

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended February 15, 2003, 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 - 92,079,950 shares as of March 15, 2003, net of shares under forward contracts.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands)

| | February 15, 2003 | August 31, 2002 |
|---|----------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 6,559 | \$ 6,498 |
| Accounts receivable | 29,274 | 23,782 |
| Merchandise inventories | 1,490,172 | 1,375,584 |
| Prepaid expenses | 18,776 | 11,690 |
| Deferred income taxes | 33,133 | 32,574 |
| Total current assets | 1,577,914 | 1,450,128 |
| Property and equipment | | |
| Property and equipment | 2,464,495 | 2,432,130 |
| Less: Accumulated depreciation and amortization | 801,928 | 770,402 |
| | 1,662,567 | 1,661,728 |
| Other assets | | |
| Cost in excess of net assets acquired | 305,390 | 305,390 |
| Deferred income taxes | 56,606 | 60,304 |
| Other assets | 12,105 | 241 |
| | 374,101 | 365,935 |
| | \$3,614,582 | \$3,477,791 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$1,048,077 | \$1,145,533 |
| Accrued expenses | 322,580 | 344,600 |
| Income taxes payable | 99,140 | 43,438 |
| Total current liabilities | 1,469,797 | 1,533,571 |
| Long term debt | 1,339,542 | 1,194,517 |
| Other liabilities | 57,469 | 60,576 |
| Stockholders' equity | 747,774 | 689,127 |
| | \$3,614,582 | \$3,477,791 |

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share amounts)

| | Twelve Weeks Ended | | Twenty-four Weeks Ended | |
|---|----------------------|---------------------|-------------------------|---------------------|
| | February 15, 2003 | February 9, 2002 | February 15, 2003 | February 9, 2002 |
| Net sales | \$1,120,696 | \$1,081,311 | \$2,339,331 | \$2,257,363 |
| Cost of sales, including warehouse and delivery expenses | 624,697 | 606,411 | 1,293,942 | 1,266,327 |
| Operating, selling, general and administrative expenses | 348,501 | 353,751 | 709,565 | 714,383 |

| | | | | |
|---|-----------|-----------|------------|------------|
| Operating profit | 147,498 | 121,149 | 335,824 | 276,653 |
| Interest expense -- net | 19,633 | 18,278 | 38,738 | 37,705 |
| Income before income taxes | 127,865 | 102,871 | 297,086 | 238,948 |
| Income taxes | 48,590 | 39,100 | 112,900 | 91,100 |
| Net income | \$ 79,275 | \$ 63,771 | \$ 184,186 | \$ 147,848 |
| Weighted average shares for basic earnings per share | 98,446 | 106,846 | 98,627 | 107,415 |
| Effect of dilutive stock equivalents | 1,947 | 2,951 | 2,173 | 2,786 |
| Adjusted weighted average shares for diluted earnings per share | 100,393 | 109,797 | 100,800 | 110,201 |
| Basic earnings per share | \$ 0.81 | \$ 0.60 | \$ 1.87 | \$ 1.38 |
| Diluted earnings per share | \$ 0.79 | \$ 0.58 | \$ 1.83 | \$ 1.34 |

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands)

| | Twenty-four Weeks Ended | |
|---|-------------------------|---------------------|
| | February 15, 2003 | February 9, 2002 |
| Cash flows from operating activities: | | |
| Net income | \$ 184,186 | \$ 147,848 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 50,836 | 56,093 |
| Net increase in merchandise inventories | (114,588) | (65,986) |
| Net decrease in current liabilities | (63,774) | (24,918) |
| Income tax benefit from exercise of options | 19,525 | 17,963 |
| Other -- net | (25,016) | (10,805) |
| Net cash provided by operating activities | 51,169 | 120,195 |
| Cash flows from investing activities: | | |
| Capital expenditures | (61,832) | (40,622) |
| Proceeds from sale of business | -- | 25,723 |
| Proceeds from disposal of capital assets | 8,292 | 4,234 |
| Notes receivable from officers | -- | 750 |
| Net cash used in investing activities | (53,540) | (9,915) |
| Cash flows from financing activities: | | |
| Net proceeds from debt | 145,025 | 26,540 |
| Purchase of treasury stock | (159,495) | (169,211) |
| Net proceeds from sale of common stock | 22,767 | 30,069 |
| Other | (5,865) | 2,293 |
| Net cash provided by (used in) financing activities | 2,432 | (110,309) |
| Net change in cash and cash equivalents | 61 | (29) |
| Cash and cash equivalents at beginning of period | 6,498 | 7,257 |

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. Operating results for the twenty-four weeks ended February 15, 2003, are not necessarily indicative of the results that may be expected for the fiscal year ending August 30, 2003. 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 31, 2002.

Note B-Restructuring and Impairment Charges

In fiscal 2001, AutoZone recorded restructuring and impairment charges of \$156.8 million. Total remaining accrued obligations for restructuring charges were \$17.3 million at February 15, 2003, and consisted primarily of accrued lease obligations. The Company has not reversed any reserves into income. The following table presents a summary of the activity in accrued lease obligations:

| <i>(in thousands)</i> | Lease Obligations |
|------------------------------|------------------------------|
| Balance at August 31, 2002 | \$18,140 |
| Cash outlays | (314) |
| Balance at November 23, 2002 | \$17,826 |
| Cash outlays | (522) |
| Balance at February 15, 2003 | \$17,304 |

Note C-Adoption of New Accounting Standards

On September 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but retains many of its fundamental provisions. Additionally, SFAS 144 expands the scope of discontinued operations to include more disposal transactions. The adoption of SFAS 144 did not have a significant impact on the Company's Consolidated Financial Statements.

On December 31, 2002, the Company adopted Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" and requires that a liability for the cost associated with an exit or disposal activity be recognized when the liability is incurred, as opposed to the date of an entity's commitment to an exit plan. The adoption of SFAS 146 did not have a significant impact on the Company's Consolidated Financial Statements.

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor," which is effective for the Company's fiscal third quarter beginning February 16, 2003, and will require certain funds received from vendors to be accounted for as a reduction of the purchase cost of merchandise and reflected as a reduction of cost of sales or revenue as prescribed in the consensus. At its January 23, 2003, meeting, the EITF concluded that the new guidance should be applied to new arrangements, including

modifications of existing arrangements, entered into after December 31, 2002, to the extent vendor funds will be applied as a reduction of the purchase cost of inventories. The Company is currently evaluating the impact of adoption of EITF 02-16.

In November 2002 the Financial Accounting Standards Board issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 elaborates on the disclosures that must be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002, and its recognition requirements are applicable for guarantees issued or modified after December 31, 2002. FIN 45 applies to product warranties offered by the Company. The Company does not expect the adoption of FIN 45 to have significant impact on its Consolidated Financial Statements. Refer to Note K for the Company's interim disclosures.

On December 31, 2002, the Financial Accounting Standards Board issued Statement No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" (SFAS 148). SFAS 148 amends Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition to the Statement's fair value method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28, "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. Refer to Note H for the Company's interim disclosures.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. FIN 46 applies to the Company's existing \$30 million synthetic lease facility, and will be effective for the Company's first fiscal quarter in 2004. The Company is currently evaluating the impact of FIN 46 and does not expect its adoption to have a significant impact on its Consolidated Financial Statements.

Note D-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. The balance of the LIFO reserve was zero for all periods presented.

Note E-Financing Arrangements

The Company's long term debt as of February 15, 2003, and August 31, 2002, consisted of the following:

| <i>(in thousands)</i> | February 15, 2003 | August 31, 2002 |
|---|------------------------------|----------------------------|
| 5.875% Senior Notes due 2012 | \$ 300,000 | \$ - -- |
| 6% Notes due November 2003 | 150,000 | 150,000 |
| 6.5% Debentures due 2008 | 190,000 | 190,000 |
| 7.99% Notes due 2006 | 150,000 | 150,000 |
| Bank term loan due November 2004, interest rate of 2.55% at February 15, 2003, and 2.56% at August 31, 2002 | 350,000 | 350,000 |
| Bank term loan due December 2003, interest rate of 3.11% at August 31, 2002 | -- | 115,000 |
| Commercial paper, weighted average rate of 1.4% at February 15, 2003, and 2.1% at August 31, 2002 | 183,900 | 223,200 |
| Other | 15,642 | 16,317 |
| | \$1,339,542 | \$1,194,517 |

The Company maintains \$950 million of revolving credit facilities with a group of banks. Of the \$950 million, \$300 million expires in May 2003. The remaining \$650 million expires in May 2005. The 364-day facility expiring in May 2003 includes a renewal feature, as well as an option to extend the maturity date of the then-outstanding debt by one year. The credit facilities exist largely to support commercial paper borrowings and other short term unsecured bank loans. Outstanding commercial paper at February 15, 2003, of \$183.9 million and the 6% Notes due November 2003 are classified as long term 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), 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. As of February 15, 2003, the Company was in compliance with all covenants.

On October 1, 2002, the Company filed a shelf registration with the Securities and Exchange Commission that allows the Company to sell up to \$500 million in debt securities. On October 16, 2002, the Company issued \$300 million of 5.875% Senior Notes under the registration statement. The Senior Notes mature in October 2012, and interest is payable semi-annually on April 15 and October 15. A portion of the proceeds from the Senior Notes was used to prepay a \$115 million unsecured bank term loan due December 2003 and to repay a portion of the Company's outstanding commercial paper borrowings.

Note F-Stockholders' Equity

The Company presents basic and diluted earnings per share (EPS) in accordance with 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 February 15, 2003, the Company's Board of Directors had authorized the Company to repurchase up to \$2.8 billion of common stock in the open market. Since fiscal 1998, the Company has repurchased a total of 62.0 million shares at an aggregate cost of \$2.1 billion. In addition to these purchases, at times, the Company utilizes equity forward contracts to facilitate its repurchase of common stock. At February 15, 2003, the Company held equity forward contracts that relate to the purchase of approximately 4.3 million shares of common stock at an average cost of \$69.46 per share, all of which mature in fiscal 2003. During fiscal 2003, the Company has repurchased \$306.9 million of common stock, including shares under forward purchase contracts. The Company, at its option, may settle the forward contracts in cash or common stock. The Company has historically settled all similar contracts in cash. In accordance with the provisions of Emerging Issues Task Force Issue 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," these contracts qualify as equity instruments and are not reflected in the Company's Consolidated Balance Sheets. Due to fluctuations in the Company's stock price, when the Company settles these forward contracts, the settlement price may be above or below the market price of the underlying common stock.

Subsequent to the end of the quarter, the Company purchased 1.8 million shares in settlement of certain forward contracts outstanding at February 15, 2003, at an average cost of \$67.77 per share, and as of March 15, 2003, had purchased 1.6 million shares in the open market at an average cost of \$65.47 per share.

Note G-Comprehensive Income

Comprehensive income includes foreign currency translation adjustments and changes in the fair value of certain derivative financial instruments that qualify for cash flow hedge accounting. Comprehensive income for all periods presented is as follows:

| | Twelve Weeks Ended | February 9, 2002 | February 15, 2003 | February 9, 2002 |
|---|------------------------------|-----------------------------|------------------------------|-----------------------------|
| <i>(in thousands)</i> | February 15, 2003 | February 9, 2002 | February 15, 2003 | February 9, 2002 |
| Reported net earnings | \$79,275 | \$63,771 | \$184,186 | \$147,848 |
| Foreign currency translation adjustment | (7,049) | 608 | (6,491) | 524 |
| Unrealized gain (loss) on interest rate swap contracts, net of deferred taxes | 203 | (120) | (2,472) | (2,825) |
| Comprehensive income | \$ 72,429 | \$ 64,259 | \$175,223 | \$145,547 |

Note H-Stock-Based Compensation

The Company has granted options to purchase common stock to some of its employees and directors under various plans, as described more fully in the Company's annual report on Form 10-K for the fiscal year ended August 31, 2002. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 125, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation cost is reflected in net income, as options are typically granted under those plans at an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation.

| <i>(in thousands)</i> | Twelve Weeks Ended | February 9, 2002 | Twenty-four Weeks Ended | February 9, 2002 |
|---|--------------------|------------------|-------------------------|------------------|
| | February 15, 2003 | February 9, 2002 | February 15, 2003 | February 9, 2002 |
| Net income, as reported | \$ 79,275 | \$63,771 | \$184,186 | \$147,848 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (1,801) | (616) | (7,851) | (3,853) |
| Pro forma net income | \$ 77,474 | \$ 63,155 | \$176,335 | \$143,995 |
| Earnings per share | | | | |
| Basic -- as reported | \$ 0.81 | \$ 0.60 | \$ 1.87 | \$ 1.38 |
| Basic -- pro forma | \$ 0.79 | \$ 0.59 | \$ 1.79 | \$ 1.34 |
| Diluted -- as reported | \$ 0.79 | \$ 0.58 | \$ 1.83 | \$ 1.34 |
| Diluted -- pro forma | \$ 0.77 | \$ 0.58 | \$ 1.75 | \$ 1.31 |

Note I-Sale of TruckPro Business

In December 2001, the Company's heavy-duty truck parts business was sold to a group of investors in exchange for cash and a six-year note. The Company has deferred a gain of \$3.6 million related to the sale due to uncertainties associated with the realization of the gain. The Company has subleased some of the TruckPro properties to the purchaser of the TruckPro business for an initial term of not less than 20 years.

Note J-Retirement Plan Changes

On January 1, 2003, the Company introduced an enhanced 401(k) plan that replaced the previous pension and 401(k) plans. The new plan features include increased company matching contributions, immediate 100% vesting of company contributions and an increased savings option to 25% of qualified earnings. The pension plan has been frozen and pension plan participants will earn no new benefits under the plan formula and no new participants will join the pension plan. The Company does not anticipate a material financial statement impact as a result of the plan changes.

Note K-Product Warranties

The Company provides its customers limited warranties on certain products that range from 30 days to lifetime warranties. The Company provides a reserve for warranty obligations at the time of sale based on each product's historical return rate. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the amount as necessary. Changes in the Company's warranty liability during the period were as follows:

| <i>(in thousands)</i> | Warranty Liability |
|------------------------------|--------------------|
| Balance at August 31, 2002 | \$82,035 |
| Amounts charged to expense | 52,843 |
| Warranty settlements | (44,092) |
| Balance at February 15, 2003 | \$90,786 |

Stockholders

AutoZone, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of AutoZone, Inc. as of February 15, 2003, and the related condensed consolidated statements of income and cash flows for the twelve and twenty-four week periods ended February 15, 2003 and February 9, 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of AutoZone, Inc. as of August 31, 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein) and, in our report dated September 20, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 31, 2002 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Memphis, Tennessee
February 28, 2003

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

Critical Accounting Policies

For information regarding our critical accounting policies, refer to our annual report on Form 10-K for the fiscal year ended August 31, 2002.

Twelve Weeks Ended February 15, 2003, Compared with Twelve Weeks Ended February 9, 2002

Net sales for the twelve weeks ended February 15, 2003, increased by \$39.4 million, or 3.6%, over net sales for the comparable period of fiscal 2002. Excluding TruckPro, which was sold in fiscal 2002, net sales increased 4.8%. Comparable store sales, or sales for domestic stores opened at least one year, increased 2.4% primarily as a result of an increase in average dollars spent per transaction over the amounts in the same period of the prior year. New store sales for the twelve weeks ended February 15, 2003, contributed 1.9 percentage points of the increase and ALLDATA and Mexico sales contributed the balance.

At February 15, 2003, we operated 3,122 domestic stores and 41 in Mexico, compared with 3,037 domestic stores and 23 in Mexico at February 9, 2002.

Gross profit for the twelve weeks ended February 15, 2003, was \$496.0 million, or 44.3% of net sales, compared with \$474.9 million, or 43.9% of net sales, during the comparable period for fiscal 2002. Approximately 0.2 percentage points of the improvement is due to the inclusion of TruckPro gross profit dollars in the second quarter of fiscal 2002. TruckPro was sold in December 2001. The remainder of the improvement is due primarily to cost savings.

Operating, selling, general and administrative expenses for the twelve weeks ended February 15, 2003, decreased by \$5.3 million over such expenses for the comparable period for fiscal 2002, and decreased as a percentage of net sales from 32.7% to 31.1%. The improvement in the expense ratio reflects the leveraging of staffing, salaries and information technology spending at our Store Support Center, which accounted for a 2.0 percentage point improvement. Additionally, the prior year quarter included higher expenses related to employee bonuses.

Operating profit for the twelve weeks ended February 15, 2003, was \$147.5 million, or 13.2% of net sales, compared with \$121.1 million, or 11.2% of net sales, during the comparable period for fiscal 2002.

Interest expense for the twelve weeks ended February 15, 2003, was \$19.6 million compared with \$18.3 million during the comparable period of 2002. The increase in interest expense was due primarily to the issuance of long term debt during the first quarter. Weighted average borrowings for the twelve weeks ended February 15, 2003, were \$1.35 billion, compared with \$1.33 billion for the same period of fiscal 2002. Weighted average borrowing rates were 4.6% in the twelve weeks ended February 15, 2003, compared with 4.4% in the same period of the prior year.

AutoZone's effective income tax rate was 38.0% of pretax income for the twelve weeks ended February 15, 2003, and for the twelve weeks ended February 9, 2002.

Twenty-four Weeks Ended February 15, 2003, Compared with

Twenty-four Weeks Ended February 9, 2002

Net sales for the twenty-four weeks ended February 15, 2003, increased by \$82.0 million, or 3.6%, over net sales for the comparable period of fiscal 2002. Excluding TruckPro sales in the prior year of \$47.6 million, net sales increased 5.9%. Comparable store sales, or sales for domestic stores opened at least one year, increased 3.5% as a result of an increase in average dollars spent per transaction over the amounts in the same period of the prior year, and to a lesser extent, an increase in customer count. New store sales for the twenty-four weeks ended February 15, 2003, contributed 1.8 percentage points of the increase and ALLDATA and Mexico sales contributed the balance.

Gross profit for the twenty-four weeks ended February 15, 2003, was \$1.05 billion, or 44.7% of net sales, compared with \$991.0 million, or 43.9% of net sales, during the comparable period for fiscal 2002. Approximately 0.3 percentage points of the improvement is due to the inclusion of TruckPro gross profit dollars in fiscal 2002. The remainder of the improvement is due primarily to cost savings.

Operating, selling, general and administrative expenses for the twenty-four weeks ended February 15, 2003, decreased by \$4.8 million over such expenses for the comparable period for fiscal 2002, and decreased as a percentage of net sales from 31.6% to 30.3%. The improvement in the expense ratio reflects the leveraging of staffing, salaries and information technology spending at our Store Support Center, which accounted for a 1.6 percentage point improvement. Additionally, the prior year included higher expenses related to employee bonuses.

Operating profit for the twenty-four weeks ended February 15, 2003, was \$335.8 million, or 14.4% of net sales, compared with \$276.7 million, or 12.3% of net sales, during the comparable period for fiscal 2002.

Interest expense for the twenty-four weeks ended February 15, 2003, was \$38.7 million compared with \$37.7 million during the comparable period of 2002. The increase in interest expense was due primarily to the issuance of long term debt during the first quarter. Weighted average borrowings for the twenty-four weeks ended February 15, 2003, were \$1.37 billion, compared with \$1.33 billion for the same period of fiscal 2002. However, weighted average borrowing rates were 4.6% in the twenty-four weeks ended February 15, 2003, compared with 4.7% in the same period of the prior year.

AutoZone's effective income tax rate was 38.0% of pretax income for the twenty-four weeks ended February 15, 2003, compared with 38.1% for the twenty-four weeks ended February 9, 2002.

Liquidity and Capital Resources

For the twenty-four weeks ended February 15, 2003, net cash of \$51.2 million was provided by AutoZone's operating activities compared to \$120.2 million of cash provided for the comparable prior year period. The decrease in cash flow from operating activities is due primarily to working capital requirements and the settlement of certain interest rate swaps and treasury locks outstanding at August 31, 2002. Our working capital requirements reflected seasonal working capital needs, as well as an intentional increase in inventory through the first fiscal quarter in order to improve in-stock inventory levels, add brand coverage and late model parts for AZ Commercial and to expand our good/better/best product ranges. Our ratio of accounts payable to inventory has improved to 70.3% from 65.8% in the same period of the prior year. This improvement reflects our continued efforts to leverage our inventory investment. We have been successful at extending payment terms with our vendors, in many cases by helping our vendors to factor (discount) their AutoZone receivables at attractive rates due to our credit rating. These working capital changes were partially offset by an increase in net income.

Additionally, \$53.5 million was used in investing activities by AutoZone compared with \$9.9 million in the comparable period of fiscal year 2002. The increase in cash used in investing activities as compared to the same period of the prior year is due primarily to increased store development activities in the current year and proceeds from the sale of the TruckPro business in the prior year. Capital expenditures for the twenty-four weeks ended February 15, 2003, were \$61.8 million compared to \$40.6 million for the comparable period of fiscal 2002. Year-to-date, we opened 61 net new domestic stores, including four stores that replaced existing stores, opened two new stores in Mexico and closed seven domestic stores. In the comparable period of the prior fiscal

year, we opened 53 net new domestic stores, including ten stores that replaced existing stores, and closed 35 stores. We expect to open at least 150 new domestic stores during the fiscal year.

Financing activities for the twenty-four weeks ended February 15, 2003, provided \$2.4 million compared with a use of \$110.3 million in the comparable period of the prior year. The current period reflects net proceeds from debt of \$145.0 million offset by \$159.5 million in stock repurchases, compared with \$26.5 million in debt proceeds and \$169.2 million in stock repurchases in the same period of the prior year. For the twenty-four weeks ended February 15, 2003, exercises of stock options provided \$42.3 million, including \$19.5 million in related tax benefits that are reflected in cash flows from operations. In the same period of the prior year, exercises of stock options provided \$48.0 million, including \$18.0 million in related tax benefits. Options to purchase 2.0 million shares were exercisable at February 15, 2003, at a weighted average exercise price of \$28.

Depending on the timing and magnitude of our future investments (either in the form of leased or purchased properties or acquisitions), we anticipate that we will rely primarily on internally generated funds to support a majority of our capital expenditures, working capital requirements and stock repurchases. The balance will be funded through borrowings. We anticipate that we will be able to obtain such financing in view of our credit rating and favorable experiences in the debt market in the past.

At February 15, 2003, AutoZone had a senior unsecured debt credit rating from Standard & Poor's of BBB+ and a commercial paper rating of A-2. Moody's Investors Service had assigned us a senior unsecured debt credit rating of Baa2 and a commercial paper rating of P-2. Moody's had AutoZone listed as having a "stable" outlook and Standard & Poor's had AutoZone listed as having a "positive" outlook. If these credit ratings drop, AutoZone's interest expense may increase; similarly, we anticipate that our interest expense may decrease if our investment ratings are raised. If our commercial paper ratings drop below current levels, we may have difficulty continuing to utilize the commercial paper market and our interest expense will increase, as we will then be required to access more expensive bank lines of credit. If our senior unsecured debt ratings drop below investment grade, our access to financing may become more limited, and obligations under our equity forward agreements may be accelerated, requiring the agreements to be settled prior to their planned settlement date.

We maintain \$950 million of revolving credit facilities with a group of banks. Of the \$950 million, \$300 million expires in May 2003. The remaining \$650 million expires in May 2005. The 364-day facility expiring in May 2003 includes a renewal feature, as well as an option to extend the maturity date of the then-outstanding debt by one year. The credit facilities exist largely to support commercial paper borrowings and other short-term unsecured bank loans. Outstanding commercial paper at February 15, 2003, of \$183.9 million and the 6% Notes due November 2003 are classified as long term as we have 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), the lending bank's base rate (as defined in the agreement) or a competitive bid rate at our option. We have agreed to observe certain covenants under the terms of our credit agreements, including limitations on total indebtedness, restrictions on liens and minimum fixed charge coverage. As of February 15, 2003, we were in compliance with all covenants.

On October 1, 2002, we filed a shelf registration with the Securities and Exchange Commission that allows us to sell up to \$500 million in debt securities. On October 16, 2002, we issued \$300 million of 5.875% Senior Notes under the registration statement. The Senior Notes mature in October 2012, and interest is payable semi-annually on April 15 and October 15. A portion of the proceeds from the Senior Notes was used to prepay a \$115 million unsecured bank term loan due December 2003 and to repay a portion of our outstanding commercial paper borrowings.

All of the repayment obligations under our bank lines of credit may be accelerated and come due prior to the scheduled payment date if AutoZone experiences a change in control (as defined in the agreements) of AutoZone or its Board of Directors or if covenants are breached related to total indebtedness and minimum fixed charge coverage. We expect to remain in compliance with these covenants.

As of February 15, 2003, our Board of Directors had authorized the repurchase of up to \$2.8 billion of common stock in the open market. From January 1998 to February 15, 2003, we have repurchased 62.0 million shares at an aggregate cost of \$2.1 billion. In addition to these purchases, at times, we use equity forward contracts to facilitate the repurchase of common stock. At February 15, 2003, we held equity forward contracts relating to the purchase of approximately 4.3 million shares of common stock at an average cost of \$69.46 per share. During fiscal 2003, the Company has repurchased \$306.9 million of common stock, including shares under forward purchase contracts. Subsequent to the end of the quarter, we purchased 1.8 million shares in settlement of certain forward contracts outstanding at February 15, 2003, at an average cost of \$67.77 per share, and as of March 15, 2003, had purchased 1.6 million shares in the open market at an average cost of \$65.47 per share.

There were no material changes to the financial commitment schedules disclosed in our annual report on Form 10-K for the fiscal year ended August 31, 2002, except for share repurchases and the issuance of debt as discussed previously. Since fiscal year end, we issued additional stand-by letters of credit (which are primarily renewed on an annual basis) to cover premium and deductible payments to our workers' compensation carrier and cancelled some surety bonds. Our total standby letters of credit commitment at February 15, 2003, was \$52.1 million compared with \$31.7 million at August 31, 2002, and our total surety bonds commitment at February 15, 2003 was \$7.4 million compared with \$23.7 million at August 31, 2002.

We have subleased some of our leased real property to other entities, including the purchaser of our former TruckPro business. If the purchaser of the TruckPro business becomes unable to meet its obligations under the subleases, we might incur liabilities in connection with the recovery and subsequent sublease or lease termination of the properties.

Off-Balance Sheet Arrangements

At times, we utilize equity forward contracts to facilitate our repurchase of common stock and to lock in current market prices for later purchase. Our obligations under the equity forward agreements are not reflected on our balance sheet. AutoZone, at its option, may settle the forward purchase agreements in cash or in common stock.

In conjunction with our commercial sales program, we offer credit to some of our commercial customers. The receivables related to the credit program are sold to a third party at a discount for cash with limited recourse. AutoZone has established a reserve for this recourse. At February 15, 2003, the receivables facility had an outstanding balance of \$26.8 million and the balance of the recourse reserve was \$1.7 million.

AutoZone has a synthetic lease facility of \$30.0 million. The facility expires in fiscal 2006. At February 15, 2003, \$29.8 million in synthetic lease obligations were outstanding relating to a small number of our domestic stores. The synthetic leases qualify as operating leases for accounting purposes and are not reflected as an asset or a liability on our balance sheet. The lease payments on the stores are reflected in the income statement in operating expenses and we depreciate the underlying assets for tax purposes.

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q are forward-looking statements. These statements discuss, among other things, business strategies and future performance. The forward-looking statements are subject to risks, uncertainties and assumptions including, without limitation, competition, product demand, the economy, inflation, gasoline prices, consumer debt levels, war and the prospect of war, including terrorist activity, and availability of commercial transportation. Actual results may materially differ from anticipated results. Please refer to the Risk Factors section in our annual report on Form 10-K for fiscal year ended August 31, 2002, for more details.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

AutoZone is exposed to market risk from changes in foreign exchange and interest rates. Additionally, we are exposed to market risk from changes in gasoline prices related to our transportation fleet of trucks. We may periodically use various financial instruments to reduce such risks. To date, foreign exchange exposure has not been material. All hedging transactions are authorized by our Board of Directors. Further, we do not buy or sell financial instruments for trading purposes.

Derivatives and Hedging

Financial market risk relating to AutoZone's operations results primarily from changes in interest rates. We comply with Statement of Financial Accounting Standards Nos. 133, 137 and 138 (collectively "SFAS 133") pertaining to the accounting for derivatives and hedging activities. SFAS 133 requires us to recognize all derivative instruments on the balance sheet at fair value. AutoZone reduces its exposure to increases in interest rates by entering into interest rate swap contracts and treasury lock agreements. All of our interest rate swaps and treasury locks are designated as cash flow hedges.

AutoZone has utilized interest rate swaps to convert variable rate debt to fixed rate debt. At February 15, 2003, we held interest rate swap contracts related to \$25 million of variable rate debt. These swaps expire in September 2003, and are used to hedge the variable rate debt associated with commercial paper borrowings. Additionally, during the second fiscal quarter, we entered into a forward starting interest rate swap with notional amounts totaling \$200 million associated with the anticipated issuance of an additional \$200 million of debt available under our shelf registration. This swap expires in August 2003.

Subsequent to the end of the quarter, we also entered into fuel swaps to hedge a portion of our diesel fuel exposure between April and August 2003. As of March 11, 2003, we held fuel swap contracts related to \$2.4 million of diesel fuel.

At August 31, 2002, we held a total of \$75 million of interest rate swaps related to commercial paper borrowings and also held \$115 million of swaps that were used to hedge the variable rate debt associated with a \$115 million term loan. Additionally, at August 31, 2002, we held treasury lock agreements with notional amounts of \$300 million that expired in October 2002 and were used to hedge the exposure to variability in future cash flows related to AutoZone's issuance of \$300 million 5.875% Senior Notes. The treasury lock agreements were settled upon the issuance of the Senior Notes. The loss realized under the treasury lock agreements is being amortized as interest expense over the life of the underlying Senior Notes. A portion of the proceeds generated from the issuance of the Senior Notes was used to prepay a \$115 million term loan. Accordingly, the related swap agreements were settled and the realized loss is being amortized as interest expense over the life of the swap agreement.

In accordance with SFAS 133, AutoZone reflects the current fair value of all derivatives on our balance sheet. The related gains or losses on these transactions 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 items being hedged are recognized in expense. However, to the extent that the change in value of a derivative contract does not perfectly offset the change in the value of the items being hedged, that ineffective portion is immediately recognized in income. For the twenty-four weeks ended February 15, 2003, and February 9, 2002, all of our derivative contracts were determined to be highly effective, and no ineffective portion was recognized in income.

The fair value of AutoZone's debt was estimated at \$1.39 billion as of February 15, 2003, and \$1.22 billion as of August 31, 2002, based on the market values of the debt at those dates. Such fair value is greater than the carrying value of debt at February 15, 2003, by \$46.9 million, and at August 31, 2002, by \$27.2 million. We had \$544.8 million of variable rate debt outstanding at February 15, 2003, and \$699.8 million outstanding at August 31, 2002. At these borrowing levels, a one percentage point increase

in interest rates would have an unfavorable annual impact on AutoZone's pretax earnings and cash flows of \$5.2 million in fiscal 2003 and \$5.1 million in fiscal 2002, which includes the effects of interest rate swaps. The primary interest rate exposure on variable rate debt is based on LIBOR.

Item 4. Controls and Procedures

As of February 15, 2003, an evaluation was performed under the supervision and with the participation of AutoZone's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, AutoZone's management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of February 15, 2003. No significant changes in AutoZone's internal controls or in other factors have occurred that could significantly affect controls subsequent to February 15, 2003.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

AutoZone, Inc., was 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 originally filed by over 100 plaintiffs, which are principally automotive aftermarket warehouse distributors and jobbers. The plaintiffs claimed 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' third amended and corrected complaint seeks unspecified damages suffered by 22 plaintiffs (prior to statutory trebling) ranging from several million dollars to \$35 million and a permanent injunction prohibiting defendants from committing further violations of the Robinson-Patman Act and from opening any further stores to compete with plaintiffs as long as defendants continue to violate the Act. This lawsuit was tried before a jury beginning on January 21, 2003. On January 28, 2003, a seven person jury unanimously returned a verdict in favor of AutoZone. Subsequent to the quarter end, on February 26, 2003, the plaintiffs filed a notice to appeal. We believe that the verdict of the jury will be upheld.

We are currently, and from time to time, involved in various other legal proceedings incidental to the conduct of our business. Although the amount of liability that may result from these proceedings cannot be ascertained, AutoZone does not currently believe that, in the aggregate, that these matters will result in liabilities material to our financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Stockholders was held on December 12, 2002.

(b) Not applicable.

(c) 1. All nominees for director were elected pursuant to the following vote:

| <u>Nominee</u> | <u>Votes For</u> | <u>Votes Withheld*</u> |
|---------------------|------------------|------------------------|
| Charles M. Elson | 76,582,351 | 12,569,519 |
| Marsha J. Evans | 79,135,907 | 10,015,963 |
| Earl G. Graves, Jr. | 76,581,319 | 12,570,551 |
| N. Gerry House | 79,516,949 | 9,634,921 |
| J.R. Hyde, III | 79,543,474 | 9,608,396 |
| James F. Keegan | 76,227,702 | 12,569,687 |
| Edward S. Lampert | 79,227,702 | 9,924,168 |
| W. Andrew McKenna | 76,584,722 | 12,567,148 |
| Steve Odland | 79,183,056 | 9,968,814 |

2. For the approval of the AutoZone, Inc. 2003 Director Stock Option Plan:

| | |
|-----------|------------|
| For: | 76,929,567 |
| Against: | 2,787,076 |
| Abstain*: | 9,435,227 |

3. For the approval of the AutoZone, Inc. 2003 Director Compensation Plan:

| | |
|-----------|------------|
| For: | 78,292,070 |
| Against: | 1,420,262 |
| Abstain*: | 9,439,538 |

4. For the approval of Ernst & Young LLP as independent auditors:

| | |
|-----------|------------|
| For: | 75,228,365 |
| Against: | 4,545,391 |
| Abstain*: | 9,378,114 |

*NOTE: ESL Investments, Inc., in an agreement dated October 10, 2000, agreed not to vote any shares it or its affiliates acquired after October 20, 2000, until after April 1, 2004, unless AutoZone gives consent otherwise, but such shares will be deemed present for purposes of determining a quorum. As of the record date for the annual meeting held on December 12, 2002, this agreement applied to 8,923,500 shares beneficially owned by ESL Investments, Inc., and its affiliates, all of which are reflected as "withholding" such votes for directors and as "abstaining" in the other matters.

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 Third Amended and Restated By-laws of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 8-K dated October 1, 2002.
- 4.1 Third Amended and Restated AutoZone, Inc., Employee Stock Purchase Plan.
- *10.1 Amended and Restated AutoZone, Inc. Executive Deferred Compensation Plan.
- 15.1 Letter Regarding Unaudited Financial Information.
- * Management contract or compensatory plan or arrangement.

(b) (1) The Company filed a Form 8-K dated November 26, 2002, furnishing a press release under Regulation FD.

(2) The Company filed a Form 8-K dated December 12, 2002, furnishing a press release regarding first fiscal quarter earnings.

(3) The Company filed a Form 8-K dated January 29, 2003, furnishing a press release regarding a quarterly sales update, announcing that the Company's Board of Directors had authorized additional stock repurchases of \$500 million, and that the Company had received a favorable jury verdict in its Robinson-Patman lawsuit.

(4) The Company filed a Form 8-K dated February 10, 2003, furnishing a press release regarding a quarterly sales update.

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/ MICHAEL ARCHBOLD

Michael Archbold
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ CHARLIE PLEAS III

Charlie Pleas III
Vice President, Controller

Dated: March 19, 2003

CERTIFICATIONS

I, Steve Odland, certify that:

I have reviewed this quarterly report on Form 10-Q of AutoZone, Inc.;

Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

March 19, 2003

/s/ STEVE ODLAND

Steve Odland
Chairman, President and
Chief Executive Officer

I, Michael Archbold, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoZone, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

March 19, 2003

/s/ MICHAEL ARCHBOLD
Michael Archbold
Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

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- 4.1 Third Amended and Restated AutoZone, Inc., Employee Stock Purchase Plan.
- *10.1 Amended and Restated AutoZone, Inc. Executive Deferred Compensation Plan.
- 15.1 Letter Regarding Unaudited Financial Information.
 - * Management contract or compensatory plan or arrangement.

AUTOZONE, INC.
THIRD
AMENDED AND RESTATED
EMPLOYEE STOCK PURCHASE PLAN

AUTOZONE, INC., a corporation organized under the laws of the State of Delaware, by resolution of its Board of Directors on March 29, 1991, adopted the Employee Stock Purchase Plan (the "Plan"). The Plan was approved by the stockholders of the Company on March 29, 1991. The Plan was amended by the Board of Directors on June 18, 1991, to conform the Plan to amendments to the regulations related to the Securities Exchange Act of 1934, as amended. On December 21, 1991, the Plan was assumed by AutoZone, Inc., a Nevada corporation, after its reincorporation. The Plan was amended by the Board of Directors on March 2, 1996, and October 21, 1996, to extend the expiration date of the Plan. On October 21, 1997, the Compensation Committee adopted the Amended and Restated Employee Stock Purchase Plan, which was approved by the stockholders of the Company on December 18, 1997. On October 19, 1999, the Compensation Committee adopted the Second Amended and Restated Employee Stock Purchase Plan to prohibit sales of shares purchased under the Plan for at least one year after the exercise of an option under the Plan. On December 12, 2002, the Board of Directors extended the termination date of the Plan to December 31, 2007.

The purposes of the Plan are as follows:

(1) To assist employees of the Company or of a Parent or Subsidiary of the Company in acquiring a stock ownership interest in the Company pursuant to a plan which is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended.

(2) To help employees provide for their future security and to encourage them to remain in the employment of the Company or of a Parent or Subsidiary of the Company.

1. DEFINITIONS

Whenever any of the following terms are used in the Plan with the first letter or letters capitalized, they shall have the meaning specified below unless the context clearly indicates to the contrary. The masculine pronoun shall include the feminine and neuter and the singular shall include the plural where the context so indicates:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Committee" shall mean the Compensation Committee of the Board appointed to administer the Plan pursuant to paragraph 12.

(d) "Company" shall mean AutoZone, Inc., a Nevada corporation.

(e) "Date of Exercise" shall mean with respect to any Option (i) the March 31 of the Plan Year in which the Option was granted (in the case of an Option granted on January 1), (ii) the June 30 of the Plan Year in which the Option was granted (in the case of an Option granted on April 1), (iii) the September 30 of the Plan Year in which the Option was granted (in the case of an Option granted on July 1), (iv) the December 31 of the Plan Year in which the Option was granted (in the case of an Option granted on October 1) or (v) such other day, as may be determined by the Committee, of the Plan Year in which the Option was granted.

(f) "Date of Grant" shall mean the date upon which an Option is granted, as set forth in paragraph 3(a).

(g) "Eligible Compensation" shall mean (i) the Eligible Employee's rate of pay for the immediately preceding calendar year based on the wages, tips and other compensation as reported on Form W-2 issued by the Company, if the Eligible Employee's Form W-2 issued by the Company reports wages, tips, and other compensation for the full preceding calendar year, otherwise (ii) the Eligible Employee's annualized current rate of pay on the Date of Grant.

(h) "Eligible Employee" shall mean an employee of the Company and those of any present or future Parent or Subsidiary of the Company incorporated under the laws of a state of the United States of America (i) who has completed six months of employment; and (ii) who does not, immediately after the Option is granted, own stock (as defined by Sections 423(b)(3) and 424(d) of the Code) possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of a Parent or Subsidiary of the Company.

(i) "Form" shall mean either a paper form or a form on electronic media, prepared by the Company.

(j) "Option" shall mean an option granted under the Plan to an Eligible Employee to purchase shares of the Company's Stock.

(k) "Option Period" shall mean with respect to any Option the period beginning upon the Date of Grant and ending upon the Date of Exercise.

(l) "Option Price" has the meaning set forth in paragraph 4(b).

(m) "Parent of the Company" shall mean any corporation, other than the Company, in an unbroken chain of corporations ending with the Company if, at the time of the granting of the Option each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(n) "Participant" shall mean an Eligible Employee who has complied with the provisions of paragraph 3(b).

(o) "Plan" shall mean the AutoZone, Inc. Amended and Restated Employee Stock Purchase Plan.

(p) "Plan Year" shall mean the calendar year beginning on January 1 and ending on December 31.

(q) "Stock" shall mean shares of the Company's common stock.

(r) "Subsidiary of the Company" shall mean any corporation other than the Company in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2. STOCK SUBJECT TO THE PLAN

Subject to the provisions of paragraph 9 (relating to adjustment upon changes in the Stock), the Stock which may be sold pursuant to options granted under the Plan shall not exceed in the aggregate 3,000,000 shares, and may be unissued shares or reacquired shares or shares bought on the market for purposes of the Plan.

3. GRANT OF OPTIONS

(a) General Statement. Following the effective date of the Plan and continuing while the Plan remains in force, the Company may offer Options under the Plan to all Eligible Employees. These Options may be granted four times each Plan Year on the January 1, the April 1, the July 1, or the October 1 of each Plan Year, or on such other days as may be determined by the Committee. The term of each Option shall be for three months and shall end on the March 31 (with respect to a January 1 Date of Grant), the June 30 (with respect to an April 1 Date of Grant), the September 30 (with respect to a July 1 Date of Grant), or the December 31 (with respect to an October 1 Date of Grant) of the Plan Year in which the Option is granted or for such other term or Date of Exercise as may be determined by the Committee. The number of shares of the Stock subject to each Option shall be the whole number quotient of (i) the aggregate payroll deductions authorized by each Participant in accordance with subparagraph (b) for the Option Period divided by (ii) the Option Price of the Stock.

(b) Election To Participate; Payroll Deduction Authorization. An Eligible Employee may participate in the Plan only by payroll deduction. Each Eligible Employee who elects to participate in the Plan shall deliver to the Company during the calendar month next preceding either a January 1 Date of Grant, an April 1 Date of Grant, a July 1 Date of Grant, or an October 1 Date of Grant, or on such other days as may be determined by the Committee, the properly completed Form whereby the Eligible Employee gives notice of the election to participate in the Plan as of the next following Date of Grant, and which shall designate a stated dollar amount, in \$5.00 increments, of Eligible Compensation to be withheld on each payday. The stated dollar amount may not be less than \$5.00 and may not exceed 10% of the Eligible Compensation. In addition, at the discretion of the Committee exercised uniformly as to all Eligible Employees at any particular time, an Eligible Employee who participates in the Plan may also elect to have an amount withheld from any bonus. Notwithstanding the foregoing, the maximum cumulative amount an Eligible Employee may have withheld through payroll deduction and from any bonus shall not exceed \$4,000 per Plan Year. Effective as of January 1, 2000, the maximum cumulative amount an Eligible Employee may have withheld through payroll deduction and from any bonus shall not exceed \$15,000 per Plan Year.

(c) Changes in Payroll Authorization. The payroll deduction authorization referred to in subparagraph (b) may only be changed during the enrollment period described in subparagraph (b) and may not be changed during the Option Period, except as provided in paragraph 5.

(d) \$25,000 Limitation. Notwithstanding anything to the contrary contained herein, no Participant shall be permitted to purchase Stock under the Plan or under any other employee stock purchase plan of the Company or of a Parent or Subsidiary of the Company which is intended to qualify under Section 423 of the Code, at a rate which exceeds \$25,000 in fair market value of the Stock (determined at the time the option is granted) for each calendar year in which any such option granted to such Participant is outstanding at any time.

4. EXERCISE OF OPTIONS

(a) General Statement. Each Participant automatically will be deemed to have exercised the Option on each Date of Exercise to the extent that the balance then in the Participant's account under the Plan is sufficient to purchase at the Option Price whole shares of the Stock subject to the Option. The excess balance, if any, in Participant's account shall remain in the account and be available for the purchase of Stock on the following Date of Exercise, provided that no withdrawal from the Plan or termination of employment has occurred under paragraphs 5 or 6.

(b) Option Price Defined. The option price per share of the Stock (the "Option Price") to be paid by each Participant on each exercise of the Option shall be an amount equal to the lesser of (y) 85% of the fair market value of the Stock on the Date of Grant or (z) 85% of the fair market value of the Stock on the Date of Exercise. The fair market value of the Stock as of a given date shall be: (i) the closing price of the Stock on the principal exchange on which the Stock is then trading, if any, on such date, or, if the Stock was not traded on such date, then on the next preceding trading day during which a sale occurred; or (ii) if such Stock is not traded on an exchange but is quoted on NASDAQ or a successor quotation system, (1) the last sales price (if the Stock is then listed as a National Market Issue under the NASD National Market System) or (2) the mean between the closing representative bid and asked prices (in all other cases) for the Stock on such date as reported by NASDAQ or such successor quotation system; or (iii) if such Stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the mean between the closing bid and asked prices for the Stock on such date as determined in good faith by the Committee; or (iv) if the Stock is not publicly traded, the fair market value established by the Committee acting in good faith.

(c) Delivery of Share Certificates. (i) For any shares purchased by exercise of an option prior to January 1, 2000, upon the proper completion and submission of the proper Form to the Company, the Company will deliver to such Participant a certificate issued in Participant's name for the number of shares of the Stock with respect to which the Option was exercised and for which the Option Price has been paid.

(ii) For any shares purchased by exercise of an option on or after January 1, 2000, after the passage of one year from an Option exercise date, upon the proper completion and submission of the proper Form to the Company, the Company will deliver to such Participant a certificate issued in Participant's name for the number of shares of the Stock with respect to which the Option was exercised and for which the Option Price has been paid. If a Participant's employment has terminated prior to the passage of one year from the Option exercise date, notwithstanding the first sentence of this subsection the Participant shall be entitled to receive certificates representing the number of shares of Stock with respect to which the Option was exercised and for which the Option Price has been paid.

(iii) In the event the Company is required to obtain from any commission or agency authority to issue any such certificate, the Company will seek to obtain such authority. The inability of the Company to obtain from any such commission or agency authority which counsel for the Company deems necessary for the lawful issuance of any such certificate shall relieve the Company from liability to any Participant except to return the amount of the balance in the account in cash.

(d) Restriction on Sale of Stock. Effective as of January 1, 2000, for all Options exercised under the Plan after that date, a participant shall not sell any shares of stock purchased under the Plan until after the first to occur of passage of one year from the date of the Option exercise or termination of employment.

5. WITHDRAWAL FROM THE PLAN

(a) General Statement. Any Participant may withdraw from the Plan at any time. A Participant who wishes to withdraw from the Plan must deliver to the Company a notice of withdrawal in a Form prepared by the Company. The Company, as soon as practicable following receipt of a Participant's notice of withdrawal, will refund to the Participant the amount of the balance in the account under the Plan. Upon receipt of a Participant's notice of withdrawal from the Plan, automatically and without any further act on the part of the Participant, the payroll deduction authorization, any interest in the Plan, and any Option under the Plan shall terminate.

(b) Participation Following Withdrawal. A Participant who withdraws from the Plan may participate again in the Plan on the next January 1, April 1, July 1, or October 1 immediately following the date of withdrawal, or on such other days as may be determined by the Committee.

(c) Stock Subject to Plan. Notwithstanding a Participant's withdrawal from the Plan, any Stock acquired under the Plan shall remain subject to the terms of the Plan.

6. TERMINATION OF EMPLOYMENT

(a) Termination of Employment Other Than By Retirement or Death. If the employment of a Participant terminates other than by retirement or death, participation in the Plan automatically shall terminate as of the date of the termination of employment. As soon as practicable after such a Participant's termination of employment, the Company will refund the amount of the balance in that account under the Plan. Upon a Participant's termination of employment, any interest in the Plan and any Option under the Plan shall terminate.

(b) Termination by Retirement. A Participant who retires on a normal retirement date, or earlier or later with the consent of the Company, may by written notice to the Company request payment of the balance in the account under the Plan, in which event the Company shall make such payment as soon as practicable after receiving such notice; upon receipt of such notice, the Participant's interest in the Plan and any Option under the Plan shall terminate. If the Company does not receive such notice prior to the next Date of Exercise, such Participant's Option will be deemed to have been exercised on such Date of Exercise.

(c) Termination By Death. If the employment of a Participant is terminated by Participant's death, the executor of the Participant's will or the administrator of the Participant's estate by written notice to the Company may request payment of the balance in the Participant's account under the Plan, in which event the Company shall make such payment without any interest thereon as soon as practicable after receiving such notice. Upon receipt of such notice, the Participant's interest in the Plan and Option under the Plan shall terminate. If the Company does not receive such notice prior to the next Date of Exercise, the Participant's Option shall be deemed to have been exercised on such Date of Exercise.

7. RESTRICTION UPON ASSIGNMENT

No Option or interest or right therein or part thereof shall be liable for the debts, contracts or engagements of any Participant or any successor in interest, nor shall any Option be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and attempted disposition thereof shall be null and void and of no effect; provided, however, that nothing in this paragraph 7 shall prevent transfers by will or by the applicable laws of descent and distribution. Except as provided in paragraph 6(c), an Option may not be exercised to any extent except by the Participant. The Committee may require the Participant to give the Company prompt notice of any disposition of shares of stock acquired by exercise of an Option within two years from the date of granting such Option or one year after the transfer of such shares to such Participant. The Committee may require that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

8. NO RIGHTS OF STOCKHOLDER UNTIL OPTION IS EXERCISED

With respect to shares of the Stock subject to an Option, a Participant shall not be deemed to be a stockholder of the Company, and shall not have any of the rights or privileges of a stockholder. A Participant shall have the rights and privileges of a stockholder of the Company when, but not until, an Option is exercised.

9. CHANGES IN THE STOCK; ADJUSTMENTS OF AN OPTION

Whenever any change is made in the Stock or to Options outstanding under the Plan, by reason of stock dividend or by reason of division, combination or reclassification of shares, appropriate action will be taken by the Committee to adjust accordingly the number of shares of the Stock subject to the Plan and the number and the Option Price of shares of the Stock subject to the Options outstanding under the Plan.

10. USE OF FUNDS; NO INTEREST PAID

All funds received or held by the Company under the Plan will be included in the general funds of the Company free of any trust or other restriction and may be used for any corporate purpose. No interest will be paid to any Participant or credited to any account under the Plan with respect to such funds.

11. AMENDMENT OF THE PLAN

The Committee may amend, suspend or terminate the Plan at any time and from time to time; provided, however, that the provisions in paragraphs 1(e), 1(h), 3(a), 3(d), and 4(b) may not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder; and provided further, that approval by the vote of the holders of more than 50% of the outstanding shares of the Company's Stock entitled to vote shall be required to amend the Plan (i) to increase the number of shares of Stock available under the Plan, (ii) to decrease the Option Price below a price computed in the manner stated in paragraph 4(b), (iii) to materially alter the requirements for eligibility to participate in the Plan, or (iv) to modify the Plan in a manner requiring stockholder approval under the Code or Securities Exchange Act of 1934 ("Exchange Act").

12. ADMINISTRATION BY COMMITTEE; RULES AND REGULATIONS

(a) Administration. The Plan shall be administered by the Compensation Committee of the Board.

(b) Duties And Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Options and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. The Board shall have no right to exercise any of the rights or duties of the Committee under the Plan.

(c) Majority Rule. The Committee shall act by a majority of its members in office. The Committee may act either by vote at a meeting or by a memorandum or other written instrument signed by a majority of the Committee.

(d) Professional Assistance; Good Faith Actions. The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Committee, the Company and its officers and directors shall be entitled to rely upon the

advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Participants, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Options, and all members of the Committee shall be fully protected by the Company in respect to any such action, determination or interpretation.

13. NO RIGHTS AS AN EMPLOYEE

Nothing in the Plan shall be construed to give any person (including any Eligible Employee or Participant) the right to remain in the employ of the Company or a Parent or Subsidiary of the Company or to affect the right of the Company or a Parent or Subsidiary of the Company to terminate the employment of any person (including any Eligible Employee or Participant) at any time with or without cause.

14. MERGER, ACQUISITION OR LIQUIDATION OF THE COMPANY

In the event of the merger or consolidation of the Company into another corporation, the acquisition by another corporation of all or substantially all of the Company's assets or 80% or more of the Company's then outstanding voting stock or the liquidation or dissolution of the Company, the Date of Exercise with respect to outstanding Options shall be the business day immediately preceding the effective date of such merger, consolidation, acquisition, liquidation or dissolution unless the Committee shall, in its sole discretion, provide for the assumption or substitution of such Options in manner complying with Section 424(a) of the Code.

15. TERM; APPROVAL BY STOCKHOLDERS

No Option may be granted during any period of suspension or after termination of the Plan, and in no event may any Option be granted under the Plan after December 31, 2007, unless extended by the Board of Directors of the Company. The Plan will be submitted for the approval of the Company's stockholders within 12 months after the date of the Board of Directors' initial adoption of the Plan. The Company shall take such actions with respect to the Plan as may be necessary to satisfy the requirements of Section 423 of the Code.

16. EFFECT UPON OTHER PLANS

The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or a Parent or Subsidiary of the Company. Nothing in this Plan shall be construed to limit the right of the Company or a Parent or Subsidiary of the Company (a) to establish any other forms of incentives or compensation for employees of the Company or a Parent or Subsidiary of the Company or (b) to grant or assume options otherwise than under this Plan in connection with any proper corporate purpose, including, but not by way of limitation, the grant or assumption of options in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, firm or association.

17. RULE 16b-3 RESTRICTIONS UPON DISPOSITIONS OF STOCK

The Plan is intended to conform to the extent necessary with all provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including, without limitation, Rule 16b-3. Notwithstanding anything herein to the contrary, the Plan shall be administered, and Options shall be granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and Options granted hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

18. NOTICES

Any notice to be given under the terms of the Plan to the Company shall be addressed to the Company in care of its Secretary or any designee and any notice to be given to a Participant shall be addressed to Participant's last address as reflected in the Company's records and may be given either in writing or via electronic communication to the extent permitted by law. By a notice given pursuant to this paragraph, either party may hereafter designate a different address for notices to be given. Any notice which is required to be given to a Participant shall, if the Participant is then deceased, be given to the Participant's personal representative if such representative has previously informed the Company of the representative status and address by notice under this paragraph. Any notice shall have been deemed duly given when received by the Company or when sent to a Participant by the Company to Participant's last known mailing address or delivered to an electronic mailbox accessible by Participant as permitted by law.

19. TITLES

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

AutoZone, Inc.

Executive Deferred Compensation Plan

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ARTICLE I INTRODUCTION

1.1 Name of Plan.

AutoZone, Inc. (the "Company") hereby amends and restates the AutoZone, Inc. Executive Deferred Compensation Plan (the "Plan").

1.2 Purposes of Plan.

The purposes of the Plan are to provide certain eligible employees of the Company the opportunity to defer elements of their compensation which might not otherwise be deferrable under other Company plans, including the AutoZone 401(k) Plan, and to receive the benefit of additions to their deferral comparable to those obtainable under the AutoZone 401(k) Plan in the absence of certain restrictions and limitations in the Internal Revenue Code. In addition the Plan is intended to provide benefits in addition to those provided by the AutoZone, Inc. Pension Plan which are limited due to certain restrictions and limitations in the Internal Revenue Code.

1.3 "Top Hat" Pension Benefit Plan.

The Plan is an "employee pension benefit plan" within the meaning of ERISA. The Plan is maintained, however, for a select group of management or highly compensated employees and, therefore, it is intended that the Plan is exempt from Parts 2, 3 and 4 of Title I of ERISA. The Plan is not intended to qualify under Code section 401(a).

1.4 Funding.

The Plan is unfunded. All benefits will be paid from the general assets of the Company.

1.5 Effective Date.

The amended and restated Plan is effective as of January 1, 2003.

1.6 Administration.

The Plan shall be administered by the Administrative Committee.

ARTICLE II DEFINITIONS AND CONSTRUCTION

2.1 Definitions.

For purposes of the Plan, the following words and phrases shall have the respective meanings set forth below, unless their context clearly requires a different meaning:

- (a) "Account" means the bookkeeping account maintained by the Company on behalf of each Participant pursuant to Article VI that is credited with Base Salary Deferrals and Bonus Deferrals made by the Company on behalf of each Participant pursuant to Article IV, and interest on such amounts as determined in accordance with Article VI. As of any

Valuation Date, a Participant's Defined Contribution Benefit under the Plan shall be equal to the amount credited to his Account as of such date.

- (b) "Administrative Committee" means the Compensation Committee of the Board of Directors.
- (c) "Allocation Election" means a choice by a Participant of one or more Investment Options, and the allocation among them, in which future Participant deferrals and/or existing Account Balances are Deemed Invested for purposes of determining earnings in a particular subaccount.
- (d) "Allocation Election Form" means the form (or website screen) approved by the Administrative Committee on which the Participant makes an Allocation Election, Rebalances a subaccount, or elects a Transfer.
- (e) "Base Salary" means the base rate of cash compensation paid by the Company to or for the benefit of a Participant for services rendered or labor performed while a Participant, including base pay a Participant could have received in cash in lieu of (A) deferrals pursuant to Section 4.1 and (B) contributions made on his behalf to any qualified plan maintained by the Company or to any cafeteria plan under section 125 of the Code maintained by the Company.
- (f) "Base Salary Deferral" means the amount of a Participant's Base Salary which the Participant elects to have withheld on a pre-tax basis from his Base Salary and credited to his Account pursuant to Section 4.1.
- (g) "Beneficiary" means the person or persons designated by the Participant in accordance with Section 7.4.
- (h) "Bonus Compensation" means the amount awarded to a Participant for a Plan Year under any bonus plan maintained by the Company.
- (i) "Bonus Deferral" means the amount of a Participant's Bonus Compensation which the Participant elects to have withheld on a pre-tax basis from his Bonus Compensation and credited to his account pursuant to Section 4.1.
- (j) "Change In Control" means the happening of any of the following events:
 - (i) An acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13 d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to Vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege), (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its affiliated companies or (D) any acquisition of the Company by any corporation pursuant to a reorganization, merger, consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (1), and (2) of subsection (iii) of this Section 2.1(j) are satisfied; or
 - (ii) Individuals who, as of the date hereof, constitute the Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
 - (iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (1) all or substantially all of the individuals and entities who were beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such

reorganization, merger or consolidation of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (2) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(iv) The approval by the shareholders of the Company of (1) a complete liquidation or dissolution of the Company or (2) the sale or other disposition of all or substantially all of the assets of the Company; excluding, however, such a sale or other disposition to a corporation, with respect to which following such sale or other disposition, (A) more than 60% of, respectively, the outstanding shares of common stock of such corporation and the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors will be beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (other than the Company and any employee benefit plan (or related trust) of the Company or of such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, 20% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities, as the case may be) then beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of such corporation.

(k) "Code" means the Internal Revenue Code of 1986, as amended.

(l) "Company" means AutoZone, Inc. and its direct and indirect subsidiaries, as designated from time to time by the Compensation Committee of the Board of Directors of AutoZone, Inc.

(m) "Compensation" shall include only a Participant's Base Salary and Bonus Compensation. Severance Pay, expense reimbursements and non-cash compensation shall not be included. Compensation shall not be limited by Code § 401(a)(17).

(n) "Deemed Investment" or "Deemed Invested" shall mean the notional conversion of a dollar amount of deferred Compensation credited to a Participant's Accounts into shares or units (or a fraction of such measures of ownership, if applicable) of a designated investment (e.g. mutual fund or other investment) which is referred to by the Investment Option(s) selected by the Participant. The conversion shall occur as if shares (or units) of the designated investment were being purchased (or sold, for a distribution) at the purchase price as of the close of business of the day on which the Deemed Investment occurs. At no time shall a Participant have any real or beneficial ownership in the actual investment vehicle to which the Investment Option refers, irrespective of whether such a Deemed Investment is mirrored by an actual identical investment by the Employer or a trustee acting on behalf of the Employer.

(o) "Deferral Period" means the period of time for which a Participant elects to defer receipt of the Base Salary Deferrals, and Bonus Deferrals credited to such Participant's Account and shall be either the Retirement Date, a period of years as specified in Section 5.2 or upon a Change In Control. Deferral Periods shall be measured on the basis of Plan Years, beginning with the Plan Year that commences immediately following the Plan Year for which the applicable Base Salary Deferrals, and Bonus Deferrals are credited to the Participant's Account.

(p) "Defined Benefit Accrual" means the amounts accrued to a Participant pursuant to Article V.

(q) "Defined Contribution Benefit" means the amounts accrued to a Participant pursuant to Article IV.

(r) "Directors" means the Board of Directors of the Company.

(s) "Effective Date" means January 1, 2000.

(t) "Employee" means any common-law employee of the Company.

(u) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(v) "Executive Deferred Compensation Agreement" means the written agreement entered into between the Company

and a Participant pursuant to which the Participant elects the amount of Base Salary and/or his Bonus Compensation to be deferred into the Plan and the Deferral Period, and the form of payment for such amounts.

(w) "401(k) Plan" means the AutoZone 401(k) Plan.

(x) "Investment Option" shall mean an investment such as a mutual fund, life insurance subaccount, or other security approved by the Administrative committee for use in the Plan as part of an Investment Option menu, which a Participant may elect as a measuring device to determine Deemed Investment earnings (positive or negative) to be valued in the Participant's Account or subaccount. The Participant has no real or beneficial ownership in any investment indicated by the elected Investment Options.

(y) "Participant" means each Employee who has been selected for participation in the Plan and who has become a Participant pursuant to Article III.

(z) "Pension Plan" means the AutoZone, Inc. Pension Plan.

(aa) "Plan" means the AutoZone, Inc. Executive Deferred Compensation Plan, as amended from time to time.

(bb) "Plan Year" means the twelve-consecutive month period commencing January 1 of each year ending on December 31.

(cc) "Retirement Date" means the date the Participant is eligible for and retires under any qualified retirement plan maintained by the Company.

(dd) "Transfer" means a partial Allocation Election with respect to a Participant's then existing subaccount where a Participant transfers a portion of the subaccount balance from one Investment Option to another.

(ee) "Valuation Date" means the last business day of each calendar month and each special valuation date designated by the Administrative Committee.

2.2 Number and Gender.

Wherever appropriate herein, words used in the singular shall be considered to include the plural and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender.

2.3 Headings.

The headings of Articles and Sections herein are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

ARTICLE III PARTICIPATION AND ELIGIBILITY

3.1 Participation.

Participants in the Plan are those Employees who satisfy all of the following conditions: (a) are subject to the income tax laws of United States, (b) are determined by the Company to be members of a select group of highly compensated or management Employees of the Company, (c) are officers of the Company with the title of Vice-President or higher, and (d) are selected by the Administrative Committee, in its sole discretion, as Participants. The Administrative Committee shall notify each Participant of his selection as a Participant. Subject to the provisions of Section 3.3 a Participant shall remain eligible to continue participation in the Plan for each Plan Year following his initial year of participation in the Plan, provided the Participant continues to satisfy Sections 3.1(a), (b) and (c) above.

3.2 Commencement of Participation.

An Employee shall become a Participant effective as of the date the Administrative Committee determines, which date shall be on or after the date his Executive Deferred Compensation Agreement becomes effective. Newly eligible employees must make deferral elections during the first 30 days after becoming eligible.

3.3 Cessation of Active Participation.

Notwithstanding any provision herein to the contrary, an individual who has become a Participant in the Plan shall cease to be a Participant hereunder effective as of any date designated by the Administrative Committee.

ARTICLE IV DEFERRALS

4.1 Deferrals by Participants.

At least thirty days preceding the first day of each Plan Year (or the remaining portion thereof for an Employee who commences participation in the Plan other than on the first day of a Plan Year), a Participant may file with the Administrative Committee an Executive Deferred Compensation Agreement pursuant to which such Participant elects to make Base Salary Deferrals and/or Bonus Deferrals. The Participant's Base Salary Deferrals and Bonus Deferrals shall not exceed twenty-five percent (25%) of the Participant's Compensation. Any such Participant election shall be subject to any maximum or minimum percentage or dollar amount limitations and to any other rules prescribed by the Administrative Committee in its sole discretion. Base Salary Deferrals will be credited to the Account of each Participant as of the last day of each calendar month, provided that such Participant is an Employee on the last day of such calendar month. A Participant whose employment terminates during the calendar month shall be paid the amount of his Base Salary Deferrals for such month in cash. Bonus Deferrals will be credited to the Account of each Participant as of the day of the month in which such Bonus Compensation otherwise would have been paid to the Participant in cash, provided that the Participant is an Employee on the payment date.

4.2 Effective Date of Executive Deferred Compensation Agreement.

A Participant's initial Executive Deferred Compensation Agreement shall be effective as of the first payroll period after the date the Participant commences participation in the Plan. Each subsequent Executive Deferred Compensation Agreement shall become effective on the first day of the Plan Year to which it relates. If a Participant fails to file a new Executive Compensation Agreement or revoke a prior Executive Compensation Agreement, the latest Executive Compensation Agreement on file with the Committee shall remain in effect for each Plan Year subsequent to its filing. If a Participant fails to complete an Executive Deferred Compensation Agreement on or before the date the Participant commences participation in the Plan or the first day of any Plan Year, and has no Executive Deferral Compensation Agreement in effect, the Participant shall be deemed to have elected not to make Base Salary Deferrals and/or Bonus Deferrals for such Plan Year (or remaining portion thereof if the Participant enters the Plan other than on the first day of a Plan Year).

4.3 Modification or Revocation of Election by Participant.

A Participant may not change the amount of his Base Salary Deferrals or Bonus Deferrals during a Plan Year. However, a Participant may discontinue a Base Salary Deferral or Bonus Deferral election at any time by filing, on such forms and subject to such limitations and restrictions as the Administrative Committee may prescribe in its discretion, a revised Executive Deferred Compensation Agreement with the Administrative Committee. If approved by the Administrative Committee, revocation shall take effect as of the first payroll period next following its filing. A Participant who discontinues a Base Salary Deferral or Bonus Deferral election during a Plan Year will not be permitted to elect to make Base Salary Deferrals or Bonus Deferrals again until the next Plan Year. Under no circumstances may a Participant's Executive Deferred Compensation Agreement be made, modified or revoked retroactively. A Participant's Executive Deferred Compensation Agreement shall remain in effect in the event of a Change in Control.

ARTICLE V DEFINED BENEFIT ACCRUAL

5.1 Defined Benefit Accruals.

A Participant's Defined Benefit Accrual earned prior to January 1, 2003 shall be preserved. No additional Defined Benefit Accrual shall be earned after December 31, 2002.

5.2 Service Credit.

The Administrative Committee shall determine the service to be credited to the Participant for purposes of calculating the Defined Benefit Accrual provided by Section 5.1 of this Plan. Such service may only include service for the Company or service for a prior employer that is related or formerly related to the Company.

ARTICLE VI VESTING, DEFERRAL PERIODS

6.1 Vesting.

A Participant shall be 100% vested in his Account and his Defined Benefit Accrual at all times.

6.2 Deferral Periods.

A Deferral Period may be for any period of five (5) years, or ten (10) years or any period of one (1) year or more after the Participant has completed one (1) year of participation, or more, and shall not end later than the year in which the Participant attains age 70. A Participant must specify on the Executive Deferred Compensation Agreement the Deferral Period for the Base Salary Deferrals, and Bonus Deferrals to be made to the Plan for the Plan Year (or the remaining portion thereof for a Participant who enters the Plan other than on the first day of a Plan Year) to which the Executive Deferred Compensation Agreement relates, subject to certain rules as determined by the Administrative Committee from time to time. A Participant may change an election of a Deferral Period at any time prior to the first day of the calendar year in which payments are to commence.

ARTICLE VII ACCOUNTS AND ACCOUNT VALUATION

7.1 Establishment of Bookkeeping Accounts.

A separate bookkeeping account shall be maintained for each Participant. Such account shall be credited with the Participant's Base Salary Deferrals, and Bonus Deferrals, and earnings in accordance with Section 6.3. A separate bookkeeping account shall also be maintained for each Participant's Defined Benefit Accrual, but shall not be adjusted for earnings.

7.2 Subaccounts.

Separate subaccounts shall be maintained to the extent necessary for the administration of the Plan. For example, it may be necessary to maintain separate subaccounts where the Participant has specified different Deferral Periods, methods of payment or investment directions with respect to Base Salary Deferrals, and Bonus Deferrals for different Plan Years.

7.3 Hypothetical Nature of Accounts.

The Accounts established under this Article VI shall be hypothetical in nature and shall be maintained for bookkeeping purposes only so that earnings on the Base Salary Deferrals, and Bonus Contributions made to the Plan can be credited. Neither the Plan nor any of the Accounts established hereunder shall hold any actual funds or assets. The right of any person to receive one or more payments under the Plan shall be an unsecured claim against the general assets of the Company. Any liability of the Company to any Participant, former Participant, or Beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by the Plan. Neither the Company, the Directors, nor any other person shall be deemed to be a trustee of any amounts to be paid under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and a Participant or any other Person.

7.4 Account Valuation.

(a) A Participant shall elect Investment Options from a list of Investment Options provided by the Administrative Committee. The initial election shall be made on the Allocation Election Form approved by the Administrative Committee and shall specify the allocations among the Investment Options elected. A Participant may make different Allocation Elections for each subaccount. A Participant's Sub-Accounts shall be valued as the sum of the value of all Investment Options in which such subaccount is Deemed Invested minus any withdrawals or distributions from said subaccount. Investment Options shall be utilized to determine the earnings attributable to the subaccount. Election of Investment Options do not represent actual ownership of, or any ownership rights in or to, the actual funds to which the Investment Options refer, nor is the Company (or any other Participating Employer) in any way bound or directed to make actual investments corresponding to Deemed Investments.

(b) The Administrative Committee, in its sole discretion shall be permitted to add or remove Investment Options provided that any such additions or removals of Investment Options shall not be effective with respect to any period prior to the effective date of such change. Any unallocated portion of a Sub-Account or any unallocated portion of new deferrals shall be Deemed Invested in an Investment Option referring to a money market based fund or sub-account.

(c) A Participant may make a new Allocation Election with respect to future Base Salary Deferrals and Bonus Contributions, and may Rebalance or Transfer funds in any of his or her Sub-Accounts, provided that such new allocations, Rebalances or Transfers shall be in increments of one percent (1%), and Rebalances and Transfers apply to the entire Sub-Account Balance. New Allocation Elections, Rebalances, and Transfers may be made on any day, and will become effective as soon as administratively practicable.

(d) Notwithstanding anything in this Section to the contrary, the Company shall have the sole and exclusive authority to invest any or all amounts deferred under the Plan in any manner, regardless of any Allocation Elections by any

Participant. A Participant's Allocation Election shall be used solely for purposes of determining the value of such Participant's Sub-Accounts and the amount of the corresponding liability of the Participating Employer in accordance with this Plan.

ARTICLE VIII PAYMENT OF ACCOUNT AND DEFINED BENEFIT ACCRUALS

8.1 Timing of Distribution of Benefits.

Distribution of a Participant's Account shall be made or commence as soon as practicable following the date the Deferral Period for such amounts ends. Notwithstanding the foregoing, the Participant's entire Account shall be distributed to him (or his Beneficiary in the event of his death) as soon as practicable following the earliest to occur of the following: (i) the Participant's death; (ii) the Participant's permanent disability (as defined in the Company's long-term disability program; or (iii) the Participant's termination of employment.

8.2 Adjustment for Investment Gains and Losses Upon Distribution.

Upon a distribution pursuant to this Article VII, the balance of a Participant's Account shall be determined as of the Valuation Date immediately preceding the date of the distribution to be made and shall be adjusted for investment gains and losses which have accrued to the date of distribution but which have not been credited to his Account.

8.3 Form of Payment or Payments.

The Participant's Account shall be distributed in accordance with the form of payment elected by the Participant on the Executive Deferred Compensation Agreement to which such amounts relate. The form of payment with respect to amounts and the earnings credited thereon may be in any of the following forms:

- (a) In the event of distribution after the expiration of the Deferral Period, distribution may be made in a lump sum, or in installment payments for a period not to exceed fifteen years;
- (b) In the event of distribution after the Participant's death or permanent disability, distribution shall be made in a lump sum;
- (c) In the event of distribution after termination of employment other than by reason of death or disability, distribution shall be made in a lump sum if the value of the Participant's Account is Fifty Thousand Dollars (\$50,000) or less, and shall be made as follows, if the Account exceeds Fifty Thousand Dollars (\$50,000):
 - (i) the sum of Fifty Thousand Dollars (\$50,000) shall be distributed in a lump sum; and
 - (ii) the remaining balance shall be distributed in annual installments of at least Five Thousand Dollars (\$5,000) over a period of up to five (5) years.

Installment payments shall be paid annually on the first business day of January of each Plan Year as elected by the Participant on the Executive Deferred Compensation Agreement. Each installment payment shall be determined by multiplying the amounts to be distributed by a fraction, the numerator of which is one and the denominator of which is the number of remaining installment payments to be made to Participant. Anything contained herein to the contrary notwithstanding, total distribution of a Participant's Account must be made by the date such Participant attains age 85.

Upon termination of a Participant's employment following a Change in Control (unless elected as a Deferral Period in the Executive Deferred Compensation Agreement), a Participant's Account shall be distributed as described in 8.3(c) (1) and (2) above in five (5) annual installments with the first installment payment commencing no later than ninety (90) days after the Participant's employment is terminated. However, such Participant or Beneficiary, as the case may be, may apply to the Administrative Committee for payment of installments over a shorter period of time, or for payment of the entire Account in a lump sum payment.

8.4 Defined Benefit Accrual Payments.

Payment of Defined Benefit Accruals shall be in the form elected by the Participant for payment of benefits under the Pension Plan.

8.5 Designation of Beneficiaries.

Each Participant shall have the right to designate the beneficiary or beneficiaries to receive payment of his benefit in the event of his death. A beneficiary designation shall be made by executing the beneficiary designation form prescribed by the Administrative Committee and filing the same with the Administrative Committee. Any such

designation may be changed at any time by execution of a new designation in accordance with this Section. If no such designation is on file with the Administrative Committee at the time of the death of the Participant or such designation is not effective for any reason as determined by the Administrative Committee, then the designated beneficiary or beneficiaries to receive such benefit shall be the Participant's surviving spouse, if any, or if none, the Participant's executor or administrator, or his heirs at law if there is no administration of such Participant's estate.

8.6 Unclaimed Benefits.

In the case of a benefit payable on behalf of such Participant, if the Administrative Committee is unable to locate the Participant or beneficiary to whom such benefit is payable, such benefit may be forfeited to the Company, upon the Administrative Committee's determination. Notwithstanding the foregoing, if subsequent to any such forfeiture the Participant or beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit shall be paid by the Company or restored to the Plan by the Company.

8.7 Hardship Withdrawals.

A Participant may apply in writing to the Administrative Committee for, and the Administrative Committee may permit, a hardship withdrawal of all or any part of a Participant's Account if the Administrative Committee, in its sole discretion, determines that the Participant has incurred a severe financial hardship resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in section 1 52(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, as determined by the Administrative Committee, in its sole and absolute discretion. The amount that may be withdrawn shall be limited to the amount reasonably necessary to relieve the hardship or financial emergency upon which the request is based, plus the federal and state taxes due on the withdrawal, as determined by the Administrative Committee. The Administrative Committee may require a Participant who requests a hardship withdrawal to submit such evidence as the Administrative Committee, in its sole discretion, deems necessary or appropriate to substantiate the circumstances upon which the request is based.

ARTICLE IX ADMINISTRATION

9.1 Administrative Committee.

The Plan shall be administered by an Administrative Committee appointed by the Board of Directors. The Administrative Committee shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof. The Administrative Committee may delegate to others certain aspects of the management and operational responsibilities of the Plan including the employment of advisors and the delegation of ministerial duties to qualified individuals, provided that such delegation is in writing.

9.2 General Powers of Administration.

The Administrative Committee shall have all powers necessary or appropriate to enable it to carry out its administrative duties. Not in limitation, but in application of the foregoing, the Administrative Committee shall have the duty and power to interpret the Plan and determine all questions that may arise hereunder as to the status and rights of Employees, Participants, and Beneficiaries. The Administrative Committee may exercise the powers hereby granted in its sole and absolute discretion. No member of the Administrative Committee shall be personally liable for any actions taken by the Administrative Committee unless the member's action involves willful misconduct.

9.3 Indemnification of Administrative Committee.

The Company shall indemnify, hold harmless, and defend the members of the Administrative Committee against any and all claims, losses, damages, expenses, including attorney's fees, incurred by them, and any liability, including any amounts paid in settlement with their approval arising from their action or failure to act, except when the same is judicially determined to be attributable to their gross negligence or willful misconduct.

ARTICLE X DETERMINATION OF BENEFITS, CLAIMS PROCEDURE AND ADMINISTRATION

10.1 Claims.

A person who believes that he is being denied a benefit to which he is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Administrative Committee, setting forth his claim. The request must be addressed to the Administrative Committee at the Company at its then principal place of business.

10.2 Claim Decision.

Upon receipt of a claim, the Company shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Company may, however, extend the reply period for an additional ninety (90) days for reasonable cause.

ARTICLE XI MISCELLANEOUS

11.1 Not Contract of Employment.

The adoption and maintenance of the Plan shall not be deemed to be a contract between the Company and any person or to be consideration for the employment of any person.

Nothing herein contained shall be deemed to give any person the right to be retained in the employ of the Company or to restrict the right of the Company to discharge any person at any time nor shall the Plan be deemed to give the Company the right to require any person to remain in the employ of the Company or to restrict any person's right to terminate his employment at any time.

11.2 Non-Assignability of Benefits.

No Participant, Beneficiary or distributee of benefits under the Plan shall have any power or right to transfer, assign, anticipate, hypothecate or otherwise encumber any part or all of the amounts payable hereunder, which are expressly declared to be unassignable and nontransferable. Any such attempted assignment or transfer shall be void. No amount payable hereunder shall, prior to actual payment thereof, be subject to seizure by any creditor of any such Participant, Beneficiary or other distributee for the payment of any debt judgment or other obligation, by a proceeding at law or in equity, nor transferable by operation of law in the event of the bankruptcy, insolvency or death of such Participant, Beneficiary or other distributee hereunder.

11.3 Withholding.

All deferrals and payments provided for hereunder shall be subject to applicable withholding and other deductions as shall be required of the Company under any applicable local, state or federal law.

11.4 Amendment and Termination.

The Company may from time to time, in its discretion, amend, in whole or in part, any or all of the provisions of the Plan; provided, however, that no amendment may be made that would impair the rights of a Participant with respect to amounts already allocated to his Account, or reduce the Participant's Defined Benefit Accruals accrued to the date of such amendment. The Company may terminate the Plan at any time. In the event that the Plan is terminated, the balance in a Participant's Account shall be paid to such Participant or his Beneficiary in a single cash lump sum, in full satisfaction of all such Participant's or Beneficiary's benefits hereunder. The Participant's Defined Benefit Accruals shall be paid commencing coincident with the commencement of payment of benefits to the Participant, or the Participant's Beneficiary, by the Pension Plan.

11.5 No Trust Created.

Nothing contained in this Agreement, and no action taken pursuant to its provisions by either party hereto, shall create, nor be construed to create, a trust of any kind or a fiduciary relationship between the Company and the Participant, his beneficiary, or any other person.

11.6 Unsecured General Creditor Status Of Employee.

The payments to Participant, his Beneficiary or any other distributee hereunder shall be made from assets which shall continue, for all purposes, to be a part of the, general, unrestricted assets of the Company; no person shall have nor acquire any interest in any such assets by virtue of the provisions of this Agreement. The Company's obligation hereunder shall be an unfunded and unsecured promise to pay money in the future. To the extent that the Participant Beneficiary or other distributee acquires a right to receive payments from the Company under the provisions hereof, such right shall be no greater than the right of any unsecured general creditor of the Company: no such person shall have nor require any legal or equitable right, interest or claim in or to any property or assets of the Company.

In the event that, in its discretion, the Company purchases an insurance policy, or policies insuring the life of the Employee (or any other property) to allow the Company to recover the cost of providing the benefits, in whole, or in part, hereunder, neither the Participant, Beneficiary or other distributee shall have nor acquire any rights whatsoever therein or in the proceeds therefrom. The Company shall be the sole owner and beneficiary of any such policy or policies and, as such, shall possess and, may exercise all incidents of ownership therein. No such policy, policies or

other property shall be held in any trust for a Participant, Beneficiary or other distributee or held as collateral security for any obligation of the Company hereunder.

11.7 Severability.

If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

11.8 Governing Laws.

All provisions of the Plan shall be construed and enforced in accordance with the laws of the State of Tennessee, and in the courts situated in that State.

11.9 Binding Effect.

This Plan shall be binding on each Participant and his heirs and legal representatives and on the Company and its successors and assigns.

11.10 Entire Agreement.

This document and any amendments contain all the terms and provisions of the Plan and shall constitute the entire Plan, any other alleged terms or provisions being of no effect.

IN WITNESS WHEREOF, the Company has caused this Plan to be properly executed on the ____ day of _____, ____.

ATTEST:

Title: _____

AUTOZONE, INC.

By: _____

Title: _____

March 19, 2003

Stockholders

AutoZone, Inc.

We are aware of the incorporation by reference in the following Registration Statements and related Prospectuses of AutoZone, Inc. of our report dated February 28, 2003 relating to the unaudited condensed consolidated interim financial statements of AutoZone, Inc. that are included in its Form 10-Q for the quarter ended February 15, 2003:

Registration Statement (Form S-8 No. 333-42797) pertaining to the Amended and Restated AutoZone, Inc. Employee Stock Purchase Plan

Registration Statement (Form S-8 and S-3 No. 33-41618) pertaining to the AutoZone, Inc. Amended and Restated Stock Option Plan

Registration Statement (Form S-8 No. 333-88245) pertaining to the AutoZone, Inc. Second Amended and Restated 1996 Stock Option Plan

Registration Statement (Form S-8 No. 333-88241) pertaining to the AutoZone, Inc. Second Amended and Restated Director Compensation Plan

Registration Statement (Form S-8 No. 333-75142) pertaining to the AutoZone, Inc. Third Amended and Restated 1998 Director Stock Option Plan

Registration Statement (Form S-8 No. 333-75140) pertaining to the AutoZone, Inc. Executive Stock Purchase Plan

Registration Statement (Form S-8 No. 333-103665) pertaining to the AutoZone, Inc. 2003 Director Compensation Plan

Registration Statement (Form S-8 No. 333-103666) pertaining to the AutoZone, Inc. 2003 Director Stock Option Plan

Registration Statement (Form S-3 No. 333-83436) pertaining to a shelf registration to sell 15,000,000 shares of common stock owned by certain selling stockholders

Registration Statement (Form S-3 No. 333-100205) pertaining to a shelf registration of \$500 million in debt securities.

/s/ Ernst & Young LLP

Memphis, Tennessee