

CONFORMED COPY

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended November 18, 2000, or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission file number 1-10714

AUTOZONE, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

62-1482048

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

**123 South Front Street
Memphis, Tennessee 38103**

(Address of principal executive offices) (Zip Code)

(901) 495-6500

Registrant's telephone number, including area code

(not applicable)

Former name, former address and former fiscal year, if changed since last report.

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$.01 Par Value -- 113,791,190 shares as of December 7, 2000.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

ASSETS

Nov. 18,	Aug. 26,
<u>2000</u>	<u>2000</u>
(Unaudited)	

Current assets:		
Cash and cash equivalents	\$ 7,041	\$ 6,969
Accounts receivable	24,772	21,407
Merchandise inventories	1,179,999	1,108,978
Prepaid expenses	25,077	30,214
Deferred income taxes	<u>19,469</u>	<u>19,212</u>
Total current assets	1,256,358	1,186,780
Property and equipment:		
Property and equipment	2,339,830	2,320,376
Less accumulated depreciation and amortization	<u>590,416</u>	<u>561,936</u>
	1,749,414	1,758,440
Other assets:		
Cost in excess of net assets acquired	324,470	324,494
Deferred income taxes	48,120	52,182
Other assets	<u>31,346</u>	<u>11,322</u>
	<u>403,936</u>	<u>387,998</u>
	\$ 3,409,708	\$ 3,333,218
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 791,611	\$ 788,825
Accrued expenses	221,504	227,682
Income taxes payable	<u>34,259</u>	<u>18,037</u>
Total current liabilities	1,047,374	1,034,544
Long-term debt	1,408,378	1,249,937
Other liabilities	58,105	56,558
Stockholders' equity	<u>895,851</u>	<u>992,179</u>
	\$ 3,409,708	\$ 3,333,218
	=====	=====

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share amounts)

	Twelve Weeks Ended	
	Nov. 18, 2000	Nov. 20, 1999
Net sales	\$ 1,063,566	\$ 1,006,472
Cost of sales, including warehouse and delivery expenses	618,001	584,956
Operating, selling, general and administrative expenses	<u>334,797</u>	<u>315,768</u>
Operating profit	110,768	105,748
Interest expense, net	<u>22,980</u>	<u>14,604</u>
Income before income taxes	87,788	91,144
Income taxes	<u>34,000</u>	<u>35,100</u>
Net income	\$ 53,788	\$ 56,044
	=====	=====
Weighted average shares		
for basic earnings per share	116,717	139,261
Effect of dilutive stock options	<u>333</u>	<u>795</u>
Adjusted weighted average shares		
for diluted earnings per share	<u>117,050</u>	<u>140,056</u>
	=====	=====
Basic earnings per share	\$.46	\$ 0.40
	=====	=====

Diluted earnings per share

\$.46

\$ 0.40

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands)

	<u>Twelve Weeks Ended</u>	
	<u>Nov. 18,</u> <u>2000</u>	<u>Nov. 20,</u> <u>1999</u>
Cash flows from operating activities:		
Net income	\$ 53,788	\$ 56,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,464	30,124
Net increase in merchandise inventories	(71,021)	(51,141)
Net increase (decrease) in current liabilities	12,830	(9,776)
Other - net	<u>1,518</u>	<u>1,285</u>
Net cash provided by operating activities	27,579	26,536
Cash flows from investing activities:		
Purchases of property and equipment	(55,048)	(66,686)
Proceeds from sale of property and equipment	39,499	1,436
Increase in other assets	(18,269)	
Notes receivable from officers	(200)	(3,600)
Net cash used in investing activities	(34,018)	(68,850)
Cash flows from financing activities:		
Net proceeds from debt	158,441	194,224
Stock (154,640)	(151,935)	Purchase of Treasury
Stock 1,543	832	Proceeds from sale of Common
Other	<u>1,167</u>	
Net cash provided by financing activities	<u>6,511</u>	<u>43,121</u>
Net increase in cash and cash equivalents	72	807
Cash and cash equivalents at beginning of period	<u>6,969</u>	<u>5,918</u>
Cash and cash equivalents at end of period	\$ 7,041	\$ 6,725
	=====	=====

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note A-Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform with the fiscal 2001 presentation. Operating results for the twelve weeks ended November 18, 2000, are not necessarily indicative of the results that may be expected for the fiscal year ending August 25, 2001. For further information, refer to the financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended August 26, 2000.

Note B-Adoption of a New Accounting Standard

On August 27, 2000, the Company adopted Statement of Financial Accounting Standards Number 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) as amended. SFAS 133 requires the Company to recognize all derivative instruments in the balance sheet at fair value. The adoption of SFAS 133 impacts the accounting for our interest rate hedging

program. The Company reduces its exposure to increases in interest rates by entering into interest rate swap contracts. All of the Company's interest rate swaps are designated as cash flow hedges.

Upon adoption of SFAS 133, the Company recorded the fair value of the interest rate swaps in its Consolidated Balance Sheet. On an on-going basis, the Company will reflect the current fair value of interest rate swaps on our balance sheet. The related gains or losses on these swaps are deferred in stockholders' equity (as a component of comprehensive income). These deferred gains and losses are recognized in income in the period in which the related interest rates being hedged have been recognized in expense. However, to the extent that the change in value of an interest rate swap contract does not perfectly offset the change in the value of the interest rate being hedged, that ineffective portion is immediately recognized in income.

Note C-Inventories

Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs.

Note D-Financing Arrangements

The Company's long-term debt as of November 18, 2000, and August 26, 2000, consisted of the following (in thousands):

	<u>Nov. 18,</u> <u>2000</u>	<u>Aug. 26,</u> <u>2000</u>
6% Notes due November 2003	\$150,000	\$150,000
6.5% Debentures due July 2008	190,000	190,000
Commercial Paper, weighted average rate of 6.8% at November 18, 2000 and 6.8% at August 26, 2000	903,491	767,300
Unsecured Bank Loans	143,000	120,000
Other	<u>21,887</u>	<u>22,637</u>
	\$1,408,378	\$1,249,937
	=====	=====

In November 1998, the Company sold \$150 million of 6% Notes due November 2003 at a discount. Interest on the Notes is payable semi-annually on May 1 and November 1 each year. In July 1998, the Company sold \$200 million of 6.5% Debentures due July 2008 at a discount. Interest on the Debentures is payable semi-annually on January 15 and July 15 of each year. Proceeds from the Notes and Debentures were used to repay portions of the Company's long-term variable rate bank debt and for general corporate purposes. In July 2000, the Company purchased \$10 million of its 6.5% Debentures due July 2008, resulting in a \$1.9 million gain.

The Company has a commercial paper program that allows borrowings up to \$1.3 billion. In connection with the program, the Company has a credit facility with a group of banks for up to \$650 million that extends until May 2005 and a 364-day \$650 million credit facility with another group of banks. The 364-day facility includes a renewal feature as well as an option to extinguish the then outstanding debt one year from the maturity date. Borrowings under the commercial paper program reduce availability under the credit facilities. Outstanding commercial paper and unsecured bank loans at November 18, 2000, of \$1.05 billion are classified as long-term debt as the Company has the ability and intention to refinance them on a long-term basis.

The rate of interest payable under the credit facilities is a function of the London Interbank Offered Rate (LIBOR) or the lending bank's base rate (as defined in the agreement) or a competitive bid rate at the option of the Company. The Company has agreed to observe certain covenants under the terms of its credit agreements, including limitations on total indebtedness, restrictions on liens and minimum fixed charge coverage.

During fiscal year 2001 the Company entered into unsecured bank loans with maturity dates from January to March 2001 and interest rates ranging from 6.94% to 7.44%. As of November 18, 2000, \$143 million was outstanding under these agreements.

Note E-Stockholders' Equity

The Company presents basic and diluted earnings per share (EPS) in accordance with the Statement of Financial Accounting Standards No. 128, "Earnings Per Share." Basic EPS is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options.

As of November 18, 2000, the Company's Board of Directors had authorized the Company to repurchase up to \$1.35 billion of common stock in the open market. Since January 1998, approximately \$1.03 billion of common stock has been repurchased under the plan. At times, the Company utilizes equity instrument contracts to facilitate its repurchase of common stock. At November 18,

2000, the Company held equity instrument contracts that relate to the purchase of approximately 9.0 million shares of common stock at an average cost of \$22.84 per share.

Note F-Comprehensive Income

Comprehensive income includes changes in the fair value of certain derivative financial instruments which qualify for hedge accounting. Comprehensive income totaled \$55.4 million for the quarter ended November 18, 2000 compared to \$56.0 million in the comparable period of fiscal 2000. The difference between net income and comprehensive income for the quarter ended November 18, 2000 is the result of \$1.6 million of unrealized gains on swap contracts recognized in accordance with Statement of Financial Accounting Standard (SFAS) No. 133. Upon the adoption of SFAS 133 on August 27, 2000, the Company recorded unrealized interest hedge gains of \$2.4 million. For additional information on the adoption of SFAS 133, see Note B of the Notes to the Consolidated Financial Statements in this Form 10-Q.

Note G-Sale and Leaseback Transaction

During the quarter ended November 18, 2000, the Company sold properties which were leased back from the purchaser under a 22-year operating lease agreement. Gains realized from the sale and leaseback transaction were deferred and are being recognized over the life of the leases. The leases contain renewal options and generally provide that the Company will pay property taxes, common area maintenance, insurance and repairs. A portion of the net proceeds from this transaction are held in escrow until such time as suitable replacement properties can be purchased in an exchange under section 1031 of the Internal Revenue Code.

Note H-Contingencies

AutoZone, Inc. is a defendant in a class action lawsuit entitled "Melvin Quinnie on behalf of all others similarly situated v. AutoZone, Inc., and DOES 1 through 100, inclusive" filed in the Superior Court of California, County of Los Angeles, in November 1998. The plaintiff claims that the defendants failed to pay overtime to store managers as required by California law and failed to pay terminated managers in a timely manner as required by California law. The plaintiff is seeking injunctive relief, restitution, statutory penalties, prejudgment interest, and reasonable attorneys' fees, expenses and costs. On April 3, 2000, the court certified the class as consisting of all AutoZone store managers, and Chief managers who became AutoZone employees in standardized stores on January 1, 1999, for their claims since January 1, 1999, only. The Company and the plaintiffs' attorneys have reached a settlement that is subject to the execution of a mutually acceptable settlement agreement and court approval. In the event that final settlement is not reached or appealed by the court, the Company will continue to vigorously defend against this action. The potential damages recoverable by any single plaintiff are minimal. However, if the plaintiff class were to prevail on all of its claims, the aggregate amount of damages could be substantial.

AutoZone, Inc. and its wholly-owned subsidiary, Chief Auto Parts Inc., are defendants in a purported class action lawsuit entitled "Paul D. Rusch, on behalf of all others similarly situated, v. Chief Auto Parts Inc., and AutoZone, Inc." filed in the Superior Court of California, County of Los Angeles, in May 1999. The plaintiffs claim that the defendants have failed to pay their store managers overtime pay from March 1997 to present. The plaintiffs are seeking back overtime pay, interest, an injunction against the defendants committing such practices in the future, costs, and attorneys' fees. The Company and the plaintiffs' attorneys have reached a settlement that is subject to the execution of a mutually acceptable settlement agreement and court approval. In the event that final settlement is not reached or appealed by the court, the Company will continue to vigorously defend against this action. The potential damages recoverable by any single plaintiff are minimal. However, if the plaintiff class were to be certified and prevail on all of its claims, the aggregate amount of damages could be substantial.

AutoZone, Inc. is a defendant in a lawsuit entitled "Coalition for a Level Playing Field, L.L.C., *et al.*, v. AutoZone, Inc., *et al.*," filed in the U.S. District Court for the Eastern District of New York in February, 2000. The case was filed by over 100 plaintiffs, which are principally automotive aftermarket warehouse distributors and jobbers, against eight defendants, which are principally automotive aftermarket parts retailers. The plaintiffs claim that the defendants have knowingly received volume discounts, rebates, slotting and other allowances, fees, free inventory, sham advertising and promotional payments, a share in the manufacturers' profits, and excessive payments for services purportedly performed for the manufacturers in violation of the Robinson-Patman Act. Plaintiffs seek approximately \$1 billion in damages (including statutory trebling) and a permanent injunction prohibiting defendants from committing further violations of the Robinson-Patman Act and from opening up any further stores to compete with plaintiffs as long as defendants continue to violate the Act. The Company believes this suit to be without merit and will vigorously defend against it.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Twelve Weeks Ended November 18, 2000, Compared to
Twelve Weeks Ended November 20, 1999

Net sales for the twelve weeks ended November 18, 2000, increased by \$57.1 million, or 5.7%, over net sales for the comparable period of fiscal 2000. Comparable store sales, or sales for domestic auto parts stores opened at least one year, increased 2%. At November 18, 2000, the Company had 2,956 domestic auto parts stores in operation compared with 2,796 stores at November 20, 1999.

Gross profit for the twelve weeks ended November 18, 2000, was \$445.6 million, or 41.9% of net sales, compared with \$421.5 million, or 41.9% of net sales, during the comparable period for fiscal 2000.

Operating, selling, general and administrative expenses for the twelve weeks ended November 18, 2000, increased by \$19.0 million over such expenses for the comparable period for fiscal 2000, and increased as a percentage of net sales from 31.4% to 31.5%. The increase in the expense ratio was due primarily to increased payroll, benefits, fuel, utilities and advertising costs. These increases were offset by continuing expense leverage in the acquired stores.

Interest expense for the twelve weeks ended November 18, 2000, was \$23.0 million compared with \$14.6 million during the comparable period of 2000. The increase in interest expense was primarily due to higher levels of borrowings as a result of the stock repurchases and higher interest rates.

The Company's effective income tax rate was 38.7% of pre-tax income for the twelve weeks ended November 18, 2000 and 38.5 % for the twelve weeks ended November 20, 1999. The increase in tax rate is due to increased profitability in higher tax rate jurisdictions.

Liquidity and Capital Resources

For the twelve weeks ended November 18, 2000, net cash of \$27.6 million was provided by the Company's operations versus \$26.5 million for the comparable period of fiscal year 2000.

Additionally, \$34.0 million was used in investing activities by the Company compared with \$68.9 million in the comparable period of fiscal year 2000. The decrease in investing activities as compared to the first quarter of the prior year is primarily due to the receipt of \$39.5 million from the sale of real estate pursuant to a sale and leaseback transaction. Of these proceeds, \$18.3 million is being held in restricted cash accounts, as the Company anticipates deferring a portion of its tax expense related to this transaction by replacing these properties. Capital expenditures for the twelve weeks ended November 18, 2000, were \$55.0 million. Year-to-date, the Company opened 41 net new domestic auto parts stores including 5 stores that replaced existing stores. The Company expects to operate approximately 3,090 domestic auto parts stores at the end of the fiscal year.

As of November 18, 2000, the Company's Board of Directors had authorized the Company to repurchase up to \$1.35 billion of common stock in the open market. Since January 1998, approximately \$1.03 billion of common stock has been repurchased under the plan. At times, the Company utilizes equity instrument contracts to facilitate its repurchase of common stock. At November 18, 2000, the Company held equity instrument contracts that relate to the purchase of approximately 9.0 million shares of common stock at an average cost of \$22.84 per share.

The Company anticipates that it will rely primarily on internally generated funds to support a majority of its capital expenditures, working capital requirements and stock repurchases. The balance will be funded through borrowings. The Company anticipates that it will be able to obtain such financing in view of its credit rating and favorable experiences in the debt market in the past.

The Company has a commercial paper program that allows borrowing up to \$1.3 billion. In connection with the program, the Company had a credit facility with a group of banks for up to \$650 million which extends until May 2005 and a 364-day \$650 million credit facility with another group of banks. The 364-day facility included a renewal feature as well as an option to extinguish the then outstanding debt one year from the maturity date. Borrowings under the commercial paper program reduced availability under the credit facilities. Outstanding commercial paper and unsecured bank loans at November 18, 2000, of \$1.05 billion are classified as long term debt as the Company's has the ability and intention to refinance them on a long-term basis.

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q are forward-looking statements. These statements discuss, among other things, expected growth, domestic and international development and expansion strategy, business strategies, and future performance. The forward-looking statements are subject to risks, uncertainties and assumptions including, without limitation, competition, product demand, domestic and international economies, the ability to hire and retain qualified employees, consumer debt levels, inflation and the weather. Actual results may materially differ from anticipated results. Please refer to the Risk Factors section in the Annual Report on Form 10-K for fiscal year ended August 26, 2000, for more details.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

AutoZone, Inc. is a defendant in a class action lawsuit entitled "Melvin Quinnie on behalf of all others similarly situated v. AutoZone, Inc., and DOES 1 through 100, inclusive" filed in the Superior Court of California, County of Los Angeles, in November 1998. The plaintiff claims that the defendants failed to pay overtime to store managers as required by California law and failed to pay terminated managers in a timely manner as required by California law. The plaintiff is seeking injunctive relief, restitution, statutory penalties, prejudgment interest, and reasonable attorneys' fees, expenses and costs. On April 3, 2000, the court certified the class as consisting of all AutoZone store managers, and Chief managers who became AutoZone employees in standardized stores on January 1, 1999, for their claims since January 1, 1999, only. The Company and the plaintiffs' attorneys have reached a settlement that is subject to the execution of a mutually acceptable settlement agreement and court approval. In the event that final settlement is not reached or appealed by the court, the Company will continue to vigorously defend against this action.

The potential damages recoverable by any single plaintiff are minimal. However, if the plaintiff class were to prevail on all of its claims, the aggregate amount of damages could be substantial.

AutoZone, Inc. and its wholly-owned subsidiary, Chief Auto Parts Inc., are defendants in a purported class action lawsuit entitled "Paul D. Rusch, on behalf of all others similarly situated, v. Chief Auto Parts Inc., and AutoZone, Inc." filed in the Superior Court of California, County of Los Angeles, in May 1999. The plaintiffs claim that the defendants have failed to pay their store managers overtime pay from March 1997 to present. The plaintiffs are seeking back overtime pay, interest, an injunction against the defendants committing such practices in the future, costs, and attorneys' fees. The Company and the plaintiffs' attorneys have reached a settlement that is subject to the execution of a mutually acceptable settlement agreement and court approval. In the event that final settlement is not reached or appealed by the court, the Company will continue to vigorously defend against this action. The potential damages recoverable by any single plaintiff are minimal. However, if the plaintiff class were to be certified and prevail on all of its claims, the aggregate amount of damages could be substantial.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

3.1 Restated Articles of Incorporation of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Form 10-Q for the quarter ended February 13, 1999.

3.2 Second Amended and Restated By-laws of AutoZone, Inc. Incorporated by reference to Exhibit 3 to the Form 8-K dated March 21, 2000.

*10.1 Agreement between AutoZone, Inc., and John C. Adams, Jr., dated October 19, 2000.

*10.2 Form of Employment and Non-Compete Agreement between AutoZone, Inc., and various executive officers.

27.1 Financial Data Schedule (SEC Use Only).

*Management contract or compensatory plan or arrangement.

- (b) (1) The Company filed a Form 8-K dated September 21, 2000, containing a press release announcing its earnings for the fiscal year ended August 26, 2000.
- (2) The Company filed a Form 8-K dated October 10, 2000, stating that its Board of Directors had accelerated the expiration date for the Company's Rights Agreement to October 20, 2000.
- (3) The Company filed a Form 8-K dated November 15, 2000, disclosing certain statistical information under Regulation FD.

SIGNATURES

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 thereunto duly authorized.

AUTOZONE, INC.

By: /s/ ROBERT J. HUNT

Robert J. Hunt
Executive Vice President and
Chief Financial Officer-Customer Satisfaction
(Principal Financial Officer)

By: /s/ TRICIA K. GREENBERGER

Tricia K. Greenberger
Vice President, Controller
(Principal Accounting Officer)

Dated: December 14, 2000

EXHIBIT INDEX

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- *10.1 Agreement between AutoZone, Inc., and John C. Adams, Jr., dated October 19, 2000.
- *10.2 Form of Employment and Non-Compete Agreement between AutoZone, Inc., and various executive officers.
- 27.1 Financial Data Schedule (SEC Use Only).

*Management contract or compensatory plan or arrangement.

Exhibit 10.1

AGREEMENT

THIS AGREEMENT entered into this day of 19th day of October, 2000, by and between AutoZone, Inc., a Nevada corporation and its various subsidiaries (collectively, "AutoZone"), and John C. Adams, Jr., an individual (the "Employee"), effective the Effective Date (as defined below) ("Agreement"). As in the preceding sentence, terms in this Agreement that begin with initial capital letters have the meaning set forth in this Agreement.

WHEREAS, the Employee currently serves as the Chairman of AutoZone's Board of Directors (the "Board"), and as AutoZone's Chief Executive Officer ("CEO"),

WHEREAS, the Parties have previously entered into an Amended and Restated Employment Agreement and Non-Compete Agreement dated August 31, 1999, and desire that such agreement become null and void and be replaced by this Agreement.

WHEREAS, the parties mutually desire to initiate a succession process under which the Employee may resign from his position as CEO, but remain in AutoZone's service in accordance with the terms and conditions of this Agreement, and

WHEREAS, the parties desire by this writing to set forth the employment relationship of AutoZone and the Employee during the period of this Agreement.

NOW, THEREFORE, it is AGREED as follows:

1. Employment. On the Effective Date, the Employee shall resign from his position as AutoZone's CEO, and shall thereafter serve on a full-time basis as AutoZone's Chairman of the Board ("Chairman") subject to the terms and conditions of this Agreement. The Employee shall render such administrative and management services for AutoZone as are customarily performed by persons performing similar duties for other publicly held companies. The Employee's other duties shall be such as the Board may from time to time reasonably direct.

2. Term. This Agreement shall be effective upon the election of the new CEO ("Effective Date") and shall continue in effect for five years after the Effective Date. The date that is five years after AutoZone elects a new Chief Executive Officer shall be the "Expiration Date" for purposes of this Agreement.

3. Base Salary. Effective as of August 27, 2000, AutoZone agrees to pay the Employee a salary at the rate of \$575,000 per annum (retroactive to August 27, 2000, after the execution of this Agreement) payable in cash at the same time and in the same manner as AutoZone pays its other executive employees ("Base Salary"). The Board shall review the rate of the Employee's Base Salary not less often than annually, and in its sole discretion may decide to increase his Base Salary.

4. Annual Cash Bonuses. So long as Employee shall remain Chairman, the Employee shall participate in all cash bonus and incentive plans in a manner consistent with other executive officers of AutoZone, and shall participate in AutoZone's long-term cash bonus plan (if one exists) in a manner and at levels consistent with other executive officers. If at any time during the Term Employee ceases to be Chairman, Employee shall not be eligible, except as may be otherwise provided for in Paragraph 9 of this Agreement, to receive any further bonus payments or other types of incentive compensation. No other compensation provided for in this Agreement shall be deemed a substitute for the Employee's right to receive such bonuses.

5. Stock Options; Other Benefits; Loans from AutoZone.

(a) Stock Options. The Employee shall be entitled to receive a stock option grant with respect to the fiscal year ending August 26, 2000, in accordance with grants (if any) made to other executive officers of AutoZone for performance in fiscal year 2000 subject to substantially the same terms and conditions as grants made to other executive officers for the same period of time, and the Employee shall be treated equitably with other senior officers. The Employee shall thereafter not be entitled to additional stock option grants pursuant to this Agreement. No other compensation provided for in this Agreement shall be deemed a substitute for the Employee's right to receive the stock option grant referenced herein. Any stock options that the Employee holds on the Effective Date or thereafter receives as a new grant shall remain exercisable in accordance with the terms and conditions of the various stock option agreements entered into by AutoZone and Employee. In the event of any "Corporate Transaction," as currently defined in the AutoZone, Inc. Second Amended and Restated Stock Option Plan, as in effect on the Effective Date, at any time between the Effective Date and the Expiration Date, any unexercised stock options that the Employee has not exercised shall be equitably adjusted in a manner similar to adjustments (if any) that are made with respect to stock options held by other executive officers of AutoZone under that stock option plan.

(b) Participation in Retirement, Medical and Other Plans. During the Term of this Agreement, the Employee shall be eligible to participate in employee benefit plans maintained by AutoZone in the same manner as other employees of AutoZone.

(c) Other Employee Benefits; Expenses. So long as Employee remains Chairman, the Employee shall be eligible to participate in any fringe benefits which are or may become available to AutoZone's executive officers, including for example any

benefits which are commensurate with the responsibilities and functions to be performed by the Employee under this Agreement. The Employee shall be reimbursed for all reasonable out-of-pocket business expenses which he shall incur in connection with his services under this Agreement upon substantiation of such expenses in accordance with the policies of AutoZone.

(d) Loans from AutoZone. Any loan that the Employee has received from AutoZone shall become due and payable in accordance with the terms and conditions of such loans, although the Employee may at any time repay any or all loans without penalty.

6. Loyalty; Non-competition.

(a) Non-Compete. Employee agrees that he will not, for the period commencing on the date of this Agreement and ending on the Expiration Date be engaged in or concerned with, directly or indirectly, any business related to or involved in the retail sale of auto parts to "DIY" customers, or the wholesale or retail sale of auto parts to commercial installers in any state, province, territory or foreign country in which AutoZone operates now or shall operate during the Term of this Agreement, (herein called "Competitor"), as an employee, director, consultant, beneficial or record owner, partner, joint venturer, officer or agent of the Competitor. Competitor shall mean any entity of any kind which is engaged in any manner in the same business or substantially the same business as that of AutoZone; or any entity of any kind which has any organizational unit, part, subpart, subsidiary or affiliate engaged in the same or substantially the same business as that of AutoZone. Employee and AutoZone expressly agree that the wholesale distribution of automotive parts through a network of "jobbers" or through company-owned or company-controlled outlets such as Genuine Parts - NAPA shall be a "Competitor". Provided, however, solely for purposes of excluding any retail business with retail stores that sell automotive parts and automotive accessories as a minor portion of the retail business in each of its retail stores from the term "Competitor", any such retail business engaged in the same business or substantially the same business as that of AutoZone either directly or through an operating division or subsidiary of such retail business shall not be deemed to be a "Competitor" if both (a) the average sales per store per annum of the business or the average sales per store per annum of any organizational unit, part, subpart, subsidiary or affiliate of such business from the sale of automotive parts and automotive accessories (excluding sales at stores which do not sell automotive parts and automotive accessories) shall be less than 10% of the average sales per store per annum of AutoZone for the same year and (b) the total sales of automotive parts and accessories for any such retail business (including the sales of automotive parts and automotive accessories by any organizational unit, part, subpart, subsidiary or affiliate of such business) shall be, in the aggregate, less than 10% of such business' total gross sales. By way of illustration and not limitation, "Competitor" is consequently intended to include (i) all public or independently owned automotive parts and automotive accessory specialty retailing chains such as, for example, Pep-Boys, Advance, and O'Reilly's; (ii) all chains with divisions or subsidiaries selling automotive parts and automotive accessories from separate business units (iii) all wholesalers of automotive parts or automotive accessories such as Genuine Parts - NAPA; and (iv) all other retail businesses with sales of automotive parts and/or automotive "accessories exceeding either of the minimum sales volume limitations set forth in clauses (a) or (b) of this paragraph. The parties acknowledge and agree that the time, scope, geographic area and other provisions of this Non-Compete section have been specifically negotiated by sophisticated commercial parties and specifically hereby agree that such time, scope, geographic area and other provisions are reasonable under the circumstances and are in exchange for the obligations undertaken by AutoZone pursuant to this Agreement. Further, Employee agrees not to hire, for himself or any other entity, encourage anyone or entity to hire, or entice away from AutoZone any employee of AutoZone during the Term. If at any time a court of competent jurisdiction holds that any portion of this Non-Compete section is unenforceable for any reason, then Employee shall forfeit his right to any further salary, bonus, stock option exercises, or benefits from AutoZone during the Term.

(b) Confidentiality. Unless otherwise required by law, Employee shall hold in confidence any proprietary or confidential information obtained by him during his employment with AutoZone, which shall include, but not be limited to, information regarding AutoZone's present and future business plans, vendors, systems, operations and personnel. Confidential information shall not include information: (a) publicly disclosed by AutoZone; (b) rightfully received by Employee from a third party without restrictions on disclosure (c) approved for release or disclosure by AutoZone; or (d) produced or disclosed pursuant to applicable laws, regulation or court order. Employee acknowledges that all such confidential or proprietary information is and shall remain the sole property of AutoZone and all embodiments of such information shall remain with AutoZone.

(c) Loyalty. During the term of this Agreement, the Employee will except for illnesses, reasonable vacation periods, and reasonable leaves of absence, devote all his full business time, attention, skill, and efforts to the faithful performance of his duties hereunder; provided, however, from time to time, the Employee may serve on the boards of directors of, and hold any other offices or positions in, companies or organizations, which will not present any conflict of interest with AutoZone or any of its subsidiaries or affiliates, or unfavorably affect the performance of the Employee's duties pursuant to this Agreement, or will not violate any applicable statute or regulation. "Full business time" is hereby defined as that amount of time usually devoted to like companies by similarly situated employee officers. During the term of his employment under this Agreement, the Employee shall not engage in any business or activity contrary to the business affairs or interests of AutoZone.

(d) Nothing contained in this Section shall be deemed to prevent or limit the Employee's right to invest in the capital stock or other securities of any business dissimilar from that of AutoZone, and not otherwise in violation of this Agreement.

7. Standards. The Employee shall perform his duties under this Agreement in accordance with such reasonable standards as the Board may establish from time to time. AutoZone will provide the Employee with the working facilities and staff customary for similar Employees and necessary for him to perform his duties.

8. Vacation and Sick Leave. At such reasonable times as the Board shall in its discretion permit, the Employee shall be entitled, without loss of pay, to absent himself voluntarily from the performance of his employment under this Agreement, all such

voluntary absences to count as vacation time, provided that:

(a) The Employee shall be entitled to an annual vacation in accordance with the policies that the Board periodically establishes for executive officers of AutoZone.

(b) The Employee shall not receive any additional compensation from AutoZone on account of his failure to take a vacation or sick leave, and the Employee shall not accumulate unused vacation leave from one fiscal year to the next, except in either case to the extent authorized by the Board.

9. Termination as Chairman. The Employee's services as Chairman of the Board may be terminated under the following circumstances:

(a) Death. The Employee's employment under this Agreement shall terminate upon his death during the Term of this Agreement, in which event the Employee's estate shall be entitled (i) to receive a lump sum payment equal to the total Base Salary that the Employee would have collected if he had lived until the Agreement's Expiration Date plus a prorated bonus for a partial year if Employee is Chairman at the time of his death (calculated in accordance with Paragraph 9(c)), and (ii) to exercise any stock options in accordance with the terms and conditions of the various stock option agreements between the Employee and AutoZone.

(b) Just Cause. The Board may, by written notice to the Employee, immediately terminate his employment at any time, for "Cause" which shall mean, in the good faith determination of the Board, the Employee's willful engagement in conduct which (i) is demonstrably or materially injurious to AutoZone, monetarily or otherwise, and (ii) if reasonably capable of being cured, is not cured by the Employee within 10 days after the Board provides him with a detailed notice of the conduct that is considered to be grounds for a determination of Cause. No act, or failure to act, on the Employee's part shall be considered "willful" unless he has acted, or failed to act, with an absence of good faith and without a reasonable belief that his action or failure to act was in the best interest of AutoZone. The Employee shall have no right to earn additional compensation or benefits for any period after his termination for Cause, but shall receive his compensation, vested rights and employee benefits up to the date of his termination and any and all stock options shall be governed by the terms and conditions of such agreements.

(c) Without Just Cause. The Board may terminate the Employee's services as Chairman for any reason other than Cause, as of any annual stockholders meeting that follows the Board's delivery of at least 90 days' advance written notice to the Employee. Notwithstanding the previous sentence, the Board may terminate the Employee's services as Chairman of the Board within 90 days after the election of a new CEO by written notice to the Employee. Upon the termination of Employee's services as Chairman, Employee shall remain an employee of AutoZone until the Expiration Date available to perform such services as requested by the Board. In the event of Employee's services as Chairman being terminated without Cause in accordance with this paragraph, Employee shall be entitled to receive the following cash payments and benefits:

(i) The Base Salary, as stated in Section 3 of this Agreement through the Expiration Date.

(ii) A cash payment,

(a) if the Employee's services as Chairman terminates before August 26, 2001, in an amount equal to the average of the Bonus Percentage paid to the five highest-paid officers of AutoZone (excluding Employee) for the fiscal year ending on that date, multiplied by the Base Salary paid to Employee for that full fiscal year, or

(b) if Employee's services as Chairman terminate after August 26, 2001, in an amount calculated by multiplying the average of the Bonus Percentage paid to the five highest-paid officers of AutoZone (excluding Employee) for that fiscal year, times the actual Base Salary paid to Employee from the beginning of the fiscal year until the date his services as Chairman are terminated.

This cash payment shall be paid when other officer bonuses are paid for that fiscal year. "Bonus Percentage" as used in this section shall mean the percentage of the maximum obtainable bonus paid to an executive officer.

(iii) Credit under AutoZone's supplemental retirement plan equal to any pension years of service accruals that the Employee would have earned under any qualified or supplemental retirement plans of AutoZone (in existence on the Effective Date) if his service as Chairman had continued until the Expiration Date.,

(iv) Administrative assistance, at levels comparable to those in effect on the Effective Date, for the six-month period after his services as Chairman end.

(v) Such other benefits as employees of AutoZone are entitled to receive except as may be otherwise set forth in this Agreement.

Any amounts payable to the Employee pursuant to clause (i) of the preceding subsection shall be paid to him in periodic payments through the Expiration Date and any payments due under clauses (ii) or (iii) shall be paid to the Employee when such amounts are customarily paid.

(e) *Voluntary Termination by Employee.* The Employee may voluntarily terminate his services as Chairman with AutoZone during the term of this Agreement at any time after 2 years after the Effective Date, upon at least 90 days' prior written notice to the Board, in which case the Employee shall remain an employee of the Company available to perform such services as requested by the Board until the Expiration Date. Employee shall continue to receive the Base Salary and such other benefits as other employees of AutoZone are entitled to receive until the Expiration Date except as may be otherwise set forth in this Agreement. Upon the termination of Employee's services as Chairman, Employee shall remain an employee of AutoZone available to perform such services as requested by the Board. If Employee's services as Chairman terminate pursuant to this paragraph (e), AutoZone shall pay Employee a prorated bonus for the fiscal year in which his services as Chairman are terminated calculated in accordance with the formula stated in section 9(c)(ii)(b) of this Agreement. The bonus shall be paid when other officer bonuses are paid for that fiscal year.

10. No Mitigation. The Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Employee in any subsequent employment.

11. Indemnification. Employee shall be indemnified while serving as Chairman to the same extent and in the same manner as other officers of AutoZone.

12. Reimbursement for Enforcement Proceedings. In the event that any dispute arises during or after the term of this Agreement between the Employee and AutoZone as to the terms or interpretation of this Agreement, whether instituted by formal legal proceedings or otherwise, the prevailing party shall be reimbursed from the losing party for all costs and expenses, including reasonable attorneys' fees, arising from such dispute, proceedings or actions, provided that the prevailing party obtains either a written settlement or a final judgement by a court of competent jurisdiction substantially in his or its favor. Such reimbursement shall be paid within ten days of the prevailing party furnishing to the other party written evidence, which may be in the form, among other things, of a cancelled check or receipt, of any costs or expenses incurred by the prevailing.

13. Federal Income Tax Withholding. AutoZone shall withhold all federal and state income or other taxes from any benefit payable under this Agreement as shall be required pursuant to any law or government regulation or ruling.

14. Successors and Assigns.

(a) *AutoZone.* This Agreement shall not be assignable by AutoZone, provided that this Agreement shall inure to the benefit of and be binding upon any corporate or other successor of AutoZone which shall acquire, directly or indirectly, by merger, consolidation, purchase or otherwise, all or substantially all of the assets or stock of AutoZone, as the case may be.

(b) *Employee.* Since AutoZone is contracting for the unique and personal skills of the Employee, the Employee shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of AutoZone; provided, however, that nothing in this paragraph shall preclude (i) the Employee from designating a beneficiary to receive any benefit payable hereunder upon his death, or (ii) the executors, administrators, or other legal representatives of the Employee or his estate from assigning any rights hereunder to the person or persons entitled thereunto.

(c) *Attachment.* Except as required by law, no right of the Employee to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation or to exclusion, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

(d) *Continuing Effect.* The parties mutually agree and recognize that any provision of this Agreement that has potential effect beyond the term of this Agreement shall survive its expiration and remain fully enforceable.

15. Amendments. No amendments or additions to this Agreement shall be binding unless made in writing and signed by all of the parties, except as herein otherwise specifically provided.

16. Applicable Law. Except to the extent preempted by Federal law, the laws of the State of Tennessee shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

17. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

18. **Entire Agreement.** On the Effective Date, this Agreement, together with any understanding or modifications thereof as agreed to in writing by the parties, shall constitute the entire agreement between the parties hereto and shall supersede any prior agreement between the parties and the Amended and Restated Employment and Non-Compete Agreement dated as of August 31, 1999, and all previous employment and non-compete agreements between Employee and AutoZone shall be null and void and of no further effect.

< signature page follows >

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first hereinabove written.

Witnessed by:

/s/ Donald R. Rawlins
Asst. Secretary

AUTOZONE, INC.

By: /s/ Robert J. Hunt
Title: EVP-CFO

By: /s/ Harry L. Goldsmith
Title: Sr. V.P. & General Counsel

EMPLOYEE

Witnessed by:

/s/ Harry L. Goldsmith

/s/ John C. Adams, Jr.
John C. Adams, Jr.

EMPLOYMENT AND NON-COMPETE AGREEMENT

THIS AGREEMENT is between AutoZone, Inc., a Nevada corporation and its various subsidiaries (collectively "AutoZone"), and _____, an individual ("Employee") dated as of _____, 200__ ("Effective Date").

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties are agreed as follows:

1. *Employment.* AutoZone agrees to employ Employee and Employee agrees to remain in the employment of AutoZone, or a subsidiary or affiliate, until the expiration or earlier termination of this Agreement.
2. *Term.* This agreement shall be effective as of the Effective Date and shall continue until it is terminated pursuant to Paragraph 8, 9, or 10.
3. *Salary.* Employee shall receive a salary from AutoZone as follows: During the term of this Agreement, Employee shall receive annual compensation of dollars (\$XXX,XXX.XX), subject to increases as determined by the Compensation Committee of the Board of Directors ("Base Salary"). The Base Salary amount shall be paid on a pro-rated basis for all partial years based on a 364 day year. AutoZone reserves the right to increase the Base Salary above the amounts stated above in its sole discretion. All salary shall be paid at the same time and in the same manner that AutoZone's other officers are paid.
4. *Bonus.* During the term of this Agreement, Employee shall receive a bonus up to ____% of his Base Salary in accordance with policies and procedures established by AutoZone's Compensation Committee and Board of Directors which shall be based upon the financial and operational goals and objectives for the Employee and AutoZone established by the Compensation Committee for each of AutoZone's fiscal years ("Target") in accordance with AutoZone's Executive Incentive Compensation Plan. The Target is established at the sole discretion of the Compensation Committee and Board of Directors and is subject to review and revision at any time upon notification to the Employee. All bonuses shall be paid at the same time and in the same manner that AutoZone's other officers are paid.
5. *Duties.* Employee shall serve as AutoZone's Senior Vice President performing such duties as AutoZone's Board of Directors may direct from time to time and as are normally associated with such a position. AutoZone may, in its sole discretion, alter, expand or curtail the services to be performed by Employee or position held by Employee from time to time, without adjustment in compensation. Employee shall devote his entire time and attention to AutoZone's business. During the term of this Agreement, Employee shall not engage in any other business activity that conflicts with his duties with AutoZone, regardless of whether it is pursued for gain or profit. Employee may, however, invest his assets in or serve on the Board of Directors of other companies so long as they do not require Employee's services in the day to day operation of their affairs and do not violate AutoZone's conflict of interest policy. Notwithstanding, Employee may from time to time invest de minimus amounts in the publicly traded stock of Competitors upon written approval of AutoZone's General Counsel.
6. *Other Benefits.* Other benefits to be received by Employee from AutoZone shall be the ordinary benefits received by AutoZone's other executive officers, which may be changed by AutoZone in its sole discretion from time to time.
7. *Taxes.* Employee understands that all salary, bonus and other benefits will be subject to reduction for amounts required to be withheld by law as taxes and otherwise.
8. *Termination by AutoZone.*
 - (a) Without Cause. AutoZone may terminate this Agreement without Cause at any time upon notice to Employee and Employee shall cease to be an officer of AutoZone. In such event, Employee shall continue to be paid his then current Base Salary (on a pro-rated basis in the same manner as Employee is then receiving his base salary) until two years after the termination date ("Continuation Period"). During the Continuation Period, Employee shall not receive any bonus payments. During the Continuation Period, Employee shall continue to be an employee of AutoZone or a subsidiary (on leave of absence) available to perform such services as may be requested by the Chief Executive Officer of AutoZone, and Employee's stock options shall continue to vest and may be exercised in the manner set forth in the respective stock option agreements until the end of the Continuation Period, at which time Employee's employment with AutoZone shall be terminated and further stock option exercise and vesting shall be governed by the terms of the stock option agreement. During the Continuation Period, Employee shall receive such other benefits as other employees of AutoZone, including, but not limited to, health and life insurance, on the same terms and conditions. AutoZone shall pay Employee a prorated bonus for the fiscal year in which this Agreement is terminated pursuant to this paragraph calculated based on the period of time elapsed during such fiscal year until this Agreement is terminated and the formula established by the Compensation Committee for officers for that fiscal year. Said bonus shall be paid when other officer bonuses are paid for that fiscal year. AutoZone shall have no other obligations other than those stated herein upon the termination of this Agreement and Employee hereby releases AutoZone from any and all obligations and claims except those as are specifically set forth herein.
 - (b) With Cause. AutoZone shall have the right to terminate this Agreement and Employee's employment with AutoZone for Cause at any time. Upon such termination for Cause, Employee shall have no right to receive any compensation, salary, or bonus and shall immediately cease to receive any benefits (other than those as may be required pursuant to the AutoZone Pension Plan or by law) and any stock options shall be governed by the respective stock option agreements in effect between

the Employee and AutoZone at that time. "Cause" shall mean the willful engagement by the Employee in conduct which is demonstrably or materially injurious to AutoZone, monetarily or otherwise. For this purpose, no act or failure to act by the Employee shall be considered "willful" unless done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in the best interest of AutoZone.

9. *Termination by Employee.* Employee may terminate this Agreement at anytime upon written notice to AutoZone. Upon such termination, Employee's employment shall terminate and Employee shall cease to receive any further salary, benefits, or bonus, and all stock options granted shall be governed by the respective stock option agreement(s) between the Employee and AutoZone.

10. *Termination by Employee upon a Change of Control.* Employee may terminate this Agreement upon a Change of Control of AutoZone by giving written notice to AutoZone within sixty days of the occurrence of a Change of Control. Upon giving such notice to AutoZone, Employee's employment shall terminate and Employee shall cease to receive any payments or benefits pursuant to this Agreement and all stock options held by Employee shall be governed by the respective stock option agreement(s). Any of the following events shall constitute a "Change of Control": (a) the acquisition after the date hereof, in one or more transactions, of beneficial ownership (as defined in Rule 13d-3(a)(1) under the Securities Exchange Act of 1934, as amended ("Exchange Act")), by any person or entity or any group of persons or entities who constitute a group (as defined in Section 13(d)(3) under the Exchange Act) of any securities such that as a result of such acquisition such person, entity or group beneficially owns AutoZone, Inc.'s then outstanding voting securities representing 51% or more of the total combined voting power entitled to vote on a regular basis for a majority of the board of Directors of AutoZone, Inc. or (b) the sale of all or substantially all of the assets of AutoZone (including, without limitation, by way of merger, consolidation, lease or transfer) in a transaction where AutoZone or the beneficial owners (as defined in Rule 13d-3(a)(1) under the Exchange Act) of capital stock of AutoZone do not receive (i) voting securities representing a majority of the total combined voting power entitled to vote on a regular basis for the board of directors of the acquiring entity or of an affiliate which controls the acquiring entity or (ii) securities representing a majority of the total combined equity interest in the acquiring entity, if other than a corporation; provided however, that the foregoing provisions of this Paragraph 10 shall not apply to any transfer, sale or disposition of shares of capital stock of AutoZone to any person or persons who are affiliates of AutoZone on the date hereof.

11. *Effect of Termination.* Any termination of Employee's service as an officer of AutoZone shall be deemed a termination of Employee's service on all boards and as an officer of all subsidiaries of AutoZone.

12. *Non-Compete.* Employee agrees that he will not, for the period commencing on the termination date of this Agreement pursuant to Paragraph 8 or 9 (whichever is applicable) of this Agreement and ending on

(i) the date two years after said termination date of this Agreement if either Employee voluntarily terminates this Agreement or this Agreement is terminated by AutoZone for Cause or

(ii) the end of the Continuation Period if this Agreement is terminated by AutoZone without Cause,

be engaged in or concerned with, directly or indirectly, any business related to or involved in the retail sale of auto parts to "DIY" customers, or the wholesale or retail sale of auto parts to commercial installers in any state, province, territory or foreign country in which AutoZone operates now or shall operate during the term set forth in this non-compete paragraph (herein called "Competitor"), as an employee, director, consultant, beneficial or record owner, partner, joint venturer, officer or agent of the Competitor.

The parties acknowledge and agree that the time, scope, geographic area and other provisions of this Non-Compete section have been specifically negotiated by sophisticated commercial parties and specifically hereby agree that such time, scope, geographic area and other provisions are reasonable under the circumstances and are in exchange for the obligations undertaken by AutoZone pursuant to this Agreement.

Further, Employee agrees not to hire, for himself or any other entity, encourage anyone or entity to hire, or entice away from AutoZone any employee of AutoZone during the term of this non-compete obligation.

If at any time a court of competent jurisdiction holds that any portion of this Non-Compete section is unenforceable for any reason, then Employee shall forfeit his right to any further salary, bonus, stock option exercises, or benefits from AutoZone during any Continuation Period. This Paragraph 12 shall not apply to a termination by Employee pursuant to Paragraph 10.

13. *Confidentiality.* Unless otherwise required by law, Employee shall hold in confidence any proprietary or confidential information obtained by him during his employment with AutoZone, which shall include, but not be limited to, information regarding AutoZone's present and future business plans, vendors, systems, operations and personnel. Confidential information shall not include information: (a) publicly disclosed by AutoZone; (b) rightfully received by Employee from a third party without restrictions on disclosure (c) approved for release or disclosure by AutoZone; or (d) produced or disclosed pursuant to applicable laws, regulation or court order. Employee acknowledges that all such confidential or proprietary information is and shall remain the sole property of AutoZone and all embodiments of such information shall remain with AutoZone.

14. *Breach by Employee.* The parties further agree that if, at any time, despite the express agreement of the parties hereto, Employee violates the provisions of this Agreement by violating the Non-Compete or Confidentiality sections, or by failing to perform his obligations under this Agreement, Employee shall forfeit any unexercised stock options, vested or not vested, and AutoZone may cease paying any further salary or bonus. In the event of breach by Employee of any provision of this Agreement, Employee acknowledges that such breach will cause irreparable damage to AutoZone, the exact amount of which will be difficult

or impossible to ascertain, and that remedies at law for any such breach will be inadequate. Accordingly, AutoZone shall be entitled, in addition to any other rights or remedies existing in its favor, to obtain, without the necessity for any bond or other security, specific performance and/or injunctive relief in order to enforce, or prevent breach of any such provision.

15. *Death of Employee or Disability.* If Employee should die or become disabled (such that he is no longer capable of performing his duties) during the term of this Agreement, then all salary and bonus shall cease as of the date of his death or disability, all stock options shall be governed by the terms of the respective stock option agreements, and Employee shall receive disability or death benefits as may be provided under AutoZone's then existing policies and procedures related to disability or death of AutoZone employees.

16. *Waiver.* Any waiver of any breach of this Agreement by AutoZone shall not operate or be construed as a waiver of any subsequent breach by Employee. No waiver shall be valid unless in writing and signed by an authorized officer of AutoZone.

17. *Assignment.* Employee acknowledges that his services are unique and personal. Accordingly, Employee shall not assign his rights or delegate his duties or obligations under this Agreement. Employee's rights and obligations under this Agreement shall inure to the benefit of and be binding upon AutoZone successors and assigns. AutoZone may assign this Agreement to any wholly-owned subsidiary operating for the use and benefit of AutoZone.

18. *Entire Agreement.* This Agreement contains the entire understanding of the parties related to the matters discussed herein. It may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

19. *Jurisdiction.* This Agreement shall be governed and construed by the laws of the State of Tennessee, without regard to its choice of law rules. The parties agree that the only proper venue for any dispute under this Agreement shall be in the state or federal courts located in Shelby County, Tennessee.

20. *Survival.* Sections 8, 12, 13, 14 and 19 of this Agreement shall survive any termination of this Agreement or Employee's employment with AutoZone (including, without limitation termination pursuant to Paragraphs 8, 9, or 10).

IN WITNESS WHEREOF, the respective parties execute this Agreement.

AUTOZONE, INC.

Employee

By: _____

Employee

Title: _____

Date: _____

By: _____

Title: _____

Schedule 1

<u>Name of Officer</u>	<u>Date of Employment Agreement</u>	<u>Base Salary</u>	<u>Possible Bonus Percentage</u>
Brett D. Easley	November 16, 2000	\$240,000.00	60%
Robert D. Olsen	November 9, 2000	\$285,000.00	60%