

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.

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

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

2) Aggregate number of securities to which transaction applies: _____

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or schedule and the date of its filing.

1) Amount previously paid: _____

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

3) Filing Party: _____

4) Date Filed: _____

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 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. (3)

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 power of 4,952,128 shares, no shared voting power, sole dispositive power of 5,738,448 shares and no shared dispositive power. (3)

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