

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended November 22, 1997, or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission file number 1-10714

AUTOZONE, INC.

(Exact name of registrant as specified in its charter)

Nevada	62-1482048
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

123 South Front Street
Memphis, Tennessee 38103
(Address of principal executive offices) (Zip Code)

(901) 495-6500
Registrant's telephone number, including area code

(not applicable)

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Common Stock, \$.01 Par Value - 152,089,797 shares as of January 2, 1998.

AUTOZONE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

Nov. 22, 1997	Aug. 30, 1997
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(Unaudited)

(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 4,365	\$ 4,668
Accounts receivable	22,384	18,713
Merchandise inventories	724,859	709,446
Prepaid expenses	20,208	20,987
Deferred income taxes	25,107	24,988
	-----	-----
Total current assets	796,923	778,802

Property and equipment:

Property and equipment	1,419,667	1,336,911
Less accumulated depreciation and amortization	(287,646)	(255,783)
	-----	-----
	1,132,021	1,081,128

Other assets:

Cost in excess of net assets acquired	16,428	16,570
Deferred income taxes	5,114	4,339
Other assets	3,789	3,178
	-----	-----
	25,331	24,087
	-----	-----
	\$ 1,954,275	\$ 1,884,017
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 465,274	\$ 449,793
Accrued expenses	112,504	122,580
Income taxes payable	25,124	20,079
	-----	-----
Total current liabilities	602,902	592,452
Long-term debt	203,000	198,400
Other liabilities	16,607	17,957
Stockholders' equity	1,131,766	1,075,208
	-----	-----
	\$ 1,954,275	\$ 1,884,017
	=====	=====

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Twelve Weeks Ended

	Nov. 22, 1997	Nov. 23, 1996
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(in thousands, except per share amounts)

Net Sales	\$ 675,274	\$ 569,145
Cost of sales, including warehouse and delivery expenses	394,833	328,847
Operating, selling, general and administrative expenses	201,793	178,400
Operating profit	78,648	61,898
Interest expense-net	2,502	1,173
Income before income taxes	76,146	60,725
Income taxes	28,600	22,750
Net income	\$ 47,546	\$ 37,975
Net income per share	\$.31	\$.25
Average shares outstanding, including common stock equivalents	153,823	152,394

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Twelve Weeks Ended	
	Nov. 22, 1997	Nov. 23, 1996
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 47,546	\$ 37,975
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,630	17,482
Net increase in merchandise inventories	(15,413)	(54,586)
Net increase in current liabilities	10,450	22,656
Other - net	(5,755)	(10,874)
Net cash provided by operating activities	56,458	12,653
Cash flows from investing activities:		
Cash outflows for property and equipment, net	(70,373)	(54,210)
Cash flows from financing activities:		
Net proceeds from debt	4,600	38,600
Proceeds from sale of Common Stock, including related tax benefit	9,012	2,931
Net cash provided by financing activities	13,612	41,531
Net decrease in cash and cash equivalents	303	26
Cash and cash equivalents at beginning of period	4,668	3,904
Cash and cash equivalents at end of period	\$ 4,365	\$ 3,878

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the twelve weeks ended November 22, 1997, are not necessarily indicative of the results that may be expected for the fiscal year ending August 29, 1998. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended August 30, 1997.

NOTE B--INVENTORIES

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

NOTE C--DEBT

During December 1996, the Company executed an agreement with a group of banks for a \$275 million five-year unsecured revolving credit facility to replace the existing revolving credit agreements. The rate of interest payable under the agreement is a function of the London Interbank Offered Rate (LIBOR), or the lending bank's base rate (as defined in the agreement), or a competitive bid rate, at the option of the Company. At November 22, 1997, the Company's borrowings under this agreement were \$203 million and the weighted average interest rate was 5.8%. The unsecured revolving credit agreement contains a covenant limiting the amount of debt the Company may incur relative to its total capitalization.

On March 27, 1997, the Company acquired a negotiated rate unsecured revolving credit agreement totaling \$25 million which extends until March 26, 1998. There were no amounts outstanding under this agreement as of November 22, 1997.

NOTE D--RECENT ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." SFAS No. 128 requires dual presentation of basic earnings per share (EPS) and diluted EPS on the face of all statements of earnings for periods ending after December 15, 1997. Basic EPS is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options. Assuming the Company had adopted the provisions of SFAS No. 128, EPS as reported and pro forma for the twelve weeks ended November 22, 1997, compared to twelve weeks ended November 23, 1996 would be as follows November 22, 1997 - as reported: \$0.31, basic: \$0.31; November 23, 1996 - as reported: \$0.25, basic: \$0.25. The Company's reported EPS calculations are the same as pro forma diluted EPS.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

TWELVE WEEKS ENDED NOVEMBER 22, 1997, COMPARED TO
TWELVE WEEKS ENDED NOVEMBER 23, 1996

Net sales for the twelve weeks ended November 22, 1997 increased by \$106.1 million, or 18.6%, over net sales for the comparable period of fiscal 1997. This increase was due to a comparable store sales increase of 7%, (which was primarily due to sales growth in the Company's newer stores and the added sales of the Company's commercial program), and increases in net sales for stores opened since the beginning of fiscal 1997. At November 22, 1997 the Company had 1,772 stores in operation compared with 1,477 stores at November 23, 1996.

Gross profit for the twelve weeks ended November 22, 1997, was \$280.4

million, or 41.5% of net sales, compared with \$240.3 million, or 42.2% of net sales, during the comparable period for fiscal 1997. The decrease in the gross profit percentage was due primarily to lower commodities gross margins.

Operating, selling, general and administrative expenses for the twelve weeks ended November 22, 1997 increased by \$23.4 million over such expenses for the comparable period for fiscal 1997, and decreased as a percentage of net sales from 31.3% to 29.9%. The decrease in the expense ratio was due primarily to a sales increase in the Company's commercial program, favorable payroll leverage and efficiencies gained with the call center closings. The number of stores participating in the commercial program was 1,282 at November 22, 1997.

The Company's effective income tax rate was 37.6% of pre-tax income for the twelve weeks ended November 22, 1997 and 37.5% for the twelve weeks ended November 23, 1996.

LIQUIDITY AND CAPITAL RESOURCES

For the twelve weeks ended November 22, 1997, net cash of \$56.5 million was provided by the Company's operations versus \$12.7 million for the comparable period of fiscal year 1997. The comparative increase in cash provided by operations was due primarily to favorable inventory requirements in comparison to the twelve weeks ended November 23, 1996.

Capital expenditures for the twelve weeks ended November 22, 1997 were \$70.4 million. The Company anticipates that capital expenditures for fiscal 1998 will be approximately \$400 million. Year-to-date, the Company opened 44 net new stores and 2 stores that replaced existing stores. The Company plans to open approximately 350 net new stores during fiscal 1998.

The Company anticipates that it will rely on internally generated funds to support a majority of its capital expenditures and working capital requirements; the balance of such requirements will be funded through borrowings. The Company has revolving credit agreements with several banks providing for lines of credit in an aggregate maximum amount of \$300 million. At November 22, 1997, the Company had borrowings outstanding under these credit agreements of \$203 million.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are filed as part of this report:

3.1 Articles of Incorporation of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Form 10-K for the fiscal year ended August 27, 1994.

3.2 Amendment to Articles of Incorporation of AutoZone, Inc., dated December 16, 1993, to increase its authorized shares of common stock to 200,000,000. Incorporated by reference to Exhibit 3.2 to the Form 10-K for the fiscal year ended August 27, 1994.

3.3 By-laws of AutoZone, Inc. Incorporated by reference to Exhibit 3.2 to the Registration Statement filed by the Company under the Securities Act of 1993 (No. 33-45649) (the "February 1992 Form S-1").

4.1 Form of Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 2 to the February 1992 Form S-1.

4.2 Registration Rights Agreement, dated as of February 18, 1987, by and among Auto Shack, Inc. and certain stockholders. Incorporated by reference to Exhibit 4.9 to the Form S-1 Registration Statement filed by the Company under the Securities Act of 1993 (No.33-9197) (the "April 1991 Form S-1").

4.3 Amendment to the Registration Rights Agreement dated as of August 1, 1993, by and among AutoZone, Inc. and certain stockholders. Incorporated by reference to Exhibit 4.1 to the Form S-3 Registration Statement filed by the Company under the Securities Act of 1933. (No. 33-67550).

4.4 Amendment No. 2 to the Registration Rights Agreement dated as of November 6, 1997, by and among AutoZone, Inc. and certain stockholders. Incorporated by reference to Exhibit 4.4 to the Form S-3 Registration Statement filed by the Company under the Securities Act of 1933 (No. 333-39715).

10.1 Amended and Restated Agreement between J. R. Hyde III, and AutoZone, Inc., dated October 23, 1997.

10.2 AutoZone Inc., Executive Incentive Compensation Plan. Incorporated by reference to Exhibit A to the definitive Proxy Statement dated November 14, 1994, filed by the Company pursuant to Regulation 14A of the Securities Exchange Act of 1934.

10.3 Amended and Restated 1996 Stock Option Plan

11.1 Statement re: Computation of earnings per share.

27.1 Financial Data Schedule. (SEC Use Only)

SIGNATURES

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

AUTOZONE, INC.

By: /s/ Robert J. Hunt

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

By: /s/ Michael E. Butterick

Michael E. Butterick
Vice President, Controller-Customer Satisfaction
(Principal Accounting Officer)

Dated: January 6, 1998

EXHIBIT INDEX

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AMENDED AND RESTATED AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that J. R. Hyde, III ("Hyde") and AutoZone, Inc., a Nevada corporation, and its subsidiaries (collectively "AZO") for and in consideration of the promises, undertakings and benefits first set out in this Agreement as of March 18, 1997, and as herein amended and restated as of October 23, 1997, agree as follows:

1. EFFECTIVE DATE. Hyde resigns as an employee and Chairman of AZO as of March 18, 1997 (the "Effective Date"). Notwithstanding such resignation, Hyde shall remain a member of the Board of Directors of AZO subject to election, resignation, and replacement in the same manner as other members of the Board of Directors.

2. RELEASE. Except for the obligations of AZO and Hyde undertaken pursuant to the terms of this Agreement, Hyde and AZO each release and forever discharge the other and their respective employees, agents, subsidiaries, predecessors, successors, affiliates, heirs, and assigns from all claims of whatsoever nature and the right to receive compensation from such claims, growing out of or in any way directly or indirectly connected with the employment relationship between Hyde and AZO, included but not limited to:

- A. Breach of any express or implied term or condition of employment;
- B. Any other causes of action under any federal, state or local law, rule or regulation, including but not limited to claims under any worker's compensation law, the Age Discrimination in Employment Act (as amended), the Older Workers' Benefit Protection Act, the Civil Rights Act of 1991, the Civil Rights Act of 1964 (as amended), the Civil Rights Act of 1866, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, and/or the Tax Reform Act of 1986 (as amended); and/or
- C. Any right to receive any monetary damages or liability payments from any actions at law or in equity filed on his behalf with regard to his employment with or arising out of or relating to his employment with AZO.

3. RECISION. AZO's offer as described in this Agreement will remain open and effective for twenty-one (21) days from the Effective Date. Hyde may elect to accept or reject this offer within that time period. If Hyde does nothing within the twenty-one (21) day period, the offer shall be deemed withdrawn by AZO. If Hyde does sign the Agreement within the twenty-one (21) day period, Hyde will have seven (7) days following the date he signed this Agreement to change his mind and revoke the Agreement

in writing. Therefore, this Agreement will not be in effect until seven (7) days have passed following the date Hyde signs this Agreement.

4. BENEFITS. In consideration of the release granted by Hyde and the other obligations undertaken by Hyde pursuant to this Agreement, AZO agrees to provide, subject only to the limitations contained in this Agreement, the following benefits in his favor (the "Benefits"):

A. Any vacation pay accrued as of the Effective Date;

B. A prorated bonus for AZO's 1997 fiscal year based on the period from September 1, 1996, to the Effective Date. Such bonus shall be in accordance with the bonus plan previously approved by the Compensation Committee of AZO's Board of Directors and will be paid after the end of AZO's 1997 fiscal year when the bonuses of all other executive officers of AZO are paid;

C. AZO shall pay Hyde the following amounts ("Payments"), to be paid in regular installments as and when AZO pays its regular employees:

1. For the period from March 19, 1997, to March 18, 1998, the sum of \$281,683.

2. For the period from March 19, 1998, to March 18, 1999, the sum of \$298,170.

3. For the period from March 19, 1999, to March 18, 2000, the sum of \$295,070.

4. For the period from March 19, 2000, to March 18, 2001, the sum of \$291,815.

5. For the period from March 19, 2001, to March 18, 2002, the sum of \$288,396.

D. Health and dental insurance during the period of time beginning on the Effective Date and ending on the date that Hyde ceases to receive payments pursuant to Section 3(C) of this Agreement as if Hyde were still employed by AZO, and thereafter the coverage as required by law.

E. Personal security services, consisting of a single person employed by AutoZone, to provide security services for Hyde in a manner mutually agreed between the parties. Payments to Hyde are based upon the assumption of the provision of the single person to Hyde to provide security services. Should Hyde request that AutoZone provide additional or different security services, or no security services, AutoZone and Hyde agree that Payments shall be adjusted appropriately to reflect the change in security services provided.

HYDE UNDERSTANDS AND AGREES THAT AUTOZONE IS NOT AN INSURER AND THE SECURITY SERVICES ARE INTENDED TO DETER CRIME, BUT THE SECURITIES SERVICES WILL NOT ELIMINATE THE POSSIBILITY OF SUCH.

FURTHER, HYDE UNDERSTANDS AND AGREES THAT THE ONLY SALARY OR BENEFITS (OTHER THAN SUCH COMPENSATION HE MAY RECEIVE AS A NON-EMPLOYEE DIRECTOR OF AZO) HE WILL RECEIVE FROM AZO ARE SET FORTH HEREIN, AND THAT ALL OTHER SALARY OR BENEFITS HE IS PRESENTLY RECEIVING FROM AZO, INCLUDING BUT NOT LIMITED TO LIFE INSURANCE, LONG TERM DISABILITY COVERAGE, SHORT TERM DISABILITY COVERAGE AND STOCK PURCHASE PLAN, SHALL BE AND ARE TERMINATED AS OF THE EFFECTIVE DATE. TIME IN SERVICE UNDER THE AUTOZONE, INC., ASSOCIATES PENSION PLAN SHALL CEASE TO ACCRUE AS OF THE EFFECTIVE DATE.

The parties understand that applicable local, state, and federal tax and appropriate insurance premium deductions and withholdings will be made from all of the appropriate payments.

The parties further understand and agree that this Agreement shall not diminish or adversely affect in any way Hyde's retirement benefits under the AutoZone, Inc. Associates' Pension Plan, except that payment of Benefits in no way increases the vesting period for retirement benefits nor does it have any effect on the computation of retirement benefits which shall be as provided for pursuant to the AutoZone, Inc. Associates' Pension Plan.

5. NON-COMPETE. Hyde further agrees that he will not, for the period commencing on the Effective Date and ending on the date five years later, be engaged in or concerned with, directly or indirectly, any business related to or involved in the retail sale of auto parts to "DIY" customers, or the wholesale or retail sale of auto parts to commercial installers in any state or area in which AZO operates now or shall operate during the term of the non-compete agreement (herein called "Competitor"), as an employee, consultant, beneficial or record owner, partner, joint venturer, officer or agent of the Competitor. Notwithstanding the foregoing, an investment by Hyde in an investment partnership or mutual fund whereby Hyde does not own more than five (5%) percent of such partnership or fund and does not or have the right to exercise investment control, shall not be considered a breach of this Section 5.

The parties acknowledge and agree that the time, scope, geographic area and other provisions of this Non-Compete section have been specifically negotiated by sophisticated commercial parties and specifically hereby agree that such time, scope, geographic area and other provisions are reasonable under the circumstances. The parties further agree that if, at any time, despite the express agreement of the parties hereto, Hyde violates the provisions of this Non-Compete section and fails to cure such violation within thirty days after his receipt of notice of such violation from AZO, and if AZO attempts to enforce this Agreement and a court of competent jurisdiction holds that any portion of this Non-

Compete section is unenforceable for any reason, AZO may cease paying any further Benefits. In the event of breach by Hyde of any provision of this Non-Compete section Hyde acknowledges that such breach will cause irreparable damage to AZO, the exact amount of which will be difficult or impossible to ascertain, and that remedies at law for any such breach will be inadequate. Accordingly, AZO shall be entitled, in addition to any other rights or remedies existing in its favor, to obtain, without the necessity for any bond or other security, specific performance and/or injunctive relief in order to enforce, or prevent breach of any such provision and AZO shall be entitled to the remedies set forth in the section entitled "Remedies." Further, Hyde agrees not to hire, for himself or any other entity, encourage anyone or entity to hire, or entice away from AZO any full time employee of AZO during the term of this non-compete agreement other than current administrative personnel in the Chairman's office.

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

7. AZO PROPERTY. Hyde agrees to return to AZO any and all property of AZO within a reasonable time after the Effective Date. AZO acknowledges that it is in possession of certain art belonging to Hyde and agrees to return such art upon request by Hyde. During such time as such art is in possession of AZO, AZO agrees to continue to take the same care as it is currently taking to safeguard such art. AZO agrees to insure such art while it is in the possession for such amounts as Hyde and AZO shall mutually agree upon it being agreed that the current insurance is sufficient until otherwise notified in writing by Hyde. AZO and Hyde agree that should any damage occur to such art while it is in the possession, AZO's liability to Hyde shall be limited to the insurance proceeds recovered by AZO.

8. COMPLETE AGREEMENT. This Agreement contains the entire agreement between the parties concerning the matters covered herein and integrates and merges all prior understandings, discussions and negotiations. No other agreements, oral or written, relating to the subject matter contained herein shall be binding upon or enforceable against any of the parties. This Agreement and the documents executed pursuant to it may be amended only in a writing signed by authorized representatives of the parties. No provision of this Agreement or any document executed pursuant to it may be waived except in a writing signed by authorized representatives of the parties.

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

9. SEVERABILITY. The sections of this Agreement are intended to be severable. If any section or provision of this Agreement shall be held to be unenforceable by any court of competent jurisdiction, this Agreement shall be modified to the minimum extent necessary to be enforceable, or if such modification is not possible, then this Agreement shall be construed as though such section or provision had not been included. If any section or provision of this Agreement shall be subject to two constructions, one of which would render such section or provision invalid, then such section or provision shall be given that construction that would render it valid.

10. REMEDIES. In the event of breach by Hyde of any provision of this Agreement, Hyde acknowledges that such breach will cause irreparable damage to AZO, the exact amount of which will be difficult or impossible to ascertain, and that remedies at law for any such breach will be inadequate. Accordingly, AZO shall be entitled, in addition to any other rights or remedies existing in its favor, to obtain, without the necessity for any bond or other security, specific performance and/or injunctive relief to enforce, or prevent breach of any such provision. In the event Hyde breaches this Agreement in any way and fails to cure such breach within thirty (30) days of receipt by Hyde of notice of such breach from AZO, any unpaid Benefits shall immediately terminate. AZO shall have the right, but not the obligation, to exercise any of its remedies under this Agreement or any that may be allowed by law in the event of a breach of this Agreement. Any such remedies available to AZO shall be cumulative, not exclusive. of this Agreement. Any such remedies available to Hyde shall be cumulative, not exclusive.

11. FURTHER ASSURANCES. Hyde warrants and represents to AZO that he has returned to AZO all keys, documents, and other property of AZO. Should

Hyde fail or refuse to return any AZO property, AZO shall be entitled to exercise its rights under "REMEDIES," in addition to any rights that AZO may have by law.

The parties agree to execute on or after the date of the execution of this Agreement any and all reasonable additional documents as requested by the other or its counsel to effectuate the purposes hereof.

12. NOTICES. All notices shall be deemed received three days after it is sent by certified mail, return receipt requested, or when actually received by hand-delivery or overnight courier. All notices shall be sent to:

To AutoZone: General Counsel
Legal Department
AutoZone, Inc.
123 South Front Street
Memphis, TN 38103-3607

To Hyde: P. O. Box 1152
Memphis, TN 38101-1152

IN WITNESS WHEREOF, the respective parties execute this Agreement.

AUTOZONE, INC.

By: /s/ Timothy D. Vargo

/s/ J. R. Hyde, III

J. R. Hyde, III

Title: President and COO

By: /s/ Harry L. Goldsmith

Title: Senior Vice President

AUTOZONE, INC.
AMENDED AND RESTATED
1996 STOCK OPTION PLAN

AutoZone, Inc., a corporation organized under the laws of the State of Nevada, by resolution of the Board of Directors of the Company (the "Board") on October 21, 1996, and as approved by the stockholders of the Company on December 12, 1996, adopted this AutoZone, Inc. 1996 Stock Option Plan (the "Plan").

The Board of Directors of the Company by resolution adopt this Amended and Restated 1996 Stock Option Plan effective as of October 21, 1997.

The purposes of this Plan are as follows:

(1) To further the growth, development and financial success of the Company by providing additional incentives to certain of its executive and other key employees who have been or will be given responsibility for the management or administration of the Company's business affairs, by assisting them to become owners of capital stock of the Company and thus to benefit directly from its growth, development and financial success.

(2) To enable the Company to obtain and retain the services of the type of professional, technical and managerial employees considered essential to the long-range success of the Company by providing and offering them an opportunity to become owners of capital stock of the Company.

ARTICLE I

Definitions

Whenever the following terms are used in this Plan, they shall have the meaning specified below unless the context clearly indicates to the contrary. The masculine pronoun shall include the feminine and neuter and the singular shall include the plural, where the context so indicates.

Section 1.1--Affiliate

"Affiliate" shall mean any Subsidiary and any limited partnership of which the Company or any Subsidiary is the general partner.

Section 1.2--Award Limit

"Award Limit" shall mean 500,000 shares of Common Stock.

Section 1.3--Board

"Board" shall mean the Board of Directors of the Company.

Section 1.4--Code

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

Section 1.5--Committee

"Committee" shall mean the Compensation Committee or another committee of the Board, appointed as provided in Section 6.1.

Section 1.6--Common Stock

"Common Stock" shall mean the common stock of the Company, par value \$.01 per share, and any equity security of the Company issued or authorized to be issued in the future, but excluding any preferred stock and any warrants, options or other rights to purchase Common Stock. Debt securities of the Company convertible into Common Stock shall be deemed equity securities of the Company.

Section 1.7--Company

"Company" shall mean AutoZone, Inc. In addition, "Company" shall mean any corporation assuming, or issuing new employee stock options in substitution for, Incentive Stock Options, outstanding under the Plan, in a transaction to which Section 424(a) of the Code applies.

Section 1.8--Corporate Transaction

"Corporate Transaction" shall mean any of the following stockholder-approved transactions to which the Company is a party:

(a) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the State in which the Company is incorporated, form a holding company or effect a similar reorganization as to form whereupon this Plan and all Awards are assumed by the successor entity;

(b) the sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, in complete liquidation or dissolution of the Company in a transaction not covered by the exceptions to clause (a), above; or

(c) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred or issued to a person or persons different from those who held such securities immediately prior to such merger.

Section 1.9--Director

"Director" shall mean a member of the Board.

Section 1.10--Employee

"Employee" shall mean any employee (as defined in accordance with Section 3401(c) of the Code) of the Employer, whether such employee is so employed at the time this Plan is adopted or becomes so employed subsequent to the adoption of this Plan.

Section 1.11--Employer

"Employer" shall mean the Company or an Affiliate, whichever at the time employs the Employee.

Section 1.12--Exchange Act

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

Section 1.13--Fair Market Value

"Fair Market Value" of a share of Common Stock as of a given date shall be (i) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any (or as reported on any composite index which includes such principal exchange), on the trading day previous to such date, or if shares were not traded on the trading day previous to such date, then on the next preceding date on which a trade occurred; or (ii) if Common Stock is not traded on an exchange but is quoted on NASDAQ or a successor quotation system, the mean between the closing representative bid and asked prices for the Common Stock on the trading day previous to such date as reported by NASDAQ or such successor quotation system; or (iii) if Common Stock is not publicly traded on an exchange and not quoted on NASDAQ or a successor quotation system, the Fair Market Value of a share of Common Stock as established by the Committee acting in good faith.

Section 1.14--Incentive Stock Option

"Incentive Stock Option" shall mean an Option that qualifies under Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee.

Section 1.15--Non-Qualified Option

"Non-Qualified Option" shall mean an Option which is not designated as an Incentive Stock Option and which is designated as a Non-Qualified Option by the Committee.

Section 1.16--Officer

"Officer" shall mean an officer of the Company, as defined in Rule 16a-1(f) under the Exchange Act, as such Rule may be amended in the future.

Section 1.17--Option

"Option" shall mean a stock option granted under Article III of this Plan. An Option granted under this Plan, as determined by the Committee, shall either be an Incentive Stock Option or a Non-Qualified Option, provided, however that options granted to Employees of an Affiliate which is not a Subsidiary shall be Non-Qualified Options.

Section 1.18--Grantee

"Grantee" shall mean an Employee to whom an Option is granted under this Plan.

Section 1.19--Plan

"Plan" shall mean this 1996 Stock Option Plan of AutoZone, Inc.

Section 1.20--Rule 16b-3

"Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

Section 1.21--Secretary

"Secretary" shall mean the Secretary of the Company.

Section 1.22--Securities Act

"Securities Act" shall mean the Securities Act of 1933, as amended.

Section 1.23--Subsidiary

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

Section 1.24--Termination of Employment

"Termination of Employment" shall mean the time when the employee-employer relationship between an Grantee and the Employer is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, or retirement, but excluding (i) terminations where there is a simultaneous reemployment or continuing employment of an Grantee by the Employer; (ii) at the discretion of the Committee, terminations which result in a temporary severance of the employee-employer relationship; and (iii) at the discretion of the Committee, terminations which are followed by the simultaneous establishment of a consulting relationship by the Employer with the former Employee. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for good cause, and all questions of whether particular leaves of absence constitute Terminations of Employment; provided, however, that, with respect to Incentive Stock Options, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. However, notwithstanding any provision of this Plan, the Employer has an absolute and unrestricted right to terminate an Employee's employment at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

ARTICLE II

Shares Subject to Plan

Section 2.1--Shares Subject to Plan

(a) The shares of stock subject to Awards shall be Common Stock, initially shares of the Company's common stock, \$.01 par value. The aggregate number of such shares which may be issued upon exercise of Options under the Plan shall not exceed 6,000,000. The shares of Common Stock issuable under the Plan upon exercise of such Options may be either previously authorized but unissued shares or treasury shares.

(b) The maximum number of shares which may be subject to Options granted under the Plan to any individual in any calendar year shall not exceed the Award Limit. To the extent required by Section 162(m) of the Code, the number of shares subject to Options which are canceled continue to be counted against the Award Limit and if, after grant of an Option, the price of shares subject to such Option is reduced, the transaction is treated as a cancellation of the Option and a grant of a new Option and both the Option deemed to be canceled and the Option deemed to be granted are counted against the Award Limit.

Section 2.2--Add-back of Options

If any Option expires or is canceled without having been fully exercised or vested, the number of shares subject to such Option, but as to which such Option was not exercised or vested prior to its expiration or cancellation, may again be awarded hereunder, subject to the limitations of Section 2.1. Furthermore, any shares subject to Options which are adjusted pursuant to Section 7.8 and become exercisable with respect to shares of stock of another corporation, shall be considered canceled and may again be awarded hereunder, subject to the limitations of Section 2.1. Shares of Common Stock which are delivered by the Grantee or withheld by the Company upon the exercise or vesting of any Option, in payment of the exercise price thereof, may again be awarded hereunder, subject to the limitations of Section 2.1. Notwithstanding the provisions of this Section 2.2, no shares of Common Stock may again be optioned if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

ARTICLE III

Granting of Options

Section 3.1--Eligibility

Any key Employee selected by the Committee pursuant to Section 3.4(a)(i) shall be eligible to be granted an Option, provided, however, that an Employee of an Affiliate which is not a Subsidiary shall be eligible to be granted Non- Qualified Options only.

Section 3.2--Qualification of Incentive Stock Options

No Incentive Stock Option shall be granted to any person who is not an employee (as defined in accordance with Section 3401(c) of the Code) of the Company or a Subsidiary.

Section 3.3--Disqualification for Stock Ownership

No person may be granted an Incentive Stock Option under this Plan if such person, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any then existing Subsidiary or parent corporation unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code.

Section 3.4--Granting of Options

(a) The Committee shall from time to time, in its absolute discretion, and subject to applicable limitations of this Plan:

(i) Determine which Employees are key employees (including Employees who have previously received Options under this Plan, or any other plan of the Company) and in its opinion should be granted Options; and

(ii) Subject to the Award Limit, determine the number of shares to be subject to such Options granted to such selected Employees; and

(iii) Determine whether such Options are to be Incentive Stock Options or Non-Qualified Options and whether such Options are to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code; and

(iv) Determine the terms and conditions of such Options, consistent with the Plan; provided, however, that the terms and conditions of such Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall include, but not be limited to, such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m)(4)(C) of the Code.

(b) Upon the selection of an Employee to be granted an Option, the Committee shall instruct the Secretary to issue such Option and may impose such conditions on the grant of such Option as it deems appropriate. Without limiting the generality of the preceding sentence, the Committee may, in its discretion and on such terms as it deems appropriate, require as a condition of the grant of an Option to an Employee that the Employee surrender for cancellation some or all of the unexercised Options which have been previously granted to him under this Plan or otherwise. An Option, the grant of which is conditioned upon such surrender, may have an exercise price lower (or higher) than the exercise price of the surrendered Option, may cover the same (or a lesser or greater) number of shares as the

surrendered Option, may contain such other terms as the Committee deems appropriate and shall be exercisable in accordance with its terms, without regard to the number of shares, price, exercise period or any other term or condition of the surrendered Option. However, in no event may Options to purchase more than 300,000 shares of common stock be granted at a lower price on a per share basis than the per share price of any Options required to be surrendered.

(c) Any Incentive Stock Option granted under this Plan may be modified by the Committee to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code.

Section 3.5--Consideration

Except as the Committee may otherwise determine, in consideration of the granting of an Option, the Grantee shall agree, in the written Option agreement, to remain in the employ of the Company, or any Affiliate, for a period of at least one year (or such shorter period as may be fixed in the Option agreement or by action of the Committee following grant of the Option) after the Option is granted. Nothing in this Plan or in any Option agreement hereunder shall confer upon any Grantee any right to continue in the employ of his respective Employer, or shall interfere with or restrict in any way the rights of each respective Employer, which are hereby expressly reserved, to discharge any Grantee at any time for any reason whatsoever, with or without cause.

ARTICLE IV

Terms of Options

Section 4.1--Option Agreement

Each Option shall be evidenced by a written Option agreement which shall be executed by the Grantee and authorized Officers of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with the Plan. Option agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code. Stock Option agreements evidencing Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

Section 4.2--Option Price

(a) Subject to subsection 4.2(b), the price per share of the shares subject to each Option shall be set by the Committee; provided, however, that such price shall be no less than eighty-five percent (85%) of the Fair Market Value of the underlying shares on the date of grant; further provided that (i) such price shall be no less than the par value of a share of Common Stock, unless otherwise permitted by applicable state law, (ii) in the case of Incentive Stock Options and Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code, such price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted; and (iii) in the case of Incentive Stock Options granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code) such price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date the Option is granted.

(b) Options to purchase no more than 300,000 shares of common stock may be granted at a price lower than 100% of the Fair Market Value of the underlying shares on the date of grant.

(c) Except as provided in 3.4(b), the price of an Option, once established by the Committee as of the grant date, may not be lowered.

Section 4.3--Option Term

The term of an Option shall be set by the Committee in its discretion; provided, however, that, in the case of Incentive Stock Options, the term shall not be more than ten (10) years from the date the Incentive Stock Option is granted, or five (5) years from such date if the Incentive Stock Option is granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code). Except as limited by requirements of Section 422 of the Code and regulations and rulings thereunder applicable to Incentive Stock Options, the Committee may extend the term of any outstanding Option in connection with any

Termination of Employment of the Grantee, or amend any other term or condition of such Option relating to such a termination.

Section 4.4--Option Vesting

(a) Except as the Committee may otherwise provide, no Option may be exercised in whole or in part during the first year after such Option is granted unless the Option is being granted in modification or substitution of a previously granted Option, in which case the one year period shall be measured from the date of the grant of the previously granted Option.

(b) Subject to the provisions of Sections 4.4(a) and 4.4(d), the period during which the right to exercise an Option in whole or in part vests in the Grantee shall be set by the Committee and the Committee may determine that an Option may not be exercised in whole or in part for a specified period after it is granted. At any time after grant of an Option, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests.

(c) No portion of an Option which is unexercisable at Termination of Employment shall thereafter become exercisable, except as may be otherwise provided by the Committee either in the Option agreement or by action of the Committee following the grant of the Option.

(d) To the extent that the aggregate Fair Market Value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a Grantee during any calendar year (under the Plan and all other incentive stock option plans of the Company and any Subsidiary) exceeds \$100,000, such Options shall be treated as Non-Qualified Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted. For purposes of this Section 4.4(d), the Fair Market Value of stock shall be determined as of the time the Option with respect to such stock is granted.

ARTICLE V

Exercise of Options

Section 5.1--Partial Exercise

An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Committee may require that, by the terms of the Option, a partial exercise be with respect to a minimum number of shares.

Section 5.2--Manner of Exercise

All or a portion of an exercisable Option shall be deemed exercised upon delivery to the Secretary of the Company or his designee:

(a) A written notice complying with the applicable rules established by the Committee stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Grantee or other person then entitled to exercise the Option or such portion;

(b) Such representations and documents as the Committee, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act, the Code, and any other federal or state laws or regulations. The Committee may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option or portion thereof shall be by any person or persons other than the Grantee, appropriate proof of the right of such person or persons to exercise the Option or portion thereof; and

(d) Full cash payment to the Company of the exercise price and any applicable taxes for the shares with respect to which the Option, or portion thereof, is exercised or through the delivery of a notice that the Grantee has placed a market sell order with a broker approved by the Company with respect to shares of Common Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price and any applicable taxes. However, the Committee may, in its discretion, allow payment, in whole or in part, through (i) the delivery of shares of Common Stock owned by the Grantee, duly endorsed for

transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; (ii) allow payment, in whole or in part, through the delivery of a full recourse promissory note bearing interest (at no less than such rate as shall then preclude the imputation of interest under the Code) and payable upon such terms as may be prescribed by the Committee or the Board; or (iii) allow payment through any combination of the foregoing. In the case of a promissory note, the Committee may also prescribe the form of such note and the security to be given for such note. The Option may not be exercised, however, by delivery of a promissory note or by a loan from the Company when or where such loan or other extension of credit is prohibited by law.

Section 5.3--Rights as Stockholders

Grantees shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such Grantees.

Section 5.4--Transfer Restrictions

The Committee, in its absolute discretion, may impose such restrictions on the transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such restrictions shall be set forth in the respective Option agreement and may be referred to on the certificates evidencing such shares. Without limiting the generality of the foregoing, the Committee may require the Employee to give the Company prompt notice of any disposition of shares of stock acquired by exercise of an Incentive Stock Option within two years from the date of granting such Option or one year after the transfer of such shares to such Employee. The Committee may direct that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

ARTICLE VI

Administration

Section 6.1--Compensation Committee

The Committee shall consist solely of two or more Directors, appointed by and holding office at the pleasure of the Board, each of whom is both a "non-employee director" as defined by Rule 16b-3 and an "outside director" for purposes of Section 162(m) of the Code. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee shall be filled by the Board.

Section 6.2--Duties and Powers of the Committee

It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the agreements pursuant to which Options are granted and to adopt such rules for the administration, interpretation and application of the Plan as are consistent herewith and to interpret, amend or revoke any such rules. Any such interpretations and rules in regard to Incentive Stock Options shall be consistent with provisions of Section 422 of the Code. Any grant under this Plan need not be the same with respect to each Grantee. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

Section 6.3--Majority Rule; Unanimous Written Consent

The Committee shall act by a majority of its members in attendance at a meeting at which a quorum is present or by a memorandum or other written instrument signed by all members of the Committee.

Section 6.4--Professional Assistance; Good Faith Actions

All expenses and liabilities which members of the Committee incur in connection with the administration of this Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Committee, the Company and its Officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee or Board in good

faith shall be final and binding upon all Grantees, the Company and all other interested persons. No members of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Awards, and all members of the Committee and the Board shall be fully protected by the Company in respect to any such action, determination or interpretation.

ARTICLE VII

Other Provisions

Section 7.1--Options Not Transferable

Options may not be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution, unless and until such Options have been exercised, and the shares underlying such Options have been issued, and all restrictions applicable to such shares have lapsed. No Option or interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Grantee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect except as otherwise permitted in this Section 7.1.

Section 7.2--Eligibility to Exercise

Only a Grantee may exercise an Option granted under the Plan during the Grantee's lifetime. After the death of the Grantee, any exercisable portion of an Option may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Option agreement or other agreement, be exercised by the Grantee's personal representative, or by any person empowered to do so under the deceased Grantee's will or under the then applicable laws of descent and distribution.

Section 7.3--Conditions to Issuance of Stock Certificates

The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of any Option prior to fulfillment of all of the following conditions:

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Committee shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The lapse of such reasonable period of time following the exercise of the Option as the Committee may establish from time to time for reasons of administrative convenience; and
- (e) The receipt by the Company of full payment for such shares, including payment of any applicable withholding tax.

Section 7.4--Amendment, Suspension or Termination of the Plan

Except as otherwise provided in this Section 7.4, the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, to the extent required by Sections 422 or 162(m) of the Code, without approval of the Company's stockholders given within 12 months before or after the action by the Committee or Board, no action of the Committee or Board may increase any limit imposed in Section 2.1 on the maximum number of shares which may be issued under the Plan, modify the Award Limit, materially modify the eligibility requirements of Section 3.1, or extend the limit imposed in this Section 7.4 on the period during which Options may be granted or amend or modify the Plan in a manner requiring stockholder approval under Sections 422 or 162(m) of the Code, and no action of the Committee or Board may be taken that would otherwise require stockholder approval as a matter of applicable law, regulation or rule. Neither the amendment, suspension nor termination of the Plan shall, without the

consent of the holder of the Option, alter or impair any rights or obligations under any Option theretofore granted unless the Option agreement itself expressly so provides. No Option may be granted during any period of suspension nor after termination of the Plan, and in no event any Option be granted under this Plan on or after October 21, 2006. No amendment, suspension or termination of this Plan shall, without the consent of the Grantees alter or impair any rights or obligations under any Option theretofore granted or awarded, unless the Option agreement otherwise expressly so provides.

Section 7.5--Approval of Plan by Stockholders

The Company shall take such actions with respect to the Plan as may be necessary to satisfy the requirements of Sections 162(m) and 422 of the Code. This Plan will be submitted for the approval of the Company's stockholders within twelve months after the date of the Board's initial adoption of this Plan. Options may not be granted under the Plan prior to such stockholder approval.

Section 7.6--Effect of Plan Upon Other Compensation Plans

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

Section 7.7--Conformity to Securities Laws

The Plan is intended to conform to the extent necessary with all provisions of the Securities Act, the Exchange Act, the Code, and any and all regulations and rules promulgated by the Securities and Exchange Commission and the Internal Revenue Service. Notwithstanding anything herein to the contrary, the Plan shall be administered, and Options shall be granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and Options granted hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

Section 7.8--Changes in Common Stock or Assets of the Company, Acquisition or

Liquidation of the Company and Other Corporate Events

(a) Subject to Section 7.8(d), in event that the Committee determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company (including, but not limited to, a Corporate Transaction), or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Committee's sole discretion, affects the Common Stock such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits intended to be made available under the Plan or with respect to an Option, then the Committee shall, in such manner as it may deem equitable, adjust any or all of

(i) the number and kind of shares of Common Stock (or other securities or property) with respect to which Options may be granted under the Plan, (including, but not limited to, adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued and adjustments of the Award Limit),

(ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Options, and

(iii) the grant or exercise price with respect to any Option.

(b) Subject to Section 7.8(d), in the event of any Corporate Transaction or other transaction or event described in Section 7.8(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations, or accounting principles, the Committee in its discretion is hereby authorized to take

any one or more of the following actions whenever the Committee determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Option under this Plan, to facilitate such transactions or events, or to give effect to such changes in laws, regulations or principles:

(i) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the Option agreement or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Grantee's request, for either the purchase of any such Option for an amount of cash equal to the amount that could have been attained upon the exercise of such option, or award or realization of the Grantee's rights had such Option been currently exercisable or payable or fully vested or the replacement of such Option with other rights or property selected by the Committee in its sole discretion;

(ii) In its sole and absolute discretion, the Committee may provide, either by the terms of such Option or by action taken prior to the occurrence of such transaction or event that it cannot be exercised after such event;

(iii) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of such Option or by action taken prior to the occurrence of such transaction or event, that for a specified period of time prior to such transaction or event, such option shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in (i) Section 4.4 or (ii) the provisions of such Option;

(iv) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of such Option agreement or by action taken prior to the occurrence of such transaction or event, that upon such event, such Option be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; or

(v) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Options and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Options that may be granted in the future.

(c) Subject to Section 7.8(d) and 7.12, the Committee may, in its discretion, include such further provisions and limitations in any Option agreement or stock certificate, as it may deem equitable and in the best interests of the Company.

(d) With respect to Options intended to qualify as performance-based compensation under Section 162(m), no adjustment or action described in this Section 7.8 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code or would cause such Option to fail to so qualify under Section 162(m), as the case may be, or any successor provisions thereto. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 of the Exchange Act or violate the exemptive conditions of Rule 16b-3 unless the Committee determines that the Option is not to comply with such exemptive conditions.

(e) The number of shares of Common Stock subject to any Option shall always be rounded to the nearest whole number.

Section 7.9--Tax Withholding

The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Grantee of any sums required by federal, state or local tax laws to be withheld with respect to the issuance, vesting or exercise of any Option. The Committee may in its discretion and in satisfaction of the foregoing requirement allow such Grantee to elect to have the Company withhold shares of Common Stock otherwise issuable under such Option (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld.

Section 7.10--Loans

The Committee may, in its discretion, extend one or more loans to Employees in connection with the exercise of an Option granted under this Plan. The terms and conditions of any such loan shall be set by the Committee.

Section 7.11--Forfeiture Provisions

Pursuant to its general authority to determine the terms and conditions applicable to awards under the Plan, the Committee shall have the right (to the extent consistent with the applicable exemptive conditions of Rule 16b-3) to provide, in the terms of an Option made under the Plan, or to require the recipient to agree by separate written instrument, that (i) any proceeds, gains or other economic benefit actually or constructively received by the recipient upon any receipt or exercise of the Option, or upon the receipt or resale of any Common Stock underlying such Option, must be paid to the Company, and (ii) the Option shall terminate and any unexercised portion of such Option (whether or not vested) shall be forfeited, if (a) a Termination of Employment occurs prior to a specified date, or within a specified time period following receipt or exercise of the Option, or (b) the recipient at any time, or during a specified time period, engages in any activity in competition with the Company, or which is adverse, contrary or harmful to the interests of the Company, as further defined by the Committee.

Section 7.12--Limitations Applicable to Section 16 Persons and Performance-Based Compensation

Notwithstanding any other provision of this Plan, this Plan, and any Option granted to any individual who is then subject to Section 16, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Options granted hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule. Furthermore, notwithstanding any other provision of this Plan, any Option intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as performance-based compensation as described in Section 162(m)(4)(C) of the Code, and this Plan shall be deemed amended to the extent necessary to conform to such requirements.

Section 7.13--Compliance with Laws

This Plan, the granting and vesting of Options under this Plan and the issuance and delivery of shares of Common Stock and the payment of money under this Plan or under Options granted hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restriction, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan, Options granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules or regulations.

Section 7.14--Titles

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

Section 7.15--Governing Law

This Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Nevada without regard to the conflicts of laws rules thereof.

STATEMENT RE : COMPUTATION OF EARNINGS PER SHARE

(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	TWELVE WEEKS ENDED	
	Nov. 22, 1997	Nov. 23, 1996
	-----	-----
PRIMARY:		
Average shares outstanding	151,697	150,243
Net effect of dilutive stock options, based on the treasury stock method, using average fair market value	2,126	2,151
	-----	-----
Total shares used in computation	153,823	152,394
	=====	=====
Net Income	\$ 47,546	\$ 37,975
	=====	=====
Per share amount	\$ 0.31	\$ 0.25
	=====	=====
FULLY DILUTED:		
Average share outstanding	151,697	150,243
Net effect of dilutive stock options, based on the treasury stock method, using higher of average or ending fair market value	2,126	2,151
	-----	-----
Total shares used in computation	153,823	152,394
	=====	=====
Net Income	\$ 47,546	\$ 37,975
	=====	=====
Per share amount	\$ 0.31	\$ 0.25
	=====	=====

This schedule contains summary financial information extracted from the consolidated financial statements for quarter ended November 22, 1997, and is qualified in its entirety by reference to such consolidated financial statements.

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3-MOS	AUG-29-1998	NOV-22-1997
		4365
		0
	22384	0
	724859	
	796923	1419667
	287646	
	1954275	
602902		0
0		0
		1520
	1130246	
1954275		675274
	675274	394833
		394833
	201793	
	0	
	2502	
	76146	
	28600	
	0	
	0	
	0	
		0
	47546	
	.31	
	.31	