

O REILLY AUTOMOTIVE INC  
Form PRE 14A  
March 10, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  [X]  
Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [X] Preliminary Proxy Statement
- [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [ ] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Under Rule 14a-12

O'Reilly Automotive, Inc.

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies: \_\_\_\_\_

2) Aggregate number of securities to which transaction applies: \_\_\_\_\_

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \_\_\_\_\_

4) Proposed maximum aggregate value of transactions: \_\_\_\_\_

5) Total fee paid: \_\_\_\_\_

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form

or schedule and the date of its filing.

1) Amount previously paid: \_\_\_\_\_

2) Form, Schedule or Registration Statement No.: \_\_\_\_\_

3) Filing Party:  
\_\_\_\_\_

4) Date Filed: \_\_\_\_\_

---

PRELIMINARY PROXY STATEMENT - SUBJECT TO COMPLETION

March [ ], 2015

Dear Shareholder:

You are cordially invited to attend the 2015 Annual Meeting of Shareholders of O'Reilly Automotive, Inc. to be held at the Doubletree Hotel Springfield, 2431 North Glenstone Avenue, Springfield, Missouri 65803, on Tuesday, May 5, 2015, at 10:00 a.m. central time.

Details of the business to be conducted at the Annual Meeting are given in the attached Notice of Annual Meeting of Shareholders and Proxy Statement.

In addition to the specific matters to be acted upon, there will be a report on the progress of the Company and an opportunity for questions of general interest to the shareholders.

It is important that your shares be represented at the meeting. Whether or not you plan to attend in person, please complete, sign, date and return the enclosed proxy card in the envelope provided at your earliest convenience or vote via telephone or Internet using the instructions on the proxy card. If you attend the meeting, you may vote your shares in person even if you have previously signed and returned your proxy.

In order to assist us in preparing for the Annual Meeting, please let us know if you plan to attend by contacting Tricia Headley, our Corporate Secretary, at 233 South Patterson Avenue, Springfield, Missouri 65802, (417) 874-7161.

We look forward to seeing you at the Annual Meeting.

David O'Reilly  
Chairman of the Board

---

PRELIMINARY PROXY STATEMENT - SUBJECT TO COMPLETION

O'REILLY AUTOMOTIVE, INC.  
233 South Patterson Avenue  
Springfield, Missouri 65802

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 5, 2015

What: Annual Meeting of Shareholders ("Annual Meeting")

When: May 5, 2015, 10:00 a.m. central time

Where: Doubletree Hotel Springfield

2431 North Glenstone Avenue

Springfield, Missouri 65803

Why: The Annual Meeting is being held for the following purposes:

- ☐ To elect as Directors the nine nominees named in the attached proxy statement,
- ☐ To conduct an advisory (non-binding) vote on executive compensation,
- ☐ To ratify the appointment of Ernst & Young LLP, as independent auditors for the fiscal year ending December 31, 2015,
- ☐ To consider and act upon one shareholder proposal, if properly presented at the Annual Meeting, and
- ☐ To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on February 27, 2015, as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. A list of all shareholders entitled to vote at the Annual Meeting, arranged in alphabetical order and showing the address of and number of shares held by each shareholder, will be available during usual business hours at the office of the Corporate Secretary, Tricia Headley, at 2831 South Ingram Mill Road, Springfield, Missouri 65804, to be examined by any shareholder for any purpose reasonably related to the Annual Meeting for ten days prior to the date thereof. The list will also be available for examination throughout the course of the meeting.

Your vote is important to ensure a quorum at the meeting. Even if you own only a few shares, and whether or not you expect to be present at the meeting, we request you mark, date, sign and mail the enclosed proxy card in the postage-paid envelope provided or vote your shares by telephone or Internet as directed on the enclosed proxy card. Telephone and Internet voting facilities for shareholders of record will be available 24 hours a day and will close on Monday, May 4, 2015, at 11:59 p.m. eastern time.

A copy of the Company's Annual Shareholders' Report for fiscal year 2014 accompanies this notice.

By Order of the Board of Directors,  
Tricia Headley  
Secretary

TABLE OF CONTENTS

	Page
<u>Proxy Statement</u>	<u>3</u>
<u>General Information about the Meeting and Voting</u>	<u>3</u>
<u>Security Ownership of Certain Beneficial Owners</u>	<u>6</u>
<u>Security Ownership of Directors and Management</u>	<u>6</u>
<u>Proposal 1 - Election of Directors</u>	<u>9</u>
<u>Information Concerning the Company's Board of Directors</u>	<u>11</u>
<u>Compensation of Executive Officers</u>	<u>18</u>
<u>Compensation Committee Report</u>	<u>24</u>
<u>Executive Compensation Tables</u>	<u>25</u>
<u>Audit Committee Report</u>	<u>32</u>
<u>Proposal 2 - Advisory Vote on Executive Compensation</u>	<u>33</u>
<u>Proposal 3 - Ratification of Selection of Independent Auditors</u>	<u>34</u>
<u>Proposal 4 - Shareholder Proposal</u>	<u>35</u>
<u>Equity Compensation Plans</u>	<u>38</u>
<u>Annual Shareholders' Report</u>	<u>38</u>
<u>Future Proposal of Shareholders</u>	<u>38</u>
<u>Other Business</u>	<u>38</u>
<u>Miscellaneous</u>	<u>38</u>
<u>Communication with the Board of Directors</u>	<u>38</u>
<u>Householding of Materials</u>	<u>38</u>
<u>Additional Information</u>	<u>39</u>

O'REILLY AUTOMOTIVE, INC.  
233 South Patterson Avenue  
Springfield, Missouri 65802

---

## PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors (the "Board") of O'Reilly Automotive, Inc. (the "Company" or "O'Reilly"), for use at our Annual Meeting of Shareholders ("Annual Meeting") to be held at the Doubletree Hotel Springfield, 2431 North Glenstone Avenue, Springfield, Missouri 65803, on Tuesday, May 5, 2015, at 10:00 a.m., central time, and at any adjournments thereof. Whether or not you expect to attend the meeting in person, please return your executed proxy card in the enclosed postage-paid envelope or vote via telephone or Internet, using the instructions discussed below and on the proxy card, and the shares represented thereby will be voted in accordance with your instructions. We expect that the proxy statement and the accompanying proxy card will first begin mailing to shareholders on or about March 20, 2015.

Solicitation of proxies is being made by us and may be made by mail, electronic mail, telephone or fax. The cost of solicitation of proxies will be borne by us and will also include reimbursement paid to brokerage firms and others for their reasonable out-of-pocket expenses of forwarding solicitation materials to their principals.

## GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the Annual Meeting?

At our Annual Meeting, shareholders will act upon the matters described in the accompanying notice of meeting. In addition, our management will report on the Company's performance during fiscal 2014 and respond to questions from shareholders.

When and where will the 2015 Annual Meeting be held?

The Annual Meeting will be held at the Doubletree Hotel Springfield, 2431 North Glenstone Avenue, Springfield, Missouri 65803, on Tuesday, May 5, 2015, at 10:00 a.m. central time.

Who may vote?

Any shareholder of record, as of the record date, is entitled to receive this notice and vote their shares at the Annual Meeting.

What is a "shareholder of record"?

A shareholder of record is a shareholder whose ownership of our common stock is reflected directly on the books and records of our transfer agent, Computershare Trust Company, N.A. ("Computershare").

What is the record date for the Annual Meeting?

The record date is February 27, 2015. Shareholders of record at the close of business on February 27, 2015, will be entitled to vote at the Annual Meeting. Each share of common stock will have one vote on each matter to be voted upon.

Which O'Reilly shares are included in the proxy card I received?

The proxy card you received covers the number of common shares to be voted in your account as of the record date.

What is the difference between holding shares as a registered shareholder and as a beneficial owner?

A registered shareholder owns shares that are registered directly in their name with the Company's transfer agent, Computershare. A beneficial owner owns shares held in a stock brokerage account or by a bank.

Why would I receive more than one proxy card?

You may receive more than one proxy card if you owned shares in more than one account. You should vote the shares on each of your proxy cards.

What matters will be voted on at the Annual Meeting?

At the Annual Meeting, shareholders will be asked to vote on three proposals that were solicited by the Board (Proposals 1 through 3), as well as one shareholder proposal (Proposal 4), if properly presented at the Annual Meeting:

- (1) To elect as Directors the nine nominees named in this proxy statement;
- (2) To conduct an advisory (non-binding) vote on executive compensation;
- (3) To ratify the appointment of Ernst & Young LLP, as independent auditors for the fiscal year ending December 31, 2015; and

(4) A shareholder proposal, if properly presented.

May I vote with my proxy card in person at the Annual Meeting?

If you wish to vote your shares in person at the Annual Meeting, you may bring a signed proxy card with your choices specified by marking the appropriate boxes on the card.

May I vote without attending the Annual Meeting?

If you do not plan to attend the Annual Meeting, you have three options to vote your shares:

Via Mail: You may vote by properly completing and signing the enclosed proxy card and returning the card in the enclosed, postage-paid envelope. Please specify your choices on the proxy card by marking the appropriate boxes.

(1) Shares will be voted in accordance with your written instructions; however, it is not necessary to mark any boxes if you wish to vote in accordance with the Board's recommendations, outlined further below. Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or send it to O'Reilly Automotive, Inc. Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

Via the Internet: You may vote on the Internet by visiting [www.proxyvote.com](http://www.proxyvote.com). Have your proxy card in hand (2) when you access the website and follow the instructions to obtain your records and create an electronic voting instruction form.

Via Telephone: Using any touch-tone telephone, you may vote your shares by dialing toll-free to 1-800-690-6903. (3) Have your proxy card in hand when calling and follow the instructions.

If you choose to vote on the Internet or by telephone, please note the voting will close at 11:59 p.m. eastern time, on Monday, May 4, 2015.

If you do not attend the Annual Meeting, your shares cannot be voted unless a signed proxy card is returned, shares are voted using the Internet or the telephone, or other specific arrangements have been made to have your shares represented. Whether or not you attend the meeting, we encourage you to vote your shares promptly.

May I change my vote after I submit my proxy?

You may change your vote after submitting a proxy card. If, after sending in your proxy, you decide to vote in person or desire to revoke your proxy for any other reason, you may do so by notifying the Secretary of the Company in writing at our principal office at any time prior to the voting of the proxy. Our principal executive office is located at 233 South Patterson Avenue, Springfield, Missouri 65802.

Are my votes confidential?

All shareholder meeting proxies, ballots and tabulations that identify the vote of a particular shareholder will be kept confidential, except as necessary to allow the inspectors of election to certify the voting results or to meet legal requirements. Representatives of Broadridge Financial Solutions ("Broadridge") will act as the inspector of election and will count the votes.

How will my vote be counted?

All votes will be tabulated by Broadridge. All properly executed proxies received by the Board pursuant to this solicitation will be voted in accordance with the shareholder's directions specified in the proxy card. If no such directions have been specified by marking the appropriate squares in the signed and returned proxy card, the shares will be voted by the persons named in the enclosed proxy card as follows:

- (1) FOR the election as Directors the nine nominees named in this proxy statement;
- (2) FOR the approval, by an advisory (non-binding) vote of the 2014 compensation of our Named Executive Officers;
- (3) FOR the ratification of the selection of Ernst & Young LLP, as our independent auditors for the fiscal year ending December 31, 2015; and



(4) AGAINST the shareholder proposal, if properly presented.

The Board is not aware of any matter to be presented for action at the Annual Meeting other than the matters set forth herein. Our shareholders have no dissenter's or appraisal rights in connection with any of the proposals described herein.

No nominee has indicated that he or she would be unable or unwilling to serve as a Director, if elected. However, should any nominee become unable or unwilling to serve for any reason, it is intended that the persons named in the proxy will vote for the election of such other persons in their stead as may be designated by the Board. The Board is not aware of any reason that might cause any nominee to be unavailable to serve as a Director.

How does the Board recommend I vote?

The Board recommends a vote "FOR" each of the nominees for Director named in this proxy statement. The Board recommends a vote "FOR" the approval, by an advisory (non-binding) vote, of the 2014 compensation of our Named Executive Officers. The Board recommends a vote "FOR" the ratification of the selection of Ernst & Young LLP, as our independent auditors for the year ending December 31, 2015. The Board recommends a vote "AGAINST" the shareholder proposal, if properly presented.

What constitutes a quorum?

On February 27, 2015, there were 101,801,265 shares of common stock outstanding, which constitutes all of the outstanding shares of our voting capital stock. A majority of the outstanding shares entitled to vote at the Annual Meeting, represented in person or by proxy, will constitute a quorum at the meeting.

What are the standards for determining whether an item has been approved?

Item of Business	Quorum Required	Voting Approval Standard	Effect of Abstention <sup>(1)</sup>	Effect of Broker Non-Votes <sup>(2)</sup>
Proposal 1: Election of Directors <sup>(3)</sup>	Yes	Affirmative vote of majority of shares present and entitled to vote <sup>(4)</sup>	Vote against	Counted for quorum purposes; no effect on voting
Proposal 2: Advisory vote on Executive Compensation	Yes	Affirmative vote of majority of shares present and entitled to vote <sup>(4)</sup>	Vote against	Counted for quorum purposes; no effect on voting
Proposal 3: Ratification of Selection of Independent Auditors	Yes	Affirmative vote of majority of shares present and entitled to vote <sup>(4)</sup>	Vote against	Not applicable
Proposal 4: Shareholder proposal, if properly presented	Yes	Affirmative vote of majority of shares present and entitled to vote <sup>(4)</sup>	Vote against	Counted for quorum purposes; no effect on voting

- (1) Proxies marked "ABSTAIN" will be deemed to be represented at the Annual Meeting and considered in determining whether the requisite number of affirmative votes are cast on such matter.
- (2) A broker non-vote occurs when a broker has not received voting instructions from the beneficial owner of shares, and the broker does not have, or declines to exercise, discretionary authority to vote those shares.
- (3) Cumulative voting is not allowed for Election of Directors.
- (4) "Shares present and entitled to vote" includes shares represented in person or by proxy at the Annual Meeting.

Are the Notice, proxy statement and Annual Report available on the Internet?

The Notice, proxy statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com). The required control number can be found on your proxy card in the box next to the arrow.

Where may I find the voting results of the Annual Meeting?

We plan to announce the preliminary voting results at the Annual Meeting. We plan to publish the final results in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission within four business days following the Annual Meeting, if final voting results are available at that time. If the final voting results are not available within that time, we will report preliminary results in a Current Report on Form 8-K within four business days following the Annual Meeting and will report final voting results in an amended Current Report on Form 8-K when available.

What are the deadlines for consideration of stockholder proposals or director nominations for the 2016 Annual Meeting of Shareholders?

Shareholder proposals intended to be presented at the 2016 Annual Meeting of Shareholders and included in the Company's proxy statement and form of proxy relating to that meeting pursuant to Rule 14a-8 under the Exchange Act must be received by the Company at the Company's principal executive offices by November 21, 2015. The Company's Amended and Restated Bylaws (the "Bylaws") require that shareholder proposals made outside of Rule 14a-8 be submitted not later than February 5, 2016, and not earlier than January 6, 2016.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table summarizes information as of December 31, 2014, with respect to each person or other entity (other than management) known to the Company to be the beneficial owner of more than five percent (5%) of its outstanding shares of common stock.

Class of Stock	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	8,325,857 <sup>(1)</sup>	8.2%
Common Stock	The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	7,714,308 <sup>(2)</sup>	7.6%
Common Stock	BlackRock, Inc. 55 East 52nd Street New York, NY 10022	5,706,920 <sup>(3)</sup>	5.6%

As reflected on such beneficial owner's Schedule 13G/A dated, February 17, 2015, provided to the Company in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These securities are owned by various individual and institutional investors, which T. Rowe Price Associates, Inc. ("Price Associates") serves as investment advisor with power to direct investments and/or sole power to vote the securities. For (1) purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. Of the 8,325,857 shares reported, Price Associates claimed sole voting power of 2,266,901 shares, no shared voting power, sole dispositive power of 8,325,857 shares and no shared dispositive power. Price Associates acts as investment manager to collective trust accounts and directs the voting of such shares.

As reflected on such beneficial owner's Schedule 13G/A dated February 9, 2015, provided to the Company in accordance with the Exchange Act. Of the 7,714,308 shares reported, The Vanguard Group claimed sole voting (2) power of 179,338 shares, no shared voting power, sole dispositive power of 7,544,159 and shared dispositive power of 170,149.

As reflected on such beneficial owner's Schedule 13G/A dated January 12, 2015, provided to the Company in (3) accordance with the Exchange Act. Of the 5,706,920 shares reported, BlackRock, Inc. claimed sole voting power of 4,803,220 shares, no shared voting power, sole dispositive power of 5,706,920 and no shared dispositive power.

## SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table summarizes, as of February 27, 2015, the beneficial ownership of the Company's outstanding shares of common stock for each current Director of the Board, each of the Company's Named Executive Officers and all Directors and executive officers as a group. Unless otherwise indicated, the Company believes that the beneficial owners set forth in the following table have sole voting and dispositive power.

Name	Direct Ownership	Indirect Ownership	Current Exercisable Options <sup>(a)</sup>	Total Ownership <sup>(a)</sup>	Percent of Class
David O'Reilly <sup>(b)</sup>	265,872	1,022,057	180,000	1,467,929	1.43%
Charlie O'Reilly <sup>(c)</sup>	128,884	126,898	—	255,782	*
Larry O'Reilly <sup>(d)</sup>	220,887	103,037	5,000	328,924	*
Rosalie O'Reilly Wooten <sup>(d)</sup>	199,924	313,053	—	512,977	*
Jay D. Burchfield <sup>(e)</sup>	12,005	16,193	10,000	38,198	*
Thomas T. Hendrickson <sup>(f)</sup>	4,322	—	—	4,322	*
Paul R. Lederer <sup>(g)</sup>	10,622	5,060	10,000	25,682	*

Edgar Filing: O REILLY AUTOMOTIVE INC - Form PRE 14A

John R. Murphy <sup>(f)</sup>	3,878	—	—	3,878	*
Ronald Rashkow <sup>(f)</sup>	4,463	—	5,000	9,463	*
Greg Henslee <sup>(h)</sup>	27,146	17,216	374,184	418,546	*
Thomas McFall <sup>(i)</sup>	4,824	423	157,878	163,125	*
Ted F. Wise <sup>(j)</sup>	40,264	169,886	15,000	225,150	*
Jeff Shaw <sup>(k)</sup>	23,973	5,428	42,392	71,793	*
All Directors and executive officers as a group (21 persons)	980,711	1,806,781	1,042,002	3,829,494	3.72%

\* denotes less than 1.0%

- (a) With respect to each person, assumes the exercise of all stock options held by such person that were exercisable within 60 days of February 27, 2015.  
The stated number of directly owned shares includes 4,107 restricted shares awarded under the Company's long-term incentive based compensation plan. The stated number of indirectly owned shares includes 1,001,584 shares controlled by Mr. O'Reilly as trustee of a trust for the benefit of his children, 12,894 shares held in a Grantor Retained Annuity Trust ("GRAT") and 7,579 shares held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price Investment Services, Inc. ("T. Rowe Price") as trustee.
- (b) The stated number of indirectly owned shares includes 49,035 shares owned by Mr. O'Reilly's spouse, 42,363 shares held in a GRAT and 35,500 shares controlled by Mr. O'Reilly as trustee of a trust for the benefit of his step-mother. Of Mr. O'Reilly's directly owned shares, 10,000 shares, and 20,000 shares of Mr. O'Reilly's indirectly owned shares, which are held by Mr. O'Reilly's spouse, are pledged against margin loans.
- (c) The stated number of indirectly owned shares is held in a GRAT.
- (d) The stated number of directly owned shares includes 1,688 restricted shares awarded under the Company's Director Stock Plan. The stated number of indirectly owned shares is held in a family limited partnership in which Mr. Burchfield acts as general manager.
- (e) The stated number of directly owned shares includes 1,688 restricted shares awarded under the Company's Director Stock Plan.
- (f) The stated number of directly owned shares includes 1,688 restricted shares awarded under the Company's Director Stock Plan. The stated number of indirectly owned shares is owned by Mr. Lederer's spouse.
- (g) The stated number of indirectly owned shares includes 12,190 shares held in a GRAT and 5,026 shares held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price as trustee.
- (h) The stated number of directly owned shares includes 2,737 shares held in the O'Reilly Employee Stock Purchase Plan. The stated number of indirectly owned shares is held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price as trustee.
- (i) The stated number of indirectly owned shares includes 4,548 shares held by a revocable trust of which Mr. Wise's spouse, as the sole trustee, has sole voting and dispositive power, 135,889 shares held in a GRAT, 20,335 shares controlled by Mr. Wise as trustee of a trust for the benefit of his child and 9,114 shares held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price as trustee.
- (j) The stated number of directly owned shares includes 2,784 shares held in the O'Reilly Employee Stock Purchase Plan. The stated number of indirectly owned shares is held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price as trustee.
- (k)

#### Officer and Director Stock Ownership Guidelines

The Board adopted stock ownership requirements for the Company's independent Directors, executive officers and executive and senior vice presidents to further align their interests with those of the Company's shareholders. The Compensation Committee reviews the stock ownership guidelines and reviews progress toward meeting ownership requirements quarterly. The Compensation Committee may waive these guidelines at its discretion.

The Company's independent Directors are required to own shares of the Company's common stock valued at a minimum of \$50,000 within five years of the date they first become a Director. For purposes of the guidelines, common stock ownership includes shares owned by the Director directly or indirectly and vested stock options granted to the Director under the Company's Director Stock Plan. As of December 31, 2014, each independent Director's total holdings in the Company's stock, including stock option value, satisfied their respective stock ownership requirement.

The Company's executive officers and executive and senior vice presidents are required to own shares of the Company's common stock valued at the minimum of a specified multiple of their base salary within five years of first assuming their respective positions. For purposes of the guidelines, common stock ownership includes shares owned

by the officer directly, shares held by the officer in the Company's Employee Stock Purchase Plan, shares held by the officer in the Company's Profit Sharing and Savings Plan and the officer's vested stock options granted under the Company's incentive plans. Individuals who do not achieve the required level of ownership within the prescribed period of time may, at the discretion of the Compensation Committee, be required to hold 50% of net after-tax shares issued upon the exercise of any of their stock options and may not be allowed to sell any other shares of the Company which they may own. The stock ownership requirement does not apply after the executive officer or executive or senior vice president reaches age 62. The Compensation Committee may waive these guidelines at its discretion. As of December 31, 2014, each of the Company's executive officers' and executive and senior vice presidents' total holdings in the Company's stock satisfied their respective stock ownership requirement.

The following table identifies the executive officers' and executive and senior vice presidents' ownership requirement as of December 31, 2014:

Position	Minimum Ownership Requirement Multiple of Salary
Chief Executive Officer	5x
Chief Financial Officer	3x
Executive Vice Presidents	3x
Senior Vice Presidents	2x

8

---



## PROPOSAL 1-ELECTION OF DIRECTORS

### Information about the Director Nominees and the Directors Continuing in Office

The Company's Bylaws and Amended and Restated Articles of Incorporation provide for the annual election of Directors. The Board has nominated David O'Reilly, Charlie O'Reilly, Larry O'Reilly, Rosalie O'Reilly Wooten, Jay D. Burchfield, Thomas T. Hendrickson, Paul R. Lederer, John Murphy and Ronald Rashkow as Directors for a one-year term expiring at the Company's 2016 Annual Meeting of Shareholders.

The following table identifies (i) the business experience and principal occupation for at least the last five years of each of the nominees and the present Directors continuing in office, (ii) his or her present positions and offices with the Company, if applicable, (iii) the year in which he or she was first elected or appointed a Director (each serving continuously since first elected or appointed, unless otherwise stated), (iv) his or her age, (v) his or her directorships for at least the last five years in any company with a class of securities registered pursuant to Section 12 or subject to the requirements of Section 15(d) of the Securities Exchange Act of 1934, as amended, or in any company registered as an investment company under the Investment Company Act of 1940 (as specifically noted), as applicable and (vi) the qualifications and skills, which the Director possesses, that qualify him or her for service on the Company's Board.

#### Board of Directors

David O'Reilly  
Affiliated Director and Chairman of  
the Board  
Director since 1972  
Age: 65  
Term Expiring in 2015

Mr. O'Reilly has served as Chairman of the Board since February of 2005. Mr. O'Reilly served as Co-Chairman of the Board from August 1999 to February 2005; Chief Executive Officer from March 1993 to February 2005; President of the Company from March 1993 to August 1999; Vice President of the Company from 1975 to March 1993. Mr. O'Reilly is being re-nominated as a Director because, among his other qualifications, he possesses over 40 years of experience and expertise in the Company's operations and strategic business development, and has held leadership roles in numerous aftermarket industry organizations and associations.

Charlie O'Reilly  
Affiliated Director and Vice  
Chairman of the Board  
Director since 1966  
Age: 75  
Term Expiring in 2015

Mr. O'Reilly has served as Vice-Chairman of the Board since August of 1999. Mr. O'Reilly served as Chairman of the Board from March 1993 to August 1999; President and Chief Executive Officer from 1975 to March 1993. Mr. O'Reilly retired from active Company management in February 2002. Mr. O'Reilly is being re-nominated as a Director because, among his other qualifications, he possesses 54 years of experience and expertise in the Company's operations and in the automotive aftermarket industry, as well as experience in strategic business development, real estate investment and risk management and assessment.

Larry O'Reilly  
Affiliated Director and Vice  
Chairman of the Board  
Director since 1969  
Age: 68  
Term Expiring in 2015

Mr. O'Reilly has served as Vice-Chairman of the Board since February of 2005. Mr. O'Reilly served as Co-Chairman of the Board from August 1999 to February 2005; Chief Operating Officer from March 1993 to February 2003; President from March 1993 to August 1999; Vice President from 1975 to March 1993. Mr. O'Reilly retired from active Company management in February of 2003. Currently serving as Chairman and Director of Mercy Hospital Springfield since January 2000; Board Member of the Missouri Sports Hall of Fame since January 2003; and Trustee of the Lance Armstrong Endowment Board since December of 2005. Mr. O'Reilly is being re-nominated as a Director because, among his other qualifications, he possesses 43 years of experience and expertise in the Company's operations, in the automotive aftermarket industry and strategic business development.

Rosalie O'Reilly Wooten

Affiliated Director  
Director since 1980  
Age: 73  
Term Expiring in 2015

Mrs. Wooten has served as a member of the Board since February of 2002. Mrs. Wooten served as Executive Vice President from March 1993 to February 2002. Mrs. Wooten retired from active Company management in February of 2002. Currently serving on the Ozarks Greenways Board of Directors, CASA Advisory Board, Breast Cancer Foundation of the Ozarks Advisory Board and Drury University Board of Trustees. Mrs. Wooten is being re-nominated as a Director because, among her other qualifications, she possesses 31 years of experience and expertise in the Company's operations, in the automotive aftermarket industry and experience in leadership development, risk management and human resources.

Board of Directors

<p>Jay D. Burchfield Independent Director Director since 1997 Age: 68 Term Expiring in 2015</p>	<p>Mr. Burchfield has served as Chairman of the Board and Director of Trust Company of the Ozarks since April 1998; Director of Banyan Group, Inc., a clinical research organization, since January 1998; Director of Quest Capital Alliance, a venture capital organization since January 2002; Director of Quest Commercial finance, a corporate finance organization since January 2004; Director of Heart of America Beverage, a Miller/Coors distributor in Missouri, Oklahoma and Arkansas, since January 2003; Director of Primary Care Education, a company providing continued medical education for doctors, since January 2009; Director and Treasurer of the I-470 Community Improvement District, a tax increment financing plan to develop road infrastructure in Lee's Summit, MO, since January 2009. Mr. Burchfield's career has spanned more than 40 years in the banking and financial services industry. Mr. Burchfield is being re-nominated as a Director because, among his other qualifications, he possesses experience and expertise in the banking industry, strategic business development, executive compensation and leadership development.</p>
<p>Thomas T. Hendrickson Independent Director Director since 2010 Age: 60 Term Expiring in 2015</p>	<p>Mr. Hendrickson was the Chief Administrative Officer, Chief Financial Officer and Treasurer for The Sports Authority, Inc., the parent of retailer "Sports Authority", from 2003 to February of 2014. From 1998 to 2003, Mr. Hendrickson held the positions of Executive Vice President and Chief Financial Officer, and Treasurer of Gart Sports Company until its merger with Sports Authority in 2003. He was Vice President of Finance, Senior Vice President, and Executive Vice President and Chief Financial Officer of Sportmart, Inc. from 1993 to 1997. From 1987 to 1993, Mr. Hendrickson was employed as a Divisional Vice President and Controller of Miller's Outpost Stores, a retailer specializing in apparel to young consumers. Mr. Hendrickson is a Certified Public Accountant and has over 29 years of retail business experience. Mr. Hendrickson is being re-nominated as a Director because, among his other qualifications, he possesses experience and expertise in the retail industry, risk assessment and in the accounting and finance areas including experience as a chief financial officer.</p>
<p>Paul R. Lederer Independent Director Director since 2001 Lead Director since 2002 Age: 75 Term Expiring in 2015</p>	<p>Mr. Lederer had been a Director of the Company from April 1993 to July 1997 and was appointed again as a Director in 2001. Mr. Lederer retired in October 1998; served as Executive Vice President of Worldwide Aftermarket of Federal-Mogul Corporation from February 1998 to October 1998; President and Chief Operating Officer of Fel-Pro from November 1994 to February 1998, when it was acquired by Federal-Mogul Corporation; presently a Director of MAXIMUS and Dorman Products; previously served as director of UCI, Inc. (ceased directorship in early 2011). Mr. Lederer is being re-nominated as a Director because, among his other qualifications, he possesses over 40 years of experience and expertise in the automotive aftermarket industry, as well as experience in operations and governance as a chief executive officer and has served as a director on over 15 boards.</p>
<p>John R. Murphy Independent Director Director since 2003 Age: 64 Term Expiring in 2015</p>	<p>Mr. Murphy served as the Interim Chief Financial Officer for Summit Materials, LLC, from January of 2013 until May of 2013 and from July of 2013 to October 14, 2013. He is also a director and chairman of their audit committee. Mr. Murphy is also a director and audit committee chairman for DJO Global. In 2011, he served as a director, audit committee and special committee member of Graham Packaging, Inc. until it was sold in September</p>

of that year. Mr. Murphy served as Senior Vice President and Chief Financial Officer of Smurfit-Stone Container Corporation, a leading manufacturer of paperboard and paper-based packaging products, from 2009 to 2010 and led the financial restructuring of the company during Chapter 11 reorganization. Mr. Murphy was President and Chief Executive Officer of Accuride Corporation and a member of its Board of Directors until October of 2008. Accuride Corporation filed Chapter 11 bankruptcy in October of 2009, emerging in 2010. He served as Accuride's President and Chief Operating Officer from January 2007 to October 2007. He served as President and Chief Financial Officer from February 2006 to December 2006, and as Executive Vice President and Chief Financial Officer of Accuride from March 1998 to January 2006. Mr. Murphy holds a Bachelor of Science in Accounting from Pennsylvania State University and a Master Of Business Administration from the University of Colorado, and is a Certified Public Accountant. Mr. Murphy is being re-nominated as a Director because, among his other qualifications, he possesses experience and expertise in the automotive aftermarket industry, in the accounting and finance areas, including experience as a chief financial officer, and he possesses experience in restructuring and mergers and acquisitions.

## Board of Directors

Ronald Rashkow  
Independent Director  
Director since 2003  
Age: 74  
Term Expiring in 2015

Mr. Rashkow was Founder, CEO, and chairman of Handy Andy Home Improvement Centers, a retail chain of home improvement centers in the Midwest. Mr. Rashkow currently is CEO and Principal of RPMS, Inc. a strategic consulting enterprise. Mr. Rashkow currently serves on advisory boards for Hilco Trading, among the largest asset liquidation companies in the country, and RTC, a specialty retail fixturing and merchandising company. Mr. Rashkow is on the advisory board of the Knapp Entrepreneurial Center at the University of IIT. Additional activities include substantial interests in retail commercial shopping center investments and development. Mr. Rashkow is being re-nominated as a Director because, among his other qualifications, he possesses experience and expertise in the retail industry, executive compensation, risk management, operations as a chief executive officer and advisory services to retail companies and private equity groups focused on retail companies.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE ELECTED NOMINEES.

## INFORMATION CONCERNING THE BOARD OF DIRECTORS

### Director Independence

Rules of the Nasdaq Stock Market (the "Nasdaq") require that a majority of the Board be "independent." Under the Nasdaq rules, a director is independent if he or she is not an officer or employee of the Company and does not have any relationship with the Company which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has reviewed the independence of its Directors under the Nasdaq rules. During this review, the Board considered transactions and relationships between each Director or any member of his or her family and the Company during 2014. Please see discussions in "Family Relationships" and "Certain Relationships and Related Transactions" sections for further descriptions, by specific category and type, of the transactions and relationships reviewed. Consistent with these considerations, the Board has determined that Messrs. Burchfield, Hendrickson, Lederer, Murphy and Rashkow ("independent Directors") are independent under the Nasdaq rules.

### Family Relationships

Charlie O'Reilly, David O'Reilly, Larry O'Reilly and Rosalie O'Reilly Wooten, Directors of the Board, are siblings.

### Leadership Structure

The Company's leadership structure, within its Board, consists of a Chairman of the Board, two Vice Chairmen of the Board, a Lead Director, an Audit Committee, a Corporate Governance/Nominating Committee and a Compensation Committee. The Lead Director also serves on the Audit Committee, the Compensation Committee and as Chairman of the Corporate Governance/Nominating Committee. All Committee members satisfy the independence requirements under the Nasdaq rules. The Company's Bylaws permit the positions of Chairman of the Board and Chief Executive Officer to be held by the same person. However, the Board believes these roles and their attendant responsibilities should be separate and fulfilled by two separate individuals. The Company believes having separate roles allows its Board to effectively provide guidance to and oversight of its management. In 2005, the Corporate Governance/Nominating Committee recommended and the Board approved the appointment of David O'Reilly to serve in the role of Chairman of the Board of the Company. The appointment was made in recognition of the substantial role Mr. O'Reilly plays in the development of the Company's strategic initiatives. The appointment of Mr.

O'Reilly as Chairman of the Board did not alter Greg Henslee's duties and responsibilities as Chief Executive Officer of the Company.

#### Lead Director

In the interest of sound corporate governance, the Board has adopted a practice of appointing a Lead Director who is charged with acting as a liaison among other Directors, with management and between Board committees and the Board. The Lead Director could also preside at Board meetings in the absence of the Chairman. This position improves the functionality of the Board and its Committees and aids in the fiduciary obligations each Director has to the Company and its shareholders. Paul R. Lederer has served as Director, Executive Vice President and Chief Operating Officer within the automotive aftermarket industry and has over 40 years of experience in this industry. Based upon Mr. Lederer's experience, qualifications and skills, in 2002, the Corporate Governance/Nominating Committee nominated, and the Board approved, Mr. Lederer to serve as Lead Director.

## Meeting Attendance

During 2014, four regularly scheduled meetings of the Board were held. During such year, each Director attended 100% of the total number of meetings of the Board, with the exception of Mr. Charlie O'Reilly who attended 75% of the total number of meetings of the Board. During 2014, each Director attended 100% of the total number of meetings held by all committees of the Board for which he served.

## Committees of the Board

The Board has three standing committees, the Audit Committee, the Compensation Committee and the Corporate Governance/Nominating Committee. Each committee is governed by a written charter and is comprised solely of independent Directors in accordance with the Nasdaq Listing Qualifications. Charters for each committee are available on the Company's website at [www.oreillyauto.com](http://www.oreillyauto.com), and can be obtained free of charge by written request to the attention of the Secretary at the Company's address appearing on the first page of this proxy statement or by telephone at (417) 874-7161.

Because Charlie O'Reilly, David O'Reilly, Larry O'Reilly and Rosalie O'Reilly Wooten do not qualify as independent Directors, they do not participate on any committee of the Board.

### Audit Committee

Number of Members:

Five

Members:

John R. Murphy (Chairman), Jay D. Burchfield, Paul R. Lederer, Ronald Rashkow, Thomas T. Hendrickson

Number of Meetings During 2014:

Eight

Purpose and Functions:

The Company's standing Audit Committee was established in accordance with Section (3)(a)(58)(A) of the Exchange Act. The Audit Committee is responsible for reviewing reports of the Company's financial results, audits and internal controls, including the Company's Internal Audit Department, and communicating the results of these evaluations to management. The Audit Committee recommends the engagement of independent auditors, confers with the external auditors regarding the adequacy of the Company's financial controls and fiscal policy in accordance with generally accepted auditing standards and directs changes to financial policies or procedures as appropriate. The Committee also reviews the procedure of the independent registered public accounting firm for ensuring its independence with respect to the services performed for the Company.

The Board has determined that each member of the Audit Committee is "independent" pursuant to the Nasdaq rules, as well as the independence requirements for audit committee members under Rule 10A-3 promulgated under the Exchange Act. In addition, the Board has determined that Mr. Murphy, chairman of the Audit Committee, is qualified as an audit committee financial expert, as that term is defined in the rules of the Securities and Exchange Commission ("SEC"). The Company's Audit Committee Charter may be viewed on its website at [www.oreillyauto.com](http://www.oreillyauto.com).

Compensation Committee

Number of Members: Three

Members: Jay D. Burchfield (Chairman), Paul R. Lederer, Ronald Rashkow

Number of Meetings During 2014: Four

The purpose of the Compensation Committee is to act on behalf of the Board with respect to the establishment and administration of the policies which govern the annual compensation of the Company's executive officers. The Committee has responsibility for defining and articulating the Company's overall executive compensation philosophy, and administering and approving all elements of compensation for elected executive officers. The Committee is directly responsible for reviewing and approving the corporate goals and objectives relevant to the Chairman and CEO's compensation, evaluating the Chairman and CEO's performance based on those goals and objectives, and determining and approving the Chairman and CEO's compensation level based on this evaluation. The Company's Human Resources Department works directly with the Compensation Committee to assist in making recommendations to the Committee for the Chairman and CEO's total compensation. The Compensation Committee also oversees the grants and related actions under the Company's various equity plans.

Purpose and Functions:

Because the Company's executive leadership is of critical importance to the Company's success, the succession planning process is led by the Compensation Committee. This committee reviews the Company's succession planning practices and procedures and makes recommendations to the Board concerning succession developments, while ensuring the appropriate succession plans are in place for key executive positions.

The Committee has the authority to retain consultants and advisors as it may deem appropriate in its discretion. The Committee has, from time to time, historically utilized third party compensation survey data and/or outside consultant advisors in order to achieve its goal of attracting and retaining executive officers who contribute to the long-term success of the Company. During 2014, the Company did not engage an outside consultant advisor for compensation advisory services. The Company's Compensation Committee Charter may be viewed on its website at [www.oreillyauto.com](http://www.oreillyauto.com).



Corporate Governance/Nominating Committee

Number of Members: Three

Members: Paul R. Lederer (Chairman), Jay D. Burchfield, John R. Murphy

Number of Meetings During 2014: Four

The principal purposes of the Corporate Governance/Nominating Committee are: (i) to establish criteria for the selection of Directors and to recommend to the Board the nominees for Director in connection with the Company's Annual Meeting of our shareholders; (ii) to take a leadership role in shaping the Company's corporate governance policies and to issue and implement the Corporate Governance Principles of the Company; (iii) to develop and coordinate annual evaluations of the Board, its committees and its members; and (iv) to adhere to all legal standards required by the SEC and Nasdaq. The Company's Corporate Governance Principles may be viewed along with the Corporate Governance/Nominating Committee Charter on its website at [www.oreillyauto.com](http://www.oreillyauto.com).

Purpose and Functions:

The Corporate Governance/Nominating Committee does not have a written policy on the consideration of Director candidates recommended by shareholders. It is the view of the Board that all candidates, whether recommended by a shareholder or the Corporate Governance/Nominating Committee, shall be evaluated based on the same established criteria for persons to be nominated for election to the Board and its committees. The established criteria for persons to be nominated for election to the Board and its committees, taking into account the composition of the Board as a whole, at a minimum, includes (a) a candidate's qualification as "independent" under the federal securities laws and the rules and regulations of the SEC and Nasdaq applicable to the Board and each of its committees; (b) depth and breadth of experience within the Company's industry and otherwise; (c) outside time commitments; (d) special areas of expertise; (e) accounting and financial knowledge; (f) business judgment; (g) leadership ability; (h) experience in developing and assessing business strategies; (i) corporate governance expertise; (j) risk management skills; and (k) for incumbent members of the Board, the past performance of the incumbent director. The Corporate Governance/Nominating Committee's methods for identifying candidates for election to the Company's Board include the solicitation of possible candidates from a number of sources, including from members of its Board, its executives, individuals personally known to the members of its Board and other research. The Board believes it is best qualified to evaluate candidates based on its knowledge of the Company's business structure and the Corporate Governance/Nominating Committee may retain one or more third-party search firms to identify suitable candidates.

The Company's independent directors held three closed-session meetings during 2014, and each independent director attended all three meetings.

Shareholder Nominations

A shareholder who desires to nominate one or more persons for election as director(s) shall deliver "timely notice" (as defined in Section 12, Article II of the Company's Bylaws) of the shareholder's intent to make such nomination or nominations, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company at the Company's address appearing on the first page of this proxy statement. In accordance with Section 13, Article II of

the Bylaws, such notice shall set forth (i) the name and address of record of the shareholder who intends to make the nomination; (ii) the class and number of shares of the capital stock that are beneficially owned by the shareholder on the date of such notice; (iii) the name, age, business and residential addresses, and principal occupation or employment of each proposed nominee; (iv) a description of all arrangements or understandings between the shareholder and each nominee, and other arrangements or understandings known to the shareholder, pursuant to which the nomination or nominations are to be made by the shareholder; (v) any other information regarding each proposed nominee that would be required to be included in a proxy statement filed with the SEC; and (vi) the written consent of each proposed nominee being so named to serve as a Director of the Company. The presiding officer of a meeting may, if the facts warrant, determine at the meeting that a nomination was not made in accordance with the foregoing procedure, and if he or she should make that determination, he or she shall so declare at the Annual Meeting, and the defective nomination shall be disregarded.

### Director Attendance at Annual Meeting

The Company encourages, but does not require, the members of its Board to attend the Annual Meeting. Each member of the Board attended the Company's 2014 Annual Meeting.

### Risk Oversight

It is management's responsibility to manage risk and bring to the Board's attention the most material risks to the Company. The Board has oversight responsibility of the processes established to report and monitor systems for material risks applicable to the Company. In its oversight role, the Board annually reviews the Company's strategic plan, which addresses, among other things, the risks and opportunities facing the Company. A quarterly risk overview is provided to the Board by the Company's General Counsel and by the Company's Vice President of Treasury and Risk Management, which details the Company's current litigation and current and potential self-insurance risks and risk exposures. The Board has delegated certain risk management oversight responsibility to the Board committees. As part of its responsibilities as set forth in its charter, the Audit Committee is responsible for discussing with management the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures, including the Company's risk assessment and risk management policies. The Audit Committee reviews, with management, the Company's financial performance and financing arrangements and meets with the Company's external auditors to review the Company's compliance with all applicable financial reporting and Sarbanes-Oxley requirements. The Corporate Governance/Nominating Committee reviews the Company's corporate governance guidelines and their implementation and reviews the Corporate Risk Assessment and Management Status Report. This report identifies the material business risks (including strategic and operational) for the Company as a whole and identifies the controls that respond to and mitigate those risks. The Corporate Governance/Nominating Committee also receives a Fraud Risk Assessment report from management which reviews the Company's Code of Conduct and Ethics program compliance as well as the Company's TIPS Hotline and Corporate policies and procedures. The Compensation Committee has overall responsibility for executive officer succession planning and reviews succession plans each year. The Compensation Committee also reviews total compensation for the Company's management and executives including base salary, incentive compensation, benefits, and perquisites to ensure they are market competitive and consistent with the Company's performance goals and ensures that the compensation plans and arrangements do not create inappropriate risks. Each committee regularly reports to the full Board.

### Board Diversity

The Board believes that while diversity and variety of experiences and viewpoints represented on the Board should always be considered, a Director nominee should not be chosen, nor excluded, solely or largely because of race, color, religion, disability, age, gender, national origin or sexual orientation or identity. In selecting a Director nominee, the Corporate Governance/Nominating Committee focuses on skills, viewpoints, expertise and background that would complement the existing Board. The Corporate Governance/Nominating Committee will also consider diversity in market knowledge, experience, employment, and other factors. Decisions by the Board regarding continued service of Directors are made based on expected contributions to the Board in furtherance of the interests of shareholders, not based on race, color, gender or other demographic orientation or identity. The Board does not have a formal policy on Board diversity as it relates to the selection of nominees for the Board.

### Compensation of Directors

#### Independent Directors

Independent Directors are paid an annual fee and meeting fees for attendance at each Board and Committee meeting, with the Lead Director receiving an additional annual fee for service on the Board. Each Committee Chairman is paid an additional fee for service as chairman of each respective Committee. As an incentive for recruiting and retaining qualified Directors, the Company also maintains a Director Stock Plan. This plan provides for an annual award to each

independent Director of restricted shares that vest equally over a three-year period and/or the grant of non-qualified stock options to purchase shares of the Company's common stock, at a per share exercise price equal to the closing market value of the Company's common stock on the date the option is granted, that fully vest after six months and have a life of seven years. Upon resignation from the Board for any reason other than retirement, death or disability, all outstanding stock awards are immediately forfeited. The Board makes an annual determination of the number of restricted shares and/or the grant of a number of stock options to be awarded to every independent Director under the Director Stock Plan.

The following table summarizes the compensation paid to the independent Directors, including stock awards, for the year ended December, 31, 2014:

Annual fee	\$42,500
Annual Lead Director fee	\$10,000
Committee Chairman fees	\$10,000: Audit Committee \$7,500: Compensation Committee \$5,500: Corporate Governance/Nominating Committee
Board of Director meeting fees	\$2,500 for attendance at each quarterly meeting of the Board
Special meeting fees	\$1,000 for attendance at each special meeting of the Board
Restricted stock	In fiscal 2014, each independent Director was awarded a number of restricted shares valued at approximately \$110,000. The restricted shares vest in equal annual installments over a three-year period commencing on the first anniversary of the award. Each independent Director received 754 restricted shares awarded at a price of \$146.05 per share.
Non-qualified stock options	No stock option awards were granted during 2014.

Independent Director fees in the aggregate amount of \$312,375 were paid during 2014 and Independent Director restricted stock awards with an aggregate fair value of \$550,610 were granted in 2014.

#### Affiliated Directors

The Affiliated Director Compensation Plan provides for an annual cash retainer of \$170,000 and quarterly meeting fees of \$2,500 for attendance at each Board meeting to each of the affiliated Directors (Charlie O'Reilly, Larry O'Reilly and Rosalie O'Reilly Wooten).

The Company does not pay additional fees, over and above his annual salary and restricted share award, to David O'Reilly for his service to the Board.

The following table summarizes the compensation paid to all Directors, other than David O'Reilly, for the year ended December 31, 2014:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid In Cash (\$)	Stock Awards (\$)	Option Awards (\$) <sup>(a)</sup>	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$) <sup>(b)</sup>	Total (\$)
Charlie O'Reilly	—	—	—	—	—	176,539	176,539
Larry O'Reilly	—	—	—	—	—	176,539	176,539
Rosalie O'Reilly Wooten	—	—	—	—	—	176,539	176,539
Jay D. Burchfield	63,375	110,122	—	—	—	—	173,497
Thomas T. Hendrickson	55,875	110,122	—	—	—	—	165,997
Paul R. Lederer	71,375	110,122	—	—	—	—	181,497
John R. Murphy	65,875	110,122	—	—	—	—	175,997
Ronald Rashkow	55,875	110,122	—	—	—	—	165,997

Option awards granted to the Directors become 100% exercisable with respect to the covered shares six months (a) from the date of grant and expire after seven years. The table below summarizes the Directors' outstanding stock option awards at December 31, 2014:

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable
Larry O'Reilly	5,000	—
Jay D. Burchfield	10,000	—
Thomas T. Hendrickson	5,000	—
Paul R. Lederer	15,000	—
Ronald Rashkow	5,000	—

(b) The All Other Compensation column represents amounts paid under the Affiliated Director Compensation Plan discussed in the Compensation of Directors - Affiliated Directors section of this report.

In addition, all Directors are reimbursed for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at Board meetings.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is now, nor has ever been, an officer or an employee of the Company or any of its subsidiaries. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director of the Company or a member of the Compensation Committee during 2014.



## COMPENSATION OF EXECUTIVE OFFICERS

### Compensation Discussion and Analysis

This section describes the compensation packages of the Company's principal executive officer, principal financial officer, and three other most highly compensated officers and executive vice presidents who were employed by the Company on December 31, 2014 (we refer to such individuals as the "Named Executive Officers" or "NEOs" in this proxy statement). The Company's NEOs and their positions are identified below:

- David O'Reilly - Chairman of the Board
- Greg Henslee - Chief Executive Officer and President
- Thomas McFall - Chief Financial Officer and Executive Vice President of Finance
- Ted F. Wise - Executive Vice President of Expansion
- Jeff Shaw - Executive Vice President of Store Operations and Sales

### Executive summary

The Compensation Committee of the Company's Board is responsible for reviewing the performance of the Company's NEOs, Executive Vice Presidents and Senior Vice Presidents (together, its "executive officers"), recommending to the Board compensation packages and specific compensation levels for its executive officers and other management team members, establishing policies and guidelines for other benefit programs and administering the award of stock options and other stock-based incentives under the Company's incentive plans.

At our 2014 Annual Meeting, over 95% of the votes cast in the advisory vote on executive compensation, which were present and entitled to vote on the matter, were in favor of the compensation of our NEOs as disclosed in our 2014 proxy statement. We believe that the outcome of this proposal evidences the commitment of our Compensation Committee to open dialogue with our shareholders regarding our executive compensation program, and the Compensation Committee has and will continue to consider these voting results and shareholder sentiments generally as it formulates and implements an executive compensation program designed to align the long-term interests of our executive officers with our shareholders.

The policies and procedures of the Compensation Committee are designed to assist the Company's Board in its oversight of the implementation and effectiveness of its policies and strategies regarding the investment in the Company's largest asset, its employees (whom the Company refers to as "Team Members"). These strategies and policies include, but are not limited to:

- recruiting and retaining qualified Team Members;
- the career development and progression of Team Members;
- management succession, in conjunction with the Company's Corporate Governance/Nominating Committee; and
- employment practices.

The Compensation Committee recommended to the Board, and the Board approved, additional improvements to its executive compensation program by adopting an incentive compensation clawback policy and entering into new change in control agreements with the Company's executives that do not contain excise tax gross-up provisions, as described in more detail below under the description "Clawback policy" and under the description "Potential Payments on Termination or Change in Control" in this proxy statement.

### Compensation objectives and philosophy

The main objective of the Company's compensation philosophy is to provide its executive officers and management with a total compensation package that is competitive and equitable, and which encourages and rewards performance



based in part upon the Company's performance in terms of increases in shareholder value. The Company's compensation objectives include both long-term, share-based incentives and short-term, cash incentives. The Company believes that aligning the interests of its executives and management with those of its shareholders further promotes the success of not only the Company, but also its Team Members.

Risk assessment of compensation programs

The Compensation Committee has reviewed the potential effects of the various components of the Company's executive officers' compensation and benefits programs on individual and collective behavior and, ultimately, on its risk profile and overall approach to risk management. During its review, the Committee focused on the Company's short-term incentives, long-term incentives, and change-in-control benefits as having the greatest potential to create incentives for individual or collective risk taking. Following a thorough review of these and the other components of the Company's compensation and benefits programs, the Committee has determined that the programs do not create any incentives with respect to individual or collective behavior that are likely to have a material adverse effect upon either its risk profile or overall approach to risk management.

Additionally, the Company's non-executive officer and management compensation policies and practices do not excessively incentivize or create need for inappropriate risk-taking by its Team Members and therefore, it is not reasonably likely that current compensation policies and practices would have a material adverse effect on the Company.

#### Overview of compensation programs

The key elements of the compensation packages for the Company's executive officers are base salary, annual cash incentive compensation and long-term, share-based incentives. In determining the composition of elements in each compensation package, the Compensation Committee looks to create a balanced set of rewards, utilizing market-driven influences and external compensation benchmarks, as well as current cash considerations. To ensure that the Company thrives in the competitive talent market, the Compensation Committee reviews industry resources, references and other benchmark reports to determine competitive market ranges and reasonable levels of compensation.

In reviewing the compensation packages of each of the Company's executive officers and management, the Compensation Committee tallies the corresponding dollar value of each element of an individual's compensation, including salary, incentive compensation, accumulated realized and unrealized share-based compensation gains, the dollar value to such individual and cost to the Company of all perquisites and other personal benefits, the earnings and accumulated benefits under the Company's non-qualified deferred compensation program and the potential impact of several potential severance and change-in-control scenarios. For new appointments to senior executive management, the Company's management presents compensation recommendations to the Committee for consideration.

#### Competitive assessments

The Company's Human Resources Department provides the Committee with industry benchmark information and compensation survey data. The Committee considers the Company's relative performance compared with an established group of peer companies in the automotive aftermarket industry and other specialty retailers.

The Compensation Committee reviews the Company's peer group, as necessary, to ensure that the comparisons are meaningful. The Committee evaluates peers which conduct business outside of the automotive aftermarket industry based on criteria such as revenue, operating margin, profit margin and market capitalization, as applicable. The Committee also considers broad-based survey data, compiled by Equilar, of total compensation for top management at companies with total revenues comparable to the total revenues of the Company. The Committee uses the industry and market survey data as a context in reviewing the overall compensation levels and maintaining a reasonable and competitive compensation program. The Committee does not use this data to set specific compensation benchmarks for a position. Rather, the Committee evaluates the overall performance of the Company and the individual performance of management to set compensation at reasonable and competitive levels.

The companies comprising the 2014 peer group for the Company are identified in the following table and include companies with a market capitalization ranging from \$0.5 billion to \$19.7 billion. As of December 31, 2014, the median market capitalization of the Company's 2014 peer group was \$8.6 billion and the Company's market capitalization was \$19.6 billion.

Peer Name	Peer Ticker Symbol (if applicable)
Advance Auto Parts, Inc.	AAP
Asbury Automotive Group	ABG
AutoNation, Inc.	AN
AUTOZONE, Inc.	AZO
Bed Bath & Beyond, Inc.	BBBY
Big Lots, Inc.	BIG
Cabela's Incorporated	CAB
CarMax, Inc.	KMX
Dick's Sporting Goods, Inc.	DKS
Dollar Tree, Inc.	DLTR
Family Dollar Stores, Inc.	FDO
Fastenal Company	FAST
Foot Locker, Inc.	FL
Genuine Parts Company	GPC
W.W. Grainger, Inc.	GWV
Office Depot	ODP
The Pep Boys - Manny, Moe & Jack	PBY
PetSmart, Inc.	PETM
RadioShack Corporation	RSH
Toys R Us, Inc.	
Tractor Supply Company	TSCO

#### Base salary

In determining annual base salary, it is the Compensation Committee's goal to bring the salaries of the Company's executive officers and management in line with base compensation being paid by its peer group. The Compensation Committee specifically reviews compensation information for other publicly traded automotive aftermarket companies and compensation surveys and data for other specialty retailers. The Compensation Committee believes that the Company's principal competitors for its executive officers are not necessarily the same companies that would be included in a peer group compiled for purposes of comparing shareholder returns. Consequently, the companies that are reviewed for such compensation purposes, as noted in "Overview of Compensation Programs," may not be the same as the companies comprising the indices included in the Annual Shareholders' Report of the Company for 2014 that accompanies this proxy statement. The Compensation Committee established increased base salary levels in 2014 for the Company's NEOs to maintain compensation at competitive levels and to reflect its performance and the individual performance of each of its NEOs.

## Incentive compensation plan

The Compensation Committee has established an incentive compensation plan for the Company's executive officers based upon certain objective performance goals. At the beginning of each year, a comprehensive operating plan is developed, which contains estimates for the Company's projected performance for the year. The operating plan is compiled by reviewing the Company's historical performance, trends in the automotive aftermarket and retail industry and the performance of industry peers and other comparable companies. The targets for incentive compensation plans set by the Compensation Committee generally correspond to this operating plan; the comprehensive operating plan for the 2014 fiscal year was approved by the Company's Board of Directors in January of 2014, and reflects the projected results for the 2014 fiscal year. The Company financial performance metrics utilized by the Compensation Committee for the year ended December 31, 2014, are identified in the table below:

Performance Metric	Weight of Performance Metric - Target
Comparable store sales <sup>(a)</sup>	30%
Operating income (\$)	30%
Return on invested capital <sup>(b)</sup>	20%
Free cash flow <sup>(c)</sup>	20%

(a) Calculated based on the change in sales of stores open at least one year and exclude sales of specialty machinery, sales to independent parts stores and sales to Team Members.

(b) Calculated as net income plus interest expense, divided by the sum of average debt and average equity, less average cash.

(c) Calculated as net cash provided by operating activities less capital expenditures for the period.

The Company's actual performance in each of these areas is compared to the individual targets predetermined by the Committee, in order to determine the incentive amount, if any, achieved by each executive officer. Upon achievement of such performance goals, executive officers receive incentive compensation based upon a percentage of their respective base salaries for the attainment of a defined performance goal. The overall potential value varies depending upon the executive's position; however, under the Company's 2014 Incentive Award Plan, the maximum aggregate amount of cash compensation which may be paid to any one participant in any year in respect of all awards that are intended to constitute performance-based compensation is \$10,000,000. For 2014, the Company's Chief Executive Officer had a cumulative target of 100% of his base salary, and its Chief Financial Officer and Executive Vice Presidents had cumulative targets of 80% of their respective base salaries.

The targets for the Company's executive officers are highly confidential and competitively sensitive. The Board believes that if it were to publish these targets, it would allow competitors to recreate the Company's internal forecasts and gain valuable insight on the Company's business strategies. Such public disclosure could materially harm the Company's competitive position within its industry. Because the targets are confidential, the Board believes that the best indication of the Company's performance against target is its track record with respect to incentive payouts. The Board sets target achievement levels for its executives with respect to these performance metrics based on the Board-approved comprehensive operating plan, which reflects projected Company performance for the upcoming fiscal year, and the targets are calibrated such that they are challenging enough to require strong and consistent effort by the executives in order to be achieved. The Company's actual performance above projections would result in payouts above target levels and would likely also result in an increase in total shareholder value. Due to the Company's strong financial performance over the past five years, annual incentive payouts under the executive plan exceeded target each year and ranged from 152% to 403% of target and, over that same period, the value of the Company's stock, and associated shareholder value, increased over 405%.

The following table summarizes the 2014 performance incentive compensation plan targets and payouts for each of the Company's NEOs who participated in the plan:

Named Executive Officer

Edgar Filing: O REILLY AUTOMOTIVE INC - Form PRE 14A

	Base Salary (\$)	Target (%)	Target (\$)	Incentive Achieved (%)	Incentive Achieved (\$)
Chief Executive Officer	1,100,000	100	1,100,000	197	2,168,870
Chief Financial Officer	640,000	80	512,000	197	1,009,511
Executive Vice President of Expansion	405,000	80	324,000	197	638,831
Executive Vice President of Store Operations and Sales	350,000	80	280,000	197	552,076

21

---

#### Long-term, stock-based incentives

The Company offers long-term incentives for executive officers and management in the form of stock option and restricted stock awards. Stock options and restricted stock may be awarded to the Company's NEOs, upper- and middle-managers and other key personnel.

The Company believes that its stock-based incentive award programs are an important component of compensation as an incentive for long-term corporate performance. The Compensation Committee has determined that the annual award of restricted stock or grant of stock options to the Company's executive officers is a key component of each executive officer's total compensation package based on his duties. The amounts of such restricted stock awards and/or stock option grants are determined by the Compensation Committee annually in conjunction with performance reviews and salary adjustments during the January Compensation Committee meeting. In determining whether and how many restricted stock awards and/or stock options should be granted, the Compensation Committee considers the responsibilities and seniority of each of the executive officers, as well as the Company's financial performance and other factors as it deems appropriate, consistent with its compensation philosophy and policies. The restricted stock awards and stock options awarded by the Compensation Committee in 2014, as reflected in the Grants of Plan Based Awards table, include an annual award of restricted stock or grant of stock options, as the case may be, determined by the Compensation Committee in consideration of the factors described above.

In the past, the Compensation Committee has reviewed and considered using other equity-based incentives for the long-term compensation component. After a thorough analysis, stock options and restricted stock awards were determined to be the most effective methods of aligning management interests with those of the Company's shareholders.

The Compensation Committee has also established specific stock option awards to be granted upon the achievement of certain defined positions of employment. These are automatic grants that occur on the date of promotion or appointment to such positions with an option price equal to the closing market value of the common stock underlying the option on such date. It is the Company's belief that these position-related grants provide additional incentive to its executives, management and other Team Members to set personal long-term employment goals. In furtherance of this belief, the Company also has a Team Member stock purchase plan that enables Team Members to purchase its common stock at a discount through payroll deductions and a 401(k) plan under which Team Members can invest in its common stock. In addition, the Compensation Committee may grant stock option awards in connection with a material business event, such as a large acquisition. The Compensation Committee believes that these special stock option awards provide additional incentive to the Company's executive officers, management and other Team Members to ensure these material acquisitions are integrated effectively and efficiently. No position-level stock option awards, or other special stock option awards in connection with a material business event, were granted during 2014 to NEOs.

#### Other

The Company sponsors a 401(k) Profit Sharing and Savings Plan (the "401(k) Plan") that allows Team Members to make plan contributions on a pre-tax basis. The Company matches 100% of the first 2% of the Team Member's compensation, and 25% of the next 4% of the Team Member's compensation. Although executives are eligible to participate in the 401(k) plan, the application of the annual limitations on contributions under Section 401(a)(17) of the Internal Revenue Code prevents highly compensated employees, as defined by the Internal Revenue Code, from participating at the same levels as non-highly compensated employees. The Company has established the O'Reilly Automotive Deferred Compensation Plan (the "Deferred Compensation Plan"), which is intended to restore contributions lost because of the application of the annual limitations under the Internal Revenue Code that are applicable to the 401(k) Plan. The Deferred Compensation Plan provides executives who participate in the 401(k) Plan with the opportunity to defer the full 6% of covered compensation by making contributions to the Deferred Compensation Plan that are then matched by the Company as if they had been made under the 401(k) Plan. This benefit, which assists executives in accumulating funds for retirement, is consistent with observed competitive

practices of similarly situated companies.

Section 162(m) of the Internal Revenue Code disallows a tax deduction to publicly-held companies for compensation paid to certain executive officers, to the extent that compensation exceeds \$1 million per officer in any year. The limitation applies only to compensation, which is not considered to be performance-based, within the meaning of Section 162(m). The Compensation Committee believes that in establishing the cash and equity incentive compensation programs for the Company's executive officers, the potential deductibility of the compensation payable under those programs should be only one of a number of relevant factors taken into consideration, and not the sole governing factor. Accordingly, the Compensation Committee may provide one or more executive officers with the opportunity to earn base and incentive compensation, whether through base salary, cash incentive based compensation programs tied to the Company's financial performance or share-based awards in the form of restricted stock or restricted stock units, which may be in excess of the amount deductible by reason of Section 162(m) or other provisions of the Internal Revenue Code. The Company believes it is important to maintain incentive compensation at the requisite level to attract and retain the executive officers essential to the Company's financial success, even if all or part of that compensation may not be deductible by reason of the Section 162(m) limitation.

In addition, the Company provides its executive officers with certain perquisites, which the Compensation Committee believes are reasonable and consistent with the objectives of attracting and retaining superior Team Members, as well as maintaining a competitive total compensation package for the executive officers. Perquisites can include personal use of a Company automobile, reimbursement for health and country club memberships and reimbursements under the Company's executive management medical reimbursement benefit plan. Perquisite amounts for the Company's NEOs are included in the Summary Compensation Table in the column "All Other Compensation."

#### Compensation mix

The following table summarizes the Company's 2014 compensation mix, which includes base salary, equity and non-equity incentive compensation and/or restricted stock awards or stock options, for each of its NEOs:

Named Executive Officer	Base Salary	Equity Incentive Compensation	Stock Options	Non-Equity Incentive Compensation	Other Benefits	Total Compensation	
Chairman of the Board	64	% 31	%—	%—	% 5	% 100	%
Chief Executive Officer	28	%—	% 28	% 41	% 3	% 100	%
Chief Financial Officer	31	%—	% 31	% 36	% 2	% 100	%
Executive Vice President of Expansion	44	%—	%—	% 53	% 3	% 100	%
Executive Vice President of Store Operations and Sales	34	%—	% 28	% 36	% 2	% 100	%

#### Clawback policy

The Board is dedicated to maintaining and enhancing a culture that is focused on integrity and accountability while tying compensation to the Company's performance. The Board, following a recommendation by the Compensation Committee, adopted an incentive compensation clawback policy (the "Policy") on December 19, 2014. On January 29, 2015, each of the Company's NEOs signed an acknowledgement agreeing to comply with the provisions of the Policy. The Policy is intended to provide an appropriate and effective incentive compensation recoupment program and to offer a balanced approach to aligning the interests of our NEOs and shareholders.

The adopted Policy specifically provides that if the Board or the Compensation Committee determines that incentive compensation of a current or former NEO was overpaid as a result of a restatement of the reported financial results of the Company due to material non-compliance with financial reporting requirements that resulted from the fraud or willful misconduct of the covered employee, then the Board or the Compensation Committee will review the incentive compensation paid, granted, vested or accrued based on the prior inaccurate results. The Policy also provides that, to the extent practicable and as permitted by applicable law, the Board or Compensation Committee will determine whether to seek to recover or cancel the difference between any incentive compensation that was based on having met or exceeded performance targets that would not otherwise have been met based upon accurate financial data and the incentive compensation that would have been paid or granted or that would have vested had the actual payment, granting or vesting been calculated based on the accurate data or restated results, as applicable.

The Policy applies to all incentive compensation granted, paid or credited after the Policy's adoption by the Board, except to the extent prohibited by applicable law or any other legal obligation of the Company. "Incentive compensation" means performance bonuses and incentive awards (including stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares or other stock-based awards) paid, granted, vested or accrued under any Company plan or agreement in the form of cash or Company common stock.



COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in O'Reilly Automotive, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014.

Respectfully submitted,

THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF O'REILLY AUTOMOTIVE, INC.

Jay D. Burchfield  
Chairman of the Compensation Committee

Paul R. Lederer  
Member of the Compensation Committee

Ronald Rashkow  
Member of the Compensation Committee

## EXECUTIVE COMPENSATION TABLES

The following table summarizes the annual compensation paid to or earned by the Company's NEOs for the fiscal years ended December 31, 2014, 2013 and 2012:

## SUMMARY COMPENSATION TABLE

Name And Principal Position	Year	Salary (\$) <sup>(a)</sup>	Bonus (\$)	Stock Awards (\$) <sup>(b)</sup>	Option Awards (\$) <sup>(c)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(d)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
David O'Reilly	2014	587,115	—	295,007	—	—	—	39,708	(e) 921,830
Chairman of the Board	2013	571,154	—	287,586	—	—	—	32,802	(f) 891,542
	2012	546,154	—	275,034	—	—	—	28,517	(g) 849,705
Greg Henslee	2014	1,087,500	—	—	1,102,580	2,168,870	—	106,486	(e) 4,465,436
Chief Executive Officer and President	2013	1,027,308	—	—	1,034,340	1,572,577	—	55,854	(f) 3,690,079
	2012	971,923	—	—	984,604	1,827,065	—	54,445	(g) 3,838,037
Thomas McFall	2014	633,269	—	—	641,533	1,009,511	—	41,180	(e) 2,325,493
Chief Financial Officer and Executive Vice-President of Finance	2013	598,173	—	—	604,603	735,389	—	36,780	(f) 1,974,945
	2012	567,308	—	—	574,765	853,248	—	34,739	(g) 2,030,060
Ted F. Wise	2014	402,692	—	—	—	638,831	—	24,689	(e) 1,066,212
Executive Vice-President of Expansion	2013	433,077	—	—	—	477,699	—	28,490	(f) 939,266
	2012	650,923	—	—	491,051	971,961	—	43,767	(g) 2,157,702
Jeff Shaw	2014	340,385	—	—	280,683	552,076	—	24,026	(e) 1,197,170
Executive Vice-President of Store Operations and Sales	2013	298,077	—	—	149,898	364,656	—	22,495	(f) 835,126
	2012	246,154	—	—	526,008	231,861	—	20,013	(g) 1,024,036

(a) The Salary column includes the portion of salary deferred at NEO's election under the Company's Profit Sharing and Savings Plan and/or Deferred Compensation Plan.

(b) The Stock Awards column refers to restricted share awards granted in 2012, 2013 and 2014, as further discussed in the Incentive compensation plan and Long-term stock-based incentives sections of the Compensation Discussion and Analysis portion of this report. All restricted shares awarded vest in equal installments over a three-year period commencing on the first anniversary of the award.

(c) The Option Awards column refers to the option awards granted to the NEOs, which become exercisable with respect to 25% of the covered shares one year from the date of grant; 50% exercisable two years from the date of grant; 75% exercisable three years from the date of grant and the remainder become exercisable four years from the date of grant. The option awards granted to Mr. Wise are eligible for immediate vesting upon his retirement provided that he provides notice of his intent to retire one year prior to his retirement date. The amounts recognized in the above table reflect the grant date fair value of stock option awards granted during 2014, 2013 and 2012. During the fiscal years ended December 31, 2014, 2013 and 2012, no option awards were forfeited by the named executives. The grant date fair value of option awards was determined using the Black-Scholes

option-pricing model. The Black-Scholes model requires the use of assumptions, including expected volatility, expected life, the risk free rate and the expected dividend yield. Please see the footnotes to the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014, for further discussion of these assumptions.

(d) The Non-Equity Incentive Plan Compensation column refers to the cash payouts under the Company's annual performance incentive plan, which is paid in the year following the plan year. Detailed descriptions of the annual performance incentive plan can be found in the Incentive compensation plan section of the Compensation Discussion and Analysis portion of this report.

(e) Includes Company contributions of \$17,613, \$78,255, \$20,469, \$12,559 and \$11,123 to its Profit Sharing and Savings Plan and/or Deferred Compensation Plan made on behalf of David O'Reilly, Greg Henslee, Thomas McFall, Ted F. Wise and Jeff Shaw, respectively.

(f) Includes Company contributions of \$17,136, \$30,819, \$18,012, \$17,859 and \$10,628 to its Profit Sharing and Savings Plan and/or Deferred Compensation Plan made on behalf of David O'Reilly, Greg Henslee, Thomas McFall, Ted F. Wise and Jeff Shaw, respectively.

(g) Includes Company contributions of \$16,385, \$29,158, \$17,019, \$27,058 and \$9,069 to its Profit Sharing and Savings Plan and/or Deferred Compensation Plan made on behalf of David O'Reilly, Greg Henslee, Thomas McFall, Ted F. Wise and Jeff Shaw, respectively.

The following table summarizes all awards granted during the year ended December 31, 2014, to each of the NEOs:  
GRANTS OF PLAN BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(a)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(b)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(c)</sup>	Exercise or Base Price of Options (\$/Sh)	Grant Date of Stock and Option Awards (\$)
		Threshold	Target	Max	Threshold	Target	Max				
David O'Reilly	1/30/2014	—	—	—	—	—	—	2,230	—	—	295,007
Greg Henslee	1/30/2014	—	1,100,000	—	—	—	—	—	27,576	132.29	1,102,580
Thomas McFall	1/30/2014	—	512,000	—	—	—	—	—	16,045	132.29	641,533
Ted F. Wise	1/30/2014	—	324,000	—	—	—	—	—	—	—	—
Jeff Shaw	1/30/2014	—	280,000	—	—	—	—	—	7,020	132.29	280,683

- The Estimated Future Payouts Under Non-Equity Incentive Plan Awards - Target column refers to the potential cash payouts under the Company's annual performance incentive plans for 2014, which would be paid during 2015. The Compensation Committee approved the goals for the 2014 incentive plans in January of 2014. The payout amounts for each NEO for 2014 were reviewed and approved by the Compensation Committee and the Board in January of 2015, upon completion of the consolidated financial statements for the fiscal year ended December 31, 2014. The Summary Compensation Table details amounts actually paid under the 2014 annual performance incentive plans in the Non-Equity Incentive Plan Compensation column, which was paid in the year following the plan year. A detailed description of the annual performance incentive plan can be found in the Incentive compensation plan and Long-term stock-based incentives sections of the Compensation Discussion and Analysis portion of this report.
- (a) The All Other Stock Awards: Number of Shares of Stock or Units column refers to restricted shares granted to NEOs, which vest in three equal installments on January 30, 2015, 2016 and 2017.
- (b) The All Other Option Awards: Number of Securities Underlying Options column refers to stock option awards granted to the NEOs, which become exercisable with respect to 25% of the covered shares one year from the date of grant; 50% exercisable two years from the date of grant; 75% exercisable three years from the date of grant, while the remainder become exercisable four years from the date of grant.
- (c)

The following table identifies information concerning unexercised stock options, stock options that have not vested and stock awards that have not vested for each of the NEOs as of December 31, 2014:

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END TABLE

Name	Option Awards					Stock Awards		Equity	Equity
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (\$)
David O'Reilly	45,000	—	—	32.78	2/9/2016	—	—	—	—
	35,000	—	—	34.71	2/15/2017	—	—	—	—
	25,000	—	—	28.70	2/14/2018	—	—	—	—
	25,000	—	—	22.65	7/11/2018	—	—	—	—
	25,000	—	—	28.69	2/10/2019	—	—	—	—
	25,000	—	—	39.52	2/11/2020	—	—	—	—
	—	—	—	—	—	5,402 (a)	1,040,533	—	—
Greg Henslee	25,000	—	—	34.71	2/15/2017	—	—	—	—
	50,000	—	—	28.70	2/14/2018	—	—	—	—
	100,000	—	—	22.65	7/11/2018	—	—	—	—
	50,000	—	—	28.69	2/10/2019	—	—	—	—
	50,000	—	—	39.52	2/11/2020	—	—	—	—
	36,155	12,051	(b)	58.21	2/8/2021	—	—	—	—
	18,107	18,107	(c)	81.54	2/2/2022	—	—	—	—
8,462	25,384	(d)	92.65	1/31/2023	—	—	—	—	
	27,576	(e)	132.29	1/30/2024	—	—	—	—	
Thomas McFall	10,000	—	—	34.71	2/15/2017	—	—	—	—
	15,000	—	—	28.70	2/14/2018	—	—	—	—
	15,000	—	—	28.70	2/14/2018	—	—	—	—
	30,000	—	—	28.69	2/10/2019	—	—	—	—
	30,000	—	—	39.52	2/11/2020	—	—	—	—
	21,090	7,030	(b)	58.21	2/8/2021	—	—	—	—
	10,570	10,570	(c)	81.54	2/2/2022	—	—	—	—
	4,946	14,838	(d)	92.65	1/31/2023	—	—	—	—
	16,045	(e)	132.29	1/30/2024	—	—	—	—	
Ted F. Wise	25,000	—	—	22.65	7/11/2018	—	—	—	—
	45,000	—	—	28.69	2/10/2019	—	—	—	—
	35,000	—	—	39.52	2/11/2020	—	—	—	—
	18,936	6,312	(b)	58.21	2/8/2021	—	—	—	—
	9,031	9,030	(c)	81.54	2/2/2022	—	—	—	—

Edgar Filing: O REILLY AUTOMOTIVE INC - Form PRE 14A

Jeff Shaw	25,000	—	—	22.65	7/11/2018	—	—	—	—
	2,711	904	(b) —	58.21	2/8/2021	—	—	—	—
	1,379	1,379	(c) —	81.54	2/2/2022	—	—	—	—
	7,500	7,500	(f) —	90.79	12/13/2022	—	—	—	—
	1,226	3,679	(d) —	92.65	1/31/2023	—	—	—	—
	—	7,020	(e) —	132.29	1/30/2024	—	—	—	—

Represents restricted shares granted on February 2, 2012, January 31, 2013, and January 30, 2014. The restricted shares granted on February 2, 2012, vest in one installment of 1,124 shares on February 2, 2015. The restricted (a) shares granted on January 31, 2013, vest in two installments of 1,024 shares on January 31, 2015, and 1,024 shares on January 31, 2016. The restricted shares granted on January 30, 2014, vest in three installments of 744 shares on January 30, 2015, 743 shares on January 30, 2015, and 743 shares on January 30, 2016.

(b) Represents stock options granted on February 8, 2011, which become exercisable in four equal installments on February 8, 2012, 2013, 2014 and 2015.

(c) Represents stock options granted on February 2, 2012, which become exercisable in four equal installments on February 2, 2013, 2014, 2015 and 2016.

(d) Represents stock options granted on January 31, 2013, which become exercisable in four equal installments on January 31, 2014, 2015, 2016 and 2017.

- (e) Represents stock options granted on January 30, 2014, which become exercisable in four equal installments on January 30, 2014, 2015, 2016 and 2017.
- (f) Represents stock options granted on December 13, 2012, which become exercisable in four equal installments on December 13, 2013, 2014, 2015 and 2016.

The following table summarizes option awards exercised and shares of restricted stock awards, which vested during the year ended December 31, 2014, and the aggregate dollar values realized upon such exercise or vesting for each of the NEOs:

## OPTION EXERCISES AND STOCK VESTED

Name	OPTION AWARDS		STOCK AWARDS	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired On Vesting (#) <sup>(a)</sup>	Value Realized On Vesting (\$)
David O'Reilly	95,000	12,286,882	3,683	509,784
Greg Henslee	75,000	9,427,754	—	—
Thomas McFall	22,500	3,061,807	—	—
Ted F. Wise	185,000	24,963,747	—	—
Jeff Shaw	12,500	2,002,210	—	—

- (a) Reflects the vesting of restricted stock awards granted in 2011, 2012 and 2013. All restricted shares awarded vest in equal installments over a three-year period commencing on the first anniversary of the award.

The following table identifies information regarding the contributions by each NEO and the Company under the O'Reilly Automotive, Inc. Deferred Compensation Plan for the year ended December 31, 2014, as well as information on aggregate earnings, withdrawals and balances for each NEO:

## NONQUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions In Last Fiscal Year (\$) <sup>(a)</sup>	Registrant Contributions In Last Fiscal Year (\$) <sup>(b)</sup>	Aggregate Earnings In Last Fiscal Year (\$)	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance At Last Fiscal Year End (\$)
David O'Reilly	29,356	—	23,220	—	885,921
Greg Henslee	1,666,545	—	188,625	—	3,115,974
Thomas McFall	130,533	—	16,577	—	583,220
Ted F. Wise	44,020	—	211,414	—	3,929,612
Jeff Shaw	261,356	—	56,243	—	1,424,310

- (a) All NEO contribution amounts have been included in the Salary column of the Summary Compensation Table. Effective in 2014, the NEO must be employed on December 31 to receive the year's Company's matching contribution, with the matching Contribution funded annually in January following the year in which the matching contribution was earned. In January of 2015, Company matching contributions of \$11,742, \$78,254, \$14,136, \$8,531 and \$4,316 were contributed for David O'Reilly, Greg Henslee, Thomas McFall, Ted F. Wise and Jeff Shaw, respectively, for the fiscal year ended December 31, 2014.

The Deferred Compensation Plan provides executive officers who participate in the 401(k) Plan with the opportunity to defer the full 6% of covered compensation, including salary and incentive based compensation, by making contributions to the Deferred Compensation Plan that are then matched by the Company as if they had been made under the 401(k) Plan. The Deferred Compensation Plan is intended to restore contributions lost because of the application of the annual limitations under the Internal Revenue Code that are applicable to the 401(k) Plan. Executive officers may elect to defer their base compensation, incentive compensation and/or bonuses to the Deferred Compensation Plan. Executive officers can elect to allocate their contributions, as well as the Company matching

contributions, to various equity, bond or fixed income funds, or a combination thereof, and all interest and/or earnings which may be credited to the executive officer's account are based on the applicable fund's market performance. Executive officers may elect to receive distributions at retirement or starting in a specific future year before or after anticipated retirement and may elect to receive the distribution in a lump sum or in periodic payments.



## Potential Payments on Termination or Change in Control

## Change in Control Agreements

The Company had entered into change in control agreements with certain NEOs, which become effective only upon a Change in Control (as defined in such agreements). In addition, under the Company's Incentive Plans there is acceleration of vesting with respect to options and restricted stock upon a Change in Control (as defined in the applicable Incentive Plan).

With respect to the change in control agreements, if upon or within six months after a Change in Control, any of the NEOs with a valid change in control agreement terminates his employment for "Good Reason" or such executive's employment is terminated by the Company without cause or by reason of death or disability, then the executive will be entitled to:

- An amount equal to one or two times the executive's annual salary;
- Immediate vesting and exercisability of all outstanding stock options, restricted stock or other equity or equity-based awards;
- All accrued but unpaid incentive compensation including any unpaid annual incentive compensation earned in previous years and a prorated portion of current year target incentive compensation;
- Continuation of insurance coverage for 18 months;
- A gross-up payment for excise taxes, if applicable; and
- All legal fees and expenses incurred in disputing the termination of the executive's employment.

The following table shows the amounts that those NEOs who have entered into change in control agreements would have received if their employment had been terminated due to a Change in Control on December 31, 2014. Based on the calculations as of such date, no gross-up payment for excise taxes would be due to any NEO. As described in more detail below, the Board entered into new change in control agreements with the Company's NEOs in January of 2015 (replacing all existing change of control agreements), which do not contain excise tax gross-up provisions. The unvested option grants and unvested restricted share awards vest pursuant to the terms of the Incentive Plans upon a Change in Control irrespective of a termination of employment. This table does not include amounts related to the NEOs' vested benefits under the Company's deferred compensation plan or pursuant to stock option grants or restricted share awards, which are described in the tables above.

	David O'Reilly	Greg Henslee	Ted F. Wise	Jeff Shaw
Annual Salary <sup>(a)</sup>	\$1,180,000	\$2,200,000	\$810,000	\$350,000
Unvested Stock Option Grants	—	7,832,399	1,851,448	1,829,717
Unvested Restricted Share Awards	1,040,533	—	—	—
Incentive Compensation <sup>(b)</sup>	—	2,200,000	648,000	280,000
Continuation of Insurance Coverage	7,625	21,807	22,861	22,569
Total	\$2,228,158	\$12,254,206	\$3,332,309	\$2,482,286

(a) The Change in Control Agreements for David O'Reilly, Greg Henslee and Ted F. Wise provide for two times their annual salary upon a change in control, while the Change in Control Agreement for Jeff Shaw provides for one times his annual salary.

(b) The Change in Control Agreements for David O'Reilly, Greg Henslee and Ted F. Wise provide for two times their incentive compensation upon a change in control, while the Change in Control Agreement for Jeff Shaw provides for one times his incentive compensation.

In addition, if a Change in Control had occurred on December 31, 2014, Thomas McFall, who was not party to a change in control agreement as of December 31, 2014, would have received \$4,570,368 with respect to acceleration of Unvested Stock Option Grants pursuant to the terms of the Incentive Plans.

On January 29, 2015, the Board, acting upon the recommendation of the Compensation Committee, adopted a new form of Change in Control Severance Agreement (the "CIC Agreement") between the Company and its NEOs. Pursuant to the terms of the CIC Agreement, if a NEO's employment is terminated by the Company without "cause" or by the NEO for "good reason" (each as defined in the CIC Agreement) within six months prior to or two years following a change in control, then the NEO will receive (a) salary continuation for two years and a payment equal to two times the NEO's target bonus; (b) two years of benefit continuation and credit towards eligibility for any then-effective retiree medical or life insurance plan; (c) any unpaid bonus for the immediately preceding year and a pro rata target bonus for the year of termination; (d) up to \$30,000 in outplacement services; and (e) equity vesting, with performance awards deemed earned at target and options exercisable for twelve months, or until their expiration, if earlier (with comparable benefits provided where awards were terminated in connection with a qualifying pre-change in control termination). If the NEO would be subject to an excise tax under Section 280G of the Internal Revenue Code, severance amounts will be paid in full (with the excise tax applying to such amounts, if any, being paid by the NEO) or reduced so that no excise tax applies, whichever leads to the more favorable after tax result to the NEO. Receipt of severance payments and certain benefits is

contingent on the execution of an effective release of claims, and the CIC Agreement contains certain restrictive covenants. The CIC Agreement supersedes any previous Change of Control Agreement entered into by the NEOs. On January 29, 2015, each of the Company's NEOs executed the CIC Agreement and agreed to be bound by its terms.

#### Employment Arrangements with Executive Officers

The Company entered into a written employment agreement effective January 1, 1993, with David O'Reilly. Such agreement provides for Mr. O'Reilly to be employed by the Company for a minimum period of three years and automatically renews for each calendar year thereafter. As compensation for services rendered to the Company, the agreement provides for Mr. O'Reilly to receive (i) a base annual salary adjusted annually, and (ii) a bonus, the amount of which is determined by reference to such criteria as may be established by the Compensation Committee. Mr. O'Reilly, in consultation with the Compensation Committee, has elected to exclude himself from participating in the bonus portion of his employment agreement pursuant to his responsibilities of providing strategic direction and guidance to the company and his more limited role in the Company's day-to-day operational activities.

Mr. O'Reilly's employment may be terminated by the Company for cause (as defined in the agreement) or without cause. If Mr. O'Reilly's employment is terminated for cause or if Mr. O'Reilly resigns, his salary and bonus rights will cease on the date of such termination or resignation. If the Company terminates Mr. O'Reilly without cause, all compensation payments will continue through the remainder of the agreement's term. If Mr. O'Reilly had terminated employment on December 31, 2014, such payments would have totaled approximately \$2,228,158. Pursuant to his agreement, Mr. O'Reilly has agreed, for so long as he is receiving payments thereunder, to adhere to certain confidentiality obligations and refrain from engaging, directly or indirectly, in any automotive parts distribution, manufacturing or sales business in the states in which the Company operates without prior written consent of the Company.

#### Director Compensation

Please see the "Compensation of Directors" section of this report for a discussion of the manner in which the Company's directors are compensated.

#### Certain Relationships and Related Transactions

The Company leases certain land and buildings related to 73 of its O'Reilly Auto Parts stores and one of its bulk facilities under fifteen- and twenty-year operating lease agreements with entities in which David O'Reilly, Larry O'Reilly, Charlie O'Reilly and Rosalie O'Reilly Wooten, or members of their families, are affiliated. In addition, the Company leases certain land and buildings related to four of its O'Reilly Auto Parts stores under fifteen-year operating lease agreements with certain of the Company's executive officers. Generally, these lease agreements provide for renewal options for an additional five years at the option of the Company and the lease agreements are periodically modified to further extend the lease term for specific stores under the agreements. The total aggregate lease payments paid by the Company to the entities and individuals above was \$4.6 million for the year ended December 31, 2014. The Company believes that the terms and conditions of the transactions with affiliates described above were no less favorable to the Company than those that would have been available to the Company in comparable transactions with unaffiliated parties.

#### Approval or ratification of transactions with related persons

Pursuant to the terms of the Audit Committee Charter, the Audit Committee is responsible for reviewing and approving all proposed transactions between the Company, any of the Company's Officers or Directors, or relatives or affiliates of any such Officers or Directors, to ensure that such related party transactions are on a similar economic basis as a like transaction that occurred at arm's length with an independent third party and are in the Company's overall best interest and in the best interest of the Company's shareholders. The quarterly Audit Committee meeting

includes a standing agenda item for the review of such related party transactions. The Audit Committee has not adopted any specific procedures for the conduct of the reviews, rather each transaction is considered in light of the individual facts and circumstances. In the course of its review and approval of a transaction, the Audit Committee considers, among other factors it deems appropriate:

- whether the transaction is fair and reasonable to the Company;
- the business reasons for the transaction;
- whether the transaction would impair the independence of one or more of the Company's Officers or Directors; and
- whether the transaction is material, taking into account the significance of the transaction.

During 2014, all related party transactions were reviewed in accordance with the above procedures.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and Directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. Such individuals are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on its review of the copies of such forms furnished to it and written representations with respect to the timely filing of all reports required to be filed, it believes that such persons complied with all Section 16(a) filing requirements applicable to them with respect to transactions for the year ended December 31, 2014.

## AUDIT COMMITTEE REPORT

The Audit Committee functions pursuant to a written charter, which may be viewed on the Company's website at [www.oreillyauto.com](http://www.oreillyauto.com). In compliance with that charter and in connection with the December 31, 2014, financial statements, the Audit Committee:

- reviewed and discussed with management the Company's audited financial statements as of, and for the year ended, December 31, 2014;
- discussed with the Company's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 16, Communications with Audit Committees as adopted by the Public Company Accounting Oversight Board ("PCAOB"); and
- received from the independent auditors the written disclosures and the letter regarding the auditor's independence required by PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and has discussed with the independent auditors their independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

### THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF O'REILLY AUTOMOTIVE, INC.

John R. Murphy  
Chairman of the Audit Committee

Jay D. Burchfield  
Member of the Audit Committee

Thomas T. Hendrickson  
Member of the Audit Committee

Paul R. Lederer  
Member of the Audit Committee

Ronald Rashkow  
Member of the Audit Committee

## PROPOSAL 2 - ADVISORY VOTE ON EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Exchange Act, the Company is required to provide shareholders with an opportunity to vote, on an advisory (non-binding) basis, to approve the compensation of its NEOs. This proposal is commonly referred to as a "Say on Pay" proposal. As required by these rules, the Company is asking you to vote FOR the adoption of the following resolution:

"Resolved, that the compensation paid to the Company's NEOs, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K of the Securities Exchange Act of 1934, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED."

In considering their vote, shareholders should review the Company's compensation of its NEOs in the Compensation Discussion and Analysis ("CD&A") section herein and Compensation Committee report included in these proxy materials. As described in the CD&A, the Company's executive officer compensation programs are designed around the following elements:

- recruiting and retaining qualified Team Members;
- the career development and progression of the Company's Team Members; and
- observed industry practices.

The main objective of the Company's compensation philosophy is to provide its executive officers and management with a total compensation package that is competitive and equitable and that encourages and rewards performance based in part upon the Company's performance in terms of increases in share value. The Company believes that aligning the interests of its executives and management with those of its shareholders further promotes the success of not only the Company, but also its Team Members. The Company's executive compensation policies are focused upon both short-term and long-term incentives and goals. The Company believes that such policies do not create incentives for inappropriate individual or collective risk taking. The Company also believes that the current programs do not create any incentives with respect to individual or collective behavior that are likely to have a material adverse effect upon either its risk profile or overall approach to risk management.

The Company made additional improvements to its compensation program by adopting an incentive compensation clawback policy and entering into new change in control agreements with the Company's executives that do not contain excise tax gross-up provisions, as described in more detail above under the description "Clawback policy" and under the description "Potential Payments on Termination or Change in Control" in this proxy statement.

As this vote is advisory in nature, this proposal does not bind the Company to any specific course of action. However, the Compensation Committee, which is responsible for designing and implementing its executive compensation packages, values the opinions expressed by the Company's shareholders in this vote and will consider the outcome of the vote when making decisions on future executive compensation packages.

At the 2011 Annual Meeting, the Company's shareholders voted in favor of an annual frequency of future advisory votes on executive compensation. The Board determined, after reviewing the results of this vote and based on other considerations, that it is in the best interest of the Company and the Company's shareholders to hold an annual advisory "Say on Pay" vote until the next advisory vote on frequency of "Say on Pay" votes. Thus, the next advisory "Say on Pay" vote will be held at the 2016 Annual Meeting.

Although this vote is advisory in nature and does not impose any action on the Company or the Compensation Committee of the Board, the Company strongly encourages all shareholders to vote on this matter.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE COMPANY'S EXECUTIVE OFFICER COMPENSATION AS DESCRIBED IN THIS PROXY STATEMENT.



## PROPOSAL 3 - RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Audit Committee of the Board has selected Ernst & Young LLP ("E&Y"), as the Company's independent auditors for the year ending December 31, 2015, and has further directed that management submit the selection of independent auditors for ratification by the shareholders at the Annual Meeting. E&Y has audited the Company's financial statements since 1992. Representatives of E&Y are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

None of the Company's Bylaws, other governing documents, Missouri or federal law, or The Nasdaq Global Select Market Listing Qualifications require shareholder ratification of the selection of E&Y as the Company's independent auditors. However, the Audit Committee is submitting the selection of E&Y to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its shareholders.

## Fees Paid to Independent Registered Public Accounting Firm

The following table summarizes the fees billed by E&Y for audit and other professional services during the years ended December 31, 2014 and 2013:

	For the Year Ended December 31,	
	2014	2013
Audit fees <sup>(1)</sup>	\$1,713,087	\$1,615,687
Audit-related fees <sup>(2)</sup>	28,840	29,476
Tax fees <sup>(3)</sup>	441,840	645,240
Total Fees	\$2,183,767	\$2,290,403

Consists of fees and expenses billed for the audit of the Company's consolidated financial statements, the audit of (1) the effectiveness of internal control over financial reporting and the review of the Company's quarterly reports on Form 10-Q for such year and reviews in connection with documents filed with the SEC.

(2) Consists of fees and expenses billed for the annual audit of the Company's employee benefit plans.

(3) Consists of fees and expenses billed for tax advisory services, including compliance, planning and advice.

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax and other services performed by the independent auditor. The policy provides for preapproval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. The Audit Committee has delegated to the Chairman of the Audit Committee authority to approve permitted services, provided that the Chairman reports any decisions to the Committee at its next scheduled meeting. All services provided by E&Y during 2014 were preapproved in accordance with this policy.

The Audit Committee, after review and discussion with E&Y of the preceding information, determined that the provision of these services was compatible with maintaining E&Y's independence.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO RATIFY THE SELECTION OF ERNST & YOUNG LLP, AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE YEAR ENDING DECEMBER 31, 2015.



PROPOSAL 4 - SHAREHOLDER PROPOSAL ENTITLED "RECOVERY OF UNEARNED MANAGEMENT BONUSES"

The Company has been advised that Mr. John Chevedden, 2215 Nelson Avenue, No. 205, Redondo Beach, CA 90278, who has indicated he is a beneficial owner of no fewer than 50 shares of the Company's common stock, intends to submit the following proposal at the Annual Meeting:

"RESOLVED, that shareholders request the Compensation Committee of our Board of Directors to adopt an incentive pay recoupment policy to provide that the Committee will (a) review, and determine whether to seek recoupment of incentive compensation paid, granted or awarded to a senior executive if, in the Committee's judgment, (i) there has been misconduct resulting in a violation of law or company policy, that causes significant financial or reputational harm to the company and (ii) the senior executive either committed the misconduct or failed in his or her responsibility to manage or monitor conduct or risks; and (b) disclosure to shareholders the circumstances of any recoupment, and of any Committee decision not to pursue recoupment in instances that meet criteria (i) and (ii). The Policy should mandate that the above recoupment provisions be included in all future incentive plans and award agreements and that the policy be posted on the company website.

Recoupment includes (a) recovery of compensation already paid and (b) forfeiture, recapture, reduction or cancellation of amounts awarded or granted to an executive over which the company retains control. The Policy should operate prospectively, so as not to affect any compensation paid, awarded or granted before it takes effect. Former General Electric general Counsel Ben Heineman Jr. said that recoupment policies with business-related misconduct triggers are "a powerful mechanism for holding senior leadership accountable to the fundamental mission of the corporation: proper risk taking balance with proper risk management and the robust fusion of high performance with high integrity."

(<http://blogs.law.harvard.edu/corpgov/2010/08/13/making-sense-out-of-clawbacks/>)

Our clearly improvable corporate governance (as reported in 2014) is an added incentive to vote for this proposal: GMI Ratings, an independent investment research firm, rated our Board F. Our board had 4 inside directors who each had 34 to 48 years tenure each, with negatively impacts director independence: Rosalie O'Reilly-Wooten, David O'Reilly, Lawrence O'Reilly and Charles O'Reilly Jr. Three directors received more than 12% in negative votes each: Charles O'Reilly Jr., Lawrence O'Reilly and Rosalie O'Reilly-Wooten. Paul Lederer, Lead Director and audit committee member, was potentially over-committed with seats on 4 public boards.

GMI said O'Reilly Automotive did not report on its sustainability policies and practices via the Global Reporting Initiative nor had it become a voluntary signatory of the UN Global Compact, a global stand for achieving and maintaining effective sustainability practices. O'Reilly Automotive had not implemented OHAS 18001 as its occupational health and safety management system, nor did it actively disclose its workplace safety record in its annual report or other reporting vehicle.

GMI said multiple related party transactions and other potential conflicts of interest involving O'Reilly Automotive's board or senior managers should be reviewed in greater depth, as such practices raise concern regarding potential self-dealing or abuse.

Returning to the core topic of this proposal for the context of our clearly improvable corporate governance, please vote to protect shareholder value:

Recovery of Unearned Management Bonuses - Proposal 4"

The Company's Statement in Opposition to Proposal 4:

The Board recommends a vote AGAINST proposal 4, as the Board believes the proposal is unnecessary and not in the best interests of the shareholders.

The Board is dedicated to maintaining and enhancing a culture that is focused on integrity and accountability while tying compensation to the Company's performance. The Board, following a recommendation by the Compensation Committee, adopted an incentive compensation clawback policy (the "Policy") on December 19, 2014, that the Board believes adequately addresses the concerns outlined in the proposal. Each of the Company's NEOs has signed an acknowledgement agreeing to comply with the provisions of the Policy, the form of such acknowledgement was filed with the SEC on February 4, 2015. The Board believes that the Policy provides an appropriate and effective incentive compensation recoupment program and offers a balanced approach to aligning the interests of our NEOs and shareholders.

The adopted Policy, as fully described in the CD&A section of this Proxy statement, specifically provides that if the Board or the Compensation Committee determines that incentive compensation of a covered employee was overpaid as a result of a restatement of the reported financial results of the Company due to material non-compliance with financial reporting requirements that resulted from the fraud or willful misconduct of such covered employee, the Board or the Compensation Committee will review the incentive compensation paid, granted, vested or accrued based on the prior inaccurate results. The Policy also provides that, to the extent practicable and as permitted by applicable law, the Board or Compensation Committee will determine whether to seek to recover or cancel the difference between any incentive compensation that was paid based on having met or exceeded performance targets that would not have been met based upon accurate financial data and the incentive compensation that would have been paid or granted to the covered employee or the incentive compensation in which the covered employee would have vested had the actual payment, granting or vesting been calculated based on the accurate data or restated results, as applicable.

Our ability to recoup compensation under the Policy is broad. For example, the Board-approved Policy applies to all future incentive plans and award agreements, as requested by the proposal, by specifying that it applies to all incentive compensation granted, paid or credited after the Policy's adoption by the Board, except to the extent prohibited by applicable law or any other legal obligation of the Company. In certain respects, our ability to recoup compensation under the Policy is broader than it would be under the proposal. Rather than limit the circumstances that might trigger a recoupment review to situations that cause significant financial or reputational harm to the Company as requested by the proposal, for example, the Policy adopted by the Board takes a broader approach by not requiring a finding of financial or reputational harm.

Importantly, the Policy is more specific than the proposal regarding the conduct and circumstances that may trigger recoupment of incentive compensation. The lack of specificity in the proposal we believe creates uncertainty for our senior executives regarding what activity is prohibited and could subject them to a clawback. This uncertainty could impact our ability to retain our existing senior executives and could impact our ability to attract high quality senior executives in the future.

The proposal also calls for us to disclose the results of any deliberations about whether to recoup compensation from a senior executive. The Board believes that such disclosure is unnecessary and inappropriate. Decisions to disclose information, taking into account applicable legal requirements, the desire of investors to receive information, confidentiality and commercial considerations, and other matters, are properly made on a case-by-case basis. Mandating disclosure would deprive the Board of the ability to exercise judgment and discretion with respect to the disclosure of potentially sensitive information.

The Board will continue to evaluate the provisions of the Policy, specifically as it relates to Section 954 of the Dodd-Frank Act ("Section 954"). Section 954 mandates that the SEC adopt rules related to the recoupment of

executive compensation, but to date the SEC has not yet adopted the required clawback rulemaking. The Board has been closely monitoring the SEC's public commentary with regard to specific disclosure requirements surrounding Section 954 since the enactment of the Dodd-Frank Act and had chosen not to adopt a clawback policy which might ultimately vary from the SEC's interpretation of Section 954. However, the Board also believes that a continual review of current governance trends and an open engagement with the Company's shareholders is important for the long-term success of the Company and, based on that philosophy and the recommendation of the Compensation Committee, made the decision to adopt the Policy in December

of 2014. Once the SEC finalizes its rules related to Section 954, the Board will reexamine the approved Policy and determine whether changes are needed.

The Board believes that the approved Policy strikes the right balance between NEO accountability and compensation for performance. The Policy establishes appropriate standards for recoupment of incentive compensation, provides sufficient detail to appropriately inform and motivate our senior executives and clearly communicates the Board's expectations regarding appropriate behavior. In addition, the Board believes the Policy meets the essential requirements of the proposal and, as such, the Board recommends a vote AGAINST proposal 4.

Recommendation of the Board:

For the foregoing reasons, the Board of Directors recommends that you vote "AGAINST" proposal 4 to adopt another incentive pay recoupment policy. As with all proposals, if the proposal is not properly presented by the proponent at the Annual Meeting, it will not be voted upon.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "AGAINST" THE SHAREHOLDER PROPOSAL ENTITLED "RECOVERY OF UNEARNED MANAGEMENT BONUSES."**

## EQUITY COMPENSATION PLANS

The following table sets forth shares authorized for issuance under the Company's equity compensation plans as of December 31, 2014 (in thousands, except weighted-average exercise price):

	Number of shares to be issued upon exercise of outstanding options, warrants and rights <sup>(a)</sup>	Weighted-average exercise price of outstanding options, warrants and rights <sup>(b)</sup>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)).
Equity compensation plans approved by shareholders	4,065	\$ 64.57	7,188
Equity compensation plans not approved by shareholders	—	—	—
Total	4,065	\$ 64.57	7,188

(a) Number of shares presented is in thousands.

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

## ANNUAL SHAREHOLDERS' REPORT

The Annual Shareholders' Report of the Company for the year ended December 31, 2014, containing, among other things, audited consolidated financial statements of the Company, accompanies this proxy statement.

## FUTURE PROPOSALS OF SHAREHOLDERS

Shareholder proposals intended to be presented at the 2016 Annual Meeting and included in the Company's proxy statement and form of proxy relating to that meeting pursuant to Rule 14a-8 under the Exchange Act must be received by the Company at the Company's principal executive offices by November 21, 2015. In order for shareholder proposals made outside of Rule 14a-8 under the Exchange Act to be considered "timely" within the meaning of Rule 14a-4(c) under the Exchange Act, the Company's Bylaws require that such proposals must be submitted, not later than February 5, 2016, and not earlier than January 6, 2016.

## OTHER BUSINESS

The Board knows of no business to be brought before the Annual Meeting other than as set forth in this proxy statement. If other matters properly come before the meeting, it is the intention of the persons named in the solicited proxy to vote the proxy on such matters in accordance with their judgment as to the best interests of the Company.

## MISCELLANEOUS

The Company will pay the cost of soliciting proxies in the accompanying form. In addition to solicitation by use of the mails, certain officers and regular employees of the Company may solicit the return of proxies by telephone, telegram or personal interview and may request brokerage houses and custodians, nominees and fiduciaries to forward soliciting material to their principals and will agree to reimburse them for their reasonable out-of-pocket expenses.

Shareholders are urged to mark, sign, date and send in their proxies without delay or vote via telephone or Internet using the instructions on the proxy card.

## COMMUNICATION WITH THE BOARD OF DIRECTORS

A shareholder who wishes to communicate with the Company's Board, specific individual Directors or the independent Directors as a group, may do so by directing a written request addressed to such Director(s) in care of the Corporate Secretary at 233 South Patterson Avenue, Springfield, Missouri, 65802 or via e-mail through its website at [www.oreillyauto.com](http://www.oreillyauto.com). Such communication will be directed to the intended Director, group of Directors or the entire Board, as the case may be.

#### HOUSEHOLDING OF MATERIALS

In some instances, only one copy of this proxy statement or Annual Report is being delivered to multiple shareholders, sharing an address, unless we have received instructions from one or more of the shareholders to continue to deliver multiple copies. We



will deliver promptly upon oral or written request a separate copy of the proxy statement or Annual Report, as applicable, to any shareholder at your address. If you wish to receive a separate copy of the proxy statement or Annual Report, you may call us at (417) 874-7161, or send a written request to O'Reilly Automotive, Inc., 233 South Patterson Avenue, Springfield, Missouri 65802, Attention: Secretary. Alternatively, shareholders sharing an address who now receive multiple copies of the proxy statement or Annual Report may request delivery of a single copy, also by calling us at the number or writing to us at the address listed above.

#### ADDITIONAL INFORMATION

Additional information regarding the Company can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed by the Company with the SEC.

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (as filed with the SEC), including financial statements and financial statement schedules (excluding exhibits), is available to shareholders without charge, upon written request to O'Reilly Automotive, Inc., 233 South Patterson Avenue, Springfield, Missouri 65802, Attention: Secretary.

By Order of the Board of Directors,  
Tricia Headley  
Secretary  
Springfield, Missouri  
March [ ], 2015