Statement.

Only stockholders of record at the close of business on March 24, 2016, will be entitled to notice of, and to vote at, the meeting or adjournments or postponements thereof.

Your participation in the meeting is earnestly solicited. Even if you expect to attend the meeting, we encourage you to vote in advance by proxy. The giving of a proxy does not affect your right to revoke it later or vote your shares in person in the event you should attend the Annual Meeting.

By Order of the Board of Directors  
DEAN L. WORLEY  
*Vice President, General Counsel, Corporate Secretary*

Little Rock, Arkansas  
April 4, 2016

**Important notice regarding the availability of proxy materials for the 2016 Annual Meeting of Stockholders to be held on May 21, 2016. The accompanying Proxy Statement and the Company's Annual Report on Form 10-K are available at <http://investor.shareholder.com/dillards/annuals.cfm>**

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**DILLARD'S, INC.**  
1600 CANTRELL ROAD  
LITTLE ROCK, ARKANSAS 72201  
Telephone (501) 376-5200

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**PROXY STATEMENT**

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April 4, 2016

**General**

The enclosed proxy is solicited by and on behalf of the Board of Directors (the "*Board*") of Dillard's, Inc., a Delaware corporation (the "*Company*," "*Dillard's*," "*we*," "*us*," or "*our*"), for use at the 2016 Annual Meeting of Stockholders (the "*Annual Meeting*") to be held on Saturday, May 21, 2016, at 9:00 a.m. CDT, at our principal executive offices, 1600 Cantrell Road, Little Rock, Arkansas, 72201, or at any adjournments or postponements thereof.

**Internet Availability of Proxy Materials**

In accordance with the rules of the Securities and Exchange Commission (the "*SEC*"), we sent a Notice of Internet Availability of Proxy Materials on or about April 4, 2016 to our stockholders of record as of the close of business on March 24, 2016. We also provided access to our proxy materials via the Internet beginning on that date. If you received a Notice of Internet Availability of Proxy Materials by mail and did not receive, but would like to receive, a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in this proxy statement or in the Notice of Internet Availability of Proxy Materials.

**Proxy Voting**

The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, meaning that your shares are represented by certificates or book entries in your name so that you appear as a stockholder on the records of our stock transfer agent, you may vote by proxy, meaning you authorize individuals named on the proxy card to vote your shares. You may provide this authorization by voting via the Internet at [www.proxyvote.com](http://www.proxyvote.com), by telephone by calling the toll-free telephone number provided in your Notice of Internet Availability of Proxy Materials or (if you have requested paper copies of our proxy materials) by mail by simply signing, dating and mailing a proxy card. In these circumstances, if you do not vote by proxy or in person at the Annual Meeting, your shares will not be voted.

If you own your shares in "street name," that is, through a brokerage account or in another nominee form, you are a beneficial owner and not a stockholder of record, and therefore must provide instructions to your broker or nominee as to how your shares held by them should be voted. Your ability to vote in person, via the Internet, by mail, or by telephone depends on the voting procedures of your broker or nominee. Please follow the directions that your broker or nominee provides. In these circumstances, if you do not provide voting instructions, the institution may nevertheless vote your shares on your behalf with respect to the ratification of the appointment of KPMG LLP ("*KPMG*") as our independent auditors for fiscal 2016, but not on any other matters being considered at the meeting.

All proxies related to shares held of record as of March 24, 2016, other than those held through the Dillard's, Inc. Investment & Employee Stock Ownership Plan (the "*401(k) Plan*"), must be submitted no later than 11:59 p.m. EDT on May 20, 2016, and no proxy received after that date and time will be voted at the Annual Meeting. If a stockholder holds Company shares through the 401(k)

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Plan, such stockholder is entitled to instruct Evercore Trust Company, N.A. ("*Evercore*"), Trustee for the 401(k) Plan ("*Trustee*"), on how to vote such shares, provided that his or her voting instructions are submitted in accordance with the instructions on the proxy card and received by no later than 11:59 p.m. EDT on May 18, 2016 in order to allow sufficient time for votes within the 401(k) Plan to be tabulated by the Trustee. For any shares held through the 401(k) Plan for which timely voting instructions are not received from a 401(k) Plan participant or if no choice is specified on a particular proposal in voting instructions that are timely submitted, such shares will be voted in accordance with the recommendations of the Board of Directors as described herein.

### **Revocation of Proxies**

Any stockholder of record giving a proxy has the power to revoke it at any time before it is voted either by written revocation delivered to the Corporate Secretary of the Company at our principal executive offices, by attending the Annual Meeting and voting in person, or by submitting a subsequent proxy by mail, over the Internet or by telephone. To obtain directions to attend the Annual Meeting and vote in person, please call (501) 376-5965. Proxies solicited herein will be voted in accordance with any directions contained therein, unless the proxy is received in such form or at such time as to render it ineligible to vote, or unless properly revoked. If no choice is specified by a stockholder in a returned proxy, the shares will be voted in accordance with the recommendations of the Board as described herein. If matters of business other than those described in this proxy statement properly come before the Annual Meeting, the persons named in the proxy will vote in accordance with their best judgment on such matters. The proxies solicited herein shall not confer any authority to vote at any meeting of stockholders other than the Annual Meeting to be held on May 21, 2016, or any adjournments or postponements thereof.

### **Record Date; Outstanding Shares**

The stock transfer books of the Company will not be closed, but only stockholders of record at the close of business on March 24, 2016 (the "*Record Date*"), will be entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof. At that date, there were 31,606,486 shares of the Company's Class A Common Stock outstanding ("*Class A Common Stock*") and 4,010,401 shares of the Company's Class B Common Stock outstanding ("*Class B Common Stock*" and, together with Class A Common Stock, "*Common Stock*").

### **Quorum; Vote Required**

The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock issued and outstanding as of the Record Date and entitled to vote at the Annual Meeting is required to establish a quorum at the Annual Meeting.

If a quorum is established, each holder of Class A Common Stock and each holder of Class B Common Stock shall be entitled to one vote on the matters presented at the meeting for each share standing in such holder's name, except that the holders of Class A Common Stock are empowered as a class to elect one-third of the directors serving on the Company's Board of Directors and the holders of Class B Common Stock are empowered as a class to elect two-thirds of the directors serving on the Company's Board of Directors. Stockholders will not be allowed to vote for a greater number of nominees than those named in this proxy statement.

In order to be elected, nominees for Director of each class must receive the affirmative vote of a majority of the shares of that respective class outstanding and eligible to vote in the election. Cumulative voting for Directors is not permitted. The vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy and having voting power is required for the

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ratification of KPMG LLP as the Company's independent registered public accounting firm (Proposal No. 2).

### **Abstentions and Broker Non-Votes**

Abstentions will be counted for quorum purposes but will have the effect of a vote against each nominee in the election of directors (Proposal No. 1), and a vote against the proposal to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2016 (Proposal No. 2).

Brokers holding shares for individual stockholders must vote according to specific instructions they receive from each such individual stockholder. If specific instructions are not received, in some cases, brokers may vote these shares in their discretion. The New York Stock Exchange (the "NYSE"), however, precludes brokers from exercising voting discretion on certain proposals designated under NYSE rules as being "non-routine" without specific instructions from the individual stockholder. This results in a "broker non-vote" on such a proposal. The election of directors (Proposal No. 1), is considered a non-routine matter under applicable NYSE rules. As such, a broker cannot vote on this proposal without instructions from the individual stockholder and, therefore, an undetermined number of broker non-votes may occur with respect to the election of directors (Proposal No. 1). As with abstentions, broker non-votes will be counted for quorum purposes and will have the effect of a vote against the nominees in the election of directors (Proposal No. 1). The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2016 (Proposal No. 2) is considered a routine matter under applicable NYSE listing rules. Therefore, brokers will be permitted to vote the shares of individual stockholders who do not submit voting instructions for this proposal, and no broker non-votes will occur in connection with the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2016 (Proposal No. 2).

### **Costs of Solicitation**

The cost of soliciting proxies will be borne by the Company. The Company will reimburse brokers, custodians, nominees and other fiduciaries for their charges and expenses in forwarding proxy materials to beneficial owners of shares of the Company's Common Stock. In addition to solicitation by mail, certain officers and employees of the Company may solicit proxies by telephone, fax, e-mail or other electronic means, or in person. These persons will receive no compensation other than their regular salaries.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL HOLDERS**

The following table sets forth certain information regarding persons known to the Company to beneficially own more than five percent of a class of the Company's outstanding voting securities as of the close of business on March 24, 2016. Unless otherwise indicated, each such person has sole voting power and sole dispositive power over the shares indicated below.

<b>Name and Address of Beneficial Owner</b>	<b>Title of Class</b>	<b>Amount and Nature Of Beneficial Ownership</b>	<b>Percent Of Class(1)</b>
Evercore Trust Company, N.A. 55 East 52 <sup>nd</sup> Street, 36 <sup>th</sup> Floor New York, NY 10055	Class A	8,148,612(2)	25.8%
FMR, LLC 245 Summer Street Boston, MA 02210	Class A	2,809,436(3)	8.9%
Greenlight Capital, Inc. 140 East 45 <sup>th</sup> Street, 24 <sup>th</sup> Floor New York, NY 10017	Class A	1,743,582(4)	5.5%
W.D. Company, Inc.(5) 1600 Cantrell Road Little Rock, AR 72201	Class A Class B	41,496 3,985,776	0.1% 99.4%

- (1) At March 24, 2016, there were a total of 31,606,486 shares of the Company's Class A Common Stock and 4,010,401 shares of the Company's Class B Common Stock outstanding.
- (2) Based on information contained in Schedule 13G/A filed February 10, 2016 with the Securities and Exchange Commission, Evercore Trust Company, N.A. is the beneficial owner of these shares in its capacity as Trustee of the 401(k) Plan. Evercore Trust Company, N.A. has no voting power and has shared dispositive power over these shares.
- (3) Based on information contained in Schedule 13G filed February 12, 2016 by FMR, LLC and Abigail P. Johnson, Director, Vice Chairman, Chief Executive Officer and President of FMR, LLC. FMR, LLC and Abigail P. Johnson each have sole voting power over 74,606 shares, sole dispositive power over 2,809,436 shares, and no shared voting or dispositive power with respect to any shares.
- (4) Based on information contained in Schedule 13G filed February 16, 2016 with the Securities and Exchange Commission, Greenlight Capital, Inc. has shared voting and dispositive power with respect to 1,013,172 shares and no sole voting or dispositive power with respect to any of the shares, DME Advisors, LP has shared voting and dispositive power with respect to 222,900 shares and no sole voting or dispositive power with respect to any of the shares, DME Capital Management, LP has shared voting and dispositive power with respect to 470,700 shares and no sole voting or dispositive power with respect to any of the shares, DME Advisors GP, LLC has shared voting and dispositive power with respect to 693,600 shares and no sole voting or dispositive power with respect to any of the shares and David Einhorn has shared voting and dispositive power with respect to 1,743,582 shares and no sole voting or dispositive power with respect to any of the shares.
- (5) William Dillard, II, Chairman and Chief Executive Officer of the Company, Alex Dillard, President of the Company, and Mike Dillard, Executive Vice President of the Company, are officers and directors of W.D. Company, Inc. and own 27.4%, 27.9% and 26.3%, respectively, of the outstanding voting stock of W.D. Company, Inc.

## SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth the number of shares of Class A Common Stock and Class B Common Stock of the Company beneficially owned by each director, each director nominee, each of the named executive officers identified under the section titled "Executive Compensation" in this proxy statement and the directors and executive officers, as a group, as of March 24, 2016.

Name of Beneficial Owner	Class A Shares		Class B Shares	
	Amount(1)	% of Class	Amount(1)	% of Class
Robert C. Connor	61,009(2)	*		
Alex Dillard(3)	1,173,601(4)	3.7%	3,985,776(4)	99.4%
Mike Dillard(3)	657,905(4)	2.1%	3,985,776(4)	99.4%
William Dillard, II(3)	1,125,350(4)	3.6%	3,985,776(4)	99.4%
James I. Freeman	276,881	*		
H. Lee Hastings, III	9,112(5)	*		
Chris B. Johnson	7,763	*		
Drue Matheny	481,350(6)	1.5%		
Frank R. Mori	16,072	*		
Reynie Rutledge	7,400	*		
Warren A. Stephens	130,638(7)	*		
J. C. Watts, Jr.	4,250(8)	*		
Phillip R. Watts	10,359	*		
Nick White	46,102	*		
All Directors & Executive Officers as a Group (a total of 20 persons)	4,306,223(9)	13.6%	3,985,776(9)	99.4%

\*

Denotes less than 1%

(1)

Based on information furnished by the respective individuals.

(2)

Includes nine shares owned by Mr. Connor's wife.

(3)

Alex Dillard, Mike Dillard, and William Dillard, II are directors and officers of W.D. Company, Inc. and own 27.9%, 26.3%, and 27.4%, respectively, of the outstanding voting stock of such company. See footnote (4) below.

(4)

Includes 41,496 shares of Class A Common Stock and 3,985,776 shares of Class B Common Stock owned by W.D. Company, Inc., in which Alex Dillard, Mike Dillard, and William Dillard, II are each deemed to have a beneficial interest due to their respective relationships with W.D. Company, Inc. Alex Dillard, Mike Dillard, and William Dillard, II share voting and dispositive power over these shares. See "Security Ownership of Certain Beneficial Holders." Alex Dillard and his wife individually own 1,004,253 and 36,000 shares, respectively, of Class A Common Stock. Alex Dillard also has sole voting power with respect to 91,852 shares held in trust. Mike Dillard individually owns 608,499 shares of Class A Common Stock and is deemed to beneficially own 610 shares held in trust over which his wife has sole voting power. He has sole voting power with respect to 7,300 shares held in trust. William Dillard, II individually owns 1,076,554 shares of Class A Common Stock and he has sole voting power with respect to 7,300 shares held in trust.

(5)

Includes 10 shares owned by Mr. Hastings' wife.

(6)

Drue Matheny and her husband individually own 473,900 and 150 shares, respectively, of Class A Common Stock. Mrs. Matheny also has sole voting power with respect to 7,300 shares held in trust. She owns 7.3% of the outstanding voting stock of W.D. Company, Inc., but is not an officer





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or director of W.D. Company, Inc. Therefore, she is not deemed to have a beneficial interest in any Dillard's, Inc. shares owned by W.D. Company, Inc.

- (7) Warren Stephens individually owns 1,000 shares of Class A Common Stock, beneficially owns 8,102 shares held in trust and controls 121,536 shares held by Stephens Investment Holdings LLC.
- (8) Includes 1,200 shares that are pledged as security for a personal loan.
- (9) The shares in which, Alex Dillard, Mike Dillard, and William Dillard, II are deemed to have a beneficial interest due to their respective relationships with W.D. Company, Inc. have been included in this computation only once and were not aggregated for such purpose.

**PROPOSAL NO. 1. ELECTION OF DIRECTORS**

The number of directors that serve on the Company's Board is currently set at 12 but may be changed from time to time in the manner provided in the Company's by-laws. Class A stockholders are entitled to vote for the election of four Directors and Class B stockholders are entitled to vote for the election of eight Directors. Directors are to be elected at the Annual Meeting for a term of one year and until the election and qualification of their successors. Once elected, our Directors have no ongoing status as "Class A" or "Class B" Directors and have the same duties and responsibilities to all stockholders.

The Board recommends that each nominee identified below be elected at the Annual Meeting. Each of the nominees is currently serving as a director of the Company and was elected at the 2015 Annual Meeting of Stockholders. The principal occupation and public company directorships held currently or during the last five years, and other background information about the nominees, including a discussion of the specific experience, qualifications, attributes, and skills of each nominee that led to the Board's conclusion that each nominee should serve as a director, is set forth below.

**Class A Nominees**

*Frank R. Mori*, 75, has served as a Director of the Company since 2008. At all times during the past five years, Mr. Mori has served as Co-Chief Executive Officer and President of Takihyo, LLC, a private investment firm headquartered in New York City. Takihyo, LLC is not a subsidiary or other affiliate of the Company. He has previously served as Chief Executive Officer and Director of Donna Karan International, Inc. and Anne Klein & Co., Inc. He also served on the Board of Directors of The Stride Rite Corporation until 2007. Mr. Mori offers the Board the broad knowledge and perspective of a fashion vendor combined with overseas sourcing and manufacturing experience. Mr. Mori currently serves on the Board's Stock Option and Executive Compensation Committee (the "*Compensation Committee*").

*Reynie Rutledge*, 66, has served as a Director of the Company since 2013. Mr. Rutledge is the Chairman of First Security Bancorp, a financial services holding company headquartered in Searcy, Arkansas. With over 40 years of experience in banking, Mr. Rutledge has been involved with all aspects of finance and management while leading First Security Bancorp to become the fifth largest bank holding company based in Arkansas with over \$4.7 billion in assets and 74 locations throughout the state. First Security Bancorp consists of First Security Bank, First Security Crews & Associates investment banking firm, and First Security Public Finance. First Security Bancorp is not a subsidiary or other affiliate of the Company. He is a graduate of the University of Arkansas with a degree in industrial engineering where he also earned his Master of Business Administration ("*MBA*"). Mr. Rutledge is a past Chairman of the Arkansas Bankers Association and the Business Advisory Board of Harding University. He is a member of the Arkansas Academy of Industrial Engineering, a member and past chairman of the Dean's Executive Advisory Board for the Sam M. Walton College of Business, a member of the Campaign Arkansas Executive Committee, a past chairman of the Arkansas Business Hall of Fame Selection Committee, the University of Arkansas 2000 Volunteer of the Year, a 2012 recipient of the University of Arkansas Distinguished Alumni Award, and the current Chairman of the University of Arkansas Board of Trustees. Mr. Rutledge's extensive career in commercial banking provides insights into the credit markets for the Board. Mr. Rutledge serves as Chairman of the Audit Committee.

*J.C. Watts, Jr.*, 58, has served as a Director of the Company since August 2009 and served previously on the Board from 2003 until 2008 as a member of the Audit Committee. He also serves on the Boards of Directors of CSX Corporation and ITC Holdings Corp. He formerly served on the Boards of Directors of Burlington Northern Santa Fe Corporation, Clear Channel Communications, Inc. and Terex Corporation. At all times during the past five years, Mr. Watts has served as the

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Chairman of the J.C. Watts Companies, which provide both consulting and advocacy services. The J.C. Watts Companies are not subsidiaries or other affiliates of the Company. Mr. Watts was elected to the U.S. Congress from the fourth district of Oklahoma in 1994. In 1998, he was elected chairman of the Republican Conference in the U.S. House of Representatives. He served for eight years on the House Armed Services Committee. He authored legislation to create the House Select Committee on Homeland Security, a committee on which he later served. He also served on the House Transportation and Infrastructure Committee as well as the House Banking Committee. He led two congressional trade missions to Africa. Mr. Watts co-authored the American Community Renewal and New Markets Act and authored the Community Solutions Act of 2001. He also crafted legislation with Congressman John Lewis to establish a Smithsonian museum of African American history. He has served as an analyst on television news programs nationally and internationally. Mr. Watts led a U.S. delegation to Vienna, Austria, at the request of President George W. Bush and Secretary of State Colin Powell, to the Organization for Security and Cooperation in Europe Conference on Racism, Discrimination and Xenophobia and accompanied President Bush on his historic trip to Africa. He co-founded the Coalition for AIDS Relief in Africa and served on the Board of Africare. He has also created the J.C. and Frankie Watts Foundation to focus on urban renewal and other charitable initiatives. He is the Chairman of Watts Equipment and the President and CEO of Feed the Children in Oklahoma City, Oklahoma. Mr. Watts brings to the Board not only an understanding and sensitivity to the political and cultural issues which the Company regularly faces but also a wealth of knowledge of the regulatory environment which continues to grow and affect the Company's operations. Mr. Watts currently serves on the Audit Committee.

*Nick White*, 71, has served as a Director of the Company since 2008. Since 2000, Mr. White has served as Chief Executive Officer and President of White and Associates, an international retail solutions firm offering retail clients consulting services encompassing strategy, partnerships, logistics and concepts. White and Associates is not a subsidiary or other affiliate of the Company. Following a tour in Vietnam with the United States Marine Corps, Mr. White began his retail career in 1968 with Spartan-Atlantic Department Stores while still attending college. In 1973, he joined Wal-Mart Stores, Inc. as an Assistant Store Manager. From 1985 to 1990, he was General Manager of Sam's Clubs, and in 1990, he was named an Executive Vice President of Wal-Mart Stores, Inc. and General Manager of its Supercenter Division, positions he held until his retirement in 2000. While at Wal-Mart, he served on both the Executive Committee and the Real Estate Committee. Mr. White has made significant contributions to the Board as a result of his extensive knowledge of sourcing, logistics, store operations and merchandising. Mr. White currently serves on the Compensation Committee.

### **Class B Nominees**

*Robert C. Connor*, 74, has served as a Director of the Company since 1987. At all times during the past five years, Mr. Connor's principal occupation is and has been a private investor for his own account. He began his banking career in Dallas, Texas at the Mercantile National Bank and was elected Vice President of the Citizens Bank of Jonesboro, Arkansas in 1970. He was elected President of The Union National Bank of Arkansas and The Union of Arkansas Corporation in 1976. He previously served on the Board of Sage Telecom in Allen, Texas. Mr. Connor's long career of leadership in the banking industry makes him particularly well suited to serve on the Compensation Committee as well as to share his knowledge and insights concerning the credit markets with the Board. Mr. Connor currently serves as Chairman of the Compensation Committee.

*Alex Dillard*, 66, is President of the Company, has been a member of the Board since 1975, and serves on the Executive Committee of the Board of Directors (the "*Executive Committee*"). This has been his principal occupation for the last five years. Mr. Dillard has been involved in virtually every aspect of operations and merchandising for the Company for over 40 years and previously served as Executive Vice President of the Company. He has served as a board member of the University of

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Arkansas for Medical Sciences Foundation Fund, Philander Smith College, Union Bank and Worthen Bank in Little Rock and First National Bank of Ft. Worth, Texas. Mr. Dillard's understanding of both the merchandising and the operational aspects of the retail business has enabled the Board to more effectively gain a broad overview of the day-to-day processes involved in the operation of the Company.

*Mike Dillard*, 64, is an Executive Vice President of the Company and currently heads one of the largest merchandising portions of the Company's business. This has been his principal occupation for the last five years. He has been a member of the Board since 1976. Mr. Dillard has played many roles for the Company, devoting his entire professional career to Dillard's, Inc. His understanding of the unique regional characteristics of merchandising in the many different geographic regions of the country has assisted the Board in its efforts to guide the business to meet the needs of its varied customer base.

*William Dillard, II*, 71, is the Chairman of the Board and Chief Executive Officer of the Company, has been a member of the Board since 1967, and serves on the Executive Committee. This has been his principal occupation for the past five years. Mr. Dillard has been involved in almost every aspect of the Company's operations, working part-time while in school and full-time for over 45 years. He was formerly President and Chief Operating Officer of the Company. Mr. Dillard also serves on the Boards of Directors of Axiom Corporation and Barnes & Noble, Inc. Through his numerous years of service to the Company, Mr. Dillard possesses an unmatched knowledge of the Company's operations and the retail industry as a whole. This, combined with his service as a member of the boards of directors of other public companies, allows him to provide invaluable insight to the Board. In addition, his expertise with respect to real estate matters and store location enables him to provide the Board with leadership and insight into this critical aspect of the Company's business.

*James I. Freeman*, 66, was Senior Vice President and Chief Financial Officer of the Company until his retirement effective February 1, 2015. During the past year, his principal occupation is and has been a private investor for his own account. He has been a member of the Board since 1991. Mr. Freeman joined the Company in 1988. He entered the accounting profession in 1972, and practiced as a certified public accountant and formerly served as a member of the Management Committee of BKD, LLP, one of the largest accounting firms in the nation. Having served as Chief Financial Officer of the Company, Mr. Freeman has extensive experience overseeing the Company's financial reporting processes, internal accounting and financial controls, and independent auditor engagements. This unique experience provides Mr. Freeman the ability to regularly advise the Board regarding current and proposed accounting issues, financial matters and regulations that affect the Company's operations.

*H. Lee Hastings, III*, 61, has served as a Director of the Company since 2010. At all times during the past five years, Mr. Hastings has served as President and Chief Operating Officer of Hastings Holdings, Inc., a family holding company that operates several subsidiaries which are engaged in real estate, beverage distribution, import/export and other businesses. For the past five years, Mr. Hastings has also served as President of Arkansas Bolt/ABC Logistics, a subsidiary of Hastings Holdings, Inc. that sells and imports/exports industrial fasteners and stampings throughout the world. Since 2001, Mr. Hastings has also been a director of another family holding company, State Holding Co. Inc., which owns and operates a bank holding company. None of these companies or their subsidiaries are subsidiaries or other affiliates of the Company. Mr. Hastings has extensive experience in the international import/export market and contributes valuable advice to the Board with respect to the Company's international sourcing efforts. Mr. Hastings currently serves on the Audit Committee.

*Drue Matheny*, 69, has been a member of the Board since 1994. For the past five years, her principal occupation has been, and currently is, an Executive Vice President of the Company. She is based in Ft. Worth, Texas and directs one of the largest merchandising portions of the Company. Since joining the Company in 1968, Ms. Matheny has overseen every aspect of the Company's various

merchandising functions. She brings to the Board a deep understanding of the exacting tastes and preferences of the Company's customers.

*Warren A. Stephens, 59*, has served as a Director of the Company since 2002. At all times during the past five years, Mr. Stephens' principal occupation has been Chairman, Chief Executive Officer, and President of Stephens Inc. He is also Co-Chairman of SF Holding Corporation. Stephens Inc. and SF Holding Corporation are not subsidiaries or other affiliates of the Company. In 1981, Mr. Stephens joined Stephens Inc. In 2006, Mr. Stephens acquired 100% of the outstanding shares of Stephens Inc. Stephens Inc. focuses on investment banking, wealth management, capital management, private equity, institutional sales and trading, research, and insurance. Mr. Stephens' knowledge and understanding of sophisticated financial markets have been invaluable to the Board when dealing with a wide range of issues from investment decisions to credit and finance matters to the strategic positioning of the Company.

#### **Information regarding the Board and its Committees**

*Controlled Company.* The Company qualifies as a "controlled company" under the NYSE listing standards due to the ownership by W.D. Company, Inc. of shares of Class B Common Stock allowing it to cast more than 50% of votes eligible to be cast for the election of two-thirds of the Directors of the Company. In accordance with a provision in NYSE rules for controlled companies, the Company is not required to comply with NYSE listing standards that provide for (1) a majority of the Board of Directors being composed of independent directors, (2) a nominating/corporate governance committee composed solely of independent directors and (3) a compensation committee composed solely of independent directors. Notwithstanding that, all the members of the Company's Compensation Committee are independent in accordance with the NYSE listing standards. This may change in the future, however, at the Company's discretion.

*Director Independence.* The Board has determined that all of the Class A nominees listed above qualify as independent persons as defined in the Company's by-laws (discussed below). In addition, the Board has affirmatively determined that each of the Class A nominees, as well as Robert C. Connor and H. Lee Hastings, III, who are Class B nominees, has no direct or indirect material relationship with the Company and qualifies as an independent director in accordance with the NYSE listing standards.

*Family Relationships.* William Dillard, II, Drue Matheny, Alex Dillard, Mike Dillard and Denise Mahaffy are siblings. William Dillard, III is the son of William Dillard, II.

*Director Nominations.* As provided in the Company's by-laws, the Executive Committee is responsible for nominating individuals to stand for election at each annual meeting of stockholders. Stockholders may also nominate a director nominee pursuant to the Company's by-laws.

The Company's by-laws provide that nominees to represent Class A stockholders on the Company's Board shall be independent persons only. For these purposes, the Company's by-laws define "independent" as a person who: (1) has not been employed by the Company or an affiliate in any executive capacity within the last five years; (2) was not, and is not, a member of a corporation or firm that is one of the Company's paid advisors or consultants; (3) is not employed by a significant customer, supplier or provider of professional services; (4) has no personal services contract with the Company; (5) is not employed by a foundation or university that receives significant grants or endowments from the Company; (6) is not a relative of the management of the Company; (7) is not a stockholder who has signed stockholder agreements legally binding him or her to vote with management; and (8) is not the chairman of a company on which Dillard's, Inc.'s Chairman or Chief Executive Officer is also a board member.

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In nominating a slate of directors, the objective is to select individuals with skills and experience that can be of assistance in operating the Company's business. The following core criteria are considered in nominating each candidate:

*Integrity.* Only persons who have demonstrated in their professional lives the highest ethical standards, maturity and responsibility will be considered.

*Experience.* A director should have business experience relevant to the Company's business.

*Judgment and Knowledge.* A director should have the ability to assess the Company's strategy, business plan, and key issues to evaluate the performance of management and to evaluate the Company's financial and operating reports and to provide meaningful analysis of the Company's financial position.

*Time and Commitment.* Board members must have sufficient time available to become acquainted with the Company, to prepare for Board and committee meetings, and to attend meetings.

Candidates who individually possess knowledge, experience and skills in at least one of the following are sought: accounting and finance, business judgment, management, crisis response, industry knowledge or strategy and vision. Diversity is an important consideration in Board composition and is discussed as a factor in connection with each candidate. The Executive Committee has not adopted a formal policy with respect to diversity. The implementation of this consideration occurs when, in addition to the core criteria identified above, the Executive Committee informally discusses whether a potential nominee might also bring to the Board diverse life experiences and perspectives but no single factor controls the determination process.

In order for a Company stockholder to nominate an individual for election to the Board, the stockholder must provide written notice of such nomination to the Company's Corporate Secretary and the notice must be received by the Company's Corporate Secretary at the principal executive offices of the Company no more than 90 days, and no less than 60 days, before the Annual Meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, such nomination must be received no later than the close of business on the 10<sup>th</sup> day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. The notice must set forth as to each person whom the stockholder proposes to nominate for election or re-election as a Director, (1) the name, age, business address and residence address of such person, (2) the principal occupation or employment of such person, (3) the class and number of shares of the Company's Common Stock that are beneficially owned by such person and (4) any other information relating to such person that is required, in each case, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*") (including without limitation such persons' written consent to being named in the proxy statement as a nominee and to serve as a director if elected). Such notice must also set forth the name and address, as they appear on the Company's books, of the stockholder giving the notice and the class and number of shares of the Company's Common Stock that are beneficially owned by such stockholder. In order for a Company stockholder to recommend (as opposed to nominate) a director candidate, the stockholder must provide written notice of such recommendation to the Company's Corporate Secretary at the principal executive offices of the Company. The Executive Committee will consider director candidates recommended by stockholders, and will consider all candidates for director in the same manner regardless of the source of the recommendation.

*Director Meetings.* The Board of Directors met four times during the Company's last fiscal year. During the last fiscal year, all of the individuals serving as director attended at least 75% of the aggregate of (1) the total number of meetings of the Board and (2) the total number of meetings held by all committees of the Board on which they served. The Company encourages each Board member to

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attend the Company's Annual Meeting. All individuals serving as director were in attendance at the Company's Annual Meeting held on May 16, 2015, except for Warren A. Stephens.

*Executive Sessions; Presiding Director.* As required by the NYSE listing standards, our non-management directors meet in executive session at which only non-management directors are present on a regularly scheduled basis. Our non-management directors choose the presiding director by majority vote for each session. The presiding director is responsible for, among other things, presiding at the executive session of the independent directors for which he or she is chosen to serve and apprising the Chairman of the issues considered at such meetings.

*Communications with Directors.* Security holders and other interested persons may contact individual directors, the presiding member of the non-management directors, non-management directors as a group or the Board as a whole, at any time. Your communication should be sent to the individual Director, the "Non-Management Members of the Board of Directors," the "Presiding Member of Non-Management Directors" or the "Board of Directors," as applicable, at 1600 Cantrell Road, Little Rock, Arkansas 72201. In general, any communications delivered to the principal executive offices for forwarding to the Board 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.

*Corporate Governance Guidelines and Code of Conduct.* The Board has adopted Corporate Governance Guidelines and a Code of Conduct that applies to all Company employees, including the Company's executive officers, and, when appropriate, the members of the Board. The current versions of these corporate governance documents are available free of charge on the investor relations portion of the Company's website at [www.dillards.com](http://www.dillards.com) and each is available in print to any stockholder who requests copies by contacting Julie J. Bull, Director of Investor Relations, at 1600 Cantrell Road, Little Rock, Arkansas 72201. The Company will promptly disclose to our stockholders, if required by applicable laws, any amendments to, or waivers from, provisions of the Code of Conduct that apply to our principal executive officer, principal financial officers, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website ([www.dillards.com](http://www.dillards.com)) rather than by filing a Form 8-K.

*Board Committees.* The Board has a standing Audit Committee and Compensation Committee. The Audit Committee and the Compensation Committee have each adopted a written charter, both of which are available on the investor relations portion of the Company's website at [www.dillards.com](http://www.dillards.com). In addition, the Board has an Executive Committee that performs various functions, including those similar to a standing nominating committee. The Executive Committee members are Alex Dillard and William Dillard, II.

The Audit Committee members are H. Lee Hastings, III, Reynie Rutledge, Chairman, and J.C. Watts, Jr. The Board has determined that Reynie Rutledge is an "audit committee financial expert" and Messrs. Hastings, Rutledge and Watts are independent of management in accordance with the requirements of the NYSE and the SEC for purposes of determining audit committee independence. The Board has also determined that each of Messrs. Hastings, Rutledge and Watts is "financially literate" within the meaning of the listing standards of the NYSE. The Audit Committee held twelve meetings during fiscal 2015.

The Compensation Committee members are Robert C. Connor, Chairman, Frank R. Mori and Nick White. All members of the Compensation Committee are independent as defined by NYSE listing standards. In addition all members of the Compensation Committee qualify as "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act, and as "outside directors" for purposes



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of Section 162(m) of the Internal Revenue Code. The Compensation Committee held five meetings during fiscal 2015.

*Board's Leadership Structure.* Pursuant to the Company's by-laws, the principal executive officer shall be the Chairman of the Board. Accordingly, the Board has elected William Dillard, II, the Company's CEO, to serve as its Chairman. The Board believes that this structure is best suited to the interests of the Company and the stockholders because it enables Mr. Dillard to be personally involved in every aspect of leading the Company. The Board believes that Mr. Dillard is uniquely qualified to serve as Chairman because his extensive experience with the Company (over 45 years of service) provides him with the long-term perspective that builds stockholder value and protects the long-term interests of the stockholders. In this capacity, he sets the Board agenda, regularly communicates with the other Board members and chairs Board meetings and the Annual Meeting.

Alex Dillard, the Company's President and a fellow Board member, assists William Dillard, II in the day-to-day supervision of the Company's business, which provides other members of the management team ready access to, and the benefit of, their combined deep understanding of the cycles and challenges of the retail industry. The close working relationship between the CEO and the President also gives the Board and the Company's stockholders a veteran leadership team that can address issues quickly and seamlessly.

The Company has no lead independent Director. However, the non-management directors designate one of the independent directors to preside over their executive sessions.

*Board's Role in Risk Oversight.* While the Company's management has the primary responsibility for managing risks facing the Company, the Board as a whole is actively involved in and is responsible for the oversight of risk management. The Board's primary goal is to ensure that the risk management processes designed and implemented by the Company's management are effective.

The Audit Committee is responsible for oversight of the quality and integrity of the Company's financial statements, internal controls and compliance with legal and regulatory requirements and reviews the annual risk assessment report prepared by the Company's internal audit group which reports directly to the Audit Committee. Based on the annual risk assessment, the Audit Committee is charged with studying or investigating any matter of interest or concern that it deems appropriate. It also reviews reports describing any anonymous calls made to the Company's "Ethics Hotline," together with any other reports of disciplinary or other action taken with respect to material breaches of the Company's Code of Conduct. In its investigatory capacity, the Audit Committee has the authority to retain outside legal, accounting or other advisors, including the authority to approve the fees payable to such advisors and any other terms of retention. The Audit Committee is also given unrestricted access to the Company's internal audit group, other Board members, executive officers and independent accountants to the extent necessary to carry out its oversight responsibilities. While acting in this capacity, the Audit Committee has the full authority of the Board.

The Compensation Committee is responsible for reviewing any risks arising from the Company's compensation policies, particularly with respect to the issue of encouraging inappropriate risk taking by executive management. In assessing compensation-related risks, the Compensation Committee may investigate any matter related thereto, is given full access to all books, records, facilities and personnel of the Company and, when appropriate, may hire outside legal, accounting or other experts or advisors to assist the Compensation Committee with its work.

The Board's administration of its risk oversight function has not specifically affected the Board's leadership structure. The Board believes that its current leadership structure is conducive to, and appropriate for, its oversight of risk management.

**2015 Director Compensation**

During fiscal 2015, non-management Directors received an annual cash retainer of \$100,000 as well as 1,000 restricted shares of the Company's Class A Common Stock. The restricted shares vest six months after their issuance. Committee chairmen received an additional annual cash retainer of \$25,000. Employee Directors are not compensated for their service on the Board.

In 2015, the Compensation Committee engaged Hay Group as its independent compensation consultant. Hay Group provided the Committee with an analysis of director compensation at the Company's peer group companies.

The following table summarizes the compensation paid by the Company to non-management Directors for the fiscal year ended January 30, 2016:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in	Nonqualified Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
					Pension Value and			
Robert C. Connor	\$ 125,000	\$ 116,150	\$	\$	\$	\$	\$	\$ 241,150
Frank R. Mori	100,000	116,150						216,150
H. Lee Hastings, III	100,000	116,150						216,150
Reynie Rutledge	125,000	116,150						241,150
Warren A. Stephens	100,000	116,150						216,150
J.C. Watts, Jr.	100,000	116,150		&#151				