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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 30, 2001  
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Advance Auto Parts, Inc.  
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(Exact name of registrant as specified in its charter)

Delaware	001-16797	54-2049910
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5673 Airport Road, Roanoke, Virginia

24012

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (540) 362-4911  
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(Former name or former address, if changed since last report.)  
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INFORMATION TO BE INCLUDED IN THE REPORT

Item 2. Acquisition or Disposition of Assets.

On November 28, 2001, Advance Auto Parts, Inc., a Delaware corporation ("Advance Auto Parts"), completed its acquisition of Discount Auto Parts, Inc., a Florida corporation ("Discount"). Pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of August 7, 2001 among Advance Auto Parts, Advance Holding Corporation, a Virginia corporation ("Advance Holding"), AAP Acquisition Corporation, a Florida corporation and a wholly-owned subsidiary of Advance Auto Parts ("Merger Sub"), Advance Stores Company, Incorporated, a Virginia Corporation ("ASCI"), and Discount, Merger Sub merged (the "Merger") with and into Discount, with Discount continuing as the surviving corporation and a wholly-owned subsidiary of Advance Auto Parts, and each issued and outstanding share of Discount common stock was converted into and represented the right to receive 0.2577 of a share of Advance Auto Parts common stock and \$7.50 in cash. Advance Auto Parts will not issue fractional shares in the Merger. Instead, Advance Auto Parts paid or will pay cash in an amount determined by multiplying the fraction of a share of Advance Auto Parts common stock to which a person is entitled by \$29.11.

As a result of the Merger, (a) the former holders of Discount common stock are entitled to receive approximately 4,309,970 shares of common stock of Advance Auto Parts and \$125,435,670 in cash, (b) the former holders of options to purchase Discount common stock with a per share exercise price less than \$15.00 are entitled to receive an aggregate of \$3,043,150 in cash, and (c) the former holders of options to purchase Discount common stock with a per share exercise price equal to or greater than \$15.00 are entitled to receive options

to purchase 574,765 shares of Advance Auto Parts common stock under the Advance Auto Parts 2001 Executive Stock Option Plan. Adjustments for fractional shares and payments in cash in lieu thereof is to be made by Advance Auto Parts upon receipt from holders of Discount common stock of properly executed letters of transmittal.

Concurrently with the consummation of the Merger, Advance Holding merged with and into Advance Auto Parts, with Advance Auto Parts continuing as the surviving corporation, pursuant to an Agreement and Plan of Merger dated as of August 7, 2001 (the "Reincorporation Merger Agreement") between Advance Holding and Advance Auto Parts, and each issued and outstanding share of Advance Holding Class A common stock was automatically converted into the right to receive one share of Advance Auto Parts common stock.

Immediately following the closing of the Merger, Advance Auto Parts contributed 100% of the stock of Discount to ASCI, and Discount became a wholly-owned subsidiary of ASCI.

As a result of the Merger, Advance Auto Parts became a public company and the common stock of Advance Auto Parts became listed for trading on the New York Stock Exchange.

The Merger was funded with (a) the net proceeds of approximately \$185.6 million from the sale by ASCI of its 10-1/4% Senior Subordinated Notes due 2008 (the "Notes"), and (b) \$485 million in term loans, consisting of a \$180 million Tranche A Term Loan facility with a maturity of five years and a \$305 million Tranche B Term Loan facility with a maturity of six years (collectively, the "New Credit Facility"), pursuant to a Credit Agreement dated as of November 28, 2001 among ASCI, JP Morgan Chase Bank ("Chase") and certain financial institutions.

Immediately following the closing of the Merger and the contribution by Advance Auto Parts to ASCI of the Discount common stock, ASCI prepaid the principal and accrued interest outstanding, and where applicable LIBOR break fees or make-whole premiums, under (a) the Credit Agreement dated as of April 15, 1998, as amended and restated as of October 19, 1998, and as amended, among Advance Holding, ASCI, the lenders party thereto and Chase, as administrative agent; (b) the Revolving Credit Agreement dated as of July 29, 1999, as amended, among Discount, SunTrust Bank ("SunTrust") and the other parties thereto; (c) Discount's 7.46% Senior Notes Due July 15, 2007; and (d) Discount's 9.80% Senior Secured Notes Due May 31, 2003.

In addition, immediately following the closing of the Merger and the contribution by Advance Auto Parts to ASCI of the Discount common stock, ASCI paid, on behalf of Discount Auto Parts Distribution Center, Inc. ("DAP Distribution Center"), all amounts payable as the purchase price (the "Synthetic Lease Purchase Price Obligation") pursuant to the election by DAP Distribution Center to acquire the Gallman, Mississippi property which was the subject of a Master Agreement dated as of May 30, 2000 among Discount, DAP Distribution Center, Atlantic Financial Group, Ltd., SunTrust and the other signatories thereto and the Master Lease Agreement dated as of May 30, 2000 among Discount, DAP Distribution Center, Atlantic Financial Group, Ltd., SunTrust and the other signatories thereto, which payment of such purchase price (a) was used to satisfy the indebtedness owing by Atlantic Financial Group, Ltd., Discount and DAP Distribution Center to SunTrust, and (b) was deemed to satisfy the indebtedness owing under the Mississippi Business Finance Corporation Industrial Development Bonds, Series 2000 (Atlantic Financial Group, Ltd. Project). Contemporaneously with the payment of the Synthetic Lease Purchase Price Obligation, title to the Gallman, Mississippi property was conveyed to Discount by Atlantic Financial Group, Ltd.

The consideration payable pursuant to and other terms of the Merger were determined by "arms length" negotiations among the parties to the Merger Agreement.

Discount is one of the Southeast's leading speciality retailers and suppliers of automotive replacement parts, maintenance items and accessories to both do-it-yourself consumers and professional mechanics and service technicians, based on store count. Discount currently operates 671 stores located throughout Florida, Georgia, Mississippi, Alabama, Louisiana and South Carolina. Advance Auto Parts intends to continue the business operations conducted and intended to be conducted by Discount. Advance Auto Parts intends to convert Discount's stores outside Florida to the Advance Auto Parts banner

within the next year. Advance Auto Parts intends to convert Discount's stores in Florida to the Advance Auto Parts banner over the next four years.

A copy of the press release announcing the closing of the Discount acquisition is filed as Exhibit 99.1 to this Form 8-K.

The descriptions of the Merger Agreement and the Reincorporation Merger Agreement set forth herein do not purport to be complete and are qualified in their entirety by the provisions of the Merger Agreement and the Reincorporation Merger Agreement, each which is incorporated by reference as an exhibit hereto.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

Audited Consolidated Financial Statements of Discount as of May 29, 2001 and May 30, 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended May 29, 2001, are incorporated herein by reference to the Annual Report on Form 10-K of Discount for the fiscal year ended May 29, 2001, as filed with the Securities and Exchange Commission.

Unaudited Consolidated Financial Statements of Discount as of August 28, 2001 and the related consolidated statements of income, stockholders' equity and cash flows for the thirteen weeks ended August 28, 2001 and August 29, 2000, are incorporated herein by reference to the Quarterly Report on Form 10-Q of Discount for the quarterly period ended August 28, 2001, as filed with the Securities and Exchange Commission.

(b) Pro Forma Financial Information.

The pro forma financial information required to be filed as part of this report is attached hereto as Exhibit 99.4.

(c) Exhibits.

See Exhibit Index on page following signatures.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ADVANCE AUTO PARTS, INC.

-----  
(Registrant)

Date November 30, 2001

/s/ Jimmie L. Wade

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(Signature)\*

Jimmie L. Wade  
President and Chief Financial Officer

\*Print name and title of the signing officer under his signature.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1(1)	Agreement and Plan of Merger dated as of August 7, 2001 by and among Advance Auto Parts, Inc., Advance Holding Corporation, AAP Acquisition Corporation, Advance Stores Company, Incorporated and Discount Auto Parts, Inc.
2.2(2)	Agreement and Plan of Merger dated as of August 7, 2001 by and

between Advance Auto Parts, Inc. and Advance Holding Corporation

23 Consent of Ernst & Young LLP

99.1 Press release of Advance Auto Parts, Inc. dated November 28, 2001

99.2(3) Audited Consolidated Financial Statements of Discount Auto Parts, Inc. as of May 29, 2001 and May 30, 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended May 29, 2001.

99.3(4) Unaudited Consolidated Financial Statements of Discount Auto Parts, Inc. as of August 28, 2001 and the related consolidated statements of income, stockholders' equity and cash flows for the thirteen weeks ended August 28, 2001 and August 29, 2000.

99.4 Unaudited Pro Forma Financial Data, including (a) the unaudited pro forma consolidated statement of operations data for the twelve months ended October 6, 2001, the fiscal year ended December 30, 2000 and the nine months ended October 6, 2001, and the notes thereto, and (b) the unaudited pro forma balance sheet as of October 6, 2001, and the notes thereto.

(1) Incorporated by reference to Exhibit 2.3 to the Registration Statement on Form S-4 of Advance Auto Parts, Inc. (Registration No. 333-68858) filed with the Securities and Exchange Commission by Advance Auto Parts, Inc. on August 31, 2001.

(2) Incorporated by reference to Exhibit 2.4 to the Registration Statement on Form S-4 of Advance Auto Parts, Inc. (Registration No. 333-68858) filed with the Securities and Exchange Commission by Advance Auto Parts, Inc. on August 31, 2001.

(3) Incorporated by reference to the Annual Report on Form 10-K of Discount Auto Parts, Inc. for the fiscal year ended May 29, 2001 (Commission File No. 1-11276) filed with the Securities and Exchange Commission by Discount Auto Parts, Inc. on August 24, 2001.

(4) Incorporated by reference to the Quarterly Report on Form 10-Q/A of Discount Auto Parts, Inc. for the quarter ended August 28, 2001 (Commission File No. 1-11276) filed with the Securities and Exchange Commission by Discount Auto Parts, Inc. on November 6, 2001.

Consent of Independent Certified Public Accountants

We consent to the incorporation by reference in this Form 8-K of Advance Auto Parts, Inc. of our report dated June 29, 2001, with respect to the consolidated financial statements of Discount Auto Parts, Inc. included in its Annual Report (Form 10-K) for the year ended May 29, 2001, filed with the Securities and Exchange Commission.

Tampa, Florida  
November 30, 2001

/s/ Ernst & Young LLP

[LETTERHEAD OF ADVANCED AUTO PARTS]

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Meredith Pudalov  
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Morgen-Walke Associates  
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ADVANCE AUTO PARTS COMPLETES ACQUISITION OF DISCOUNT AUTO PARTS;  
TO COMMENCE TRADING ON NYSE UNDER TICKER "AAP"  
-- EBITDA synergies of \$30 million expected in year one --

Roanoke, VA. November 28, 2001 -- Advance Auto Parts, Inc. today announced that it has completed its acquisition of Discount Auto Parts, Inc., further strengthening Advance's position as the nation's second largest retailer of auto parts and accessories. With the completion of the transaction, Advance Auto Parts has become a publicly traded company and its common stock will begin trading November 29 on the New York Stock Exchange (NYSE) under the symbol "AAP."

Advance Auto Parts will now operate more than 2,400 stores in 38 states, primarily located in the eastern, mid-western and southeastern regions of the United States and in Puerto Rico and the Virgin Islands. The combined companies generated more than \$3.1 billion in revenues and approximately \$254 million in earnings before interest, taxes, depreciation and amortization (EBITDA) on a pro forma trailing twelve-month basis ended September 8, 2001 for Advance and August 26, 2001 for Discount.

Larry Castellani, Chief Executive Officer of Advance Auto Parts, stated, "Today marks an important milestone for Advance. We are pleased to begin trading on the New York Stock Exchange and welcome all of our new shareholders and team members. The addition of Discount Auto Parts is an important strategic step that creates significant growth opportunities for us in both the "do-it-yourself" (DIY) and "do-it-for-me" (DIFM) segments. With this transaction, we have gained increased critical mass and scale, especially in Florida where we grew from 26 stores to 462 stores. Our stores hold the number one or number two market position in a majority of markets in which we operate. The \$100 billion industry in which we

ADVANCE AUTO PARTS COMPLETES  
ACQUISITION OF DISCOUNT AUTO PARTS

Page 2

compete is growing and continues to enjoy very favorable industry dynamics. We will immediately begin to implement an integration plan that is anticipated to add \$30 million of synergies to EBITDA in the first full year."

Advance Auto Parts today provided additional details on its integration plan. The Company said the approximately \$30 million in synergies would come primarily from purchasing and corporate administrative savings. The Discount Auto Parts stores outside Florida are to be converted to the Advance Auto Parts banner within the next year. For the Discount stores in Florida, the initial focus will be on aligning their products with Advance's inventory assortment and converting information systems. The physical store conversion of Florida stores will occur over the next four years.

Mr. Castellani continued, "Our integration plan is focused on both the top and bottom lines. We see opportunities to enhance the performance of the existing Discount stores in terms of sales per store, comp-store sales and commercial sales. Our new team members will be supported with extensive training and in-store information systems to allow them to deliver enhanced customer service and increase the customer count. We will also focus on reducing costs and increasing the optimization of our distribution system. We have in place an

integration team with significant experience, including managing the successful store conversions following the Western Auto acquisition in 1998 and the Carport Auto Parts transaction in 2001."

Advance Auto Parts also reaffirmed its financial outlook for fiscal 2002. The Company said that, based on currently available information, it expects to generate sales in the range of \$3.1 billion to \$3.3 billion, EBITDA of \$310 million to \$325 million, and diluted earnings per share of \$1.70 to \$1.95. This includes \$30 million of synergies but excludes certain one-time cash conversion expenses of approximately \$50 million to \$60 million of which approximately \$40 million will be incurred in 2002.

Mr. Castellani concluded, "As we look ahead, we will continue to focus on executing the operating strategy that has enabled Advance to become an industry leader. That formula is superior customer service, competitive prices, a broad product selection, a state-of-the-art distribution system, long-term relationships with quality suppliers, targeted marketing and advertising and innovative merchandising."

Advance Auto Parts, Inc. is based in Roanoke, Va., and is the second largest auto parts chain in the nation. Additional information about the company, employment opportunities, services, as well as on-line purchase of parts and accessories can be found on the company web site at [www.advanceautoparts.com](http://www.advanceautoparts.com).

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-2-

ADVANCE AUTO PARTS COMPLETES  
ACQUISITION OF DISCOUNT AUTO PARTS

Page 3

Certain statements contained in this news release are forward-looking statements. These statements discuss, among other things, expected growth, store development and expansion strategy, business strategies, future revenues and future performance. The forward-looking statements are subject to risks, uncertainties and assumptions including, but not limited to, competitive pressures, demand for the Company's products, the market for auto parts, the economy in general, inflation, consumer debt levels, the weather, terrorist activities, war and other risk factors listed from time to time in the Company's filings with the Securities and Exchange Commission. Actual results may materially differ from anticipated results described in these forward-looking statements.

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-3-

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following pro forma consolidated financial data has been prepared by the management of Advance Auto Parts, Inc. ("Advance Auto Parts") by applying pro forma adjustments to the historical consolidated financial statements of Advance Holding Corporation ("Advance Holding") and Discount Auto Parts, Inc. ("Discount") and the related notes thereto. The pro forma adjustments, which are based upon available information and upon certain assumptions that Advance Auto Parts' management believes are reasonable, are described in the accompanying notes. The unaudited pro forma balance sheet as of October 6, 2001 was prepared as if the merger with Discount and related financing had occurred on such date. The unaudited pro forma consolidated statements of operations combine the Advance Holding consolidated statements of operations for the fiscal year ended December 30, 2000 (comprising fifty-two weeks), for the twelve months ended October 6, 2001 (comprising fifty-two weeks) and for the nine month period ended October 6, 2001 (comprising forty weeks) with the Discount unaudited consolidated income statements for the twelve-month period ended November 28, 2000 (comprising fifty-two weeks), for the twelve-month period ended August 28, 2001 (comprising fifty-two weeks) and for the nine month period ended August 28, 2001 (comprising thirty-nine weeks), respectively, to reflect the merger and the related financing as if such transactions had been consummated and were effective as of January 2, 2000. Advance Auto Parts' fiscal year ends on the Saturday closest to December 31 of each year, while Discount's fiscal year ends on the Tuesday closest to May 31 of each year. Accordingly, for purposes of the pro forma consolidated statements of operations, comparable annual and nine month period results for the respective companies have been combined in order to provide comparable results for the periods presented.

The merger has been accounted for under the purchase method of accounting. The unaudited pro forma consolidated balance sheet as of October 6, 2001 reflects a pro forma allocation of purchase price for the merger to the tangible and intangible assets and liabilities acquired. The final allocation of such purchase price, and the resulting depreciation and amortization expense, will differ from the estimates contained herein due to the final allocation being based on (a) the actual amounts of assets and liabilities on the closing date, (b) final purchase price adjustments, including reserves that may be recognized for possible exit costs, and (c) the final determination of values of property and equipment and intangible and other assets. The actual allocation of the purchase price, and the resulting effect on income from operations may differ significantly from the pro forma amounts included herein.

The financial effects to Advance Auto Parts of the merger as presented in the pro forma consolidated financial data are not necessarily indicative of Advance Auto Parts' consolidated financial position or results of operations which would have been obtained had the merger actually occurred on the dates described above, nor are they necessarily indicative of the results of future operations. The pro forma consolidated financial data should be read in conjunction with the notes hereto, which are an integral part hereof, the consolidated historical financial statements of Advance Holding and Discount and the notes thereto.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS  
(amounts in thousands, except per share data)

	Twelve Months Ended October 6, 2001			
	Advance Holding Historical	Discount Historical	Adjustments	Total Pro Forma
Net Sales	\$ 2,436,282	\$ 668,024	\$ 0	\$ 3,104,306
Cost of Sales	1,455,455	405,238	0	1,860,693
Gross Profit	980,827	262,786	0	1,243,613
Selling, general and administrative expenses	864,078	220,276	(4,420) (2)	1,079,934
Income from operations	116,749	42,510	4,420	163,679
Total interest expense	(60,051)	(19,369)	(16,557) (1)	(95,977)
Other expenses, net	832	6,972	0	7,804
Income before provision for taxes	57,530	30,113	(12,137)	75,506
Provision for income taxes	(22,927)	(10,823)	4,855 (3)	(28,895)

Net income from continuing operations	\$ 34,603	\$ 19,290	(\$7,282)	\$ 46,611
Earnings per share from continuing operations				
Basic	\$ 1.22	\$ 1.15		\$ 1.43
Diluted	1.20	1.15		1.41
Weighted average common shares outstanding				
Basic	28,294	16,704		32,594
Diluted	28,773	16,746		33,073

See Notes to Unaudited Pro Forma Consolidated Statements of Operations

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS  
(amounts in thousands, except per share data)

Fiscal Year Ended December 30, 2000

	Advance Holding Historical	Discount Historical	Adjustments	Total Pro Forma
Net Sales	\$2,288,022	\$ 640,014	\$ 0	\$2,928,036
Cost of Sales	1,392,127	388,225	0	1,780,352
Gross Profit	895,895	251,789	0	1,147,684
Selling, general and administrative expenses	803,106	202,401	(4,499) (2)	1,001,008
Income from operations	92,789	49,388	4,499	146,676
Total interest expense	(66,640)	(21,812)	(6,517) (1)	(94,969)
Other expenses, net	1,012	2,079	0	3,091
Income before provision for taxes	27,161	29,655	(2,018)	54,798
Provision for income taxes	(10,535)	(10,882)	808 (3)	(20,609)
Net income from continuing operations	\$ 16,626	\$ 18,773	(\$1,210)	\$ 34,189
Earnings per share from continuing operations				
Basic	\$ 0.59	\$ 1.12		\$ 1.05
Diluted	0.58	1.12		1.04
Weighted average common shares outstanding				
Basic	28,290	16,698		32,596
Diluted	28,611	16,698		32,911

See Notes to Unaudited Pro Forma Consolidated Statements of Operations

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS  
(amounts in thousands, except per share data)

Nine Months Ended October 6, 2001

	Advance Holding Historical	Discount Historical	Adjustments	Total Pro Forma
Net Sales	\$1,935,630	\$507,074	\$ 0	\$2,442,704
Cost of Sales	1,151,287	307,652	0	1,458,939

Gross Profit	784,343	199,422	0	983,765
Selling, general and administrative expenses	678,839	166,399	(3,368) (2)	841,870
Income from operations	105,504	33,023	3,368	141,895
Total interest expense	(45,195)	(13,411)	(15,650) (1)	(74,256)
Other expense, net	879	6,937	0	7,816
Income before provision for taxes	61,188	26,549	(12,282)	75,455
Provision for income taxes	(24,279)	(9,540)	4,913 (3)	(28,906)
Net income from continuing operations	\$ 36,909	\$ 17,009	(\$7,369)	\$ 46,549
Earnings per share from continuing operations				
Basic	\$ 1.30	\$ 1.02		\$ 1.43
Diluted	1.28	1.01		1.41
Weighted average common shares outstanding				
Basic	28,295	16,705		32,595
Diluted	28,827	16,761		33,127

See Notes to Unaudited Pro Forma Consolidated Statements Operations

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS  
(amounts in thousands)

	Twelve Months Ended October 6, 2001	Fiscal Year Ended December 30, 2000	Nine Months Ended October 6, 2001
(1) Reflects the following:			
Reduction in depreciation as a result of pro forma purchase price allocation based on an average useful lives of 14 years (a).....	\$ (3,963)	\$ (3,963)	\$ (3,048)
Less: Amortization of debt issuance costs and goodwill included in selling, general and administrative expenses in historical statement of operations of Discount .....	(618)	(536)	(481)
Elimination of amortization of deferred gain on sale leaseback .....	161	--	161
Net decrease in selling, general and administrative expenses .....	\$ (4,420)	\$ (4,499)	\$ (3,368)
(2) Gives effect to the increase in estimated interest expense from the use of borrowings to finance the merger (b):			
Commitment fees on unused borrowings related to the revolving credit facility .....	\$ (710)	\$ (710)	\$ (382)
Interest related to the tranche A term loan facility .....	(11,700)	(11,700)	(9,000)
Interest related to the tranche B term loan facility .....	(21,350)	(21,350)	(16,423)
Interest related to the new senior subordinated notes .....	(20,500)	(20,500)	(15,769)
Amortization of original issuance discount related to the new senior subordinated notes amortized over 6 years .....	(1,540)	(1,540)	(1,185)
Amortization of debt issuance costs related to the new credit facility			

and the new senior subordinated notes amortized over 6 years .....	(3,725)	(3,725)	(2,865)
Less: Interest expense and amortization of debt issuance costs in historical statement of operations related to debt extinguished in connection with the merger .....	42,968	53,008	29,974
Net increase in interest expense .....	<u>\$ (16,557)</u>	<u>\$ (6,517)</u>	<u>\$ (15,650)</u>

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS  
(amounts in thousands)

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- (a) Advance Auto Parts has not yet completed valuations of the fair values of Discount's tangible and intangible assets. Advance Auto Parts believes that Discount has intangible assets related to trade names, trade dress, customer contracts and related customer relationships that may ultimately be assigned fair market value in the final purchase price allocation, however, the amounts to be assigned to these intangible assets cannot be estimated currently. Accordingly, the net decrease to book value of property and equipment and intangible assets that results from the purchase price allocation has been allocated in its entirety to property and equipment for purposes of this pro forma presentation and depreciated based on an assumed average useful life of 14 years. The allocation of the net decrease to book value of property and equipment and intangible assets may differ significantly from the pro forma allocation and, as a result, the final related reduction in depreciation expense and increase to amortization expense for intangible assets may differ significantly from the pro forma presentation.
- (b) Reflects pro forma interest expenses calculated assuming (i) a LIBOR rate of 3.0% plus a spread of 3.5% and 4.0% for the Tranche A Term Loan and Tranche B Term Loan portions of the new credit facility of Advance Stores Company, Incorporated ("ASCI"), respectively, (ii) a yield to maturity of 11.875% on the senior subordinated notes, which includes a cash interest component based on a coupon rate of 10 1/4%, and (iii) commitment fees on unused borrowings on the new credit facility using a rate of 0.5% per annum. The interest rates on the new credit facility are variable. A change in the rates of 1/8 of 1% on these borrowings would change the pro forma interest expense for the fiscal year ended December 30, 2000 and the Twelve Months Ended October 6, 2001 by \$606 and for the Nine Months Ended October 6, 2001 by \$466.
- (3) Estimated tax effects of the pro forma adjustments at a statutory rate of approximately 40%.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET  
(amounts in thousands)

	Advance Holding Historical October 6, 2001	Discount Historical August 28, 2001	Total Adjustments	Total Pro Forma
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 11,918	\$ 6,372	\$ (4,768) (1)	\$ 13,922
Receivables, net	89,632	-	-	89,632
Inventories	805,392	243,053	(20,049) (2)	1,028,396
Other current assets	18,462	18,734	17,903 (10)	55,099
Total Current Assets	925,404	268,159	3,047	1,196,610
Property and equipment, net	406,531	384,463	(22,168) (3)	768,826
Assets held for sales	22,388	-	-	22,388
Other assets, net	21,069	4,431	11,187 (4)	36,687
Total Assets	<u>\$ 1,375,392</u>	<u>\$ 657,053</u>	<u>\$ (17,495)</u>	<u>\$ 2,014,950</u>

Liabilities and Stockholders' Equity

Current Liabilities:

Bank overdrafts	\$ 10,546	\$ -	\$ -	\$ 10,546
Current portion of long-term debt	-	1,200	(1,200) (5)	-
Accounts payable	403,668	75,609	-	479,277
Accrued expenses	142,310	23,092	9,900 (6)	175,302
Other current liabilities	50,802	2,013	(1,342) (9)	51,473
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Total Current Liabilities	607,326	101,914	7,358	716,598
Long term debt	532,382	209,608	200,693 (5)	942,683
Other long-term liabilities	39,311	19,207	6,937 (7)	65,455
Stockholders' equity	196,373	326,324	(232,483) (8)	290,214
	-----	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$ 1,375,392	\$ 657,053	\$ (17,495)	\$ 2,014,950
	=====	=====	=====	=====

See Notes to the Unaudited Pro Forma Consolidated Balance Sheet

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

(amounts in thousand, except per share data)

The Unaudited Pro Forma Consolidated Balance Sheet reflects the merger as if it occurred as of October 6, 2001 (actual amounts may differ significantly from the pro forma amounts estimated below).

(1) Reflects increases and decreases in cash resulting from the pro forma adjustments:

Cash increases:

Proceeds from the issuance of the following: (See note (5) below)

Revolving credit facility .....	\$ -
Tranche A term loan facility .....	180,000
Tranche B term loan facility .....	305,000
New senior subordinated notes .....	185,600
	-----
Total cash inflows .....	670,600
	-----

Cash decreases:

Cash portion of purchase price for acquisition (a) .....	(128,479)
Repayment of Discount's existing long-term debt (b) .....	(217,108)
Repayment of ASCI senior debt under existing deferred term loan, delayed draw, revolving credit and Tranche B facilities (See note (5) below) .....	(260,299)
Purchase of Discount's Gallman distribution facility from the lessor .....	(34,082)
Estimated debt issuance costs (See note (4) below) .....	(22,350)
Estimated stock issuance costs (See note (8) below) .....	(6,325)
Estimated acquisition related costs (See note (2) below) .....	(6,325)
	-----
Total cash outflows .....	(674,968)
	-----

Net impact on cash .....	\$ (4,368)
	=====

(a) Amount includes \$125,436 to purchase approximately 16,724,756 shares of Discount's common stock at \$7.50 per share and \$3,043 to purchase outstanding in the money options to acquire Discount common stock.

(b) Amount includes \$210,808 to retire long-term debt outstanding and \$6,300 in debt prepayment penalties.

(2) The merger will be accounted for as a purchase in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The purchase price is being allocated first to the tangible assets and liabilities of Discount based upon preliminary estimates of their fair market values, assuming the merger had occurred on October 6, 2001, with the excess of the estimated

fair market value of the net assets acquired over the purchase price allocated on a pro rata basis to reduce property and equipment and intangible assets for pro forma purposes, as follows:

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

(amounts in thousand, except per share data)

Components of purchase price:	
Cash to Discount shareholders (see note (1) above) .....	\$128,479
Advance Auto Parts common stock to Discount shareholders (4,309,970 shares valued at \$24.60 per share) (a) .....	106,025
Prepayment penalties associated with the extinguishment of Discount's existing long-term debt (see note (1) above) .....	6,300
Accrual for Advance Auto Parts' obligation to purchase continuing insurance coverage for Discount's directors and officers for pre-merger time periods as required by the merger agreement (see note (6) below) .....	700
Fair value of outstanding options to purchase 1,115,182 shares of Discount common stock that will be converted to options to purchase 574,765 shares of Advance Auto Parts common stock, valued at \$1.92	
per option (b) .....	1,104
Estimated acquisition related costs .....	6,325
	-----
Total purchase price .....	248,933

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- (a) Assumes a \$13.84 per share value for Discount common stock (inclusive of \$7.50 in cash) based on the historical trading value of Discount's common stock on and around the announcement date of the merger.
- (b) The fair value of the options to purchase shares of Advance Auto Parts common stock was determined using the Black-Scholes option-pricing model with the following assumptions: (i) risk-free interest rate of 3.92%; (ii) an expected life of two years; (iii) a volatility factor of .40; (iv) a fair value of Advance Auto Parts common stock of \$24.60; and (v) expected dividend yield of zero.

Derivation of book value:

Historical book value of Discount's net assets .....	(326,324)
Adjustments to recognize (assets) liabilities in purchase accounting:	
Reserve for severance payments related to change in control agreements .....	13,500
Purchase accounting adjustment to conform Discount's accrual for self-insured liabilities, based on an estimated case-by-case basis and amounts incurred but not reported to Advance Auto Parts' policy of utilizing actuarially developed accruals for such liabilities (See note (6) below) .....	1,000
Purchase accounting adjustment to increase Discount's warranty accrual on pre-acquisition sales of certain Discount merchandise to conform with Advance Auto Parts' merchandise return policies (See note (6) below) .....	3,000
Purchase accounting adjustment to accrue for the settlement of certain consulting agreements as required by the merger agreement (See note (6) below) .....	1,500
Deferred tax impact of pro forma adjustments (See note (9) below) .....	(16,608)
Adjustments to reflect fair market value of net assets acquired:	
Elimination of net book value of goodwill and deferred financing costs acquired (See note (4) below) .....	4,200
Elimination of deferred gain related to a sale-leaseback transaction previously consummated by Discount (See note (7) below) .....	(5,900)

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

(amounts in thousand, except per share data)

Decrease in book value of receivables to the amount required given Advance Auto Parts historical acquisition receivables collection experience (\$400) and inventory (\$20,049) arising primarily due to Advance Auto Parts management's plans for disposal at sales prices less than book value.....	20,449
	-----
Net decrease to book value of property and equipment and intangible assets .....	\$ (56,250)
	=====

The foregoing pro forma purchase price allocation is based on available information and certain assumptions that Advance Auto Parts believes are reasonable. Advance Auto Parts is currently evaluating certain exit costs that may be incurred in connection with the merger and may establish additional reserves, not reflected in the accompanying pro forma consolidated financial data, at the closing of the merger based on the results of its evaluation. Any reserves established will result in a pro rata increase in property and equipment, resulting in additional provisions for depreciation expense. The final purchase price allocation will be based on the outcome of the matter referred to above, final determination of the fair values of the tangible and intangible assets acquired at the date of the merger as determined by appraisal or other methods, and actual amounts of assets and liabilities on the closing date. The final purchase price allocation may differ significantly from the pro forma allocation.

(3) Reflects the following:

Purchase of Discount's Gallman distribution facility from the lessor (See note (1) above) .....	\$ 34,082
Purchase accounting adjustment (See note (2) above) (a) .....	(56,250)
	-----
	\$ (22,168)
	=====

(a) Advance Auto Parts has not yet completed valuations of the fair values of Discount's tangible and intangible assets. Advance Auto Parts believes that Discount has intangible assets related to trade names, trade dress, customer contracts and related customer relationships that may ultimately be assigned fair market values in the final purchase price allocation, however, the amounts to be assigned to these intangible assets cannot be estimated currently. Accordingly, the net decrease to book value of property and equipment and intangible assets determined in (1) above has been allocated in its entirety to property and equipment for purposes of this pro forma presentation. The final allocation of the net decrease to book value of property and equipment and intangible assets may differ significantly from the pro forma allocation.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET  
(amounts in thousand, except per share data)

(4) Reflects the following (a):

Purchase accounting adjustment (See note (2) above) .....	\$ (4,200)
Estimated deferred debt issuance costs (See note (1) above) ....	22,350
Elimination of deferred debt issuance costs related to ASCI's debt that was refinanced (See note (8) below) .....	(6,963)
	-----
	\$ 11,187
	=====

(a) See note (a) to note (3) above.

(5) Reflects the following:

Proceeds from the issuance of long-term debt under the New Credit Facility and the New Senior Subordinated Notes (See note (1) above) .....	\$ 670,600
Repayment of Discount's existing debt:	
Current portion of long-term debt .....	(1,200)
Long-term debt .....	(209,608)
Repayment of ASCI's senior debt under existing deferred term	

loan, delayed draw, revolving credit and Tranche B facilities (See note (i) above) .....	(260,299)
Subtotal .....	\$ 199,493
Current portion of Discount's long-term debt repaid .....	1,200
	\$ 200,693
	=====

(6) Reflects the following:

Current portion of the purchase accounting adjustment to accrue for severance payments related to change in control agreements (See note (2) above) .....	\$ 3,700
Purchase accounting adjustment to conform Discount's accrual for self-insured liabilities, based on an estimated case-by-case basis and amounts incurred but not reported to Advance Auto Parts' policy of utilizing actuarially developed accruals for such liabilities (See note (2) above) .....	1,000
Purchase accounting adjustment to increase Discount's warranty accrual to reflect Advance Auto Parts' expanded return policy on pre-acquisition sales of certain Discount merchandise (See note (2) above) .....	3,000
Purchase accounting adjustment to accrue for the settlement of certain consulting agreements as required by the merger agreement (See note (2) above) .....	1,500
Accrual for Advance Auto Parts' obligation to purchase continuing insurance coverage for Discount's directors and officers (see note (2) above) .....	700
	\$ 9,900
	=====

(7) Reflects the following:

Long-term portion of the purchase accounting adjustment to reserve for severance payments related to change in control agreements (See note (2) above) .....	\$ 9,800
Deferred tax impact of pro forma adjustments (See note (9) below) .....	3,037
Elimination of deferred gain related to a sale-leaseback transaction previously consummated by Discount (See note (2) above) .....	(5,900)

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET  
(amounts in thousand, except per share data)

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\$ 6,937  
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(8) Reflects the following:

Issuance of 4,309,970 shares of Advance Auto Parts common stock valued at \$24.60 per share to Discount shareholders (See note (2) above) .....	\$ 106,025
Estimated stock issuance costs (See note (1) above) .....	(6,325)
Fair value of outstanding options to purchase 1,115,182 shares of Discount common stock that will be converted to options to purchase 574,765 shares of Advance Auto Parts common stock, valued at \$1.92 per option (See note (2) above) .....	1,104
Elimination of historical Discount stockholders' equity (See note (2) above) .....	(326,324)
Elimination of deferred debt issuance costs related to ASCI's debt that was refinanced (See note (4) above) .....	(6,963)
	\$ (232,483)
	=====

(9) Advance Auto Parts anticipates that the merger will be accounted for as a

tax-free transaction resulting in the tax bases of assets and liabilities being carried over from Discount. Components of the net pro forma change in deferred taxes related to changes in amounts allocated to assets and liabilities for financial reporting purposes and other purchase accounting adjustments:

Current deferred tax asset .....	\$ 18,303
Reclassification of current deferred tax liability to current deferred tax asset .....	1,342
Noncurrent deferred tax liability .....	(3,037)
	-----
	\$ 16,608
	=====

(10) Reflects the following:

Current deferred tax impact of pro forma adjustments (See note (9) above) .....	\$ 18,303
Decrease in book value of receivables to the amount required given Advance's historical acquisition receivables collection experience (see note (2) above) .....	(400)
	-----
	\$ 17,903
	=====