

AUTOZONE INC
Form DEF 14A
October 27, 2004

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
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 Definitive Proxy Statement
 Definitive Additional Materials

AUTOZONE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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 - (3) Filing Party:
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AUTOZONE, INC.

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
DECEMBER 16, 2004**

What: Annual Meeting of Stockholders

When: December 16, 2004, 8:30 a.m., Central Standard Time

Where: J.R. Hyde III Store Support Center
123 South Front Street
Memphis, Tennessee

Stockholders will vote regarding: Election of eight directors

Approval of the AutoZone, Inc. 2005 Executive Incentive Compensation Plan, which replaces our expiring Amended and Restated 2000 Executive Incentive Compensation Plan

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2005 fiscal year

The transaction of other business that may be properly brought before the meeting

Record Date: Stockholders of record as of October 21, 2004, may vote at the meeting.

By order of the Board of Directors,

Harry L. Goldsmith
Secretary

Memphis, Tennessee
October 27, 2004

We encourage you to vote by telephone or Internet, both of which are convenient, cost-effective and reliable alternatives to returning your proxy card by mail.

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AutoZone, Inc.

123 South Front Street
Memphis, Tennessee 38103

Proxy Statement

for
Annual Meeting of Stockholders
December 16, 2004

The Meeting

The Annual Meeting of Stockholders of AutoZone, Inc. will be held at AutoZone's executive offices, the J.R. Hyde III Store Support Center, 123 South Front Street, Memphis, Tennessee, at 8:30 a.m. CST on December 16, 2004.

About this Proxy Statement

Our Board of Directors has sent you this Proxy Statement to solicit your vote at the Annual Meeting. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

In this Proxy Statement:

AutoZone, we and the Company mean AutoZone, Inc., and
Annual Meeting means the Annual Meeting of Stockholders to be held on December 16, 2004, at 8:30 a.m. CST at the
J.R. Hyde III Store Support Center, 123 South Front Street, Memphis, Tennessee.

AutoZone will pay all expenses incurred in this proxy solicitation. In addition to mailing this Proxy Statement to you, we have retained D.F. King & Co., Inc., to be our proxy solicitation agent for a fee of \$7,500 plus expenses. We also may make additional solicitations in person, by telephone, facsimile, e-mail, or other forms of communication. Brokers, banks, and others who hold our stock for beneficial owners will be reimbursed by us for their expenses related to forwarding our proxy materials to the beneficial owners.

This Proxy Statement is first being mailed on or about October 28, 2004.

Information about Voting

What matters will be voted on at the Annual Meeting?

At the Annual Meeting, stockholders will be asked to vote on the following proposals:

1. to elect eight directors;
 2. to approve the 2005 Executive Incentive Compensation Plan to replace our expiring Amended and Restated 2000 Executive Incentive Plan; and
 3. to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2005 fiscal year.
- Stockholders also will transact any other business that may be properly brought before the meeting.

Who is entitled to vote at the Annual Meeting?

The record date for the Annual Meeting is October 21, 2004. Only stockholders of record at the close of business on that date are entitled to attend and vote at the Annual Meeting. The only class of stock that can be voted at the meeting is our common stock. Each share of common stock is entitled to one vote on all matters that come before the meeting. At the close of business on the record date, October 21, 2004, we had 79,776,940 shares of common stock outstanding.

How do I vote my shares?

You may vote your shares in person or by proxy:

By Proxy: You can vote by telephone, on the Internet or by mail. *We encourage you to vote by telephone or Internet, both of which are convenient, cost-effective, and reliable alternatives to returning your proxy card by mail.*

1. *By Telephone:* You may submit your voting instructions by telephone by following the instructions printed on the proxy card. If you submit your voting instructions by telephone, you do not have to mail in your proxy card.
2. *On the Internet:* You may vote on the Internet by following the instructions printed on the proxy card. If you vote on the Internet, you do not have to mail in your proxy card.
3. *By Mail:* If you properly complete and sign the enclosed proxy card and return it in the enclosed envelope, it will be voted in accordance with your instructions. The enclosed envelope requires no additional postage if mailed in the United States.

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In Person: You may attend the Annual Meeting and vote in person. If you are a registered holder of your shares (if you hold your stock in your own name), you need only attend the meeting. However, if your shares are held in an account by a broker, you will need to present a written consent from your broker permitting you to vote the shares in person at the Annual Meeting.

What if I have shares in an Employee Stock Purchase Plan account?

If you have shares in an account under the Employee Stock Purchase Plan, you have the right to vote the shares in your account. To do this you must sign and timely return the proxy card you received with this Proxy Statement, or grant your proxy by telephone or over the Internet by following the instructions on the proxy card.

How will my vote be counted?

Your vote for your shares will be cast as you indicate on your proxy card. If you sign your card without indicating how you wish to vote, your shares will be voted FOR our nominees for director, FOR the 2005 Executive Incentive Compensation Plan, FOR Ernst & Young LLP as independent registered public accounting firm and in the proxies' discretion on any other matter that may properly be brought before the meeting or any adjournment of the meeting.

The votes will be tabulated and certified by our transfer agent, EquiServe, Inc. A representative of EquiServe will serve as the inspector of election.

Can I change my vote after I submit my proxy?

Yes, you may revoke your proxy at any time before it is voted at the meeting by:

giving written notice to our Secretary that you have revoked the proxy; or
providing a later-dated proxy.

Any written notice should be sent to the Secretary at 123 South Front Street, Memphis, Tennessee 38103.

How many shares must be present to constitute a quorum for the meeting?

Holders of a majority of the shares of the voting power of the Company's stock must be present in person or by proxy in order for a quorum to be present. If a quorum is not present at the scheduled time of the Annual Meeting, we may adjourn the meeting, without notice other than announcement at the meeting, until a quorum is present or represented. Any business which could have been transacted at the meeting as originally scheduled can be conducted at the adjourned meeting.

THE PROPOSALS

PROPOSAL 1-Election of Directors

Eight directors will be elected at the Annual Meeting to serve until the annual meeting of stockholders in 2005. The eight persons nominated for director receiving the most votes will be elected. Since directors are elected by a plurality, abstentions and broker non-votes have no affect on their election (broker non-votes are shares held by banks or brokers on behalf of their customers that are not voted).

The Board of Directors recommends that the stockholders vote FOR each of these nominees. These nominees have consented to serve if elected. Should any nominee be unavailable to serve, your proxy will be voted for the substitute nominee recommended by the Board of Directors, or the Board of Directors may reduce the number of directors on the Board.

Each of the nominees named below was elected a director at the 2003 annual meeting.

Nominees

The nominees are:

Charles M. Elson, 44, has been a Director since 2000. He has been the Edgar S. Woolard, Jr. Professor of Corporate Governance since 2000 and is the Director of the Center for Corporate Governance at the University of Delaware. He is also of counsel to Holland & Knight LLP. Previously, he had been a Professor at the Stetson University College of Law since 1990. Mr. Elson is also a Director of Alderwoods Group, Inc., HealthSouth Corporation, and the Investor Responsibility Research Center.

Earl G. Graves, Jr., 42, has been a Director since 2002. He has been the President and Chief Operating Officer for Earl G. Graves Publishing Company, publisher of Black Enterprise magazine, since 1998 and has been employed by the same company in various capacities since 1988.

N. Gerry House, 57, has been a Director since 1996. She has been the President and Chief Executive Officer of the Institute for Student Achievement since 2000. Previously, she was the Superintendent of the Memphis, Tennessee City School System since 1992.

J.R. Hyde, III, 61, has been a Director since 1986. He has been the President of Pittco, Inc., an investment company, since 1989 and has been the Chairman of GTx, Inc., a biotechnology, pharmaceutical company since 2000. Mr. Hyde was AutoZone's Chairman from 1986 to 1997 and its Chief Executive Officer from 1986 to 1996. He was Chairman and Chief Executive Officer of Malone & Hyde, AutoZone's former parent company, until 1988. Mr. Hyde is also a Director of FedEx Corporation.

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Edward S. Lampert, 42, has been a Director since 1999. He is the Chairman and Chief Executive Officer of ESL Investments, Inc., a private investment firm which he founded in 1988, and has been the Chairman and a Director of Kmart Holding Corporation since May 2003. Mr. Lampert is also a Director of AutoNation, Inc.

W. Andrew McKenna, 58, has been a Director since 2000. He is a private investor. Until his retirement in 1999, he had held various positions with The Home Depot, Inc., including Senior Vice President-Strategic Business Development from 1997 to 1999; President, Midwest Division from 1994 to 1997; and Senior Vice President-Corporate Information Systems from 1990 to 1994. He was also President of SciQuest.com, Inc. in 2000. He is also a Director of Danka Business Systems PLC.

Steve Odland, 46, has been Chairman, Chief Executive Officer, and a Director since January 2001, and President since May 2001. Previously, he was an executive with Ahold USA from 1998 to 2000. Mr. Odland was President of the Foodservice Division of Sara Lee Bakery from 1997 to 1998. He was employed by The Quaker Oats Company from 1981 to 1996 in various executive positions. Mr. Odland is also a director of General Mills, Inc.

James J. Postl, 57, has been a Director since May 2003. He was the President (from 1998 to 2002), Chief Executive Officer (from 2000 to 2002) and Chief Operating Officer (from 1998 to 2000) for Pennzoil-Quaker State Company, which was sold to Shell Oil Company, a subsidiary of Royal Dutch Petroleum Company, in 2002. Previously, Mr. Postl was employed by Nabisco Biscuit Company, where he was President until 1998. Mr. Postl is also a Director of Cooper Industries PLC and Centex Corporation.

Independence

How many independent directors does AutoZone have?

Our Board of Directors has determined that six of our current eight directors are independent: Charles M. Elson, Earl G. Graves, Jr., N. Gerry House, Edward S. Lampert, W. Andrew McKenna, and James J. Postl. All of these directors meet the independence standards of our Corporate Governance Principles and the New York Stock Exchange listing standards.

How does AutoZone determine whether a Director is independent?

In accordance with AutoZone's Corporate Governance Principles, a director is considered independent if the director:

- has not been employed by AutoZone within the last five years;
- has not been employed by AutoZone's independent auditor in the last five years;
- is not, and is not affiliated with a company that is, an adviser, or consultant to AutoZone or a member of AutoZone's senior management;
- is not affiliated with a significant customer or supplier of AutoZone;
- has no personal services contract with AutoZone or with any member of AutoZone's senior management;
- is not affiliated with a not-for-profit entity that receives significant contributions from AutoZone;
- within the last three years, has not had any business relationship with AutoZone for which AutoZone has been or will be required to make disclosure under Rule 404(a) or (b) of Regulation S-K of the Securities and Exchange Commission as currently in effect;
- receives no compensation from AutoZone other than compensation as a director;
- is not employed by a public company at which an executive officer of AutoZone serves as a director;
- has not had any of the relationships described above with any affiliate of AutoZone; and
- is not a member of the immediate family of any person with any relationships described above.

In determining whether any business or charity affiliated with one of our directors did a significant amount of business with AutoZone, our Board has established that any payments from either party to the other exceeding 1% of either party's revenues would disqualify a director from being independent.

Where can I obtain a copy of AutoZone's Corporate Governance Principles?

A copy of our Corporate Governance Principles can be found on our corporate website at www.autozoneinc.com.

Meetings and Attendance

How many times did AutoZone's Board of Directors meet during the last fiscal year?

The Board of Directors held five meetings in fiscal year 2004.

Did any of AutoZone's directors attend fewer than 75% of the meetings of the Board and their assigned committees?

All of our directors attended at least 75% of the meetings of the Board of Directors and their assigned committees during the fiscal year.

What is AutoZone's policy with respect to directors' attendance at the Annual Meeting?

As a general matter, all directors are expected to attend our Annual Meetings. At our 2003 Annual Meeting, eight directors were present.

Committees of the Board

What are AutoZone's Board of Directors' standing committees?

AutoZone has three standing committees: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, each consisting only of independent directors.

Audit Committee

What is the function of the Audit Committee?

The Audit Committee is responsible for:

- the integrity of the Company's financial statements,
- the Company's compliance with legal and regulatory requirements,
- the independent auditor's qualification and independence, and
- the performance of the Company's internal audit function and independent auditors.

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The Committee performs its duties by:

appointing, determining the compensation of, and overseeing the work of the independent auditor and the internal auditor, reviewing the financial reporting processes and the information that will be provided to the stockholders and others, reviewing the adequacy and effectiveness of AutoZone's systems of internal accounting and financial controls, reviewing the internal audit function and the annual independent audit of AutoZone's financial statements, reviewing the overall corporate tone for quality financial reports, controls, and ethical behavior, and issuing a report annually as required by the SEC's proxy solicitation rules.

The Audit Committee's charter can be found at AutoZone's corporate web site at www.autozoneinc.com.

Who are the members of the Audit Committee?

The Audit Committee consists of Mr. Graves, Mr. McKenna, and Mr. Postl (Chairman), all of whom are independent directors.

Are all of the members of the Audit Committee independent?

Yes, the Audit Committee consists entirely of independent directors under the standards of AutoZone's Corporate Governance Principles and the listing standards of the New York Stock Exchange.

Does the Audit Committee have an Audit Committee Financial Expert?

The Board has determined that Mr. Postl is an independent director and that he meets the qualifications of an audit committee financial expert as defined by the Securities and Exchange Commission.

How many times did the Audit Committee meet during the last fiscal year?

During the 2004 fiscal year, the Audit Committee held eleven meetings.

Compensation Committee

What is the function of the Compensation Committee?

The Compensation Committee:

reviews and approves AutoZone's compensation objectives;
reviews and approves the compensation programs, plans and awards for executive officers, including recommending equity-based plans for shareholder approval;
acts as administrator as may be required by AutoZone's short- and long-term incentive plans and other stock or stock-based plans;
and
issues a report annually related to executive compensation, as required by the Securities and Exchange Commission's proxy solicitation rules.

The Compensation Committee's charter can be found at AutoZone's corporate web site www.autozoneinc.com.

Who are the members of the Compensation Committee?

The Compensation Committee consists of Mr. Lampert (Chairman), Dr. House and Mr. McKenna, all of whom are independent directors.

How many times did the Compensation Committee meet during the last fiscal year?

During the 2004 fiscal year, the Compensation Committee held four meetings.

Nominating and Corporate Governance Committee

What is the function of the Nominating and Corporate Governance Committee?

The Nominating and Corporate Governance Committee ensures that:

qualified candidates are presented to the Board of Directors for election as directors;
the Board of Directors has adopted appropriate corporate governance principles that best serve the practices and objectives of the Board of Directors; and
AutoZone's Articles of Incorporation and Bylaws are structured to best serve the objectives of the stockholders.

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The Nominating Committee and Corporate Governance Committee's charter can be found at AutoZone's corporate web site at www.autozoneinc.com.

Who are the members of the Nominating and Corporate Governance Committee?

The Nominating and Corporate Governance Committee consists of Mr. Elson (Chairman) and Mr. Graves, both of whom are independent directors.

How many times did the Nominating and Corporate Governance Committee meet during the last fiscal year?

During the 2004 fiscal year, the Nominating and Corporate Governance Committee held four meetings.

Director Nomination Process

What is the Nominating and Corporate Governance Committee's policy regarding consideration of director candidates recommended by stockholders? How do stockholders submit such recommendations?

The Nominating and Corporate Governance Committee's policy is to consider director candidate recommendations from stockholders if they are submitted in writing to AutoZone's Secretary, accompanied by the biographical and business experience information regarding the nominee and the other information required by Article III, Section 1 of AutoZone's Third Amended and Restated By-Laws. Copies of the By-laws will be provided upon written request to AutoZone's Secretary and are also available on AutoZone's corporate web site at www.autozoneinc.com.

What qualifications must a nominee have in order to be recommended by the Nominating and Corporate Governance Committee for a position on the Board?

The Board believes each individual director should possess certain personal characteristics, and that the Board as a whole should possess certain core competencies. Such personal characteristics are integrity and accountability, informed judgment, financial literacy, mature confidence, high performance standards, and passion. Core competencies of the Board as a whole are accounting and finance, business judgment, management, crisis response, industry knowledge, international markets, strategy and vision. These characteristics and competencies are set forth in more detail in AutoZone's Corporate Governance Principles, which are available on AutoZone's corporate web site at www.autozoneinc.com.

How does the Nominating and Corporate Governance Committee identify and evaluate nominees for director?

Prior to each annual meeting of stockholders at which directors are to be elected, the Nominating and Corporate Governance Committee considers incumbent directors and other qualified individuals as potential director nominees. In evaluating a potential nominee, the Nominating and Corporate Governance Committee considers the personal characteristics described above, and also reviews the composition of the full Board to determine the areas of expertise and core competencies needed to enhance the function of the Board. The Committee may also consider other factors such as the size of the Board, whether a candidate is independent, how many other public company directorships a candidate holds, and the listing standard requirements of the New York Stock Exchange. The results of an annual self-evaluation process are also considered in the evaluation of future potential director nominees.

The Nominating and Corporate Governance Committee uses a variety of methods for identifying potential nominees for director. Candidates may come to the attention of the Committee through current Board members, stockholders or other persons. The Nominating and Corporate Governance Committee may retain a search firm or other consulting firm from time to time to identify potential nominees. Nominees recommended by stockholders in accordance with the procedure described above, i.e., submitted in writing to AutoZone's Secretary, accompanied by the biographical and business experience information regarding the nominee and the other information required by Article III, Section 1 of AutoZone's Third Amended and Restated By-Laws, will receive the same consideration as the Committee's nominees.

Procedure for Communication with the Board of Directors

How can stockholders communicate with the Board of Directors?

Stockholders may communicate with the Board of Directors by writing to the Board, to any individual director or to the non-management directors as a group c/o Corporate Secretary, AutoZone, Inc., 123 South Front Street, Memphis, Tennessee 38103. All such communications will be forwarded unopened to the addressee. Communications addressed to the Board of Directors or to the non-management directors as a group will be forwarded to Charles M. Elson, an independent director, and communications addressed to a committee of the Board will be forwarded to the chairman of that committee.

Compensation of Directors

What compensation do directors receive?

All non-employee directors are paid an annual retainer of \$40,000 per year, with the Audit Committee chairman receiving an additional \$10,000 and the chairmen of the Compensation and Nominating and Corporate Governance committees receiving an additional \$5,000 per year. Mr. Lampert has waived his right to receive the additional retainer as Compensation Committee chairman. There are no meeting fees.

Under the AutoZone, Inc. 2003 Director Compensation Plan, a non-employee director may receive no more than one-half of the annual retainer and other fees immediately in cash, and the remainder of the fees must be taken in common stock or may be deferred in units with value equivalent to the value of shares of common stock as of the grant date.

Do the directors receive stock options?

Under the AutoZone, Inc. 2003 Director Stock Option Plan, on January 1 of each year, each non-employee director receives an option to purchase 1,500 shares of common stock, and each non-employee director that owns common stock worth at least five times the annual fee paid to each non-employee director on an annual basis will receive an additional option to purchase 1,500 shares of common stock. In addition, each new director receives an option to purchase 3,000 shares upon election to the Board of Directors, plus a portion of the annual directors' option grant prorated for the portion of the year served in office. These stock option grants are made at the fair market value of the common stock as of the grant date, defined in the plan as the average of the highest and lowest prices quoted for the common stock on the New York Stock Exchange on the business day immediately prior to the grant date.

PROPOSAL 2-Approval of the AutoZone, Inc. 2005 Executive Incentive Compensation Plan

Our Board of Directors is recommending approval of the AutoZone, Inc. 2005 Executive Incentive Compensation Plan to replace our Amended and Restated 2000 Executive Incentive Compensation Plan, which expires on December 9, 2004. Approval of the plan requires that more votes be cast in favor of the plan than votes cast against. Abstentions and broker non-votes will not be counted as voting either for or against.

The Board of Directors recommends that the stockholders vote FOR the 2005 Executive Incentive Compensation Plan.

The following is a summary of the AutoZone, Inc. 2005 Executive Incentive Compensation Plan. For complete details, refer to the plan, which is reproduced in its entirety as Exhibit A to this Proxy Statement.

What is the 2005 Executive Incentive Compensation Plan?

The Internal Revenue Code (the Code) prohibits us from deducting compensation in excess of \$1 million for the chief executive officer and our other four most highly paid officers unless the compensation in excess of \$1 million is based on an objective measure of performance. The AutoZone, Inc. 2005 Executive Incentive Compensation Plan is intended to qualify as a performance-based compensation plan under the Code so that performance bonuses paid to our executive officers are tax deductible to AutoZone. The plan requires that the Compensation Committee establish objective performance goals and that the performance goals be met before a participant may receive a bonus.

Who is eligible to participate in the plan?

The Company's executive officers, as determined by the Compensation Committee, are eligible to participate in the plan.

How are performance goals established?

Under the plan, at the beginning of each fiscal year, the Compensation Committee must establish a goal, which may be a range from a minimum to a maximum attainable bonus. The goal may be based on one or more of the following measures:

Earnings	Return on invested capital
Earnings per share	Economic value added
Sales	Return on inventory
Market share	EBIT
Operating or net cash flows	Gross profit margin
Pre-tax profits	Sales per square foot
Earnings before interest and taxes	Comparable store sales

The goal may be different for different executives. No bonus may be paid under the plan unless at least the minimum goal is attained. However, the Compensation Committee may disregard for goal purposes one-time charges and extraordinary events such as asset write-downs, litigation judgments or settlements, the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results, accruals for reorganization or restructuring, and any other extraordinary non-recurring items, acquisitions or divestitures and any foreign exchange gains or losses.

How is the bonus paid under the plan?

After the end of each fiscal year, the Compensation Committee must certify the attainment of goals, if any, under the plan and direct the amount to be paid to each participant. The Committee, in its discretion, may reduce or eliminate any bonus to be paid to an executive, even if a goal was attained. The bonus may only be paid after the attainment of the goals has been certified. The bonus will be paid in cash.

What is the maximum compensation that a participant may receive under the plan?

No participant may receive more than \$4 million as a bonus under the plan.

Does AutoZone currently have an executive incentive compensation plan?

Currently, the AutoZone, Inc. Amended and Restated 2000 Executive Incentive Compensation Plan is in effect, but it will expire on December 9, 2004. Therefore, we are proposing the new plan.

What are the differences between the new plan and the existing plan?

The maximum bonus under the existing plan was the lesser of 200% of the executive's annual salary or \$2 million as a bonus under the plan. The new plan will allow up to \$4 million to be paid as a bonus. Also, the existing plan gave the Compensation Committee the discretion to pay bonuses in whole or in part in common stock, while the new plan provides that bonuses will be paid in cash.

Who participated in the existing plan last fiscal year?

Twelve AutoZone executives were granted bonuses under the existing plan for fiscal 2004. This table shows bonuses for the named executive officers and all executive officers as a group under the existing plan for the 2004 fiscal year:

**2000 Executive Incentive Compensation Plan
Fiscal 2004 Awards**

Name and Position	Dollar Value (\$)
Steve Odland Chairman, President & Chief Executive Officer	1,282,000
Michael E. Longo Executive Vice President, Supply Chain, Information Technology, Mexico & Store Development	251,351
Michael Archbold Executive Vice President, Chief Financial Officer	241,233
Robert D. Olsen Senior Vice President, Mexico & Store Development	236,204
Harry L. Goldsmith Senior Vice President, General Counsel & Secretary	229,163
Executive Group ¹	3,127,918

¹Twelve persons, including all of the persons named above.

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It is not possible at this time to determine what awards may be granted under the proposed AutoZone, Inc. 2005 Executive Incentive Compensation Plan to the named executive officers and all executive officers as a group. If the AutoZone, Inc. 2005 Executive Incentive Compensation Plan had been in effect in fiscal 2004, such officers and group of officers would not have received awards that were different in type or amount than those that they actually received in fiscal 2004.

PROPOSAL 3-Ratification of Independent Registered Public Accounting Firm

Ernst & Young LLP, our independent auditor for the past seventeen fiscal years, has been selected by the Audit Committee to be AutoZone's independent registered public accounting firm for fiscal year 2005. Representatives of Ernst & Young LLP will be present at the Annual Meeting to make a statement if they so desire and to answer any appropriate questions.

The Audit Committee recommends that you vote FOR ratification of Ernst & Young LLP as AutoZone's independent registered public accounting firm. For ratification, the firm must receive more votes in favor of ratification than votes cast against. Abstentions and broker non-votes will not be counted as voting either for or against the firm. However, the Audit Committee is not bound by a vote either for or against the firm. The Audit Committee will consider a vote against the firm by the stockholders in selecting our independent registered public accounting firm in the future.

During the past two fiscal years, the aggregate fees for professional services rendered by Ernst & Young LLP were as follows:

	<u>2004</u>	<u>2003</u>
Audit Fees	\$ 621,100	\$ 562,954
Audit Related Fees ¹	12,000	
Tax Fees ²	464,845	617,357
All Other Fees		

¹Audit Related Fees were for Sarbanes-Oxley Section 404 advisory services.

²Tax Fees for 2004 and 2003 were for tax compliance assistance and assistance with audits and tax planning, which for 2004 consisted of \$83,442 for tax compliance assistance and \$381,403 for assistance with audits and tax planning, and in 2003 consisted of \$149,795 for tax compliance assistance and \$467,562 for assistance with audits and tax planning.

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The Audit Committee pre-approves all services performed by the independent registered public accounting firm under the terms contained in the Audit Committee Charter, a copy of which can be obtained at our web site at www.autozoneinc.com. The Audit Committee pre-approved 100% of the services provided by Ernst & Young LLP during the 2004 fiscal year. The Audit Committee considers the services listed above to be compatible with maintaining Ernst & Young LLP's independence.

Audit Committee Report

The Audit Committee of AutoZone, Inc., has reviewed and discussed AutoZone's audited financial statements for the year ended August 28, 2004, with AutoZone's management. In addition, we have discussed with Ernst & Young LLP, AutoZone's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, the Sarbanes-Oxley Act of 2002, and the charter of the Committee.

The Committee also has received the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, and we have discussed with Ernst & Young LLP their independence from the Company and its management. The Committee has discussed with AutoZone's management and the auditing firm such other matters and received such assurances from them as we deemed appropriate.

As a result of our review and discussions, we have recommended to the Board of Directors the inclusion of AutoZone's audited financial statements in the annual report for the fiscal year ended August 28, 2004, on Form 10-K for filing with the Securities and Exchange Commission.

While the Audit Committee has the responsibilities and powers set forth in its Charter, the Audit Committee does not have the duty to plan or conduct audits or to determine that AutoZone's financial statements are complete, accurate, or in accordance with generally accepted accounting principles; AutoZone's management and the independent auditor have this responsibility. Nor does the audit committee have the duty to assure compliance with laws and regulations and the policies of the Board of Directors.

James J. Postl (Chairman)

Earl G. Graves, Jr.

W. Andrew McKenna

Other Matters

We do not know of any matters to be presented at the Annual Meeting other than those discussed in this Proxy Statement. If, however, other matters are properly brought before the Annual Meeting, your proxies will be able to vote those matters in their discretion.

OTHER INFORMATION**Security Ownership of Management**

This table shows the beneficial ownership of common stock as of October 21, 2004, by each director, the Chief Executive Officer, the other four most highly compensated executive officers, and all current directors and executive officers as a group. Unless stated otherwise in the notes to the table, each person named below has sole authority to vote and invest the shares shown.

<u>Name of Beneficial Owner</u>	Beneficial Ownership	
	As of October 21, 2004	
	Shares	Ownership Percentage
Steve Odland ¹	520,953	*
Charles M. Elson ²	14,154	*
Earl G. Graves, Jr. ³	1,290	*
N. Gerry House ⁴	11,817	*
J.R. Hyde, III ⁵	646,948	*
Edward S. Lampert ⁶	21,355,385	26.8 %
W. Andrew McKenna ⁷	26,065	*
James J. Postl ⁸	857	*
Michael Archbold ⁹	60,422	*
Harry L. Goldsmith ¹⁰	138,629	*
Michael E. Longo ¹¹	80,036	*
Robert D. Olsen ¹²	140,548	