SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 4, 2002, 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 [X] 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 -- 101,322,769 shares as of June 1, 2002.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	May 4, 2002	Aug. 25, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,242	$ 7,286
Accounts receivable	22,500	19,135
Merchandise inventories	1,291,189	1,242,896
Prepaid expenses	13,758	18,426
Deferred income taxes	37,288	40,768
Total current assets	1,371,977	1,328,511
Property and equipment:		
Property and equipment	2,427,756	2,372,311
Less accumulated depreciation and amortization	736,163	661,868
	1,691,593	1,710,443
Other assets:		
Cost in excess of net assets acquired	305,390	305,390
Deferred income taxes	71,426	80,593
Other assets	3,861	7,575
	380,677	393,558
	$3,444,247	$3,432,512
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 932,106	$ 945,666
Accrued expenses	316,292	292,153
Income taxes payable	99,618	28,835
Total current liabilities	1,348,016	1,266,654
Long-term debt	1,251,134	1,225,402
Other liabilities	70,182	74,243
Stockholders' equity	774,915	866,213
	$3,444,247	$3,432,512

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per share amounts)

	Twelve Weeks Ended		Thirty-six Weeks Ended	
	May 4, 2002	May 5, 2001	May 4, 2002	May 5, 2001
Net sales	$1,224,810	$1,139,957	$3,482,173	$3,177,522
Cost of sales, including warehouse and delivery expenses	682,826	657,379	1,949,153	1,852,046
Operating, selling, general and administrative expenses	359,551	349,512	1,073,934	1,004,362
Restructuring and impairment charges		5,200		5,200
Operating profit	182,433	127,866	459,086	315,914
Interest expense -- net	17,419	23,841	55,124	72,365
Income before income taxes	165,014	104,025	403,962	243,549
Income taxes	62,700	40,500	153,800	94,500
Net income	$ 102,314	$ 63,525	$ 250,162	$ 149,049
Weighted average shares for basic earnings per share	103,961	112,364	106,264	114,330
Effect of dilutive stock equivalents	2,683	673	2,751	531
Adjusted weighted average shares for diluted earnings per share	106,644	113,037	109,015	114,861
Basic earnings per share	$ 0.98	$ 0.57	$ 2.35	$ 1.30
Diluted earnings per share	$ 0.96	$ 0.56	$ 2.29	$ 1.30

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Thirty-six Weeks Ended	
	May 4, 2002	May 5, 2001
Cash flows from operating activities:		
Net income	$ 250,162	$ 149,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	82,497	91,694
Net increase in merchandise inventories	(83,754)	(105,964)
Net increase in current liabilities	113,516	72,075
Restructuring and impairment charges		5,200
Income tax benefit from exercise of options	28,159	2,018
Other -- net	(1,724)	(7,890)
Net cash provided by operating activities	388,856	206,182
Cash flows from investing activities:		
Purchases of property and equipment	(81,845)	(137,305)

Proceeds from sale of business	25,723	
Proceeds from sale of property and equipment	9,716	43,353
Increase in other assets		(5,175)
Notes receivable from officers	1,911	23
Net cash used in investing activities	(44,495)	(99,104)
Cash flows from financing activities:		
Net proceeds from debt	25,732	142,792
Purchase of treasury stock	(412,442)	(261,590)
Net proceeds from exercise of stock options	42,257	8,128
Other	77	3,811
Net cash used in financing activities	(344,376)	(106,859)
Net change in cash and cash equivalents	(15)	219
Cash and cash equivalents at beginning of period	7,257	6,969
Cash and cash equivalents at end of period	$ 7,242	$ 7,188

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note A-Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to the fiscal 2002 presentation. Operating results for the thirty-six weeks ended May 4, 2002, are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2002. For further information, refer to the financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended August 25, 2001.

Note B-Restructuring and Impairment Charges

The Company recorded restructuring and impairment charges of $156.8 million ($95.8 million, net of taxes) in fiscal 2001. These charges were a result of a review of the Company's assets in connection with a strategic planning process that established a 15% after-tax return threshold for all investments. The largest part of the charge, $56.1 million, related to stores, including the planned closure of 51 domestic auto parts stores and the disposal of real estate projects in process and excess properties. The Company closed four stores during the quarter ended May 4, 2002; year-to-date the Company has closed 39 auto parts stores. The Company continues to market for sale all excess properties. The Company has sold some of the excess properties for amounts in excess of their net book values, resulting in a net gain of approximately $2.6 million through May 4, 2002. Additionally, the Company has re-evaluated all remaining excess properties and determined that several will be developed (resulting in the reversal of accrued lease obligations of $6.4 million) and also determined that additional writedowns were necessary for the remaining excess properties of $9.0 million in order to properly state them at fair value. These adjustments offset and had no impact on the income statement.

Another portion of the charge, $32.0 million, related to other asset writedowns and the accrual of lease obligations associated with the closure of a supply depot and for the ALLDATA office building that will not be occupied. The Company is continuing to pursue the sale of or sublease opportunities for these leased facilities. The Company also reserved $30.1 million for inventory rationalization, including a provision for inventory losses in closing stores. Substantially all of the scheduled recalls and disposals of inventory have taken place.

The Company also recorded asset writedowns and contractual obligations aggregating $29.9 million related to the planned sale of TruckPro. In December 2001, TruckPro was sold to a group of investors for cash proceeds of $25.7 million and a promissory note. The Company has deferred a preliminary gain of $4.5 million related to the sale due to uncertainties associated with the realization of the gain. The transaction is still subject to a final working capital adjustment that will occur during the fourth quarter based on the closing balance sheet. Refer to Note J for further information. The remainder of the charge, $8.7 million, related to contractual obligations, severance and other charges.

Total accrued obligations for restructuring charges were $30.3 million at May 4, 2002. The following table presents a summary of the activity in accrued obligations for the restructuring charges, along with additional excess property writedowns, in thousands:

	Additional Excess Property Writedowns	Lease Obligations	Contract Settlements/ Terminations	Severance & Other
Beginning balance	$	$29,576	$ 6,713	$ 2,715
Cash outlays		306	3,792	1,876
Balance at November 17, 2001		29,270	2,921	839
Cash outlays		116	1,333	477
Balance at February 9, 2002		29,154	1,588	362
Cash outlays		375	212	172
Other adjustments	(6,400)	6,400		
Balance at May 4, 2002	$ (6,400)	$22,379	$ 1,376	$ 190

Note C-Amortization of Goodwill

On August 26, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill amortization ceased upon adoption of the new standard. Had the application of the non-amortization provisions of SFAS 142 not been adopted, net income would have been reduced by $1.2 million ($0.01 per share) in the quarter ended May 4, 2002, and by $3.7 million ($0.03 per share) for the thirty-six weeks ended May 4, 2002. The new rules also require an initial goodwill impairment assessment in the year of adoption and annual impairment tests thereafter. During the quarter ended February 9, 2002, the Company performed the first of the required impairment tests of goodwill. No impairment loss resulted from the initial goodwill impairment test. The pro forma effects of the adoption of SFAS 142 on the results of operations for periods prior to fiscal year 2002 are as follows (in thousands, except per share data):

	Twelve Weeks Ended May 4, 2002	Twelve Weeks Ended May 5, 2001	Thirty-six Weeks Ended May 4, 2002	Thirty-six Weeks Ended May 5, 2001
Reported net earnings	$102,314	$ 63,525	$250,162	$149,049
Add: Goodwill amortization, net of tax		1,236		3,707
Adjusted net income	$102,314	$ 64,761	$250,162	$152,756
Basic earnings per share:				
Reported net earnings	$ 0.98	$ 0.57	$ 2.35	$ 1.30
Goodwill amortization, net of tax		$ 0.01		$ 0.04
Adjusted net income	$ 0.98	$ 0.58	$ 2.35	$ 1.34
Diluted earnings per share:				
Reported net earnings	$ 0.96	$ 0.56	$ 2.29	$ 1.30
Goodwill amortization, net of tax		$ 0.01		$ 0.03
Adjusted net income	$ 0.96	$ 0.57	$ 2.29	$ 1.33

Note D-Recent Accounting Pronouncements

In October 2001, the Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but retains many of its fundamental provisions. Additionally, SFAS 144 expands the scope of discontinued operations to include more disposal transactions. The provisions of SFAS 144 are effective for the Company's 2003 fiscal year. The Company does not expect the adoption of SFAS 144 to have a significant financial impact on its Consolidated Financial Statements.

Note E-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 F-Financing Arrangements

The Company's long-term debt as of May 4, 2002, and August 25, 2001, consisted of the following (in thousands):

	May 4, 2002	Aug. 25, 2001
6% Notes due November 2003	$ 150,000	$150,000
6.5% Debentures due July 2008	190,000	190,000
7.99% Notes due April 2006	150,000	150,000
Bank term loan due December 2003, interest rate of 3.00% at May 4, 2002, and 4.95% at August 25, 2001	115,000	115,000
Bank term loan due May 2003, interest rate of 3.00% at May 4, 2002, and 4.69% at August 25, 2001	200,000	200,000
Commercial paper, weighted average rate of 2.31% at May 4, 2002, and 3.93% at August 25, 2001	428,467	385,447
Unsecured bank loans		15,000
Other	17,667	19,955
	$1,251,134	$1,225,402

The Company maintains $1.05 billion of revolving credit facilities with a group of banks. Of the $1.05 billion, $400 million expires in May 2002. The remaining $650 million expires in May 2005. The 364-day facility expiring in May 2002 includes a renewal feature as well as an option to extend the maturity date of the then-outstanding debt by one year. The credit facilities exist largely to support commercial paper borrowings and other short-term unsecured bank loans. Outstanding commercial paper at May 4, 2002, of $428.5 million is classified as long-term as the Company has the ability and intention to refinance it on a long-term basis. The rate of interest payable under the credit facilities is a function of the London Interbank Offered Rate (LIBOR), the lending banks' base rate (as defined in the agreement) or a competitive bid rate at the option of the Company. The Company has agreed to observe certain covenants under the terms of its credit agreements, including limitations on total indebtedness, restrictions on liens and minimum fixed charge coverage.

Subsequent to the end of the quarter, the Company replaced the expiring $400 million 364-day facility with a new $300 million 364-day credit agreement and increased and extended the $200 million two-year unsecured term loan with a group of banks to a $350 million loan expiring in November 2004. The new $300 million 364-day facility includes a renewal feature, as well as an option to extinguish the outstanding debt one year from maturity. The facility supports domestic commercial paper borrowings, and the rate of interest payable under the bank credit facilities is a function of LIBOR, the lending bank's base rate (as defined in the agreement) or a competitive bid rate at the option of the Company. The $350 million two-and-one-half year unsecured bank loan term loan matures in November 2004 and the rate of interest is a function of LIBOR or the lending bank's base rate (as defined in the agreement) at the option of the Company. The Company has agreed to observe certain covenants under the terms of its credit agreements, including limitations on total indebtedness, restrictions on liens and minimum fixed charge coverage.

Note G-Stockholders' Equity

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

As of May 4, 2002, the Company's Board of Directors had authorized the Company to repurchase up to $2.0 billion of common stock in the open market. From January 1998 to May 4, 2002, approximately $1.76 billion of common stock has been repurchased under the plan, including shares under forward contracts. At times, the Company utilizes equity instrument contracts to facilitate its repurchase of common stock. At May 4, 2002, the Company held equity instrument contracts that relate to the purchase of approximately 2.0 million shares of common stock at an average cost of $54 per share. Subsequent to the end of the quarter, the Company purchased the 2.0 million shares in settlement of all equity instrument contracts outstanding at May 4, 2002.

Note H-Comprehensive Income

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

	Twelve	Weeks	Ended	Thirty-six	Weeks	Ended
	May 4, 2002		May 5, 2001	May 4, 2002		May 5, 2001
Reported net earnings	$102,314		$63,525	$250,162		$149,049
Foreign currency translation adjustment	(816)		415	(292)		187
Unrealized gain (loss) on interest rate swap contracts	1,403		(2,186)	(1,422)		(3,973)
Comprehensive income	$102,901		$61,754	$248,448		$145,263

Note I-Contingencies

AutoZone, Inc., is a defendant in a lawsuit entitled "Coalition for a Level Playing Field, L.L.C., *et al.*, v. AutoZone, Inc., Wal-mart Stores, Inc., Advance Auto Parts, Inc., The Pep Boys -- Manny, Moe and Jack, O'Reilly Automotive, Inc., and Keystone Automotive Operations, Inc.," filed in the U.S. District Court for the Eastern District of New York in February 2000. The case was filed by over 100 plaintiffs, which are principally automotive aftermarket warehouse distributors and jobbers. The plaintiffs claim in the Complaint that the defendants have knowingly received volume discounts, rebates, slotting and other allowances, fees, free inventory, sham advertising and promotional payments, a share in the manufacturers' profits, and excessive payments for services purportedly performed for the manufacturers in violation of the Robinson-Patman Act. The plaintiffs, in an amended Complaint, stated that they seek substantially more than $1 billion in damages (including statutory trebling) and a permanent injunction prohibiting defendants from committing further violations of the Robinson-Patman Act and from opening any further stores to compete with plaintiffs as long as defendants continue to violate the Act. AutoZone, Inc., answered the complaint on February 15, 2002, denying the plaintiff's allegations. The parties will enter into a period of discovery related to the merits of the case. The Company will vigorously defend against this case, and believes the suit to be without merit and that the Company will ultimately prevail. The Company currently believes that this matter will not likely result in liabilities material to the Company's financial condition or results of operations.

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

Note J-Sale of TruckPro Business

In December 2001, the Company's heavy-duty truck parts business was sold to a group of investors in exchange for cash and a six-year note. The Company has deferred a preliminary gain of $4.5 million related to the sale due to uncertainties associated with the realization of the gain. The transaction is still subject to a final working capital adjustment based on the closing balance sheet that will occur during the fourth quarter. The Company has agreed to assist the purchaser of the business by providing certain corporate services that had been provided by the Company prior to the sale for a period of six months at the Company's incremental cost of providing the services. In addition, we have subleased some of the TruckPro store properties to the purchaser of the TruckPro business for an initial term of not less than twenty years.

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

Critical Accounting Policies

Product Warranties

We provide our customers limited warranties on certain products that may range from 30 days to lifetime warranties. We provide for a reserve for warranty obligations at the time of a product's sale based on that product's historical return rate. Our product vendors pay a portion of our warranty expense. However, at times, the vendors may not cover all of the warranty expense. If we materially underestimate our warranty expense on products that are not fully warranted to us by our vendors, we may experience a material adverse impact on our reported financial position and results of operations. If we overestimate our warranty expense, we will recognize any excess in income at the time the excess is determined.

LIFO Inventory Method

Our 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.

Litigation and Other Contingent Liabilities

We have received claims related to and been notified that we are a defendant in a number of legal proceedings resulting from our business, such as employment matters, product liability, general liability related to our store premises and alleged violation of the Robinson-Patman Act (as specifically described in Note I to the Financial Statements). We accrue reserves using our best estimate of our probable and reasonably estimable contingent liabilities, such as lawsuits and our retained liability for insured claims. We do not believe that any of these contingent liabilities, individually or in the aggregate, will have a material adverse effect upon our consolidated financial position or results of operations. However, if our estimates related to these contingent liabilities are incorrect, the future results of operations for any particular fiscal quarter or year could be materially adversely affected. Some of our litigation is being conducted before juries in states where past jury awards have been significant, and we are unable to predict the results of any jury verdict. If we overestimate our contingent liabilities, we will recognize any excess in income at the time the excess is determined.

Vendor Allowances

We receive various payments and allowances from our vendors based on volume of purchases and in payment for services that AutoZone provides to the vendors. Monies received from vendors include rebates, allowances and cooperative advertising funds. Typically these funds are determined periodically and are, at times, dependent on projected purchase volumes and advertising plans. Certain vendor allowances are used exclusively for advertising and other direct expenses and are recognized as a reduction to selling, general and administrative expenses when earned. Rebates and other miscellaneous incentives are earned based on purchases and/or the sale of the product. These monies are treated as a reduction of inventories and are recognized as a reduction to cost of sales as the inventories are sold. The amounts to be received are subject to changes in market conditions or marketing strategies for the vendors, and changes in profitability or sell-through of the related merchandise for AutoZone.

Restructuring and Impairment Charges

In the third and fourth quarters of fiscal 2001, we incurred pre-tax restructuring and impairment charges of $156.8 million as more fully described in Note B to the financial statements. A substantial portion of the charges related to the closure of 51 domestic auto parts stores and the writedown of various real estate projects in process and excess properties. The accrual for net lease obligations related to leased properties included estimates and assumptions regarding the following: the probability that properties could be subleased and the amounts and timing of such subleases which were estimated on a property-by-property basis, the long-term borrowing rate used to discount the lease obligations to present value and estimates of future upkeep costs. The fair value of owned properties was determined using the following estimates and assumptions: the amount of assets in stores to be closed that can be redeployed to other stores was estimated to be 40% of the carrying value of fixtures and selling prices for properties were based on estimates received from brokers and recent sales prices of similar properties assuming sales in an orderly fashion over a twelve-month period. The fair value of the TruckPro business was determined based on the purchase price specified in preliminary offers received from third parties. The inventory rationalization charge included the following estimates and assumptions: all inventory initiatives should be completed by the end of the first quarter of fiscal 2002 (but in no case would exceed one year), no consideration would be received for the discontinued inventory and some sell-through of the inventory on-hand at year end 2001 may occur before the inventory initiatives are complete. When actual results differ from the estimates, we record the impact in income from operations in the period the related disposal transactions occur. In addition, the estimates are reviewed on a quarterly basis and any adjustments are made as deemed necessary based on the most recent information.

Twelve Weeks Ended May 4, 2002, Compared to

Twelve Weeks Ended May 5, 2001

Net sales for the twelve weeks ended May 4, 2002, increased by $84.9 million, or 7.4%, over net sales for the comparable period of fiscal 2001. Excluding TruckPro, net sales increased 11.0%. The sales increases are attributable to an increase in comparable store sales, or sales for domestic auto parts stores opened at least one year, of 9%, combined with new store sales in fiscal year 2002 that contributed 2% of the sales increase. Comparable store sales increased as a result of an increase in customer count and an increase in average dollars spent per customer over the amounts in the prior comparable period. Comparable store sales increased 5% for the twelve weeks ended May 5, 2001.

At May 4, 2002, we had 3,052 domestic auto parts stores in operation, plus 27 in Mexico, compared with 2,994 domestic auto parts stores, 16 in Mexico and 49 TruckPro stores at May 5, 2001.

Gross profit for the twelve weeks ended May 4, 2002, was $542.0 million, or 44.3% of net sales, compared with $482.6 million, or 42.3% of net sales, during the comparable period for fiscal 2001. Gross margin is up slightly from 43.9% in the prior quarter.

The improvement in gross margin compared to the same period of the prior year is due primarily to lower product costs, leveraging supply chain costs and the benefit of more strategic and disciplined pricing due to category management. Additionally, gross profit in the current period reflects the additive impact of new merchandise selling at higher margins.

Operating, selling, general and administrative expenses for the twelve weeks ended May 4, 2002, increased by $10.0 million over such expenses for the comparable period for fiscal 2001, but decreased as a percentage of net sales from 30.7% to 29.4%. The expense ratio decreased primarily from expense leverage of store level expenses due to the increase in sales (75 basis point improvement), combined with operating savings from the restructuring in the fourth quarter of fiscal year 2001 related to controlling staffing, base salaries and technology spending (33 basis point improvement). Additionally, the change in accounting for goodwill reduced operating expenses by approximately $2 million (20 basis point improvement), or $0.01 per diluted share.

The twelve weeks ended May 5, 2001 included restructuring and impairment charges of $5.2 million related to abandoned real estate projects in process identified during the strategic planning process begun during the third quarter of fiscal 2001. All of our assets were examined to identify any not meeting a 15% after-tax return threshold. No such charges were incurred in the current period.

Interest expense for the twelve weeks ended May 4, 2002, was $17.4 million compared with $23.8 million during the comparable period of fiscal 2001. The decrease in interest expense was primarily due to lower debt during the quarter compared with the comparable period of last fiscal year and lower average interest rates on short-term borrowings. Weighted average borrowings for the twelve weeks ended May 4, 2002 were $1.35 billion, compared to $1.50 billion for the twelve weeks ended May 5, 2001. Additionally, weighted average interest rates were lower in the current period compared to the same period of the prior year, 4.2% compared to 6.1%.

AutoZone's effective income tax rate was 38.0% of pre-tax income for the twelve weeks ended May 4, 2002, and 38.9% for the twelve weeks ended May 5, 2001. The decrease in tax rate is due to increased profitability in lower tax rate jurisdictions.

Thirty-six Weeks Ended May 4, 2002, Compared to Thirty-six Weeks Ended May 5, 2001

Net sales for the thirty-six weeks ended May 4, 2002, increased by $304.7 million, or 9.6%, over net sales for the comparable period of fiscal 2001. Net sales include TruckPro sales of $47.6 million in the current period and $100.3 million in the same period of the prior year. The sales increases are attributable to an increase in comparable store sales, or sales for domestic auto parts stores opened at least one year, of 10%, combined with new store sales in fiscal year 2002 that contributed 2% of the sales increase. Comparable store sales increased as a result of an increase in customer count and an increase in average dollars spent per customer over the amounts in the prior comparable period. Comparable store sales were 3% for the same period of the prior year.

Gross profit for the thirty-six weeks ended May 4, 2002, was $1.53 billion, or 44.0% of net sales, compared with $1.33 billion, or 41.7% of net sales, during the comparable period for fiscal 2001. The improvement in gross margin compared to the same period of the prior year is due primarily to improvement in margins for commodities, including oil, antifreeze and Freon, which were below their historical norms in the prior year, as well as to inventory corrections recorded in the second quarter of the prior year related to business process changes. Additionally, the improvement is also due to the introduction of new merchandise with higher margins, lower product costs and reduced inventory shrink expense and lower warehouse and delivery costs.

Operating, selling, general and administrative expenses for the thirty-six weeks ended May 4, 2002, increased by $69.6 million over such expenses for the comparable period for fiscal 2001, but decreased as a percentage of net sales from 31.6% to 30.8%. The decrease in the expense ratio was primarily from expense leverage of store level expenses due to the increase in sales (139 basis point improvement) combined with operating savings from the restructuring in the fourth quarter of fiscal year 2001 related to controlling staffing, base salaries and technology spending (38 basis point improvement). Additionally, the change in accounting for goodwill reduced operating expenses by approximately $6 million (20 basis point improvement), or $0.03 per diluted share. The improvement in the expense ratio was partially offset by additional bonus, legal and insurance expenses incurred in the current year (122 basis points higher).

Interest expense for the thirty-six weeks ended May 4, 2002, was $55.1 million compared with $72.4 million during the comparable period of fiscal 2001. The decrease in interest expense was primarily due to lower levels of debt compared with the comparable period of last fiscal year and lower average interest rates on short-term borrowings. Weighted average borrowings for the thirty-six weeks ended May 4, 2002 were $1.33 billion, compared to $1.47 billion for the thirty-six weeks ended May 5, 2001. Additionally, weighted average interest rates were lower in the current period compared to the same period of the prior year, 4.5% compared to 6.6%.

AutoZone's effective income tax rate was 38.1% of pre-tax income for the thirty-six weeks ended May 4, 2002, and 38.8% for the thirty-six weeks ended May 5, 2001. The decrease in tax rate is due to increased profitability in lower tax rate jurisdictions.

Liquidity and Capital Resources

For the thirty-six weeks ended May 4, 2002, net cash of $388.9 million was provided by our operating activities versus $206.2 million provided in the comparable prior year period. The increase in cash flow from operating activities is due primarily to higher net income in the current period, combined with lower inventory levels in the current period, a larger decrease in current liabilities in the prior period and higher employee stock option exercises in the current period.

Additionally, $44.5 million was used in investing activities compared with $99.1 million used in the comparable period of fiscal year 2001. The decrease in investing activities as compared to the comparable period of the prior year is primarily due to lower capital expenditures in the current period and the sale of the TruckPro business. Capital expenditures for the thirty-six weeks ended May 4, 2002, were $81.8 million compared to $137.3 million for the comparable period of fiscal 2001. Capital expenditures in the comparable period of the prior year, net of a sale and leaseback transaction that occurred in the second quarter of the prior year, were $94.0 million. Year-to-date, we opened 72 net new domestic auto parts stores and 6 stores in Mexico, relocated 12 stores and closed 39 stores pursuant to the restructuring plan approved in the fourth quarter of fiscal year 2001. In the comparable period of the prior fiscal year, we opened 82 net new domestic auto parts stores and 3 stores in Mexico, relocated 13 stores and closed 3 stores. We expect to open approximately 100 new domestic auto parts store during the fiscal year.

Financing activities for the thirty-six weeks ended May 4, 2002, used $344.4 million compared to cash used of $106.9 million in the comparable period of the prior year. The current period reflects net proceeds from debt of $25.7 million offset by $412.4 million in stock repurchases, compared to $142.8 million in debt proceeds and $261.6 million in stock repurchases in the same period of the prior year. For the thirty-six weeks ended May 4, 2002, exercises of stock options provided $70.4 million, including $28.2 million in related tax benefits that are reflected in cash flows from operations. Options to purchase 2.2 million shares were exercisable at May 4, 2002, at a weighted average exercise price of $25.

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

As of May 4, 2002, the Company's Board of Directors had authorized the Company to repurchase up to $2.0 billion of common stock in the open market. From January 1998 to May 4, 2002, approximately $1.76 billion of common stock has been repurchased under the plan, including shares under forward contracts. At times, the Company utilizes equity instrument contracts to facilitate its repurchase of common stock. At May 4, 2002, the Company held equity instrument contracts that relate to the purchase of approximately 2.0 million shares of common stock at an average cost of $54 per share. Subsequent to the end of the quarter, the Company purchased the 2.0 million shares outstanding under the equity instrument contracts at May 4, 2002.

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

The following table shows AutoZone's obligations and commitments to make future payments under contractual obligations (in thousands):

	Payments Due by Period				...
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Over 5 years**
Long-Term Debt	$1,251,134	$428,467	$619,742	$ 12,925	$190,000
Synthetic Leases	22,280			22,280	
Other Operating Leases	674,377	109,794	257,779	121,429	185,375
Construction Obligations	15,085	15,085			
Total Contractual Cash Obligations	$1,962,876	$553,346	$877,521	$156,634	$375,375

The following table shows AutoZone's other commercial commitments (in thousands):

Other Commercial Commitments	**Total Amounts Committed**	**Amount of Less than 1 year**	**Commitment 1-3 years**	**Expiration 4-5 years**	**Per Period Over 5 years**
Standby Letters of Credit	$ 26,434	$ 26,434	$	$	$
Surety Bonds	24,495	24,495			
Share Repurchase Obligations	108,789	108,789			
Total Commercial Commitments	$159,718	$159,718	$	$	$

A substantial portion of the outstanding amount of standby letters of credit (which are primarily renewed on an annual basis) and surety bonds are used to cover premium and deductible payments to our workers' compensation insurance carrier.

AutoZone has a senior unsecured debt credit rating from Standard & Poor's of BBB+ and a commercial paper rating of A-2. Moody's Investors Service has assigned us a senior unsecured debt credit rating of Baa2 and a commercial paper rating of P-2. Both rating agencies have AutoZone listed as having a "negative outlook". However, for the quarter ended May 4, 2002, our EBITDA to interest coverage was 12.0 times, compared to 6.6 times for the quarter ended May 5, 2001. EBITDA to interest coverage for the thirty-six weeks ended May 4, 2002 was 9.8 times versus 5.6 times in the same period of the prior year. EBITDA is calculated as net income plus net interest expense, income taxes and depreciation and amortization. If these credit ratings drop, AutoZone's interest expense will increase; similarly, we anticipate that our interest expense may decrease if our investment ratings are raised. If the credit ratings on our commercial paper drop below current levels, we may have substantial difficulty continuing to utilize the commercial paper market and our interest expense will increase, as we will then be required to access more expensive bank lines of credit. If our senior unsecured debt ratings drop below investment grade, our access to financing may become more limited, and obligations under our equity forward agreements may be accelerated, requiring us to settle the agreements prior to our planned settlement date.

We maintain $1.05 billion of revolving credit facilities with a group of banks. Of the $1.05 billion, $400 million expires in May 2002. The remaining $650 million expires in May 2005. The 364-day facility expiring in May 2002 includes a renewal feature as well as an option to extend the maturity date of the then-outstanding debt by one year. Subsequent to the end of the quarter, we renewed the 364-day facility but reduced the capacity from $400 million to $300 million. Additionally, we increased the $200 million term loan by $150 million to $350 million, while also extending the maturity by 18 months to November 2004. In addition, we may also finance certain of our debt in long-term instruments in private placements or public issuances.

The bank credit facilities exist largely to support commercial paper borrowings and other short-term unsecured bank loans. Outstanding commercial paper at May 4, 2002, of $428.5 million is classified as long-term as we have the ability under the long-term credit facilities and intention to refinance it on a long-term basis. The rate of interest payable under the credit facilities is a function of the London Interbank Offered Rate (LIBOR), the lending banks' base rate (as defined in the agreement) or a competitive bid rate at our option. We have agreed to observe certain covenants under the terms of our credit agreements, including limitations on total indebtedness, restrictions on liens and minimum fixed charge coverage. We are currently in compliance with all applicable covenants.

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

In conjunction with our commercial sales program, we offer credit to some of our commercial customers. The receivables related to the credit program are sold to a third party at a discount for cash with limited recourse. AutoZone has established a reserve for this recourse. At May 4, 2002, the sold receivables had an outstanding balance of $21.0 million and the balance of the recourse reserve was $1.8 million.

AutoZone has a synthetic lease facility of $30 million in total. Currently, we have $22.3 million in synthetic lease obligations outstanding, relating to a small number of our domestic auto parts stores. The synthetic leases qualify as operating leases for accounting purposes and are not reflected as an asset or a liability in our balance sheet. The lease payments on the stores are reflected in the income statement and we depreciate the underlying assets for tax purposes. The ALLDATA office building that has not been occupied and was previously included in the facility has been purchased in anticipation of its sale and is reflected in our balance sheet at May 4, 2002. The estimated loss on the disposition of the building has been reserved.

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

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q are forward-looking statements. These statements discuss, among other things, business strategies and future performance. The forward-looking statements are subject to risks, uncertainties and assumptions including, without limitation, accuracy of estimates, competition, product demand, the economy, inflation, gasoline prices, the ability to hire and retain qualified employees, consumer debt levels, inflation, war and the prospect of war, including terrorist activity, and availability of commercial transportation. Actual results may materially differ from anticipated results. Please refer to the Risk Factors in Part II, Item 5, of this report for more details.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

AutoZone is exposed to market risk from changes in foreign exchange and interest rates. To minimize interest rate risks, we periodically use various financial instruments. All hedging transactions are authorized and executed pursuant to policies and procedures established by our Board of Directors. We do not buy or sell financial instruments for trading purposes.

We adopted Statements of Financial Accounting Standards Nos. 133, 137 and 138 (collectively "SFAS 133") pertaining to the accounting for derivatives and hedging activities at the beginning of fiscal 2001. SFAS 133 requires us to recognize all derivative instruments in the balance sheet at fair value. The adoption of SFAS 133 impacts the accounting for our interest rate hedging program. AutoZone reduces its exposure to increases in interest rates by entering into interest rate swap contracts. All of our interest rate swaps are designated as cash flow hedges. At May 4, 2002, and August 25, 2001, we held interest rate swap contracts related to $190 million of variable-rate debt. Of the $190 million, $50 million matures in fiscal 2003 and $140 million matures in fiscal 2004.

Upon the adoption of SFAS 133, we recorded the fair value of the interest rate swaps in our consolidated balance sheet. Thereafter, we have adjusted the carrying value of the interest rate swaps to reflect their current fair value. The related gains or losses on the swaps are deferred in stockholders' equity (as a component of comprehensive income). These deferred gains and losses are recognized in income in the period in which the related interest rate payments being hedged have been recognized in expense. However, to the extent that the change in value of an interest rate swap contract does not perfectly offset the change in the interest rate payments being hedged, that ineffective portion is immediately recognized in income. The fair values of the interest rate swaps were a liability of $7.0 million at May 4, 2002, and a liability of $5.6 million at August 25, 2001.

The fair value of AutoZone's debt was estimated at $1.24 billion at May 4, 2002, and $1.21 billion at August 25, 2001, based on the market value of the debt at those dates. Such fair value is less than the carrying value of debt at May 4, 2002, by $7.8 million and at August 25, 2001, by $17.3 million. We had $756.4 million of variable-rate debt outstanding at May 4, 2002, and $730.4 million at August 25, 2001. At these borrowing levels, a one percentage point increase in interest rates would have an unfavorable annual impact on our pre-tax earnings and cash flows of $6.8 million and $6.6 million, respectively. The primary interest rate exposure on variable-rate debt is based on LIBOR.

PART II. OTHER INFORMATION

Item 5. Other Information

RISK FACTORS

We may not be able to increase sales by the same historic growth rates.

We have significantly increased our domestic store count in the past five fiscal years, growing from 1,423 stores at August 31, 1996, to 3,019 stores at August 25, 2001, an average store count increase per year of 16%. We do not plan to continue our store count growth rate at the historic pace. In addition, a portion of our total sales increases each year results from increases in sales at existing stores. We cannot provide any assurance that we can continue to increase same store sales as our stores mature in their markets.

We have an ever-increasing need for qualified employees.

In fiscal year 2001, our consolidated employee count increased from approximately 43,200 at the beginning of the year to about 44,600, a 3% increase in the year. We do not know if we can continue to hire and retain qualified employees at current wage rates. In the event of increasing wage rates, if we do not increase our wages competitively, our customer service could suffer by reason of a declining quality of our workforce or, alternatively, our earnings would decrease if we increase our wage rates.

If demand for our products slows, then our business may be materially affected.

Demand for products sold by our stores depends on many factors. In the short term, it may depend upon:

- the weather, as vehicle maintenance may be deferred during periods of inclement weather. However, as AutoZone stores are geographically disbursed, isolated instances of inclement weather will generally not have a material effect upon our aggregate sales.

- the economy, as during periods of good economic conditions, more of our do-it-yourself customers may pay others to repair and maintain their cars instead of working on their own vehicles, or they may purchase new vehicles. This factor is tempered by our commercial parts sales program that sells parts to installers. In periods of declining economic conditions, both do-it-yourself and do-it-for-me customers may defer vehicle maintenance or repair.

For the long term, demand for our products may depend upon the quality of the vehicles manufactured by the original vehicle manufacturers and the length of the warranty offered on new vehicles.

If we are unable to compete successfully against other businesses that sell the products that we sell, we could lose customers and our revenues and profits may decline.

The sale of automotive parts, accessories and maintenance items is highly competitive in many areas, including name recognition, product availability, customer service, store location, and price, with many competitors. AutoZone competes in both the DIY and commercial auto parts and accessories markets. Competitors include national and regional auto parts chains, independently owned parts stores, wholesalers and jobbers, repair shops, car washes, and auto dealers, in addition to discount and mass merchandise stores, department stores, hardware stores, supermarkets, drugstores, and home stores which sell aftermarket vehicle parts and supplies, chemicals, accessories, tools and maintenance parts. Although we believe we compete effectively on the basis of customer service, including the knowledge and expertise of our AutoZoners, merchandise selection and availability, product warranty, store layout, location and convenience, some competitors may have competitive advantages, such as greater financial and marketing resources, larger stores with more merchandise, longer operating histories, more frequent customer visits, and more effective marketing. If we are unable to continue to develop successful competitive strategies or our competitors develop more effective strategies, we could lose customers and our revenues and profits may decline.

If we cannot profitably increase market share in the commercial auto parts business, our sales growth may be limited.

Although we are one of the largest sellers of auto parts in the commercial "do-it-for-me" market, to increase commercial sales we must compete against automotive aftermarket jobbers and warehouse distributors, in addition to other auto parts retailers that have recently entered the commercial business. Some of these jobbers and warehouse distributors have been in business for substantially longer periods of time than we have, may have developed long-term customer relationships and may have larger available inventories. We can make no assurances that we can profitably develop new commercial customers or make available inventories required by commercial customers.

If we cannot profitably open and operate stores in international markets, our sales growth may be limited.

We opened our first auto parts stores in Mexico during fiscal year 1999. We do not currently have any retail store locations in any country other than the United States and Mexico. While we believe that great potential exists for auto parts stores in the fragmented international auto parts market, we have little experience opening or operating stores outside of the United States, and no assurances can be made that we can open additional stores in Mexico or stores in any other country in a timely or profitable manner.

In addition, products sold in Mexico must be properly labeled for sale in accordance with Mexican law. If AutoZone cannot source products in Mexico, it must obtain products elsewhere and have them appropriately labeled for sale in Mexico. We can make no assurances that we can purchase goods of appropriate quality or in sufficient quantities in Mexico to sell in our stores, nor can we make any assurances that we can profitably obtain products outside of Mexico and have them relabeled in accordance with Mexican law.

If our vendors continue to consolidate, we may pay higher prices for our merchandise.

Recently, several of our vendors have merged and others have announced plans to merge. Further vendor consolidation could limit the number of vendors from which we may purchase products and could materially affect the prices we pay for these products.

Consolidation among our competitors may negatively impact our business.

Recently, several large auto parts chains have merged. We do not know what impact these mergers will have upon competition in the retail automotive aftermarket. If our merging competitors are able to achieve efficiencies in their mergers, then there may be greater competitive pressures in the markets in which they are strongest.

War, acts of terrorism, or the threat of either may negatively impact availability of merchandise and adversely impact our sales.

In the event of war, acts of terrorism, or either are threatened, it may have a negative impact on our ability to obtain merchandise available for sale in our stores. Some of our merchandise is imported from other countries. If imported goods become difficult or impossible to bring into the United States, and if we cannot obtain such merchandise from other sources at similar costs, our sales and profit margins may be negatively affected. In addition, a significant amount of the merchandise sold in our Mexico stores is exported from the United States. If we cannot export this merchandise in a timely manner, sales in our Mexico stores may be adversely affected. In the event that commercial transportation is curtailed or substantially delayed, our business may be adversely impacted, as we may have difficulty shipping merchandise to our distribution centers and stores.

Item 6. Exhibits and Reports on Form 8-K

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

3.1	Restated Articles of Incorporation of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Form 10-Q for the quarter ended February 13, 1999.
3.2	Second Amended and Restated By-laws of AutoZone, Inc. Incorporated by reference to Exhibit 3 to the Form 8-K dated March 21, 2000.
10.1	AutoZone, Inc. Fourth Amended and Restated 1998 Director Stock Option Plan.

(b) (1) We filed a Current Report on Form 8-K dated February 26, 2002, attaching a press release that reported earnings for the quarter ended February 9, 2002.

SIGNATURES

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

AUTOZONE, INC.

By: /s/ MICHAEL G. ARCHBOLD

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

By: /s/ TRICIA K. GREENBERGER

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

Dated: June 6, 2002

EXHIBIT INDEX

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AUTOZONE, INC.
FOURTH
AMENDED AND RESTATED
1998 DIRECTOR STOCK OPTION PLAN

This Fourth Amended and Restated 1998 Director Stock Option Plan shall be effective as of the19th day of March, 2002, the date of its adoption by the Board of Directors of AutoZone, Inc.

1. PURPOSE OF THE PLAN.

Under this 1998 Director Stock Option Plan (the "Plan") of AutoZone, Inc. (the "Company"), non-qualified options to purchase shares of the Company's capital stock shall be granted to Non-Employee Directors of the Company. The Plan is designed to enable the Company to attract and retain Non-Employee Directors of the highest caliber and experience, and to increase their ownership of the Company's capital stock.

2. STOCK SUBJECT TO PLAN.

The maximum number of shares of stock for which options ("Options") granted hereunder may be exercised shall be 140,000 shares of the Company's Common Stock, par value $.01 per share (the "Common Stock"), subject to the adjustments provided in Section 7. All shares of stock subject to Options shall be treasury shares of Common Stock. Shares of stock subject to the unexercised portions of any Options which expire or terminate or are canceled may again be subject to Options granted hereunder.

3. PARTICIPATING DIRECTORS.

Each member of the Board of Directors of the Company (the "Board") who is not, at the time that eligible directors are granted Options pursuant to Section 5 hereof, an employee or officer of the Company or any of its subsidiaries (a "Non-Employee Director"), shall be eligible to participate in the Plan.

4. ADMINISTRATION.

(a) The Plan shall be administered by the Compensation Committee of the Board (the "Committee") which shall consist of two or more directors who are Non-Employee Directors, appointed by and holding office at the pleasure of the Board. 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 on the Committee shall be filled by the Board.

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

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

(d) All expenses and liabilities incurred by members of the Committee in connection with the administration of the Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons, and the Committee, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding on each Non-Employee Director who has been granted an Option hereunder (sometimes referred to hereinafter as an "Optionee"), the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Options, and all members of the Committee shall be fully protected by the Company with respect to any such action, determination or interpretation.

5. GRANT OF OPTIONS.

During the existence of the Plan, Options shall be granted as follows:

(a) On January 1 of each year, each Non-Employee Director as of such date shall be granted an Option to purchase 1,500 shares of Common Stock (subject to the adjustments provided in Section 7); provided, however, that (i) with respect to the calendar year beginning January 1, 1998, each Non-Employee Director who is an Non-Employee Director on the effective date of the Plan shall be granted an Option to purchase 1,000 shares of

Common Stock (subject to the adjustments provided in Section 7) as of the effective date of the Plan, and (ii) each new Non-Employee Director who is elected a director after January 1, 2000, shall be granted an initial Option to purchase 3,000 shares of Common Stock as of the date of his or her election as a director and a pro-rata portion of that year's annual grant set forth in (i);

(b) Beginning on January 1, 2001, and on each January 1 thereafter, each Non-Employee Director who, as of December 31 of the prior year, beneficially owns shares of Common Stock having an aggregate Fair Market Value (as determined below) greater than or equal to five (5) times such Non-Employee Director's annual director fee (not including meeting fees) payable by the Company for such year, shall be granted an Option to purchase 1,500 shares of Common Stock (subject to the adjustments provided in Section 7). For purposes of this Plan, the "Fair Market Value" of a share of Common Stock shall mean, as to any particular day, the average of the highest and lowest prices quoted for a share of Common Stock trading on the New York Stock Exchange on that day, or if no such prices were quoted for the shares of Common Stock on the New York Stock Exchange for that day for any reason, the average of the highest and lowest prices quoted on the last Business Day (as defined below) on which prices were quoted. The highest and lowest prices for the shares of Common Stock shall be those published in the edition of The Wall Street Journal or any successor publication for the next Business Day. For purposes of this Plan, the term "Business Day" shall mean a day on which the Company's executive offices in Memphis, Tennessee, are open for business and on which trading is conducted on the New York Stock Exchange.

(c) Each Non-Employee Director as of March 21, 2000, shall be granted an Option to purchase 500 shares of Common Stock (subject to the adjustments provided in Section 7) as of such date.

Notwithstanding any other provision of the Plan, no Option shall be granted unless sufficient shares (subject to said adjustments) are then available therefor under Sections 2 and 7. In consideration of the granting of an Option, the Optionee shall be deemed to have agreed to remain as a Director of the Company for a period of at least one year after the date upon which the Option was granted (the "date of grant"). Nothing in the Plan shall, however, confer upon any Optionee any right to continue as a director of the Company or shall interfere with or restrict in any way the rights of the Company or the Company's stockholders, which are hereby expressly reserved, to remove any Optionee at any time for any reason whatsoever, with or without cause, to the extent permitted by the Company's bylaws and applicable law.

6. OPTION PROVISIONS.

Each Option shall be evidenced by an agreement between the Company and the Non-Employee Director and shall contain the following terms and provisions, and such other terms and provisions as the Committee may authorize:

(a) The exercise price of each Option shall be equal to the aggregate Fair Market Value of the shares of Common Stock subject to the Option on the date of grant;

(b) Payment for shares of Common Stock purchased upon any exercise of the Option shall be made in full at the time of such exercise (i) in cash, (ii) by delivery of shares of Common Stock already owned by the Optionee, duly endorsed for transfer to the Company, (iii) by delivery of a notice that the Optionee 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, or (iv) by a combination of any of the foregoing methods of payment. For purposes of exercising the Option, the value of any shares of Common Stock delivered in payment shall be the Fair Market Value of such shares of Common Stock on the last Business Day prior to deliver;

(c) Subject to subsection (d) below and Section 7 hereof, the Option shall become fully vested and exercisable on the third anniversary of the date of grant;

(d) The Option shall terminate and may not be exercised to any extent by anyone after the first to occur of the following events:

(i) the expiration of ten years from the date of grant;

(ii) the expiration of five years from the date upon which the Non-Employee Director ceases to be a director of the Company if the Non-Employee Director has reached the age of 70 on or before such date ("Normal Retirement Age");

(iii) the expiration of 90 days from the date of the Non-Employee Director's death;

(iv) the date that the Non-Employee Director ceases to be a director of the Company (for a reason other than the death of the Non-Employee Director) if the Non-Employee Director has not reached Normal Retirement Age;

(v) subject to Section 7(b) hereof, the effective date of a Corporate Transaction (as defined below), unless the Committee waives this provision in connection with such transaction.

In the event that a Non-Employee Director ceases to be a director of the Company prior to the time that the Option has become vested and exercisable pursuant to subsection (c) above, the Option shall continue to vest and become exercisable pursuant to subsection (c) above until such time as the Option terminates pursuant to this subsection (d).

(e)Notwithstanding any other provision herein, the Option may not be exercised prior to the admission of the shares of stock issuable upon exercise of the Option to listing on notice of issuance on any stock exchange on which shares of the same class are then listed; nor unless and until, in the opinion of counsel for the Company, such securities may be issued and delivered without causing the Company to be in violation of or incur any liability under any Federal, state or other securities law, any requirement of any securities exchange listing agreement to which the Company may be a party, or any other requirement of law or of any regulatory body having jurisdiction over the Company; and

(f) The Option shall not be transferable by the Optionee other than by will or the laws of descent and distribution, may not be pledged or hypothecated, and shall be exercisable during the Optionee's lifetime only by the Optionee or by his or her guardian or legal representative.

7. CHANGES IN COMMON STOCK OR ASSETS OF THE COMPANY, ACQUISITION OR LIQUIDATION OF THE COMPANY AND OTHER CORPORATE EVENTS.

(a) Subject to subsection (d) below, in the 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, as defined below), 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 any 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 on the maximum number and kind of shares which may be issued under the Plan);

(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 subsection (d) below, in the event of any Corporate Transaction (as defined below), the Plan shall terminate, and all outstanding Options shall terminate, unless provisions shall be made in writing in connection with such Corporate Transaction for the continuance of the Plan and/or for the assumption of Options theretofore granted, or the substitution for such Options of options covering the stock of a successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices, in which event the Plan and Options theretofore granted shall continue in the manner and under the terms so provided. If the Plan and unexercised Options would otherwise terminate pursuant to the foregoing sentence, then, for such period of time prior to the consummation of such Corporate Transaction as the Company shall designate, all outstanding Options shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in Section 6(c) hereof or the provisions of such Option;

(c) For purposes of the Plan, the term "Corporate Transaction" shall mean any of the following stockholder-approved transactions to which the Company is a party:

(i) 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 Options are assumed by the successor entity;

(ii) 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 (i) above; or

(iii) 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.

(d) No adjustment or action described in this Section 7 shall be authorized or occur to the extent such adjustment or action would result in short-swing profits liability under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or violate the exemptive conditions of Rule 16b-3 of the Exchange Act unless the Committee determines that the Option is not to comply with such exemptive conditions.

8. TAX WITHHOLDING.

The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Optionee 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 Optionee 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 an aggregate Fair Market Value equal to the sums required to be withheld.

9. LOANS.

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

10. DURATION, TERMINATION AND AMENDMENT OF PLAN.

The Plan shall become effective upon its adoption by the Board. Unless sooner terminated, the Plan shall expire ten (10) years from the date the Plan is adopted by the Board, so that no Option may be granted hereunder after that date although any option outstanding on that date may thereafter be exercised in accordance with its terms. The Board may alter, amend, suspend or terminate this Plan, provided that no such action shall deprive an Optionee, without his or her consent, of any Option previously granted pursuant to the Plan or of any of the Optionee's rights under such Option.

11. 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 laws 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 and Options granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules or regulations.

12. TITLES.

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

13. 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.