

O REILLY AUTOMOTIVE INC
Form DEF 14A
March 24, 2017

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:

- [] Preliminary Proxy Statement
- [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [X] 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.

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

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1) Amount previously paid: _____

2) Form, Schedule or Registration Statement No.: _____

3) Filing Party: _____

4) Date Filed: _____

March 24, 2017

Dear Shareholder:

You are cordially invited to attend the 2017 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 9, 2017, 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

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 9, 2017

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

When: Tuesday, May 9, 2017, 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 conduct an advisory (non-binding) vote on the frequency (either one, two or three years) of future advisory (non-binding) votes on executive compensation;
- to consider and act upon a proposal to approve the 2017 Incentive Award Plan;
- to ratify the appointment of Ernst & Young LLP, as independent auditors for the fiscal year ending December 31, 2017;
- to consider and act upon a 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 28, 2017, 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 8, 2017, at 11:59 p.m. eastern time.

A copy of the Company's Annual Shareholders' Report for fiscal year 2016 accompanies this notice.

By Order of the Board of Directors,
Tricia Headley
Secretary

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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 the Annual Meeting of Shareholders ("Annual Meeting") to be held at the Doubletree Hotel Springfield, 2431 North Glenstone Avenue, Springfield, Missouri 65803, on Tuesday, May 9, 2017, 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. The proxy statement and the accompanying proxy card is expected to first begin mailing to shareholders on or about March 24, 2017.

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters described in the accompanying notice of meeting. In addition, management will report on the Company's performance during fiscal 2016 and respond to questions from shareholders.

When and where will the 2017 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 9, 2017, 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 the Company's common stock is reflected directly on the books and records of the transfer agent, Computershare Trust Company, N.A. ("Computershare").

What is the record date for the Annual Meeting?

The record date is February 28, 2017. Shareholders of record at the close of business on February 28, 2017, 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 five proposals that were solicited by the Board (Proposals 1 through 5), as well as a shareholder proposal (Proposal 6), 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 conduct an advisory (non-binding) vote on the frequency (either one, two or three years) of future advisory (non-binding) votes on executive compensation;
- (4) To consider and act upon a proposal to approve the 2017 Incentive Award Plan;
- (5) To ratify the appointment of Ernst & Young LLP, as independent auditors for the fiscal year ending December 31, 2017;

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and

(6) A shareholder proposal entitled “Special Shareowner Meetings,” 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 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. 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 voting will close at 11:59 p.m. eastern time, on Monday, May 8, 2017.

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, the Board encourages 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 the principal office at any time prior to the voting of the proxy. The Company’s 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 2016 compensation of the Company’s Named Executive Officers;
- (3) For the selection, by an advisory (non-binding) vote, of future advisory (non-binding) votes on executive compensation every “ONE YEAR” (annually);

- (4) FOR the proposal to approve the 2017 Incentive Award Plan;
- (5) FOR the ratification of the selection of Ernst & Young LLP, as the Company's independent auditors for the fiscal year ending December 31, 2017; and
- (6) AGAINST the shareholder proposal entitled "Special Shareowner Meetings," 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. The Company's 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 2016 compensation of the Company's Named Executive Officers. The Board recommends a vote for the selection, by an advisory (non-binding) vote, of future advisory (non-binding) votes on executive compensation every "ONE YEAR" (annually). The Board recommends a vote "FOR" the approval of the 2017 Incentive Award Plan. The Board recommends a vote "FOR" the ratification of the selection of Ernst & Young LLP, as the Company's independent auditors for the year ending December 31, 2017. The Board recommends a vote "AGAINST" the shareholder proposal entitled "Special Shareowner Meetings," if properly presented.

What constitutes a quorum?

On February 28, 2017, there were 91,646,082 shares of common stock outstanding, which constitutes all of the outstanding shares of the Company's 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 ⁽¹⁾	Effect of Broker Non-Votes ⁽²⁾
Proposal 1: Election of Directors ⁽³⁾	Yes	Affirmative vote of majority of shares present and entitled to vote ⁽⁴⁾	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 ⁽⁴⁾	Vote against	Counted for quorum purposes; no effect on voting
Proposal 3: Advisory vote on the frequency of vote on executive compensation	Yes	Affirmative vote of majority of shares present and entitled to vote ⁽⁴⁾	Vote against	Counted for quorum purposes; no effect on voting
Proposal 4: Approval of the 2017 Incentive Award Plan	Yes	Affirmative vote of majority of shares present and entitled to vote ⁽⁴⁾	Vote against	Counted for quorum purposes; no effect on voting
Proposal 5: Ratification of Selection of Independent Auditors	Yes	Affirmative vote of majority of shares present and entitled to vote ⁽⁴⁾	Vote against	Not applicable
Proposal 6: Shareholder proposal entitled "Special Shareowner Meetings"	Yes	Affirmative vote of majority of shares present and entitled to vote ⁽⁴⁾	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. 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?

The Board plans to announce the preliminary voting results at the Annual Meeting. The Company plans to publish the final results in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission (the "SEC") 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, the Company 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.

Will a proxy solicitor be used?

Yes, the Company has engaged Innisfree M&A Incorporated (“Innisfree”) to assist in the solicitation of proxies for the Annual Meeting and estimates it will pay Innisfree a fee of approximately \$17,500. The Company has also agreed to reimburse Innisfree for reasonable administrative and out-of-pocket expenses incurred in connection with the proxy solicitation and indemnify Innisfree against certain losses, costs and expenses.

What are the deadlines for consideration of shareholder proposals or director nominations for the 2018 Annual Meeting of Shareholders?

Shareholder proposals intended to be presented at the 2018 Annual Meeting of Shareholders and included in the Company’s proxy materials 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 24, 2017. 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 7, 2018, and not earlier than January 8, 2018.

What are the deadlines for submitting director nominations for inclusion in the Company’s proxy materials?

Under the Bylaws, a shareholder (or a group of up to 20 shareholders) owning three percent or more of the Company’s outstanding shares of common stock continuously for at least three years may nominate and include in the Company’s proxy materials candidates for up to 20% of the Board (rounded down, but not less than two). Nominations must comply with the requirements and conditions of the Bylaws, including the delivery of proper notice to the Secretary of the Company at the Company’s address appearing on the first page of this proxy statement not later than November 24, 2017, and not earlier than October 25, 2017.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table summarizes information as of December 31, 2016, 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	10,706,518 ⁽¹⁾	11.3%
Common Stock	The Vanguard Group 100 Vanguard Boulevard Malvern, Pennsylvania 19355	5,847,964 ⁽²⁾	6.4%
Common Stock	BlackRock, Inc. 55 East 52nd Street New York, New York 10055	5,738,448 ⁽³⁾	6.1%

As reflected on such beneficial owner's Schedule 13G/A dated, February 7, 2017, 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 purposes of the (1) 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 10,706,518 shares reported, Price Associates claimed sole voting power of 3,034,028 shares, no shared voting power, sole dispositive power of 10,706,518 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 10, 2017, provided to the Company in accordance with the Exchange Act. Of the 5,847,964 shares reported, The Vanguard Group claimed sole voting (3) power of 147,626 shares, shared voting power of 19,003 shares, sole dispositive power of 5,847,964 shares and shared dispositive power of 166,940 shares.

As reflected on such beneficial owner's Schedule 13G/A dated January 25, 2017, provided to the Company in accordance with the Exchange Act. Of the 5,738,448 shares reported, BlackRock, Inc. claimed sole voting (3) power of 4,952,128 shares, no shared voting power, sole dispositive power of 5,738,448 shares and no shared dispositive power.

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table summarizes, as of February 28, 2017, the beneficial ownership of the Company's outstanding shares of common stock for each current Director of the Board, each of the Company's current 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 (a)	Total Ownership (a)	Percent of Class
David O'Reilly (b)	120,568	861,196	100,000	1,081,764	1.17%
Charles H. O'Reilly Jr. (c)	41,280	141,048	—	182,328	*
Larry O'Reilly (d)	145,316	88,548	—	233,864	*
Rosalie O'Reilly Wooten (e)	103,412	244,056	—	347,468	*
Jay D. Burchfield (f)	18,047	—	—	18,047	*
Thomas T. Hendrickson (f)	3,514	—	—	3,514	*
Paul R. Lederer (g)	11,794	8,540	—	20,334	*
John R. Murphy (f)	3,730	—	—	3,730	*
Ronald Rashkow (f)	5,505	—	—	5,505	*
Greg L. Henslee (h)	22,578	13,015	285,058	320,651	*
Thomas McFall (i)	5,172	421	172,889	178,482	*
Jeff M. Shaw (j)	24,167	5,549	50,699	80,415	*
Greg D. Johnson (k)	3,857	918	37,998	42,773	*
All Directors and executive officers as a group (24 persons)	537,893	1,379,650	974,898	2,892,441	3.12%

* 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 28, 2017.

The stated number of directly owned shares includes 2,720 restricted shares awarded under the Company's long-term incentive compensation plans. The stated number of indirectly owned shares includes 583,503 shares

(b) controlled by Mr. O'Reilly as trustee of a trust for the benefit of his children, 270,069 shares held in a Grantor Retained Annuity Trust ("GRAT") and 7,624 shares held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price Investment Services, Inc. ("T. Rowe Price") as trustee.

(c) The stated number of indirectly owned shares includes 99,533 shares owned by Mr. O'Reilly's spouse, 31,140 shares held in a GRAT and 10,375 shares held in a Charitable Remainder Annuity Trust. Of Mr. O'Reilly's directly owned shares, 4,002 shares, and 99,533 shares of Mr. O'Reilly's indirectly owned shares, which are held by Mr. O'Reilly's spouse, are pledged against margin loans.

(d) The stated number of indirectly owned shares includes 65,028 shares held in a GRAT and 23,520 shares controlled by Mr. O'Reilly in a family registered partnership. Of Mr. O'Reilly's directly owned shares, 62,500 shares are pledged against margin loans.

(e) The stated number of indirectly owned shares is held in a GRAT.

(f) The stated number of directly owned shares includes 1,101 restricted shares awarded under the Company's Director Stock Plan.

(g) The stated number of directly owned shares includes 1,101 restricted shares awarded under the Company's Director Stock Plan. The stated number of indirectly owned shares is owned by Mr. Lederer's spouse.

(h) The stated number of directly owned shares includes 603 shares held in the O'Reilly Employee Stock Purchase Plan. The stated number of indirectly owned shares includes 8,006 shares held in a GRAT and 5,009 shares held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price as trustee.

(i) The stated number of directly owned shares includes 3,085 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.

The stated number of directly owned shares includes 2,978 shares held in the O'Reilly Employee Stock Purchase (j) Plan. The stated number of indirectly owned shares is held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price as trustee.

The stated number of directly owned shares includes 1,744 shares held in the O'Reilly Employee Stock Purchase (k) Plan. The stated number of indirectly owned shares is held in the O'Reilly Employee Savings Plus Plan with T. Rowe Price as trustee.

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 has discretion to waive these guidelines; however, it has never done so.

The Company's independent Directors are required to own shares of the Company's common stock valued at a minimum of \$150,000 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, but excludes unvested restricted share awards. As of December 31, 2016, 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 that 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, 2016, the total stockholdings of each of the Company's executive officers and executive and senior vice presidents, who had been in their positions for at least five years, satisfied the stock ownership requirement applicable to each of them.

The following table identifies the executive officers' and executive and senior vice presidents' ownership requirement as of December 31, 2016:

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

PROPOSAL 1 - ELECTION OF DIRECTORS

Information about the Director Nominees

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, Charles H. O'Reilly Jr., Larry O'Reilly, Rosalie O'Reilly Wooten, Jay D. Burchfield, Thomas T. Hendrickson, Paul R. Lederer, John R. Murphy and Ronald Rashkow as Directors for a one-year term expiring at the Company's 2018 Annual Meeting of Shareholders.

The following identifies (i) the business experience and principal occupation for at least the last five years of each of the nominees; (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.

Each of the below nominees' current term expires in 2017.

David O'Reilly, age 67, Affiliated Director and Chairman of the Board, has been a director since 1972.

Experience: 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; and Vice President of the Company from 1975 to March 1993.

Qualifications and Skills: 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.

Charles H. O'Reilly Jr., age 77, Affiliated Director and Vice Chairman of the Board, has been a director since 1966.

Experience: 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 and President and Chief Executive Officer from 1975 to March 1993. Mr. O'Reilly retired from active Company management in February 2002.

Qualifications and Skills: Mr. O'Reilly is being re-nominated as a Director because, among his other qualifications, he possesses over 55 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, age 70, Affiliated Director and Vice Chairman of the Board, has been a director since 1969.

Experience: 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; and Vice President from 1975 to March 1993. Mr. O'Reilly retired from active Company management in February of 2003. Mr. O'Reilly currently serves 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.

Qualifications and Skills: Mr. O'Reilly is being re-nominated as a Director because, among his other qualifications, he possesses over 45 years of experience and expertise in the Company's operations, in the automotive aftermarket industry and strategic business development.

Rosalie O'Reilly Wooten, age 75, Affiliated Director of the Board, has been a director since 1980.

Experience: 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. Mrs. Wooten currently serves on the Ozarks Greenways Board of Directors, CASA Advisory Board, Breast Cancer Foundation of the Ozarks Advisory Board and Drury University Board of Trustees.

Qualifications and Skills: Mrs. Wooten is being re-nominated as a Director because, among her other qualifications, she possesses over 35 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.

Jay D. Burchfield, age 71, Independent Director of the Board, has been a director since 1997.

Experience: Mr. Burchfield serves as a Director, Chairman of the Compensation Committee, and Member of the Audit, Executive and Nominating and Corporate Governance Committees of Simmons First National Corporation since May 2015; Chairman of the Board and Director of Trust Company of the Ozarks from April 1998 until his retirement in October 2015; Senior Principal of SilverTree Companies, a real estate company, since January 2010. Mr. Burchfield's career has spanned more than 40 years in the banking and financial services industry.

Qualifications and Skills: 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.

Thomas T. Hendrickson, age 62, Independent Director of the Board, has been a director since 2010.

Experience: Mr. Hendrickson serves as a Director and Audit Committee Chairperson for Ollie's Bargain Outlet Holdings, Inc. since 2015; Chief Administrative Officer, Chief Financial Officer and Treasurer for The Sports Authority, Inc., the parent of retailer "Sports Authority," from 2003 until his retirement in February of 2014; Executive Vice President and Chief Financial Officer, and Treasurer of Gart Sports Company, from 1998 until its merger with Sports Authority in 2003; Vice President of Finance, Senior Vice President, and Executive Vice President and Chief Financial Officer of Sportmart, Inc., from 1993 to 1997; and Divisional Vice President and Controller of Miller's Outpost Stores, a retailer specializing in apparel to young consumers, from 1987 to 1993. Mr. Hendrickson is a Certified Public Accountant and has over 32 years of retail business experience.

Qualifications and Skills: 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.

Paul R. Lederer, age 77, Independent Director of the Board and Lead Director, has been a director since 2001 and has been Lead Director since 2002.

Experience: Mr. Lederer was 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; and previously served as Director of UCI, Inc. (ceased directorship in early 2011).

Qualifications and Skills: 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.

John R. Murphy, age 66, Independent Director of the Board, has been a director since 2003.

Experience: 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 of 2013; Director, Chairman of the Audit Committee and a Member of the Governance and Nominating Committee for Summit Materials, LLC, since February 2012; Director and Audit Committee Chairman for DJO Global since 2012; Director, Audit Committee and Special Committee Member of Graham Packaging, Inc., from February of 2011 until it was sold in September of 2011; 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; 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; President and Chief Operating Officer of Accuride, from January 2007 to October 2007; President and Chief Financial Officer of Accuride from February 2006 to December 2006; and 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.

Qualifications and Skills: 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.

Ronald Rashkow, age 76, Independent Director of the Board, has been a director since 2003.

Experience: 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.

Qualifications and Skills: 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 2016. 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

Charles H. O'Reilly Jr., 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 L. Henslee's duties and responsibilities as Chief Executive Officer of the Company.

Lead Director

From time to time, in the interest of sound corporate governance, the Board may appoint a Lead Director. The Board believes that the designation of a Lead Director improves the functionality of the Board and its Committees and aids in the fiduciary obligations each Director has to the Company and its shareholders. In 2002, the Corporate Governance/Nominating Committee nominated Paul R. Lederer to serve as Lead Director and the Board approved. Mr. Lederer has served as Lead Director since that time.

The responsibilities of the Lead Director include, but are not limited to, the following:

- Serves as a liaison among other Directors, with the Company's management, between Board committees and the Board;
- Presides at Board meetings in the absence of the Chairman of the Board, or at the request of the Chairman of the Board;
- Ensures Board leadership in the absence or incapacitation of the Chairman of the Board;

- Chairs executive sessions involving only the independent Directors, develops the agenda for executive sessions to ensure that independent Directors have adequate opportunities for these meetings to be held and adequate time to discuss issues and communicates with the Company's management, as appropriate, the results of the executive sessions;
- Consults with the Chairman of the Board as to the appropriate schedules and agendas of Board meetings to ensure there is sufficient time available for serious discussion of appropriate topics proposed by the independent Directors;
- Advises the Chairman of the Board on the conduct of Board meetings to facilitate teamwork and communication among independent and non-independent Directors;
- Together with the Chairman of the Board, collaborates with the Company's management to determine the information and materials provided to the Directors, so that the independent Directors have adequate resources, especially by way of full, timely and relevant information, to support their decision-making responsibilities;
- Entitled to request materials from and receive notice of, and attend all, meetings of Board committees;
- Collaborates with the Chairman of the Board and Corporate Governance/Nominating Committee on Board succession planning;
- Is available to advise committee chairpersons in fulfilling their designated roles and responsibilities to the Board;
- Acts as the focal point on the Board concerning issues such as corporate governance and suggestions from independent Directors and monitors and coordinates with the Company's management on corporate governance issues and developments;
- Collaborates with the Corporate Governance/Nominating Committee to ensure a succession plan is in place for the Company's Chief Executive Officer;
- Collaborates with the Board to guide the Company's management on strategic issues and long-term planning;
- Consults with the Chairman of the Board on such matters as are pertinent to the Board and the Company;
- Is available for direct communication and consultation with shareholders, upon request through Board approved procedures; and
- Performs such other duties as the Board or Chairman of the Board may delegate, from time to time.

Meeting Attendance

During 2016, 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. Charles H. O'Reilly Jr., who attended 75% of the total number of meetings of the Board. During 2016, each independent Director attended 100% of the total number of meetings held by all committees of the Board for which he served, with the exception of Mr. Ronald Rashkow who attended 92% of the total number of meetings held by all committees of the Board for which he served.

Time is allotted at each Board meeting for an executive session involving only the independent Directors. The Company's independent Directors held four closed-session meetings during 2016, and each independent director attended all four meetings.

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 2016 Annual Meeting, with the exception of Mr. John R. Murphy.

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 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 Charles H. O'Reilly Jr., 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, Thomas T. Hendrickson, Paul R. Lederer, Ronald Rashkow

Number of Meetings During 2016: 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 SEC. The Company's Audit Committee Charter may be viewed on its website at www.oreillyauto.com.

Compensation Committee

Number of Members: Three

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

Number of Meetings During 2016: Four

Purpose and Functions:

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.

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 2016, 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.

Corporate Governance/Nominating Committee

Number of Members: Three

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

Number of Meetings During 2016: Four

Purpose and Functions:

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 the 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;
- (iv) to advise the Board regarding long-term Board succession; and
- (v) 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.

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 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;
- depth, breadth and diversity of experience within the Company's industry and otherwise;
- commitments outside of the Board and the ability to devote adequate time to Board and committee matters;
- special areas of expertise;
- accounting and financial knowledge;
- willingness to apply sound and independent business judgment;
- leadership ability;
- experience in developing and assessing business strategies;
- corporate governance expertise;
- risk management skills; and
- for incumbent members of the Board, the past performance of the incumbent director.

The Corporate Governance/Nominating Committee regularly engages and considers director succession for the members of its Board, committees and committee chairs to ensure a mix of knowledge and abilities, expertise and tenure that promote and support the Company's long-term success, while giving consideration to evolving skills, perspective and experience needed on the Board to perform its corporate governance role. In addition, when the Corporate Governance/Nominating Committee seeks a new candidate for directorship, it seeks qualifications from the individual that satisfy the established criteria for a person to be nominated and a candidate that will complement the attributes and perspective of the other members of the Board. As the Company's strategic priorities and the composition of the Board evolve, the priorities and emphasis of qualifications the Corporate Governance/Nominating Committee is seeking in a candidate will change from time to time. Individuals identified by the Corporate Governance/Nominating Committee as qualified to become directors are then recommended to the Board for nomination, and the Board determines the nominees for election after considering the recommendation and report of the Corporate Governance/Nomination Committee.

The Corporate Governance/Nominating Committee expects Messers, Charles H. O'Reilly Jr. and Paul R. Lederer to retire from the Board at the end of the 2017 director term, consistent with the Board's mandatory retirement age policy. Currently, the Corporate Governance/Nominating Committee is actively looking for qualified candidates for directorship to recommend to the Board in 2017 for consideration for the 2018 director elections. Finding qualified candidates interested in serving as director is of the highest level of importance to the Corporate Governance/Nominating Committee. As such, the Corporate Governance/Nominating Committee may use any and all appropriate methods at its disposal for identifying candidates for election.

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 engaging with outside search firms, from members of its Board, its executives, individuals personally known to the members of its Board and other research. Shareholders wishing to recommend a candidate for nomination as a director are requested to send the recommendation in writing to O'Reilly Automotive, Inc. Corporate Governance/Nomination Committee, attention to Tricia Headley, at 233 South Patterson Avenue, Springfield, Missouri 65802. 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.

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;
a description of all arrangements or understandings between the shareholder and each nominee, and other
- (iv) 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.

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

In selecting a Director nominee, the Corporate Governance/Nominating Committee focuses on skills, viewpoints, expertise and background that would complement the existing Board. While the Board does not have a formal policy on Board diversity as it relates to the selection of nominees for the Board, the Corporate Governance/Nominating Committee will consider diversity in market knowledge, experience, employment, ethnicity, gender and geography among 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.

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 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, 2016:

Annual fee	\$60,000
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 2016, each independent Director was awarded a number of restricted shares valued at approximately \$125,000. 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 466 restricted shares awarded at a price of \$268.54 per share.
Non-qualified stock options	No stock option awards were granted during 2016.

Independent Director fees in the aggregate amount of \$389,500 were paid during 2016 and independent Director restricted stock awards with an aggregate fair value of \$625,699 were granted in 2016.

Affiliated Directors

The Affiliated Director Compensation Plan provides for an annual cash retainer of \$200,000 and quarterly meeting fees of \$2,500 for attendance at each Board meeting to each of the affiliated Directors (Charles H. O'Reilly Jr., Larry

O'Reilly and Rosalie O'Reilly Wooten). Affiliated Directors are not paid any other fee amounts and are not granted equity awards in their capacity as directors.

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

The following table summarizes the compensation paid to all Directors for the year ended December 31, 2016, other than David O'Reilly whose compensation is fully reflected in the "Summary of Compensation" table portion of this proxy statement:

DIRECTOR COMPENSATION

Name	Fees Earned In Cash (\$)	Stock Awards (\$) ^(a)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$) ^(b)	Total (\$)
Charles H. O'Reilly Jr.	206,923	—	—	—	—	—	206,923
Larry O'Reilly	206,923	—	—	—	—	2,581	209,504
Rosalie O'Reilly Wooten	206,923	—	—	—	—	—	206,923
Jay D. Burchfield	79,000	125,140	—	—	—	—	204,140
Thomas T. Hendrickson	71,500	125,140	—	—	—	—	196,640
Paul R. Lederer	87,000	125,140	—	—	—	—	212,140
John R. Murphy	81,500	125,140	—	—	—	—	206,640
Ronald Rashkow	70,500	125,140	—	—	—	—	195,640

Stock awards granted to Directors represent restricted shares, which vest in equal annual installments over a three-year period commencing on the first anniversary of the award. The dollar value of stock awards represents the grant-date fair value of the awards based on the closing market price of the Company's common stock on the date of the award. Please see Note 9 "Share-Based Compensation and Benefit Plans" to the Company's Consolidated Financial Statements included on its Annual Report in Form 10-K for the fiscal year ended December 31, 2016, for further discussion of the accounting used in calculating share-based compensation expenses in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC 718"). The table below summarizes the Directors' outstanding stock option and restricted share awards as of December 31, 2016:

Name	Option Awards ⁽ⁱ⁾		Option Exercise Price (\$)	Option Expiration Date	Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Exercisable			Number of Shares or Units of Stock That Have Not Vested (#) ⁽ⁱⁱ⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Jay D. Burchfield	5,000	—	48.31	5/5/2017	1,101	306,529
Thomas T. Hendrickson	—	—	—	—	1,101	306,529
Paul R. Lederer	5,000	—	48.31	5/5/2017	1,101	306,529
John R. Murphy	—	—	—	—	1,101	306,529
Ronald Rashkow	500	—	48.31	5/5/2017	1,101	306,529

(i) Option awards granted to Directors become 100% exercisable with respect to the covered shares six months from the date of grant and expire after seven years.

(ii) Represents restricted shares granted on May 7, 2014, May 6, 2015, and May 4, 2016. The restricted shares granted on May 7, 2014, vest in one installment of 251 shares on May 7, 2017. The restricted shares granted on May 6, 2015, vest in two installments of 192 shares each on May 6, 2017, and May 6, 2018. The restricted shares granted

on May 4, 2016, vest in three installments of 156 shares on May 4, 2017, and 155 shares each on May 4, 2018, and May 4, 2019.

- (b) The “All Other Compensation” column included personal benefit valued at less than \$10,000, which consisted of personal use of the Company plane.

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 the Company’s executive officers served as a director or as 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 2016.

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, 2016 (such individuals are referred to as the "Named Executive Officers" or "NEOs" in this proxy statement). The NEOs and their positions are identified below:

David O'Reilly - Chairman of the Board

Greg L. Henslee - Chief Executive Officer

Greg D. Johnson - Executive Vice President of Supply Chain (Co-President as of February 7, 2017)

Jeff M. Shaw - Executive Vice President of Store Operations and Sales (Co-President as of February 7, 2017)

Tom McFall - Chief Financial Officer and Executive Vice President

Executive summary

The Compensation Committee of the 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 the 2016 Annual Meeting, over 98% 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 the Company's NEOs as disclosed in the 2016 proxy statement. The Board believes that the outcome of this proposal evidences the commitment of the Compensation Committee to open dialogue with the Company's shareholders regarding 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 the Company's executive officers with its shareholders.

The policies and procedures of the Compensation Committee are designed to assist the 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.

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 Compensation 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 Compensation 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 Compensation Committee for consideration.

Competitive assessments

The Company's Human Resources Department provides the Compensation Committee with industry benchmark information and compensation survey data from the companies in its peer group, including peer salary, bonus, incentive compensation, share-based compensation and other compensation. The Compensation 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 Compensation Committee evaluates peers that conduct business outside of the automotive aftermarket industry based on criteria such as revenue, operating margin, net income, market capitalization, team member count and one and three year total shareholder returns, as applicable. Based on its review, the Compensation Committee removed companies from the 2015 peer group for the following reasons: low growth and low market capitalization and acquisitions. The Compensation Committee added companies to the 2016 peer group for the following reasons: similar market capitalization and revenue growth and acquisitions.

The Compensation Committee also considers broad-based survey data, compiled by Equilar, Inc., of total compensation for top management at companies with total revenues comparable to the total revenues of the Company. The Compensation 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 Compensation Committee does not use this data to set specific compensation benchmarks for a position. Rather, the Compensation 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 2016 peer group for the Company are identified in the following table and include companies with a market capitalization ranging from \$1.30 billion to \$25.85 billion. As of December 31, 2016, the median market capitalization of the Company's 2016 peer group was \$5.51 billion and the Company's market capitalization was \$25.85 billion.

Peer Name	Peer Ticker Symbol
Advance Auto Parts, Inc.	AAP
Asbury Automotive Group, Inc.	ABG
AutoNation, Inc.	AN
AutoZone, Inc.	AZO
Bed Bath & Beyond, Inc.	BBBY
Big Lots, Inc.	BIG
CarMax, Inc.	KMX
Dick's Sporting Goods, Inc.	DKS
Dollar Tree, Inc.	DLTR
Fastenal Company	FAST
GameStop Corp.	GME
Genuine Parts Company	GPC
Group 1 Automotive, Inc.	GPI
The Michaels Companies, Inc.	MIK
Monro Muffler Brake, Inc.	MNRO
Office Depot, Inc.	ODP
Ross Stores, Inc.	ROST
Tractor Supply Company	TSCO

Base salary

The Company provides competitive annual base salaries to its executive officers and management in recognition of their job responsibilities. 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 from the publicly traded automotive aftermarket companies in its peer group and compensation surveys and data from the other specialty retailers in its peer group. 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 may not be the same as the companies comprising the indices included in the Annual Shareholders' Report of the Company for 2016 that accompanies this proxy statement. The Compensation Committee established increased base salary levels in 2016 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 Company provides competitive annual incentive compensation as a percent of base salary based on achievement of certain objective performance goals established by the Compensation Committee each year in order to motivate attainment of short-term goals, link annual cash compensation to achievement of the annual priorities and reward individual performance and contribution. At the beginning of each year, a comprehensive operating plan is developed, which contains estimates for the Company's projected performance for the year, 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 the incentive compensation plans set by the Compensation Committee generally correspond to this operating plan; the comprehensive operating plan for the 2016 fiscal year was approved by the Board in January of 2016, and reflects the projected results for the 2016 fiscal year. The Company's actual performance in each of the target areas is compared to the individual targets predetermined by the Compensation 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 2012 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 under Section 162(m) ("Section 162(m)") of the Internal Revenue Code of 1986, as amended (the "Code"), is \$10,000,000. For 2016, the Company's Chief Executive Officer had a cumulative target of 100% of his base salary, and its Executive Vice Presidents and Chief Financial

Officer had cumulative targets of 80% of their individual base salaries, which were, in each case, the same salary targets applicable in 2015. The Board sets performance target achievement levels for its executives that are challenging enough to require strong and consistent effort by the executives in order to be achieved and such that 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 incentive compensation plan exceeded target each year, ranging from 152% to 245% of target, and over that same period, the value of the Company's stock, and associated shareholder value, increased over 248%.

The performance metrics, weighting, targets, actual results and achievement levels utilized by the Compensation Committee for calculating NEO incentive compensation for the year ended December 31, 2016, are identified in the table below:

Performance Metric	Weight (%)	Target	Actual	Achievement (%)
Comparable store sales ^(a)	30	4.0	% 4.8	% 40.1
Operating income	30	\$1,661,000	\$1,699,218	42.7
Return on invested capital ^(b)	20	31.92	% 34.42	% 41.5
Free cash flow ^(c)	20	\$750,000	\$977,822	39.0
	100			163.3

(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 following table summarizes the 2016 performance incentive compensation plan salary targets and the resulting payouts for each of the Company's NEOs who participated in the plan:

Named Executive Officer	Base Salary (\$)	Target (%)	Target (\$)	Achievement (%)	Incentive Achieved (\$)
Chief Executive Officer	1,250,000	100	1,250,000	163.3	2,042,341
Executive Vice President of Supply Chain	350,000	80	280,000	163.3	457,484
Executive Vice President of Store Operations and Sales	400,000	80	320,000	163.3	522,839
Chief Financial Officer	720,000	80	576,000	163.3	941,111

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 2016, 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 Team Members are also able to invest in the Company's common stock through its 401(k) plan. 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 2016 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 Code prevents highly compensated employees, as defined by the 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 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) 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 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, personal use of the Company plane, 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 of Compensation" table in the column "All Other Compensation."

Compensation mix

The following table summarizes the Company's actual compensation mix that resulted in 2016 from the compensation programs and practices described above, which includes base salary, restricted stock awards or stock options, non-equity incentive compensation and/or other benefits, for each of its NEOs:

Named Executive Officer	Base Salary	Restricted Stock Awards	Stock Options	Non-Equity Incentive Compensation	Other Benefits	Total Compensation
Chairman of the Board	63 %	32 %	— %	— %	5 %	100 %
Chief Executive Officer	27 %	— %	27 %	45 %	1 %	100 %
Executive Vice President of Supply Chain	32 %	— %	24 %	42 %	2 %	100 %
Executive Vice President of Store Operations and Sales	32 %	— %	25 %	41 %	2 %	100 %
Chief Financial Officer	29 %	— %	30 %	39 %	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") in 2014. Each of the Company's NEOs has 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 the Company's 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

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on its review and discussion with management, the Compensation Committee 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, 2016.

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, 2016, 2015 and 2014:

SUMMARY OF COMPENSATION

Name And Principal Position	Year	Salary (\$) ^(a)	Bonus (\$)	Stock Awards (\$) ^(b)	Option Awards (\$) ^(c)	Non-Equity Incentive Plan Compensation (\$) ^(d)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ^(e)	Total (\$)
David O'Reilly	2016	644,615	—	325,039	—	—	—	47,272	1,016,926
Chairman of the Board	2015	633,846	—	307,662	—	—	—	42,033	983,541
	2014	587,115	—	295,007	—	—	—	39,708	921,830
Greg L. Henslee	2016	1,238,461	—	—	1,250,025	2,042,341	—	54,667	4,585,494
Chief Executive Officer	2015	1,205,769	—	—	1,175,023	2,881,471	—	53,635	5,315,898
	2014	1,087,500	—	—	1,102,580	2,168,870	—	106,486	4,465,436
Greg D. Johnson ^(f)	2016	342,308	—	—	255,973	457,484	—	23,156	1,078,921
Executive Vice President of Supply Chain	2015	311,538	—	—	240,012	588,556	—	25,464	1,165,570
Jeff M. Shaw	2016	396,923	—	—	319,966	522,839	—	31,359	1,271,087
Executive Vice President of Store Operations and Sales	2015	388,846	—	—	304,036	745,504	—	31,059	1,469,445
	2014	340,385	—	—	280,683	552,076	—	24,026	1,197,170
Tom McFall	2016	713,846	—	—	720,010	941,111	—	46,382	2,421,349
Chief Financial Officer and Executive Vice President	2015	698,462	—	—	680,035	1,334,060	—	41,462	2,754,019
	2014	633,269	—	—	641,533	1,009,511	—	41,180	2,325,493

^(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 2014, 2015 and 2016, as further discussed in the "Long-term, stock-based incentives" section of the "Compensation Discussion and Analysis" portion of this proxy statement. All restricted shares awarded vest in equal installments over a three-year period commencing on the first anniversary of the award. The dollar value of stock awards represents the grant-date fair value of the awards based on the closing market price of the Company's common stock on the date of the award. Please see Note 9 "Share-Based Compensation and Benefit Plans" to the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2016, for further discussion of the accounting used in calculating share-based compensation expenses in accordance with ASC 718.

^(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 amounts recognized in the above table reflect the grant date fair value of stock option awards granted during 2016, 2015 and 2014. During the fiscal years ended December 31, 2016, 2015 and 2014, 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 Note 9 "Share-Based Compensation and Benefit Plans" to the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the fiscal year ended

December 31, 2016, for further discussion of these assumptions and the accounting used in calculating share-based compensation expenses in accordance with ASC 718.

(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 proxy statement.

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(e) The “All Other Compensation” column includes the following:

Name	Year	Company Contributions to Deferred Compensation Plan	Company Contributions to Profit Sharing and Savings Plan	Medical Insurance Premium Reimbursement	Value of Company Paid Group Term Life Insurance	Stock Discount from Employee Stock Purchase Plan	Personal Use of Company Automobile or Allowance for Personal Automobile	Perquisites and Personal Benefits ⁽ⁱ⁾
David O'Reilly	2016	12,892	6,446	9,000	6,858	—	6,209	5,867
	2015	12,677	6,338	8,750	7,122	—	6,122	1,024
	2014	11,742	5,871	8,750	7,217	—	5,576	552
Greg L. Henslee	2016	18,000	—	9,000	2,322	10,851	10,779	3,715
	2015	21,974	—	8,750	2,370	10,189	5,039	5,313
	2014	78,255	—	8,750	1,338	9,552	3,808	4,783
Greg D. Johnson ^(f)	2016	1,712	4,519	9,000	722	2,969	3,867	367
	2015	1,558	11,539	8,750	609	2,647	—	361
Jeff M. Shaw	2016	8,925	4,846	9,000	924	3,482	3,675	507
	2015	3,325	14,477	8,750	879	3,202	—	426
	2014	4,316	6,808	8,750	812	2,969	—	371
Tom McFall	2016	14,277	7,138	9,000	810	6,258	3,748	5,151
	2015	13,969	6,985	8,750	831	5,905	—	5,022
	2014	14,136	6,333	8,750	582	5,564	—	5,815

The “Perquisites and Personal Benefits” column for each NEO for each year included perquisites and personal

⁽ⁱ⁾ benefits valued at less than \$10,000 for each benefit, which consisted of, for certain NEOs but not necessarily all, personal use of the Company plane and/or club dues.

^(f) Greg D. Johnson became a NEO during the year ended December 31, 2015.

The following table summarizes all awards granted during the year ended December 31, 2016, to each of the NEOs:
GRANTS OF PLAN BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ^(a)		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares or Units ^(b)	All Other Option Awards: Number of Securities Underlying Options ^(c)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Max Threshold (\$)	Threshold (#)	Max Threshold (#)				
David O'Reilly	1/28/2016	—	—	—	—	1,268	—	—	325,039
Greg L. Henslee	1/28/2016	1,250,000	—	—	—	—	—	—	—
	1/28/2016	—	—	—	—	—	18,264	256.34	1,250,025
Greg D. Johnson	1/28/2016	280,000	—	—	—	—	—	—	—
	1/28/2016	—	—	—	—	—	3,740	256.34	255,973
Jeff M. Shaw	1/28/2016	320,000	—	—	—	—	—	—	—
	1/28/2016	—	—	—	—	—	4,675	256.34	319,966
Tom McFall	1/28/2016	576,000	—	—	—	—	—	—	—
	1/28/2016	—	—	—	—	—	10,520	256.34	720,010

(a)

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 plan for its executive officers, including the NEOs, for 2016, which would be paid during 2017. The Compensation Committee approved the goals for the 2016 incentive plans in January of 2016. The payout amounts for each NEO for 2016 were reviewed and approved by the Compensation Committee and the Board in January of 2017, upon completion of the consolidated financial statements for the fiscal year ended December 31, 2016. The “Summary of Compensation” table details amounts actually paid under the 2016 annual performance incentive plans in the “Non-Equity Incentive Plan Compensation” column, which were 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” section of the “Compensation Discussion and Analysis” portion of this proxy statement.

- (b) The “All Other Stock Awards: Number of Shares of Stock or Units” column refers to restricted share awards granted to NEOs, which vest in three equal installments on January 28, 2017, 2018 and 2019.

(c) 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.

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, 2016:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards:	
	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 Stock That Have Not Vested (\$)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Value (\$)
David O'Reilly	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	—	—	—	—
	—	—	—	—	3,075	(a) 856,111	—	—
Greg L. Henslee	80,000	—	22.65	7/11/2018	—	—	—	—
	50,000	—	28.69	2/10/2019	—	—	—	—
	50,000	—	39.52	2/11/2020	—	—	—	—
	48,206	—	58.21	2/8/2021	—	—	—	—
	36,214	—	81.54	2/2/2022	—	—	—	—
	25,385	8,461 (b)	92.65	1/31/2023	—	—	—	—
	13,788	13,788 (c)	132.29	1/30/2024	—	—	—	—
	5,772	17,316 (d)	192.65	1/29/2025	—	—	—	—
—	18,264 (e)	256.34	1/28/2026	—	—	—	—	
Greg D. Johnson	27,000	—	22.65	7/11/2018	—	—	—	—
	3,374	—	58.21	2/8/2021	—	—	—	—
	2,537	—	81.54	2/2/2022	—	—	—	—
	1,766	589 (b)	92.65	1/31/2023	—	—	—	—
	959	959 (c)	132.29	1/30/2024	—	—	—	—
	1,179	3,537 (d)	192.65	1/29/2025	—	—	—	—
—	3,740 (e)	256.34	1/28/2026	—	—	—	—	
Jeff M. Shaw	15,000	—	22.65	7/11/2018	—	—	—	—
	3,615	—	58.21	2/8/2021	—	—	—	—
	2,758	—	81.54	2/2/2022	—	—	—	—
	15,000	—	90.79	12/13/2022	—	—	—	—
	3,679	1,226 (b)	92.65	1/31/2023	—	—	—	—
	3,510	3,510 (c)	132.29	1/30/2024	—	—	—	—
	1,494	4,480 (d)	192.65	1/29/2025	—	—	—	—
	—	4,675 (e)	256.34	1/28/2026	—	—	—	—
Tom McFall	15,000	—	28.70	2/14/2018	—	—	—	—
	15,000	—	28.70	2/14/2018	—	—	—	—

22,500—

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