



The Open Road



2011 Annual Report

O'Reilly continues to generate strong returns for our shareholders by adhering to the culture and traditions on which our Company was founded. The Team's focus on providing exceptional customer service is the foundation for profitable growth and market share expansion in both new and existing O'Reilly stores.

Financial Highlights

In thousands, except earnings per share data and operating data

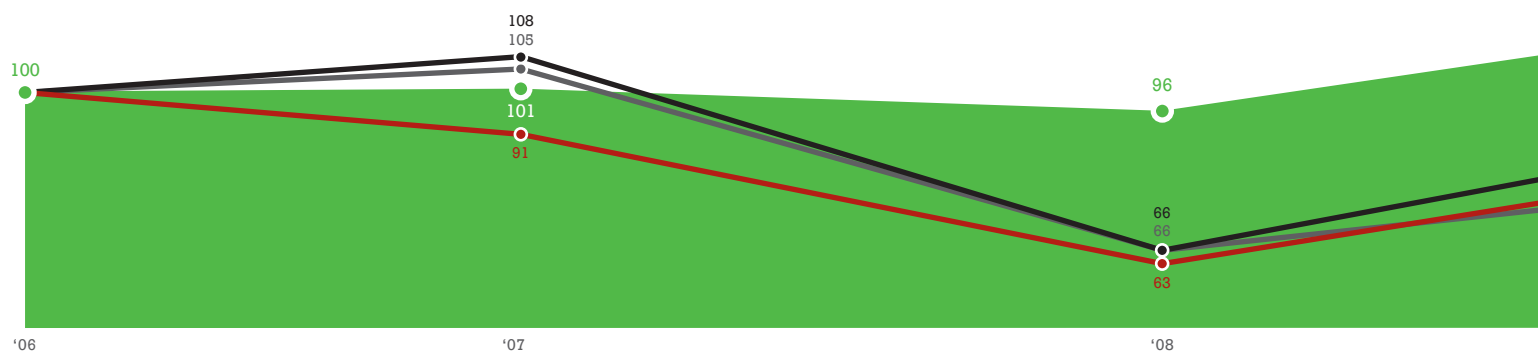
Years Ended December 31	2011	2010	2009	2008	2007
Store Count	3,740	3,570	3,421	3,285	1,830
Percentage increase in same-store sales	4.6%	8.8%	4.6%	1.5%	3.7%
Sales	\$ 5,788,816	\$ 5,397,525	\$ 4,847,062	\$ 3,576,553	\$ 2,522,319
Operating Income	866,766	712,776	537,619	335,617	305,151
Net Income	507,673	419,373	307,498	186,232	193,988
Working Capital	1,027,600	1,072,294	1,007,576	821,932	573,328
Total Assets	5,500,501	5,047,827	4,781,471	4,193,317	2,279,737
Total Debt	797,574	358,704	790,748	732,695	100,469
Shareholders' Equity	2,844,851	3,209,685	2,685,865	2,282,218	1,592,477
Earnings Per Share (assuming dilution)	3.71	2.95	2.23	1.48	1.67

Comparison of Five-Year Cumulative Return

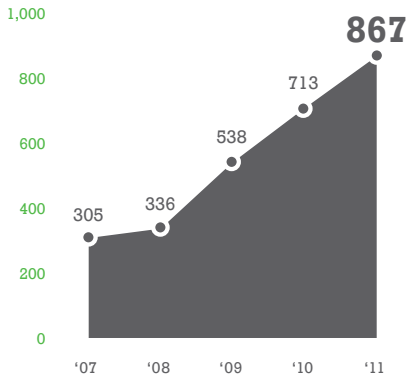
■ O'Reilly Automotive Inc.

- NASDAQ Retail Trade Stocks
- NASDAQ US Market
- Standard and Poor's S&P 500

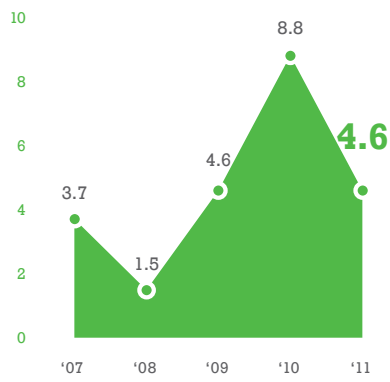
The graph below shows the cumulative total shareholder return assuming the investment of \$100, on December 29, 2006 in O'Reilly Automotive, Inc.'s common stock versus the NASDAQ Retail Trade Stocks Total Return Index, NASDAQ United States Stock Market Total Returns Index and the Standard and Poor's S&P 500 Index.



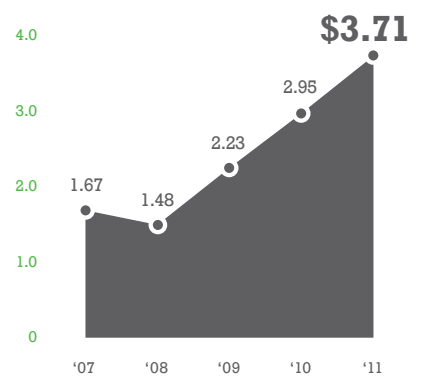
Operating Income
(in millions)



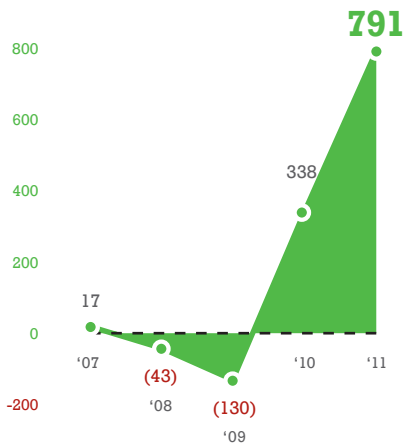
Same-Store Sales
(percentage increase)



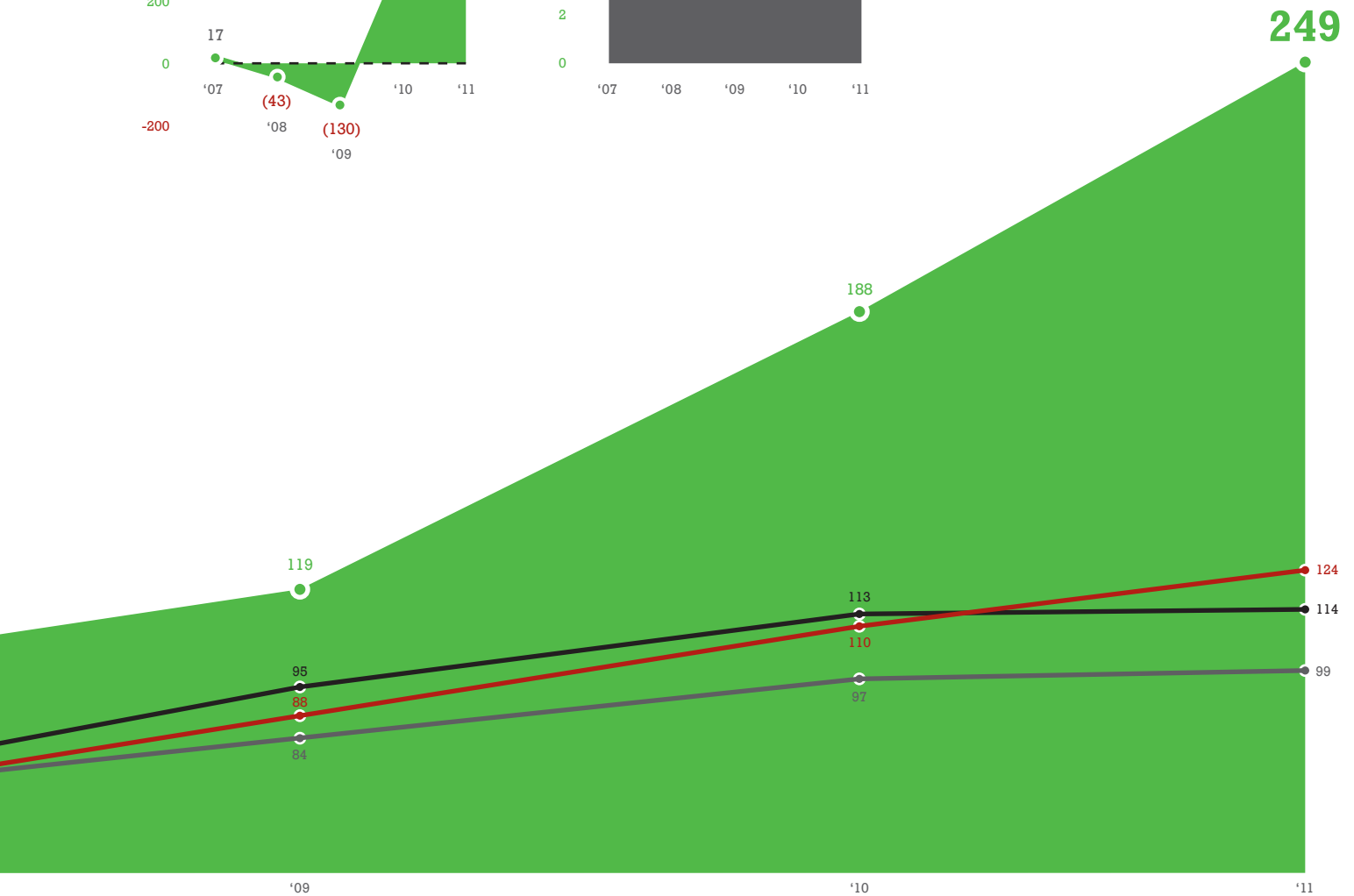
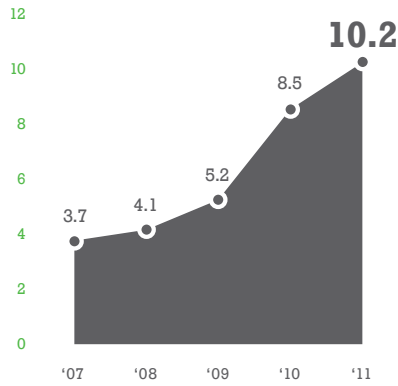
Diluted Earnings Per Share



Free Cash Flow
(in millions)



Market Capitalization
(in billions)

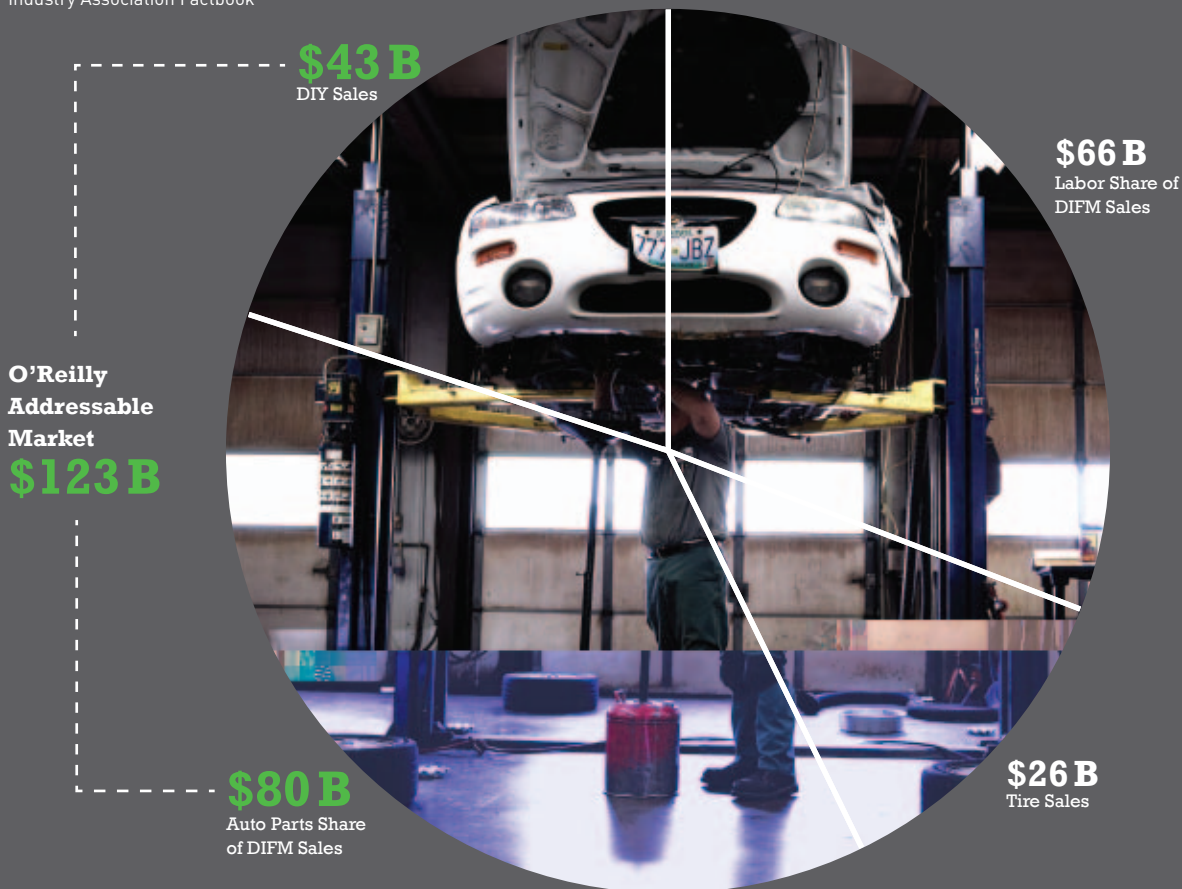


The Open Road. With the successful integration of our CSK acquisition squarely in our rear-view mirror, we're heading to the open road, where more O'Reilly stores will yield more opportunities – coast to coast. Driven by exceptional customer service and our proven dual market strategy, O'Reilly is taking our brand to the next level, one satisfied customer at a time.

Automotive Aftermarket Segmentation

(in billions)

Source: Automotive Aftermarket Industry Association Factbook



Proven Dual-Market Strategy

We know every customer is important to our company's success, so we focus on providing the highest level of customer service and parts availability to both do-it-yourself and professional customers in all of our markets across 39 states. To be successful in this strategy we provide our teams with superior tools, training, and parts availability that are the foundation of our industry-leading customer service. Our enhanced level of services ranges from installing wiper blades for do-it-yourself customers to delivering hard-to-find parts to professionals so they can exceed their customers' expectations. Regardless of the customer, we will stop at nothing to exceed their expectations.

Exceptional customer service is ...

"... eye contact when greeting a customer with a smile and asking questions to obtain a positive result. The right parts the first time."

Abriel Bowman
National City, California



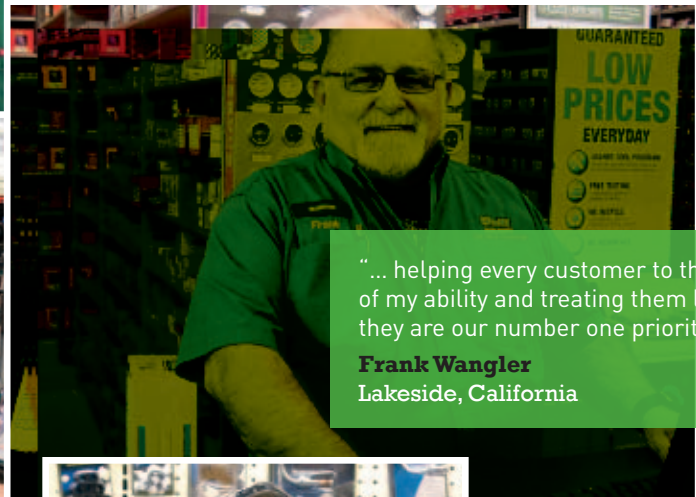
"... having a professional, dedicated, and winning attitude with every customer every time."

Giovanny Cruz
Detroit, Michigan



"... helping every customer to the best of my ability and treating them like they are our number one priority."

Frank Wangler
Lakeside, California



"... exceeding customers' expectations."

Ana Stajic
Seatac, Washington



"... installing wiper blades on a rainy day or installing a battery at 2 p.m. in 105 degree heat or going the extra mile by calling a vendor direct to find the filters for Kubato tractors that no one else has."

Ray Torres
McAllen, Texas



"... simply taking time to listen to your customer, work with them on their solution, and make sure that they leave not just satisfied, but with a smile on their face and a WOW in their mind!"

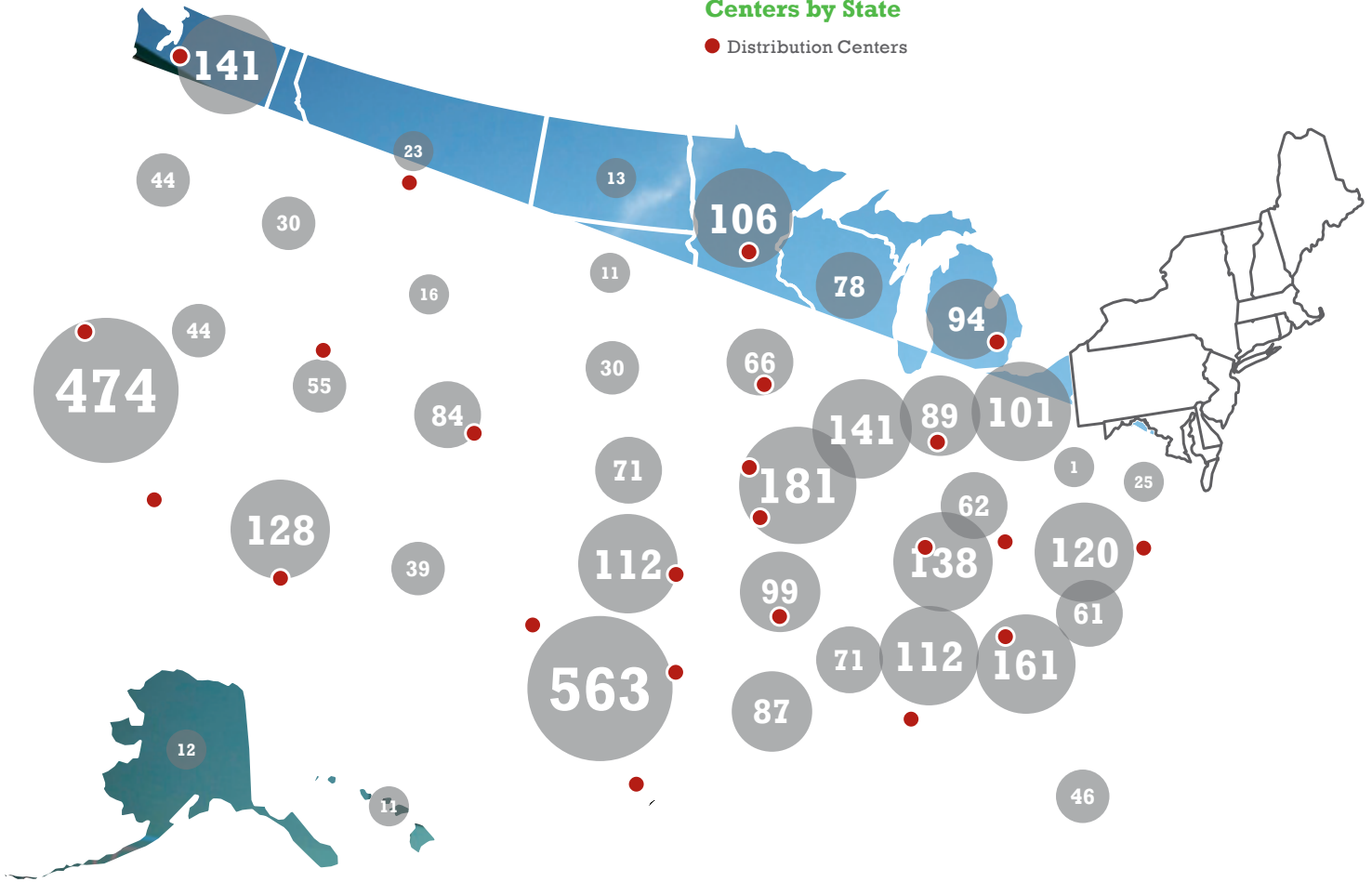
Sanel Becirovic
St. Louis, Missouri

"... making sure every customer is greeted in a friendly manner and leaves with a smile."

Rene Clark
Mansfield, Ohio

Store Count and Distribution Centers by State

● Distribution Centers



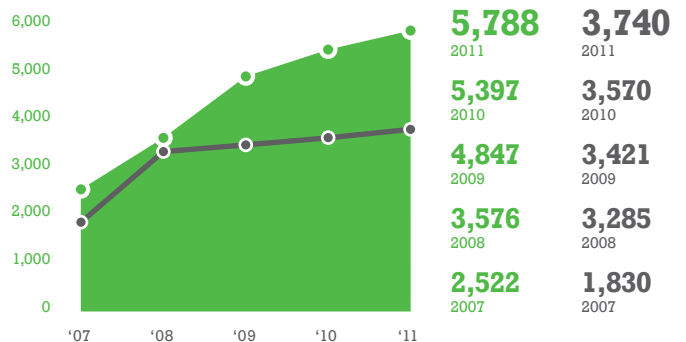
More Stores Coast-to-Coast

We opened 170 net new stores in 2011, and we continue to see great opportunities for aggressive, profitable store growth. Our distribution network, which includes 23 regionally located distribution centers across the country, gives us unmatched service capabilities to continue our successful growth. Our existing distribution infrastructure has the growth capacity of more than 500 stores. In 2012 we plan to open 180 net new stores to capitalize on the great growth opportunities we see across the country. The result will be a stronger O'Reilly presence coast-to-coast.

Store and Revenue Growth

(in millions)

■ Store Count
■ Sales



To Our Fellow Shareholders

We are excited to present another year of record breaking financial performance to our shareholders. Our continued success is the direct result of more than 49,000 dedicated members of Team O'Reilly who tirelessly work every day to provide the highest level of customer service in the industry. The hard work and dedication of our Team Members has driven our past achievements and will be the catalyst for our future successes. We would like to take this opportunity to thank each member of Team O'Reilly for their contributions.

During 2011, O'Reilly continued to execute our proven Dual Market Strategy; focusing on both the do-it-yourself retail and do-it-for-me professional service provider customer. The success of this established strategy is built upon the O'Reilly Culture Values of excellent customer service, respect, teamwork, honesty, hard work, dedication and professionalism and has enabled us to once again grow market share in our existing markets, continue to expand our geographic footprint into new markets, and integrate strategic acquisitions.

Growing Market Share

During 2011, we again achieved strong, profitable market share growth. Our unsurpassed levels of customer service and industry leading parts availability, supported by a robust distribution infrastructure, drove a solid comparable store sales increase of 4.6%, which was on top of very strong 8.8% comparable store sales growth in 2010. Our efforts to continuously improve gross profit and our relentless focus on expense control generated a record breaking 14.9% adjusted operating margin, which represents a 130 basis point

improvement over 2010's record adjusted operating margin of 13.6%. We are very pleased with our ability to continue to gain market share while setting new profitability highs, and we are confident that we will achieve our targeted 15% operating margin in 2012, a year ahead of the goal that

we established when we purchased CSK Automotive, Inc in 2008. We believe that our profitable growth is driven by our core Culture Values and the consistent execution of our Dual Market Strategy and we will continue to run the business based on these fundamentals in 2012 and beyond.



Exceeding Customers Expectations

Our Team Member's dedication to providing an unsurpassed level of service to our customers remains the backbone to our success. In our stores, distribution centers and corporate offices, we work extremely hard and take great pride in our ability to exceed our customers' expectations by providing solutions to our customers' automotive parts needs. We remain dedicated to ensuring our Company is staffed with the friendliest and most knowledgeable parts professionals in the industry whose primary goal is to exceed the expectations of each customer who visits or calls our stores. This focus on exceptional customer service is the foundation of our past successes and will be the primary driver for our success in the future.

The automotive aftermarket continued to see a favorable external macro-economic environment in 2011. Annual miles driven in the U.S. is an important driver for demand in the automotive aftermarket and has historically been a key barometer for the health of the industry. However, in recent years, the degree to which miles driven in the U.S. affects aftermarket demand has been impacted by the aging of the vehicle population and the corresponding increase in the miles driven on older

on to their existing vehicles for longer periods of time. The average age of the U.S. vehicle population increased to 10.8 years in 2011. Miles driven on older vehicles results in a better yield for auto parts demand since these vehicles are outside of manufacturer warranty periods, undergo more routine maintenance cycles and incur more frequent mechanical failures. This trend towards holding on to vehicles for longer periods accelerated with the U.S. economic downturn over the

consumers will continue to feel the pressure of increasing prices at the gas pump with both of these factors acting as a headwind to demand for our business. However, we believe the change in the value perception of vehicle ownership will persist with the willingness of consumers to keep their vehicles and drive them at higher mileages mitigating the impact of macro-economic pressures from unemployment and gas prices. This scenario is consistent with our expectations heading into 2011 which played out with our solid comparable store performance in a challenging economic environment. To the extent the U.S. economy recovers and unemployment decreases, the resulting increase in commuter miles will drive higher demand for the aftermarket and we believe will offset any corresponding increase in new vehicle sales.



Growing Brand Awareness

We have and will continue to work hard to establish O'Reilly as the most trusted source for customers' automotive needs. Our company strives to drive customers into our stores. From retail sales flyers, radio ads, and sports sponsorships, our goal is to create a strong brand awareness. These advertising programs do generate customer traffic; however, we continue to believe our best advertising is the referrals we receive from customers who have experienced the top-notch problem-solving skills of our professional parts people.

vehicles. Total miles driven in the U.S. was slightly lower in 2011 versus 2010, primarily due to a lack of commuter miles driven resulting from unemployment above historical levels and pressures from increased gas prices. The total number of vehicles on the road has remained fairly constant, as new car sales have been below historical averages over the last two years and vehicle scrap rates have not increased. The headwinds in miles driven and a flat vehicle population were offset by the continuing trend of an increasing vehicle age as consumers are holding

past several years as consumers have realized that, with proper maintenance, older vehicles can be reliably driven at higher miles due to the improved quality of vehicles manufactured in the past decade. We believe this has led to a change in overall consumer sentiment towards vehicle ownership and we believe consumers will continue to keep their vehicles even longer as the economy recovers maintaining the trend of an aging vehicle population.

Looking forward to 2012, we expect the rate of unemployment to remain relatively high and believe

New Store Growth

With the bulk of the physical integration of the CSK stores in our rear view mirror, 2011 proved to be a productive year for new store growth. We opened 170 net new stores during the year, an increase of 21 stores from the 149 net new stores that we opened in 2010. Our growth strategy remains two-fold: entering new markets in regions contiguous to our existing distribution network and backfilling in existing regions where we have outstanding opportunities to more fully penetrate the market. As a result, a bulk of our growth in 2011 was in Southeast, East Coast and Ohio Valley markets, including the opening of our first store in West Virginia, our 39th state.

Our plan is to open 180 stores in 2012, and we expect to have the ability to incrementally increase that number over time. Although we certainly have the capital resources to open more stores than currently planned, we remain disciplined and focused on only opening stores we are confident can achieve our return

We remain dedicated to generating profitable growth and attractive returns.



goals, are located in attractive markets and can be staffed with experienced and quality Team Members. Our new store site selection process involves an extensive analysis of market demographics, vehicle registration information, the competitive environment and a comprehensive list of other factors, all of which must be met before the decision is made to open a new store. Most importantly, we conduct an exhaustive training process to ensure that each new store's team of professional parts people can deliver our high standards of customer service and expense control from day one. The ability to grow over a large distribution footprint – we have capacity for over 500 additional stores spread out between 23 regional distribution centers covering 39 states – is a key factor in our efforts to develop exceptional new store teams. As a result, 2012 will see new O'Reilly stores from coast to coast, including expansion markets along the East Coast, south into Central Florida, and through the Ohio Valley into Pennsylvania, with additional growth across the country in existing markets. New store growth has historically proven to be an excellent return on our shareholders' investment and we will continue to prudently, but aggressively, expand our store base.

Integration of Acquired Parts Stores

2011 marked the three year anniversary of the acquisition of CSK and also marked the completion of the physical conversion and integration of these acquired stores. We completed the final store interior resets

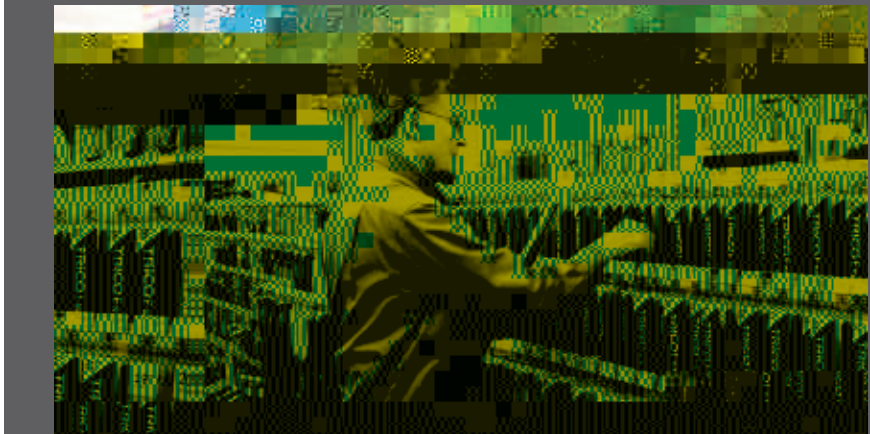
and replaced the remaining legacy CSK signs during the year. Now that the physical conversion is complete and the acquired stores have all of the tools necessary to execute our Dual Market Strategy, we've focused on building the strongest store teams in the industry, which will enable us to significantly grow our market share in the Western States. Although we have made significant improvements in the top line performance of the acquired CSK stores, we believe we have the opportunity to greatly improve the average revenue per store as we continue to penetrate the professional service provider market. In addition, we see an opportunity to regain retail hard part DIY market share CSK lost in the years prior to the acquisition. Our ultimate goal for these stores is to better leverage our fixed costs by

gaining as much market share as possible, on both sides of the business, through the execution of the proven strategy that has made O'Reilly successful for over 50 years.

Historically, major acquisitions such as CSK have been a very accretive avenue for profitable growth. The overall automotive aftermarket remains very fragmented, with the top 10 chains in the U.S. accounting for only about 45% of the total market. The number of auto parts retail locations nationwide has remained around 36,000 for the last 10 years, even with the growth of the top players in the industry. We constantly monitor the competitive environment and evaluate opportunities to consolidate the industry through acquisitions. We remain one of the few companies in the aftermarket willing to supplement greenfield growth with acquisitions of single stores or small chains. We also seek out opportunities for larger, "tuck-in" type acquisitions which, although no longer available to the scale of CSK, would allow us to enter new markets with a significant number of stores. For acquisitions of any size, we will

The Right Product Mix

Our stores offer a wide selection of brand-name and private-label products for domestic and imported automobiles, vans, and trucks tailored for each store based on the local vehicle population. All of these parts meet or exceed original equipment requirements and provide a superior combination of quality and value.



Experienced Management Team

Standing: Tom McFall, Greg Henslee, David O'Reilly, Ted Wise
Seated: Mike Swarengin, Greg Johnson, Jeff Shaw, Randy Johnson



continue to be disciplined in our analysis and will remain a very opportunistic buyer.

Free Cash Flow and Share Repurchases

2011 was a transformational year for our company in the area of capital structure and deployment. In January, we enacted our new financing plans which included the replacement of our asset based revolver with an unsecured revolving credit facility, the issuance of \$500 million of unsecured 10 year senior notes which carried an inaugural investment grade credit rating, the announcement of our targeted leverage ratio of 2.00 to 2.25 times adjusted debt to adjusted EBITDAR, and the initiation of our Board approved share repurchase program. With the retirement of the secured asset based facility, and fueled by our

investment grade credit ratings, we were able to work with our banking partners to reestablish a competitive supplier financing program which offers very attractive rates to participants. Throughout 2011, we were able to enroll many of our suppliers in this program, allowing us to significantly reduce our supply chain costs and decrease our working capital investment. We used the free cash generated from this working capital improvement and our strong operating results, along with an additional offering of \$300 million of senior notes in September, to repurchase and retire almost \$1 billion of our common stock during the year. We will continue to prudently utilize share repurchases to return value to our shareholders as a component of our ongoing comprehensive capital deployment plans, while also remaining dedicated to maintaining

and improving our investment grade credit ratings.

Looking Forward to 2012

Our focus on executing our proven Dual Market Strategy and unwavering commitment to maintaining and living our Culture Values every day, along with a disciplined approach to the prudent use of capital, resulted in a 25% increase in adjusted diluted earnings per share in 2011. During 2012, we will invest in maintaining our existing stores to ensure our customers continue to have attractive, clean and friendly stores to shop. We will also expand our store base with the opening of 180 net new stores across the country, in both existing and new markets, while also keeping a close eye on the competitive landscape for potential strategic acquisition opportunities. As the U.S. macro-economic environment improves and unemployment returns to more historic levels, we believe the demand for auto parts will grow with the related increase in consumer confidence and commuter miles driven, and we remain very well positioned to capitalize on this opportunity.

We would like to thank all of our shareholders for your continued support. We remain dedicated to generating profitable growth and attractive returns. We will continue to directly return value to you in the form of share repurchases during 2012 after we have exhausted all profitable growth opportunities. We would like to once again thank our Team Members whose contributions make the Company's success possible. We are excited about the opportunities that 2012 will bring, and we look forward to discussing our results in next year's Annual Report.

Greg Henslee
Chief Executive Officer
and Co-President

Ted Wise
Chief Operating Officer
and Co-President

Thomas McFall
Chief Financial Officer and Executive
Vice President of Finance

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011
OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

O'REILLY AUTOMOTIVE, INC.

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction
of incorporation or organization)

000-21318
Commission file number

27-4358837
(IRS Employer Identification No.)

233 South Patterson
Springfield, Missouri 65802

(Address of principal executive offices, zip code)

(417) 862-6708

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:	
Title of Each Class	Name of Each Exchange on which Registered
Common Stock, \$0.01 par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No []

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [X]

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No []

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained here, and will not be contained, to the best of the knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. Large Accelerated Filer [X] Accelerated Filer [] Non-Accelerated Filer [] Smaller Reporting Company []

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

At February 20, 2012, an aggregate of 127,315,291 shares of the common stock of the registrant was outstanding. As of that date, the aggregate market value of the voting stock held by non-affiliates of the Company was approximately \$10,764,507,854 based on the last sale price of the common stock reported by The NASDAQ Global Select Market.

At June 30, 2011, an aggregate of 135,955,214 shares of the common stock of the registrant was outstanding. As of that date, the aggregate market value of the voting stock held by non-affiliates of the Company was approximately \$8,906,426,069 based on the last sale price of the common stock reported by The NASDAQ Global Select Market.

DOCUMENTS INCORPORATED BY REFERENCE

FORM 10-K

Document

Form 10-K Part

Proxy Statement for 2012 Annual Meeting of Shareholders (to be filed
recently completed fiscal year)

Part III

O'Reilly Automotive, Inc

Form 10-K

For the Year Ended December 31, 2011

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Item 1.	Business	PART I	4

See "Risk Factors" beginning on page 15 for a description of certain risks relevant to our business. These risk factors include, among others, deteriorating economic conditions, the performance of the acquired CSK stores, increased debt levels, our acquisition strategies, competition in the automotive aftermarket business, our dependence upon key and other personnel, future growth assurance, our sensitivity to regional economic and weather conditions, the effect of sales of shares of our common stock eligible for future sale, unanticipated fluctuations in our quarterly results, the volatility of the market price of our common stock, our relationships with key vendors and availability of key products, a downgrade in our credit ratings, complications in our distribution centers

- environmental legislation and regulations.

OUR BUSINESS

Our goal is to continue to achieve growth in sales and profitability by capitalizing on our competitive advantages and executing our growth strategy. We remain confident in our ability to continue to gain market share in our existing markets and grow our business in new markets by focusing on our dual market strategy and the intent is to be the dominant auto parts provider in all the markets we serve, by providing superior customer service and significant value to both DIY and professional service provider customers.

We believe our effective dual market strategy, superior customer service, strategic distribution systems and experienced management team make up our key competitive advantages that cannot be easily duplicated.

Proven Ability to Execute a Dual Market Strategy:

Over the past 30 years, we have established a track record of effectively serving, at a high level, both DIY customers and professional service providers. We believe our proven ability to effectively execute a dual market strategy is a unique competitive advantage. The execution of this strategy enables us to better compete by targeting a larger base of consumers of automotive aftermarket parts, capitalizing on our existing retail and distribution infrastructure, operating profitably in both large markets and less densely populated geographic areas that typically attract fewer competitors, and enhancing service levels offered to DIY customers through the offering of a broad inventory and the extensive product knowledge required by professional service providers.

In 2011, we derived approximately 59% of our sales from our DIY customers and approximately 41% of our sales from our professional service provider customers. Prior to the acquisition of CSK, we derived approximately 50% of our sales from both our DIY and professional service provider customers. As we continue to grow our commercial business in the acquired CSK markets, we expect that over time our DIY and professional service provider sales mix to approximate historical averages. As a result of our historical success of executing our dual market strategy and our over 460 full-time sales staff dedicated solely to calling upon and servicing the professional service provider, we believe we will continue to increase our sales to professional service providers and will continue to have a competitive advantage over our retail competitors who continue to derive a high concentration of their sales from the DIY market.

Superior Customer Service:

We seek to attract new DIY and professional service provider customers and to retain existing customers by offering superior customer service, the key elements of which are identified below:

- superior in-store service through highly-motivated, technically-advanced point-of-sale system
- an extensive selection and availability of products
- attractive stores in convenient locations
- preferences

value

Technically Proficient Professional Parts People:

Our highly-motivated, technically-proficient Professional Parts People provide us with a significant competitive advantage, particularly over less specialized retail operators. We require our Professional Parts People to undergo extensive and ongoing training and to be technically knowledgeable, particularly with respect to hard parts, in order to better serve the technically-oriented professional service providers with whom they interact on a daily basis. Such technical proficiency also enhances the customer service we provide to our DIY customers who value the expert assistance provided by our Professional Parts People.

Strategic Distribution Systems:

We believe our commitment to a robust, regional DC network provides for superior replenishment and access to hard-to-find parts and enables us to optimize product availability and inventory levels throughout our store network. Our inventory management and distribution systems electronically link each of our stores to one or more DCs, which provides for efficient inventory control and management. We currently operate 23 regional DCs, which provide our stores with same-day or overnight access to an average of 123,000 SKU s), many of which are hard-to-find items not typically stocked by other auto parts retailers. We

believe this timely access to a broad range of products is a key competitive advantage in satisfying customer demand and generating repeat business.

Experienced Management Team:

Our Company philosophy

managers have been promoted from within the Company. We augment this promote from within philosophy by pursuing strategic hires with a strong emphasis on automotive aftermarket experience. We have a strong management team comprised of senior management with 148 professionals who average 17 years of service; 266 corporate managers who average 13 years of service; and 355 district managers who average 12 years of service. Our management team has demonstrated the consistent ability to successfully execute our business plan and growth strategy by generating nineteen consecutive years of record revenues and earnings and positive comparable store sales results since becoming a public company in April of 1993.

Aggressively Open New Stores:

We intend to continue to consolidate the fragmented automotive aftermarket. We plan to open approximately 180 new stores in 2012 increasing our penetration in existing markets and expanding into new, contiguous markets. The sites for these new stores have been identified, and to date, we have not experienced significant difficulties in locating suitable sites for construction of new stores or identifying suitable acquisition targets for conversion to O'Reilly stores. We typically open new stores either by (i) constructing a new facility or renovating an existing one on property we purchase or lease and stocking the new store with fixtures and inventory, (ii) acquiring an independently owned auto parts store, typically by the purchase of substantially all of the inventory and other assets (other than realty) of such store, or (iii) purchasing multi-store chains. New store sites are strategically located in clusters within geographic areas that complement our distribution network in order to achieve economies of scale in management, advertising and distribution. Other key factors we consider in the site selection process include population density and growth patterns, demographic lifestyle segmentation, age and per capita income, vehicle traffic counts, number and type of existing automotive repair facilities, competing auto parts stores within a pre-determined radius, and the operational strength of such competitors.

We target both small and large markets for expansion of our store network. While we have faced, and expect to continue to face, aggressive competition in the more densely populated markets, we believe we have competed effectively, and are well positioned to continue to compete effectively, in such markets and to achieve our goal of continued sales/profit growth within these markets. We also believe that with our dual market strategy, we are better able to operate stores in less densely populated areas, which would not otherwise support a national chain store selling primarily to the retail automotive aftermarket. Consequently, we continue to pursue opening new stores in less densely populated market areas as part of our growth strategy.

Grow Sales in Existing Stores:

Profitable same store sales growth is also an important part of our growth strategy. To achieve improved sales and profitability at existing O'Reilly stores, we continually strive to improve the service provided to our customers. We believe that while competitive pricing is an essential component of successful growth in the automotive aftermarket business, it is customer satisfaction, whether of the DIY consumer or professional service provider, resulting from superior customer service that generates increased sales and profitability.

Subject to the terms and conditions of the agreement, the undersigned hereby certifies that the information contained in this filing is true and correct to the best of his knowledge and belief.

providers.

The steps we have taken to implement our dual market strategy in the acquired CSK stores have allowed us to begin to capture market share in the Western United States. However, we continue to see significant opportunities to grow our share of the professional service provider business. This growth will be driven by our ability to consistently provide superior customer service and parts availability, proving O'Reilly as a reliable partner and elevating our status as the preferred supplier on the call lists of professional service providers.

As of January 31, 2012, we employed 49,148 Team Members (32,700 full-time Team Members and 16,448 part-time Team Members), of whom 41,693 were employed at our stores, 5,917 were employed at our DCs and 1,538 were employed at our corporate and regional offices. A union represents 49 stores (459 Team Members) in the Greater Bay Area in California, and has for many years. In addition, approximately 75 Team Members who drive over-the-road trucks in two of our DCs are represented by a labor union. Except for these Team Members, our Team Members are not represented by labor unions. Our tradition of 55 years has been to treat all of our Team Members with honesty and respect and to commit significant resource Culture, which emphasizes the importance of each Team Member professionalism and fairness has created an industry-leading team and we consider our relations with our Team Members to be excellent.

Store Locations and Size:

As a result of our dual market strategy, we are able to profitably operate in both large, densely populated markets and small, less densely populated areas that would not otherwise support a national chain selling primarily to the retail automotive aftermarket. Our stores, on average, carry approximately 21,000 SKUs and average approximately 7,100 total square feet in size. At December 31, 2011, we had a total of approximately 27 million square feet in our 3,740 stores. Our stores are served primarily by the nearest DC, which averages 123,000 SKUs, but also have same-day access to the broad selection of inventory available at one of our 192 Hub stores, which, on average, carry approximately 39,000 SKUs and average approximately 10,000 square feet in size.

We believe that our stores are "destination stores" generating their own traffic rather than relying on traffic created by the presence of other stores in the immediate vicinity. Consequently, most of our stores are freestanding buildings and prominent end caps situated on or near major traffic thoroughfares, and offer ample parking, easy customer access and are generally located in close proximity to our professional service provider customers.

The following table sets forth the geographic distribution and activity of our stores as of December 31, 2011 and 2010:

State	December 31, 2010		2011 Net, New Stores		December 31, 2011		
	Store Count	% of Total Store Count	Store Change	% of Total Store Change	Store Count	% of Total Store Count	Cumulative % of Total Store Count
Texas	545	15.3%	18	10.6%	563	15.1%	15.1%
California	473	13.2%	1	0.6%	474	12.7%	27.7%
Missouri	180	5.0%	1	0.6%	181	4.8%	32.6%
Georgia	152	4.3%	9	5.3%	161	4.3%	36.9%
Washington	139	3.9%	2	1.2%	141	3.8%	40.6%
Illinois	128	3.6%	13	7.6%	141	3.8%	44.4%
Tennessee	135	3.8%	3	1.8%	138	3.7%	48.1%
Arizona	129	3.6%	(1)	-0.6%	128	3.4%	51.5%
North Carolina	97	2.7%	23	13.5%	120	3.2%	54.7%
Oklahoma	110	3.1%	2	1.2%	112	3.0%	57.7%
Alabama	108	3.0%	4	2.4%	112	3.0%	60.7%
Minnesota	104	2.9%	2	1.2%	106	2.8%	63.6%
Ohio	79	2.2%	22	12.9%	101	2.7%	66.3%
Arkansas	97	2.7%	2	1.2%	99	2.6%	68.9%
Michigan	76	2.1%	18	10.6%	94	2.5%	71.4%
Indiana	83	2.3%	6	3.5%	89	2.4%	73.8%
Louisiana	84	2.4%	3	1.8%	87	2.3%	76.1%
Colorado	87	2.4%	(3)	-1.8%	84	2.2%	78.4%
Wisconsin	67	1.9%	11	6.5%	78	2.1%	80.5%
Mississippi	71	2.0%	-	0.0%	71	1.9%	82.4%
Kansas	66	1.8%	5	2.9%	71	1.9%	84.3%
Iowa	66	1.8%	-	0.0%	66	1.8%	86.0%
Kentucky	57	1.6%	5	2.9%	62	1.7%	87.7%
South Carolina	58	1.6%	3	1.8%	61	1.6%	89.3%
Utah	54	1.5%	1	0.6%	55	1.5%	90.8%
Florida	42	1.2%	4	2.4%	46	1.2%	92.0%
Nevada	45	1.3%	(1)	-0.6%	44	1.2%	93.2%
Oregon	42	1.2%	2	1.2%	44	1.2%	94.4%
New Mexico	37	1.0%	2	1.2%	39	1.0%	95.4%
Idaho	31	0.9%	(1)	-0.6%	30	0.8%	96.2%
Nebraska	29	0.8%	1	0.6%	30	0.8%	97.0%
Virginia	14	0.4%	11	6.5%	25	0.7%	97.7%
Montana	23	0.6%	-	0.0%	23	0.6%	98.3%
Wyoming	16	0.4%	-	0.0%	16	0.4%	98.7%
North Dakota	13	0.4%	-	0.0%	13	0.3%	99.1%
Alaska	11	0.3%	1	0.6%	12	0.3%	99.4%
Hawaii	11	0.3%	-	0.0%	11	0.3%	99.7%
South Dakota	11	0.3%	-	0.0%	11	0.3%	100.0%
West Virginia	-	0.0%	1	0.6%	1	0.0%	100.0%
Total	<u>3,570</u>	<u>100.0%</u>	<u>170</u>	<u>100.0%</u>	<u>3,740</u>	<u>100.0%</u>	

Store Layout:

We utilize a computer-assisted store layout system to provide a uniform and consistent retail merchandise presentation and customize our hard-parts inventory assortment to meet the specific needs of a particular market area. Front room merchandise is arranged to provide easy customer access, maximum selling space and to prominently display high-turnover products and accessories to customers. To ensure the best customer experience possible, we have selectively implemented bilingual in-store signage based on the -demand or seasonal merchandise, new items and advertised specials.

Store Automation:

To enhance store-level operations, customer service and reliability, we use Linux servers and IBM I-Series computer systems in our stores. These systems are linked with the I-Series computers located in each of our DCs. Our point-of-sale terminals provide immediate access to our electronic catalog to graphically display parts and pricing information by make, model and year of vehicle checkout time, ensures accuracy and provides enhanced customer service. Moreover, our store automation systems capture detailed sales information which assists in store management, strategic planning, inventory control and distribution efficiency.

New Store Site Selection:

In selecting sites for new stores, we seek to strategically locate store sites in clusters within geographic areas in order to achieve economies of scale in management, advertising and distribution. Other key factors we consider in the site selection process are identified below:

- population density;
- demographics including age, ethnicity, life style and per capita income;
- market economic strength, retail draw and growth patterns;
- number, age and percent of luxury makes of registered vehicles;
- the number, type and sales potential of existing automotive repair facilities;
- the number of auto parts stores and other competitors within a predetermined radius and the operational strength of such competitors;
- physical location, traffic count, size, economics and presentation of the site;
- financial review of adjacent existing locations; and
- the type and size of store that should be developed.

When entering new, more densely populated markets, we generally seek to initially open several stores within a short span of time in order to maximize the effect of initial promotional programs and achieve economies of scale. After opening this initial cluster of new

DIY customer often seeks assistance from a Professional Parts Person, particularly when purchasing hard parts. The ability of our Professional Parts People to provide such assistance to the DIY customer creates a favorable impression and is a significant factor in generating repeat DIY business.

We screen prospective Team Members to identify highly motivated individuals who either have experience with automotive parts or repairs, or automotive aptitude. New store Team Members go through a comprehensive orientation about the culture of our Company as well as the requirements for their specific job position. Additionally, during their first year of employment, our parts specialists go through extensive automotive systems and product knowledge training to ensure they are able to provide the highest level of service to our customers. Once all of the required trainin

motive

Service Excellence (ASE).

All of our stores have the ability to service professional service provider customers. For this reason, select Team Members in each store complete extensive sales call training with their regional field sales manager. Afterward, these Team Members spend one day per week calling on existing and potential professional service provider customers. Additionally, each Team Member engaged in such sales activities participates in quarterly advanced training programs for sales and business development.

We seek to provide our customers with an efficient and pleasant in-store experience by maintaining attractive stores in convenient locations with a wide selection of automotive products. We believe that the satisfaction of DIY and professional service provider customers is substantially dependent upon our ability to provide, in a timely fashion, the specific automotive products requested. Accordingly, each O'Reilly store carries a broad selection of automotive products designed to cover a wide range of vehicle applications. We continuously refine the inventory levels and assortments carried in our stores, based in large part on the sales movement tracked by our inventory control system, market vehicle registration data, failure rates and management's assessment of the changes and trends in the marketplace. We have no material backlog of orders for the products we sell.

Our online ordering service provides enhanced customer service capabilities to our DIY and professional service provider customers. Our program allows customers to view available parts and prices online, purchase parts online and/or either ship these purchases to their location or have these parts available for pick up in our local store.

We believe that our tiered distribution model provides industry-leading parts availability and store in-stock positions, while lowering our inventory carrying costs and controlling inventory. Moreover, we believe that our ongoing, significant capital investments made to expand the network of DCs allows us to efficiently service new stores that are planned to open in contiguous market areas as well as servicing our existing store network. Our distribution expansion strategy complements our new store opening strategy by supporting newly established clusters of stores located in the regions surrounding each DC. We currently have a total growth capacity of approximately 500 stores in our distribution network.

Distribution Centers:

We currently operate 23 DCs comprised of approximately 8.5 million

Form 10-K for a detailed listing of DC operating square footages). Our DCs utilize technology to electronically receive orders from computers located in each of our stores. Our DCs stock an average of 123,000 SKUs and most DCs are linked to multiple other

□ □ -night-a-week delivery, primarily via a Company-owned fleet, to all of our stores in the continental United □ □

, many of which receive this service seven days per week.

As part of our continuing efforts to enhance our distribution network in 2012 we plan to:

- continue to implement a voice picking technology in additional DCs;
- evaluate routing software to further enhance logistics efficiencies;
- begin to implement labor management software to improve DC productivity and overall operating efficiency;
- develop further automated paperless picking processes;
- improve proof of delivery systems to further increase the accuracy of product movement to our stores;
- continue to define and implement best practice procedures in all DCs; and
- make proven, ROI based capital enhancements to material handling equipment in DCs including conveyor systems, picking modules and lift equipment.

We currently operate 192

provider customers in their markets, Hub stores also provide our other stores within the surrounding area access to an expanded

selection of SKUs on a same-day basis. Our Hub stores average approximately 3,000 square feet more than our typical stores and carry an average of 18,000 SKUs more than our typical stores.

Our stores offer DIY and professional service provider customers a wide selection of brand name and private label products for domestic and imported automobiles, vans and trucks. Our merchandise generally consists of nationally recognized, well-advertised, premium name brand products such as AC Delco, Armor All, Bosch, BWD, Cardone, Castrol, Gates Rubber, Monroe, Moog, Pennzoil, Prestone, Quaker State, STP, Turtle Wax, Valvoline, Wagner, and Wix. In addition to name brand products, our stores carry a wide variety of high-quality private label products under our BestTest®, BrakeBest®, Master Pro®, Micro-Gard®, Murray®,

products are produced by nationally recognized manufacturers and meet or exceed original equipment manufacturer specifications and provide a great combination of quality and value □
chemicals and commodities as well as proprietary private label products to all acquired CSK stores. These stores have also undergone hard-part resets, which significantly increased their hard-part SKU offering, giving our customers in all stores a good, better, and best product offering.

We have no long-term contractual purchase commitments with any of our vendors, nor have we experienced difficulty in obtaining satisfactory alternative supply sources for automotive parts. We believe that alternative supply sources exist at substantially similar costs, for substantially all of the automotive products that we sell. It is our policy to take advantage of payment and seasonal purchasing discounts offered by our vendors and to utilize extended dating terms available from vendors. During 2011, we entered into various programs and arrangements with certain vendors that provided for extended dating and payment terms for inventory purchases. As a whole, we consider our relationships with our vendors to be very good.

We purchase automotive products in substantial quantities from over 500 vendors, the five largest of which accounted for approximately 21% of our total purchases in 2011. Our largest vendor in 2011 accounted for approximately 6% of our total purchases and the next four largest vendors each accounted for approximately 3% to 6% of such purchases.

Marketing to the DIY Customer:

We use an integrated marketing program, which includes television, radio, direct mail and newspaper distribution, in-store and online promotions, and sports and event sponsorships to aggressively attract DIY customers. The marketing strategy we employ is highly effective and has led to a measurable combination of brand and product/price messaging to drive retail traffic and purchases, which frequently coincide with key sales events. We continued to co-brand all forms of advertising in the markets containing acquired CSK stores during the first half of 2011. This manner of advertising and m also allow for a smoother transition throughout the entire rebranding process. Store signage of all acquired CSK stores was changed ing 2011, at which time co-branding ended and all forms of advertising our markets.

To stimulate sales among racing enthusiasts, who we believe individually spend more on automotive products than the general public, we sponsored multiple nationally-televised races and over 1,500 grassroots, local, and regional motorsports events throughout 38 states during 2011. We mai Auto Parts Store of NASCAR and were the title sponsor of five National Hot Rod Association (NHRA) races from Pomona, California to Charlotte, North Carolina.

□ the
50 NCAA teams and tournaments have resulted in prominently-
-visible scoring table signs throughout the season.

Through an expanded use of Spanish language radio, print, and outdoor, as well as sponsorships of over 45 local and regional festivals and events, we demonstrated our commitment to increasing marketing efforts that are targeted toward the Hispanic auto parts consumer.

In 2011, we continued our dedicated problem/solution communication strategy, which encourages vehicle owners to perform regular maintenance as a way to save money and protect their automotive investment over the long-term. This highly relevant message

Marketing to the Professional Service Provider Customer:

We have over 460 full- □
program. Each sales representative is dedicated solely to calling upon, selling to and servicing our professional service provider

customers. Targeted marketing materials such as flyers, quick reference guides and catalogs are produced and distributed on a regular basis to professional service providers, paint and body shops and fleet customers. Our industry-leading First Call program enables our sales representatives, district managers, and store managers to provide excellent customer service to each of our professional service provider accounts by providing the products and services identified below:

- broad selection of merchandise at competitive prices
- dedicated Installer Service Specialists in our stores
- multiple, daily deliveries from our stores
- same-day or overnight access to an average of 123,000 SKUs through five-night-a-week store inventory replenishments
- separate service counter and phone line in our stores dedicated exclusively to service professional service providers
- trade credit for qualified accounts
- First Call Online, a dedicated Internet based catalog and ordering system designed to connect professional service providers directly to our inventory system
- training and seminars covering topics of interest, such as technical updates, safety and general business management
- access to a comprehensive inventory of products and equipment needed to operate and maintain their shop
- Certified Auto Repair Center Program, a program that provides professional service providers with business tools they can utilize to profitably grow and market their shops

Marketing to the Independently Owned Parts Store:

Along with the daily operation and management of the DCs and the distribution of automotive products to our stores, Ozark y owned erved by an O'Reilly store. Ozark administers a dedicated and distinct marketing program specifically targeted to jobber stores.

Approximately 190 jobber stores currently purchase automotive products from Ozark and participate in our Parts City Auto Parts program, our proprietary jobber service program. As a participant in these programs, a jobber store, which meets certain financial and operational standards, is permitted to indicate its Parts City Auto Parts membership through the display of the respective logo that is owned by Ozark. In return for a commitment to purchase automotive products from Ozark, we provide computer software for business management, competitive pricing, advertising, marketing and sales assistance to Parts City Auto Parts affiliate stores.

We believe that a competitive pricing policy is essential to successfully operate in the automotive aftermarket business. Product pricing is generally established to compete with the pricing policies of competitors in the market area served by each store. Most automotive products that we sell are priced based upon a combination of competitor price comparisons and internal gross margin ough volume discounts and special promotional pricing. Consistent with our low price guarantee, each of our stores will match any verifiable price on any in-stock product of the same or comparable quality offered by our competitors in the same market area.

We have repositioned the product offering and pricing in all acquired CSK stores to an every-day low price strategy to ensure we are competitive in every market in which we operate. We believe competitive pricing is needed to grow our market share and maintain a able, requires less promotional spending and will -based, high/low pricing strategy.

Our stores accept cash, checks, debit and credit cards. We also grant credit to many professional service provider customers who meet our pre-established credit requirements. Some of the factors considered in our pre-established credit requirements include customer creditworthiness, past transaction history with the customer, current economic and industry trends and changes in customer payment terms. No customer accounted for ten percent or more of our consolidated net sales, nor do we have any dependence on any single customer.

We accept product returns for new products, core products and warranty/defective products.

INDUSTRY ENVIRONMENT

The automotive aftermarket industry includes all products and services purchased for light- and heavy-duty vehicles after the original sale. The total size of the automotive aftermarket is estimated to be \$215 billion, according to the Automotive Aftermarket Industry labor share of professional service provider sales, auto parts share s the auto parts share of professional service provider sales and DIY sales. We do not sell tires or perform automotive repairs or installations.

We compete in both the DIY and professional service provider portions of the automotive aftermarket and are one of the largest specialty retailers within that market. We compete primarily with the stores identified below:

- national retail and wholesale automotive parts chains (such as AutoZone, Inc., Advance Auto Parts, NAPA, CARQUEST and the Pep Boys - Manny, Moe and Jack, Inc.)
- regional retail and wholesale automotive parts chains
- independently owned parts stores
- wholesalers or jobber stores (some of which are associated with national automotive parts distributors or associations such as NAPA, CARQUEST, Bumper to Bumper and Auto Value)
- automobile dealers
- mass merchandisers that carry automotive replacement parts, maintenance items and accessories (such as Wal-Mart Stores, Inc.)

We compete on the basis of customer service, which includes merchandise selection and availability, technical proficiency and helpfulness of store personnel, price, store layout and convenient and accessible store locations. Our dual market strategy requires significant capital expenditures to support, such as the capital expenditures required for the distribution network, store network and inventory levels necessary for providing products to both the DIY and professional service provider portions of the automotive aftermarket.

We have been successful, in many cases, in reducing the effects of merchandise cost increases principally by taking advantage of vendor incentive programs, economies of scale resulting from increased volume of purchases and selective forward buying. To the extent our acquisition cost increases due to base commodity price increases industry wide, we have typically been able to pass along these increased costs through higher retail prices for the affected products. As a result, we do not believe our operations have been materially, adversely affected by inflation.

To some extent our business is seasonal, primarily as a result of the impact of weather conditions on customer buying patterns. Store sales, profits and inventory levels have historically been higher in the second and third quarters (April through September) than in the first and fourth quarters (October through March) of the year.

We are subject to various federal, state and local laws and governmental regulations relating to our business, including those related to the handling, storage and disposal of hazardous substances, the recycling of batteries and used lubricants, and the ownership and operation of real property.

As part of our operations, we handle hazardous materials in the ordinary course of business and our customers may bring hazardous materials onto our property in connection with, for example, our oil and battery recycling programs. We currently provide a recycling program for batteries and the collection of used lubricants at certain of our stores as a service to our customers pursuant to agreements with third-party vendors. The batteries and used lubricants are collected by our associates, deposited into vendor-supplied containers and pallets, and then disposed of by the third-party vendors. In general, our agreements with such vendors contain provisions that are designed to limit our potential liability under applicable environmental regulations for any damage or contamination, which may be caused by the batteries and lubricants to off-site properties (including as a result of waste disposal) and to our properties, when caused by the vendor.

Compliance with any such laws and regulations has not had a material adverse effect on our operations to date. We cannot give any assurance, however, that we will not incur significant expenses in the future in order to comply with any such laws or regulations.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following paragraphs discuss information about our executive officers who are not also directors:

Gregory L. Henslee, age 51, Chief Executive Officer and Co-Team Member for 27 years. Mr. Henslee has been a store operations, including district manager. From there he advanced to Computer Operations Manager, and over the next 15 years, he served as Director of Computer Operations/Loss Prevention, Vice President of Store Operations and as Senior Vice President. In 1999, he became President of Merchandise, Distribution, Information Systems and Loss Prevention, and has been in his current positions of Chief Executive Officer and Co-President since 2005.

Ted F. Wise, age 61, Chief Operating Officer and Co-areas of responsibility are Sales,

Team Member

ger,
Vice President, Senior Vice President of Operations and Sales, and Executive Vice President. He has been President of Sales, Operations and Real Estate since 1999, and in his current positions of Chief Operating Officer and Co-President since 2005.

Thomas G. McFall, age 41, Executive

Team Member
ty are

Finance, Accounting, Risk Management
Financial Officer

as Controller, Vice President of Finance, and Chief Financial Officer, with direct
an Audit

Manager with Ernst & Young, LLP in Detroit, Michigan.

Gregory D. Johnson

Team Member for 29 years. Mr.
art-time stocker in the

Distribution and Vice President of Distribution. He has been in his current position as Senior Vice President since September 2007.

Randy Johnson

Team Member for 38 years. Mr.
egan his career in a

DC in 1973, working in the stocking, shipping and will call counter departments, and was promoted to customer service manager in 1976. He continued to progress with the development of the inventory control department as Inventory Control Manager and Vice President of Store Inventory Management. He has been in his current position as Senior Vice President of Inventory Management since October 2010.

Jeff M. Shaw, age 49, Senior Vice President of Sales and Operations, has been an O'Reilly Team Member for 23 years. Mr. Shaw's primary areas of responsibility are Store Operations and Sales. His O'Reilly career started as a parts specialist, and has progressed through the roles of store manager, district manager, regional manager and Vice President of the Southern division. He advanced to Vice President of Sales and Operations in 2003 and to his current position as Senior Vice President of Sales and Operations in 2004.

Michael D. Swearingin, age 51, Senior Vice President of Merchandise, has been an O'Reilly Team Member for 18 years. Mr. Swearingin's primary areas of responsibility are Merchandise, Pricing and Advertising. His O'Reilly career started as an employee in position he held for four years. From there he advanced to Senior Product Manager, Director of Merchandise and Vice President of Merchandise with responsibility for product mix and replenishment. He has been in his current position as Senior Vice President since 2004.

SERVICE MARKS AND TRADEMARKS

We have registered, acquired and/or been assigned the following service marks and trademarks: BESTEST®, BETTER PARTS. BETTER PRICES.®, BRAKEBEST®, CERTIFIED AUTO REPAIR®, CUSTOMIZE YOUR RIDE®, FIRST CALL®, FROM OUR STORE TO YOUR DOOR®, HI-LO®, IMPORT DIRECT®, IPOLITE®, MASTER PRO®, MASTER PRO REFINISHING®, MICRO-

LY AUTO PARTS PROFESSIONAL PARTS

AUTO COLOR PROFESSIONAL PAINT PEOPLE®, PARTS CITY AUTO PARTS®, PARTS CITY TOOL BOX®, PARTS PAYOFF®, POWER TORQUE®, REAL WORLD TRAINING®, SUPER START®, TOOLBOX®, ULTIMA®, CSK PROSHOP®,

trademarks listed above may also have a design associated therewith. Each of the service marks and trademarks are in duration for as long as we continue to use and seek renewal of such marks the duration of each of these service marks and trademarks is typically between five and ten years per renewal. We believe that our business is not otherwise dependent upon any patent, trademark, service mark or copyright.

AVAILABLE INFORMATION

Our Internet address is www.oreillyauto.com. Interested readers can access, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, through the Securities and Exchange Commission website at www.sec.gov

request, we will furnish interested readers a paper copy of such reports free of charge by contacting Mark Merz, Director of External Reporting and Investor Relations, at 233 South Patterson Avenue, Springfield, Missouri, 65802.

Our future performance is subject to a variety of risks and uncertainties. Although the risks described below are the risks that we believe are material, there may also be risks of which we are currently unaware, or that we currently regard as immaterial based upon the information available to us that later may prove to be material. Interested parties should be aware that the occurrence of the events described in these risk factors, elsewhere in this Form 10-K and in our other filings with the Securities and Exchange Commission could have a material adverse effect on our business, operating results and financial condition. Actual results, therefore, may materially differ from anticipated results described in these forward-looking statements.

In recent years, worldwide economic conditions have deteriorated significantly in many countries and regions, including the United States, and such conditions may worsen in the foreseeable future. Although demand for many of our products is primarily non-discretionary in nature and tend to be purchased by consumers out of necessity, rather than on an impulse basis, our sales are impacted by constraints on the economic health of our customers. The economic health of our customers is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, currency exchange rates, taxation, fuel prices, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control.

periods when income is lower, when prices increase in response to rising costs, or in periods of actual or perceived unfavorable economic conditions. If any of these events occur, or if unfavorable economic conditions challenge the consumer environment, our business, results of operations, financial condition and cash flows could be adversely affected.

Overall demand for products sold in the automotive aftermarket is dependent upon many factors including the total number of vehicle miles driven in the U.S., the total number of registered vehicles the U.S., the age and quality of these registered vehicles and the level of unemployment in the U.S. Adverse changes in these factors could lead to a decreased level of demand for our products, which could negatively impact our business, results of operations, financial condition and cash flows.

In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our customers, suppliers, logistics and other service providers and financial institutions which are counterparties to our credit facilities and interest rate swap transactions. Also, the ability of these third parties to overcome these difficulties may increase. If third parties, on whom we rely for merchandise, are unable to overcome difficulties resulting from the deterioration in economic conditions and provide us with the merchandise we need, or if counterparties to our credit facilities do not perform their obligations, our business, results of operations, financial condition and cash flows could be adversely affected.

We expect acquired CSK stores to approximate the profitability factor in achieving our financial goals. The failure of these stores to attain these profitability levels could seriously impact our forecasted results of operations. Our ability to operate these stores at our expected level will depend, in part, on the successful preservation of the existing DIY customers already established in these markets, growing the commercial customer base, the adoption

We may not be able to obtain these profitability levels in our acquired CSK stores as soon as we expect, or at all. If we fail to address the challenges of our new markets effectively, our growth strategy and future profitability could be negatively affected, and we may fail to achieve the intended benefits of the merger.

Credit ratings are an important part of our cost of capital. The evaluations are based upon, among other factors, our financial strength. Our current credit ratings provide us with the ability to borrow funds at a specific rate. A downgrade in our current credit rating from both agencies would adversely affect our cost of capital by causing us to pay a higher interest rate on borrowed funds under our credit facility. A downgrade could also adversely affect the market price and/or liquidity of our notes, preventing a holder from selling the notes at a favorable price, as well as adversely affect our ability to issue new notes in the future. In addition, a downgrade could limit the financial institutions willing to commit funds to our vendor financing programs at attractive rates. Decreased participation in our vendor financing programs would lead to an increase in working capital needed to operate the business adversely affecting our cash flow.

We have in place, an unsecured revolving credit facility and unsecured senior notes, which could have important consequences to our financial health. For example, our level of indebtedness could, among other things:

- make it more difficult to satisfy our financial obligations, including those relating to the notes and our credit facility;
- increase our vulnerability to adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes and opportunities in our industry, which may place us at a competitive disadvantage;
- require us to dedicate a substantial portion of our cash flows to service the principal and interest on the debt, reducing the funds available for other business purposes, such as working capital, capital expenditures or other cash requirements;
- limit our ability to incur additional debt on acceptable terms, if at all; and
- expose us to fluctuations in interest rates.

In addition, the terms of the financing obligations include restrictions, such as affirmative and negative covenants, conditions on borrowing and subsidiary guarantees. A failure to comply with these restrictions could result in a default under the financing obligations or could require us to obtain waivers from our lenders for failure to comply with these restrictions. The occurrence of a default that remains uncured or the inability to secure a necessary consent or waiver could have a material adverse effect on our business, financial condition or results of operations.

We expect to continue to make acquisitions as an element of our growth strategy. Acquisitions involve certain risks that could cause our actual growth and profitability to differ from our expectations, examples of such risks include the following:

- we may not be able to continue to identify suitable acquisition targets or to acquire additional companies at favorable prices or on other favorable terms;
-
- we may fail to retain key personnel from acquired businesses;
- we may assume unanticipated legal liabilities and other problems;
- we may not be able to successfully integrate the operations (accounting and billing functions, for example) of businesses we acquire to realize economic, operational and other benefits; and
- we may fail or be unable to discover liabilities of businesses that we acquire for which we, as a successor owner or operator, may be liable.

Both the DIY and professional service provider portions of our business are highly competitive, particularly in the more densely populated areas that we serve. Some of our competitors are larger than we are and have greater financial resources. In addition, some of our competitors are smaller than we are, but have a greater presence than we do in a particular market. We may have to expend more resources and risk additional capital to remain competitive. For a list of our principal competitors, see Item 1 of this annual report on Form 10-K.

Our success has been largely dependent on the efforts of certain key personnel. In order to be successful, we will need to retain and motivate executives and other key employees. Experienced management and technical personnel are in high demand and competition for their talents is intense. We must also continue to motivate employees and keep them focused on our strategies and goals. Our business and results of operations could be materially adversely affected by the unexpected loss of the services of one or more of our key employees. We cannot be sure that we will be able to continue to attract qualified personnel, which could cause us to be less efficient, and as a result, may adversely impact section of Item 1 of this annual report on Form 10-K.

We believe that our ability to open additional, profitable stores at a high growth rate will be a significant factor in achieving our growth objectives for the future. Our ability to accomplish our growth objectives is dependent, in part, on matters beyond our control, such as weather conditions, zoning and other issues related to new store site development, the availability of qualified management personnel and general business and economic conditions. We cannot be sure that our growth plans for 2012 and beyond will be achieved. Failure to achieve our growth objectives may negatively impact the trading price of our common stock. For a discussion of Item 1 of this annual report on Form 10-K.

Approximately 28% of our stores are located in Texas and California. Therefore, our business is sensitive to the economic and weather conditions of those regions. Unusually inclement weather, such as significant rain, snow, sleet, freezing rain, flooding, seismic activity and hurricanes, has historically discouraged our customers from visiting our stores during the affected period and reduced our sales, particularly to DIY customers. In addition, our stores located in coastal regions may be subject to increased insurance claims resulting from regional weather conditions and our results of operations and financial condition could be adversely affected.

All of the shares of common stock currently held by our affiliates may be sold in reliance upon the exemptive provisions of Rule 144 of the Securities Act of 1933, as amended, subject to certain volume and other conditions imposed by such rule. We cannot predict the effect, if any, which future sales of shares of common stock or the availability of such shares for sale will have on the market price of the common stock prevailing from time to time. We believe sales of substantial amounts of common stock, or the perception that such sales might occur, could adversely affect the prevailing market price of the common stock.

We believe that quarter-to-quarter comparisons of our financial results are not necessarily meaningful indicators of our future operating results and should not be relied on as an indication of future performance. If our quarterly operating results fail to meet the expectations of analysts, the trading price of our common stock could be negatively affected. We cannot be certain that our business strategy and our plans to integrate the operations of CSK will be successful or that they will successfully meet the expectations of these analysts. If we fail to adequately address any of these risks or difficulties, our business would likely suffer.

The stock market and the price of our common stock may be subject to wide fluctuations based upon general economic and market conditions.

meet such expectations, even slightly, could have an adverse effect on the market price of our common stock.

In addition, stock market volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies. Downturns in the stock market may cause the price of our common stock to decline. In

has often been instituted against such companies. If similar litigation were instituted against us, it could result in substantial costs and iness.

Our business depends on developing and maintaining close relationships with our vendors and on our vendors' ability or willingness to sell quality products to us at favorable prices and terms. Many factors outside of our control may harm these relationships and the ability or willingness of these vendors to sell us products on favorable terms. For example, financial or operational difficulties that our vendors may face could increase the cost of the products we purchase from them or our ability to source product from them. In addition, the trend towards consolidation among automotive parts suppliers as well as the off-shoring of manufacturing capacity to foreign countries may disrupt or end our relationship with some vendors, and could lead to less competition and result in higher prices. We could also be negatively impacted by suppliers who might experience work stoppages, labor strikes or other interruptions to or difficulties in the manufacture or supply of the products we purchase from them.

Weather, terrorist activities, war or other disasters or the threat of them, may result in the closure of our distribution centers or other facilities or may adversely affect our ability to deliver inventory to our stores on a nightly basis. This may affect our ability to timely provide products to our customers, resulting in lost sales or a potential loss of customer loyalty. Some of our merchandise is imported from other countries and these goods could become difficult or impossible to bring into the United States, and we may not be able to obtain such merchandise from other sources at similar prices. Such a disruption in revenue could potentially have a negative impact on our results of operations and financial condition.

We rely extensively on our computer systems to manage inventory, process transactions and timely provide products to our customers. Our systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses, security breaches or other catastrophic events. If our systems are damaged or fail to function properly, we may experience loss of critical data

and interruptions or delays in our ability to manage inventories or process customer transactions. Such a disruption in revenue could potentially have a negative impact on our results of operations and financial condition.

Our business involves the storage of personal information about our customers and Team Members. We have taken reasonable and appropriate steps to protect this information; however, if we experience a significant data security breach, we could be exposed to damage to our reputation, additional costs, lost sales or possible regulatory action. The regulatory environment related to information security and privacy is constantly changing, and compliance with those requirements could result in additional costs. There is no guarantee that the procedures that we have implemented to protect against unauthorized access to secured data are adequate to safeguard against all data security breaches, and such a breach could potentially have a negative impact on our results of operations and financial condition.

Initiatives to limit greenhouse gas emissions and bills related to climate change have been introduced in the U.S. Congress, which could adversely impact all industries. While it is uncertain whether these will become law, additional climate change related mandates could potentially be forthcoming, and these mandates, if enacted, could adversely impact our costs, including, among other things, increasing fuel prices.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Distribution centers and other properties

□ □ eight DCs (2.8 million operating square footage) and owned 15 DCs (5.7 million operating square footage) for total DC square footage of 8.5 million. The following table provides information regarding our DCs, returns facilities and corporate offices as of December 31, 2011:

Location	Principal Use(s)	Operating Square Footage ⁽¹⁾	Interest	Lease Term Expiration
Atlanta, GA	Distribution Center	492,350	Leased	12/31/2024
Belleville, MI	Distribution Center	333,262	Leased	2/28/2015
Billings, MT	Distribution Center	108,300	Leased	1/31/2031
Dallas, TX	Distribution Center	442,000	Owned	
Denver, CO	Distribution Center	321,242	Owned	
Des Moines, IA	Distribution Center	253,886	Owned	
Greensboro, NC	Distribution Center	441,600	Owned	
Houston, TX	Distribution Center	532,615	Owned	
Indianapolis, IN	Distribution Center	657,603	Owned	
Kansas City, MO	Distribution Center	299,018	Owned	
Knoxville, TN	Distribution Center	150,766	Owned	
Little Rock, AR	Distribution Center	122,969	Leased	3/31/2017
Lubbock, TX	Distribution Center	276,896	Owned	
Mobile, AL	Distribution Center	301,068	Leased	12/31/2022
Moreno Valley, CA	Distribution Center	547,478	Owned	
Nashville, TN	Distribution Center	315,977	Leased	12/31/2018
Oklahoma City, OK	Distribution Center	320,667	Owned	
Phoenix, AZ	Distribution Center	383,570	Leased	6/22/2015
Salt Lake City, UT	Distribution Center	294,932	Owned	
Seattle, WA	Distribution Center	533,790	Owned	
Springfield, MO	Distribution Center	328,721	Owned	
Stockton, CA	Distribution Center	720,836	Leased	6/30/2025
St. Paul, MN	Distribution Center	324,668	Owned	
Auburn, WA	Bulk Facility	81,761	Leased	6/30/2018
Commerce, CA	Bulk Facility	75,000	Leased	8/31/2013
McAllen, TX	Bulk Facility	24,560	Leased ⁽²⁾	4/30/2017
Springfield, MO	Bulk Facility	35,200	Owned	
Springfield, MO	Return/Deconsolidation Facility	248,480	Owned	
Phoenix, AZ	Corporate Offices	174,664	Leased	10/31/2012
Springfield, MO	Corporate Offices	435,600	Owned	
Springfield, MO	Corporate Offices	34,617	Leased	8/31/2024
Springfield, MO	Corporate Offices, Training and Technical Center	22,000	Owned	
Total operating square footage		9,636,096		

⁽¹⁾ Includes floor and mezzanine operating square footage, excludes subleased square footage

⁽²⁾ Occupied under the terms of a lease with an affiliated party

Of the 23 DCs that we operated at December 31, 2011, 15 were owned and 8 were leased. The leased facilities typically require a fixed base rent, payment of certain tax, insurance and maintenance expense and have an original term of, at a minimum, 20 years, subject to one five-year renewal at our option. One of our bulk facilities is leased from an entity owned by immediate family. This lease requires payment of a fixed base rent, payment of certain tax, insurance and maintenance expenses and an original term of 15 years, subject to three five-year renewals at our option. We believe that this lease agreement with the affiliated entity is on terms comparable to those obtainable from third parties.

Of the 3,740 stores that we operated at December 31, 2011, 1,286 stores were owned, 2,381 stores were leased from unaffiliated parties and 77 stores were leased from entities in which certain of our affiliated directors, members of our immediate family, or our executive officers, are affiliated. Leases with unaffiliated parties generally provide for payment of a fixed

The remaining litigation, as described above, is subject to uncertainty, and, given its complexity and scope, the final outcome cannot be predicted at this time. It is could be materially affected by an ultimate resolution of such matter, depending, in part, upon the results of operations or cash flows for such period. However, at this time, management believes that the ultimate outcome of the pending matters, after consideration of perations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*Common stock:*

common stock are traded on The NASDAQ Global Select Market

under the s

since that time, and we do not anticipate paying any cash dividends in the foreseeable future.

As of February 20, 2012, the Company had approximately 96,000 shareholders of common stock based on the number of holders of record and an estimate of individual participants represented by security position listings.

The prices in the following table represent the high and low sales price for common stock as reported by Nasdaq.

	2011		2010	
	High	Low	High	Low
First Quarter	\$ 60.69	\$ 54.42	\$ 43.00	\$ 37.73
Second Quarter	65.51	55.38	51.40	41.61
Third Quarter	71.72	56.91	54.07	46.07
Fourth Quarter	81.70	64.97	63.04	52.84
For the Year	81.70	54.42	63.04	37.30

Sales of unregistered securities:

There were no sales of unregistered securities during the year ended December 31, 2011.

Issuer purchases of equity securities:

The following table identifies all repurchases during the fourth quarter ended December 31, 2011, of any of securities registered under Section 12 of the Exchange Act, as amended, by or on behalf of the Company or any affiliated purchaser (in thousands, except per share amounts):

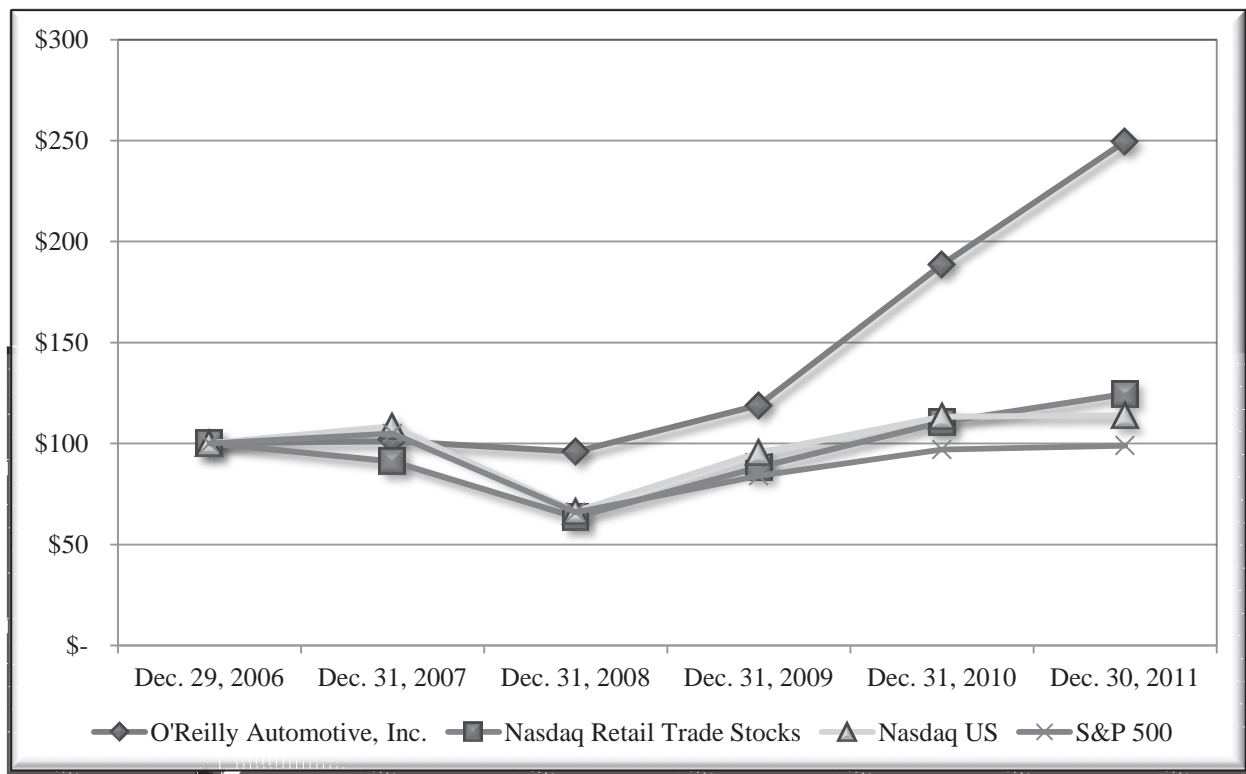
Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs (1)
October 1, 2011, through October 31, 2011	291	\$ 65.81	291	\$ 140,869
November 1, 2011, through November 30, 2011	581	75.32	581	597,160
December 1, 2011, through December 31, 2011	932	78.82	932	523,678
Total for the quarter ended December 31, 2011	1,804	\$ 75.60	1,804	

(1) On January 11, 2011, the Company announced a \$500 million share repurchase program, which was approved by the Board of Directors, scheduled to expire on January 10, 2014. On August 5, and November 16, 2011, the Company announced that its Board of Directors approved resolutions to increase the authorization under the repurchase program by additions of \$500 million each, raising the cumulative authorization under the repurchase program to \$1.5 billion. The additional \$500 million authorizations are scheduled to expire on August 5, 2014 and November 16, 2014, respectively. Under the program, the Company may, from time to time, repurchase shares of its common stock solely through open market purchases effected through a broker dealer at prevailing market prices. No other share repurchase programs existed during the year ended December 31, 2011.

The Company repurchased a total of 15.9 million shares of its common stock under its publicly announced share repurchase program during the year ended December 31, 2011, at an average price per share of \$61.49. Subsequent to December 31, 2011, and up to and including February 28, 2012, the Company repurchased an additional 0.6 million shares of its common stock at an average price per share of \$83.39, for a total investment of \$48 million, excluding fees and commissions.

Stock performance graph:

The graph below shows the cumulative total shareholder return assuming the investment of \$100, on December 29, 2006, and the reinvestment of dividends thereafter, in common stock versus the Nasdaq Retail Trade Stocks Total Return Index, Nasdaq United States Stock Market Total Returns Index, S&P 500 Index



Company/Index	Dec. 29, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 30, 2011
O'Reilly Automotive, Inc.	\$ 100	\$ 101	\$ 96	\$ 119	\$ 188	\$ 249
Nasdaq Retail Trade Stocks	100	91	63	88	110	124
Nasdaq US	100	108	66	95	113	114
S&P 500	100	105	66	84	97	99

Item 6. Selected Financial Data

The table below compares the selected financial data over a ten-year period. In 2005 and 2008, the Company acquired Midwest Auto Parts Distributors and CSK Auto Corporation, respectively. The 2005 Midwest acquisition added 72 stores and the 2008 CSK acquisition added 1,342 stores to the Company's store base. Financial results for these acquired companies have been included in the consolidated financial statements from the dates of the acquisitions forward.

Years ended December 31,

(In thousands, except per share data)

INCOME STATEMENT DATA:

Sales	\$	5,788,816	\$	5,397,525	\$	4,847,062	\$	3,576,553	\$	2,522,319	\$	2,283,222	\$	2,045,318	\$	1,721,241	\$	1,511,816	\$	1,312,490
Cost of goods sold, including warehouse and distribution expenses		2,951,467		2,776,533		2,520,534		1,948,627		1,401,859		1,276,511		1,152,815		978,076		873,481		759,090
Gross profit		2,837,349		2,620,992		2,326,528		1,627,926		1,120,460		1,006,711		892,503		743,165		638,335		553,400
Selling, general and administrative expenses		1,973,381		1,887,316		1,788,909		1,292,309		815,309		724,396		639,979		552,707		473,060		415,099
Former CSK officer clawback		(2,798)		-		-		-		-		-		-		-		-		-
Legacy CSK DOJ investigation charge		-		20,900		-		-		-		-		-		-		-		-
Operating income		866,766		712,776		537,619		335,617		305,151		282,315		252,524		190,458		165,275		138,301
Write-off of asset-based revolving credit agreement debt issuance costs		(21,626)		-		-		-		-		-		-		-		-		-
Termination of interest rate swap agreements		(4,237)		-		-		-		-		-		-		-		-		-
Gain on settlement of note receivable		-		11,639		-		-		-		-		-		-		-		-
Other income (expense), net		(25,130)		(35,042)		(40,721)		(33,085)		2,337		(50)		(1,455)		(2,721)		(5,233)		(7,319)
Total other income (expense)		(50,993)		(23,403)		(40,721)		(33,085)		2,337		(50)		(1,455)		(2,721)		(5,233)		(7,319)
Income before income taxes and cumulative effect of accounting change		815,773		689,373		496,898		302,532		307,488		282,265		251,069		187,737		160,042		130,982
Provision for income taxes		308,100		270,000		189,400		116,300		113,500		104,180		86,803		70,063		59,955		48,990
Income before cumulative effect of accounting change		507,673		419,373		307,498		186,232		193,988		178,085		164,266		117,674		100,087		81,992
Cumulative effect of accounting change, net of tax (a)		-		-		-		-		-		-		-		21,892		-		-
Net income	\$	507,673	\$	419,373	\$	307,498	\$	186,232	\$	193,988	\$	178,085	\$	164,266	\$	139,566	\$	100,087	\$	81,992

BASIC EARNINGS PER

COMMON SHARE: (b)

Income before cumulative effect of

Years ended December 31,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
SELECTED OPERATING DATA:										
Number of stores at year end (a)	3,740	3,570	3,421	3,285	1,830	1,640	1,470	1,249	1,109	981
Total store square footage at year end (in 000s)(a)(b)	26,530	25,315	24,200	23,205	12,439	11,004	9,801	8,318	7,348	6,408
Sales per weighted-average store (in 000s)(a)(b)	\$ 1,566	\$ 1,527	\$ 1,424	\$ 1,379	\$ 1,430	\$ 1,439	\$ 1,478	\$ 1,443	\$ 1,413	\$ 1,372
Sales per weighted-average square foot (in 000s)(b)	\$ 221	\$ 216	\$ 202	\$ 201	\$ 212	\$ 215	\$ 220	\$ 217	\$ 215	\$ 211
Percentage increase in same store sales (c)(d)	4.6%	8.8%	4.6%	15%	3.7%	3.3%	7.5%	6.8%	7.8%	3.7%
BALANCE SHEET DATA:										
(In thousands)										
Working capital	1,027,600	1,072,294	1,007,576	821,932	573,328	566,892	424,974	479,662	441,617	483,623
Total assets	5,500,501	5,047,827	4,781,471	4,193,317	2,279,737	1,977,496	1,718,896	1,432,357	1,157,033	1,009,419
Inventory turnover	1.5	1.4	1.4	1.6	1.6	1.6	1.7	1.6	1.7	1.5
Inventory turnover, net of payables	3.4	2.5	2.6	3.1	3.0	2.8	2.8	2.5	2.3	1.8
Accounts payable to inventory	64.4%	44.3%	42.8%	46.9%	43.2%	39.2%	40.3%	38.5%	27.9%	16.9%
Current portion of long-term debt and short-term debt	662	1,431	106,708	8,131	25,320	309	75,313	592	925	682
Long-term debt, less current portion	796,912	357,273	684,040	724,564	75,149	110,170	25,461	100,322	120,977	190,470
	2,844,851	3,209,685	2,685,865	2,282,218	1,592,477	1,364,096	1,145,769	947,817	784,285	650,524

(a) Store count for 2002 does not include 27 stores acquired from Dick Smith Enterprises and Davie Automotive, Inc. in December 2002.

(b) Total square footage includes normal selling, office, stockroom and receiving space. Sales per weighted-average store and square foot are weighted to consider the approximate dates of store openings or expansions.

(c) Same-store sales are calculated based on the change in sales of stores open at least one year. Percentage increase in same-store sales is calculated based on store sales results, which exclude sales of specialty machinery, sales by outside salesmen, sales to Team Members and sales during the one to two week period certain CSK branded stores were closed for conversion.

(d) Same-store sales for 2008 include sales for stores acquired in the CSK acquisition. Comparable stores sales for stores operating on systems open at least one year increased 2.6% for the year ended December 31, 2008. Comparable stores sales for stores operating on the legacy CSK system open at least one year decreased 1.0%.

□ , results of operations, liquidity and certain other factors that may affect our future results, including:

- an overview of the key drivers of the automotive aftermarket industry;
- key events and recent developments within our company;
- our results of operations for the years ended 2011, 2010 and 2009;
- our liquidity and capital resources;
- any off-balance sheet arrangements we utilize;
- any contractual obligations to which we are committed;
- our critical accounting estimates;
- the inflation and seasonality of our business;
- our quarterly results for the years ended December 31, 2011, and 2010; and
- recent accounting pronouncements that may affect our company.

□ related notes and other financial information included elsewhere in this annual report.

FORWARD-LOOKING STATEMENTS

We claim the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-

□ t that are not historical facts are forward-looking statements, such as statements discussing among other things, expected growth, store development, integration and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties and assumptions, including, but not limited to, competition, product demand, the market for auto parts, the economy in general, inflation, consumer debt levels, governmental regulations, our increased debt levels, credit ratings on our public debt, our ability to hire and retain qualified employees, risks associated with the performance of acquired □ y materially differ from anticipated results described or implied in these forward-looking statements. Please re section of this annual report on Form 10-K for the year ended December 31, 2011, for additional factors that could materially affect our financial performance. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

We are a specialty retailer of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States. We are one of the largest automotive aftermarket specialty retailers, selling our products to both do-it-□ professional service providers. Our stores carry an extensive product line consisting of new and remanufactured automotive hard parts, maintenance items, accessories, a complete line of auto body paint and related materials, automotive tools and professional service provider service equipment. Our extensive product line includes an assortment of products that are differentiated by quality and price for most

Consumer

As of December 31, 2011, we operated 3,740 stores in 39 states.

Operating within the retail industry, we are influenced by a number of general macroeconomic factors including, but not limited to, fuel costs, unemployment rates, consumer preferences and spending habits and competition. The difficult conditions that affected the overall macroeconomic environment in recent years

conditions. We have ongoing initiatives aimed at however, we also continue to have initiatives focused on marketing and training to educate customers on the advantages of purchasing up on the value spectrum.

We have ongoing initiatives targeted at marketing higher quality products to our customers and expect our customers to be more willing to return to purchasing up on the value spectrum in the future as the U.S. economy recovers; however, we cannot predict whether, when, or the manner in which, these economic conditions will change.

and expenses related to the offering and for general corporate purposes. Concurrent with the issuance of the 4.875% Senior Notes due 2021, we entered into a 5-year credit agreement for a \$750 million revolving Credit Facility Capital to provide additional financial flexibility. All remaining debt issuance costs related to our previous ABL Credit Facility, totaling \$22 million were written off, and all interest rate swap agreements related to notional amounts under the ABL Credit Facility, with a carrying value of \$4 million, were terminated and charged to earnings as one-time, non-recurring items upon the repayment and retirement of the ABL Credit Facility in January of 2011

- On September 9, 2011, we amended our Revolving Credit Facility with BA, which decreased the facility to \$660 million and reduced the fees and interest rate margins for borrowings under our Revolving Credit Facility. The amendment also extended the maturity of our Revolving Credit Facility to September of 2016. In conjunction with the amendment to our Revolving Credit Facility, we recognized a one-time charge related to the modification to the credit facility in the amount of \$0.3 million, which is include
- On September 19, 2011, we issued \$300 million aggregate principal amount of unsecured 4.625% Senior Notes due 2021 with UMB as trustee, which were guaranteed by the Subsidiary Guarantors. The 4.625% Senior Notes due 2021 were issued at 99.826% of their face value and will mature on September 15, 2021. The proceeds from the issuance of the 4.625% Senior Notes due 2021 were used to pay fees and expenses related to the offering, with the remainder for general corporate purposes, including share repurchases.

RESULTS OF OPERATIONS

The following table includes income statement data as a percentage of sales for the years ended December 31, 2011, 2010 and 2009:

	2011	2010	2009
Sales	100.0 %	100.0 %	100.0 %
Cost of goods sold, including warehouse and distribution expenses	51.0	51.4	52.0
Gross profit	49.0	48.6	48.0
Selling, general and administrative expenses	34.1	35.0	36.9
Former CSK officer clawback	(0.1)	-	-
Legacy CSK DOJ investigation charge	-	0.4	-
Operating income	15.0	13.2	11.1
Interest expense	(0.5)	(0.7)	(0.9)
Interest income	0.1	-	-
Write-off of asset-based revolving credit facility debt issuance costs	(0.4)	-	-
Termination of interest rate swap agreements	(0.1)	-	-
Gain on settlement of note receivable	-	0.2	-
Other income, net	-	0.1	0.1
Income before income taxes	14.1	12.8	10.3
Provision for income taxes	5.3	5.0	4.0
Net income	<u>8.8 %</u>	<u>7.8 %</u>	<u>6.3 %</u>

Sales:

Sales for the year ended December 31, 2011, increased \$391 million to \$5.79 billion from \$5.40 billion for the same period one year ago, representing an increase of 7.2%. Comparable store sales for stores open at least one year increased 4.6% and 8.8% for the years ended December 31, 2011 and 2010, respectively. Comparable store sales are calculated based on the change in sales of stores open at least one year and exclude sales of specialty machinery, sales to independent parts stores and sales to Team Members.

The following table presents the components of the increase in sales for the year ended December 31, 2011 (in millions):

	Increase in Sales for the year ended December 31, 2011, compared to the same period in 2010
Store sales:	
Comparable store sales	\$ 241
Non-comparable store sales:	
Sales for stores opened throughout 2010, excluding stores open at least one year that are included in comparable store sales	70
Sales in 2010 for stores that have closed	(13)
Sales for stores opened throughout 2011	82
Non-store sales:	
Includes sales of machinery, sales to independent parts stores and team member sales	11
Total increase in sales	\$ 391

We believe the increased sales achieved by our stores are the result of high levels of customer service, superior inventory availability, a broader selection of products offered in most stores, a targeted promotional and advertising effort through a variety of media and localized promotional events, continued improvement in the merchandising and store layouts of our stores, compensation programs for all store Team Members that provide incentives for performance and our continued focus on serving both DIY and professional service provider customers. Our comparable store sales increase for the year was driven by an increase in average ticket values, partially offset by a decline in customer transaction counts. The improvement in average ticket values was the result of the continued

Operating income:

Operating income for the year ended December 31, 2011, increased to \$867 million (or 15.0% of sales) from \$713 million (or 13.2% of sales) for the same period one year ago, representing an increase of 22%. The increase in operating income during the year was primarily due to the impacts discussed above, as well as \$3 million of nonrecurring income in the current year related to a settlement between the Securities and Exchange Commission and a former CSK officer that resulted in the reimbursement to CSK of incentive-based compensation and stock sale profits previously received by the officer (discussed in detail below see Note 12 Legal Matters to the Consolidated Financial Statements) versus a \$21 million charge to operating income in the prior year, related to the previously announced legacy CSK DOJ investigation (discussed in detail below see Note 12 Legal Matters to the Consolidated Financial Statements). The increase in operating income as a percentage of sales is the result of our improvements in gross margin and significant leverage on fixed SG&A from strong comparable store sales.

Other income and expense:

Total other expense for the year ended December 31, 2011, increased to \$51 million (or 0.9% of sales), from \$23 million (or 0.4% of sales) for the same period one year ago, representing an increase of 118%. The increase in total other expense for the year was primarily due to one-time charges related to our new financing transactions that were completed in January of 2011 (discussed in detail below), offset by decreased interest expense on a lower average interest rate on outstanding borrowings, a lower facility fee on our revolving credit facility and less amortization of debt issuance costs in the current period as compared to the borrowing rates, facility fee and amortization of debt issuance costs in the prior period. In addition, during 2010, we recognized a nonrecurring, non-operating gain of \$12 million related to the favorable settlement of a note receivable acquired in the acquisition of CSK (discussed in detail below).

Income taxes:

Our provision for income taxes for the year ended December 31, 2011, increased to \$308 million (37.8% effective tax rate) from \$270 million (39.2% effective tax rate) for the same period one year ago, representing an increase of 14%. The increase in our provision for income taxes was due to the increase in our taxable income. The decrease in the effective rate was primarily the result of the \$21 million charge recorded in 2010, discussed in detail below, which was not deductible for tax purposes.

Net income:

As a result of the impacts discussed above, net income for the year ended December 31, 2011, increased to \$508 million (or 8.8% of sales), from \$419 million (or 7.8% of sales) for the same period one year ago, representing an increase of 21%.

Earnings per share:

Our diluted earnings per common share for the year ended December 31, 2011, increased 26% to \$3.71 on 137 million shares from \$2.95 on 142 million shares for the same period one year ago. The impact of share repurchases during 2011 on diluted earnings per share was an increase of approximately \$0.19.

Adjustments for nonrecurring and non-operating events:

Our results for the year ended December 31, 2011, included nonrecurring income related to a settlement between the SEC and a former CSK officer that resulted in the reimbursement to CSK, of \$3 million (\$2 million, net of tax) of incentive-

our Consolidated Statements of Income for the year ended December 31, 2011. Our results for the year ended December 31, 2011, also included one-time charges associated with the new financing transactions we completed on January 14, 2011. The one-time charges included a non-cash charge to write off the balance of debt issuance costs related to our previous ABL Credit Facility in the amount of \$22 million (\$13 million, net of tax) and a charge related to the termination of our interest rate swap agreements in the amount of \$4 (\$3 million, net of tax). The charges related to our new financing transactions were included in

our Consolidated Statements of Income for the year ended December 31, 2011. Our results for the year ended December 31, 2010, included a nonrecurring, non-operating gain in other income (expense) of \$12 million (\$7 million, net of tax) related to the favorable settlement of a note receivable acquired in the CSK acquisition, as well as a charge related to the legacy DOJ investigation -acquisition historical accounting practices. We accrued \$21 million during 2010 in anticipation of executing a Non-time monetary penalty of \$21 million. During the third quarter of 2011, the NPA was executed and the previously recorded, one-time \$21 million penalty was paid

our Consolidated Statements of Income for the year ended December 31, 2010. The results discussed in the paragraph below are adjusted for these nonrecurring items and are reconciled to the most directly comparable GAAP measure in the subsequent table.

Adjusted operating income for the year ended December 31, 2011, increased 18% to \$864 million (or 14.9% of sales) from \$734 million (or 13.6% of sales) for the same period one year ago. Adjusted net income for the year ended December 31, 2011, increased 21% to \$522 million (or 9.0% of sales) from \$433 million (or 8.0% of sales) for the same period one year ago. Adjusted diluted earnings per common share for the years ended December 31, 2011, increased 25% to \$3.81 from \$3.05 for the same period one year ago.

The table below outlines the impact of the charges related to the new financing transactions, the former CSK officer clawback, the legacy CSK DOJ investigation charge, as well as the gain on the settlement of the note receivable for the years ended December 31, 2011 and 2010 (amounts in thousands, except per share data):

	For the Year Ended December 31,			
	2011		2010	
	Amount	% of Sales	Amount	% of Sales
GAAP Operating income	\$ 866,766	15.0 %	\$ 712,776	13.2 %
Former CSK officer clawback	(2,798)	(0.1) %	-	- %
Legacy CSK DOJ investigation charge	-	- %	20,900	0.4 %
Non-GAAP adjusted operating income	\$ 863,968	14.9 %	\$ 733,676	13.6 %
GAAP net income	\$ 507,673	8.8 %	\$ 419,373	7.8 %
Write-off of asset-based revolving credit facility debt issuance costs, net of tax	13,458	0.2 %	-	- %
Termination of interest rate swap agreements, net of tax	2,637	- %	-	- %
Former CSK officer clawback, net of tax	(1,741)	- %	-	- %
Legacy CSK DOJ investigation charge	-	- %	20,900	0.4 %
Gain on settlement of note receivable, net of tax	-	- %	(7,215)	(0.2) %
Non-GAAP adjusted net income	\$ 522,027	9.0 %	\$ 433,058	8.0 %
GAAP diluted earnings per common share	\$ 3.71		\$ 2.95	
Write-off of asset-based revolving credit facility debt issuance costs, net of tax	0.09		-	
Termination of interest rate swap agreements, net of tax	0.02		-	
Former CSK DOJ officer clawback, net of tax	(0.01)		-	
Legacy CSK DOJ investigation charge	-		0.15	
Gain on settlement of note receivable, net of tax	-		(0.05)	
Non-GAAP adjusted diluted earnings per common share	\$ 3.81		\$ 3.05	
Weighted-average common shares outstanding - assuming dilution	136,983		141,992	

The financial information presented in the paragraph and table above is not derived in accordance with United States generally

We do not, nor do we suggest investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial information. We believe that the presentation of financial results and estimates excluding the impact of the non-cash charge to write off the balance of debt issuance costs, the charge related to the termination of interest rate swap contracts, the former CSK officer clawback, the charges for the legacy CSK DOJ investigation and the nonrecurring, non-operating gain related to the settlement of a note receivable acquired in the acquisition of CSK, provide meaningful supplemental information to both management and investors, which is indicative of our core operations. We exclude these items in judging our performance and believe this non-GAAP information is useful to investors as well. Material limitations of these non-GAAP measures are that such measures do not reflect actual GAAP amounts. We compensate for such limitations by presenting, in the table above, the accompanying reconciliation to the most directly comparable GAAP measures.

Sales:

Sales for the year ended December 31, 2010, increased \$550 million to \$5.4 billion from \$4.85 billion for the same period one year ago, representing an increase of 11%. Comparable store sales are calculated based on the change in sales of stores open at least one year and exclude sales of specialty machinery, sales to independent parts stores, sales to Team Members and sales during the one- to two-week period certain CSK branded stores were closed for conversion. Comparable store sales for stores open at least one year increased 8.8% and 4.6% for the year ended December 31, 2010 and 2009, respectively.

Operating income:

Operating income for the year ended December 31, 2010, increased to \$713 million (or 13.2% of sales) from \$538 million (or 11.1% of sales) for the same period one year ago, representing an increase of 33%. The increase in operating income was the result of increased sales and gross profit, offset by the increased SG&A discussed above as well as a \$21 million charge related to the legacy and Note 12

statements. The increase in operating income as a percentage of sales was the result of our improvements in gross margin and significant leverage on fixed SG&A costs from strong comparable store sales.

Other income and expense:

Interest expense for the year ended December 31, 2010, decreased to \$39 million (or 0.7% of sales) from \$45 million (or 0.9% of sales) for the same period one year ago, representing a decrease of 13%. The decrease in interest expense during 2010 as compared to 2009 was the result of a lower level of average outstanding borrowings under our ABL Credit Facility. Included as a component of was a nonrecurring, non-operating gain of \$12 million related to the favorable settlement of a note receivable acquired in the acquisition of CSK.

Income taxes:

Our provision for income taxes for the year ended December 31, 2010, increased to \$270 million (39.2% effective tax rate) from \$189 million (38.1% effective tax rate) for the same period one year ago, representing an increase of 43%. The increase in our provision for income taxes was due to the increase in our taxable income. The increase in the effective rate was primarily the result of the charge related to the CSK DOJ investigation of \$21 million which was not deductible for tax purposes.

Net income:

As a result of the impacts discussed above, net income for the year ended December 31, 2010, increased to \$419 million (or 7.8% of sales) from \$307 million (or 6.3% of sales) for the same period one year ago, representing an increase of 36%.

Earnings per share:

Our diluted earnings per common share for the year ended December 31, 2010, increased 32% to \$2.95 on 142 million shares from \$2.23 on 138 million shares for the same period one year ago.

Adjustments for nonrecurring and non-operating events:

Our results for the year ended December 31, 2010, included charges related to the nonrecurring, non-operating gain related to the settlement of a note receivable acquired from CSK discussed above, as well as the charges related to the legacy CSK DOJ investigation discussed above. Adjusted operating income increased 37% to \$734 million (13.6% of sales) for the year ended December 31, 2010, from \$538 million (11.1% of sales), for the same period one year ago. Adjusted net income increased 41% to \$433 million (8.0% of sales) for the year ended December 31, 2010, from \$307 million (6.3% of sales), for the same period one year ago. Adjusted diluted earnings per common share increased 37% to \$3.05 for the year ended December 31, 2010, from \$2.23 for the same period one year ago. The table below outlines the impact of the charges related to the legacy CSK DOJ investigation and the gain on the settlement of the note receivable for the years ended December 31, 2010 and 2009 (amounts in thousands, except per share data):

	For the Year Ended December 31,			
	2010		2009	
	Amount	% of Sales	Amount	% of Sales
GAAP Operating income	\$ 712,776	13.2 %	\$ 537,619	11.1 %
Legacy CSK DOJ investigation charge	20,900	0.4 %	-	- %
Non-GAAP adjusted operating income	\$ 733,676	13.6 %	\$ 537,619	11.1 %
GAAP net income	\$ 419,373	7.8 %	\$ 307,498	6.3 %
Legacy CSK DOJ investigation charge	20,900	0.4 %	-	- %
Gain on settlement of note receivable, net of tax	(7,215)	(0.2) %	-	- %
Non-GAAP adjusted net income	\$ 433,058	8.0 %	\$ 307,498	6.3 %
GAAP diluted earnings per common share	\$ 2.95		\$ 2.23	
Legacy CSK DOJ investigation charge	0.15		-	
Gain on settlement of note receivable, net of tax	(0.05)		-	
Non-GAAP adjusted diluted earnings per common share	\$ 3.05		\$ 2.23	
Weighted-average common shares outstanding - assuming dilution	141,992		137,882	

The financial information presented in the paragraph and table above is not derived in accordance with GAAP. We do not, nor do we suggest investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial information. We believe that the presentation of financial results and estimates excluding the impact of the charges for the legacy CSK DOJ investigation and the nonrecurring, non-operating gain related to the settlement of a note receivable acquired in the

acquisition of CSK provide meaningful supplemental information to both management and investors, which is indicative of our core operations. We exclude these items in judging our performance and believe this non-GAAP information is useful to investors as well. Material limitations of these non-GAAP measures are that such measures do not reflect actual GAAP amounts. We compensate for such limitations by presenting, in the table above, the accompanying reconciliation to the most directly comparable GAAP measures.

LIQUIDITY AND CAPITAL RESOURCES

Our long-term business strategy requires capital to open new stores, fund strategic acquisitions, expand distribution infrastructure, operate and maintain existing stores and may include the opportunistic repurchase of shares of our common stock through our Board-approved share repurchase program. The primary sources of our liquidity are funds generated from operations and borrowed under our Revolving Credit Facility. Decreased demand for our products or changes in customer buying patterns could negatively impact our ability to generate funds from operations. Additionally, decreased demand or changes in buying patterns could impact our ability to meet the debt covenants of our credit agreement and, therefore, negatively impact the funds available under our Revolving Credit Facility. We believe that cash expected to be provided by operating activities and availability under our Revolving Credit Facility will be sufficient to fund both our short-term and long-term capital and liquidity needs for the foreseeable future. However, there can be no assurance that we will continue to generate cash flows at or above recent levels.

Liquidity and related ratios:

The following table highlights our liquidity and related ratios as of December 31, 2011 and 2010 (dollars in millions):

Liquidity and Related Ratios

- (1) Quick assets include cash, cash equivalents and receivables.
- (2) Working capital is calculated as current assets less current liabilities.
- (3) Current ratio is calculated as current assets divided by current liabilities.
- (4) Quick ratio is calculated as current assets, less inventories, divided by current liabilities.
- (5) Debt to equity is calculated as equity.

Total debt increased 122% and total equity decreased 11% from 2010 to 2011. The increase in total debt was attributable the issuance of our senior notes during 2011, partially offset by the repayment of our ABL Credit Facility in January of 2011. The decrease in total equity resulted from the impact of repurchase activity under our share repurchase program on additional paid-in capital and retained earnings, offset by an increase in retained earnings from strong net income for the year and an increase in additional paid-in-capital from the proceeds of stock option exercises, and related excess tax benefits, executed under our director and employee share-based compensation plans.

The following table identifies cash provided by/(used in) our operating, investing and financing activities for the years ended December 30, 2011, 2010 and 2009 (in thousands):

Liquidity	Year Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Total cash provided by/(used in):			
Operating activities	\$ 1,118,991	\$ 703,687	\$ 285,200
Investing activities	(319,653)	(351,277)	(410,661)
Financing activities	(467,507)	(349,624)	121,095
Increase (decrease) in cash and cash equivalents	\$ 331,831	\$ 2,786	\$ (4,366)

Operating activities:

The increase in cash provided by operating activities in 2011 compared to 2010 is primarily due to strong net income for the year (adjusted for the effect of non-cash depreciation and amortization charges, the one-time, non-cash charge to write off the balance of debt issuance costs in conjunction with the retirement of our ABL Credit Facility in January of 2011 and deferred income taxes) and a significant decrease in net inventory investment, partially offset by a decrease in other current liabilities (driven by the payment of the one-time penalty to the DOJ for the legacy CSK DOJ investigation). Net inventory investment reflects our investment in inventory,

net of the amount of accounts payable to vendors. Our net inventory investment significantly decreased as a result of the impact of our enhanced vendor financing programs as well as our ongoing efforts to remove excess inventory from our systems. Our vendor financing programs enable us to reduce overall supply chain costs and negotiate extended payment terms with our vendors. Our accounts payable to inventory ratio was 64.4% and 44.3% at December 31, 2011 and 2010, respectively. Our efforts to remove excess inventory from our systems resulted in a decrease in total inventory of \$37 million during the year, despite the fact that we opened 170 new stores during the year. The increase in cash provided by operating activities in 2010 compared to 2009 was primarily due to an increase in net income (adjusted for the effect of non-cash depreciation and amortization charges and deferred income taxes), a significant decrease in net inventory investment and an increase in other liabilities as compared to the same period in 2009. The decrease in net inventory investment in 2010 as compared to 2009 was the result of the significant investments in 2009 to improve the inventory availability in the acquired CSK stores. The increase in other liabilities was principally due to the accrual of the CSK DOJ investigation charge during 2010, which was paid in 2011.

Investing activities:

The decrease in cash used in investing activities in 2011 compared to 2010 is primarily the result of decreased capital expenditures. Total capital expenditures were \$328 million in 2011, \$365 million in 2010 and \$415 million in 2009. During 2010, we completed the comprehensive expansion of our distribution system in the CSK markets, resulting in reduced levels of conversion related capital expenditures during 2011. The decrease in cash used in investing activities in 2010 compared to 2009 was principally due to a decrease in capital expenditures associated with the integration of CSK and an increase in payments received on notes receivable. Capital expenditures related to the acquisition of CSK included the purchase of, through we opened four new DCs in 2010, a significant portion of the capital expenditures for these DCs occurred in 2009 as we acquired property and began construction of the facilities. The increase in payments received on notes receivable was due to the one-time nonrecurring payment received to settle a note receivable acquired in the CSK acquisition.

We opened 170 net, new stores in 2011, 149 net, new stores in 2010 and 150 net, new stores in 2009. We plan to open 180 net, new stores in 2012. The costs associated with the opening of a new store (including the cost of land acquisition, improvements, fixtures, vehicles, net inventory investment and computer equipment) are estimated to average approximately \$1.3 million to \$1.5 million; however, such costs may be significantly reduced where we lease, rather than purchase, the store site.

Financing activities:

The increase in net cash used in financing activities during 2011 compared to 2010 is primarily attributable to the impact of repurchases of our common stock during 2011 in accordance with our Board-approved share repurchase program, which was partially offset by an increase in net long term borrowings in 2011 as compared to net repayments under our facilities during 2010. The net borrowings in 2011 are the result of proceeds from the issuance of our 4.875% Senior Notes due 2021 and our 4.625% Senior Notes due 2021 in January and September of 2011, respectively, partially offset by the repayment and termination of our previous ABL Credit Facility and the payment of debt issuance costs related to the issuance of our senior notes and the establishment of our new unsecured Revolving Credit Facility. The net repayments under our facilities in 2010 were the result of our focus on using available cash on hand to reduce the level of outstanding borrowings under our secured ABL Credit Facility. Net cash used in financing activities in 2010 compared to net cash provided by financing activities in 2009 is driven by the increase in net repayments of outstanding borrowings on our long-term debt.

Credit facilities:

On July 11, 2008, we entered into a credit agreement for a five-year asset-based revolving credit facility, which was scheduled to mature in July of 2013. At December 31, 2010, we had outstanding borrowings of \$356 million under the ABL Credit Facility, of which \$106 million were not covered under an interest rate swap contract. All outstanding borrowings under the ABL Credit Facility were repaid, and all related interest rate swap transaction contracts were terminated on January 14, 2011, and the ABL Credit Facility was retired concurrent with the issuance of our 4.875% Senior Notes due 2021, as further described below. In conjunction with the retirement of our ABL Credit Facility, we recognized a one-time non-cash charge to write off the balance of debt issuance costs related to the ABL Credit Facility in the amount of \$22 million and a one-time charge related to the termination of our interest rate swap contracts. dated Statements of Income for the year ended December 31, 2011.

On January 14, 2011, we entered into a new credit agreement for a five-year \$750 million unsecured Revolving Credit Facility arranged by BA and Barclays Capital, which was scheduled to mature in January of 2016. During 2011, we amended the unsecured Revolving Credit Facility, which decreased the facility to \$660 million and reduced the fees and interest rate margins for borrowings under the Revolving Credit Facility. The amendment also extended the maturity of the Revolving Credit Facility to September of 2016. In conjunction with the amendment to the Revolving Credit Facility, we recognized a one-time charge related to the modification to the credit facility in the amount of \$0.3

Consolidated Statements of Income for the year ended December 31, 2011. The Revolving Credit Facility includes a \$200 million sub-limit for the issuance of letters of credit and a \$75 million sub-limit for swing line borrowings. As described in the credit agreement governing the Revolving Credit Facility, we may, from time to time subject to certain conditions, increase the aggregate commitments under the Revolving Credit Facility by up to \$200 million. As of December 31, 2011, we had stand-by letters of credit,

December 31, 2011, we had no outstanding borrowings under the Revolving Credit Facility.

Senior Notes:

4.875% Senior Notes due 2021:

Interest on the 4.875% Senior Notes due 2021 is payable on January 14 and July 14 of each year, which began on July 14, 2011, and is computed on the basis of a 360-day year. The net proceeds from the issuance of the 4.875% Senior Notes due 2021 were used to repay all of the outstanding borrowings under our ABL Credit Facility and to pay fees and expenses related to the offering and costs associated with terminating our existing interest rate swap contracts, with the remainder used for general corporate purposes.

4.625% Senior Notes due 2021:

Interest on the 4.625% Senior Notes due 2021 is payable on March 15 and September 15 of each year beginning on March 15, 2012, and is computed on the basis of a 360-day year. The net proceeds from the issuance of the 4.625% Senior Notes due 2021 were used to pay fees and expenses related to the offering, with the remainder intended to be used to repay borrowings outstanding from time to time under the Revolving Credit Facility and for general corporate purposes, including share repurchases.

Each of our Senior Notes is guaranteed by the Company or certain of our Subsidiary Guarantors. The guarantees are full and unconditional and joint and several. Each of the Subsidiary Guarantors is wholly-owned, directly or indirectly, by us and we have no independent assets or operations other than those of our subsidiaries. Our only direct or indirect subsidiaries that would not be Subsidiary Guarantors would be minor subsidiaries. No minor subsidiaries exist today. Neither we, nor any of our Subsidiary Guarantors, are subject to any material or significant restrictions on our ability to obtain funds from our subsidiaries by dividend or loan or to transfer assets from such subsidiaries, except as provided by applicable law. Each of our senior notes is subject to certain customary covenants, with which we complied as of December 31, 2011.

Debt covenants:

The indentures governing our senior notes contain covenants that limit our ability and the ability of certain of our subsidiaries to, among other things: (i) create certain liens on assets to secure certain debt; (ii) enter into certain sale and leaseback transactions; and (iii) merge or consolidate with another company or transfer all or substantially all of our or its property, in each case as set forth in the indentures. These covenants are, however, subject to a number of important limitations and exceptions.

The Credit Agreement contains covenants, including limitations on total outstanding borrowings under the Revolving Credit Facility, a minimum consolidated fixed charge coverage ratio of 2.0 times through December 31, 2012; 2.25 times through December 31, 2014; 2.5 times through maturity; and a maximum adjusted consolidated leverage ratio of 3.0 times through maturity. The consolidated leverage ratio includes a calculation of adjusted earnings before interest, taxes, depreciation, amortization, rent and stock option expense, plus interest expense on letters of credit, six-times rent expense and excludes any premium or discount recorded in conjunction with the issuance of long-term debt. In the event that we should default on any covenant contained within the Credit Agreement, certain actions may be taken against us, including but not limited to possible termination of credit extensions, immediate payment of outstanding principal amount plus accrued interest and litigation from our lenders. We had a fixed charge coverage ratio of 4.86 times and 4.21 times as of December 31, 2011 and 2010, respectively, and an adjusted debt to adjusted EBITDAR ratio of 1.75 times and 1.57 times as of December 31, 2011 and 2010, respectively, remaining in compliance with all covenants related to the borrowing arrangements. Under our current financing policy, we have targeted an adjusted consolidated leverage ratio range of 2.0 times to 2.25 times.

The table below outlines the calculations of the fixed charge coverage ratio and adjusted debt to adjusted EBITDAR ratio covenants, as defined in the Credit Agreement governing the Revolving Credit Facility, for the twelve months ended December 31, 2011 and 2010 (dollars in thousands):

	Year Ended December 31, 2011	Year Ended December 31, 2010
GAAP net income	\$ 507,673	\$ 419,373
Add: Interest expense	28,165	39,273
Rent expense	230,897	226,879
Provision for income taxes	308,100	270,000
Depreciation expense	164,579	154,812
Amortization expense	1,301	6,630
Non-cash share based compensation	20,579	14,947
Gain on settlement of note receivable	-	(11,639)
Write-off of asset-based revolving credit facility debt issuance costs	21,626	-
Legacy CSK DOJ investigation charge	-	20,900
Non-GAAP adjusted net income (EBITDAR)	<u>\$ 1,282,920</u>	<u>\$ 1,141,175</u>
Interest expense	\$ 28,165	\$ 39,273
Capitalized interest	4,666	5,133
Rent expense	230,897	226,879
Total fixed charges	<u>\$ 263,728</u>	<u>\$ 271,285</u>
Fixed charge coverage ratio	4.86	4.21
GAAP debt	\$ 797,574	\$ 358,704
Stand-by letters of credit	59,917	71,206
Discount on senior notes	3,683	-
Six-times rent expense	1,385,382	1,361,274
Non-GAAP adjusted debt	<u>\$ 2,246,556</u>	<u>\$ 1,791,184</u>
Adjusted debt to adjusted EBITDAR ratio	1.75	1.57

The fixed charge coverage ratio and adjusted debt to adjusted EBITDAR ratio discussed and presented in the table above are not derived in accordance with U.S. GAAP. We do not, nor do we suggest investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial information. We believe that the presentation of our fixed charge coverage ratio and adjusted debt to adjusted EBITDAR provides meaningful supplemental information to both management and investors that reflects the required covenants under our credit agreement. We include these items in judging our performance and believe this non-GAAP information is useful to investors as well. Material limitations of these non-GAAP measures are that such measures do not reflect actual GAAP amounts. We compensate for such limitations by presenting, in the table above, the accompanying reconciliation to the most directly comparable GAAP measures.

OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements are transactions, agreements, or other contractual arrangements with an unconsolidated entity for which we have an obligation to the entity that is not recorded in our consolidated financial statements. We have utilized various off balance sheet financial instruments from time to time as sources of cash when such instruments provided a cost-effective alternative to our existing sources of cash. We do not believe, however, that we are dependent on the availability of these instruments to fund our working capital requirements or our growth plans.

On December 29, 2000, we entered into a sale-leaseback transaction with an unrelated party. Under the terms of the transaction, we sold 90 properties, including land, buildings and improvements, which generated \$52 million of cash. The lease, which is being accounted for as an operating lease, provides for an initial lease term of 21 years and may be extended for one initial ten-year period and two additional successive periods of five years each. The resulting gain of \$5 million has been deferred and is being amortized over the initial lease term. Net rent expense during the initial term is approximately \$5 million annually.

In August 2001, we entered into a sale--Wooten, 2001 LLP (an entity owned by certain of our affiliates). The sh. The transaction did not result in a material gain or loss. The lease, which has been accounted for as an operating lease, calls for an initial term of 15 years with three five-year renewal options.

We issue stand-by letters of credit provided by a \$200 million sub limit under the Revolving Credit Facility that reduce our available borrowings under the Revolving Credit Facility. Those letters of credit are issued primarily to satisfy the requirements of workers compensation, general liability and other insurance policies. Substantially all of the outstanding letters of credit have a one-year term

from the date of issuance. Letters of credit totaling \$60 million and \$71 million were outstanding at December 31, 2011 and 2010, respectively.

CONTRACTUAL OBLIGATIONS

Our contractual obligations as of December 31, 2011, included commitments for short and long-term debt arrangements, interest payments related to long-term debt, future payments under non-cancelable lease arrangements, self-insurance reserves and purchase obligations for construction contract commitments, which are identified in the table below and are fully disclosed in Note 5

□ 11 Consolidated Financial Statements. We expect to fund these commitments primarily with operating cash flows generated in the normal course of business or through borrowings under our Revolving Credit Facility.

Deferred income taxes and commitments with various vendors for the purchase of inventory are included Consolidated Balance Sheets but are not reflected in the table below due to the absence of scheduled maturities, the nature of the □ he timing of certain of these payments

Consolidated Balance Sheets.

	Payments Due By Period				
	Total	Before 1 Year	1 to 2 Years	3 to 4 Years	Years 5 and Over
	(In thousands)				
Contractual Obligations:					
Long-term debt principal and interest payments (1)	\$ 797,727	\$ 737	\$ 477	\$ 177	\$ 796,336
Future minimum lease payments under capital leases (2)	256	77	154	25	-
Future minimum lease payments under operating leases (2)	1,650,698	226,381	400,661	297,947	725,709
Other obligations	3,000	600	1,200	1,200	-
Self-insurance reserves (3)	116,096	53,155	32,009	15,736	15,196
Construction commitments	41,616	41,616	-	-	-
Total contractual cash obligations	<u>\$ 2,609,393</u>	<u>\$ 322,566</u>	<u>\$ 434,501</u>	<u>\$ 315,085</u>	<u>\$ 1,537,241</u>

(1) On January 14, 2011, we entered into a new credit agreement for a five-year \$750 million Revolving Credit Facility, which matures in January of 2016. On September 9, 2011, we amended the Credit Agreement, decreasing the aggregate commitments under the Revolving Credit Facility to \$660 million, extending the maturity date on the Credit Agreement to September of 2016 and reducing the facility fee and interest rate margins for borrowings under the Revolving Credit Facility. Borrowings under the Revolving Credit Facility (other than swing line loans) bear interest, at our option, at either the Base Rate or Eurodollar Rate (both as defined in the agreement) plus a margin, that will vary from 0.975% to 1.600% in the case of loans bearing interest at the Eurodollar Rate and 0.000% to 0.600% in the case of loans bearing interest at the Base Rate, in each case based upon the better of the ratings assigned to our the Revolving Credit Facility bear interest at the Base Rate plus the applicable margin described above. In addition, we pay a facility fee on the aggregate amount of the commitments in an amount equal to a percentage of such commitments, varying from 0.150% to 0.400% based upon the better of the

Services. Based on our current credit ratings, our margin for Base Rate loans is 0.200%, our margin for Eurodollar Rate loans is 1.200% and our facility fee is 0.175%.

(2) The minimum lease payments above do not include certain tax, insurance and maintenance costs, which are also required contractual obligations under our operating leases but are generally not fixed and can fluctuate from year to year. These expenses historically average approximately 20% of the corresponding lease payments.

(3) We use various self- and general liability, and employee health care benefits. These liabilities are recorded on our Consolidated Balance Sheets at our estimate of their net present value and do not have scheduled maturities, however we can estimate the timing of future payments based upon historical patterns.

We record a reserve for potential liabilities related to uncertain tax positions, including estimated interest and penalties, which are Consolidated Financial Statements. These estimates are not included in the above table because the timing related to the ultimate resolution or settlement of these positions cannot be determined. As of December 31, 2011, we recorded a liability of \$53 million related to these uncertain tax positions on our Consolidated Balance Sheets, all of which

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in accordance with GAAP requires the application of certain estimates and judgments by management. Management bases its assumptions, estimates, and adjustments on historical experience, current trends and other factors believed to be relevant at the time the consolidated financial statements are prepared. Management believes that the following policies are critical due to the inherent uncertainty of these matters and the complex and subjective judgments required to establish these estimates. Management continues to review these critical accounting policies and estimates to ensure that the consolidated financial

statements are presented fairly in accordance with GAAP. However, actual results could differ from our assumptions and estimates and such differences could be material.

- **Inventory Obsolescence and Shrink** – Inventory, which consists of automotive hard parts, maintenance items, accessories and tools, is stated at the lower of cost or market. The extended nature of the life cycle of our products is such that the risk of obsolescence of our inventory is minimal. The products that we sell generally have applications in our markets for a relatively long period of time in conjunction with the corresponding vehicle population. We have developed sophisticated systems for monitoring the life cycle of a given product and, accordingly, have historically been very successful in adjusting the volume of our inventory in conjunction with a decrease in demand. We do record a reserve to reduce the carrying value of our inventory through a charge to cost of sales in the isolated instances where we believe that the market value of a product line is lower than our recorded cost. This reserve is based on our assumptions about the marketability of our existing inventory and is subject to uncertainty to the extent that we must estimate, at a given point in time, the market value of inventory that will be sold in future periods. Ultimately, our projections could differ from actual results and could result in a material impact to our stated inventory balances. We have historically not had to materially adjust our obsolescence reserves due to the factors discussed above and do not anticipate that we will experience material changes in our estimates in the future.

We also record a reserve to reduce the carrying value of our perpetual inventory to account for quantities in our perpetual records above the actual existing quantities on hand caused by unrecorded shrink. We estimate this reserve based on the results of our extensive and frequent cycle counting programs and periodic, full physical inventories at our stores and DCs. To the extent that our estimates do not accurately reflect the actual unrecorded inventory shrinkage, we could potentially experience a material impact to our inventory balances. We have historically been able to provide a timely and accurate measurement of shrink and have not experienced material adjustments to our estimates. If unrecorded shrink changed 10% from the estimate that we recorded based on our historical experience at December 31, 2011, the financial impact would have been approximately \$1 million or 0.1% of pretax income for the year ended December 31, 2011.

- **Accounts Receivable** We provide credit to our commercial customers in the ordinary course of business. We estimate the allowance for doubtful accounts on these receivables based on historical loss ratios and other relevant factors. Actual results have a material change in the future that will require a significant change in the assumptions or estimates we use to calculate our allowance for doubtful accounts. However, if actual results differ from our estimates, we may be exposed to losses or gains. If the allowance for doubtful accounts were changed 10% from our estimated allowance at December 31, 2011, the financial impact would have been approximately \$1 million or 0.1% of pretax income for the year ended December 31, 2011.
- **Valuation of Long-Lived Assets and Goodwill** - We evaluate the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. As part of the evaluation, we review performance at the store level to identify any stores with current period operating losses that should be considered for impairment. A potential impairment has occurred if the projected future undiscounted cash flows realized from the best possible use of the asset are less than the carrying value of the asset. The estimate of cash flows includes many assumptions of cash inflows and outflows directly resulting from the use of that asset in operations. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Our impairment analyses contain estimates due to the inherently judgmental nature of forecasting long-term estimated cash flows and determining the ultimate useful lives and fair values of the assets. Actual results could differ from these estimates, which could materially impact our impairment assessment.

We review goodwill for impairment annually on November 30, or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. We have not historically recorded an impairment to goodwill. The process of evaluating goodwill for impairment involves the determination of the fair value of our Company using the market approach. Inherent in such fair value determinations are certain judgments and estimates, including estimates which incorporate assumptions marketplace participants would use in making their estimates of fair value. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, we will adjust the carrying value of these assets in the period in which the impairment occurs, however, we do not believe there has been any change of events or circumstances that would indicate that a reevaluation of goodwill is required as of December 31, 2011, nor do we believe goodwill is at risk of a material change during step one of goodwill impairment testing, changed by 10% from the value used during testing, the results and our conclusions would not have changed and no further steps would have been required.

- **Vendor concessions** We receive concessions from our vendors through a variety of programs and arrangements, including co-operative advertising, allowances for warranties, merchandise allowances and volume purchase rebates. Co-operative advertising allowances that are incremental to our advertising program, specific to a product or event and identifiable for accounting purposes, are reported as a reduction of advertising expense in the period in which the advertising occurred. All other material vendor concessions are recognized as a reduction to the cost of inventory. Amounts receivable from vendors also include amounts due to us relating to vendor purchases and product returns. Management regularly reviews amounts receivable from

vendors and assesses the need for a reserve for uncollectible amounts based on our evaluation and corresponding ability to meet their financial obligations. Based on our historical results and current assessment, we have not recorded a reserve for uncollectible amounts in our consolidated financial statements, and we do not believe there is a reasonable likelihood that our ability to collect these amounts will differ from our expectations. The eventual ability of our vendors to pay us the obliged amounts could differ from our assumptions and estimates, and we may be exposed to losses or gains that could be material.

- Self-Insurance Reserves** We use a combination of insurance and self-insurance mechanisms to provide for potential liabilities for property loss, and Team Member health care benefits. With the exception of certain Team Member health care benefit liabilities, we obtain third-party insurance coverage to limit our exposure to liability or property loss claim. When estimating our self-insurance liabilities, we consider a number of factors, including historical claims experience and trend-lines, projected medical and legal inflation, and growth patterns and exposure forecasts. The assumptions made by management as they relate to each of these factors represent our judgment as to the most probable cumulative impact of each factor to our future obligations. Our calculation of self-insurance liabilities requires management to apply judgment to estimate the ultimate cost to settle reported claims and claims incurred but not yet reported as of the balance sheet date and the application of alternative assumptions could result in a different estimate of these liabilities. Actual claim activity or development may vary from our assumptions and estimates, which may result in material losses or gains. As we obtain additional information that affects the assumptions and estimates we used to recognize liabilities for claims incurred in prior accounting periods, we adjust our self-insurance liabilities to reflect the revised estimates based on this additional information. These liabilities are recorded at our estimate of their net present value. These liabilities do not have scheduled maturities, but we can estimate the timing of future payments based upon historical patterns. We could apply alternative assumptions regarding the timing of payments or the applicable discount rate that could result in materially different estimates of the net present value of the liabilities. If self-insurance reserves were changed 10% from our estimated reserves at December 31, 2011, the financial impact would have been approximately \$11 million or 1.3% of pretax income for the year ended December 31, 2011.
- Closed Property Reserves** We maintain reserves for closed stores and other properties that are no longer utilized in current operations. We accrue for closed property operating lease liabilities using a credit-adjusted discount rate to calculate the present value of the remaining non-cancelable lease payments, contractual occupancy costs and lease termination fees after the closing date, net of estimated sublease income. The closed property lease liabilities are expected to be paid over the remaining lease terms. We estimate sublease income and future cash flows based on our experience and knowledge of the market in which the closed property is located, our previous efforts to dispose of similar assets and existing economic conditions. Adjustments to closed property reserves are made to reflect changes in estimated sublease income or actual exit costs from original estimates. Adjustments are made for changes in estimates in the period in which the changes become known. If closed property reserves were changed 10% from our estimated reserves at December 31, 2011, the financial impact would have been approximately \$1 million or 0.2% of pretax income for the year ended December 31, 2011.
- Legal Reserves** We are currently involved in litigation incidental to the ordinary conduct of our business as well as resolving the governmental investigations and litigation that are being conducted against certain of our former employees for alleged conduct relating to periods prior to the acquisition date. As a result of the acquisition, we expect to continue to incur ongoing legal fees related to such investigations, litigation and indemnity obligations. Our legal reserve was principally recorded as an assumed liability in our allocation of the purchase price of CSK. Management, with the assistance of outside legal counsel, must make estimates of potential legal obligations and possible liabilities arising from such litigation and records reserves for these expenditures. If legal reserves were changed 10% from our estimated reserves at December 31, 2011, the financial impact would have been approximately \$2 million or 0.2% of pretax income for the year ended December 31, 2011.
- Taxes** We operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. We regularly review our potential tax liabilities for tax years subject to audit. The amount of such liabilities is based on various factors, such as differing interpretations of tax regulations by the responsible tax authority, experience with previous tax audits and applicable tax law rulings. Changes in our tax liability may occur in the future as our assessments change based on the progress of tax examinations in various jurisdictions presented. The estimates of our potential tax liabilities contain uncertainties because management must use judgment to estimate the exposures associated with our various tax positions and actual results could differ from our estimates. Alternatively, we could have applied assumptions regarding the eventual outcome of the resolution of open tax positions that could differ from our current estimates but that would still be reasonable given the nature of a particular position. While our estimates are subject to the uncertainty noted in the preceding discussion, our initial estimates of our potential tax liabilities have historically not been materially different from actual results except in instances where we have reversed liabilities that were recorded for periods that were subsequently closed with the applicable taxing authority.

INFLATION AND SEASONALITY

For the last three fiscal years, we have been successful, in many cases, in reducing the effects of merchandise cost increases principally by taking advantage of vendor incentive programs, economies of scale resulting from increased volume of purchases and selective forward buying. To the extent our acquisition cost increased due to base commodity price increases industry-wide, we have typically been able to pass along these increased costs through higher retail prices for the affected products. As a result, we do not believe our operations have been materially, adversely affected by inflation.

To some extent, our business is seasonal primarily as a result of the impact of weather conditions on customer buying patterns. While we have historically realized operating profits in each quarter of the year, our store sales and profits have historically been higher in the second and third quarters (April through September) than in the first and fourth quarters (October through March) of the year.

QUARTERLY RESULTS

The following table sets forth certain quarterly unaudited operating data for fiscal 2011 and 2010. The unaudited quarterly information includes all adjustments which management considers necessary for a fair presentation of the information shown. The unaudited operating data presented below should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this annual report, and the other financial information included therein.

	Fiscal 2011			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share and comparable store sales data)			
Comparable store sales	5.7%	4.4%	4.8%	3.3%
Sales	\$ 1,382,738	\$ 1,479,318	\$ 1,535,453	\$ 1,391,307
Gross profit	669,781	718,661	754,210	694,697
Former CSK officer clawback	-	-	-	(2,798)
Operating income	196,437	222,368	241,050	206,911
Write-off of debt issuance costs	(21,626)	-	-	-
Termination of interest rate swap agreements	(4,237)	-	-	-
Net income	102,474	133,772	148,439	122,988
Earnings per share – basic	\$ 0.73	\$ 0.97	\$ 1.12	\$ 0.96
Earnings per share – assuming dilution	\$ 0.72	\$ 0.96	\$ 1.10	\$ 0.94

	Fiscal 2010			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share and comparable store sales data)			
Comparable store sales	6.9%	7.9%	11.1%	9.2%
Sales	\$ 1,280,067	\$ 1,381,241	\$ 1,425,887	\$ 1,310,330
Gross profit	618,347	672,633	693,415	636,597
Legacy CSK DOJ investigation charge	-	15,000	5,900	-
Operating income	168,445	181,164	199,031	164,136
Gain on settlement of note receivable	-	-	-	11,639
Net income	97,476	99,595	116,542	105,760
	\$ 0.71	\$ 0.72	\$ 0.84	\$ 0.76
	\$ 0.70	\$ 0.71	\$ 0.82	\$ 0.74

RECENT ACCOUNTING PRONOUNCEMENTS

In January

Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements

-06,

2010-06 amends Subtopic 820-10, requiring additional disclosures regarding fair value measurements such as transfers in and out of Levels 1 and 2, as well as separate disclosures about activity relating to Level 3 measurements. ASU 2010-06 clarifies existing disclosure requirements related to the level of disaggregation and input valuation techniques. The updated guidance was effective for interim and annual periods beginning after December 15, 2009, with the exception of the new Level 3 activity disclosures, which were effective for interim and annual periods beginning after December 15, 2010. The application of this guidance affected disclosures only and therefore, did not have an impact on our consolidated financial condition, results of operations or cash flows.

In May of 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards*

-04 was issued to bring the definition of fair value, the guidance for fair value measurement and the disclosure requirements under U.S. GAAP and International 1-04 also enhanced the disclosure requirements for

changes and transfers within the valuation hierarchy levels, particularly valuations in Level 3 fair value measurements, and was effective for periods beginning after December 15, 2011. The application of this guidance affects disclosures only and therefore, should not have an impact on our consolidated financial condition, results of operations or cash flows.

In June of 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income* -05 was issued to improve the comparability of financial reporting between U.S. GAAP and IFRS, and eliminates previous U.S. GAAP guidance that

equity. With the issuance of ASU 2011-05, companies are now required to report all components of OCI either in a single continuous statement of total comprehensive income, which includes components of both OCI and net income, or in a separate statement appearing consecutively with the statement of income. ASU 2011-05 does not affect current guidance for the accounting of the components of OCI, or which items are included within total comprehensive income. In December of 2011, the FASB issued ASU No. 2011-12 *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* -12 defers changes in ASU 2011-05 that relate to the presentation of reclassification adjustments shown on the face of the financial statements. No other requirements of ASU 2011-05 were affected by the issuance of ASU 2011-12, including the requirement to report income either in a single continuous financial statement or in a separate statement of total comprehensive income, which is effective for periods beginning after December 15, 2011, with early adoption permitted. We adopted this guidance with our 2011 financial statements; the application of this guidance affects presentation only and therefore, did not have an impact on our consolidated financial condition, results of operations or cash flows.

In September of 2011, the FASB issued ASU No. 2011-08 *Testing Goodwill for Impairment* -08 was issued to simplify the impairment test of goodwill, by allowing entities to use a qualitative approach to determine whether goodwill impairment might exist, before completing the entire impairment test. Under ASU 2011-08, an entity has the option to first assess any qualitative factors that would lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The changes under ASU 2011-08 are effective for public companies for annual and interim testing performed for periods beginning after December 15, 2011, with early adoption permitted. The application of this guidance is not expected to have a material impact on our consolidated financial condition, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Facility the Revolving Credit Facility. Historically, we had entered into interest rate swap contracts to mitigate our exposure to interest rate risks associated with borrowings against our previous credit facility with variable interest rates, however, as of December 31, 2011, we did not have any interest rate swap contracts and had no outstanding borrowings under our Revolving Credit Facility.

We invest certain of our excess cash balances in short-term, highly-liquid instruments with maturities of 30 days or less. We do not expect any material losses from our invested cash balances and we believe that our interest rate exposure is minimal. As of December 31, 2011, our cash and cash equivalents totaled \$362 million.

Item 8. Financial Statements and Supplementary Data

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

FORM 10-K

_____, Chief Executive Officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13(a)-15(f) or 15(d)-15(f) under the Securities Exchange Act of 1934, as amended, and for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Internal control over financial reporting includes all policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a material effect on the financial statements.

Management recognizes that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to risk. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Management assessed the internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its *Internal Control – Integrated Framework*. Based on this assessment, management believes that as of December 31, 2011, the internal control over financial reporting was effective.

Ernst &

report which is included herein.

audited in their

/s/ Greg Henslee

Greg Henslee
Chief Executive Officer &
Co-President
February 28, 2012

/s/ Thomas McFall

Thomas McFall
Executive Vice President of Finance &
Chief Financial Officer
February 28, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of

December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Institute for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

ability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; (1) provide reasonable assurance that transactions and other events that are material to the financial statements are properly recorded; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding the prevention or detection of misstatements on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ver financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2011, of Automotive, Inc. and Subsidiaries and our report dated February 28, 2012, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Kansas City, Missouri
February 28, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

□

ies as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Automotive, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2012, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Kansas City, Missouri
February 28, 2012

Consolidated Statements of Income
(In thousands, except per share data)

	Years ended December 31,		
	2011	2010	2009
Sales	\$ 5,788,816	\$ 5,397,525	\$ 4,847,062
Cost of goods sold, including warehouse and distribution expenses	2,951,467	2,776,533	2,520,534
Gross profit	2,837,349	2,620,992	2,326,528
Selling, general and administrative expenses	1,973,381	1,887,316	1,788,909
Former CSK officer clawback	(2,798)	-	-
Legacy CSK DOJ investigation charge	-	20,900	-
Operating income	866,766	712,776	537,619
Other income (expense):			
Interest expense	(28,165)	(39,273)	(45,176)
Interest income	2,245	1,941	1,543
Write-off of asset-based revolving credit facility debt issuance costs	(21,626)	-	-
Termination of interest rate swap agreements	(4,237)	-	-
Gain on settlement of note receivable	-	11,639	-
Other, net	790	2,290	2,912
Total other (expense)	(50,993)	(23,403)	(40,721)
Income before income taxes	815,773	689,373	496,898
Provision for income taxes	308,100	270,000	189,400
Net income	<u>\$ 507,673</u>	<u>\$ 419,373</u>	<u>\$ 307,498</u>
<i>Earnings per share-basic:</i>			
Earnings per share	<u>\$ 3.77</u>	<u>\$ 3.02</u>	<u>\$ 2.26</u>
	134,667	138,654	136,230
<i>Earnings per share-assuming dilution:</i>			
Earnings per share	<u>\$ 3.71</u>	<u>\$ 2.95</u>	<u>\$ 2.23</u>
	136,983	141,992	137,882

See accompanying Notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(In thousands)

	Years ended December 31,		
	2011	2010	2009
<i>Components of comprehensive income:</i>			
Net income	\$ 507,673	\$ 419,373	\$ 307,498
Unrealized losses on cash flow hedges, net of tax	-	4,992	3,551
Reclassification adjustment for unrealized losses on cash flow hedges, net of tax, included in net income	2,970	-	-
Other comprehensive income	2,970	4,992	3,551
Total comprehensive income	<u>\$ 510,643</u>	<u>\$ 424,365</u>	<u>\$ 311,049</u>

See accompanying Notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
(In thousands)

FORM 10-K

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Par Value				
Balance at December 31, 2008	134,829	\$ 1,348	\$ 949,758	\$ 1,342,625	\$ (11,513)	\$ 2,282,218
Net income	-	-	-	307,498	-	307,498
Unrealized losses on cash flow hedge, net of tax	-	-	-	-	3,551	3,551
Issuance of common stock under employee benefit plans	393	4	12,969	-	-	12,973
Net issuance of common stock upon exercise of stock options	2,246	23	54,049	-	-	54,072
Excess tax benefit of stock options exercised	-	-	9,043	-	-	9,043
Share based compensation	-	-	14,410	-	-	14,410
Fair value of equity component of exchangeable notes	-	-	2,100	-	-	2,100
Balance at December 31, 2009	137,468	\$ 1,375	\$ 1,042,329	\$ 1,650,123	\$ (7,962)	\$ 2,685,865
Net income	-	-	-	419,373	-	419,373
Unrealized losses on cash flow hedge, net of tax	-	-	-	-	4,992	4,992
Issuance of common stock under employee benefit plans	194	2	7,860	-	-	7,862
Net issuance of common stock upon exercise of stock options	2,332	23	56,827	-	-	56,850
Excess tax benefit of stock options exercised	-	-	18,419	-	-	18,419
Share based compensation	-	-	16,052	-	-	16,052
Exchange of exchangeable notes by holders	1,032	10	262	-	-	272
Balance at December 31, 2010	141,026	\$ 1,410	\$ 1,141,749	\$ 2,069,496	\$ (2,970)	\$ 3,209,685
Net income	-	-	-	507,673	-	507,673
Reclassification adjustment for unrealized losses on cash flow hedge, net of tax, included in net income	-	-	-	-	2,970	2,970
Issuance of common stock under employee benefit plans	170	2	9,037	-	-	9,039
Net issuance of common stock upon exercise of stock options	1,861	19	50,290	-	-	50,309
Excess tax benefit of stock options exercised	-	-	22,885	-	-	22,885
Share based compensation	-	-	18,922	-	-	18,922
Share repurchases, including fees	(15,877)	(159)	(132,778)	(843,695)	-	(976,632)
Balance at December 31, 2011	127,180	\$ 1,272	\$ 1,110,105	\$ 1,733,474	\$ -	\$ 2,844,851

See accompanying Notes to consolidated financial statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business:

O'Reilly Automotive, Inc. (

nd
various automotive accessories. The Company owns and operates 3,740 stores in 39 states, covering all regions of the United States except the Northeast, and caters to both the do-it- service provider
robust distribution system provides stores with same-day or overnight access to an extensive inventory of hard-to-find items not typically stocked in the stores of other auto parts retailers.

Segment reporting:

The Company is managed and operated by a single management team reporting to the chief operating decision maker. O'Reilly stores have similar characteristics including the nature of the products and services, the type and class of customers and the methods used to distribute products and provide service to its customers and, as a whole, make up a single operating segment. The Company does not prepare discrete financial information with respect to product lines or geographic locations and as such has one reportable segment.

Reclassification:

Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of estimates:

The preparation of the consolidated financial statements, in conformity with accounting principles generally accepted in the United financial statements and accompanying notes. Actual results could materially differ from those estimates.

Cash equivalents:

Cash equivalents include investments with maturities of 90 days or less on the date of purchase.

Accounts receivable:

customers to make required payments. The Company considers the following factors when determining if collection is reasonably assured: customer creditworthiness, past transaction history with the customer, current economic and industry trends and changes in customer payment terms. Amounts due to the Company from its Team Members are included as a component of accounts receivable. These amounts consist primarily of purchases of merchandise on Team Member accounts. Accounts receivable due from Team Members was approximately \$2.2 million at December 31, 2011 and 2010.

T -established credit requirements. Concentrations of maller
customers, spreading the credit risk across a broad base. The Company also controls this credit risk through credit approvals, credit limits and accounts receivable and credit monitoring procedures. Generally, the Company does not require security when credit is y been

Amounts receivable from vendors:

The Company receives concessions from its vendors through a variety of programs and arrangements, including allowances for new stores and warranties, volume purchase rebates and co-operative advertising. Co-operative advertising allowances that are specific to a product or event and identifiable for accounting purposes, are reported as a reduction of advertising expense in the period in which the advertising occurred. All other vendor concessions are recognized as a reduction to the cost of inventory. Amounts receivable from vendors also includes amounts due to the Company for changeover merchandise and product returns. The Company regularly reviews vendor receivables for collectability and assesses the need for a reserve for uncollectable amounts abilities to meet financial obligations. Management does not believe there is a reasonable likelihood that the Company will be unable to collect the amounts receivable from vendors and the Company did not record a reserve for uncollectable amounts from vendors in the consolidated financial statements at December 31, 2011 or 2010.

Inventory:

Inventory, which consists of automotive hard parts, maintenance items, accessories and tools, is stated at the lower of cost or market. Inventory also includes capitalized costs related to procurement, warehousing and DC . Cost has been determined using the last-in, first-out method, which more accurately matches costs with related revenues. The replacement cost of inventory was \$2.04 billion and \$2.05 billion as of December 31, 2011 and 2010, respectively.

Property and equipment:

Property and equipment are carried at cost. Depreciation is calculated using the straight-line method generally over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or the estimated economic life of the assets. The lease term includes renewal options determined by management at lease inception for which failure to renew options would result in a substantial economic penalty to the Company. Maintenance and repairs are charged to expense as incurred. Upon retirement or sale, the cost and accumulated depreciation are eliminated and the gain or loss, if any, is included as a component of Other income (expense) . The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The following table identifies the types of property and equipment included in the accompanying consolidated financial statements as of December 31, 2011 and 2010 (in thousands, except useful lives):

	Original Useful Lives	December 31, 2011	December 31, 2010
Land		\$ 462,790	\$ 392,600
Buildings and building improvements		1,012,709	921,929
Leasehold improvements		395,274	370,018
Furniture, fixtures and equipment		906,257	777,485
Vehicles		206,685	182,942
Construction in progress		43,281	60,460
Total property and equipment		3,026,996	2,705,434
Less: accumulated depreciation and amortization		933,229	775,339
Net property and equipment		\$ 2,093,767	\$ 1,930,095

The gross value of capital le s of the above table was \$8.6 million and \$9.6 million at December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, the Company recorded accumulated amortization on these capital lease assets in the amounts of \$7.9 million and \$7.5 million, respectively, all of which was included in accumulated depreciation and amortization in the above table.

The Company capitalizes interest costs as a component of construction in progress, based on the weighted-average interest rates incurred on long-term borrowings. Total interest costs capitalized for the years ended December 31, 2011, 2010 and 2009, were \$4.7 million, \$5.1 million and \$6.7 million, respectively.

Notes receivable:

The Company had notes receivable from vendors and other third parties amounting to \$15.0 million and \$22.2 million at December 31, 2011 and 2010, respectively. The notes receivable, which bear interest at rates ranging from 0% to 10%, are due in varying amounts through March of 2019. Interest income on notes receivable is recorded in accordance with the note terms to the extent that such amounts are expected to be collected. The Company regularly reviews its notes receivable for collectability and assesses the need for a reserve for uncollectable amounts based on an evaluation of the Compan corresponding abilities to meet financial obligations. Management does not believe there is a reasonable likelihood that the Company will be unable to collect the notes receivable and the Company did not record a reserve for uncollectable notes receivable in the consolidated financial statements at December 31, 2011 or 2010.

Goodwill and other intangible assets:

The accompanying Consolidated Balance Sheets at December 31, 2011 and 2010, include goodwill and other intangible assets recorded as the result of acquisitions. The Company reviews goodwill for impairment annually on November 30, or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values, rather than systematically amortizing goodwill against earnings. During 2011 and 2010, the goodwill impairment test included a quantitative assessment, which compared the fair value of a reporting unit to its carrying amount, including goodwill. The Company operates as a single reporting unit, and the Company determined that its fair value exceeded its carrying value, including goodwill, at December 31, 2011 and 2010; as such, no goodwill impairment adjustment was required at December 31, 2011 and 2010.

Self-insurance reserves:

The Company uses a combination of insurance and self-insurance mechanisms to provide for the potential liabilities for Team th the exception of certain Team Member health care benefit liabilities, the Company obtains third-party insurance coverage to limit its exposure. The

current liabilities. On a quarterly basis, the Company measured the effectiveness of the derivative financial instruments by comparing the present value of the cumulative change in the expected future interest to be paid or received on the variable leg of the instruments against the expected future interest payments on the corresponding variable rate debt. In addition, the Company compared the critical terms, including notional amounts, underlying indices and reset dates of the derivative financial instruments with the respective variable rate debt to ensure all terms agreed. Any ineffectiveness was recorded on the accompanying Consolidated Balance Sheets and on the accompanying Consolidated Statements of Income. See Note 7 for further information concerning these derivative instruments accounted for as hedges.

Share repurchases:

□
may, from time to time, repurchase shares of its common stock, solely through open market purchases effected through a broker dealer at prevailing market prices, based on a variety of factors such as price, corporate trading policy requirements and overall market conditions. All shares repurchased under the share repurchase program are retired and recorded under the par value method on the accompanying Consolidated Balance Sheets. See Note 9 program.

Revenue recognition:

Over-the-counter retail sales are recorded when the customer takes possession of the merchandise. Sales to professional service customers for same-day delivery of the merchandise to the customer, generally recorded when the merchandise is picked up in a store. Internet retail sales are recorded when the merchandise is shipped or when the merchandise is picked up in a store. All sales are recorded net of estimated allowances, discounts and taxes. □ -day delivery to the jobber customer's location.

Cost of goods sold and selling, general and administrative expenses:

The following table illustrates the primary costs classified in each major expense category:

Cost of goods sold, including warehouse and distribution expenses

Total cost of merchandise sold, including:
Freight expenses associated with acquiring merchandise and with moving merchandise inventories from the Company's distribution centers to the stores

Defective merchandise and warranty costs
Vendor allowances and incentives, including:
Allowances that are not reimbursements for specific, incremental and identifiable costs
Cash discounts on payments to vendors
Costs associated with the Company's supply chain, including:
Payroll and benefit costs
Warehouse occupancy costs
Transportation costs
Depreciation
Inventory shrinkage

Selling, general and administrative expenses

Payroll and benefit costs for store and corporate Team Members
Occupancy costs of store and corporate facilities

Depreciation and amortization related to store and corporate assets
Vehicle expenses for store delivery services
Self-insurance costs
Closed store expenses
Other administrative costs, including:
Accounting, legal and other professional services
Bad debt, banking and credit card fees
Supplies
Travel
Advertising costs

Operating leases:

The Company recognizes rent expense on a straight-line basis over the lease terms of its stores and DCs. Generally, the lease term for stores is the base lease term and the lease term for DCs includes the base lease term plus certain renewal option periods for which renewal is reasonably assured and failure to exercise the renewal option would result in a significant economic penalty. The lease term or the estimated economic life of those assets.

Advertising expenses:

Advertising expenses include radio, direct mail and newspaper distribution, in-store and online promotions, and sports and event sponsorships. The Company expenses advertising costs as incurred. The Company also participates in cooperative advertising arrangements with certain of its vendors.

accompanying Consolidated Statements of Income amounted to \$73.8 million, \$70.0 million and \$72.9 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Share-based compensation and benefit plans:

The Company sponsors employee share-based benefit plans and employee and director share-based compensation plans. The Company recognizes compensation expense for its share-based plans based on the fair value of the awards on the date of the grant, award or issuance. Share-based plans include restricted stock plans, incentive plans, director stock plans and other compensation plans. See Note 10 for further information concerning these plans.

Pre-opening expenses:

Costs associated with the opening of new stores, which consist primarily of payroll and occupancy costs, are charged to SG&A as incurred. Costs associated with the opening of new distribution centers, which consist primarily of payroll and occupancy costs, are included as a component of SG&A on the accompanying Consolidated Statements of Income as incurred.

Debt issuance costs:

In conjunction with the issuance or amendment of long-term debt instruments, the Company incurs various costs including debt registration fees, accounting and legal fees and underwriter and book runner fees. These debt issuance costs have been deferred and are being amortized over the term of the corresponding debt issue and the amortization expense is included as a component of SG&A. Deferred debt issuance costs totaled \$9.0 million and \$21.6 million, net of amortization, at December 31, 2011 and 2010, respectively, of which \$1.3 million and \$8.6 million were included on the accompanying Consolidated Balance Sheets at December 31, 2011 and 2010, with the remainder included on the accompanying Consolidated Balance Sheets at December 31, 2011 and 2010. All unamortized debt issuance costs were expensed on January 1, 2011. See Note 5 for further information concerning the issuance of the 4.875% Senior Notes due 2021 and the retirement of the ABL Credit Facility.

Income taxes:

The Company accounts for income taxes using the liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on differences between the GAAP basis and tax basis of assets and liabilities using enacted tax rules and rates currently scheduled to be in effect for the year in which the differences are expected to reverse. Tax carry forwards are also recognized in deferred tax assets and liabilities under this method. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period of the enactment date. The Company would record a valuation allowance against deferred tax assets to the extent it is more likely than not the amount will not be realized, based upon evidence available at the time of the determination and any change in the valuation allowance is recorded in the period of a change in such determination. The Company did not establish a valuation allowance for deferred tax assets at December 31, 2011 and 2010, as it was considered more likely than not that deferred tax assets were realizable through a combination of future taxable income, the realization of deferred tax liabilities and tax planning strategies.

Earnings per share:

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the fiscal period. Diluted earnings per share is calculated by dividing the weighted-average number of common shares outstanding plus, where applicable, the common stock equivalents associated with the potential impact of dilutive stock options or conversion of convertible debt. Certain common stock equivalents that could potentially dilute basic earnings per share in the future, were not included in the fully diluted computation because they would have been antidilutive. Generally, stock options are antidilutive and excluded from the earnings per share calculation when the exercise price exceeds the market price of the common shares. See Note 15 for further information concerning these common stock equivalents.

New accounting pronouncements:

In May of 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards*. ASU 2011-04 was issued to bring the definition of fair value, the guidance for fair value measurements, and the disclosure requirements for changes and transfers within the valuation hierarchy levels, particularly valuations in Level 3 fair value measurements, and is effective for periods beginning after December 15, 2011. The application of this guidance will not have a material effect on the Company's financial condition, results of operations or cash flows.

The table below identifies the estimated fair value of the swap using third party quotes (Level 2), as of December 31, 2010 (in thousands):

discounted net present

December 31, 2010				
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Derivative contracts	\$ -	\$ (4,845)	\$ -	\$ (4,845)

Non-financial assets and liabilities measured at fair value on a nonrecurring basis:

Certain long-lived non-financial assets and liabilities may be required to be measured at fair value on a nonrecurring basis in certain circumstances, including when there is evidence of impairment. These non-financial assets and liabilities may include assets acquired in a business combination or property and equipment that are determined to be impaired. As of December 31, 2011 and 2010, the Company did not have any non-financial assets or liabilities that had been measured at fair value subsequent to initial recognition.

Fair value of financial instruments:

The carrying amounts of senior notes are \$ - million as of December 31, 2011.

The table below identifies the carrying amounts of senior notes, using the market approach, as of December 31, 2011, which was determined by reference to quoted market prices (Level 1) (in thousands):

December 31, 2011				
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
4.875% Senior Notes due 2021	\$ 533,150	\$ -	\$ -	\$ 533,150
4.625% Senior Notes due 2021	\$ 313,830	\$ -	\$ -	\$ 313,830

The Company determined that the estimated fair value of its ABL Credit Facility approximated the carrying amount. This valuation was determined by consulting investment bankers (Level 2). All outstanding borrowings under the ABL Credit Facility were repaid on January 14, 2011, and the carrying amount was \$ - million as of December 31, 2011. See Note 5.

The accompanying Consolidated Balance Sheets include other financial instruments, including cash and cash equivalents, accounts receivable, amounts receivable from vendors and accounts payable. Due to the short-term nature of these financial instruments, the Company believes that the carrying values of these instruments approximate their fair values.

NOTE 4 GOODWILL AND OTHER INTANGIBLES

Goodwill:

Goodwill is reviewed annually on November 30 for impairment, or more frequently if events or changes in business conditions indicate that impairment may exist. Goodwill is not amortizable for financial statement purposes. During the year ended December 31, 2011, the Company recorded a decrease in goodwill of less than \$0.1 million, primarily due to adjustments to purchase price allocations related to small acquisitions and the excess tax benefit related to exercises of stock options acquired in the acquisition of CSK. The Company did not record any goodwill impairment during the year ended December 31, 2011.

The following table identifies the changes in goodwill for the years ended December 31, 2011 and 2010 (in thousands):

Balance at December 31, 2009	\$ 744,313
Other	(338)
Balance at December 31, 2010	743,975
Other	(68)
Balance at December 31, 2011	\$ 743,907

As of December 31, 2011 and 2010, the Company did not have any other unamortizable assets other than goodwill.

Intangibles other than goodwill:

As of December 31, 2011 and 2010 (in thousands):

	Cost		Accumulated Amortization (Expense) Benefit	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Amortizable intangible assets:				
Favorable leases	\$ 51,660	\$ 52,010	\$ (23,969)	\$ (18,329)
Non-compete agreements	793	579	(427)	(309)
Total amortizable intangible assets	\$ 52,453	\$ 52,589	\$ (24,396)	\$ (18,638)
Unfavorable leases	\$ 49,380	\$ 49,570	\$ 26,560	\$ 20,071

The Company recorded favorable lease assets in conjunction with the acquisition of CSK; these favorable lease assets represent the values of operating leases acquired with favorable terms. These favorable leases had an estimated weighted-average remaining useful life of approximately 10.1 years as of December 31, 2011. For the years ended December 31, 2011, 2010 and 2009, the Company recorded amortization expense of \$6.1 million, \$8.5 million, and \$14.1 million, respectively, related to its amortizable intangible

The Company recorded unfavorable lease liabilities in conjunction with the acquisition of CSK; these unfavorable lease liabilities represent the values of operating leases acquired with unfavorable terms. These unfavorable leases had an estimated weighted-average remaining useful life of approximately 5.8 years as of December 31, 2011. For the years ended December 31, 2011, 2010 and 2009, the Company recognized an amortized benefit of \$6.7 million, \$7.0 million and \$9.2 million, respectively, related to these paying Consolidated Balance Sheets. These

Note 6.

The following table identifies the estimated amortization expense and benefit years as of December 31, 2011 (in thousands):

for each of the next five

	Amortization Expense	Amortization Benefit	Total
2012	\$ (4,956)	\$ 5,651	\$ 695
2013	(4,041)	4,548	507
2014	(3,143)	3,642	499
2015	(2,712)	2,794	82
2016	(2,357)	2,076	(281)
Total	\$ (17,209)	\$ 18,711	\$ 1,502

NOTE 5—LONG-TERM DEBT AND CAPITAL LEASES

on the accompanying Consolidated Balance Sheets as of December 31, 2011 and 2010 (in thousands):

ABL Credit Facility	\$	-	\$	356,000
Revolving Credit Facility		-		-

Borrowings under the Revolving Credit Facility

or Eurodollar Rate (both as defined in the Credit Agreement) plus an applicable margin. Swing line loans made under the Revolving Credit Facility bear interest at the Base Rate plus the applicable margin. In addition, the Company pays a facility fee on the aggregate amount of the commitments in an amount equal to a percentage of such commitments. The interest rate margins and facility fee are

Services. At December 31, 2011, its margin for Base Rate loans was 0.275%, its margin for Eurodollar Rate loans was 1.275% and its facility fee was 0.225%.

Rate loans is 0.200%, its margin for Eurodollar Rate loans is 1.200% and its facility fee is 0.175%.

The Credit Agreement contains certain debt covenants, which include limitations on total outstanding borrowings, a minimum fixed charge coverage ratio of 2.0 times through December 31, 2012; 2.25 times through December 31, 2014; 2.5 times through maturity; and a maximum adjusted consolidated leverage ratio of 3.0 times through maturity. The consolidated leverage ratio includes a calculation of adjusted earnings before interest, taxes, depreciation, amortization, rent and stock based compensation expense to adjusted debt. Adjusted debt includes outstanding debt, outstanding stand-by letters of credit, six-times rent expense and excludes any premium or discount recorded in conjunction with the issuance of long-term debt. In the event that the Company should default on any covenant contained within the Credit Agreement, certain actions may be taken, including, but not limited to, possible termination of credit extensions, immediate payment of outstanding principal amount plus accrued interest and litigation from lenders. As of December 31, 2011, the Company remained in compliance with all covenants related to the Credit Agreement.

Senior notes:

4.875% Senior Notes due 2021:

On January 14, 2011, the Company issued \$500 million aggregate principal amount of unsecured 4.875% Senior Notes due 2021 as trustee. Interest on the 4.875% Senior Notes due 2021 is payable on January 14 and July 14 of each year and is computed on the basis of a 360-day year. The net proceeds from the issuance of the 4.875% Senior Notes due 2021 were used to repay all of the debt to pay fees and expenses related to the offering and costs of the offering, with the remainder used for general corporate purposes, including share repurchases.

4.625% Senior Notes due 2021:

On September 19, 2011, the Company issued \$300 million aggregate principal amount of unsecured 4.625% Senior Notes due 2021. Interest on the 4.625% Senior Notes due 2021 is payable on March 15 and September 15 of each year and is computed on the basis of a 360-day year. The net proceeds from the issuance of the 4.625% Senior Notes due 2021 were used to pay fees and expenses related to the offering, with the remainder intended to be used to repay borrowings outstanding from time to time under the Revolving Credit Facility and for general corporate purposes, including share repurchases.

The senior notes are guaranteed on a senior unsecured basis by

the Company, the Revolving Credit Facility or certain other debt of the Company or any of the Subsidiary Guarantors. The guarantees are full and unconditional and joint and several. Each of the Subsidiary Guarantors is wholly-owned, directly or indirectly, by the Company and the Company has no independent assets or operations other than those of its subsidiaries. The only direct or indirect subsidiaries of the Company that would not be Subsidiary Guarantors would be minor subsidiaries. No minor subsidiaries exist today. Neither the Company, nor any of its Subsidiary Guarantors, are subject to restrictions on the transfer of assets from such subsidiaries, except as provided by applicable law. Each of the senior notes is subject to certain customary covenants, with which the Company complied as of December 31, 2011.

Capital lease agreements:

The Company assumed certain vehicle capital leases in the CSK acquisition. The remaining vehicle capital lease agreements have contractual terms of 63 months, which will expire on October 15, 2013. The present value of the future minimum lease payments under these vehicle capital leases totaled approximately \$0.7 million and \$1.9 million at December 31, 2011 and 2010, respectively, which were classified as long-term debt in the accompanying consolidated financial statements. The Company did not acquire any additional vehicles under capital leases during the periods ended December 31, 2011 or 2010.

The Company assumed certain building capital leases in the CSK acquisition. The remaining building capital lease agreements will expire on April 30, 2015, and March 31, 2017. The present value of future minimum lease payments under these building capital leases totaled approximately \$0.5 million and \$0.8 million at December 31, 2011 and 2010, respectively, which were classified as long-term debt in the accompanying consolidated financial statements. The Company did not acquire any additional buildings under capital leases during the periods ended December 31, 2011 or 2010.

NOTE 6 EXIT ACTIVITIES

The Company maintains reserves for closed stores and other properties that are no longer utilized in current operations, and had previously maintained reserves for employee separation liabilities.

The following table identifies the closure reserves for stores, administrative office and distribution facilities, and reserves for employee separation costs at December 31, 2011 and 2010 (in thousands):

	Store Closure Liabilities	Administrative Office and Distribution Facilities Closure Liabilities	Employee Separation Liabilities
Balance at January 1, 2010:	\$ 15,777	\$ 7,653	\$ 2,080
Additions and accretion	902	446	-
Payments	(3,121)	(2,330)	(1,519)
Revisions to estimates	413	(161)	595
Balance at December 31, 2010:	13,971	5,608	1,156
Additions and accretion	695	314	-
Payments	(3,634)	(2,593)	(912)
Revisions to estimates	280	215	(244)
Balance at December 31, 2011:	\$ 11,312	\$ 3,544	\$ -

Store, administrative office and distribution facilities closure liabilities:

The Company maintains reserves for closed stores and other properties that are no longer utilized in current operations. The Company accrues for closed property operating lease liabilities using a credit-adjusted discount rate to calculate the present value of the remaining non-cancelable lease payments, contractual occupancy costs and lease termination fees after the closing date, net of estimated sublease income. The closed property lease liabilities are expected to be paid over the remaining lease terms, which currently extend through April 23, 2023.

Adjustments to closed property reserves are made to reflect changes in estimated sublease income or actual contracted exit costs, which vary from original estimates, and are made for material changes in estimates in the period in which the changes become known. similar

Revisions to estimates in closure reserves for stores and administrative office and distribution facilities include changes in the estimates of sublease agreements, changes in assumptions of various store and office closure activities, changes in assumed leasing arrangements and actual exit costs since the inception of the exit activities. Revisions to estimates and additions or accretions to similar, general and administrative for the years ended December 31, 2011, 2010 and 2009.

The cumulative amount incurred in closure reserves for stores from the inception of the exit activity through December 31, 2011, was \$24.4 million. The cumulative amount incurred in administrative office and distribution facilities from the inception of the exit activity through December 31, 2011, was \$9.8 million. The balance of both these reserves is i

settled. o be

Employee separation liabilities:

The Company had previously maintained a reserve for employee separation liabilities. Employee separation liabilities represented costs for anticipated payments, including payments required under various pre-existing employment arrangements with acquired CSK employees, which existed at the time of the acquisition, related to the planned involuntary termination of employees performing overlapping or duplicative functions. The Company completed all restructuring activities related to these employee separation liabilities during 2011, and the reserve had no remaining balance as of December 31, 2011.

Revisions to estimates for employee separation liabilities included changes in assumptions surrounding the timing required to consolidate certain duplicative administration functions since the inception of the exit activities. Revisions to estimates and additions or accretions to employee separation liabilities Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009.

The cumulative amount incurred for employee separation liabilities from the inception of the exit activity through December 31, 2011, was \$29.2 million. The reserve balance for employee separation liabilities was included Consolidated Balance Sheets at December 31, 2010.

NOTE 7 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Historically, the Company entered into interest rate swap contracts with various counterparties to mitigate cash flow risk associated with interest rate risk. The effective portion of these swaps was recorded as liabilities in the accompanying Consolidated Balance Sheets at December 31, 2010. The effective portion of these swaps was designated as cash flow hedges with interest payments designed to offset the interest payments for borrowings under the ABL Credit Facility that corresponded with the notional amounts of the swaps. On January 14, 2011, the ABL Credit Facility was retired and all interest rate swap contracts were terminated at that time. The Company recognized a charge of \$4.2 million related to the termination of the interest rate swap contracts for the year ended December 31, 2011. As of December 31, 2011, the Company did not hold any instruments that qualified as cash flow hedge derivatives. During 2010, the Company recognized a net gain of \$1.9 million in the accompanying Consolidated Statements of Income for the year ended December 31, 2010, as a result of this hedge ineffectiveness.

The following table shows the fair value of derivative instruments and the amount of loss recognized in accumulated other comprehensive loss on derivatives as of December 31, 2011 and 2010 (in thousands):

Derivatives Designated as Hedging Instruments	Fair Value of Derivative, Recorded as Payable to Counterparties in "Other current liabilities"		Fair Value of Derivative, Tax Effect		Amount of Loss Recognized in Accumulated Other Comprehensive Loss on Derivative, net of tax	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Interest rate swap contracts	\$ -	\$ 4,845	\$ -	\$ 1,875	\$ -	\$ 2,970

The following table shows the location and amount of loss recognized in income on derivatives for the years ended December 31, 2011, 2010 and 2009 (in thousands):

Derivatives Designated as Hedging Instruments	Location and Amount of Loss Recognized in Income on Derivatives			
	Classification	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009
Interest rate swap contracts	Other income (expense)	\$ (4,237)	\$ (65)	\$ --

NOTE 8—WARRANTIES

The Company provides warranties on certain merchandise it sells with warranty periods ranging from 30 days to limited lifetime warranties. Estimated warranty costs are based on the historical failure rate of each individual product line and are recorded as obligations. The cost of warranty claims to the Company has been driven by volume of units sold as opposed to fluctuations in failure rates or the variation of the cost of individual claims. The following table shows the changes in the Company's warranty obligations in the accompanying Consolidated Balance Sheets as of December 31, 2011 and 2010.

The following table identifies the changes in the Company's warranty obligations for the years ended December 31, 2011 and 2010 (in thousands):

	2011	2010
Balance at January 1,	\$ 22,429	\$ 19,637
Warranty claims	(46,779)	(44,791)
Warranty accruals	45,992	47,583
Balance December 31,	\$ 21,642	\$ 22,429

NOTE 9 **SHAREHOLDERS' EQUITY**

Preferred stock:

The Company is authorized to issue 5.0 million shares of preferred stock at \$0.01 par value per share. No preferred stock was issued or outstanding as of December 31, 2011 or 2010.

Common Stock:

The Company is authorized to issue 245.0 million shares of common stock at \$0.01 par value per share. The Company had common stock issued and outstanding of 127.2 million and 141.0 million as of December 31, 2011 and 2010, respectively.

Share repurchase program:

On January 11, 2011, the Company may, from time to time, repurchase shares of its common stock, solely through open market purchases effected through a broker dealer at prevailing market prices, based on a variety of factors such as price, corporate trading policy requirements and overall market conditions, for a three- under the share repurchase program by an additional \$500 million on August 5, 2011, and an additional \$500 million on November 16, 2011, raising the cumulative authorization under the share repurchase program to \$1.5 billion. Each additional \$500 million authorization is effective for a three-year period, expiring on August 5, 2014, and November 16, 2014, respectively. The Company and its Board of Directors may increase or otherwise modify, renew, suspend or terminate the share repurchase program at any time, without prior notice.

The Company repurchased 15.9 million shares of its common stock under its publicly announced share repurchase program during the year ended December 31, 2011, at an average price per share of \$61.49, for a total investment of \$976.6 million. As of December 31, 2011, the Company had \$523.7 million remaining under its share repurchase program. From January 1, 2012, through and including February 28, 2012, the Company repurchased 0.6 million shares of its common stock at an average price of \$83.39, for a total investment of \$48.4 million.

Accumulated other comprehensive loss:

Unrealized losses, net of tax, from interest rate swap contracts accompanying Consolidated Balance Sheets as of December 31, 2010, as discussed in Notes 5 and 7.

The following table identifies the the accompanying Consolidated Balance Sheets for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	Accumulated Other Comprehensive Loss
Balance at December 31, 2008	\$ (11,513)
Unrealized losses on cash flow hedges, net of tax	3,551
Balance at December 31, 2009	(7,962)
Unrealized losses on cash flow hedges, net of tax	4,992
Balance at December 31, 2010	(2,970)
Reclassification adjustment for unrealized losses on cash flow hedges, net of tax, included in net income	2,970
Balance at December 31, 2011	\$ -

during as well as changes in unrealized losses on cash flow hedges. Comprehensive income for the years ended December 31, 2011, 2010 and 2009, was \$510.6 million, \$424.4 million and \$311.0 million, respectively.

NOTE 10—SHARE-BASED EMPLOYEE COMPENSATION PLANS AND OTHER COMPENSATION AND BENEFIT PLANS

The Company recognizes share-based compensation expense based on the fair value of the grants, awards or shares at the time of the grant, award or issuance. Share-based compensation includes stock option awards incentive plans and performance incentive plan and director stock other benefit programs.

The fair value of each stock option award is estimated on the date of the grant using the Black-Scholes option pricing model. The Black-Scholes model requires the use of assumptions, including the risk free rate, expected life, expected volatility and expected dividend yield.

- *Risk-free interest rate*
expected life.
- *Expected life* - Represents the period of time that options granted are expected to be outstanding. The Company uses historical experience to estimate the expected life of options granted.
- *Expected volatility*
- *Expected dividend yield* – The Company has not paid, nor does it have plans in the foreseeable future to pay, any dividends.

The table below identifies the weighted-average assumptions used for grants awarded during the years ended December 31, 2011, 2010 and 2009:

	December 31,		
	2011	2010	2009
Risk-free interest rate	1.16 %	1.67 %	2.04 %
Expected life	3.7 Years	4.3 Years	4.7 Years
Expected volatility	33.3 %	33.9 %	33.0 %
Expected dividend yield	- %	- %	- %

awarded that are expected to be forfeited or cancelled prior to , is based upon historical experience at the time of evaluation and reduces expense ratably over the vesting period.

The following table summarizes activity related to stock options awarded by the Company for the periods ending December 31, 2011, 2010 and 2009:

	For the Years Ended December 31,		
	2011	2010	2009
Compensation expense for stock options awarded (in millions)	\$ 17.6	\$ 14.9	\$ 13.5
Income tax benefit from compensation expense related to stock options (in millions)	6.8	5.7	5.2
Total intrinsic value of stock options exercised (in millions)	71.5	60.0	30.0
Cash received from exercise of stock options (in millions)	50.3	56.9	54.3
Weighted-average grant-date fair value of options awarded	\$ 16.93	\$ 14.24	\$ 11.10
Weighted-average remaining contractual life of exercisable options (in years)	5.12	5.21	5.21

The remaining unrecognized compensation expense related to unvested stock option awards at December 31, 2011, was \$39.6 million and the weighted-average period of time over which this cost will be recognized is 2.8 years.

Restricted stock:

The Company performance incentive plan provides for the award of shares of restricted stock to its corporate and senior management that vest evenly over a three-year period and are held in escrow until such vesting has occurred. Generally, unvested shares are forfeited when an employee ceases employment. The fair value of shares awarded under this plan is based on the closing price of the Company's common stock at the time of award, which is based on the closing price of the Company's common stock over the vesting period.

The table below identifies the employee restricted stock activity under this plan during the year ended December 31, 2011:

	Shares (in thousands)	Weighted- Average Grant- Date Fair Value
Non-vested at December 31, 2010	34	\$ 38.30
Granted during the period	42	55.48
Vested during the period ⁽¹⁾	(33)	44.27
Forfeited during the period	(3)	47.51
Non-vested at December 31, 2011	<u>40</u>	<u>\$ 50.72</u>

⁽¹⁾ Includes 11.3 million shares withheld to cover Team Members' taxes upon vesting.

The Company shares of restricted stock that vest evenly over a three-year period and are held in escrow until such vesting has occurred. Generally, unvested shares are forfeited when a director ceases their service on the

- The fair value of shares awarded under this plan is based on the closing market price of the evenly over the vesting period.

The table below identifies the director restricted stock activity under this plan during the year ended December 31, 2011:

	Shares (in thousands)	Weighted- Average Grant- Date Fair Value
Non-vested at December 31, 2010	-	\$ -
Granted during the period	8	59.65
Vested during the period	-	-
Forfeited during the period	-	-
Non-vested at December 31, 2011	<u>8</u>	<u>\$ 59.65</u>

The following table summarizes activity related to restricted stock awarded by the Company for the periods ending December 31, 2011, 2010 and 2009:

	For the Years Ended December 31,		
	2011	2010	2009
Compensation expense for restricted shares awarded (in millions)	\$ 1.7	\$ 0.9	\$ 0.5
Income tax benefit from compensation expense related to restricted shares (in millions)	0.6	0.4	0.2
Total fair value of restricted shares at vest date (in millions)	\$ 2.6	\$ 1.6	\$ 0.7
Shares awarded under the plans (in thousands)	49.9	41.1	21.8
Average grant-date fair value of shares awarded under the plans	\$ 56.18	\$ 39.57	\$ 33.36

The remaining unrecognized compensation expense related to unvested restricted share awards at December 31, 2011, was \$2.5 million and the weighted-average period of time over which this cost will be recognized is 1.9 years.

Employee stock purchase plan:

The Company employee stock purchase plan common stock at 85% of the fair market value. Employees may authorize the Company to withhold up to 5% of their annual salary to participate in the plan. The fair value of shares issued under the ESPP is based on the average of the high and low market prices of the compensation expense is recognized based on the discount between the grant-date fair value and the employee purchase price for the shares sold to employees.

The following table ESPP for the periods ending December 31, 2011, 2010 and 2009:

	For the Years Ended December 31,		
	2011	2010	2009
Compensation expense for shares issued under the ESPP (in millions)	\$ 1.3	\$ 1.1	\$ 1.0
Income tax benefit from compensation expense for shares issued under the ESPP (in millions)	\$ 0.5	\$ 0.4	\$ 0.4
Shares issued under the ESPP (in thousands)	134.5	152.9	178.5
Weighted-average price of shares issued under the ESPP	\$ 53.93	\$ 40.86	\$ 30.47

Profit sharing and savings plan:

The Company sponsors a contributory profit sharing and savings plan that covers substantially all employees who are at least 21 years of age and have at least six months of service. The Company makes matching contributions equal to 100% of the first 2% of each

also make additional discretionary profit sharing contributions to the plan on an annual basis as determined by the Board of Directors.

being n began cretionary profit sharing contributions under this

for contributions to this plan for the years ended December 31, 2011 or 2010. The Company recorded \$6.8 million of share based compensation expense for contributions to this plan for the year ended December 31, 2009, and recognized a corresponding income tax benefit of \$2.7 million. The Company did not issue any shares under this plan for the years ended December 31, 2011 or 2010. The Company issued 0.2 million shares to fund matching contributions for the year ended December 31, 2009, at an average grant date fair value of \$35.37. The Company did not make any discretionary contributions to the Profit Sharing and Savings Plan during the years ended December 31, 2011, 2010 or 2009. The Company does not anticipate funding the plan with the issuance of shares in the future.

CSK Pre-Acquisition Matters – Governmental Investigations and Actions:

As previously reported, the governmental investigations of CSK regarding its legacy pre-acquisition accounting practices have concluded.

and its former Director of Credit and Receivables pled guilty to obstruction of justice on April 7, 2009 and April 15, 2009, respectively, as previously reported. They Officer was sentenced, as previously reported, on September 19, 2011. No appeal followed. Accordingly, with the sentencing on November 7, 2011, criminal proceedings against former CSK employees have reached finality.

The action filed by the SEC on July 22, 2009, against Maynard L. Jenkins, the former Chief Executive Officer of CSK, seeking reimbursement from Mr. Jenkins of certain bonuses and stock sale profits pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, as previously reported, has also reached finality. On November 16, 2011, the Court entered a Final Judgment which required Mr. Jenkins to reimburse \$2.8 million to the Company as successor SEC issuer to CSK Auto Corp. Since entry of the Final Judgment, the recorded the reimbursement as an adjustment to operating income in the fourth quarter of 2011.

former Chief Financial Officer, Contoller and Director of Credit and Receivables of CSK, remains ongoing. However, on January 20, 2012, d be presented to the Com Commission considers the settlement offers made. Under Delaware law, the charter documents of the CSK entities, and certain indemnification agreements, CSK may have certain indemnification obligations in connection with the SEC civil action, and, as a the ongoing SEC litigation. Some of these indemnification obligations and o

costs related to the indemnity obligations arising from the litigation commenced by the DOJ and SEC against resolution of the remaining matters. 14.1 million at December 31, 2011, which relates to both expected additional legal fees and costs and to the payment of those legal fees and costs already incurred.

The remaining litigation, as described above, is subject to uncertainty, and, given its complexity and scope, the final outcome cannot and cash flows could be materially affected by an ultimate resolution of such matter, depending, in part, upon the results of operations or cash flows for such period. However, at this time, management believes that the ultimate outcome of the pending matters, after consideration of cial condition, results of operations or cash flows.

NOTE 13—RELATED PARTIES

The Company leases certain land and buildings related to 77 of its O'Reilly Auto Parts stores and one of its bulk facilities under fifteen- or twenty-year operating lease , members of an , are affiliated. Generally, these lease agreements provide for renewal options for an additional five years at the option of the Company and the lease agreements are periodically modified to further extend the lease term for specific stores under the agreements (see Note 11). Lease payments under these operating leases totaled \$4.2 million, \$4.4 million and \$4.1 million during the years ended December 31, 2011, 2010 and 2009, respectively. We believe that the lease agreements with the affiliated entities are on terms comparable to those obtainable from third parties.

NOTE 14—INCOME TAXES

Deferred income tax assets (liabilities):

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and also include the tax effect of carryforwards.

and 2010 (in thousands):

2011

	December 31,	
	2011	2010
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	\$ 1,933	\$ 2,683
Unrealized loss on cash flow hedges	-	1,875
Net operating losses	-	1,893
Tax credits	541	5,437
Other accruals	55,209	78,479
Total current deferred tax assets:	\$ 57,683	\$ 90,367
Noncurrent:		
Tax credits	4,605	3,558
Net operating losses	3,008	3,408
Other accruals	50,855	20,464
Total noncurrent deferred tax assets:	\$ 58,468	\$ 27,430
Total deferred tax assets	\$ 116,151	\$ 117,797
Deferred tax liabilities:		
Current:		
Inventories	\$ 59,673	\$ 56,490
Total current deferred tax liabilities:	\$ 59,673	56,490
Noncurrent:		
Property and equipment	138,132	95,300
Other	9,200	866
Total noncurrent deferred tax liabilities:	147,332	96,166
Total deferred tax liabilities	207,005	152,656
Net deferred tax liabilities	\$ (90,854)	\$ (34,859)

The following table reconciles the above net deferred tax assets (liabilities) as presented on the accompanying Consolidated Balance Sheets as of December 31, 2011 and 2010 (in thousands):

	December 31,	
	2011	2010
Deferred tax assets - current	\$ 57,683	\$ 90,367
Deferred tax liabilities - current	(59,673)	(56,490)
Deferred tax assets (liabilities) - current	(1,990)	\$ 33,877
Deferred tax assets - noncurrent	58,468	27,430
Deferred tax liabilities - noncurrent	(147,332)	(96,166)
Deferred tax assets (liabilities) - noncurrent	(88,864)	\$ (68,736)
Net deferred tax liabilities	\$ (90,854)	\$ (34,859)

For the years ended December 31, 2011, 2010 and 2009, the Company recorded a reserve for unrecognized tax benefits (including interest and penalties) of \$53.0 million, \$41.3 million and \$37.6 million, respectively, of which \$53.0 million, \$41.3 million and \$37.6 million, respectively, are interest and penalties related to uncertain tax positions in income tax expense. As of the years ended December 31, 2011, 2010 and 2009, the Company had accrued approximately \$7.2 million, \$4.6 million and \$4.0 million, respectively, of interest and penalties related to uncertain tax positions before the benefit of the deduction for interest on state and federal returns. During the years ended December 31, 2011, 2010 and 2009, the Company recorded tax expense related to an increase in its liability for interest and penalties of \$3.9 million, \$1.5 million and \$1.5 million, respectively. Although unrecognized tax benefits for individual tax positions may increase or decrease during 2012, the Company expects a reduction of \$4.0 million of unrecognized tax benefits during the one-year period subsequent to December 31, 2011, resulting from settlement or expiration of the statute of limitations.

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to examination by various state

authorities for tax years ranging from 2001 through 2010.

NOTE 15—EARNINGS PER SHARE

The following table reconciles the numerator and denominator used in the basic and diluted earnings per share calculations for the years ended December 31, 2011, 2010 and 2009 (in thousands, except per share data):

	2011	2010	2009
Numerator (basic and diluted):			
Net income	\$ 507,673	\$ 419,373	\$ 307,498
Denominator:			
□ weighted-average shares	134,667	138,654	136,230
Effect of stock options ⁽¹⁾	2,316	2,348	1,651
Effect of exchangeable notes	-	990	1
Denominator for diluted earnings per share-- weighted-average shares and assumed conversion	136,983	141,992	137,882
Earnings per share-basic	\$ 3.77	\$ 3.02	\$ 2.26
Earnings per share-assuming dilution	\$ 3.71	\$ 2.95	\$ 2.23
Antidilutive common stock equivalents not included in the calculation of diluted earnings per share:			
Stock options ⁽¹⁾	1,756	1,373	1,587
Weighted-average exercise price per share of antidilutive stock options ⁽¹⁾	\$ 62.79	\$ 48.15	\$ 35.61

⁽¹⁾ See Note 10 for further discussion on the terms of the Company's share-based compensation plans.

The exchangeable notes were retired in December of 2010, and therefore had no dilutive effect on 2011 results. Incremental net shares for the exchange feature of the exchangeable notes were included in the diluted earnings per share calculation for the years ended December 31, 2010 and 2009.

From January 1, 2012, through and including February 28, 2012, the Company repurchased 0.6 million shares of its common stock at an average price of \$83.39, for a total investment of \$48.4 million.

NOTE 16 SHAREHOLDER RIGHTS PLAN

On May 7, 2002, and as amended on December 29, 2010, and May 20, 2011, the Board of Directors adopted a shareholder rights plan whereby one right was distributed for each share of common stock, par value \$0.01 per share, of the Company held by shareholders less on May 31, 2002. The Rights initially entitle shareholders to buy a unit representing one one-hundredth of a share of a new series of preferred stock of the Company for \$160 and expire on May 30, 2012. The Rights generally will be exercisable only if a person or group acquires beneficial ownership above the threshold established in the Rights Agreement of the Company's common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own more than the threshold established in the Rights Agreement of the Company's

common stock. If a person or group acquires beneficial ownership above the threshold established in the Rights Agreement of the Company's common stock, each Right (other than Rights held by the acquirer) will, unless the Rights are redeemed by the Company, become exercisable upon payment of the exercise price of \$160 for an amount of common stock of the Company having a market value of twice the exercise price of the Right.

NOTE 17 QUARTERLY RESULTS (Unaudited)

The following table sets forth certain quarterly unaudited operating data for the fiscal years ended December 31, 2011 and 2010. The unaudited quarterly information includes all adjustments, which the Company considers necessary for a fair presentation of the information shown:

	Fiscal 2011			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Sales	\$ 1,382,738	\$ 1,479,318	\$ 1,535,453	\$ 1,391,307
Gross profit	669,781	718,661	754,210	694,697
Former CSK officer clawback	-	-	-	(2,798)
Operating income	196,437	222,368	241,050	206,911
Write-off of debt issuance costs	(21,626)	-	-	-
Termination of interest rate swap agreements	(4,237)	-	-	-
Net income	102,474	133,772	148,439	122,988
Earnings per share – basic	\$ 0.73	\$ 0.97	\$ 1.12	\$ 0.96
Earnings per share – assuming dilution	\$ 0.72	\$ 0.96	\$ 1.10	\$ 0.94

	Fiscal 2010			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Sales	\$ 1,280,067	\$ 1,381,241	\$ 1,425,887	\$ 1,310,330
Gross profit	618,347	672,633	693,415	636,597
Legacy CSK DOJ investigation charge	-	15,000	5,900	-
Operating income	168,445	181,164	199,031	164,136
Gain on settlement of note receivable	-	-	-	11,639
Net income	97,476	99,595	116,542	105,760
	\$ 0.71	\$ 0.72	\$ 0.84	\$ 0.76
	\$ 0.70	\$ 0.71	\$ 0.82	\$ 0.74

The unaudited operating data presented above and related notes, and the other financial information included therein.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) and as defined in Rule 13a-15(e) of

disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us (including our consolidated subsidiaries) in reports filed under the Exchange Act is les and forms and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROLS

□ , 2011,

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors and Officers:

Electio □ □
 Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of our most recent fiscal year. The information regarding executive officers called for by Item 401 of Regulation S-K is included in Part I, in accordance with General Instruction G (3) to Form 10-K, for our executive officers who are not also directors.

Section 16(a) of the Exchange Act:

The information regarding compliance with Section 16(a) of the Exchange Act required by Item 405 of Regulation S-K, will be incorporated herein by reference.

Code of Ethics:

Our Board of Directors has adopted a code of ethics that applies to all of our directors, officers (including its chief executive officer, chief operating officer, chief financial officer, chief accounting officer, controller and any person performing similar functions) and Team Members. Our Code of Ethics is available on our website at www.oreillyauto.com.

Corporate Governance:

The Corporate Governance/Nominating Committee of the Board of Directors does not have a written policy on the consideration of Director candidates recommended by shareholders. It is the view of the Board of Directors that all candidates, whether recommended by a shareholder or the Corporate Governance/Nominating Committee, shall be evaluated based on the same established criteria for persons to be nominated for election to the Board of Directors and its committees.

The Board of Directors has established an Audit Committee pursuant to Section 3(a)(58)(A) of the Securities Exchange Act of 1934, □
 Lederer, John Murphy and Ronald Rashkow, each an independent director in accordance with The Nasdaq Stock Market Marketplace Rule 5605(a)(2), the standards of Rule 10A-3 of the Exchange Act and the requirements of The Nasdaq Stock Market Marketplace Rule 5605(c)(2). In addition, our Board of Directors has determined that Mr. Murphy, Chairman of the Audit Committee, qualifies as an audit committee financial expert under Item 407(d)(5) of Regulation S-K.

Item 11. Executive Compensation

Director and Officer compensation:

The information required by Item 402 of Regulation S- □ under the captions

Compensation Committee:

The information required by Item 407(e)(4) and (e)(5) of Regulation S- □ Proxy Statement under
 incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

□ 011:

	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)).
Equity compensation plans approved by shareholders	7,490	\$37.38	8,370
Equity compensation plans not approved by shareholders	-	-	-
Total	7,490	\$37.38	8,370

(a) Number of shares presented is in thousands.

(b) Includes weighted-average exercise price of outstanding stock options.

The information required by Item 403 of Regulation S-K will be included in
reference. □

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 404 of Regulation S-

The information required by Item 407(a) of Regulation S-
□

Item 14. Principal Accountant Fees and Services

The information required by Item 9(e) of Sche

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements - O'Reilly Automotive, Inc. and Subsidiaries

The following consolidated financial statements of O'Reilly Automotive, Inc. and Subsidiaries included in the Annual Shareholders' Report of the registrant for the year ended December 31, 2011, are filed with this Annual Report in Part II, Item 8:

Management's Report on Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm – Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm – Financial Statements

Consolidated Balance Sheets as of December 31, 2011 and 2010

Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009

Consolidated Statements of Comprehensive Income for the years ended December 31, 2011, 2010 and 2009

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2011, 2010 and 2009

Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009

Notes to Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009

2. Financial Statement Schedules - O'Reilly Automotive, Inc. and Subsidiaries

The following consolidated financial statement schedule of O'Reilly Automotive, Inc. and Subsidiaries is included in Item 15(a):

Schedule II-Valuation and qualifying accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Exhibits

See Exhibit Index beginning on page E-1.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

Column A	Column B	Column C	Column D	Column E	
Description	Balance at Beginning of Period	Additions - Charged to Costs and Expenses	Additions - Charged to Other Accounts - Describe	Deductions - Describe	Balance at End of Period
(amounts in thousands)					
Year ended December 31, 2011:					
Deducted from asset account:					
Sales and returns allowances	\$ 5,634	\$ 772	\$ -	\$ -	\$ 6,406
Allowance for doubtful accounts	8,349	7,695	-	9,641 (1)	6,403
Year ended December 31, 2010:					
Deducted from asset account:					
Sales and returns allowances	\$ 5,316	\$ 318	\$ -	\$ -	\$ 5,634
Allowance for doubtful accounts	6,795	9,250	-	7,696 (1)	8,349
Year ended December 31, 2009:					
Deducted from asset account:					
Sales and returns allowances	\$ 2,776	\$ 2,540	\$ -	\$ -	\$ 5,316
Allowance for doubtful accounts	4,521	11,342	-	9,068 (1)	6,795

(1) Uncollectable accounts written off

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

O'REILLY AUTOMOTIVE, INC.
(Registrant)

Date: February 28, 2012
By /s/ Greg Henslee
Greg Henslee
Chief Executive Officer and Co-President

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ David E. O'Reilly</u> David E. O'Reilly	Director and Chairman of the Board	February 28, 2012
<u>/s/ Lawrence P. O'Reilly</u> Lawrence P. O'Reilly	Director and Vice-Chairman of the Board	February 28, 2012
<u>/s/ Charles H. O'Reilly, Jr.</u> Charles H. O'Reilly, Jr.	Director and Vice-Chairman of the Board	February 28, 2012
<u>/s/ Rosalie O'Reilly Wooten</u> Rosalie O'Reilly Wooten	Director	February 28, 2012
<u>/s/ Jay D. Burchfield</u> Jay D. Burchfield	Director	February 28, 2012
<u>/s/ Thomas T. Hendrickson</u> Thomas Hendrickson	Director	February 28, 2012
<u>/s/ Paul R. Lederer</u> Paul R. Lederer	Director	February 28, 2012
<u>/s/ John Murphy</u> John Murphy	Director	February 28, 2012
<u>/s/ Ronald Rashkow</u> Ronald Rashkow	Director	February 28, 2012
<u>/s/ Greg Henslee</u> Greg Henslee	Chief Executive Officer and Co-President (Principal Executive Officer)	February 28, 2012
<u>/s/ Ted Wise</u> Ted Wise	Chief Operating Officer and Co-President	February 28, 2012
<u>/s/ Thomas McFall</u> Thomas McFall	Executive Vice-President of Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2012

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
2.1	-K dated April 7, 2008, is incorporated herein by this reference.
2.2	□ December 29, 2010, is incorporated herein by this reference. n Form 8-K dated
3.1	Form 8-K dated December 29, 2010, is incorporated herein by this reference.
3.2	December 29, 2010, is incorporated herein by this reference. -K dated
4.1	Form of Stock Certificate for Common Stock, filed as Exhibit 4.1 to the Registration Statement of the Registrant on Form S-1, File No. 33-58948, is incorporated herein by this reference.
4.2	Rights Agreement, dated as of May 7, 2002, and as amended on December 29, 2010, between O'Reilly Automotive, Inc. and Computershare Trust Company, N.A., as Successor Rights Agent, including the form of Certificate of Designation, Preferences and Rights as Exhibit A, the form of Rights Certificates as Exhibit B and the Form of Summary of Rights as Exhibit C, filed as Exhi -K dated June 3, 2002, is incorporated herein by this reference.
4.3	□ and Computershare Trust Company, N.A., as successor rights agent to UMB Bank, -K for the year ended December 31, 2010, is incorporated herein by this reference.
4.4	Inden -K dated January 14, 2011, is incorporated herein by this reference.
4.5	Computershare Trust Company, N.A., as successor rights agent to UMB Bank, N.A., filed as Exhibit 4.5 to the -K dated May 20, 2011, is incorporated herein by this reference.
4.6	-K dated September 19, 2011, is incorporated herein by this reference.
10.1 (a)	Form of Employment Agreement between the Registrant and David E. O'Reilly, filed as Exhibit 10.1 to the Registration Statement of the Registrant on Form S-1, File No. 33-58948, is incorporated herein by this reference.
10.2	Lease between the Registrant and O'Reilly Investment Company, filed as Exhibit 10.2 to the Registration Statement of the Registrant on Form S-1, File No. 33-58948, is incorporated herein by this reference.
10.3	Lease between the Registrant and O'Reilly Real Estate Company, filed as Exhibit 10.3 to the Registration Statement of the Registrant on Form S-1, File No. 33-58948, is incorporated herein by this reference.
10.4 (a)	Form of Retirement Agreement between □ Registrant's Annual Shareholders' Report on Form 10-K for the year ended December 31, 1997, is incorporated herein by this reference.
10.5 (a)	O'Reilly Automotive, Inc. Profit Sharing and Statement on Form S-8, File No. 33-73892, is incorporated herein by this reference.
10.6 (a)	O'Reilly Automotive, Inc. 1993 Stock Option Plan, filed as Exhibit 10.8 to the Registration Statement of the Registrant on Form S-1, File No. 33-58948, is incorporated herein by this reference.
10.7 (a)	O'Reilly Automotive, Inc. Stock Purchase Plan, filed as Exhibit 10.9 to the Registration Statement of the Registrant on Form S-1, File No. 33-58948, is incorporated herein by this reference.
10.8 (a)	O'Reilly Automotive, Inc. Director Stock Option Plan, filed as Exhibit 10.10 to the Registration Statement of the Registrant on Form S-1, File No. 33-58948, is incorporated herein by this reference.
10.9 (a)	-K for the year ended December 31, 1996, is incorporated herein by this reference.
10.10 (a)	arterly Report on Form 10-Q for the quarter ended June 30, 1997, is incorporated herein by this reference.
10.11 (a)	Third Amendment to the O'Reilly Automotive, Inc. 1993 Stock Option Plan, filed as Exhibit 10.21 to the Registrant's Amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 1998, is incorporated herein by this reference.

EXHIBIT INDEX (continued)

<u>Exhibit No.</u>	<u>Description</u>
10.12 (a)	First Amendment to the O'Reilly Automotive, Inc. Directors' Stock Option Plan, filed as Exhibit 10.22 to the Registrant's Amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 1998, is incorporated herein by this reference.
10.13 (a)	O'Reilly Automotive, Inc. Deferred Compensation Plan, filed as Exhibit 10.23 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, is incorporated herein by this reference.
10.14	Trust Agreement between the Registrant's Deferred Compensation Plan and Bankers Trust, dated February 2, 1998, filed as Exhibit 10.24 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, is incorporated herein by this reference.
10.15(a)	bit -K for the year ended December 31, 2002, is incorporated herein by this reference.
10.16(a)	First Amendment to Retirement Agreement, dated February 7, 2001, filed as Exhibit 10.26 to the -K for the year ended December 31, 2001, is incorporated herein by this reference.
10.17(a)	Exhib -K for the year ended December 31, 2001, is incorporated herein by this reference.
10.18(a)	. 2003 Incentive Plan, filed as Appendix B to the R Statement for 2005 Annual Meeting of Shareholders on Schedule 14A, is incorporated herein by this reference.
10.19(a)	Amended and Restated Inc. □ is incorporated herein by this reference.
10.20 (a)	2009 Annual Meeting of Shareholders on Schedule 14A, is incorporated herein by this reference.
10.21 (a)	Annual Meeting of Shareholders on Schedule 14A, is incorporated herein by this reference.
10.22	Form of Stock Option Agreement, dated as of □ Shareholders Report on Form 10-K for the year ended December 31, 2009, is incorporated herein by this reference.
10.23	omotive, Inc., as the lead Borrower itself and the other Borrowers from time to time party thereto, the Guarantors from time to time party thereto, Bank of America N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, filed as Exhibit 10.1 to th Report on Form 8-K dated January 14, 2011, is incorporated herein by this reference.
10.24	Amendment No. 1 to the Credit Agreement, dated as of September 9, 2011, by and as the lead Borrower, Bank of America N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, filed as -K dated September 9, 2011, is incorporated herein by this reference.
10.25 (a)	□
18.0	Independent Registered Public Accounting Firm Letter Regarding Accounting Change, dated March 7, 2005, filed as -K for the year ended December 31, 2004, is incorporated herein by this reference.
21.1	Subsidiaries of the Registrant, filed herewith.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm, filed herewith.
31.1	Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certificate of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certificate of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
(a)	Management contract or compensatory plan or arrangement.

O'REILLY AUTOMOTIVE, INC.

SUMMARY OF CASH COMPENSATION PAYABLE TO DIRECTORS

□ -Wooten) is as follows:

- an annual cash retainer of \$165,000; and

- □

The payment schedule for the retainers and meeting fees is determined by the Compensation Committee of the Board of Directors.

- an annual cash retainer of \$40,000;
- an annual fee for serving as Lead Director in the amount of \$10,000;
- annual fees for serving as a Committee Chairman in the following amounts: \$10,000 for the Audit Committee Chairman; \$7,500 for the Compensation Committee Chairman; and \$5,500 for the Corporate Governance/Nominating Committee Chairman;

- □

- □

The payment schedule for the retainers, Lead Director fees, Committee Chairman fees and meeting fees is determined by the Compensation Committee of the Board of Directors.

. All directors are reimbursed for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors and of committees of the Board of Directors.

O'Reilly Automotive, Inc. and Subsidiaries

Subsidiary	State of Incorporation
Ozark Automotive Distributors, Inc.	Missouri
Greene County Realty Co.	Missouri
Ozark r5 Td 6(e)-4(C)4(oO)Tj -39.2 -1 ()Tj 8(5 Td 6(e 0 T3(t)-1iiss)5(o)-5(u)6(r)-3(i)]idi)4H S0 Td [(377 TD	Missouri

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

CERTIFICATIONS

I, Greg Henslee, certify that:

1. I have reviewed this report on Form 10-

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report an

reasonably

ted, or is

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2012

/s/ Greg Henslee

Greg Henslee, Co-President and
Chief Executive Officer (Principal Executive Officer)

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
CERTIFICATIONS

I, Thomas McFall, certify that:

1. I have reviewed this report on Form 10-

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

□

an annual report) that has materially affected, or is

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2012

/s/ Thomas McFall

Thomas McFall
Executive Vice President of
Finance and Chief Financial Officer (Principal
Financial and Accounting Officer)

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

-K for the period ended December 31, 2011,
Executive Officer of

the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Greg Henslee
Greg Henslee
Chief Executive Officer

February 28, 2012

This certification is made solely for purposes of 18 U.S.C. Section 1350, and not for any other purpose. This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Shareholder Information

Corporate Address

233 South Patterson
Springfield, Missouri 65802
417-862-3333
www.oreillyauto.com

Registrar and Transfer Agent

Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078
800-884-4225
www.computershare.com

Inquiries regarding stock transfers, lost certificates or address changes should be directed to Computershare Investor Services at the above address.

Independent Registered Public Accounting Firm

Ernst & Young LLP
One Kansas City Place
1200 Main Street, Suite 2500
Kansas City, Missouri 64105-2167

Analyst Coverage

The following analysts provide research coverage of O'Reilly Automotive, Inc.:

Avondale Partners

Bret Jordan

Bank of America/ Merrill Lynch

Denise Chai

Barclays Capital

Alan Rifkin

BB&T Capital Markets

Allen Hatzimanolis

Bernstein Research

Colin McGranahan

Cabrera Capital Markets, LLC

Cid Wilson

Citi Investment

Kate McShane

Cleveland Research Company

Eamon Kelly

Credit Suisse

Gary Balter

Deutsche Bank Research

Michael Baker

Gabelli & Company

Brian Sponheimer

Goldman Sachs

Matthew Fassler

ISI Group Inc.

Gregory Melich

J.P. Morgan

Securities Equities
Christopher Horvers

Morgan Stanley

David Gober

Morgan Keegan

John R. Lawrence

Nomura Equity Research

Aram H. Rubinson

Northcoast Research

Nick Mitchell

Oppenheimer & Co. Inc.

Brian Nagel

Piper Jaffray

Peter J. Keith

Raymond James

Dan Wewer

RBC Capital Markets

Scott Ciccarelli

Robert W. Baird & Co

Craig R. Kennison

Stifel Nicolaus

David A. Schick

Think Equity

Mark Mandel

UBS

Michael Lasser

William Blair

Daniel Hofkin

Board of Directors

Term Expiring in 2012



Charlie O'Reilly

Vice Chairman
of the Board



John Murphy

Director Since 2003
Audit Committee - Chairman
Corporate Governance/
Nominating Committee



Ronald Rashkow

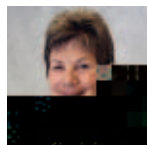
Director Since 2003
Audit & Compensation
Committees

Term Expiring in 2013



Larry O'Reilly

Vice Chairman
of the Board



Rosalie
O'Reilly-Wooten
Director



Tom Hendrickson

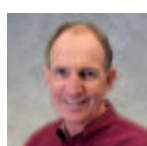
Director Since 2010
Audit Committee

Term Expiring in 2014



David O'Reilly

Chairman of
the Board



Jay Burchfield

Director Since 1997
Compensation Committee -
Chairman
Audit & Corporate
Governance/Nominating
Committees



Paul Lederer

Lead Director
1993-July 1997; Since
February 2001
Corporate Governance/
Nominating Committee -
Chairman
Audit & Compensation
Committees

Executive Committee and Divisional Vice Presidents

Greg Henslee

Chief Executive Officer
and Co-President

Ted Wise

Chief Operating Officer
and Co-President

Tom McFall

Chief Financial Officer
and Executive Vice
President of Finance

Greg Johnson

Senior Vice President
of Distribution

Randy Johnson

Senior Vice President of
Inventory Management

Jeff Shaw

Senior Vice President of
Store Operations/Sales

Mike Swearingin

Senior Vice President
of Merchandise

Tricia Headley

Vice President and
Corporate Secretary/
Secretary to Board

Tony Bartholomew

Vice President of
Professional Sales

Greg Beck

Vice President of
Purchasing

Brad Beckham

Vice President
of Eastern Store
Operations & Sales

Keith Childers

Vice President
of Western Store
Operations & Sales

Ken Cope

Vice President of
Central Division

Charlie Downs

Vice President of Real
Estate & Expansion

Robert Dumas

Vice President of
Southeast Division

Larry Ellis

Vice President of
Distribution Operations

Phyllis Evans

Vice President of
Store Administration

Alan Fears

Vice President of
Jobber Sales &
Acquisitions

Jeremy Fletcher

Vice President of
Finance & Controller

Jeff Groves

Vice President of Legal
& Claim Services &
General Counsel

Billy Harris

Vice President of
Eastern Division

Brett Heintz

Vice President of
Retail Systems

Jaime Hinojosa

Vice President of
Southern Division

Steve Jasinski

Vice President of
Information Systems

Chad Keel

Vice President of
Southwest Division

Brad Knight

Vice President of
Pricing

Scott Kraus

Vice President of Real
Estate Expansion

Scott Leonhart

Vice President of
Northeast Division

Kenny Martin

Vice President of
Northern Division

Wayne Price

Vice President of
Treasury & Risk
Management

Doug Ruble

Vice President of
Marketing/Advertising

Barry Sabor

Vice President of
Loss Prevention

Ro Salazar

Vice President of
Northwest Division

Tom Seboldt

Vice President of
Merchandise -
Out Front

Phil Thompson

Vice President of
Human Resources

David Wilbanks

Vice President of
Merchandise -
Backroom



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