

Corporate Governance Principles



O'Reilly Board Mission Statement

To direct O'Reilly Automotive, Inc. in achieving dominance in all of its market areas through conscientious adherence to the highest standard of business practices, with the focus of maximizing shareholder value.

Responsibilities of the Board of Directors

The primary responsibility of the Board of Directors of O'Reilly Automotive, Inc. ("O'Reilly") shall be the oversight and direction of the business and affairs of O'Reilly in the interest and for the benefit of O'Reilly's shareholders. The Board's detailed responsibilities include:

- Delegating authority to management in order to achieve the goals outlined in the Mission Statement.
- The review by the independent directors of the Board of the performance of the Chief Executive Officer, Chief Operating Officer, and other executive officers of O'Reilly annually via the Compensation Committee, followed by a report to the full Board.
- Planning for the succession to the position of Chief Executive Officer in order to protect O'Reilly and its shareholders in case of the Chief Executive Officers separation, either voluntary or involuntary. The full Board shall review the succession plan annually.
- Recommending candidates to the shareholders for election to the Board of Directors.
- Reviewing and, where appropriate, approving O'Reilly's major financial objectives and strategic and operating plans.
- Reviewing and evaluating the performance of management.
- Overseeing the processes for maintaining the integrity of O'Reilly with regard to its financial statements and other public disclosures, and compliance with law and ethics.

Members of the Board shall act at all times in accordance with the requirements of O'Reilly's Code of Business Conduct and Ethics, which shall be applicable to each director in connection with his or her activities relating to O'Reilly. This obligation shall at all times include, without limitation, adherence to O'Reilly's policies with respect to conflicts of interest, corporate opportunities, confidentiality, protection and proper use of O'Reilly's assets, ethical and fair conduct in business dealings and respect for and compliance with all applicable laws, rules and regulations. Any waiver of the requirements of the Code of Business Conduct and Ethics shall be made only by a resolution of O'Reilly's independent directors.

Director Criteria and Requirements

Personal and Business Ethics A director must possess unquestionable business ethics and personal integrity. He or she must demonstrate consistent application of these ethical standards in his or her dealings at O'Reilly and all other business environments.

Financial Literacy Financial oversight of O'Reilly is a key function of the Board. Directors, therefore, should possess a broad financial knowledge to effectively read and understand financial statements, ratios and other performance measures. Directors should maintain familiarity with current business legal and regulatory developments.

Broad-Based Business Experience A directors background should include sufficient business experience and education to be able to provide guidance and direction to management on a wide-variety of topics. This experience must be applicable to O'Reilly's industry segment, such as related fields of retail, distribution, automotive aftermarket, financial, legal or other similar fields.

Track Record of Success Due to the competitive nature of O'Reilly's business, it is critical that a director have a demonstrated record of achievement. A director must possess high expectations for performance from the management team to continue O'Reilly's own track record of success.

Commitment Directors should be personally and professionally committed to the ongoing success of O'Reilly, exhibiting pride and enthusiasm in their capacity and responsibility as a member of the Board. They should take initiative and play an active role in Board discussion and decision-making.

Stock Ownership Directors are required to be stockholders and have a financial stake in the company. The board has specified the level of share ownership in the company to be at least \$50,000.

Age Requirements Directors must be at least 35 years of age due to the maturity and business experience that only time can provide. A director may serve until the age of 78 years, but need not resign until the end of the term he or she is then currently serving.

Annual Election of All Directors - As provided in the Company's Bylaws, all Directors are elected annually until the next annual meeting of the Board of Directors.

Outside Directorships Directors may serve on the boards of directors of privately owned companies at their discretion. However, O'Reilly directors may serve on no more than four additional boards of directors of publicly traded companies.

Attendance Directors are required to attend at least 75% of scheduled Board meetings each year. This requirement may be waived if the Board, in its discretion, determines a directors absence excused. Telephonic attendance is acceptable when absolutely necessary.

Director Education Directors are required to keep abreast of current business trends and regulations.

Change in Status/Resignation O'Reilly directors are required to submit any change in their employment status to the full Board for review. If the change results in their ineligibility to perform the function of Board director, they must submit their resignation in writing to the full Board.

Board Composition

The Board of Directors of O'Reilly shall be comprised of a majority of independent directors.

Independent Directors

O'Reilly defines "independent" director in accordance with legal and stock exchange rules and requirements. To be considered independent, the Board must determine that a director has no material relationship with O'Reilly or its affiliates or any executive officer of O'Reilly or his or her affiliates. A relationship shall be considered "material" if it would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Board shall use legal and stock exchange rules and requirements to determine director independence.

Where a relationship is not covered by legal and stock exchange requirements, the determination of whether the relationship is material, and therefore whether the director is independent, shall be made by the Board's current independent directors.

Management Directors

The Board of Directors of O'Reilly may also include several operating management members, as long as they do not represent a majority of the number of directors. These directors bring a unique perspective to the Board due to their daily hands-on involvement in the strategic and operational activities of O'Reilly. They are able to give the Board guidance on current business and industry trends, specific to O'Reilly, necessary for informed discussion and decision-making. Additionally, management directors bring extensive knowledge of key financial performance measures and statistics for the Board's review.

The management directors are highly motivated for O'Reilly's success because their own compensation and stock option plan is directly tied to the overall continued performance of O'Reilly. They are evaluated and reviewed by the entire Board of Directors and have extensive fiduciary responsibilities to the Board and O'Reilly's shareholders. They are excluded from participation in Compensation Committee, Audit Committee and Corporate Governance/Nominating Committee decisions due to the lack of independence, but may, upon request, provide specific input to these Committees.

Lead Independent Director

The Board shall have an independent director designated as the Lead Independent Director, who shall preside at the executive sessions of the independent directors and shall be responsible for coordinating the activities of the other independent directors. The Lead Independent Director shall have such other authority, responsibilities and duties as determined by the Board.

Board Committees

The Board shall at all times have an Audit Committee, a Compensation Committee and a Corporate Governance/Nominating Committee. The Board may, by resolution of a majority of the Board, create such other committees as it deems advisable for the purposes of fulfilling its primary responsibilities. Each committee shall perform its duties as assigned by the Board in compliance with its Committee Charter and any applicable laws, rules or regulations.

Audit Committee

The Audit Committee shall be composed of three or more independent directors. The Audit Committee Charter details the responsibilities and further independence and financial literacy requirements of the members. The primary responsibilities of the Audit Committee include, but are not limited to:

- Appointing and overseeing O'Reilly's independent auditor;
- Approving, in advance, all audit and permissible non-audit services;
- Engaging and determining funding and compensation for independent audit services, independent counsel and other advisors;
- Establishing procedures for complaints regarding O'Reilly's financial reporting, accounting controls or audit matters;
- Assessing annually the sufficiency of its Charter; and
- Approving all related party transactions.

The Audit Committee shall meet at least four times annually.

Corporate Governance/Nominating Committee

The Corporate Governance/Nominating Committee shall be composed of three or more independent directors. The Corporate Governance/Nominating Committee Charter shall detail the responsibilities and duties of the Governance/Nominating Committee as deemed advisable by the Board. The primary responsibilities of the Corporate Governance/Nominating Committee include, but are not limited to:

- Nominating individuals for election as directors;
- Issuing and implementing the Corporate Governance Principles;
- Enforcing corporate integrity and accountability at the Board and Executive Committee level; and
- Adhering to all legal standards required by the SEC and Nasdaq Stock Market.

Compensation Committee

The Compensation Committee shall be composed of three or more independent directors. The Compensation Committee Charter shall detail the responsibilities and duties of the Compensation Committee as deemed advisable by the Board. The primary responsibilities of the Compensation Committee include, but are not limited to:

- Determining the compensation of O'Reilly's executive officers;
- Reviewing the performance of the executive officers;
- Researching salaries of comparable industry public companies to maintain O'Reilly's competitiveness in the executive marketplace; and
- Administering O'Reilly's stock option plan and other benefit plans.

Meeting Attendance/Communication

The Board of Directors meets quarterly every year, and the directors also attend O'Reilly's Annual Shareholders Meeting. Additionally special meetings may be called from time to time, and telephonic meetings are occasionally arranged. The Board receives a monthly packet relative to O'Reilly's financial performance and is kept abreast of new operational issues, such as major acquisitions or procedural changes.

The independent directors shall meet in executive session independent of the CEO and other executive officers at least twice annually.

Independent Auditor

The selection of O'Reilly's independent auditor shall be ratified via the Proxy Statement at the Annual Shareholders meeting held in Springfield, Missouri each May.