
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2006**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **1-5690**

GENUINE PARTS COMPANY

(Exact name of registrant as specified in its charter)

Georgia

(State or other jurisdiction of incorporation or organization)

**2999 Circle 75 Parkway,
Atlanta, Georgia**

(Address of principal executive offices)

58-0254510

(I.R.S. Employer Identification No.)

30339

(Zip Code)

770-953-1700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$1 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2006, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$6,917,073,000 based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Number of Shares</u>
Common Stock, \$1 par value per share	170,490,987 shares

Specifically identified portions of the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 23, 2007 (the "Proxy Statement") filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934, as amended, are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS.

Genuine Parts Company, a Georgia corporation incorporated on May 7, 1928, is a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts, office products and electrical/electronic materials. In 2006, business was conducted throughout the United States, in Canada and in Mexico from approximately 2,000 locations. As used in this report, the “Company” refers to Genuine Parts Company and its subsidiaries, except as otherwise indicated by the context; and the terms “automotive parts” and “industrial parts” refer to replacement parts in each respective category.

Financial Information about Segments. Financial information regarding segments is contained in a separate section of this report. See Note 9 of Notes to Consolidated Financial Statements beginning on page F-9.

Competition - General. The distribution business, which includes all segments of the Company’s business, is highly competitive with the principal methods of competition being product quality, sufficiency of inventory, price and the ability to give the customer prompt and dependable service. The Company anticipates no decline in competition in any of its business segments in the foreseeable future.

Employees. As of December 31, 2006, the Company employed approximately 32,000 persons.

Available Information. The Company’s internet website can be found at www.genpt.com. The Company makes available, free of charge on or through its internet website, access to the Company’s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such material is filed with or furnished to the Securities and Exchange Commission (“SEC”). Additionally, our corporate governance guidelines, codes of conduct and ethics, charters of our Audit Committee and the Compensation, Nominating and Governance Committee of our Board of Directors, as well as information regarding our director nominating process and our procedure for shareholders to communicate with our Board of Directors are available on our website. We will furnish copies of all of the above information free of charge upon request to our Corporate Secretary.

AUTOMOTIVE PARTS GROUP

The Automotive Parts Group, the largest division of the Company, distributes automotive replacement parts and accessory items. The Company is the largest member, with approximately 95% ownership, of the National Automotive Parts Association (“NAPA”), a voluntary trade association formed in 1925 to provide nationwide distribution of automotive parts. In addition to over 320,000 available part numbers, the Company, in conjunction with NAPA, offers complete inventory, cataloging, marketing, training and other programs in the automotive aftermarket.

During 2006, the Company’s Automotive Parts Group included NAPA automotive parts distribution centers and automotive parts stores (“auto parts stores” or “NAPA AUTO PARTS stores”) owned in the United States by the Company; NAPA and TRACTION automotive parts distribution centers and auto parts stores in Canada owned and operated by NAPA Canada/UAP Inc. (“NAPA Canada/UAP”), a wholly-owned subsidiary of the Company; auto parts stores in the United States operated by corporations in which the Company owned either a minority or majority interest; auto parts stores in Canada operated by corporations in which UAP owns a 50% interest; distribution centers in the United States owned by Balkamp, Inc. (“Balkamp”), a majority-owned subsidiary of the Company; rebuilding plants in the United States owned by the Company and operated by its Rayloc division; distribution centers of ACDelco, Motorcraft and other automotive supplies owned and operated in the United States by Johnson Industries, a wholly-owned subsidiary; and automotive parts distribution centers and automotive parts stores in Mexico, owned and operated by Grupo Auto Todo, S.A. de C.V. (“Auto Todo”), a wholly-owned subsidiary of the Company.

The Company has a 15% interest in Mitchell Repair Information (“MRIC”), a subsidiary of Snap-on Incorporated. MRIC is a leading diagnostic and repair information company with over 40,000 North

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American subscribers linked to its services and information databases. MRIC's core product, "Mitchell ON-DEMAND," is a premier electronic repair information source in the automotive aftermarket.

The Company participates in a joint venture with Altrom Group, an import automotive parts distributor headquartered in Vancouver, British Columbia, Canada. In November 2006, the Company increased its interest in Altrom Canada Corp., with 14 Canadian locations, from 25% to 45%. The Company's interest in Altrom America Corp., with one location in the United States, was increased from 49% to 90%, also in November 2006.

The Company's NAPA automotive parts distribution centers distribute replacement parts (other than body parts) for substantially all motor vehicle makes and models in service in the United States, including imported vehicles, trucks, SUVs, buses, motorcycles, recreational vehicles and farm vehicles. In addition, the Company distributes replacement parts for small engines, farm equipment and heavy duty equipment. The Company's inventories also include accessory items for such vehicles and equipment, and supply items used by a wide variety of customers in the automotive aftermarket, such as repair shops, service stations, fleet operators, automobile and truck dealers, leasing companies, bus and truck lines, mass merchandisers, farms, industrial concerns and individuals who perform their own maintenance and parts installation. Although the Company's domestic automotive operations purchase from more than 90 different suppliers, approximately 53% of 2006 automotive parts inventories were purchased from 10 major suppliers. Since 1931, the Company has had return privileges with most of its suppliers, which has protected the Company from inventory obsolescence.

Distribution System. In 2006, the Company operated 58 domestic NAPA automotive parts distribution centers located in 39 states and approximately 1,100 domestic company-owned NAPA AUTO PARTS stores located in 43 states. At December 31, 2006, Genuine Parts Company owned either a minority or majority interest in three corporations, which operated approximately 21 auto parts stores in three states.

NAPA Canada/UAP, founded in 1926, is a Canadian leader in the distribution, marketing and rebuilding of replacement parts and accessories for automobiles and trucks. NAPA Canada/UAP employs approximately 3,900 people. The Company operates a network of 13 distribution centers supplying approximately 584 NAPA stores and 83 TRACTION wholesalers. TRACTION is a supplier of parts to small fleet owners and operators and, together with NAPA stores, is a significant supplier to the mining and forestry industries. These include approximately 201 company owned stores, 22 joint venture or progressive owners in which NAPA Canada/UAP owns a 50% interest and approximately 444 independently owned stores. NAPA and TRACTION operations supply bannered installers and independent installers in all provinces of Canada, as well as networks of service station and repair shops operating under the banners of national accounts. UAP is a licensee of the NAPA® name in Canada.

In Mexico, Auto Todo owns and operates eight distribution centers, seven auto parts stores and five tire centers. Auto Todo is a licensee of the NAPA® name in Mexico.

The Company's domestic distribution centers serve approximately 4,800 independently owned NAPA AUTO PARTS stores located throughout the market areas served in the United States. NAPA AUTO PARTS stores, in turn, sell to a wide variety of customers in the automotive aftermarket. Collectively, these independent automotive parts stores account for approximately 25% of the Company's total sales with no automotive parts store or group of automotive parts stores with individual or common ownership accounting for more than 0.25% of the total sales of the Company.

Products. Distribution centers have access to over 320,000 different parts and related supply items. Each item is cataloged and numbered for identification and accessibility. Significant inventories are carried to provide for fast and frequent deliveries to customers. Most orders are filled and shipped the same day as received. The majority of sales are on terms that require payment within 30 days of the statement date. The Company does not manufacture any of the products it distributes. The majority of products are distributed under the NAPA® name, a mark licensed to the Company by NAPA.

Related Operations. Balkamp distributes a wide variety of replacement parts and accessory items for passenger cars, heavy-duty vehicles, motorcycles and farm equipment. In addition, Balkamp distributes

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service items such as testing equipment, lubricating equipment, gauges, cleaning supplies, chemicals and supply items used by repair shops, fleets, farms and institutions. Balkamp packages many of the 30,000 products, which constitute the “Balkamp” line of products that are distributed to the members of NAPA. These products are categorized into over 160 different product groups purchased from approximately 500 domestic suppliers and 130 foreign manufacturers. In addition, Balkamp operates two Redistribution Centers that provide NAPA with over 300 SKUs of oils and chemicals. BALKAMP®, a federally registered trademark, is important to the sales and marketing promotions of the Balkamp organization. Balkamp has four distribution centers located in Indianapolis and Plainfield, Indiana, Greenwood, Mississippi and West Jordan, Utah.

Johnson Industries, Inc. (“Johnson”), a wholly-owned subsidiary of the Company, is an independent distributor of ACDelco, Motorcraft and other automotive supplies. Johnson, founded in 1924, sells primarily to large fleets and new car dealers from a network of four distribution centers located in Atlanta, Georgia, Nashville, Tennessee, Chicago, Illinois and Pittsburgh, Pennsylvania.

The Company, through its Rayloc division, also operates four plants where certain small automotive parts are rebuilt. These products are distributed to the members of NAPA under the NAPA® brand name. Rayloc® is a mark licensed to the Company by NAPA.

Segment Data. In the year ended December 31, 2006, sales from the Automotive Parts Group were approximately 49% of the Company’s net sales as compared to 51% in 2005 and 52% in 2004.

Service to NAPA AUTO PARTS Stores. The Company believes that the quality and the range of services provided to its automotive parts customers constitute a significant advantage for its automotive parts distribution system. Such services include fast and frequent delivery, obsolescence protection, parts cataloging (including the use of electronic NAPA AUTO PARTS catalogs) and stock adjustment through a continuing parts classification system which allows independent retailers (“jobbers”) to return certain merchandise on a scheduled basis. The Company offers its NAPA AUTO PARTS store customers various management aids, marketing aids and service on topics such as inventory control, cost analysis, accounting procedures, group insurance and retirement benefit plans, as well as marketing conferences and seminars, sales and advertising manuals and training programs. Point of sale/inventory management is available through TAMS® (Total Automotive Management Systems), a computer system designed and developed by the Company for the NAPA AUTO PARTS stores.

In association with NAPA, the Company has developed and refined an inventory classification system to determine optimum distribution center and auto parts store inventory levels for automotive parts stocking based on automotive registrations, usage rates, production statistics, technological advances and other similar factors. This system, which undergoes continuous analytical review, is an integral part of the Company’s inventory control procedures and comprises an important feature of the inventory management services that the Company makes available to its NAPA AUTO PARTS store customers. Over the last 10 years, losses to the Company from obsolescence have been insignificant and the Company attributes this to the successful operation of its classification system, which involves product return privileges with most of its suppliers.

Competition. In the distribution of automotive parts, the Company competes with automobile manufacturers (some of which sell replacement parts for vehicles built by other manufacturers as well as those that they build themselves), automobile dealers, warehouse clubs and large automotive parts retail chains. In addition, the Company competes with the distributing outlets of parts manufacturers, oil companies, mass merchandisers, including national retail chains, and with other parts distributors and retailers.

NAPA. The Company is a member of the National Automotive Parts Association, a voluntary association formed in 1925 to provide nationwide distribution of automotive replacement parts. NAPA, which neither buys nor sells automotive parts, functions as a trade association whose members in 2006 operated 64 distribution centers located throughout the United States, 58 of which were owned and operated by the Company. NAPA develops marketing concepts and programs that may be used by its members. It is not involved in the chain of distribution.

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Among the automotive lines that each NAPA member purchases and distributes are certain lines designated, cataloged, advertised and promoted as “NAPA” lines. The members are not required to purchase any specific quantity of parts so designated and may, and do, purchase competitive lines from other supply sources.

The Company and the other NAPA members use the federally registered trademark NAPA® as part of the trade name of their distribution centers and parts stores. The Company contributes to NAPA’s national advertising program, which is designed to increase public recognition of the NAPA name and to promote NAPA product lines.

The Company is a party, together with other members of NAPA and NAPA itself, to a consent decree entered by the Federal District Court in Detroit, Michigan, on May 4, 1954. The consent decree enjoins certain practices under the federal antitrust laws, including the use of exclusive agreements with manufacturers of automotive parts, allocation or division of territories among several NAPA members, fixing of prices or terms of sale for such parts among such members, and agreements to adhere to any uniform policy in selecting parts customers or determining the number and location of, or arrangements with, auto parts customers.

INDUSTRIAL PARTS GROUP

The Industrial Parts Group distributes industrial replacement parts and related supplies throughout the United States and Canada. This group distributes industrial bearings and power transmission equipment replacement parts, including hydraulic and pneumatic products, material handling components, related supplies and repair services. The Industrial Parts Group continues to enhance communication and process activities through three distinct programs. These programs include: motionindustries.com, an internet-based procurement system; MiSupplierConnect, a manufacturer communication and fulfillment system; and inMotion, an internal employee communication source and operational reporting system.

The Company distributes industrial parts in the United States through Motion Industries, Inc. (“Motion”), headquartered in Birmingham, Alabama. Motion is a wholly-owned subsidiary of the Company. In Canada, industrial parts are distributed by Motion Industries (Canada), Inc. (“Motion Canada”), an operating group in the Company’s North American structure.

During 2006, the Company acquired Lewis Supply Company, with 12 locations, and Ruston Industrial, with six locations. Both of the acquired companies are suppliers of industrial parts and supplies in the south central United States.

As of December 31, 2006, the Industrial Parts Group served more than 116,000 customers in all types of industries located throughout the United States and Canada including automotive, chemical, food and beverage, wood and lumber, iron and steel, pulp and paper, mining and aggregate and pharmaceutical manufacturers.

Distribution System. In North America, the Industrial Parts Group operates 464 branches, nine distribution centers and 36 service centers as of December 31, 2006. The distribution centers stock and distribute more than 80,000 different items purchased from more than 250 different suppliers. The service centers provide hydraulic, hose and mechanical repairs for customers. Approximately 40% of 2006 total industrial purchases were made from 10 major suppliers. Sales are generated from the Industrial Parts Group’s branches located in 46 states, Puerto Rico and nine provinces in Canada. Each branch has warehouse facilities that stock significant amounts of inventory representative of the lines of products used by customers in the respective market area served.

Motion Canada operates two distribution centers for the 48 Canadian branches serving industrial and agricultural markets.

Products. The Industrial Parts Group distributes a wide variety of products to its customers, primarily industrial concerns, to maintain and operate plants, machinery and equipment. Products include such items as hoses, belts, bearings, pulleys, pumps, valves, chains, gears, sprockets, speed reducers and electric motors. The nature of this group’s business demands the maintenance of large inventories and the ability to provide prompt

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and demanding delivery requirements. Virtually all of the products distributed are installed by the customer. Most orders are filled immediately from existing stock and deliveries are normally made within 24 hours of receipt of order. The majority of all sales are on open account.

Supply Agreements. Non-exclusive distributor agreements are in effect with most of the Industrial Parts Group's suppliers. The terms of these agreements vary; however, it has been the experience of the Industrial Parts Group that the custom of the trade is to treat such agreements as continuing until breached by one party or until terminated by mutual consent. The Company has return privileges with most of its suppliers, which has protected the Company from inventory obsolescence.

Segment Data. In the year ended December 31, 2006, sales from the Company's Industrial Parts Group approximated 30% of the Company's net sales as compared to 29% in 2005 and 27% in 2004.

Competition. The Industrial Parts Group competes with other distributors specializing in the distribution of such items, general line distributors and others who provide similar services. To a lesser extent, the Industrial Parts Group competes with manufacturers that sell directly to the customer.

OFFICE PRODUCTS GROUP

The Office Products Group, operated through S. P. Richards Company ("S. P. Richards"), a wholly owned subsidiary of the Company, is headquartered in Atlanta, Georgia. S. P. Richards is engaged in the wholesale distribution of a broad line of office and other business related products that are used in the daily operation of businesses, schools, offices and institutions. Office products fall into the general categories of computer supplies, imaging products, office furniture, office machines, general office products, school supplies, cleaning and breakroom supplies, and healthcare products.

On October 1, 2006, we merged HorizonUSA Data Supplies, Inc., previously a wholly owned subsidiary of S. P. Richards and headquartered in Reno, Nevada, into S.P. Richards.

The Office Products Group is represented in Canada through S. P. Richards Canada, a wholly-owned subsidiary of the Company, and is headquartered near Toronto, Ontario. S. P. Richards Canada services office product resellers throughout Canada from locations in Vancouver, Toronto, Calgary and Winnipeg.

Distribution System. The Office Products Group distributes more than 40,000 items to over 7,000 business product resellers throughout the United States and Canada from a network of 42 distribution centers. This network of strategically located distribution centers provides overnight delivery of the Company's comprehensive product offering. Approximately 54% of the Company's 2006 total office products purchases were made from 10 major suppliers.

The Office Products Group sells strictly to resellers of office products. These resellers include independently owned office product dealers, national office product superstores and mass merchants, large contract stationers, mail order companies, internet resellers and college bookstores. Resellers are offered comprehensive marketing programs, which include full line catalogs and flyers as well as education and training resources.

Products. The Office Products Group distributes computer supplies including storage media, printer supplies and computer accessories; office furniture including desks, credenzas, chairs, chair mats, partitions, files and computer furniture; office machines including telephones, answering machines, calculators, fax machines, multi-function copiers, printers, digital cameras, laminators and shredders; general office supplies including desk accessories, business forms, accounting supplies, binders, filing supplies, report covers, writing instruments, envelopes, note pads, copy paper, mailroom supplies, drafting supplies and audiovisual supplies; school supplies including bulletin boards, teaching aids and art supplies; healthcare products; janitorial supplies including cleaning supplies, paper towels and trash can liners; and breakroom supplies including napkins, utensils, snacks and beverages. S. P. Richards has return privileges with most of its suppliers, which has protected the Company from inventory obsolescence.

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While the Company's inventory includes products from over 350 of the industry's leading manufacturers worldwide, S. P. Richards also markets seven proprietary brands of items. These brands include: SPARCO®, an economical line of office supply basics; Compucessory™, a line of computer accessories; Lorell, a line of office furniture; NATURE SAVER®, an offering of recycled paper products; Elite Image™, a line of new and remanufactured toner cartridges; Integra, a line of writing instruments; and Genuine Joe, a line of cleaning and breakroom products.

Segment Data. In the year ended December 31, 2006, sales from the Company's Office Products Group remained constant at approximately 17% of the Company's net sales, the same as in 2005 and 2004.

Competition. In the distribution of office supplies to retail dealers, S. P. Richards competes with many other wholesale distributors as well as with certain manufacturers of office products.

ELECTRICAL/ELECTRONIC MATERIALS GROUP

The Electrical/Electronic Materials Group was formed on July 1, 1998 through the acquisition of EIS, Inc. ("EIS") headquartered in Atlanta, Georgia. This Group distributes materials to more than 20,000 electrical and electronic manufacturers in North America. With 31 branch locations in the United States, Puerto Rico, Mexico and Canada, this Group distributes over 100,000 items, from insulating and conductive materials to assembly tools and test equipment. EIS also has three manufacturing facilities that provide custom fabricated parts.

Distribution System. The Electrical/Electronic Materials Group provides distribution services to original equipment manufacturers, motor repair shops and assembly markets. EIS actively utilizes its E-commerce Internet site to present its products to customers while allowing these on-line visitors to conveniently purchase from a large product assortment.

Electrical and electronic products are distributed from warehouse locations in major user markets throughout the United States, as well as in Mexico and Canada. The Company has return privileges with some of its suppliers, which has protected the Company from inventory obsolescence.

Products. The Electrical/Electronic Materials Group distributes a wide variety of products to customers from over 350 vendors. Products include such items as magnet wire, conductive materials, insulating and shielding materials, assembly tools, test equipment, adhesives and chemicals, pressure sensitive tapes, solder, anti-static products and thermal management products. To meet the prompt delivery demands of its customers, this Group maintains large inventories. The majority of sales are on open account. Approximately 45% of 2006 total Electrical/Electronic Materials Group purchases were made from 10 major suppliers.

Integrated Supply. The Electrical/Electronic Materials Group's integrated supply programs are a part of the marketing strategy, as a greater number of customers—especially national accounts—are given the opportunity to participate in this low-cost, high-service capability. The Group developed AIMS (Advanced Inventory Management System), a totally integrated, highly automated solution for inventory management. The Group's Integrated Supply offering also includes SupplyPro, an electronic vending dispenser used to eliminate costly tool cribs, or in-house stores, at customer warehouse facilities.

Segment Data. In the year ended December 31, 2006 sales from the Company's Electrical/Electronic Materials Group approximated 4% of the Company's sales, as compared to 3% in 2005 and 4% in 2004.

Competition. The Electrical/Electronic Materials Group competes with other distributors specializing in the distribution of electrical and electronic products, general line distributors and, to a lesser extent, manufacturers that sell directly to customers.

* * * * *

ITEM 1A. RISK FACTORS.

Forward-Looking Statements

Some statements in this report, as well as in other materials we file with the SEC or otherwise release to the public and in materials that we make available on our website, constitute forward-looking statements that are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Senior officers may also make verbal statements to analysts, investors, the media and others that are forward-looking. Forward-looking statements may relate, for example to our future operations, prospects, strategies, financial condition, economic performance (including growth and earnings), industry conditions and demand for our products and services. The Company cautions that its forward-looking statements involve risks and uncertainties, and while we believe that our expectations for the future are reasonable in view of currently available information, you are cautioned not to place undue reliance on our forward-looking statements. Actual results or events may differ materially from those indicated as a result of various important factors. Such factors include, but are not limited to, those set forth below and in other documents that we file with the SEC.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements. You are advised, however, to review any further disclosures we make on related subjects in our Forms 10-Q and Form 8-K reports to the SEC.

Risks Relating to Our Company

We Depend on Our Relationships with Our Vendors.

As a distributor of automotive replacement parts, industrial parts, office products and electrical/electronic materials, our business is dependent on developing and maintaining close and productive relationships with our vendors. We depend on our vendors to sell us quality products at favorable prices. Many factors outside our control may harm these relationships. For example, financial or operational difficulties with a vendor could cause that vendor to increase the cost of the products we purchase from it. Vendor consolidation could also limit the number of suppliers from which we may purchase products and could materially affect the prices we pay for these products. Also, consolidation among automotive parts or industrial parts and office product suppliers could disrupt our relationship with some vendors. A disruption of our vendor relationships or a disruption in our vendors' operations could have a material adverse effect on our business and results of operations.

Our Business and Results of Operations Could Be Impacted by Certain Laws.

We are subject to various federal, state, local and foreign laws and regulations relating to the operation of our business, such as laws and regulations relating to environmental and employment matters, as well as changes in accounting and taxation guidance. Because such laws and regulations are subject to change without notice, we cannot anticipate the potential costs of compliance. On the other hand, if we fail to comply with existing or future laws or regulations, we may be subject to governmental or judicial fines or sanctions. There can be no assurance that the cost of compliance, or a material failure by us to comply, with these laws and regulations will not have a material adverse effect on us in the future.

Risks Relating to Our Industry

Our Business May Be Impacted by General Economic Conditions and Local, National and Global Events.

Our business and results of operations also may be impacted by general economic conditions, conditions in local markets or other factors that we cannot control, including: job growth and unemployment conditions, industrial output and capacity and capital expenditures, reduction in manufacturing capacity in our targeted geographic markets due to consolidation and the transfer of manufacturing capacity to foreign countries, weather, terrorist acts, pricing pressures of our competitors and customers, shortages of fuel or interruptions in transportation systems, labor strikes, work stoppages, or other interruptions to or difficulties in the employment of labor in the major markets where we operate, changes in interest rates, inflation or currency exchange rates, changes in accounting policies and practices and changes in regulatory policies and practices.

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Our Business May Be Materially Affected If Demand for Our Products Slows.

Our business depends on customer demand for the products that we distribute. Demand for these products depends on many factors. With respect to our automotive group, the primary factors are: the number of miles vehicles are driven annually, as higher vehicle mileage increases the need for maintenance and repair; the quality of the vehicles manufactured by the original vehicle manufacturers and the length of the warranty or maintenance offered on new vehicles; the number of vehicles in current service that are six years old and older, as these vehicles are typically no longer under the original vehicle manufacturers' warranty and will need more maintenance and repair than newer vehicles; restrictions on access to diagnostic tools and repair information imposed by the original vehicle manufacturers or by governmental regulation; and the economy generally.

We Face Substantial Competition in the Industries in Which We Do Business.

The industries in which we do business are highly competitive. The sale of automotive and industrial parts, office products and electronic materials is highly competitive and impacted by many factors including name recognition, product availability, customer service, anticipating changing customer preferences, store location, and pricing pressures. Increased competition among distributors of automotive and industrial parts, office products and electronic materials, including internet-related initiatives, could cause a material adverse effect on our results of operations.

In particular, the market for replacement automotive parts is highly competitive and subjects us to a wide variety of competitors. We compete primarily with national and regional auto parts chains, independently owned automotive parts and accessories stores, automobile dealers that supply manufacturer replacement parts and accessories, mass merchandisers and wholesale clubs that sell automotive products and regional and local full service automotive repair shops. If we are unable to continue to develop successful competitive strategies, or if our competitors develop more effective strategies, we could lose customers and our sales and profits may decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

The Company's headquarters and Automotive Parts Group headquarters are located in two adjacent office buildings owned by the Company in Atlanta, Georgia.

The Company's Automotive Parts Group currently operates 58 NAPA Distribution Centers in the United States distributed among four geographic divisions. Approximately 90% of the distribution center properties are owned by the Company. At December 31, 2006, the Company operated approximately 1,100 NAPA AUTO PARTS stores located in 43 states, and the Company owned either a minority or majority interest in approximately 21 additional auto parts stores located in three states. Other than NAPA AUTO PARTS stores located within Company owned distribution centers, the majority of the automotive parts stores in which the Company has an ownership interest were operated in leased facilities. In addition, NAPA Canada/UAP operates 13 distribution centers and approximately 223 automotive parts and TRACTION stores in Canada, and Auto Todo operates eight distribution centers and twelve stores and tire centers in Mexico. The Company's Automotive Parts Group also operates four Balkamp distribution centers, four Rayloc rebuilding plants, one transfer and shipping facility and four Johnson Industries distribution centers.

The Company's Industrial Parts Group, operating through Motion and Motion Canada, operates nine distribution centers, 36 service centers and 464 branches. Approximately 90% of these branches are operated in leased facilities.

The Company's Office Products Group operates 38 facilities in the United States and four facilities in Canada distributed among the Group's four geographic divisions. Approximately 75% of these facilities are operated in leased buildings.

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The Company's Electrical/Electronic Materials Group operates in 30 locations in the United States, three locations in Mexico and one location in Canada. All of this Group's 34 facilities are operated in leased buildings except one facility, which is owned.

For additional information regarding rental expense on leased properties, see Note 4 of Notes to Consolidated Financial Statements beginning on page F-9.

ITEM 3. LEGAL PROCEEDINGS.

The Company is subject to various legal and governmental proceedings, many involving routine litigation incidental to the businesses, including approximately 1,800 product liability lawsuits resulting from its national distribution of automotive parts and supplies. Many of these involve claims of personal injury allegedly resulting from the use of automotive parts distributed by the Company. While litigation of any type contains an element of uncertainty, the Company believes that its defense and ultimate resolution of pending and reasonably anticipated claims will continue to occur within the ordinary course of the Company's business and that resolution of these claims will not have a material adverse effect on the Company's operations or consolidated business and financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE COMPANY.

Executive officers of the Company are elected by the Board of Directors and each serves at the pleasure of the Board of Directors until his successor has been elected and has qualified, or until his earlier death, resignation, removal, retirement or disqualification. The current executive officers of the Company are:

Thomas C. Gallagher, age 59, has been President of the Company since 1990, Chief Executive Officer since August 2004 and Chairman of the Board since February 2005. Mr. Gallagher served as Chief Operating Officer of the Company from 1990 until August 2004.

Jerry W. Nix, age 61, was appointed as a director of the Company and elected Vice-Chairman by the Board of Directors in November 2005. He is Executive Vice President-Finance and Chief Financial Officer of the Company, a position he has held since 2000. Previously, Mr. Nix held the position of Senior Vice President-Finance from 1990 to 2000.

Robert J. Susor, age 61, has been the Executive Vice President of the Company since 2003. Mr. Susor previously served as Senior Vice President-Market Development from 1991 to 2003.

Keith O. Cowan, age 50, was appointed Executive Vice President of the Company on February 19, 2007. Mr. Cowan joined the Company in January 2007. Previously, Mr. Cowan held several key positions with BellSouth Corporation from 1996 to January 2007, including Chief Planning and Development Officer, President-Interconnection Services, President-Marketing and Product Management and Chief Field Operations Officer.

R. Bruce Clayton, age 60, was appointed as Senior Vice President-Human Resources in November 2004. Previously, Mr. Clayton held the position of Vice President-Risk Management and Employee Services from June 2000 to November 2004.

Larry R. Samuelson, age 60, was appointed President of the Automotive Parts Group in January 2004. Mr. Samuelson previously served as President, Chief Operating Officer and Chief Executive Officer of NAPA Canada/UAP Inc. from February 2000 to January 2004.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**Market Information Regarding Common Stock

The Company's common stock is traded on the New York Stock Exchange under the symbol "GPC." The following table sets forth the high and low sales prices for the common stock as reported on the New York Stock Exchange and dividends per share of common stock paid during the last two fiscal years:

High and Low Sales Price and Dividends per Common Share Traded on the New York Stock Exchange

Quarter	Sales Price of Common Shares			
	2006		2005	
	High	Low	High	Low
First	\$ 45.74	\$ 41.41	\$ 44.77	\$ 41.65
Second	46.16	40.00	44.50	40.81
Third	43.90	40.09	46.64	40.75
Fourth	48.34	42.60	45.70	41.40

	Dividends Declared Per Share	
	2006	2005
First	\$ 0.3375	\$ 0.3125
Second	0.3375	0.3125
Third	0.3375	0.3125
Fourth	0.3375	0.3125

 Holders

As of December 31, 2006, there were 6,909 holders of record of the Company's common stock. The number of holders of record does not include beneficial owners of the common stock whose shares are held in the names of various dealers, clearing agencies, banks, brokers and other fiduciaries.

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item is incorporated from the Proxy Statement in "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" hereof.

Sales of Unregistered Securities

All of our sales of securities in 2006 were registered under the Securities Act of 1933, as amended.

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Issuer Purchases of Equity Securities

The following table provides information about the purchases of shares of the Company's common stock during the three month period ended December 31, 2006:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
October 1, 2006 through October 31, 2006	—	—	—	15,341,001
November 1, 2006 through November 30, 2006	—	—	—	15,341,001
December 1, 2006 through December 31, 2006	20,000	\$46.45	20,000	15,321,001
Totals	20,000	\$46.45	20,000	15,321,001

(1) During 2006, in addition to the information presented in the table above, a total of 320,275 shares, at an average price of \$45.49, were surrendered by employees to the Company to satisfy tax withholding obligations in connection with the vesting of shares of restricted stock, the exercise of stock options and/or tax withholding obligations.

On April 19, 1999 and August 21, 2006, the Board of Directors authorized the repurchase of 15 million shares and 15 million shares, respectively, and such repurchase plans were announced April 20, 1999 and August 21, 2006, respectively. The authorization for these repurchase plans continues until all such shares have been repurchased, or the repurchase plan is terminated by action of the Board of Directors. There were no other publicly announced plans outstanding as of December 31, 2006.

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth certain selected historical financial and operating data of the Company as of the dates and for the periods indicated. The following selected financial data are qualified by reference to, and should be read in conjunction with, the consolidated financial statements, related notes and other financial information included in "Item 8. Financial Statements and Supplementary Data," as well as "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Selected Financial Data

(in thousands, except per share data)

Year ended December 31,	2006	2005	2004	2003	2002
Net sales	\$ 10,457,942	\$ 9,783,050	\$ 9,097,267	\$ 8,449,300	\$ 8,258,927
Cost of goods sold	7,182,447	6,718,964	6,267,544	5,826,684	5,704,749
Operating and non-operating expenses, net	2,504,579	2,355,022	2,193,804	2,050,873	1,948,442
Income before taxes and accounting change	770,916	709,064	635,919	571,743	605,736
Income taxes	295,511	271,630	240,367	218,101	238,236
Income before cumulative effect of a change in accounting principle	475,405	437,434	395,552	353,642	367,500
Cumulative effect of a change in accounting principle	—	—	—	19,541*	395,090**
Net income (loss)	\$ 475,405	\$ 437,434	\$ 395,552	\$ 334,101	\$ (27,590)
Weighted average common shares outstanding during year - assuming dilution	172,486	175,007	175,660	174,480	175,104
Per common share:					
Diluted net income, excluding cumulative effect	\$ 2.76	\$ 2.50	\$ 2.25	\$ 2.03	\$ 2.10
Diluted net income (loss)	2.76	2.50	2.25	1.91	(0.16)
Dividends declared	1.35	1.25	1.20	1.18	1.16
December 31 closing stock price	47.43	43.92	44.06	33.20	30.80
Long-term debt, less current maturities	500,000	500,000	500,000	625,108	674,796
Shareholders' equity	2,549,991	2,693,957	2,544,377	2,312,283	2,130,009
Total assets	\$ 4,496,984	\$ 4,771,538	\$ 4,455,247	\$ 4,127,956	\$ 4,061,055

* The cumulative effect of a change in accounting principle in 2003 represents a non-cash charge related to cash consideration received from vendors in conjunction with the Financial Accounting Standards Board's EITF 02-16. Had the Company accounted for vendor consideration in accordance with EITF 02-16 in prior years, there would have been no significant impact on net income (loss) and diluted net income (loss) per share for the year ended

December 31, 2002. In addition, in accordance with EITF 02-16, approximately \$102 million was reclassified from selling, administrative and other expenses to cost of goods sold for the year ended December 31, 2003. Had the Company accounted for consideration received from vendors in accordance with EITF 02-16 in prior years, approximately \$90 million would have been reclassified from selling, administrative and other expenses to cost of goods sold for the year ended December 31, 2002.

** The cumulative effect of a change in accounting principle in 2002 represents a non-cash charge related to the impairment testing for goodwill in conjunction with the Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion contains forward-looking statements that are subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include those discussed in "Item 1.A Risk Factors" and elsewhere in this Annual Report on Form 10-K. The following discussion should be read in conjunction with the Company's consolidated financial statements and related notes beginning on page F-1 of this report. Historical results are not necessarily indicative of trends in operating results for any future period.

Overview

Genuine Parts Company is a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts, office products and electrical/electronic materials. The Company has a long tradition of growth dating back to 1928, the year we were founded in Atlanta, Georgia. We have increased sales in 56 of the last 57 years and increased profits in 44 of the last 46 years. In 2006, business was conducted throughout the United States, in Puerto Rico, in Canada and in Mexico from approximately 2,000 locations.

We recorded consolidated net sales of \$10.5 billion for the year ended December 31, 2006, an increase of 7% compared to \$9.8 billion in 2005. Consolidated net income for the year ended December 31, 2006, was \$475 million, up 9% from \$437 million in 2005. The combination of ongoing healthy economic conditions, strong end markets and effective internal initiatives provided us the opportunity to achieve another record level of sales and earnings in 2006. All four business segments contributed to our progress for the year, with each showing gains in revenues and profits.

Our progress in 2006 follows 8% increases in revenues in both 2004 and 2005, and represents the third consecutive year of double-digit growth in earnings per share. During the three-year period ended December 31, 2006, the Company implemented a variety of growth initiatives, including the introduction of new and expanded product lines, geographic expansion, sales to new markets, enhanced customer marketing programs and cost savings initiatives. Each of our business segments participated in developing these initiatives, as discussed further below.

The major categories on the December 31, 2006 consolidated balance sheet were relatively consistent with the December 31, 2005 balance sheet categories, subject to certain exceptions explained below. Our cash balances decreased \$53 million or 28% from December 31, 2005, due primarily to cash used during the year for increased working capital requirements and investments in capital expenditures. Accounts receivable grew \$41 million or 3%, which is less than our increase in revenues, and inventory was up less than 1%. Accounts payable decreased \$63 million or 7% from the prior year, due primarily to the termination of extended terms with certain suppliers during 2006, resulting in the decrease in days payables outstanding. Total debt outstanding at December 31, 2006 was unchanged from December 31, 2005.

Results of Operations

Our results of operations are summarized for the three years ended December 31, 2006, 2005 and 2004, as follows:

*(in thousands, except
per share data)
Year ended December 31,*

	2006	2005	2004
Net Sales	\$ 10,457,942	\$ 9,783,050	\$ 9,097,267
Gross Profit	3,275,495	3,064,086	2,829,723
Net Income	475,405	437,434	395,552
Diluted Earnings Per Share	2.76	2.50	2.25

Net Sales

Consolidated net sales for the year ended December 31, 2006 totaled \$10.5 billion, another record sales level for the Company and a 7% increase from 2005. Again in 2006, each of our four business segments showed progress in revenues and contributed to our overall sales growth. We attribute this improvement to the ongoing good health of the national economy, strong end markets and effective growth initiatives. For the year, prices were up approximately 2% in the Automotive segment, 3% in the Industrial and Office segments and 7% in the Electrical segment.

Net sales for the year ended December 31, 2005 totaled \$9.8 billion, an 8% increase from 2004. Similar to 2006, all of the business segments contributed to our sales growth in 2005, as our internal initiatives, healthy economy and positive trends in the industries we serve enhanced the sales volume in each of our four groups. Prices were up approximately 2% in the Automotive segment, 3% in the Office and Electrical segments and 6% in the Industrial segment in 2005.

Automotive Group

Net sales for the Automotive Group ("Automotive") increased by 3% to \$5.2 billion in 2006. After achieving sales increases of 5% in both the first and second quarters, our sales growth slowed to 1% growth in the third quarter, followed by a 2% increase in the fourth quarter. Automotives' sales initiatives, including the addition of 64 net new NAPA AUTO PARTS stores and the continued expansion of NAPA AutoCare programs, were somewhat impacted by the effect of higher gasoline prices on vehicle miles driven and aftermarket product demand. Both of these factors influenced our sales trends for the year. Additionally, our core NAPA sales increase of 5% was offset by the sales decrease at Johnson Industries, which was downsized in 2005.

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Automotive sales were \$5.0 billion in 2005, an increase of 6% over 2004. Among the quarters in 2005, sales increases over the same period of the prior year ranged from an increase of 4% in the first quarter to 8% in the third quarter, our strongest period for the year. The continued effectiveness of our growth initiatives in this group, as well as positive industry trends, helped produce these results. As in 2006, stronger growth in our core NAPA operations was offset by a decrease in sales at Johnson Industries, where we sold eight of twelve operations during 2005.

Industrial Group

Net sales for Motion Industries, our Industrial Group (“Industrial”), were \$3.1 billion in 2006, an increase of 11% compared to 2005, and our third consecutive year of 11% sales growth. In 2006, this group recorded steady progress throughout the year, with double-digit growth in each quarter. Industrial expanded its distribution network during the year by opening 10 new locations and by adding another 31 locations via two acquisitions. U.S. industrial production and capacity utilization indices also showed continued strength for the manufacturing sector in 2006, and based on current indices, the outlook remains positive for this sector in 2007.

Net sales in 2005 were \$2.8 billion, an 11% increase compared to 2004. In 2005, this group had double-digit growth in each quarter except in the fourth quarter when sales increased 9%. Over the three-year period ended December 31, 2006, Industrial has benefited from a combination of price increases common in the industry as well as stronger sales volume.

Office Group

Net sales for S.P. Richards, our Office Products Group (“Office”), were \$1.8 billion, an increase of 7% compared to the prior year. Among our business groups, Office is our most steady performer from year to year, and in 2006, product and customer expansion efforts and the continued development of effective marketing programs and dealer services helped to drive this group’s progress. Although its rate of sales growth decreased during the year, we were encouraged by the Office group’s performance in 2006. Sales increased by 13% in the first quarter, 6% in the second quarter, 5% in the third quarter and 4% in the fourth quarter.

Net sales in 2005 were \$1.7 billion, up 8% over 2004. This represents a solid increase for the Office group and reflects the success of its ongoing business expansion strategy. Among the quarters, revenues grew stronger over the year, with sales increasing 6% in the first quarter, 8% in the second and third quarters and 10% in the fourth quarter.

Electrical Group

Net sales for EIS, our Electrical and Electronic Group (“Electrical”), increased by 20% to \$408 million in 2006. The strong performance at Electrical reflects the continued manufacturing expansion in the U.S., as well as this group’s commitment to ongoing sales initiatives. In 2006, Electrical completed phase one of a sales process restructuring program developed to improve customer contact and maximize customer growth. For the year, sales were up 13% in the first quarter, 24% in the second quarter, 23% in the third quarter and 17% in the fourth quarter.

Net sales were up 2% to \$342 million in 2005. Electrical’s strongest performance was in the fourth quarter, after generally flat results over the first three quarters of the year. EIS sold its Circuit Supply division in April of 2005, which impacted its overall growth rate. The ongoing Electrical operations were up 9% for the year, reflecting the continued strength in the manufacturing sector, which began to show improvement late in 2003.

Cost of Goods Sold

Cost of goods sold was \$7.2 billion and \$6.7 billion in 2006 and 2005, respectively, representing 68.7% of net sales in both years. After improving gross margins in each of the previous two years, our ongoing gross margin growth initiatives were offset in 2006 by increasing competitive pricing pressures in the markets we serve. Our initiatives to enhance our pricing strategies, promote and sell higher margin products, and minimize material acquisition costs lessened the effect of these negative margin pressures in 2006.

Cost of goods sold in 2005 was \$6.7 billion or 68.7% of net sales compared to \$6.3 billion or 68.9% in 2004. The decrease in cost of goods sold as a percent of net sales reflects the success of our initiatives implemented to improve gross margins. These initiatives were initially developed to offset the usual competitive pricing pressures as well as lower levels of vendor discounts and volume incentives earned over the prior few years, especially in Industrial. Each of our business segments also experienced vendor price increases in 2005, and by working with our customers we were able to pass some of these along to them, particularly in Industrial.

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Operating Expenses

Selling, administrative and other expenses (“SG&A”) increased to \$2.4 billion in 2006, representing 22.8% of sales and down slightly from 22.9% of sales in 2005. SG&A expenses as a percentage of net sales reflect the benefits of our cost control initiatives. Our cost management initiatives continue to emphasize continuous improvement programs designed to optimize our utilization of people and systems. We were pleased with the success of our initiatives and expect our SG&A expenses as a percentage of sales to show progress in the foreseeable future. Depreciation and amortization expense in 2006 was \$73 million, up 12% from 2005, which relates to the increase in capital expenditures in the current year. The provision for doubtful accounts was \$16 million in 2006, consistent with our bad debt expense in 2005.

In 2005, SG&A increased to \$2.2 billion, or 22.9% of net sales, a slight increase from 22.8% of sales in 2004. Depreciation and amortization expense in 2005 was \$66 million, up 5% from 2004, and corresponds to the increase in capital expenditures in 2005 relative to the prior year. The provision for doubtful accounts was \$16 million in 2005, down from \$21 million in the prior year. This was due to our improved collections on accounts receivable balances relative to 2004, when the Company incurred unusually high bad debt losses.

Non-Operating Expenses

Non-operating expenses for the Company consist primarily of interest. Interest expense was \$32 million, \$34 million and \$39 million in 2006, 2005 and 2004, respectively. The decrease in interest expense in 2006 is primarily due to the termination of an interest rate swap agreement.

In 2005, the decrease in interest expense from the prior year relates to the repayment of borrowings during 2004 to its current level.

In “Other”, interest income net of minority interests increased in both 2006 and 2005 due to the change in interest income earned on the Company’s cash balances.

Operating Profit

Operating profit was \$846 million in 2006, an increase of 7.4% from \$788 million in 2005. Operating profit as a percentage of net sales, which we refer to as operating margin, was 8.1% in 2006, reflecting no change from our operating margin achieved in 2005 and 2004. Our constant operating margin over the last three years is primarily the result of specific short-term margin issues in Automotive, which offset the benefits of our overall improvement in gross margin and SG&A expense as a percentage of net sales over these periods. We discuss these issues further below. We remain optimistic that our margins will show improvement in the year ahead.

Automotive Group

Automotive operating margins decreased to 7.7% in 2006 from 7.9% in 2005. During 2006, the Company recorded non-recurring costs associated with certain closing and consolidation expenses at Johnson Industries and our re-manufacturing operations. At Johnson Industries, we sold or closed eight of twelve locations during 2005, resulting in selling and closure costs in that year, and we incurred additional costs to downsize these operations in 2006. At our re-manufacturing operations, we incurred costs during the year related to certain facility consolidations.

Automotive operating margins decreased to 7.9% in 2005 from 8.4% in 2004. Despite showing progress in our core NAPA operations, Automotive was challenged with specific issues at Johnson Industries, as discussed above, and, within the re-manufacturing operations, we made some price adjustments to certain product lines to drive sales growth, resulting in lower margins for this group relative to the prior year. We consider the issues reviewed for 2005 and 2006 to be short-term challenges for this group and believe our Automotive operating margins will show improvement in the year ahead.

Industrial Group

Industrial operating margins increased to 8.3% in 2006 from 7.7% in 2005. This represents the third consecutive year of margin improvement for Industrial and reflects the effectiveness of our sales and operating initiatives, as well as the relative strength of the industries served by Industrial over these periods. Industrial operating margins increased to 7.7% in 2005 from 6.9% in 2004. This was the largest margin gain among our business segments in 2005 and reflects the strong performance at Industrial for the year.

Office Group

Operating margins in Office were 9.4% in 2006, down slightly from 9.5% in 2005. Office continues to generate industry leading operating margins despite competitive pricing pressures in the industry. These pressures are offset by ongoing product and customer expansion efforts and the continued development of effective marketing programs and dealer services. Office operating margins were 9.5% in 2005, down from 9.8% in 2004. The success of this Group’s sales initiatives was offset by pricing pressures, which resulted in the decrease in operating margin in 2005.

Electrical Group

Operating margins in Electrical increased to 5.5% in 2006 from 5.1% in 2005. This represents the third consecutive year of margin improvement for Electrical and reflects the continued strength in the manufacturing sector of the economy, combined with Electrical’s successful growth strategy during this three year period. Operating margins in Electrical increased to 5.1% in 2005 from 4.4% in 2004. We are encouraged by the ongoing progress we see in Electrical.

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Income Taxes

The effective income tax rate was 38.3% in 2006, unchanged from the effective rate in 2005. The effective income tax rate increased to 38.3% in 2005 from 37.8% in 2004. The increase in 2005 was primarily due to higher state income taxes in that year and favorable non-recurring items in the prior year.

Net Income

Net income was \$475 million in 2006, an increase of 9% from \$437 million in 2005. On a per share diluted basis, net income was \$2.76 in 2006 compared to \$2.50 in 2005, up 10%. 2006 represents our third consecutive year of double-digit growth in diluted earnings per share. Net income in 2006 and 2005 was 4.5% of net sales.

Net income was \$437 million in 2005, up 11% from \$396 million in 2004, and on a per share diluted basis, net income was \$2.50 in 2005 compared to \$2.25 in 2004. Net income in 2005 was 4.5% of net sales compared to 4.3% in 2004.

Share-Based Compensation

Effective January 1, 2006 the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R) choosing the "modified prospective" method. Compensation cost recognized for the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated with the provisions of SFAS No. 123(R). Results for prior periods have not been restated. Most options may be exercised not earlier than twelve months nor later than ten years from the date of grant. As of January 1, 2006, there was approximately \$1.2 million of unrecognized compensation cost for all awards granted prior to January 1, 2003 to employees that remained unvested prior to the effective date of SFAS No. 123(R). This compensation cost is expected to be recognized over a weighted-average period of approximately four years. For the year ended December 31, 2006, total compensation cost related to nonvested awards not yet recognized was approximately \$20.2 million. The weighted-average period over which this compensation cost is expected to be recognized is approximately three years. For the years ended December 31, 2006, 2005 and 2004, \$11.9 million, \$6.9 million and \$2.5 million of share-based compensation cost was recorded, respectively. There have been no modifications to valuation methodologies or methods subsequent to the adoption of SFAS No. 123(R).

Financial Condition

The major consolidated balance sheet categories at December 31, 2006, with the exception of the accounts discussed below, were relatively consistent with the December 31, 2005 balance sheet categories. The Company's cash balances decreased \$53 million or 28% from December 31, 2005, due primarily to cash used during the year for increased working capital requirements and investments in capital expenditures. Our accounts receivable balance at December 31, 2006 increased 3% compared to the prior year, which is less than our increase in revenues for the fourth quarter and year. Inventory at December 31, 2006, was up less than 1% from December 31, 2005, reflecting our continued emphasis on inventory management. Prepaid expenses and other current assets increased \$20 million or 10% from December 31, 2005, reflecting the increase in receivables due from vendors. Accounts payable at December 31, 2006 decreased \$63 million or 7% from the prior year, due primarily to the termination of extended terms with certain suppliers during 2006 and the resulting decrease in days payables outstanding.

Other assets at December 31, 2006 decreased \$339 million or 67%; other long-term liabilities increased \$73 million or 64%; and accumulated other comprehensive (loss) income, included as a component of shareholders' equity, was a loss of \$243 million at December 31, 2006 compared to income of \$46 million at December 31, 2005. These changes in other assets, other long-term liabilities and accumulated other comprehensive loss were primarily due to the pension adjustments required by SFAS No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

Liquidity and Capital Resources

The ratio of current assets to current liabilities was 3.2 to 1 at December 31, 2006 compared to 3.0 to 1 at December 31, 2005. Our cash position remains strong. The Company had \$500 million in total debt outstanding at December 31, 2006 and 2005.

A summary of the Company's consolidated statements of cash flows is as follows:

Net Cash Provided by (Used in):	Year Ended December 31, (in thousands)			Percent Change	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
Operating Activities	\$ 433,500	\$ 440,517	\$ 555,236	-2%	-21%
Investing Activities	(145,599)	(70,174)	(67,955)	107%	3%
Financing Activities	(340,729)	(317,469)	(369,328)	7%	-14%

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Net Cash Provided by Operating Activities

The Company continues to generate excellent cash flows, with \$434 million in net cash provided by operating activities in 2006. The 9% increase in net income was offset by the use of cash for working capital requirements during the year, resulting in a slight decrease in cash from operations compared to 2005. In 2005, the Company generated \$441 million in cash from operations, a decrease from 2004. Despite an increase in net income in 2005, the 2005 operating cash flows were down from the prior year primarily due to an increase of \$70 million in contributions to Company-sponsored defined benefit plans. In addition, the Company's extended term negotiations and other working capital improvements in 2004 were especially favorable for operating cash flows in that year. The Company believes existing credit facilities and cash generated from operations will be sufficient to fund its operations, and to meet its cash requirements.

Net Cash Used in Investing Activities

Cash flow used in investing activities was \$146 million in 2006, up from the prior two years due primarily to increased spending for capital expenditures during the year. In 2006, capital expenditures were \$126 million compared to approximately \$86 million and \$72 million in 2005 and 2004, respectively. The Company believes that 2006 was an extraordinary year for capital spending due in part to the timing of certain assets placed in service during the year. The Company expects its investment in capital expenditures to decrease to more customary levels in the foreseeable future.

Net Cash Used in Financing Activities

The Company used \$341 million of cash in financing activities in 2006, primarily for dividends to shareholders and the repurchase of the Company's common stock. Dividends and share repurchases were also the primary financing activities in 2005, and in 2004, the primary financing activities were the dividend and repayment of borrowings. The Company paid dividends to shareholders of \$228 million, \$216 million, and \$209 million during 2006, 2005, and 2004, respectively. The Company expects this trend of increasing dividends to continue in the foreseeable future. During 2006, 2005 and 2004, the Company repurchased \$123 million, \$119 million and \$21 million, respectively, in Company stock. We plan to remain active in our share repurchase program, but the amount and value of shares repurchased will vary annually.

While no borrowings were repaid in 2006 or 2005, the Company repaid variable rate borrowings of approximately \$177 million in 2004. Long-term debt of \$500 million at December 31, 2006 is comprised of two \$250 million term notes with a consortium of financial and insurance institutions due in 2008 and 2011. The Company does not anticipate repaying these notes prior to their scheduled expiration. The increasing dividends and fluctuations in cash used for share repurchases and the reduction of debt primarily explain the changes in cash used for financing activities in 2006, 2005 and 2004.

Notes and Other Borrowings

The Company maintains a \$350 million unsecured revolving line of credit with a consortium of financial institutions, which matures in October 2008 and bears interest at LIBOR plus .25%. (5.57% at December 31, 2006). At December 31, 2006 and 2005, no amounts were outstanding under the line of credit.

At December 31, 2006, the Company had unsecured Senior Notes outstanding under a \$500 million financing arrangement as follows: \$250 million, Series A, 5.86% fixed, due 2008; and \$250 million, Series B, 6.23% fixed, due 2011. Certain borrowings contain covenants related to a maximum debt-to-equity ratio, a minimum fixed-charge coverage ratio and certain limitations on additional borrowings. At December 31, 2006, the Company was in compliance with all such covenants. The weighted average interest rate on the Company's outstanding borrowings was approximately 6.05% at December 31, 2006 and 2005. Total interest expense, net of interest income, for all borrowings was \$26.4 million, \$29.6 million and \$37.3 million in 2006, 2005 and 2004, respectively.

Construction and Lease Agreement

The Company also has an \$85 million construction and lease agreement with an unaffiliated third party. Properties acquired by the lessor are constructed and then leased to the Company under operating lease agreements. The total amount advanced and outstanding under this agreement at December 31, 2006 was approximately \$84 million. Since the resulting leases are operating leases, no debt obligation is recorded on the Company's balance sheet. This construction and lease agreement expires in 2009 and no additional properties are being added to this agreement, as the construction term has ended. Lease payments fluctuate based upon current interest rates and are generally based upon LIBOR plus .50%. The lease agreement contains residual value guarantee provisions and guarantees under events of default. Although management believes the likelihood of funding to be remote, the maximum guarantee obligation, which represents our residual value guarantee, under the construction and lease agreement is approximately \$73 million at December 31, 2006. Refer to Note 8 to the Consolidated Financial Statements for further information regarding this arrangement.

Contractual and Other Obligations

The following table shows the Company's approximate obligations and commitments, excluding interest due on credit facilities, to make future payments under contractual obligations as of December 31, 2006:

(in thousands)	Total	Payment Due by Period			
		Less than 1 year	1-3 years	4-5 years	Over 5 years
Credit facilities	\$ 500,000	\$ —	\$ 250,000	\$ 250,000	\$ —
Capital leases	13,615	2,509	4,502	2,852	3,752
Operating leases	444,606	129,156	159,142	74,774	81,534
Total Contractual Cash Obligations	\$958,221	\$ 131,665	\$ 413,644	\$327,626	\$85,286

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Purchase orders or contracts for the purchase of inventory and other goods and services are not included in our estimates. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current distribution needs and are fulfilled by our vendors within short time horizons. The Company does not have significant agreements for the purchase of inventory or other goods specifying minimum quantities or set prices that exceed our expected requirements.

As discussed in “Construction and Lease Agreement” above, the Company has approximately \$84 million outstanding under a construction and lease agreement which expires in 2009. In addition, the Company guarantees the borrowings of certain independently controlled automotive parts stores (independents) and certain other affiliates in which the Company has a minority equity ownership interest (affiliates). The Company’s maximum exposure to loss as a result of its involvement with these independents and affiliates is equal to the total borrowings subject to the Company’s guarantee. To date, the Company has had no significant losses in connection with guarantees of independents’ and affiliates’ borrowings. The following table shows the Company’s approximate commercial commitments under these two arrangements as of December 31, 2006:

<i>(in thousands)</i>	Total Amounts Committed	Payment Due by Period			
		Less than 1 year	1-3 years	4-5 years	Over 5 years
Guaranteed borrowings of independents and affiliates	\$ 186,473	\$ 49,173	\$ 21,309	\$ 14,206	\$ 101,785
Residual value guarantee under operating leases	72,640	—	72,640	—	—
Total Commercial Commitments	\$259,113	\$ 49,173	\$93,949	\$ 14,206	\$101,785

In addition, the Company sponsors defined benefit pension plans that may obligate us to make contributions to the plans from time to time. Contributions in 2006 were \$67 million. We expect to make a cash contribution to our qualified defined benefit plans in 2007, and contributions required for 2008 and future years will depend on a number of unpredictable factors including the market performance of the plans’ assets and future changes in interest rates that affect the actuarial measurement of the plans’ obligations.

Share Repurchases

On April 19, 1999, our Board of Directors authorized the repurchase of 15 million shares of our common stock, and on August 21, 2006, the Board authorized the repurchase of an additional 15 million shares. Such repurchase plans were announced on April 20, 1999 and August 21, 2006, respectively. The authorization for these repurchase plans continues until all such shares have been repurchased, or the repurchase plan is terminated by action of the Board of Directors. Through December 31, 2006, approximately 14.7 million shares have been repurchased under these authorizations.

Critical Accounting Estimates

General

Management’s Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain at the time the estimate is made and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. Management believes the following critical accounting policies reflect its most significant estimates and assumptions used in the preparation of the consolidated financial statements. For further information on the critical accounting policies, see Note 1 of the notes to our consolidated financial statements.

Inventories – Provisions for Slow Moving and Obsolescence

The Company identifies slow moving or obsolete inventories and estimates appropriate loss provisions related thereto. Historically, these loss provisions have not been significant as the vast majority of the Company’s inventories are not highly susceptible to obsolescence and are eligible for return under various vendor return programs. While the Company has no reason to believe its inventory return privileges will be discontinued in the future, its risk of loss associated with obsolete or slow moving inventories would increase if such were to occur.

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Allowance for Doubtful Accounts – Methodology

The Company evaluates the collectibility of accounts receivable based on a combination of factors. Initially, the Company estimates an allowance for doubtful accounts as a percentage of net sales based on historical bad debt experience. This initial estimate is periodically adjusted when the Company becomes aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filing) or as a result of changes in the overall aging of accounts receivable. While the Company has a large customer base that is geographically dispersed, a general economic downturn in any of the industry segments in which the Company operates could result in higher than expected defaults and, therefore, the need to revise estimates for bad debts. For the years ended December 31, 2006, 2005 and 2004, the Company recorded provisions for bad debts of \$16.5 million, \$16.4 million and \$20.7 million, respectively.

Consideration Received from Vendors

The Company enters into agreements at the beginning of each year with many of its vendors providing for inventory purchase incentives and advertising allowances. Generally, the Company earns inventory purchase incentives upon achieving specified volume purchasing levels and advertising allowances upon fulfilling its obligations related to cooperative advertising programs. The Company accrues for the receipt of inventory purchase incentives as part of its inventory cost based on cumulative purchases of inventory to date and projected inventory purchases through the end of the year and, in the case of advertising allowances, upon completion of the Company's obligations related thereto. While management believes the Company will continue to receive such amounts in 2007 and beyond, there can be no assurance that vendors will continue to provide comparable amounts of incentives and allowances in the future.

Impairment of Property, Plant and Equipment and Goodwill and Other Intangible Assets

At least annually, the Company evaluates property, plant and equipment, goodwill and other intangible assets for potential impairment indicators. The Company's judgments regarding the existence of impairment indicators are based on market conditions and operational performance, among other factors. Future events could cause the Company to conclude that impairment indicators exist and that assets associated with a particular operation are impaired. Evaluating the impairment also requires the Company to estimate future operating results and cash flows which require judgment by management. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

Employee Benefit Plans

The Company's benefit plan committees in the U.S. and Canada establish investment policies and strategies and regularly monitor the performance of the Company's pension plan assets. The pension plan investment strategy implemented by the Company's management is to achieve long-term objectives and invest the pension assets in accordance with the applicable pension legislation in the U.S. and Canada and fiduciary standards. The long-term primary objectives for the pension plan funds are to provide for a reasonable amount of long-term growth of capital without undue exposure to risk, protect the assets from erosion of purchasing power and provide investment results that meet or exceed the pension plan's actuarially assumed long term rate of return.

Based on the investment policy for the U.S. pension plan, as well as an asset study that was performed based on the Company's set allocations and future expectations, the Company's expected rate of return on plan assets for measuring 2007 pension expense or income is 8.25% for the U.S. plan. The asset study forecasted expected rates of return for the approximate duration of the Company's benefit obligations, using capital market data and historical relationships.

The discount rate is chosen as the rate at which pension obligations could be effectively settled and is based on capital market conditions as of the measurement date. We have matched the timing and duration of the expected cash flows of our pension obligations to a yield curve generated from a broad portfolio of high-quality fixed income debt instruments to select our discount rate. Based upon this cash flow matching analysis, we selected a discount rate for the U.S. plan of 6.00% at December 31, 2006.

Net periodic cost for our defined benefit pension plans was \$48.2 million, \$32.4 million, and \$26.4 million for the years ended December 31, 2006, 2005 and 2004, respectively. The increasing trend in pension cost over these periods was primarily due to the change in assumptions for the rate of return on plan assets, the discount rate and the rate of compensation increases. These expenses are included in SG&A expenses. Refer to Note 7 to the Consolidated Financial Statements for more information regarding employee benefit plans.

On September 29, 2006, the Financial Accounting Standards Board issued SFAS No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS No. 158 was effective for public companies for fiscal years ending after December 15, 2006. The Company adopted the balance sheet recognition provisions of SFAS No. 158 at the end of fiscal 2006. Refer to Note 7 to the Consolidated Financial Statements for details regarding the incremental effect of adopting SFAS No. 158.

The Company has evaluated the potential impact of the Pension Protection Act ("the Act"), which was passed into law on August 17, 2006, on future U.S. pension plan funding requirements based on current market conditions. The Act is not anticipated to have a material effect on the level of future funding requirements or on the Company's liquidity and capital resources.

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Quarterly Results of Operations

The preparation of interim consolidated financial statements requires management to make estimates and assumptions for the amounts reported in the interim condensed consolidated financial statements. Specifically, the Company makes certain estimates in its interim consolidated financial statements for the accrual of bad debts, inventory adjustments and discounts and volume incentives earned. Bad debts are accrued based on a percentage of sales, and volume incentives are estimated based upon cumulative and projected purchasing levels. Inventory adjustments are accrued on an interim basis and adjusted in the fourth quarter based on the annual October 31 book-to-physical inventory adjustment. The methodology and practices used in deriving estimates for interim reporting typically result in adjustments upon accurate determination at year-end. The effect of these adjustments in 2006 and 2005 was not significant.

The following is a summary of the quarterly results of operations for the years ended December 31, 2006 and 2005:

	March 31,	Three Months Ended		Dec. 31,
		June 30,	Sept. 30,	
		<i>(in thousands except for per share data)</i>		
2006				
Net Sales	\$ 2,553,552	\$ 2,661,805	\$ 2,699,641	\$ 2,542,944
Gross Profit	803,477	825,182	831,295	815,541
Net Income	113,925	120,680	121,333	119,467
Earnings Per Share:				
Basic	.66	.70	.71	.70
Diluted	.66	.70	.71	.70
2005				
Net Sales	\$2,342,201	\$2,475,657	\$2,555,503	\$2,409,689
Gross Profit	736,480	761,257	778,502	787,847
Net Income	106,598	110,967	110,876	108,993
Earnings Per Share:				
Basic	.61	.64	.64	.63
Diluted	.61	.63	.63	.63

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information required by this Item 7A is set forth under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 3 of Notes to Consolidated Financial Statements beginning on page F-9.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is set forth under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in a separate section of this report. See “Index to Consolidated Financial Statements and Financial Statement Schedules” beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Management’s conclusion regarding the effectiveness of disclosure controls and procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company’s disclosure controls and procedures, as such term is defined in SEC Rule 13a-15(e). Based on that evaluation, the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective, as of the end of the period covered by this report, to provide reasonable assurance that information required to be disclosed in the Company’s reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management’s report on internal control over financial reporting

A report of management on our internal control over financial reporting as of December 31, 2006 is set forth in a separate section of this report. See “Index to Consolidated Financial Statements and Financial Statement Schedules” beginning on page F-1.

Management’s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is set forth in a separate section of this report. See “Index to Consolidated Financial Statements and Financial Statement Schedules” beginning on page F-1.

Other control matters

There have been no changes in the Company’s internal control over financial reporting during the Company’s fourth fiscal quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information required by this item will be set forth under the heading “Nominees for Director” on Pages 2 through 4, under the heading “Corporate Governance Code of Conduct and Ethics” on Page 8, under the heading “Corporate Governance Board Committees” on Pages 9 and 10, and under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” on Page 41 of the Proxy Statement and is incorporated herein by reference. Certain information required by this Item is included in and incorporated by reference to Item “4A. Executive Officers of the Company” of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this item will be set forth under the headings “Executive Compensation” on Pages 14 through 20, “Additional Information Regarding Executive Compensation” on Pages 21 and 22, “2006 Grants of Plan-Based Awards” on Pages 22 and 23, “2006 Outstanding Equity Awards at Fiscal Year-End” on Pages 23 through 25, “2006 Option Exercises and Stock Vested” on Page 25, “2006 Pension Benefits” on Pages 26 through 28, “2006 Nonqualified Deferred Compensation” on Page 28, “Post Termination Payments and Benefits” on Pages 28 through 35, “Compensation, Nominating and Governance Committee Report” on Page 35, “Compensation, Nominating and Governance Committee Interlocks and Insider Participation” on Page 35, and “Audit Committee Report” on Pages 39 and 40 of the Proxy Statement. All such information in the Proxy Statement is incorporated herein by reference, except that the information contained in the Proxy Statement on Page 35 under the heading “Compensation, Nominating and Governance Committee Report” or on Pages 39 and 40 under the heading “Audit Committee Report” is specifically not so incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information required by this item (a) is set forth below and (b) will be set forth under the headings “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Management” on Pages 10 through 13 of the Proxy Statement and is incorporated herein by reference.

Equity Compensation Plan Information

The following table gives information as of December 31, 2006 about the common stock that may be issued under all of the Company’s existing equity compensation plans:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Shareholders:	414,728 (1)	\$ 31.66	-0-
	5,634,341 (2)	\$ 35.93	-0- (5)
	-0- (3)	n/a	8,000,000
Equity Compensation Plans Not Approved by Shareholders:	42,105 (4)	n/a	948,475
Total	6,091,174	—	8,948,475

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- (1) Genuine Parts Company 1992 Stock Option and Incentive Plan, as amended
- (2) Genuine Parts Company 1999 Long-Term Incentive Plan, as amended
- (3) Genuine Parts Company 2006 Long-Term Incentive Plan
- (4) Genuine Parts Company Director's Deferred Compensation Plan, as amended
- (5) Plan terminated April 17, 2006.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Information required by this item will be set forth under the Headings "Corporate Governance – Independent Directors" on Page 7 and under the heading "Transactions with Related Persons" on Pages 37 and 38 of the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information required by this item will be set forth under the heading "Proposal 3. Ratification of Selection of Independent Auditors" on Pages 38 and 39 of the Proxy Statement and is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

- (a) Documents filed as part of this report
- (1) Financial Statements

The following consolidated financial statements of Genuine Parts Company and subsidiaries are included in this Annual Report on Form 10-K. See also the Index to Consolidated Financial Statements on Page F-1.

Consolidated balance sheets — December 31, 2006 and 2005

Consolidated statements of income — Years ended December 31, 2006, 2005 and 2004

Consolidated statements of shareholders' equity – Years ended December 31, 2006, 2005 and 2004

Consolidated statements of cash flows — Years ended December 31, 2006, 2005 and 2004

Notes to consolidated financial statements — December 31, 2006

- (2) Financial Statement Schedules.

The following consolidated financial statement schedule of Genuine Parts Company and subsidiaries, set forth immediately following the signature page of this report, is filed pursuant to Item 15(c):

Schedule II – Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

- (3) Exhibits. The following exhibits are filed as part of this report. The Company will furnish a copy of any exhibit upon request to the Company's Corporate Secretary.

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Exhibit 3.1	Restated Articles of Incorporation of the Company, as amended April 17, 2006. (Incorporated herein by reference from the Company's Current Report on Form 8-K, dated April 18, 2006.)
Exhibit 3.2	By-laws of the Company, as amended and restated April 17, 2006.
Exhibit 4.2	Specimen Common Stock Certificate. (Incorporated herein by reference from the Company's Registration Statement on Form S-1, Registration No. 33-63874.)
Exhibit 4.3	Note Purchase Agreement, dated November 30, 2001. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2002.)
Instruments with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis have not been filed. The Registrant agrees to furnish to the Commission a copy of each such instrument upon request.	
Exhibit 10.1 *	Form of Amendment to Deferred Compensation Agreement, adopted February 13, 1989, between the Company and certain executive officers of the Company. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 15, 1989.)
Exhibit 10.2 *	1992 Stock Option and Incentive Plan, effective April 20, 1992. (Incorporated herein by reference from the Company's Annual Meeting Proxy Statement, dated March 6, 1992.)
Exhibit 10.3 *	The Genuine Parts Company Tax-Deferred Savings Plan, effective January 1, 1993. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 3, 1995.)
Exhibit 10.4 *	Amendment No. 1 to the Genuine Parts Company Tax-Deferred Savings Plan, dated June 1, 1996, effective June 1, 1996. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2005.)
Exhibit 10.5 *	Genuine Parts Company Death Benefit Plan, effective July 15, 1997. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 10, 1998.)
Exhibit 10.6 *	Restricted Stock Agreement dated February 25, 1999, between the Company and Thomas C. Gallagher. (Incorporated herein by reference from the Company's Form 10-Q, dated May 3, 1999.)
Exhibit 10.7 *	Amendment to the Genuine Parts Company 1992 Stock Option and Incentive Plan, dated April 19, 1999, effective April 19, 1999. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 10, 2000.)

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- Exhibit 10.8 * Amendment No. 2 to the Genuine Parts Company Tax-Deferred Savings Plan, dated April 19, 1999, effective April 19, 1999. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 10, 2000.)
- Exhibit 10.9 * The Genuine Parts Company Original Deferred Compensation Plan, as amended and restated as of August 19, 1996. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 8, 2004.)
- Exhibit 10.10 * Amendment to the Genuine Parts Company Original Deferred Compensation Plan, dated April 19, 1999, effective April 19, 1999. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 10, 2000.)
- Exhibit 10.11 * Amendment No. 3 to the Genuine Parts Company Tax-Deferred Savings Plan, dated November 28, 2001, effective July 1, 2001. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2002.)
- Exhibit 10.12 * Trust Agreement Executed in Conjunction with the Genuine Parts Company Supplemental Retirement Plan, dated July 1, 2001, effective July 1, 2001. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2002.)
- Exhibit 10.13 * Amendment No. 1 to the Trust Agreement Executed in Conjunction with the Genuine Parts Company Non-Qualified Deferred Compensation Plans, dated December 5, 2001, effective July 1, 2001. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2002.)
- Exhibit 10.14 * Genuine Parts Company 1999 Long-Term Incentive Plan, as amended and restated as of November 19, 2001. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 21, 2003.)
- Exhibit 10.15 * Amendment to the Genuine Parts Company 1992 Stock Option and Incentive Plan, dated November 19, 2001, effective November 19, 2001. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 21, 2003.)
- Exhibit 10.16 * Genuine Parts Company Supplemental Retirement Plan, as amended and restated effective January 1, 2003, and executed October 22, 2003. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 8, 2004.)
- Exhibit 10.17 * Amendment No. 1 to the Genuine Parts Company Supplemental Retirement Plan, dated October 27, 2003, effective January 1, 2003. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 8, 2004.)
- Exhibit 10.18 * Amendment No. 4 to the Genuine Parts Company Tax-Deferred Savings Plan, dated June 5, 2003, effective June 5, 2003. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 8, 2004.)
- Exhibit 10.19 * Genuine Parts Company Directors' Deferred Compensation Plan, as amended and restated effective January 1, 2003, and executed November 11, 2003. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 8, 2004.)

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Exhibit 10.20 *	Genuine Parts Company 2004 Annual Incentive Bonus Plan, effective January 1, 2004. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2005.)
Exhibit 10.21 *	Description of Director Compensation. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2005.)
Exhibit 10.22 *	Genuine Parts Company Performance Restricted Stock Unit Award Agreement. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2005.)
Exhibit 10.23 *	Genuine Parts Company Stock Appreciation Rights Agreement. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2005.)
Exhibit 10.24 *	Genuine Parts Company Restricted Stock Unit Award Agreement. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 7, 2005.)
Exhibit 10.25 *	Amendment No. 5 to the Genuine Parts Company Tax-Deferred Savings Plan, dated December 28, 2005, effective January 1, 2006. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 3, 2006.)
Exhibit 10.26 *	Amendment No. 2 to the Genuine Parts Company Supplemental Retirement Plan, dated November 9, 2005, effective January 1, 2006. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 3, 2006.)
Exhibit 10.27 *	Amendment No. 3 to the Genuine Parts Company Supplemental Retirement Plan, dated December 28, 2005, effective January 1, 2006. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 3, 2006.)
Exhibit 10.28 *	Amendment No. 2 to the Genuine Parts Company Death Benefit Plan, dated November 9, 2005, effective April 1, 2005. (Incorporated herein by reference from the Company's Annual Report on Form 10-K, dated March 3, 2006.)
Exhibit 10.29 *	Amendment to the Genuine Parts Company 2006 Long-Term Incentive Plan, dated November 20, 2006, effective November 20, 2006.
Exhibit 10.30 *	Specimen Change in Control Agreement.

* Indicates management contracts and compensatory plans and arrangements.

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Exhibit 21	Subsidiaries of the Company.
Exhibit 23	Consent of Independent Registered Public Accounting Firm.
Exhibit 31.1	Certification signed by Chief Executive Officer pursuant to SEC Rule 13a-14(a).
Exhibit 31.2	Certification signed by Chief Financial Officer pursuant to SEC Rule 13a-14(a).
Exhibit 32.1	Statement of Chief Executive Officer of Genuine Parts Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Statement of Chief Financial Officer of Genuine Parts Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
(b) Exhibits	See the response to Item 15(a)(3) above.
(c) Financial Statement Schedules	See the response to Item 15(a)(2) above.

SIGNATURES.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GENUINE PARTS COMPANY

/s/ Thomas C. Gallagher

2/28/07

/s/ Jerry W. Nix

2/28/07

Thomas C. Gallagher

(Date)

Jerry W. Nix

(Date)

Chairman, President and Chief Executive Officer

Vice Chairman and Chief Financial and Accounting
Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>/s/ Dr. Mary B. Bullock</u>	<u>2/19/07</u>	<u>/s/ Richard W. Courts II</u>	<u>2/19/07</u>
Dr. Mary B. Bullock	(Date)	Richard W. Courts II	(Date)
Director		Director	
<u>/s/ Jean Douville</u>	<u>2/19/07</u>	<u>/s/ Thomas C. Gallagher</u>	<u>2/19/07</u>
Jean Douville	(Date)	Thomas C. Gallagher	(Date)
Director		Director	
<u>/s/ George C. Guynn</u>	<u>2/19/07</u>	<u>/s/ John D. Johns</u>	<u>2/19/07</u>
George C. Guynn	(Date)	John D. Johns	(Date)
Director		Director	
<u>Michael M. E. Johns</u>	<u>(Date)</u>	<u>/s/ J. Hicks Lanier</u>	<u>2/19/07</u>
Director		J. Hicks Lanier	(Date)
		Director	
<u>/s/ Wendy B. Needham</u>	<u>2/19/07</u>	<u>/s/ Jerry W. Nix</u>	<u>2/19/07</u>
Wendy B. Needham	(Date)	Jerry W. Nix	(Date)
Director		Director	
<u>/s/ Larry L. Prince</u>	<u>2/19/07</u>	<u>/s/ Gary W. Rollins</u>	<u>2/19/07</u>
Larry L. Prince	(Date)	Gary W. Rollins	(Date)
Director		Director	
<u>/s/ Lawrence G. Steiner</u>	<u>2/19/07</u>		
Lawrence G. Steiner	(Date)		
Director			

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Report of Management

Genuine Parts Company

Management's Responsibility for the Financial Statements

We have prepared the accompanying consolidated financial statements and related information included herein for the years ended December 31, 2006, 2005 and 2004. The opinion of Ernst & Young LLP, the Company's independent registered public accounting firm, on those consolidated financial statements is included herein. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with generally accepted accounting principles appropriate in the circumstances based on our best estimates and judgments and giving due consideration to materiality.

Management's Report on Internal Control over Financial Reporting

The management of Genuine Parts Company and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934.

The Company's internal control system was designed to provide reasonable assurance to the Company's management and to the board of directors regarding the preparation and fair presentation of the Company's published financial statements. The Company's internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework." Based on this assessment, management concluded that, as of December 31, 2006, the Company's internal control over financial reporting was effective.

Ernst & Young LLP has issued an audit report on our assessment of the Company's internal control over financial reporting and the operating effectiveness of internal control over financial reporting as of December 31, 2006. This report appears on page F-3.

Audit Committee Responsibility

The Audit Committee of Genuine Parts Company's Board of Directors is responsible for reviewing and monitoring the Company's financial reports and accounting practices to ascertain that they are within acceptable limits of sound practice in such matters. The membership of the Committee consists of non-employee Directors. At periodic meetings, the Audit Committee discusses audit and financial reporting matters and the internal audit function with representatives of financial management and with representatives from Ernst & Young LLP.



JERRY W. NIX
Vice Chairman and Chief Financial Officer

February 26, 2007

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Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Shareholders of Genuine Parts Company

We have audited management's assessment, included in the accompanying Report of Management, that Genuine Parts Company maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Genuine Parts Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Genuine Parts Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Genuine Parts Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Genuine Parts Company as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006 of Genuine Parts Company and our report dated February 26, 2007 expressed an unqualified opinion thereon.

Ernst + Young LLP

Atlanta, Georgia
February 26, 2007

Report of Independent Registered Public Accounting Firm on the Financial Statements and Schedule

The Board of Directors and Shareholders of Genuine Parts Company

We have audited the accompanying consolidated balance sheets of Genuine Parts Company and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Genuine Parts Company and subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1, effective December 31, 2006, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Genuine Parts Company's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2007 expressed an unqualified opinion thereon.

Ernst + Young LLP

Atlanta, Georgia
February 26, 2007

Consolidated Balance Sheets

<i>(in thousands, except share data) December 31,</i>	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 135,973	\$ 188,911
Trade accounts receivable, net	1,227,805	1,186,865
Merchandise inventories, net	2,236,368	2,216,542
Prepaid expenses and other assets	234,981	214,564
Total current assets	3,835,127	3,806,882
Goodwill and intangible assets, less accumulated amortization	62,254	62,717
Other assets	170,343	509,644
Property, plant, and equipment:		
Land	50,726	52,335
Buildings, less allowance for depreciation (2006 - \$142,324; 2005 - \$133,950)	162,679	147,061
Machinery and equipment, less allowance for depreciation (2006 - \$418,815; 2005 - \$403,294)	215,855	192,899
Net property, plant, and equipment	429,260	392,295
	\$4,496,984	\$4,771,538
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 910,263	\$ 973,615
Other borrowings	—	881
Accrued compensation	95,770	99,402
Other accrued expenses	97,284	84,760
Dividends payable	57,552	54,150
Income taxes payable	37,899	36,296
Total current liabilities	1,198,768	1,249,104
Long-term debt	500,000	500,000
Deferred income taxes	—	156,807
Minority interests in subsidiaries	60,716	57,047
Other long-term liabilities	187,509	114,623
Shareholders' equity:		
Preferred stock, par value \$1 per share – authorized 10,000,000 shares; none issued	—	—
Common stock, par value \$1 per share – authorized 450,000,000 shares; issued 170,530,874 shares in 2006 and 173,032,697 shares in 2005	170,531	173,033
Accumulated other comprehensive (loss) income	(242,534)	45,535
Retained earnings	2,621,994	2,475,389
Total shareholders' equity	2,549,991	2,693,957
	\$4,496,984	\$4,771,538

See accompanying notes.

Consolidated Statements of Income*(in thousands, except per share amounts) Year ended December 31,*

	2006	2005	2004
Net sales	\$10,457,942	\$9,783,050	\$9,097,267
Cost of goods sold	7,182,447	6,718,964	6,267,544
Gross margin	3,275,495	3,064,086	2,829,723
Operating expenses:			
Selling, administrative and other expenses	2,388,882	2,244,308	2,073,804
Depreciation and amortization	73,423	65,529	62,207
Provision for doubtful accounts	16,472	16,356	20,697
Total operating expenses	2,478,777	2,326,193	2,156,708
Non-operating expenses (income):			
Interest expense	31,576	34,024	38,628
Other	(5,774)	(5,195)	(1,532)
Total non-operating expenses	25,802	28,829	37,096
Income before income taxes	770,916	709,064	635,919
Income taxes	295,511	271,630	240,367
Net income	\$ 475,405	\$ 437,434	\$ 395,552
Basic net income per common share	\$ 2.77	\$ 2.51	\$ 2.26
Diluted net income per common share	\$ 2.76	\$ 2.50	\$ 2.25
Weighted average common shares outstanding	171,576	174,054	174,687
Dilutive effect of stock options and non-vested restricted stock awards	910	953	973
Weighted average common shares outstanding - assuming dilution	172,486	175,007	175,660

See accompanying notes.

Consolidated Statements of Shareholders' Equity

<i>(in thousands, except share and per share amounts)</i>	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount				
Balance at January 1, 2004	174,045,263	\$174,045	\$ 32,853	\$ 4,835	\$2,100,550	\$ 2,312,283
Net income	—	—	—	—	395,552	395,552
Foreign currency translation adjustment	—	—	—	27,202	—	27,202
Changes in fair value of derivative instruments, net of income taxes of \$1,764	—	—	—	2,786	—	2,786
Change in minimum pension liability, net of income taxes of \$5,079	—	—	—	(8,345)	—	(8,345)
Comprehensive income						417,195
Cash dividends declared, \$1.20 per share	—	—	—	—	(209,739)	(209,739)
Stock options exercised, including tax benefit of \$6,073	1,498,002	1,498	42,097	—	—	43,595
Stock based compensation	—	—	2,518	—	—	2,518
Purchase of stock	(578,381)	(578)	(20,897)	—	—	(21,475)
Balance at December 31, 2004	174,964,884	174,965	56,571	26,478	2,286,363	2,544,377
Net income	—	—	—	—	437,434	437,434
Foreign currency translation adjustment	—	—	—	14,351	—	14,351
Changes in fair value of derivative instruments, net of income taxes of \$2,041	—	—	—	3,372	—	3,372
Change in minimum pension liability, net of income taxes of \$(258)	—	—	—	1,334	—	1,334
Comprehensive income						456,491
Cash dividends declared, \$1.25 per share	—	—	—	—	(217,523)	(217,523)
Stock options exercised, including tax benefit of \$5,242	852,745	853	22,114	—	—	22,967
Stock based compensation	—	—	6,884	—	—	6,884
Purchase of stock	(2,784,932)	(2,785)	(85,569)	—	(30,885)	(119,239)
Balance at December 31, 2005	173,032,697	173,033	—	45,535	2,475,389	2,693,957
Net income	—	—	—	—	475,405	475,405
Foreign currency translation adjustment	—	—	—	(2,341)	—	(2,341)
Changes in fair value of derivative instruments, net of income taxes of \$201	—	—	—	322	—	322
Change in minimum pension liability, net of income taxes of \$922	—	—	—	(1,265)	—	(1,265)
Comprehensive income						472,121
Pension and postretirement benefit adjustment, net of income taxes of \$187,371 (see note below)	—	—	—	(284,785)	—	(284,785)
Cash dividends declared, \$1.35 per share	—	—	—	—	(231,454)	(231,454)
Stock options exercised, including tax						

benefit of \$3,005	432,694	433	11,249	—	—	11,682
Stock based compensation	—	—	11,948	—	—	11,948
Purchase of stock	(2,934,517)	(2,935)	(23,197)	—	(97,346)	(123,478)
Balance at December 31, 2006	170,530,874	\$170,531	\$ —	\$ (242,534)	\$2,621,994	\$ 2,549,991

See accompanying notes.

The pension and postretirement benefit adjustment relates to the adoption of SFAS No. 158 as described further in Note 7.

Consolidated Statements of Cash Flows

<i>(in thousands) Year ended December 31,</i>	2006	2005	2004
Operating activities			
Net income	\$ 475,405	\$ 437,434	\$ 395,552
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	73,423	65,529	62,207
Excess tax benefits from share-based compensation	(3,005)	—	—
Loss (gain) on sale of property, plant, and equipment	509	(2,675)	(1,656)
Deferred income taxes	(5,481)	43,935	19,670
Minority interests	3,991	3,271	2,688
Stock based compensation	11,948	12,126	8,590
Changes in operating assets and liabilities:			
Trade accounts receivable, net	(31,821)	(59,949)	(33,370)
Merchandise inventories, net	(7,240)	(19,869)	(28,406)
Trade accounts payable	(66,116)	112,087	143,456
Other long-term assets	(7,052)	(118,358)	(60,147)
Other, net	(11,061)	(33,014)	46,652
	(41,905)	3,083	159,684
Net cash provided by operating activities	433,500	440,517	555,236
Investing activities			
Purchases of property, plant and equipment	(126,044)	(85,714)	(72,077)
Proceeds from sale of property, plant, and equipment	4,452	7,110	7,140
Acquisition of businesses and other investments	(29,007)	(27,518)	(3,018)
Proceeds from disposal of businesses	—	35,948	—
Other	5,000	—	—
Net cash used in investing activities	(145,599)	(70,174)	(67,955)
Financing activities			
Proceeds from credit facilities	160,000	113,432	555,848
Payments on credit facilities	(160,881)	(113,519)	(732,649)
Stock options exercised	8,677	17,725	37,523
Excess tax benefits from share-based compensation	3,005	—	—
Dividends paid	(228,052)	(215,868)	(208,575)
Purchase of stock	(123,478)	(119,239)	(21,475)
Net cash used in financing activities	(340,729)	(317,469)	(369,328)
Effect of exchange rate changes on cash	(110)	1,097	1,594
Net (decrease) increase in cash and cash equivalents	(52,938)	53,971	119,547
Cash and cash equivalents at beginning of year	188,911	134,940	15,393
Cash and cash equivalents at end of year	\$ 135,973	\$ 188,911	\$ 134,940
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Income taxes	\$ 285,696	\$ 235,384	\$ 205,148
Interest	\$ 32,521	\$ 33,544	\$ 40,082

See accompanying notes.

Notes to Consolidated Financial Statements December 31, 2006

1. Summary of Significant Accounting Policies

Business

Genuine Parts Company and all of its majority-owned subsidiaries (the Company) is a distributor of automotive replacement parts, industrial replacement parts, office products and electrical/electronic materials. The Company serves a diverse customer base through more than 2,000 locations in North America and, therefore, has limited exposure from credit losses to any particular customer, region, or industry segment. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

Principles of Consolidation

The consolidated financial statements include all of the accounts of the Company. Income applicable to minority interests is included in other non-operating expenses (income). Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates and the differences could be material.

Revenue Recognition

The Company recognizes revenues from product sales upon shipment to its customers.

Foreign Currency Translation

The consolidated balance sheets and statements of income of the Company's foreign subsidiaries have been translated into U.S. dollars at the current and average exchange rates, respectively. The foreign currency translation adjustment is included as a component of accumulated other comprehensive (loss) income.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash and cash equivalents.

Trade Accounts Receivable and the Allowance for Doubtful Accounts

The Company evaluates the collectibility of trade accounts receivable based on a combination of factors. Initially, the Company estimates an allowance for doubtful accounts as a percentage of net sales based on historical bad debt experience. This initial estimate is periodically adjusted when the Company becomes aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filing) or as a result of changes in the overall aging of accounts receivable. While the Company has a large customer base that is geographically dispersed, a general economic downturn in any of the industry segments in which the Company operates could result in higher than expected defaults, and, therefore, the need to revise estimates for bad debts. For the years ended December 31, 2006, 2005, and 2004, the Company recorded provisions for bad debts of approximately \$16,472,000, \$16,356,000 and \$20,697,000, respectively. At December 31, 2006 and 2005, the allowance for doubtful accounts was approximately \$13,456,000 and \$11,386,000, respectively.

Merchandise Inventories, including Consideration Received from Vendors

Merchandise inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for a majority of automotive parts, electrical/electronic materials, and industrial parts, and by the first-in, first-out (FIFO) method for office products and certain other inventories. If the FIFO method had been used for all inventories, cost would have been approximately \$316,148,000 and \$278,573,000 higher than reported at December 31, 2006 and 2005, respectively.

The Company identifies slow moving or obsolete inventories and estimates appropriate provisions related thereto. Historically, these

losses have not been significant as the vast majority of the Company's inventories are not highly susceptible to obsolescence and are eligible for return under various vendor return programs. While the Company has no reason to believe its inventory return privileges will be discontinued in the future, its risk of loss associated with obsolete or slow moving inventories would increase if such were to occur.

The Company enters into agreements at the beginning of each year with many of its vendors providing for inventory purchase incentives and advertising allowances. Generally, the Company earns inventory purchase incentives and advertising allowances upon achieving specified volume purchasing levels or other criteria. The Company accrues for the receipt of inventory purchase incentives and advertising allowances as part of its inventory cost based on cumulative purchases of inventory to date and projected inventory purchases through the end of the year, or, in the case of specific advertising allowances, upon completion of the Company's obligations related thereto. While management believes the Company will continue to receive consideration from vendors in 2007 and beyond, there can be no assurance that vendors will continue to provide comparable amounts of incentives and allowances in the future.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist primarily of prepaid expenses and amounts due from vendors.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets primarily represent the excess of the purchase price paid over the fair value of the net assets acquired in connection with business acquisitions. Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142") requires that when the fair value of goodwill is less than the related carrying value, entities are required to reduce the amount of goodwill. In accordance with the provisions of SFAS No. 142, the Company reviews its goodwill annually in the fourth quarter, or sooner if circumstances indicate that the carrying amount may exceed fair value. No goodwill impairments have been recorded in 2006, 2005, or 2004. The impairment-only approach required by SFAS No. 142 may have the effect of increasing the volatility of the Company's earnings if goodwill impairment occurs at a future date.

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SFAS No. 142 also requires that entities discontinue amortization of all purchased goodwill, including amortization of goodwill recorded in past business combinations. Accordingly, the Company no longer amortizes goodwill.

Other Assets

Other assets are comprised of the following:

<i>(in thousands) December 31,</i>	2006	2005
Retirement benefit assets	\$ 12,951	\$402,993
Investment accounted for under the cost method	21,400	21,400
Cash surrender value of life insurance policies	49,294	42,142
Deferred tax asset	38,839	—
Other	47,859	43,109
Total other assets	\$170,343	\$509,644

The reduction in other assets is primarily due to adjustments to retirement benefit assets as required by SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* ("SFAS No. 158"), which is discussed further in Note 7.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Buildings include certain leases capitalized at December 31, 2006 and 2005. Depreciation and amortization is primarily determined on a straight-line basis over the following estimated useful life of each asset: buildings and improvements, 10 to 40 years; machinery and equipment, 5 to 15 years.

Long-Lived Assets Other Than Goodwill

The Company assesses its long-lived assets other than goodwill for impairment annually or whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. To analyze recoverability, the Company projects undiscounted net future cash flows over the remaining life of such assets. If these projected cash flows are less than the carrying amount, an impairment would be recognized, resulting in a write-down of assets with a corresponding charge to earnings. Impairment losses, if any, are measured based upon the difference between the carrying amount and the fair value of the assets.

Other Long-Term Liabilities

Other long-term liabilities is comprised of the following:

<i>(in thousands) December 31,</i>	2006	2005
Retirement and post-employment benefit liabilities	\$116,374	\$ 54,198
Obligations under capital and other leases	12,248	21,878
Insurance liabilities	39,558	36,145
Other	19,329	2,402
Total other long-term liabilities	\$187,509	\$114,623

The increase in other long-term liabilities is primarily due to adjustments to retirement and post-employment benefit liabilities required by SFAS No. 158, which is discussed further in Note 7.

The Company's retirement and post-employment benefit liabilities consist primarily of actuarially determined obligations related to certain retiree benefits as discussed further in Note 7. See Note 4 for further discussion of the Company's obligations under capital leases.

Insurance liabilities consist primarily of reserves for the workers' compensation program. The Company carries various large risk deductible workers' compensation policies for the majority of workers' compensation liabilities. The Company records the workers' compensation reserves based on an analysis performed by an independent actuary. The analysis calculates development factors, which are applied to total reserves as provided by the various insurance companies who underwrite the program. While the Company believes that the assumptions used to calculate these liabilities are appropriate, significant differences in actual experience or significant changes in these assumptions may materially affect workers' compensation costs.

Self-Insurance

The Company is self-insured for the majority of group health insurance costs. A reserve for claims incurred but not reported is developed by analyzing historical claims data provided by the Company's claims administrators. While the Company believes that the assumptions used to calculate these liabilities are appropriate, significant differences from historical trends may materially impact financial results. These reserves are included in accrued expenses in the accompanying consolidated balance sheets as the expenses are expected to be paid within one year.

Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income is comprised of the following:

<i>(in thousands) December 31,</i>	2006	2005
Foreign currency translation	\$ 50,823	\$53,164
Net unrealized loss on derivative instruments, net of taxes	(296)	(618)
Minimum pension liability, net of taxes	N/A	(7,011)
Unrecognized net (loss), net of tax	(290,461)	N/A
Unrecognized prior service (cost), net of tax	(2,600)	N/A
Total accumulated other comprehensive (loss) income	<u>\$(242,534)</u>	<u>\$45,535</u>

The change in accumulated other comprehensive (loss) income is primarily due to adjustments required by SFAS No. 158, which is discussed further in Note 7.

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1. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, trade accounts receivable and trade accounts payable approximate their respective fair values based on the short-term nature of these instruments. At December 31, 2006 and 2005, the fair market value of fixed rate long-term debt was approximately \$511,000,000 and \$526,000,000, respectively, based primarily on quoted prices for these or similar instruments. The fair value of fixed rate long-term debt was estimated by calculating the present value of anticipated cash flows. The discount rate used was an estimated borrowing rate for similar debt instruments with like maturities.

Shipping and Handling Costs

Shipping and handling costs are classified as selling, administrative and other expenses in the accompanying consolidated statements of income and totaled approximately \$267,000,000, \$238,000,000, and \$216,000,000 in the years ended December 31, 2006, 2005, and 2004, respectively.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$49,700,000, \$44,100,000, and \$41,500,000 in the years ended December 31, 2006, 2005, and 2004, respectively.

Stock Compensation

The Company maintains various Long-Term Incentive Plans, which provide for the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents and other share-based awards.

Effective January 1, 2003, the Company prospectively adopted the fair value method of accounting for stock compensation. The Company recognizes compensation expense based on the straight-line method. Until January 1, 2003, the Company had elected to follow Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), and related Interpretations in accounting for stock compensation. Under APB No. 25, no compensation expense was recognized if the exercise price of stock options equaled or exceeded the market price of the underlying stock on the date of grant. Pro forma information regarding net income and earnings per share is required by SFAS No. 123, as amended, determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994, under the fair value method of SFAS No. 123.

Effective January 1, 2006 the Company adopted SFAS No. 123(R) choosing the "modified prospective" method. Compensation cost recognized for the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated with the provisions of SFAS No. 123(R). Results for prior periods have not been restated. Most options may be exercised not earlier than twelve months nor later than ten years from the date of grant. As of January 1, 2006, there was approximately \$1.2 million of unrecognized compensation cost for all awards granted prior to January 1, 2003 to employees that remained unvested prior to the effective date of SFAS No. 123(R). This compensation cost is expected to be recognized over a weighted-average period of approximately four years.

Net Income per Common Share

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. The computation of diluted net income per common share includes the dilutive effect of stock options and non-vested restricted stock awards. For the years ended December 31, 2005 and 2004, the dilutive effect of options to purchase approximately 12,000, and 12,000 shares of common stock, respectively, at an average exercise price of approximately \$18 per share issued in connection with a 1998 acquisition have been included in the computation of diluted net income per common share since the date of the acquisition. These shares were exercised on May 15, 2006 and therefore are included in the basic calculation for the year ended December 31, 2006.

Recently Issued Accounting Pronouncements

On July 13, 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in*

Income Taxes, an interpretation of SFAS No. 109 ("FIN No. 48"), to create a single model to address accounting for uncertainty in tax positions. FIN No. 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN No. 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN No. 48 as of January 1, 2007, as required. While the Company has not yet completed its analysis, the Company does not expect that the adoption of FIN No. 48 will have a significant impact on the Company's financial position and results of operations.

On September 15, 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS No. 157 does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect SFAS No. 157 will have a significant impact on the Company's consolidated financial statements.

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On September 29, 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* ("SFAS No. 158"), which amends SFAS No. 87 and SFAS No. 106 to require recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the consolidated balance sheet. Under SFAS No. 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS No. 87 and SFAS No. 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive (loss) income, net of tax effects, until they are amortized as a component of net periodic cost. SFAS No. 158 is effective for publicly-held companies for fiscal years ending after December 15, 2006. The Company adopted the balance sheet recognition provisions of SFAS No. 158 at December 31, 2006, as more fully discussed in Note 7. SFAS No. 158 has no impact on the consolidated statement of income for the year ended December 31, 2006.

2. Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, the Company performed an annual goodwill and indefinite lived intangible asset impairment test during the fourth quarter of 2006, 2005, and 2004. The present value of future cash flows approach was used to determine any potential impairment. The Company determined that these assets were not impaired and, therefore, no impairment was recognized for the years ended December 31, 2006, 2005, and 2004.

The changes in the carrying amount of goodwill during the years ended December 31, 2006, 2005 and 2004 by reportable segment, as well as other identifiable intangible assets, are summarized as follows (in thousands):

	Goodwill			Identifiable Intangible Assets	Total
	Automotive	Industrial	Office Products		
Balance as of January 1, 2004	\$ 21,617	\$31,170	\$ 2,131	\$ 3,110	\$58,028
Amortization during the year	—	—	—	(356)	(356)
Balance as of December 31, 2004	21,617	31,170	2,131	2,754	57,672
Goodwill acquired during the year	2,270	239	—	2,932	5,441
Amortization during the year	—	—	—	(396)	(396)
Balance as of December 31, 2005	23,887	31,409	2,131	5,290	62,717
Amortization during the year	—	—	—	(463)	(463)
Balance as of December 31, 2006	\$ 23,887	\$31,409	\$ 2,131	\$ 4,827	\$62,254

3. Credit Facilities

The principal amount of the Company's borrowings subject to variable rates totaled approximately \$881,000 at December 31, 2005. There were no amounts subject to variable rates at December 31, 2006. The weighted average interest rate on the Company's outstanding borrowings was approximately 6.05% at December 31, 2006 and 2005.

The Company maintains a \$350,000,000 unsecured revolving line of credit with a consortium of financial institutions that matures in October 2008 and bears interest at LIBOR plus .25% (5.57% at December 31, 2006). No amounts were outstanding under this line of credit at December 31, 2006 and 2005. Certain borrowings contain covenants related to a maximum debt-to-equity ratio, a minimum fixed-charge coverage ratio, and certain limitations on additional borrowings. At December 31, 2006, the Company was in compliance with all such covenants. Due to the workers compensation and insurance reserve requirements in certain states, the Company also had unused letters of credit of \$58,955,000 and \$52,600,000 outstanding at December 31, 2006 and 2005, respectively.

Amounts outstanding under the Company's credit facilities consist of the following:

(in thousands) December 31,	2006	2005
Unsecured term notes:		
November 30, 2002, Series A Senior Notes, \$250,000,000, 5.86% fixed, due November 30, 2008	\$250,000	\$250,000
November 30, 2002, Series B Senior Notes, \$250,000,000, 6.23% fixed, due November 30, 2011	250,000	250,000

Long-term debt	500,000	500,000
Other borrowings	—	881
	<u>500,000</u>	<u>500,881</u>

Approximate maturities under the Company's credit facilities are as follows (in thousands):

2007	\$ —
2008	250,000
2009	—
2010	—
2011	<u>250,000</u>
	<u>\$500,000</u>

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4. Leased Properties

In June 2003, the Company completed an amended and restated master agreement to our \$85,000,000 construction and lease agreement (the "Agreement"). The lessor in the Agreement is an independent third-party limited liability company, which has as its sole member a publicly traded corporation. Properties acquired by the lessor are constructed and/or then leased to the Company under operating lease agreements. No additional properties are being added to this Agreement, as the construction term has ended. The Company does not believe the lessor is a variable interest entity, as defined in FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51* ("FIN No. 46"). In addition, the Company has verified that even if the lessor was determined to be a variable interest entity, the Company would not have to consolidate the lessor nor the assets and liabilities associated with properties leased to the Company. This is because the assets leased under the Agreement do not exceed 50% of the total fair value of the lessor's assets, excluding any assets that should be excluded from such calculation under FIN No. 46, nor did the lessor finance 95% or more of the leased balance with non-recourse debt, target equity or similar funding. The Agreement has been accounted for as an operating lease under SFAS No. 13, *Accounting for Leases* ("SFAS No. 13") and related interpretations. Future minimum rental commitments under the Agreement have been included in the table of future minimum payments below.

Rent expense related to the Agreement is recorded under selling, administrative and other expenses in our consolidated statements of income and was \$4,797,000, \$3,338,000, and \$1,745,000 for the years ended December 31, 2006, 2005, and 2004, respectively.

Buildings includes \$15,400,000 with accumulated depreciation of \$6,917,000, for leases of distribution centers and stores capitalized at December 31, 2006. Depreciation expense for capital leases was approximately \$4,585,000, \$3,466,000, and \$2,776,000 in 2006, 2005, and 2004, respectively.

Future minimum payments, by year and in the aggregate, under the capital and noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2006 (in thousands):

	Capital Leases	Operating Leases
2007	\$ 2,509	\$129,156
2008	2,344	95,152
2009	2,158	63,990
2010	1,760	44,239
2011	1,092	30,535
Thereafter	<u>3,752</u>	<u>81,534</u>
Total minimum lease payments	13,615	<u>\$444,606</u>
Amounts representing interest	<u>5,132</u>	
Present value of future minimum lease payments	<u>\$ 8,483</u>	

Rental expense for operating leases was approximately \$147,727,000 in 2006, \$147,187,000 in 2005, and \$132,493,000 in 2004.

5. Stock Options and Restricted Stock Awards

The Company maintains various Long-Term Incentive Plans, which provide for the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents and other share-based awards. The Company issues new shares upon option exercise under these plans.

Effective January 1, 2003, the Company prospectively adopted the fair value method of accounting for stock compensation. The Company recognizes compensation expense based on the straight-line method for all award types, including SARs, which are subject to graded vesting based on a service condition. Until January 1, 2003, the Company had elected to follow APB No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for stock compensation. Under APB No. 25, no compensation expense was recognized if the exercise price of stock options equaled or exceeded the market price of the underlying stock on the date of grant. Pro forma information regarding net income and earnings per share is required by SFAS No. 123, as amended, determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994, under the fair value method of SFAS No. 123.

Effective January 1, 2006 the Company adopted SFAS No. 123(R) choosing the "modified prospective" method. Compensation cost

recognized for the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated with the provisions of SFAS No. 123(R). Results for prior periods have not been restated. Most options may be exercised not earlier than twelve months nor later than ten years from the date of grant. As of January 1, 2006, there was approximately \$1.2 million of unrecognized compensation cost for all awards granted prior to January 1, 2003 to employees that remained unvested prior to the effective date of SFAS No. 123(R). This compensation cost is expected to be recognized over a weighted-average period of approximately four years.

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For the year ended December 31, 2006, total compensation cost related to nonvested awards not yet recognized was approximately \$20.2 million. The weighted-average period over which this compensation cost is expected to be recognized is approximately three years. The aggregate intrinsic value for options and RSUs outstanding at December 31, 2005 and 2006 was approximately \$56.4 million and \$74.6 million, respectively. The aggregate intrinsic value for options and RSUs vested totaled approximately \$39.0 million and \$46.4 million at December 31, 2005 and 2006, respectively. At December 31, 2006, the weighted-average contractual life for outstanding and exercisable options and RSUs was seven and six years, respectively. For the years ended December 31, 2006, 2005 and 2004, \$11.9 million, \$6.9 million and \$2.5 million of share-based compensation cost was recorded, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was approximately \$4.8 million, \$2.8 million and \$1.0 million for 2006, 2005 and 2004, respectively. There have been no modifications to valuation methodologies or methods subsequent to the adoption of SFAS No. 123(R).

For the years ended December 31, 2006, 2005 and 2004 the fair value for options and SARs granted was estimated using a Black-Scholes option pricing model with the following weighted-average assumptions, respectively: risk-free interest rate of 4.8%, 4.1% and 4.0%; dividend yield of 2.9%, 3.2% and 3.7%; annual historical volatility factor of the expected market price of the Company's common stock of 21%, 23% and 23%; an expected life and estimated turnover based on the historical pattern of existing grants of six, six and eight years and 4.0% to 4.4%, respectively. The fair value of RSUs is based on the price of the Company's stock on the date of the grant. The total fair value of shares vested during the years ended December 31, 2006, 2005 and 2004 was \$6.9 million, \$8.0 million and \$6.2 million, respectively.

For purposes of pro forma disclosures under SFAS No. 123, as amended by SFAS No. 148 *Accounting for Stock-Based Compensation Transition and Disclosure*, an amendment of FASB Statement No. 123, the estimated fair value of the options is amortized to expense over the options' vesting period. The following table illustrates the effect on net income and income per share if the fair value based method had been applied to all outstanding and unvested awards in each period (in thousands, except per share amounts):

<i>Year Ended December 31,</i>	2005	2004
Net income, as reported	\$437,434	\$395,552
Add: Stock-based employee compensation expense related to option grants after January 1, 2003 included in reported net income, net of related tax effects	4,247	1,566
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(6,225)	(5,324)
Pro forma net income	<u>\$435,456</u>	<u>\$391,794</u>
Income per share:		
Basic—as reported	<u>\$ 2.51</u>	<u>\$ 2.26</u>
Basic—pro forma	<u>\$ 2.50</u>	<u>\$ 2.24</u>
Diluted—as reported	<u>\$ 2.50</u>	<u>\$ 2.25</u>
Diluted—pro forma	<u>\$ 2.49</u>	<u>\$ 2.23</u>

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5. Stock Options and Restricted Stock Awards (continued)

A summary of the Company's stock option activity and related information is as follows:

	2006	Weighted Average Exercise Price
	Shares (000's)	
Outstanding at beginning of year	5,589	\$ 34
Granted ⁽¹⁾	1,340	44
Exercised	(805)	32
Forfeited	<u>(40)</u>	38
Outstanding at end of year	<u>6,084</u>	\$ 35
Exercisable at end of year	<u>3,268</u>	\$ 33
Shares available for future grants	<u>8,000</u>	

(1) Total includes 94,000 Restricted Stock Units ("RSUs"). The weighted average exercise price excludes RSUs. The exercise prices for options outstanding as of December 31, 2006 ranged from approximately \$21 to \$44. The weighted-average remaining contractual life of all options outstanding is approximately seven years.

The weighted-average grant date fair value of options granted during the years 2006, 2005 and 2004 was \$9.14, \$8.58 and \$6.94, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2006, 2005 and 2004 was \$10.7 million, \$19.6 million and \$18.1 million, respectively.

In 2006, the Company granted approximately 1,246,000 Stock Appreciation Rights ("SARs") and 94,000 RSUs. In 2005, the Company granted approximately 1,169,000 SARs and 91,000 RSUs. In 2004, the Company granted approximately 1,146,000 SARs and 124,000 RSUs. SARs represent a right to receive the excess, if any, of the fair market value of one share of common stock on the date of exercise over the grant price. RSUs represent a contingent right to receive one share of the Company's common stock at a future date provided certain pre-tax profit targets are achieved. The majority of awards vest on a pro-rata basis for periods ranging from one to five years and are expensed accordingly on a straight-line basis.

A summary of the Company's nonvested share awards (RSUs) activity is as follows:

	Shares (000's)	Weighted- Average Grant Date Fair Value
Nonvested Share Awards (RSUs)		
Nonvested at January 1, 2006	178	\$ 40
Granted	94	44
Vested	(13)	44
Forfeited or Expired	<u>(4)</u>	41
Nonvested at December 31, 2006	255	\$ 41

Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits for deductions resulting from the exercise of stock options as operating cash flows in the consolidated statements of cash flows. SFAS No. 123(R) requires the cash flows resulting from the tax benefits related to tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash inflow. For the year ended December 31, 2006, approximately \$3.0 million of excess tax benefits was classified as a financing cash inflow.

6. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. Undistributed earnings of the Company's foreign subsidiaries are considered to be indefinitely reinvested. As such, no U.S. federal and state income taxes have been provided thereon, and it is not practicable to determine the amount of the related unrecognized deferred income tax liability. Significant components of the Company's deferred tax assets are as follows:

<i>(in thousands)</i>	2006	2005
Deferred tax assets related to:		
Expenses not yet deducted for tax purposes	\$114,146	\$115,890
Pension liability not yet deducted for tax purposes	193,194	N/A
	<u>307,340</u>	<u>115,890</u>
Deferred tax liabilities related to:		
Employee and retiree benefits	160,798	159,890
Inventory	88,672	90,920
Property and equipment	24,787	28,828
Other	9,605	17,973
	<u>283,862</u>	<u>297,611</u>
Net deferred tax (asset) liability	(23,478)	181,721
Current portion of deferred tax liability	15,361	24,914
Non-current deferred tax (asset) liability	<u>\$ (38,839)</u>	<u>\$156,807</u>

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The current portion of the deferred tax liability is included in income taxes payable and the non-current deferred tax asset is included in other assets in the consolidated balance sheets. The 2006 deferred tax asset includes \$187,371,000 related to adjustments required by SFAS No. 158, which is discussed further in Note 7.

The components of income tax expense are as follows:

<i>(in thousands)</i>	2006	2005	2004
Current:			
Federal	\$243,089	\$183,387	\$180,709
State	41,361	32,977	31,599
Foreign	16,542	11,331	8,389
Deferred	(5,481)	43,935	19,670
	\$295,511	\$271,630	\$240,367

The reasons for the difference between total tax expense and the amount computed by applying the statutory Federal income tax rate to income before income taxes are as follows:

<i>(in thousands)</i>	2006	2005	2004
Statutory rate applied to income	\$269,821	\$248,172	\$222,572
Plus state income taxes, net of Federal tax benefit	26,395	25,571	22,370
Other	(705)	(2,113)	(4,575)
	\$295,511	\$271,630	\$240,367

7. Employee Benefit Plans

The Company's defined benefit pension plans cover substantially all of its employees in the U.S. and Canada. The plan covering U.S. employees is noncontributory and benefits are based on the employees' compensation during the highest five of their last ten years of credited service. The Canadian plan is contributory and benefits are based on career average compensation. The Company's funding policy is to fund amounts deductible for income tax purposes.

The Company also sponsors unfunded supplemental retirement plans covering employees in the U.S. and Canada and other postretirement benefit plans in the U.S. The Company uses a measurement date of December 31 for its pension and other postretirement benefit plans.

On September 29, 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, which amends SFAS No. 87 and SFAS No. 106 to require recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS No. 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS No. 87 and SFAS No. 106 that have not yet been recognized through net periodic benefit cost are to be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. SFAS No. 158 is effective for publicly-held companies for fiscal years ending after December 15, 2006. The incremental effect of adopting SFAS No. 158 was to reduce other long-term assets by \$411,714,000. In addition, other current liabilities were increased by \$5,036,000; other long-term liabilities were increased by \$55,406,000, a deferred tax asset was recorded for \$187,371,000 and shareholders' equity was reduced by an amount recorded to accumulated other comprehensive (loss) income of \$284,785,000, net of taxes.

<i>(in thousands)</i>	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
Changes in benefit obligation				
Benefit obligation at beginning of year	\$1,236,379	\$1,035,858	\$ 24,267	\$ 22,705
Service cost	50,224	41,910	475	453
Interest cost	72,246	64,102	1,327	1,310
Plan participants' contributions	2,709	2,446	1,173	3,867
Plan amendments	1,708	902	—	—
Actuarial loss	9,213	123,140	2,842	2,821

Exchange rate (gain) loss	(349)	3,031	—	—
Gross benefits paid	(37,602)	(35,010)	(5,263)	(6,889)
Less: federal subsidy	N/A	N/A	848	N/A
Benefit obligation at end of year	\$1,334,528	\$1,236,379	\$ 25,669	\$ 24,267

The benefit obligation for the Company's U.S. pension plans included in the above were \$1,225,020,000 and \$1,130,210,000 at December 31, 2006 and 2005, respectively. The total accumulated benefit obligation for the Company's defined benefit pension plans was approximately \$1,068,895,000 and \$996,100,000 at December 31, 2006 and 2005, respectively.

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7. Employee Benefit Plans (continued)

The assumptions used to measure the pension and other postretirement plan obligations for the plans at December 31, 2006 and 2005 were:

	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
Weighted-average discount rate	6.00%	5.75%	5.75%	5.75%
Rate of increase in future compensation levels	3.75%	3.75%	—	—

A 9% annual rate of increase in the per capita cost of covered health care benefits was assumed on December 31, 2006. The rate was assumed to decrease ratably to 5% on December 31, 2010 and thereafter.

(in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
Changes in plan assets				
Fair value of plan assets at beginning of year	\$1,114,980	\$ 962,871	\$ —	\$ —
Actual return on plan assets	114,076	47,621	—	—
Exchange rate gain (loss)	(441)	3,518	—	—
Employer contributions	66,816	133,534	3,242	3,022
Plan participants' contribution	2,709	2,446	1,173	3,867
Gross benefits paid	(37,602)	(35,010)	(4,415)	(6,889)
Fair value of plan assets at end of year	\$1,260,538	\$1,114,980	\$ —	\$ —

The fair values of plan assets for the Company's U.S. pension plans included in the above were \$1,139,298,000 and \$1,005,525,000 at December 31, 2006 and 2005, respectively.

Following are the asset allocations for the Company's funded pension plans at December 31, 2006 and 2005, and the target allocation for 2007, by asset category:

Asset Category	Target Allocation	Percentage of Plan Assets at December 31	
	2007	2006	2005
Equity securities	70%	67%	64%
Debt securities	30%	31%	34%
Real estate and other	—	2%	2%
	100%	100%	100%

At December 31, 2006 and 2005, the plan held 2,016,932 shares of common stock of the Company with a market value of approximately \$95,663,000 and \$88,584,000, respectively. Dividend payments received by the plan on Company stock totaled approximately \$2,723,000 and \$2,521,000 in 2006 and 2005, respectively. Fees paid during the year for services rendered by parties-in-interest were based on customary and reasonable rates for such services.

The Company's benefit plan committees in the U.S. and Canada establish investment policies and strategies and regularly monitor the performance of the funds. The pension plan strategy implemented by the Company's management is to achieve long-term objectives and invest the pension assets in accordance with the applicable pension legislation in the U.S. and Canada, as well as fiduciary standards. The long-term primary objectives for the pension plans are to provide for a reasonable amount of long-term growth of capital, without undue exposure to risk, protect the assets from erosion of purchasing power, and provide investment results that meet or exceed the pension plans' actuarially assumed long term rates of return.

Based on the investment policy for the pension plans, as well as an asset study that was performed based on the Company's asset allocations and future expectations, the Company's expected rate of return on plan assets for measuring 2007 pension expense or

income is 8.25% for the plans. The asset study forecasted expected rates of return for the approximate duration of the Company's benefit obligations, using capital market data and historical relationships.

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The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets at December 31:

Amounts recognized in the consolidated balance sheets consist of:

(in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
Other long-term asset	\$ 12,951	\$ N/A	\$ N/A	\$ N/A
Other current liability	(2,272)	N/A	(2,764)	N/A
Other long-term liability	(84,669)	N/A	(22,905)	N/A
Prepaid benefit cost included in other long-term assets	N/A	402,993	N/A	N/A
Accrued benefit cost included in other long-term liabilities	N/A	(45,596)	N/A	(1,086)
Intangible asset included in other long-term assets	N/A	163	N/A	N/A
Accumulated other comprehensive (loss) income related to the additional minimum liability	N/A	11,832	N/A	N/A
	\$(73,990)	\$369,392	\$ (25,669)	\$ (1,086)

Amounts recognized in accumulated other

comprehensive (loss) income consist of:

(in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
Net actuarial loss	\$459,478	\$ N/A	\$ 22,457	\$ N/A
Prior service cost	2,410	N/A	1,904	N/A
	\$461,888	N/A	\$ 24,361	N/A

For the pension benefits, the following table reflects the total benefits expected to be paid from the plans' or the Company's assets. Of the pension benefits expected to be paid in 2007, \$2,272,000 is expected to be paid from employer assets. Expected contributions reflect amounts expected to be contributed to funded plans. For other postretirement benefits, the table below reflects only the Company's share of the benefit cost without regard to income from federal subsidy payments received pursuant to the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA). Expected MMA subsidy payments, which will reduce the Company's cost for the plan, are shown separately.

Information about the expected cash flows for the pension plans and other post retirement benefit plans follows:

	Pension Benefits	Other Postretirement Benefits	
		Net Employer Contribution (Excluding MMA Subsidy)	Value Due to MMA Subsidy
<i>(in thousands)</i>			
Employer contribution			
2007 (expected)	\$ 32,091	\$ -	\$ -
Expected benefit payments			
2007	39,274	3,515	751
2008	41,891	3,617	823
2009	45,354	3,661	561
2010	48,579	3,516	526
2011	52,316	3,246	-
2012 through 2016	352,274	13,890	-

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7. Employee Benefit Plans (continued)

Net periodic benefit cost included the following components:

<i>(in thousands)</i>	Pension Benefits			Other Postretirement Benefits		
	2006	2005	2004	2006	2005	2004
Service cost	\$ 50,224	\$ 41,910	\$ 35,740	\$ 475	\$ 453	\$ 460
Interest cost	72,246	64,102	60,039	1,327	1,310	1,256
Expected return on plan assets	(100,174)	(89,422)	(81,962)	—	—	—
Amortization of prior service (credit) cost	(471)	(386)	(1,006)	371	371	371
Amortization of actuarial loss	26,379	16,172	13,600	1,291	1,224	996
Net periodic benefit cost	\$ 48,204	\$ 32,376	\$ 26,411	\$ 3,464	\$ 3,358	\$ 3,083

The estimated amounts that will be amortized from accumulated other comprehensive (loss) income into net periodic benefit cost in 2007 are as follows:

<i>(in thousands)</i>	Pension Benefits	Other Postretirement Benefits
Actuarial loss	\$25,709	\$ 1,424
Prior service (credit) cost	(374)	371
Total	\$25,335	\$ 1,795

The assumptions used in measuring the net periodic benefit costs for the plans follow:

<i>(in thousands)</i>	Pension Benefits			Other Postretirement Benefits		
	2006	2005	2004	2006	2005	2004
Weighted average discount rate	5.75%	6.00%	6.25%	5.75%	6.00%	6.25%
Rate of increase in future compensation levels	3.75%	3.50%	3.25%	—	—	—
Expected long-term rate of return on plan assets	8.25%	8.50%	8.75%	—	—	—
Health care cost trend covered charges	—	—	—	9.00%	10.00%	10.00%

The effect of a one-percentage point change in the 2006 assumed health care cost trend is as follows:

<i>(in thousands)</i>	Decrease	Increase
Total service and interest cost components of 2006 net periodic postretirement health care benefit cost	\$ (291)	\$ 465
Accumulated postretirement benefit obligation for health care benefits at December 31, 2006	(5,749)	4,503

The Company has a defined contribution plan that covers substantially all of its domestic employees. The Company's matching contributions are determined based on 20% of the first 6% of the covered employee's salary. Total plan expense was approximately \$6,824,000 in 2006, \$6,722,000 in 2005, and \$6,034,000 in 2004.

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8. Guarantees

The amended and restated master agreement to our \$85,000,000 construction and lease agreement (the "Agreement"), discussed further in Note 4, has a term of six years expiring in 2009 and contains residual value guarantee provisions and other guarantees which would become due in the event of a default under the operating lease agreement, or at the expiration of the operating lease agreement if the fair value of the leased properties is less than the guaranteed residual value. The maximum amount of the Company's potential guarantee obligation, representing the residual value guarantee, at December 31, 2006, is approximately \$72,640,000. The Company believes the likelihood of funding the guarantee obligation under any provision of the operating lease agreements is remote.

The Company also guarantees the borrowings of certain independently controlled automotive parts stores (independents) and certain other affiliates in which the Company has a minority equity ownership interest (affiliates). Presently, the independents are generally consolidated by unaffiliated enterprises that have a controlling financial interest through ownership of a majority voting interest in the entity. The Company has no voting interest or other equity conversion rights in any of the independents. The Company does not control the independents or the affiliates, but receives a fee for the guarantee. The Company has concluded that it is not the primary beneficiary with respect to any of the independents and that the affiliates are not variable interest entities. The Company's maximum exposure to loss as a result of its involvement with these independents and affiliates is equal to the total borrowings subject to the Company's guarantee.

At December 31, 2006, the total borrowings of the independents and affiliates subject to guarantee by the Company were approximately \$186,473,000. These loans generally mature over periods from one to ten years. In the event that the Company is required to make payments in connection with guaranteed obligations of the independents or the affiliates, the Company would obtain and liquidate certain collateral (e.g. accounts receivable and inventory) to recover all or a portion of the amounts paid under the guarantee. When it is deemed probable that the Company will incur a loss in connection with a guarantee, a liability is recorded equal to this estimated loss. To date, the Company has had no significant losses in connection with guarantees of independents' and affiliates' borrowings.

Effective January 1, 2003, the Company adopted FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. In accordance with FIN No. 45 and based on available information, the Company has accrued for those guarantees related to the independent and affiliates' borrowings and the construction and lease agreement as of December 31, 2006 and 2005. These liabilities are not material to the financial position of the Company and are included in other long-term liabilities in the accompanying consolidated balance sheets.

9. Segment Data

The Company's automotive segment distributes replacement parts (other than body parts) for substantially all makes and models of automobiles, trucks and other vehicles.

The Company's industrial segment distributes a wide variety of industrial bearings, mechanical and fluid power transmission equipment, including hydraulic and pneumatic products, material handling components, and related parts and supplies.

The Company's office products segment distributes a wide variety of office products, computer supplies, office furniture, and business electronics.

The Company's electrical/electronic materials segment distributes a wide variety of electrical/electronic materials, including insulating and conductive materials for use in electronic and electrical apparatus.

The Company's reportable segments consist of automotive, industrial, office products and electrical/electronic materials. Within the reportable segments, certain of the Company's operating segments are aggregated because they have similar: economic characteristics, products and services, type and class of customers, and distribution methods. Inter-segment sales are not significant. Operating profit for each industry segment is calculated as net sales less operating expenses excluding general corporate expenses, interest expense, equity in income from investees, amortization and minority interests. Approximately \$43,500,000, \$39,700,000, and \$34,700,000 of income before income taxes was generated in jurisdictions outside the United States for the years ending December 31, 2006, 2005, and 2004, respectively. Net sales and net long-lived assets by country relate directly to the Company's operations in the respective country. Corporate assets are principally cash and cash equivalents and headquarters' facilities and equipment.

For management purposes, net sales by segment exclude the effect of certain discounts, incentives and freight billed to customers. The line item "other" represents the net effect of the discounts, incentives and freight billed to customers, which are reported as a component of net sales in the Company's consolidated statements of income.

Segment Data

(in thousands) Year ended December 31,	2006	2005	2004	2003	2002
Net sales:					
Automotive	\$ 5,185,080	\$5,013,460	\$4,739,261	\$4,477,508	\$4,335,362
Industrial	3,107,593	2,795,699	2,511,597	2,253,947	2,246,124
Office products	1,779,832	1,662,393	1,540,878	1,457,149	1,396,453
Electrical/electronic materials	408,138	341,513	335,605	297,618	315,826
Other	(22,701)	(30,015)	(30,074)	(36,922)	(34,838)
Total net sales	\$10,457,942	\$9,783,050	\$9,097,267	\$8,449,300	\$8,258,927
Operating profit:					
Automotive	\$ 399,931	\$ 398,494	\$ 396,015	\$ 363,022	\$ 381,771
Industrial	257,022	214,222	173,760	151,109	178,027
Office products	166,573	157,408	150,817	143,263	140,912
Electrical/electronic materials	22,630	17,470	14,611	7,112	2,756
Total operating profit	846,156	787,594	735,203	664,506	703,466
Interest expense, net	(26,445)	(29,564)	(37,260)	(51,538)	(59,640)
Corporate expense	(44,341)	(45,299)	(58,980)	(37,121)	(33,354)
Intangible asset amortization	(463)	(396)	(356)	(1,539)	(2,421)
Minority interests	(3,991)	(3,271)	(2,688)	(2,565)	(2,315)
Income before income taxes and accounting change	\$ 770,916	\$ 709,064	\$ 635,919	\$ 571,743	\$ 605,736
Assets:					
Automotive	\$ 2,625,846	\$2,711,620	\$2,521,906	\$2,369,969	\$2,313,747
Industrial	910,734	976,903	955,029	957,735	982,951
Office products	669,303	722,813	681,992	621,523	581,203
Electrical/electronic materials	105,623	113,913	104,918	97,195	98,225
Corporate	123,224	183,572	133,730	23,506	26,224
Goodwill and intangible assets	62,254	62,717	57,672	58,028	58,705
Total assets	\$ 4,496,984	\$4,771,538	\$4,455,247	\$4,127,956	\$4,061,055
Depreciation and amortization:					
Automotive	\$ 52,565	\$ 44,102	\$ 39,222	\$ 42,681	\$ 43,007
Industrial	7,941	8,345	8,972	10,265	10,789
Office products	9,518	9,551	10,245	10,639	9,856
Electrical/electronic materials	1,394	1,612	2,011	2,729	3,422
Corporate	1,542	1,523	1,401	1,160	656
Intangible asset amortization	463	396	356	1,539	2,421
Total depreciation and amortization	\$ 73,423	\$ 65,529	\$ 62,207	\$ 69,013	\$ 70,151
Capital expenditures:					
Automotive	\$ 111,644	\$ 68,062	\$ 52,263	\$ 58,754	\$ 38,599
Industrial	6,187	5,695	3,922	6,824	10,868
Office products	6,002	8,893	12,354	7,211	13,376
Electrical/electronic materials	904	1,550	1,552	394	224
Corporate	1,307	1,514	1,986	721	1,691
Total capital expenditures	\$ 126,044	\$ 85,714	\$ 72,077	\$ 73,904	\$ 64,758
Net sales:					
United States	\$ 9,314,970	\$8,768,737	\$8,198,368	\$7,666,389	\$7,568,926
Canada	1,071,095	954,317	845,563	731,200	623,686
Mexico	94,578	90,011	83,410	88,633	101,153

Other	(22,701)	(30,015)	(30,074)	(36,922)	(34,838)
Total net sales	\$10,457,942	\$9,783,050	\$9,097,267	\$8,449,300	\$8,258,927
Net long-lived assets:					
United States	\$ 415,569	\$ 388,916	\$ 368,345	\$ 339,020	\$ 339,495
Canada	72,556	62,842	65,649	57,906	47,522
Mexico	3,389	3,254	3,066	4,094	4,739
Total net long-lived assets	\$ 491,514	\$ 455,012	\$ 437,060	\$ 401,020	\$ 391,756

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Annual Report on Form 10-K

Item 15(c)

Financial Statement Schedule II — Valuation and Qualifying Accounts

Genuine Parts Company and Subsidiaries

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2004:				
Reserves and allowances deducted from asset accounts:				
Allowance for uncollectible accounts	\$ 8,551,291	\$ 20,697,493	\$ (16,455,978) ¹	\$ 12,792,806
Reserve for facility consolidations	\$ 3,300,000	—	\$ (1,000,000) ²	\$ 2,300,000
Year ended December 31, 2005:				
Reserves and allowances deducted from asset accounts:				
Allowance for uncollectible accounts	\$ 12,792,806	\$ 16,355,525	\$ (17,762,647) ¹	\$ 11,385,684
Reserve for facility consolidations	\$ 2,300,000	—	\$ (720,000) ²	\$ 1,580,000
Year ended December 31, 2006:				
Reserves and allowances deducted from asset accounts:				
Allowance for uncollectible accounts	\$ 11,385,684	\$ 16,472,494	\$ (14,402,108) ¹	\$ 13,456,070
Reserve for facility consolidations	\$ 1,580,000	—	\$ (1,580,000) ²	-0-

1 Uncollectible accounts written off, net of recoveries.

2 Facility consolidation expenses paid.

ANNUAL REPORT ON FORM 10-K

INDEX OF EXHIBITS

The following Exhibits are filed herewith as a part of this Report:

- 3.2 By-laws of the Company, as amended and restated April 17, 2006.
 - 10.29 Amendment to the Genuine Parts Company 2006 Long-Term Incentive Plan, dated November 20, 2006, effective November 20, 2006.
 - 10.30 Specimen Change in Control Agreement.
 - 21 Subsidiaries of the Company.
 - 23 Consent of Independent Registered Public Accounting Firm.
 - 31.1 Certification signed by the Chief Executive Officer pursuant to SEC Rule 13a-14(a).
 - 31.2 Certification signed by the Chief Financial Officer pursuant to SEC Rule 13a-14(a).
 - 32.1 Statement of Chief Executive Officer of Genuine Parts Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
 - 32.2 Statement of Chief Financial Officer of Genuine Parts Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
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The following Exhibits are incorporated by reference as set forth in Item 15 of this Form 10-K:

- 3.1 Restated Articles of Incorporation of the Company, dated November 15, 2004.
- 4.2 Specimen Common Stock Certificate.
- 4.3 Note Purchase Agreement dated November 30, 2001.

Instruments with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis have not been filed. The Registrant agrees to furnish to the Commission a copy of each such instrument upon request.

- 10.1* Form of Amendment to Deferred Compensation Agreement adopted February 13, 1989, between the Company and certain executive officers of the Company.
 - 10.2* 1992 Stock Option and Incentive Plan, effective April 20, 1992.
 - 10.3* The Genuine Parts Company Restated Tax-Deferred Savings Plan, effective January 1, 1993.
 - 10.4* Amendment No. 1 to the Genuine Parts Company Tax-Deferred Savings Plan, dated June 1, 1996, effective June 1, 1996.
 - 10.5* Genuine Parts Company Death Benefit Plan, effective July 15, 1997.
 - 10.6* Restricted Stock Agreement dated February 25, 1999, between the Company and Thomas C. Gallagher.
 - 10.7* Amendment to the Genuine Parts Company 1992 Stock Option and Incentive Plan, dated April 19, 1999, effective April 19, 1999.
 - 10.8* Amendment to the Genuine Parts Company Tax-Deferred Savings Plan, dated April 19, 1999, effective April 19, 1999.
 - 10.9* The Genuine Parts Company Original Deferred Compensation Plan, as amended and restated as of August 19, 1996.
 - 10.10* Amendment to the Genuine Parts Company Original Deferred Compensation Plan, dated April 19, 1999, effective April 19, 1999.
 - 10.11* Amendment No. 3 to the Genuine Parts Company Tax-Deferred Savings Plan, dated November 28, 2001, effective July 1, 2001.
 - 10.12* Trust Agreement Executed in Conjunction with the Genuine Parts Company Supplemental Retirement Plan, dated July 1, 2001, effective July 1, 2001.
 - 10.13* Amendment No. 1 to the Trust Agreement Executed in Conjunction with the Genuine Parts Company Non-Qualified Deferred Compensation Plans, dated December 5, 2001, effective July 1, 2001.
 - 10.14* Genuine Parts Company 1999 Long-Term Incentive Plan, as amended and restated as of November 19, 2001.
 - 10.15* Amendment to the Genuine Parts Company 1992 Stock Option and Incentive Plan, dated November 19, 2001, effective November 19, 2001.
 - 10.16* Genuine Parts Company Supplemental Retirement Plan, as amended and restated effective January 1, 2003, and executed October 22, 2003.
 - 10.17* Amendment No. 1 to the Genuine Parts Company Supplemental Retirement Plan, dated October 27, 2003, effective January 1, 2003.
 - 10.18* Amendment No. 4 to the Genuine Parts Company Tax-Deferred Savings Plan, dated June 5, 2003, effective June 5, 2003.
 - 10.19* Genuine Parts Company Directors' Deferred Compensation Plan, as amended and restated effective January 1, 2003, and executed November 11, 2003.
 - 10.20* Genuine Parts Company 2004 Annual Incentive Bonus Plan, effective January 1, 2004.
 - 10.21* Description of Director Compensation.
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- 10.22* Genuine Parts Company Performance Restricted Stock Unit Award Agreement.
- 10.23* Genuine Parts Company Stock Appreciation Rights Agreement.
- 10.24* Genuine Parts Company Restricted Stock Unit Award Agreement.
- 10.25* Amendment No. 5 to the Genuine Parts Company Tax-Deferred Savings Plan.
- 10.26* Amendment No. 2 to the Genuine Parts Company Supplemental Retirement Plan.
- 10.27* Amendment No. 3 to the Genuine Parts Company Supplemental Retirement Plan.
- 10.28* Amendment No. 2 to the Genuine Parts Company Death Benefit Plan.

* Indicates management contracts and compensatory plans and arrangements.

EXHIBIT 3.2

**GENUINE PARTS COMPANY
BY-LAWS**

**GENUINE PARTS COMPANY
BY-LAWS
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BY-LAWS OF
GENUINE PARTS COMPANY
ARTICLE ONE – OFFICES

1.1 Registered Office and Registered Agent. The Corporation shall maintain a registered office at 2999 Circle 75 Parkway, Atlanta, Georgia and shall have a registered agent whose business office is identical with such registered office.

1.2 Other Offices. The Corporation may, in addition to its registered office, have offices at such other places as the Board of Directors may from time to time appoint, or as the business of the Corporation may require.

ARTICLE TWO – SHAREHOLDERS’ MEETINGS

2.1 Place of Meetings. The place of all meetings of the shareholders shall be in the Executive Offices of the Corporation at 2999 Circle 75 Parkway, Atlanta, Georgia or such other place within or without the State of Georgia as shall be determined from time to time by the Board of Directors, and the place at which such meeting shall be held shall be stated in the notice and call of the meeting.

2.2 Annual Meeting. The annual meeting of shareholders of the corporation shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meetings, at which the shareholders shall elect the directors to be elected at such meetings pursuant to the requirements of the Corporation’s Articles of Incorporation, and transact such other business as may properly be brought before the meetings.

2.3 Special Meetings. Special meetings of the shareholders for any purpose or purposes may be called by the Chairman of the Board of Directors, or in his absence by any Vice Chairman of the Board of Directors or the President, or by a majority of the Board of Directors, and shall be called at any time by the Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or the President or the Secretary upon the written request of shareholders owning forty per cent (40%) of the outstanding shares of the corporation entitled to vote at an election of directors. A request by shareholders for the calling of a special meeting, as provided herein, shall be made in writing to the Secretary, signed by such shareholders and shall specify the purpose or purposes of the meeting.

2.4 Voting of Shares. The voting at all meetings of shareholders may be viva voce, but any qualified voter may demand a share vote whereupon such share vote may be taken by ballot, each of which shall state the name of the shareholder voting and the number of shares voted by him, and if such ballot be cast by proxy, it shall also state the name of such proxy. At any

meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person, or by proxy appointed by instrument in writing subscribed by such shareholder. Each shareholder shall have one vote for each share having voting power registered in his name on the books of the corporation on the record date for determination of its shareholders entitled to vote if such a record date has been fixed, or on the date the transfer books were closed if they have been closed.

2.5 Notice of Meetings. Unless waived as contemplated in Section 6.2, notice of the date, time and place of all meetings of shareholders shall be given not less than ten (10) days, and not more than sixty (60) days prior to the meeting, to each shareholder of record of the corporation entitled to vote at such meeting. The Board of Directors may fix in advance a date, not exceeding seventy (70) days preceding the date of any meeting of shareholders, as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting. In the case of an annual or substitute annual meeting, the notice of the meeting need not state the purpose or purposes of the meeting unless the purpose or purposes constitute a matter which is required by law to be stated in the notice of the meeting. In the case of a special meeting, the notice of meeting shall state the purpose or purposes for which the meeting is called.

2.6 Quorum. A quorum at any annual or special meeting of shareholders shall consist of shareholders representing, either in person or by proxy, a majority of the outstanding shares of the corporation entitled to vote at such meeting, except as otherwise specifically provided by law. If a quorum is present, a majority of the shares outstanding and entitled to vote which are represented at any meeting shall determine any matter coming before the meeting unless a different vote is required by statute, by the Articles of Incorporation or by these By-Laws. Shareholders at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

2.7 Proxies. A shareholder entitled to vote pursuant to Section 2.4 may vote in person or by proxy executed in writing by the shareholder or by his attorney in fact. A proxy shall not be valid after eleven (11) months from the date of its execution, unless a longer period is expressly stated therein. If the validity of any proxy is questioned it must be submitted to the secretary of the shareholders' meeting for examination or to a proxy officer or committee appointed by the person presiding at the meeting. The secretary of the meeting or, if appointed, the proxy officer or committee, shall determine the validity or invalidity of any proxy submitted and reference by the secretary in the minutes of the meeting to the irregularity of a proxy shall be received as prima facie evidence of the facts stated for the purpose of establishing the presence of a quorum at such meeting and for all other purposes.

2.8 Adjournments. A majority of the voting shares present at any properly called shareholders' meeting, whether or not a quorum is present, may adjourn the meeting to reconvene at a specific time and place, but no later than 120 days after the date fixed for the original meeting unless the requirements of the Georgia Business Corporation Code concerning the selection of a new record date and notice to shareholders have been met. It shall not be necessary to give any notice of the reconvened meeting or of the business to be transacted, if the time and place of the reconvened meeting are announced at the meeting which was adjourned.

At any such reconvened meeting at which a quorum is represented or present, any business may be transacted which could have been transacted at the meeting which was adjourned.

2.9 Conduct of Meetings. All meetings of shareholders shall be governed by such rules and decisions as the chairman of the meeting, or a parliamentarian appointed by him, may deem appropriate.

ARTICLE THREE – BOARD OF DIRECTORS

3.1 Powers. The management of all the affairs, property, and business of the corporation shall be vested in the Board of Directors or in an Executive Committee as may be established pursuant to these By-Laws. In addition to the powers and authority by these By-Laws expressly conferred upon it, the Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute, the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the shareholders.

3.2 Retirement of Directors. (a) Any director who shall have attained the age of seventy-two (72) years on or before the first day of January, preceding the next annual meeting shall serve only to the date of such annual meeting and shall not be eligible to serve as a director thereafter, notwithstanding the fact that such director may have been elected for a term which would extend beyond the dates set forth above.

(b) Any Director, other than a Director who has served the Corporation as Chief Executive Officer, who is also (i) an officer of the Corporation, or (ii) an officer of any wholly-owned or majority-owned subsidiary or former subsidiary of the Corporation, shall cease to be a Director of this Corporation upon such Director's retirement, resignation, removal or termination, for any reason, as an officer.

(c) Any person who has been a director but who becomes ineligible for reelection under (a) hereof, may, upon the nomination of the Chief Executive Officer, be designated a "Director Emeritus" by the affirmative vote of a majority of the Board of Directors. Such a designation shall be based on past meritorious service to the corporation and shall continue for life but shall carry no duties or responsibilities by such person nor shall such person be considered a member of the Board of Directors for any purpose. Directors Emeriti may be paid such fixed annual compensation as may be deemed appropriate by the Chief Executive Officer in view of their past services to the corporation.

3.3 Compensation. The Board of Directors may determine from time to time the compensation, if any, directors may receive for their services as directors. A director may also serve the corporation in a capacity other than that of director and receive compensation, as determined by the Board of Directors, for services rendered in any other capacity.

3.4 Other. Information concerning (i) Number of Directors, (ii) Classification, Terms and Election of Directors, (iii) Removal, (iv) Vacancies, and (v) Election of Directors by Holders of

Preferred Stock, is set forth in Article Nine of this Corporation's Articles of Incorporation, specifically paragraphs 9.1, 9.2, 9.3, 9.4 and 9.5 thereof.

ARTICLE FOUR – MEETINGS OF THE BOARD OF DIRECTORS

4.1 Regular Meetings. Regular meetings of the Board of Directors may be held without notice at the principal office of the corporation or at such other place or places, within or without the State of Georgia, as the Board of Directors may from time to time designate.

4.2 Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or the President or by any two directors to be held at the principal office of the corporation, or at such other place or places, within or without the State of Georgia, as may be designated in the notice of such meeting. Unless waived as contemplated in Section 6.2, the Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or the President or Secretary of the corporation or any director thereof shall give at least one day's notice to each director of each special meeting stating the date, time, and place of the meeting.

4.3 Quorum. At meetings of the Board of Directors, more than one-half the number of directors fixed by the shareholders at that time shall be necessary to constitute a quorum for the transaction of business. A majority of the directors present at any meeting, whether or not a quorum exists, may adjourn any meeting of the Board of Directors to reconvene at a specific time and place without further notice thereof. At any such reconvened meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting which was adjourned.

4.4 Vote Required for Action. (a) Except as otherwise provided in the Articles of Incorporation, these By-Laws, or by law, the act of a majority of the directors present at a meeting at which a quorum is present at the time shall be the act of the Board of Directors.

(b) A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless:

- (1) He objects at the beginning of the meeting (or promptly upon his arrival) to holding it or transacting business at the meeting;
- (2) His dissent or abstention from the action taken is entered in the minutes of the meeting; or
- (3) He delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting.

The right of dissent or abstention is not available to a director who votes in favor of the action taken.

(c) The vote of a majority of the full Board of Directors shall be required to adopt a resolution constituting a Committee. The vote of two-thirds of the directors is required to adopt a resolution recommending dissolution of the corporation to the shareholders.

4.5 Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if a written consent thereto shall be signed by all of the directors or members of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board of Directors or committee. Such consent shall have the same force and effect as a unanimous vote of the Board of Directors or committee.

ARTICLE FIVE – COMMITTEES

5.1 Appointment of Executive Committee. The Board of Directors may by resolution adopted by a majority of the full Board of Directors appoint an Executive Committee of not less than three (3) nor more than five (5) directors, which Executive Committee shall to the extent provided in such resolution have all of the powers and authority of the Board of Directors, except as otherwise provided by law. The Executive Committee shall have the power to amend or repeal any resolution of the Board of Directors unless such resolution is by its terms not subject to amendment or repeal by the Executive Committee. An act of the Executive Committee taken within the scope of its authority shall be an act of the Board of Directors.

5.2 Procedures of Executive Committee. The Executive Committee shall meet from time to time on the call of the Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or the President or any two or more members of the Executive Committee. Meetings of the Executive Committee may be held at such place or places as the Executive Committee shall determine or may be specified or fixed in the respective notices or waivers of such meetings. The Executive Committee may fix its own rules of procedure, including provision for a notice of its meetings. It shall keep a record of its proceedings and shall report these proceedings to the Board of Directors at the next meeting of the Board, and all such proceedings shall be subject to revision or alteration by the Board of Directors except to the extent that action shall have been taken pursuant to or in reliance upon such proceedings prior to any such revision or alteration.

5.3 Other Committees. The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate one or more additional committees, each committee to consist of one or more directors of the corporation, and it shall have such name or names and shall have any and may exercise such powers of the Board of Directors in the management of the business and affairs of the corporation, except as otherwise provided by law, as may be determined from time to time by resolution adopted by a majority of the full Board of Directors. Each of such committees shall call and hold meetings, adopt rules of procedure, maintain

records, and report to the Board of Directors in the manner provided for the Executive Committee in Section 5.2 of these By-Laws.

5.4 Action by Committees. Articles 4.1, 4.2, 4.3, 4.4, and 4.5, which govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors, apply to the Executive Committee or any other committee designated by the Board of Directors, and their members as well.

5.5 Alternate Members. The Board of Directors, by resolution adopted in accordance with Sect on 5.1. may designate one or more directors as alternate members of any such committee, who may act in the place of any absent member or members at any meeting of such committee.

5.6 Removal and Vacancies. The Board of Directors shall have power at any time to remove any member of any committee, with or without cause, and to fill vacancies in or to dissolve any such committee.

ARTICLE SIX - NOTICES

6.1 Procedure. Whenever these By-Laws require notice to be given to any shareholder or director, the notice shall be given in accordance with this Section 6.1. Notice under these By-Laws shall be in writing unless oral notice is reasonable under the circumstances. Any notice to directors may be written or oral. Notice may be communicated in person; by telephone, telegraph, teletype, or other form of wire or wireless communication; or by mail or private carrier. If these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where published, or by radio, television, or other form of public broadcast communication. Written notice to the shareholders, if in a comprehensible form, is effective when mailed, if mailed with first-class postage prepaid and correctly addressed to the shareholder's address shown in the corporation's current record of shareholders. If the corporation has more than 500 shareholders of record entitled to vote at a meeting, it may utilize a class of mail other than first class if the notice of the meeting is mailed, with adequate postage prepaid, not less than thirty (30) days before the date of the meeting. Except as provided above, written notice, if in a comprehensible form, is effective at the earliest of the following:

- (1) When received or when delivered, properly addressed, to the addressee's last known principal place of business or residence;
- (2) Five days after its deposit in the mail, as evidenced by the postmark, if mailed with first-class postage prepaid and correctly addressed; or
- (3) On the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee.

Oral notice is effective when communicated if communicated in a comprehensible manner.

In calculating time periods for notice, when a period of time measured in days, weeks, months, years, or other measurement of time is prescribed for the exercise of any privilege or the discharge of any duty, the first day shall not be counted but the last day shall be counted.

6.2 Waiver. (a) A shareholder may waive any notice before or after the date and time stated in the notice. The waiver must be in writing, specify the business transacted or the purpose of the meeting, be signed by the shareholder entitled to the notice, and be delivered to the corporation for inclusion in the minutes or filing with the corporate records.

(b) A shareholder's attendance at a meeting (i) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

(c) A director may waive any notice before or after the date and time specified in the notice. Except as provided below in (d), the waiver must be in writing, signed by the director entitled to the notice, and delivered to the corporation for inclusion in the minutes or filing with the corporate records.

(d) A director's attendance at or participation in a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE SEVEN - OFFICERS

7.1 Number. The officers of the corporation shall consist of a Chairman of the Board of Directors, one or more Vice Chairmen of the Board of Directors, a President, one or more Vice Presidents, a Secretary, a Treasurer, and any other officers as may be appointed by the Board of Directors or appointed by the Chairman of the Board of Directors pursuant to Section 7.7. The Board of Directors shall designate those officers who shall be deemed the chief executive officer, the chief operating officer and the chief financial officer of the corporation.

7.2 Election and Term. All officer's shall be elected by the Board of Directors, or by the Chairman of the Board pursuant to Section 7.7, and shall serve at the pleasure of the Board of Directors or the Chairman of the Board of Directors until their successors have been elected and have qualified or until their earlier death, resignation, removal, retirement or disqualification.

7.3 Compensation. The compensation of the following senior Officers of the Corporation shall be fixed by the Compensation and Stock Option Committee of the Board of Directors.

Chairman of the Board
Vice Chairmen of the Board

President
Any Executive Vice President
Any Group Vice President
Any Senior Vice President

Compensation of all other Officers shall be fixed by the Chief Executive Officer.

7.4 Removal. Any officer, however elected or appointed, may be removed at any time with or without cause by the affirmative vote of a majority of the whole Board of Directors provided that any officer who is not a member of the Board of Directors may be removed at any time with or without cause by the Chairman of the Board of Directors or by any other officer who is a member of the Board of Directors and whose duties include supervision of such discharged officer.

7.5 Vacancies. Vacancy in any office arising from any cause may be filled by the Board of Directors at any regular or special meeting.

7.6 Disability of Officers. In the case of absence or inability to act of any officer of the corporation or of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers and duties of such officer to any other officer, or any director or other person whom it may select.

7.7 Chairman of the Board of Directors. The Chairman of the Board of Directors shall make reports to the Board of Directors and to the shareholders and shall perform all such other duties as are incident to his office or as are properly required of him by the Board of Directors. He shall preside at all meetings of the shareholders and of the Board of Directors at which he may be present. The Chairman of the Board of Directors may from time to time appoint one or more assistant secretaries of the corporation.

7.8 Vice Chairmen of the Board of Directors. Any Vice Chairman of the Board of Directors shall have such other powers and duties as may from time to time be designated by the Board of Directors or by the Chief Executive Officer.

7.9 President. The President shall have responsibility for supervising and directing the operations of the corporation's businesses subject to the direction of the Board of Directors. He shall preside at all meetings of the shareholders or the Board of Directors in the absence of the Chairman of the Board of Directors.

7.10 Vice Presidents. The Vice Presidents shall perform such duties not inconsistent with these By-Laws as may be specifically designated by the Board of Directors or by the Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or the President.

7.11 Secretary. The Secretary shall have authority to issue notices for all meetings (except that notices for special meetings of directors called at the request of two directors as provided in Section 4.2 of these By-Laws may be issued by such directors), shall keep minutes of all meetings, shall have charge of the seal and of the corporate books, and shall make such reports

and perform such other duties as are incident to the office or are properly required of him by the Board of Directors, the Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or the President.

7.12 Assistant Secretaries. The Assistant Secretaries may in the absence or disability of the Secretary perform the duties and exercise the powers of the Secretary, and shall perform such other duties as the Board of Directors or the person appointing them may prescribe.

7.13 Treasurer. The Treasurer shall be responsible for the custody of all monies and securities of the corporation and shall be responsible for the maintenance of regular books of account. He shall have general supervision of the disbursement of funds of the corporation and shall render to the Board of Directors from time to time, as may be required of him, an account of all transactions for which he is responsible and of the financial condition of the corporation. He shall perform all duties incident to his office or which are properly required of him by the Board of Directors, the Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or the President.

7.14 Assistant Treasurers. The Assistant Treasurers may, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer, and shall perform such other duties as the Board of Directors or the person appointing them shall prescribe.

7.15 Bond. The Board of Directors may, by resolution, require any and all officers to give bond to the corporation, with sufficient surety or sureties, conditioned for the faithful performance of the duties of their respective offices, and to comply with such other conditions as may from time to time be required by the Board of Directors.

ARTICLE EIGHT – SHARES

8.1 Certificates. The interest of each shareholder shall be evidenced by a certificate or certificates representing shares of the corporation which shall be in such form as the Board of Directors may from time to time adopt. Each certificate shall exhibit the holder's name, the number of shares and class of shares and series, if any, represented thereby, the name of the corporation, a statement that the corporation is organized under the laws of the State of Georgia, and the par value of each share or a statement that the shares are without par value. Each certificate shall be signed by the Chairman of the Board of Directors or any Vice Chairman of the Board of Directors or the President; provided, however, that where such certificate is signed by a transfer agent, or registered by a registrar, the signature of any such officer may be facsimile. In case any officer who has signed or whose facsimile signature has been used on a certificate has ceased to be an officer before the certificate has been delivered, such certificate may, nonetheless, be adopted and issued and delivered by the corporation as though the officer who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be such officer of the corporation.

8.2 Transfer of Shares. The transfer of shares shall be made upon the transfer books of the corporation, kept in the office of the transfer agent designated to transfer the shares, only by the

person named in the certificate, or by an attorney lawfully constituted in writing; and before a new certificate is issued, the old certificate shall be surrendered for cancellation or, in the case of a certificate alleged to have been lost, stolen, or destroyed, the provisions of Section 8.4 of these By-Laws shall have been complied with.

8.3 Equitable Share Interest. Registered shareholders only shall be entitled to be treated by the corporation as the holders in fact of the shares standing in their respective names, and the corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Georgia.

8.4 Lost, Stolen or Destroyed Certificates. In the case of loss, theft or destruction of any share certificate, another may be issued in its place upon proof of such loss, theft or destruction, and upon the giving of a satisfactory bond of indemnity to the corporation and/or to the transfer agent and registrar of such share certificate, in such sum as the Board of Directors may provide.

8.5 Regulations. The Board of Directors shall have power and authority to make all rules and regulations as it may deem expedient, concerning the issue, transfer, conversion, and registration of share certificates of the corporation, not inconsistent with the laws of Georgia, the Articles of Incorporation, and these By-Laws; and the Board of Directors may appoint one or more transfer agents and one or more registrars.

8.6 Fixing of Record Date with Regard to Shareholder Action. For the purpose of determining shareholders entitled to notice of a shareholders meeting, to demand a special meeting, to vote, or to take any other action, the Board of Directors may fix a future date as the record date, the date to be not more than seventy (70) days prior to the date on which the particular action, requiring a determination of shareholders, is to be taken. A determination of shareholders entitled to notice of or to vote at a shareholders meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. If no record date is fixed by the Board of Directors, the record date shall be determined in accordance with the provisions of the Georgia Business Corporation Code.

ARTICLE NINE - DISTRIBUTIONS AND SHARE DIVIDENDS

9.1 Authorization or Declaration. Unless the Articles of Incorporation provide otherwise, the Board of Directors from time to time in its discretion may authorize or declare distributions or share dividends in accordance with the Georgia Business Corporation Code.

9.2 Record Date with Regard to Distributions and Share Dividends. For the purpose of determining shareholders entitled to a distribution (other than one involving a purchase, redemption, or other reacquisition of the corporation's shares) or a share dividend, the Board of Directors may fix a date as the record date. If no record date is fixed by the Board of Directors, the record date shall be determined in accordance with the provisions of the Georgia Business Corporation Code.

9.3 Depositories. The monies of the corporation shall be deposited in the name of the corporation, or in its duly adopted tradename, in such bank or banks or trust company or trust companies as the Board of Directors shall designate, and shall be drawn out only by check signed by persons designated by resolution of the Board of Directors.

9.4 Fiscal Year. The fiscal year of the corporation shall begin on the first day of January each year, unless otherwise provided by the Board of Directors.

ARTICLE TEN – INDEMNIFICATION

10.1 Definitions. As used in this Article, the term:

- (a) "Corporation" includes any domestic or foreign predecessor entity of this corporation in a merger or other transaction in which the predecessor's existence ceased upon consummation of the transaction.
- (b) "Director" means an individual who is or was a director of the corporation or an individual who, while a director of the corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. A director is considered to be serving an employee benefit plan at the corporation's request if his duties to the corporation also impose duties on, or otherwise involve services by, him to the plan or to participants in or beneficiaries of the plan. "Director" includes, unless the context requires otherwise, the estate or personal representative of a director.
- (c) "Expenses" includes attorneys' fees.
- (d) "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employee benefit plan), or reasonable expenses incurred with respect to a proceeding.

- (e) “Officer” means an individual who is or was an officer of the corporation or an individual who, while an officer of the corporation, is or was serving at the corporation’s request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. An “Officer” is considered to be serving an employee benefit plan at the corporation’s request if his duties to the corporation also impose duties on, or otherwise involve services by, him to the plan or to participants in or beneficiaries of the plan. “Officer” includes, unless the context requires otherwise, the estate or personal representative of an officer.
- (f) “Party” includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.
- (g) “Proceeding” means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal.

10.2 Basic Indemnification Arrangement. (a) Except as provided in subsections 10.2(d) and 10.2(e) below, the corporation shall indemnify an individual who is made a party to a proceeding because he is or was a director or officer against liability incurred by him in the proceeding if he acted in a manner he believed in good faith to be in or not opposed to the best interests of the corporation and, in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful.

(b) A person’s conduct with respect to an employee benefit plan for a purpose he believed in good faith to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirement of subsection 9.2(a).

(c) The termination of a proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, be determinative that the proposed indemnitee did not meet the standard of conduct set forth in subsection 10.2(a).

(d) The corporation shall not indemnify a person under this Article in connection with (i) a proceeding by or in the right of the corporation in which such person was adjudged liable to the corporation, or (ii) any proceeding in which such person was adjudged liable on the basis that he improperly received a personal benefit unless, and then only to the extent that, a court of competent jurisdiction determines pursuant to Section 14-2-854 of the Georgia Business Corporation Code that in view of the circumstances of the case, such person is fairly and reasonable entitled to indemnification.

(e) Indemnification permitted under this Article in connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding.

10.3 Advances for Expenses. (a) The corporation shall pay for or reimburse the reasonable expenses incurred by a director or officer as a party to a proceeding in advance of final

disposition of the proceeding if: (i) such person furnishes the corporation a written affirmation of his good faith belief that he has met the standard of conduct set forth in subsection 10.2(a) above; and (ii) such person furnishes the corporation a written undertaking meeting the qualifications set forth below in subsection 10.3(b) excused personally or on his behalf, to repay any advances if it is ultimately determined that he is not entitled to any indemnification under this Article or otherwise.

(b) The undertaking required by subsection 10.3(a)(ii) above must be an unlimited general obligation of the director or officer but need not be secured and shall be accepted without reference to financial ability to make repayment.

10.4 Authorization of and Determination of Entitlement to Indemnification. (a) The corporation acknowledges that indemnification of a director or officer under Section 10.2 has been pre-authorized by the corporation in the manner described in subsection 10.4(b) below. Nevertheless, the corporation shall not indemnify a director or officer under Section 10.2 unless a separate determination has been made in the specific case that indemnification of such person is permissible in the circumstances because he has met the standard of conduct set forth in subsection 10.2(a); provided, however, that regardless of the result or absence of any such determination, and unless limited by the Articles of Incorporation of the corporation, to the extent that a director or officer has been successful, on the merits or otherwise, in the defense of any proceeding to which he was a party, or in defense of any claim, issue or matter therein, because he is or was a director or officer, the corporation shall indemnify such person against reasonable expenses incurred by him in connection therewith.

(b) The determination referred to in subsection 10.4(a) above shall be made, at the election of the Board of Directors:

- (i) by the Board of Directors of the corporation by majority vote of a quorum consisting of directors not at the time parties to the proceeding;
- (ii) If a quorum cannot be obtained under subdivision (i), by majority vote of a committee duly designated by the Board of Directors (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding;
- (iii) by special legal counsel:
 - (1) selected by the Board of Directors or its committee in the manner prescribed in subdivision (i) or (ii); or
 - (2) if a quorum of the Board of Directors cannot be obtained under subdivision (i) and a committee cannot be designated under subdivision (ii), selected by a majority vote of the full Board of Directors (in which selection directors who are parties may participate); or

- (iv) by the shareholders; provided that shares owned by or voted under the control of directors or officers who are at the time parties to the proceeding may not be voted on the determination.

(c) As acknowledged above, the corporation has pre-authorized the indemnification of directors and officers hereunder, subject to a case-by-case determination that the proposed indemnitee met the applicable standard of conduct under subsection 10.2(a). Consequently, no further decision need or shall be made on a case-by-case basis as to the authorization of the corporation's indemnification of directors or officers hereunder. Nevertheless, evaluation as to reasonableness of expenses of a director or officer in the specific case shall be made in the same manner as the determination that indemnification is permissible, as described in subsection 10.4(b) above, except that if the determination is made by special legal counsel, evaluation as to reasonableness of expenses shall be made by those entitled under subsection 10.4(b)(iii) to select counsel.

10.5 Court-Ordered Indemnification and Advances for Expenses. Unless the corporation's Articles of Incorporation provide otherwise, a director or officer who, is a party to a proceeding may apply for indemnification or advances for expenses to the court conducting the proceeding or to another court of competent jurisdiction. On receipt of an application, the court, after giving any notice the court considers necessary, may order indemnification or advances for expenses if it determines that:

- (i) The applicant is entitled to mandatory indemnification under the final clause of subsection 10.4(a) above (in which case the corporation shall pay the indemnitee's reasonable expenses incurred to obtain court-ordered indemnification);
- (ii) The applicant is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not he met the standard of conduct set forth in subsection 10.2(a) above or was adjudged liable as described in subsection 10.2(d) above (but if he was adjudged so liable, any court-ordered indemnification shall be limited to reasonable expenses incurred by the indemnitee unless the Articles of Incorporation of the corporation or a By-Law, contract or resolution approved or ratified by shareholders pursuant to Section 10.7 provides otherwise); or
- (iii) In the case of advances for expenses, the applicant is entitled pursuant to the Articles of Incorporation, By-Laws or any applicable resolution or agreement, to payment or reimbursement of his reasonable expenses incurred as a party to a proceeding in advance of final disposition of the proceeding.

10.6 Indemnification of Employees and Agents. Unless the corporation's Articles of Incorporation provide otherwise, the corporation may indemnify and advance expenses under this Article to an employee or agent of the corporation who is not a director or officer to the same extent as to a director or officer.

10.7 Shareholder Approved Indemnification. (a) If authorized by the Articles of Incorporation or a By-Law, contract or resolution approved or ratified by shareholders of the corporation by a majority of the votes entitled to be cast, the corporation may indemnify or obligate itself to indemnify a person made a party to a proceeding, including a proceeding brought by or in the right of the corporation, without regard to the limitations in other sections of this Article; provided, however, that such provisions shall be valid only if and to the extent they are consistent with this Article. The corporation shall not indemnify a person under this Section 10.7 for any liability incurred in a proceeding in which the person is adjudged liable to the corporation or is subjected to injunctive relief in favor of the corporation:

- (i) for any appropriation, in violation of his duties, of any business opportunity of the corporation;
- (ii) for acts or omissions which involve intentional misconduct or a knowing violation of law;
- (iii) for the types of liability set forth in Section 14-2-832 of the Georgia Business Corporation Code; or
- (iv) from any transaction from which he received an improper personal benefit.

(b) Where approved or authorized in the manner described in subsection 10.7(a) above, the corporation may advance or reimburse expenses incurred in advance of final disposition of the proceeding only if:

- (i) the proposed indemnitee furnishes the corporation a written affirmation of his good faith belief that his conduct does not constitute behavior of the kind described in subsection 10.7(a)(i) - (iv) above; and
- (ii) the proposed indemnitee furnishes the corporation a written undertaking, executed personally, or on his behalf, to repay any advances if it is ultimately determined that he is not entitled to indemnification.

10.8 Liability Insurance. The corporation may purchase and maintain insurance on behalf of a director or officer or an individual who is or was an employee or agent of the corporation or who, while an employee or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise against liability asserted against or incurred by him in that capacity or arising from his status as a director officer, employee, or agent, whether or not the corporation would have power to indemnify against the same liability under Section 10.2 or Section 10.3 above.

10.9 Witness Fees. Nothing in this Article shall limit the corporation's power to pay or reimburse expenses incurred by a person in connection with his appearance as a witness in a proceeding at a time when he has not been made a named defendant or respondent in the proceeding.

10.10 Report to Shareholders. If the corporation indemnifies or advances expenses to a director in connection with a proceeding by or in the right of the corporation, the corporation shall report the indemnification or advance, in writing, to shareholders with or before the notice of the next shareholders' meeting.

10.11 Severability. In the event that any of the provisions of this Article (including any provision within a single section, subsection, division or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions of this Article shall remain enforceable to the fullest extent permitted by law.

ARTICLE ELEVEN - MISCELLANEOUS

11.1 Inspection of Books and Records. The Board of Directors shall determine whether and to what extent the accounts and books of the corporation, or any of them, other than the share records, shall be open to the inspection of shareholders, and no shareholder shall have any right to inspect any account or books or document of the corporation except as conferred by law or by resolution of the shareholders or the Board of Directors. Without prior approval of the Board of Directors in their discretion, the right of inspection set forth in Section 14-2-1602(c) of the Georgia Business Corporation Code shall not be available to any shareholder owning two (2) percent or less of the shares outstanding.

11.2 Description of Seal. The corporate seal of the corporation shall consist of two concentric circles, between which shall be inscribed the words "Genuine Parts Company, Atlanta, Ga.", and in the center shall be inscribed the year of its incorporation and the word "Seal".

11.3 Annual Statements. Not later than four months after the close of each fiscal year, and in any case prior to the next annual meeting of shareholders, the corporation shall prepare (a) a balance sheet showing in reasonable detail the financial condition of the corporation as of the close of its fiscal year, and (b) a profit and loss statement showing the results of its operations during its fiscal year. Upon receipt of written request, the corporation promptly shall mail to any shareholder of record a copy of the most recent such balance sheet and profit and loss statement.

ARTICLE TWELVE - AMENDMENTS

12.1 Power to Amend By-Laws. Alterations, amendments, or repeals of the By-Laws may be made by the shareholders, if the notice of such meeting contains a statement of the proposed alteration, amendment, or repeal, or by the Board of Directors by a majority vote of all directors then holding office at any regular or special meeting.

ARTICLE THIRTEEN - RESTRICTIONS ON CERTAIN BUSINESS
COMBINATIONS WITH INTERESTED SHAREHOLDERS

13.1 Governing Authority. The Corporation shall be governed by all of the requirements of Article 11A of the Georgia Business Corporation Code (Sections 14-2-1131, et seq).

13.2 Irrevocability. Article Thirteen of these By-laws shall be irrevocable except as provided in Section 14-2-1133(b) of the Georgia Business Corporation Code.

EXHIBIT 10.29
AMENDMENT TO THE
GENUINE PARTS COMPANY
2006 LONG-TERM INCENTIVE PLAN

This Amendment to the Genuine Parts Company 2006 Long-Term Incentive Plan (the "Plan"), is hereby adopted this 20th day of November, 2006, by the Compensation, Nominating and Governance Committee (the "Committee") of the Board of Directors of Genuine Parts Company (the "Company").

WHEREAS, the Company adopted the Plan for the purposes set forth therein; and

WHEREAS, pursuant to Article 16 of the Plan, the Committee has the right to amend the Plan with respect to certain matters; and

WHEREAS, the Committee has approved and authorized this Amendment to the Plan;

NOW, THEREFORE, the Plan is hereby amended, effective as of the date hereof, in the following particulars:

1. By deleting Article 15 in its entirety and replacing it with the following:

"ARTICLE 15
CHANGES IN CAPITAL STRUCTURE

15.1. MANDATORY ADJUSTMENTS. In the event of a nonreciprocal transaction between the Company and its stockholders that causes the per-share value of the Stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend), the authorization limits under Section 5.1 and 5.4 shall be adjusted proportionately, and the Committee shall make such adjustments to the Plan and Awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from such transaction. Action by the Committee may include: (i) adjustment of the number and kind of shares that may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the exercise price of outstanding Awards or the measure to be used to determine the amount of the benefit payable on an Award; and (iv) any other adjustments that the Committee determines to be equitable. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limits under Section 5.1 and 5.4 shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically, without the necessity for any additional action by the Committee, be adjusted proportionately without any change in the aggregate purchase price therefore.

15.2 DISCRETIONARY ADJUSTMENTS. Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization, combination or exchange of shares, or any transaction described in Section 15.1), the Committee may, in its sole discretion, provide (i) that Awards will be settled in cash rather than Stock, (ii) that Awards will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Awards will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Awards may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, (v) that performance targets and performance periods for Performance Awards will be modified, consistent with Code Section 162(m) where applicable, or (vi) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated.

15.3 GENERAL. Any discretionary adjustments made pursuant to this Article 15 shall be subject to the provisions of Section 16.2. To the extent that any adjustments made pursuant to this Article 15 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options."

All other provisions of the Plan shall remain the same.

IN WITNESS WHEREOF, Genuine parts Company, by a duly authorized officer, has executed this Amendment to the Plan, this 20th day of November 2006.

GENUINE PARTS COMPANY

By: /s/ Carol B. Yancey

EXHIBIT 10.30

**CHANGE IN CONTROL AGREEMENT
BETWEEN**

**AND
GENUINE PARTS COMPANY**

CHANGE IN CONTROL AGREEMENT

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CHANGE IN CONTROL AGREEMENT

AGREEMENT by and between Genuine Parts Company, a Georgia corporation (the "Company") and ____ ("Executive"), dated as of the ____ day of ____ 2007.

The Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its shareowners to assure that the Company will have the continued dedication of Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of Executive by virtue of the personal uncertainties and risks created by a threatened or pending Change of Control and to encourage Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of Executive will be satisfied. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if Executive's employment with the Company is terminated (either by the Company without Cause or by Executive for Good Reason, as provided later in this Agreement) within six (6) months prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to Executive that the Change of Control Period shall not be so extended.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and includes a reference to the underlying proposed or final regulations.

2. Change of Control. For the purposes of this Agreement, a "Change of Control" shall mean the occurrence of any of the following events:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition by a Person who is on the Effective Date the beneficial owner of 20% or more of the Outstanding Company Voting Securities, (ii) any acquisition directly from the Company, (iii) any acquisition by the Company, (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (v) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; or

(b) individuals who, as of immediately prior to the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) consummation of a reorganization, merger, consolidation or share exchange or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, and (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue Executive in its employ, and Executive hereby agrees to remain in the employ of the Company subject to the

terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, and (B) Executive's services shall be performed at the location where Executive was employed immediately preceding the Effective Date or any office or location less than 50 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to Executive hereunder, to use Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, Executive shall receive an annual base salary ("Annual Base Salary") at a rate at least equal to the rate of base salary in effect on the date of this Agreement or, if greater, on the Effective Date, paid or payable (including any base salary which has been earned but deferred) to Executive by the Company and its affiliated companies. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as used in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, Executive shall be awarded for each fiscal year ending during the Employment Period an annual target bonus opportunity in cash at least equal (expressed as a percentage of salary) to Executive's target bonus opportunity for the last full fiscal year prior to the Effective Date (annualized in the event

that Executive was not employed by the Company for the whole of such fiscal year) (the "Target Annual Bonus").

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide Executive with incentive opportunities, savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, Executive and/or Executive's eligible dependents, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death, vision, employee assistance program, flexible spending accounts and business travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies. Notwithstanding the foregoing, the Company reserves the right to limit the Executive's participation in any welfare benefit plan and to take any action it deems appropriate under rules uniformly applicable to similarly situated Executives who are also participants in such plans, to ensure compliance with the nondiscrimination requirements imposed by the Code.

(v) Expenses, Fringe Benefits and Paid Time Off. During the Employment Period, Executive shall be entitled to expense reimbursement, fringe benefits and paid time off in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment.

(a) Death, Retirement or Disability. Executive's employment shall terminate automatically upon Executive's death or Retirement during the Employment Period. For purposes of this Agreement, "Retirement" shall mean retirement that would entitle Executive to normal retirement benefits under the Company's then-current retirement plan. If the Company determines in good faith that the Disability of Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such

written notice by Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" has the meaning assigned such term in the Company's long-term disability plan, from time to time in effect. At the request of Executive or his personal representative, the Board's determination that the Disability of Executive has occurred shall be certified by two physicians mutually agreed upon by Executive, or his personal representative, and the Company. Failing such independent certification (if so requested by Executive), Executive's termination shall be deemed a termination by the Company without Cause and not a termination by reason of his Disability.

(b) Cause. The Company may terminate Executive's employment during the Employment Period for Cause. For purposes of this Agreement, a termination shall be considered to be for "Cause" if it occurs in conjunction with a determination by the Board that Executive has committed or engaged in either (i) any act that constitutes, on the part of Executive, fraud, dishonesty, breach of fiduciary duty, misappropriation, embezzlement or gross misfeasance of duty; (ii) willful disregard of published Company policies and procedures or codes of ethics; or (iii) conduct by Executive in his office with the Company that is grossly inappropriate and demonstrably likely to lead to material injury to the Company, as determined by the Board acting reasonably and in good faith; provided, that in the case of (ii) or (iii) above, such conduct shall not constitute "Cause" unless the Board shall have delivered to Executive notice setting forth with specificity (A) the conduct deemed to qualify as "Cause", (B) reasonable action that would remedy such objection, and (C) a reasonable time (not less than 30 days) within which Executive may take such remedial action, and Executive shall not have taken such specified remedial action within the specified time.

(c) Good Reason. Executive's employment may be terminated by Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the written consent of Executive:

(i) the assignment to Executive of any duties materially inconsistent with Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect immediately prior to the Effective Date, or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by Executive;

(ii) a material reduction by the Company in Executive's Base Salary or Target Annual Bonus, as in effect immediately prior to the Effective Date, as the same may be increased from time to time;

(iii) any failure by the Company to comply with any of the other provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by Executive;

(iv) the Company's requiring Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof;

(v) any failure by the Company to comply with and satisfy Section 13(c) of this Agreement; or

(vi) the material breach by the Company of any other provision of this Agreement;

Good Reason shall not include Executive's death, Disability or Retirement. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder. A termination by Executive shall not constitute termination for Good Reason unless Executive shall first have delivered to the Company written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason, and there shall have passed a reasonable time (not less than 60 days) within which the Company may take action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Executive.

(d) Notice of Termination. Any termination by the Company or Executive shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 14(d) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date. The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Executive for Good Reason, the date specified in the Notice of Termination, which may not be less than 60 days after the date of delivery of the Notice of Termination; provided that the Company may specify any earlier Date of Termination, (ii) if the Executive's employment is terminated by the Company for Cause, the date specified in the Notice of Termination, which in the case of a termination for Cause as defined in Section 5(b)(iii) may not be less than 30 days after the date of delivery of the Notice of Termination, (iii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination or any later date specified in such notice, and (iv) if the Executive's employment is terminated by reason of death, Disability or Retirement, the Date of Termination shall be the date of death or Retirement of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination. To the extent required to comply with Section 409A of the Code, payments under this Section 6 shall be delayed to the six month anniversary of the date of Executive's separation from service, within the meaning of Code Section 409A.

(a) Termination by Executive for Good Reason; Termination by the Company other than for Cause or Disability. If, during the Employment Period the Company shall terminate Executive's employment other than for Cause or Disability, or Executive shall terminate employment for Good Reason within a period of 90 days after the occurrence of the

event giving rise to Good Reason, then and, with respect to the payments and benefits described in clauses (i)(B) and (ii) below, only if Executive executes a Release in substantially the form of Exhibit A hereto (the "Release"):

(i) the Company shall pay to Executive in a single lump sum cash payment within 30 days after the Date of Termination, the aggregate of the following amounts:

A. the sum of (1) Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the Executive's Target Annual Bonus for the year in which the Date of Termination occurs, and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, and (3) any accrued vacation pay to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2) and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. a severance payment (the "Severance Payment") equal to [three][two] times the sum of (x) Executive's Annual Base Salary as in effect immediately prior to the Date of Termination, and (y) the average of the annual bonuses paid to Executive for the three years prior to the year in which the Date of Termination occurs, or any lesser number of years if Executive has been employed by the Company for less than three full years; and

(ii) the Company shall continue to provide the same level of group health coverage maintained by the Executive on the Date of Termination for up to 24 months from the Date of Termination (the "Welfare Benefits Continuation Period") provided the Executive makes a timely COBRA election. For purposes of this section 6(a)(ii), group health coverage means any of the following coverages maintained by the Executive on the Date of Termination: medical, dental, vision, or employee assistance benefits. The Company shall be responsible for the employer-portion of such group health coverage, and the Executive shall be responsible for any required participant contributions, each determined in the same manner as contributions for similarly situated active employees.

The Welfare Benefits Continuation Period shall run concurrently with the applicable COBRA period. If the Executive exhausts his maximum COBRA coverage prior to the end of Welfare Benefits Continuation Period, the Company shall provide the Executive with employer-sponsored coverage for the remainder of the 24-month period. The Company, in its sole discretion, may terminate such group health coverage before the end of the 24-months if: (1) the Executive's or dependent's coverage would otherwise end before the maximum COBRA continuation period under COBRA; or (2) the Executive's or dependent's coverage would be terminated if the Executive were an active employee. Notwithstanding anything in this Agreement to the contrary, the Company's obligation hereunder to provide group health benefits during the Welfare Benefits Continuation Period shall not extend beyond December 31 of the second calendar year following the year in which Executive's separation from service occurs, and all payments by the Company for such extended group health coverage shall be imputed as income to Executive and any contributions from the Executive will be made on an after-tax basis.

(iii) the terms and conditions of the Company's long-term incentive plans and any applicable award agreements thereunder shall control with respect to the vesting of any equity or long-term cash incentive awards thereunder then held by Executive; and

(iv) To the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive any other amounts or benefits required to be paid or provided or which Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death, Disability or Retirement. If Executive's employment is terminated by reason of Executive's death, Disability or Retirement during the Employment Period, this Agreement shall terminate without further obligations to Executive or Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to Executive or Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as used in this Section 6(b) shall include without limitation, and Executive or Executive's estate and/or beneficiaries shall be entitled to receive, benefits under such plans, programs, practices and policies relating to death, disability or retirement benefits, if any, as are applicable to Executive on the Date of Termination.

(c) Cause; Other than for Good Reason. If Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to Executive other than the obligation to pay to Executive (i) his Annual Base Salary through the Date of Termination and any accrued vacation pay to the extent then unpaid, and (ii) any Other Benefits, in each case to the extent then unpaid. If Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In each such case, all Accrued Obligations shall be paid to Executive in a lump sum in cash within 30 days of the Date of Termination.

(d) Expiration of Employment Period. If Executive's employment shall be terminated due to the normal expiration of the Employment Period, this Agreement shall terminate without further obligations to Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to Executive in a lump sum in cash within 30 days of the Date of Termination. If Executive's employment is not terminated upon the normal expiration of the Employment Period, he shall continue as an at-will employee of the Company and this Agreement shall be of no further force or effect.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which Executive may qualify, nor, subject to Section 14(j), shall anything herein limit or otherwise affect such rights as Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement; No Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not Executive obtains other employment.

9. Costs of Enforcement. The Company shall reimburse Executive, on a current basis, for all reasonable legal fees and related expenses incurred by Executive in connection with this Agreement, including without limitation, (i) all such fees and expenses, if any, incurred by Executive in contesting or disputing any termination of Executive's employment after the Effective Date, or (ii) Executive's seeking to obtain or enforce any right or benefit provided by this Agreement, in each case, regardless of whether or not Executive's claim is upheld by an arbitral panel or a court of competent jurisdiction; provided, however, Executive shall be required to repay to the Company any such amounts to the extent that an arbitral panel or a court issues a final and non-appealable order, judgment, decree or award setting forth the determination that the position taken by Executive was frivolous or advanced by Executive in bad faith. In addition, Executive shall be entitled to be paid all reasonable legal fees and expenses, if any, incurred in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit hereunder. All such payments shall be made within five (5) business days after delivery of Executive's respective written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

10. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

Notwithstanding the foregoing provisions of this Section 10(a), if the Parachute Value (as defined below) of all Payments does not exceed 110% of Executive's Safe Harbor Amount (as defined below), then the Company shall not pay Executive a Gross-Up Payment, and the Payments due under this Agreement shall be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount; provided, that if even after all Payments due under this Agreement are reduced to zero, the Parachute Value of all Payments would still exceed the Safe Harbor Amount, then no reduction of any Payments shall be made and the Gross -Up Payment shall be made. The reduction of the Payments due hereunder, if applicable, shall be made by first reducing the Severance Payment under Section 6(a)(i), unless an alternative method

of reduction is elected by Executive, and in any event shall be made in such a manner as to maximize the economic present value of all Payments actually made to Executive, determined by the Accounting Firm (as defined in Section 10(b) below) as of the date of the change of control for purposes of Section 280G of the Code using the discount rate required by Section 280G(d)(4) of the Code. For purposes of this Section 10, the "Parachute Value" of a Payment means the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment. For purposes of this Section 10, Executive's "Safe Harbor Amount" means one dollar less than three times Executive's "base amount" within the meaning of Section 280G(b)(3) of the Code.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be used in arriving at such determination, shall be made by the firm serving as independent auditors of the Company immediately prior to the Effective Date (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

(c) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation of the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 10(c), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 10(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 10(c), a determination is made that- Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Confidential Information. Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by Executive during Executive's employment by the Company or any of its

affiliated companies. After termination of Executive's employment with the Company, Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. It is understood, however, that the obligations of this Section 11 shall not apply to the extent that the aforesaid matters (i) are disclosed in circumstances where Executive is legally required to do so or (ii) become generally known to and available for use by the public other than by acts by Executive or representatives of Executive in violation of this Agreement.

12. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the State of Georgia by three arbitrators in accordance with the rules of the Employment Dispute Rules of the American Arbitration Association and the Federal Arbitration Act, 9 U.S.C. §1, *et. seq.* Judgment may be entered on the arbitrators' award in any court having jurisdiction. Except as provided in Section 9, the Company shall bear all costs and expenses arising in connection with any arbitration proceeding pursuant to this Section 12.

13. Successors.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

14. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws.

(b) Captions. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(c) Amendments. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive: the address set forth below

under Executive's signature

If to the Company: Genuine Parts Company
 2999 Circle 75 Parkway
 Atlanta, Georgia 30339
 Attention: Chairman of the Board
 Copy to: Corporate Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and the Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

(f) Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) Waivers. Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right Executive or the Company may have hereunder, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(h) Status Before and After Effective Date. Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between Executive and the Company, the employment of Executive by the Company is "at will" and, subject to Section 1(a) hereof, Executive's employment and/or this Agreement may be terminated by either Executive or the Company at any time prior to the Effective Date, in which case Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

(i) Indemnification. Executive shall be entitled to the benefits of the indemnity provided by the Company's certificate of incorporation, bylaws, or otherwise immediately prior to Effective Date, or any greater rights to indemnification thereafter provided to executive officers of the Company, and any subsequent changes to the certificate of incorporation, bylaws, or otherwise reducing the indemnity granted to such Executive shall not affect the rights granted hereunder. The Company may not reduce these indemnity benefits confirmed to Executive hereunder without the written consent of Executive.

(j) Related Agreements. To the extent that any provision of any other agreement between the Company and Executive shall limit, qualify or be inconsistent with any provision of this Agreement, then for purposes of this Agreement, while the same shall remain in

force, the provisions of this Agreement shall control and such provision of such other agreement shall be deemed to have been superseded, and to be of no force and effect, as if such other agreement had been formally amended to the extent necessary to accomplish such purpose.

(k) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, Executive has hereunto set Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

[Executive]

Address:

GENUINE PARTS COMPANY

By: _____

EXHIBIT A
Form of Release

This Release is granted effective as of the ___ day of ___, 20___, by ___ (“Executive”) in favor of Genuine Parts Company (the “Company”). This is the Release referred to that certain Employment Agreement effective as of ___, 20___ by and between the Company and Executive (the “Employment Agreement”). Executive gives this Release in consideration of the Company’s promises and covenants as recited in the Employment Agreement, with respect to which this Release is an integral part.

1. Release of the Company. Executive, for himself, his successors, assigns, attorneys, and all those entitled to assert his rights, now and forever hereby releases and discharges the Company and its respective officers, directors, stockholders, trustees, employees, agents, parent corporations, subsidiaries, affiliates, estates, successors, assigns and attorneys (“the Released Parties”), from any and all claims, actions, causes of action, sums of money due, suits, debts, liens, covenants, contracts, obligations, costs, expenses, damages, judgments, agreements, promises, demands, claims for attorney’s fees and costs, or liabilities whatsoever, in law or in equity, which Executive ever had or now has against the Released Parties, including, without limitation, any claims arising by reason of or in any way connected with any employment relationship which existed between the Company or any of its parents, subsidiaries, affiliates, or predecessors, and Executive. It is understood and agreed that this Release is intended to cover all actions, causes of action, claims or demands for any damage, loss or injury, whether known or unknown, of any nature whatsoever, including those which may be traced either directly or indirectly to the aforesaid employment relationship, or the termination of that relationship, that Executive has, had or purports to have, from the beginning of time to the date of this Release, and including but not limited to claims for employment discrimination under federal or state law, except as provided in Paragraph 2; claims arising under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq., Title VII of the Civil Rights Act, 42 U.S.C. § 2000(e), et seq. or the Americans With Disabilities Act, 42 U.S.C. § 12101 et seq.; claims for statutory or common law wrongful discharge, claims arising under the Fair Labor Standards Act, 29 U.S.C. § 201 et seq.; claims for attorney’s fees, expenses and costs; claims for defamation; claims for emotional distress; claims for wages or vacation pay; claims for benefits, including any claims arising under the Executive Retirement Income Security Act, 29 U.S.C. § 1001, et seq.; and claims under any other applicable federal, state or local laws or legal concepts; provided, however, that nothing herein shall release the Company of any indemnification obligations to Executive under the Company’s bylaws, certificate of incorporation, Delaware law or otherwise.

2. Release of Claims Under Age Discrimination in Employment Act. Without limiting the generality of the foregoing, Executive agrees that by executing this Release, he has released and waived any and all claims he has or may have as of the date of this Release for age discrimination under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. Executive acknowledges and agrees that he has been, and hereby is, advised by the Company to consult with an attorney prior to executing this Release. Executive further acknowledges and agrees that the Company has offered Executive the opportunity, before executing this Release, to consider this Release for a period of twenty-one (21) calendar days; and that the consideration he receives for this Release is in addition to amounts to which he was already entitled. It is further understood that this Release is not effective until seven (7) calendar days after the execution of this Release and that Executive may revoke this Release within seven (7) calendar days from the date of execution hereof.

3. Non-Admission. It is understood and agreed by Executive that the payment made to him is not to be construed as an admission of any liability whatsoever on the part of the Company or any of the other Releasees, by whom liability is expressly denied.

4. Acknowledgement and Revocation Period. Executive agrees that he has carefully read this Release and is signing it voluntarily. Executive acknowledges that he has had twenty one (21) days from receipt of this Release to review it prior to signing or that, if Executive is signing this Release prior to the

expiration of such 21-day period, Executive is waiving his right to review the Release for such full 21-day period prior to signing it. Executive has the right to revoke this release within seven (7) days following the date of its execution by him. In order to revoke this Release, Executive must deliver notice of the revocation in writing to Company's General Counsel before the expiration of the seven (7) day period. However, if Executive revokes this Release within such seven (7) day period, no severance benefit will be payable to him under the Employment Agreement and he shall return to the Company any such payment received prior to that date.

5. No Revocation After Seven Days. Executive acknowledges and agrees that this Release may not be revoked at any time after the expiration of the seven (7) day revocation period and that he/she will not institute any suit, action, or proceeding, whether at law or equity, challenging the enforceability of this Release. Executive further acknowledges and agrees that, with the exception of an action to challenge the waiver of claims under the ADEA, Executive shall not ever attempt to challenge the terms of this Release, attempt to obtain an order declaring this Release to be null and void, or institute litigation against the Company or any other Releasee based upon a claim that is covered by the terms of the release contained herein, without first repaying all monies paid to him/her under Section 8 of the Employment Agreement. Furthermore, with the exception of an action to challenge his waiver of claims under the ADEA, if Executive does not prevail in an action to challenge this Release, to obtain an order declaring this Release to be null and void, or in any action against the Company or any other Releasee based upon a claim that is covered by the release set forth herein, Executive shall pay to the Company and/or the appropriate Releasee all their costs and attorneys' fees incurred in their defense of Executive's action.

6. Governing Law and Severability. This Release and the rights and obligations of the parties hereto shall be governed and construed in accordance with the laws of the State of Georgia. If any provision hereof is unenforceable or is held to be unenforceable, such provision shall be fully severable, and this document and its terms shall be construed and enforced as if such unenforceable provision had never comprised a part hereof, the remaining provisions hereof shall remain in full force and effect, and the court or tribunal construing the provisions shall add as a part hereof a provision as similar in terms and effect to such unenforceable provision as may be enforceable, in lieu of the unenforceable provision.

EXECUTIVE HAS CAREFULLY READ THIS RELEASE AND ACKNOWLEDGES THAT IT CONSTITUTES A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS AGAINST THE COMPANY UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EXECUTIVE ACKNOWLEDGES THAT HE HAS HAD A FULL OPPORTUNITY TO CONSULT WITH AN ATTORNEY OR OTHER ADVISOR OF HIS CHOOSING CONCERNING HIS EXECUTION OF THIS RELEASE AND THAT HE IS SIGNING THIS RELEASE VOLUNTARILY AND WITH THE FULL INTENT OF RELEASING THE COMPANY FROM ALL SUCH CLAIMS.

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

NAME	% OWNED	JURISDICTION OF INCORPORATION
ALTROM AMERICA CORP.	90.0%	WASHINGTON
BALKAMP	89.6%	INDIANA
EIS, INC.	100.0%	GEORGIA
EIS DOMINICAN REPUBLIC, LLC	100.0%	GEORGIA
GENUINE PARTS FINANCE COMPANY	100.0%	DELAWARE
GPC PROCUREMENT COMPANY	100.0%	GEORGIA
NATIONAL AUTOMOTIVE PARTS ASSOCIATION	95.0%	MICHIGAN
MOTION INDUSTRIES, INC.	100.0%	DELAWARE
HUB TOOL & SUPPLY, INC.	100.0%	KANSAS
S.P. RICHARDS COMPANY	100.0%	GEORGIA
S.P.R. PROCUREMENT COMPANY	100.0%	GEORGIA
JOHNSON INDUSTRIES, INC.	100.0%	GEORGIA
1ST CHOICE AUTO PARTS, INC.	51.0%	GEORGIA
SERVICE FIRST AUTO, INC.	51.0%	GEORGIA
THE FLOWERS COMPANY	49.0%	NORTH CAROLINA
GENUINE PARTS HOLDINGS, ULC	100.0%	NOVA SCOTIA, CANADA
GENUINE PARTS INVESTMENT COMPANY	100.0%	NOVA SCOTIA, CANADA
GPC MEXICO, S.A. de C.V.	100.0%	PUEBLA, MEXICO
EIS de MEXICO	100.0%	GUADALAJARA, JALISCO, MEXICO
EIS HOLDINGS (CANADA), INC.	100.0%	BRITISH COLUMBIA, CANADA
MOTION INDUSTRIES (CANADA), INC.	100.0%	OTTAWA, ONTARIO
S. P. RICHARDS CO. CANADA, INC.	100.0%	BRITISH COLUMBIA, CANADA
UAP INC.	100.0%	QUEBEC, CANADA
GARANAT INC.	100.0%	FEDERAL, CANADA
UAPRO INC.	100.0%	FEDERAL, CANADA
UNITED AUTO PARTS (Eastern) LTD.	100.0%	ONTARIO, CANADA
SERVICES FINANCIERS UAP INC.	100.0%	QUEBEC, CANADA
AUTOMOTEUR TERREBONNE LTEE	100.0%	QUEBEC, CANADA
CENTRE DI CULASSES DU QUEBEC INC.	100.0%	QUEBEC, CANADA
REUSINAGE KNIGHT INC.	100.0%	FEDERAL, CANADA
MTC SUSPENSION INC.	100.0%	QUEBEC, CANADA
LES ENTREPRISES G. GAUDREAU (1986) INC.	100.0%	FEDERAL, CANADA
GPC GLOBAL SOURCING LTD.	100.0%	HONG KONG, CHINA
GENUINE PARTS SOURCING (SHENZHEN) COMPANY LTD.	100.0%	SHENZHEN, CHINA

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements of Genuine Parts Company listed below of our reports dated February 26, 2007, with respect to the consolidated financial statements and schedule of Genuine Parts Company, Genuine Parts Company management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Genuine Parts Company included in the Annual Report (Form 10-K) of Genuine Parts Company for the year ended December 31, 2006.

- Registration Statement No. 33-62512 on Form S-8 pertaining to the 1992 Stock Option Incentive Plan
- Registration Statement No. 333-21969 on Form S-8 pertaining to the Directors' Deferred Compensation Plan
- Registration Statement No. 333-61611 on Form S-8 pertaining to the Assumed Stock Options Under the Electrical Insulation Suppliers, Inc. 1993 Incentive Plan
- Registration Statement No. 333-76639 on Form S-8 pertaining to the Genuine Parts Company 1999 Long-Term Incentive Plan
- Registration Statement No. 333-133362 on Form S-8 pertaining to the Genuine Parts Company 2006 Long-Term Incentive Plan.

/s/ Ernst and Young LLP

Atlanta, Georgia
February 26, 2007

EXHIBIT 31.1

CERTIFICATIONS

I, Thomas C. Gallagher, certify that:

1. I have reviewed this annual report on Form 10-K of Genuine Parts Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ Thomas C. Gallagher

Thomas C. Gallagher
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Jerry W. Nix, certify that:

1. I have reviewed this annual report on Form 10-K of Genuine Parts Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ Jerry W. Nix

Jerry W. Nix
Vice Chairman and Chief Financial Officer

EXHIBIT 32.1

STATEMENT OF CHIEF EXECUTIVE OFFICER OF
GENUINE PARTS COMPANY
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Genuine Parts Company (the "Company") on Form 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas C. Gallagher, Chairman, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas C. Gallagher

Thomas C. Gallagher
Chairman, President and Chief Executive Officer
February 28, 2007

EXHIBIT 32.2

STATEMENT OF CHIEF FINANCIAL OFFICER OF
GENUINE PARTS COMPANY
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Genuine Parts Company (the "Company") on Form 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jerry W. Nix, Executive Vice President — Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jerry W. Nix

Jerry W. Nix
Vice Chairman and Chief Financial Officer
February 28, 2007