

AUTONATION INC /FL
Form DEF 14A
April 28, 2006

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**SCHEDULE 14A
(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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| <input type="checkbox"/> o Preliminary Proxy Statement | <input type="checkbox"/> o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> x Definitive Proxy Statement | |
| <input type="checkbox"/> o Definitive Additional Materials | |
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AutoNation, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
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April 27, 2006

Dear AutoNation Stockholder:

We are pleased to invite you to attend the 2006 Annual Meeting of Stockholders of AutoNation, Inc. to be held at 9:00 a.m. Eastern Time on Thursday, June 1, 2006, at the AutoNation Tower, located at 110 S.E. 6th Street, Fort Lauderdale, Florida 33301.

The accompanying Notice of Annual Meeting and Proxy Statement describe the specific matters to be acted upon at the Annual Meeting. We also will report on our progress and provide an opportunity for you to ask questions of general interest.

Whether you own a few or many shares of AutoNation stock and whether or not you plan to attend the Annual Meeting in person, it is important that your shares be represented at the Annual Meeting. **We ask that you please cast your vote as soon as possible.** The Board of Directors recommends that stockholders vote (i) FOR the election of nominees for director and ratification of the appointment of KPMG LLP as our independent auditor and (ii) AGAINST the stockholder proposal, each as described in the accompanying Proxy Statement.

We look forward to seeing you on June 1, 2006 in Fort Lauderdale. Thank you.

Sincerely,

Mike Jackson
*Chairman of the Board and
Chief Executive Officer*

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**AutoNation, Inc.
AutoNation Tower
110 S.E. Sixth Street
Fort Lauderdale, Florida 33301**

NOTICE OF THE 2006 ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF AUTONATION, INC.:

The 2006 Annual Meeting of Stockholders of AutoNation, Inc. will be held at the AutoNation Tower, located at 110 S.E. 6th Street, Fort Lauderdale, Florida 33301 on Thursday, June 1, 2006 at 9:00 a.m. Eastern Time. At the Annual Meeting, we will consider and vote upon the following matters:

- (1) The election of seven directors, each for a term expiring at the next Annual Meeting or until their successors are duly elected and qualified;
- (2) The ratification of the appointment of KPMG LLP as our independent auditor for 2006;
- (3) The consideration of a stockholder proposal on cumulative voting for the election of directors, if properly presented at the Annual Meeting; and
- (4) Any other business that is properly presented at the Annual Meeting or any adjournments or postponements of the Annual Meeting.

Only stockholders of record as of 5:00 p.m. Eastern Time on April 26, 2006, the record date, are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting or any adjournments or postponements of the Annual Meeting.

We cordially invite you to attend the Annual Meeting in person. **Even if you plan to attend the Annual Meeting, we ask that you please cast your vote as soon as possible.** You may revoke your proxy and reclaim your right to vote at any time prior to its use.

Either an admission ticket or proof of ownership of AutoNation stock, as well as a form of personal photo identification, must be presented in order to be admitted to the Annual Meeting. If you are a stockholder of record, your admission ticket is attached to your proxy card. If your shares are held in the name of a bank, broker or other holder of record, you must bring a brokerage statement or other proof of ownership with you to the Annual Meeting, or you may request an admission ticket in advance. Please see the response to the question **Do I need a ticket to attend the Annual Meeting?** for further details.

By Order of the Board of Directors,

Jonathan P. Ferrando
*Executive Vice President,
General Counsel and Secretary*

April 27, 2006

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**PLEASE DATE AND SIGN THE ENCLOSED PROXY AND RETURN
IT TO US PROMPTLY IN THE ENCLOSED ENVELOPE.**

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AutoNation, Inc.
AutoNation Tower
110 S.E. Sixth Street
Fort Lauderdale, Florida 33301

PROXY STATEMENT

This Proxy Statement contains information relating to the solicitation of proxies by the Board of Directors of AutoNation, Inc., for use at our 2006 Annual Meeting of Stockholders. Our Annual Meeting will be held at the AutoNation Tower, located at 110 S.E. 6th Street, Fort Lauderdale, Florida 33301 on Thursday, June 1, 2006 at 9:00 a.m. Eastern Time.

This Proxy Statement, the Notice of the 2006 Annual Meeting, the proxy card and our 2005 Annual Report to Stockholders were first mailed to stockholders on or about May 1, 2006.

Questions and Answers About Our Annual Meeting

What is the purpose of our Annual Meeting?

The purpose of our Annual Meeting is to:

elect seven directors, each for a term expiring at the next Annual Meeting or until their successors are duly elected and qualified;

ratify the appointment of our independent auditor for 2006;

consider a stockholder proposal on cumulative voting for the election of directors, if properly presented at the Annual Meeting; and

consider any other matters properly presented at the Annual Meeting.

In addition, senior management will report on our business and financial performance and respond to your questions.

Do I need a ticket to attend the Annual Meeting?

Yes. You will need an admission ticket or proof of ownership of AutoNation stock as of April 26, 2006 to enter the Annual Meeting. If you are a registered stockholder and hold your shares directly in your own name, an admission ticket is attached to your proxy card. If you plan to attend the Annual Meeting, please vote your proxy, but keep your admission ticket and bring it with you to the Annual Meeting. If your shares are held in the name of a brokerage firm, bank or other holder of record and you plan to attend the Annual Meeting, you must present proof of your ownership of AutoNation stock as of April 26, 2006, such as a bank or brokerage account statement, to be admitted to the Annual Meeting. Stockholders also must present a form of personal photo identification in order to be admitted to the Annual Meeting.

Who is entitled to vote at the Annual Meeting?

Only our stockholders as of 5:00 p.m. Eastern Time on April 26, 2006, the record date, are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting, or any postponements or adjournments of the Annual Meeting.

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What are the voting rights of AutoNation stockholders?

Each stockholder is entitled to one vote on each matter properly presented at the Annual Meeting for each share of common stock owned by that stockholder on the record date. Therefore, if you owned 100 shares of common stock as of 5:00 p.m. Eastern Time on April 26, 2006, you can cast 100 votes for each matter properly presented at the Annual Meeting. As of 5:00 p.m. Eastern Time on April 26, 2006, there were 214,945,830 shares of AutoNation common stock issued and outstanding and entitled to vote at the Annual Meeting.

What constitutes a quorum?

In order for us to conduct business at our Annual Meeting, we must have a quorum of at least 107,472,916 shares of common stock represented at the Annual Meeting, in person or by proxy, and entitled to vote. If you submit a properly executed proxy or vote instruction card or properly cast your vote by telephone or via the Internet, your shares will be considered part of the quorum, even if you abstain from voting or withhold authority to vote as to a particular proposal. We also will consider as present for purposes of determining whether a quorum exists any shares represented by broker non-votes as to a particular proposal.

What are broker non-votes ?

Broker non-votes occur when shares held by a brokerage firm are not voted with respect to a proposal because the firm has not received voting instructions from the stockholder and the firm does not have the authority to vote the shares at its discretion. Under the rules of The New York Stock Exchange (NYSE), brokerage firms may have the authority to vote their customers' shares on certain routine matters for which they do not receive voting instructions, such as the election of our Board's nominees for director and the ratification of the appointment of KPMG LLP as our independent auditor. However, if other matters are properly brought before the Annual Meeting and they are not considered routine under the applicable NYSE rules, such as our stockholder proposal on cumulative voting for director elections, shares held by brokerage firms will not be voted on such non-routine matters by the brokerage firms unless they have received voting instructions and, accordingly, any such shares will be broker non-votes and will not be counted with respect to such matters.

Will my shares be voted if I do not provide my proxy?

If your shares are held in the name of a brokerage firm, they may be voted by the brokerage firm in certain circumstances (as described above) even if you do not give the brokerage firm specific voting instructions. If you are a registered stockholder and hold your shares directly in your own name, your shares will not be voted unless you provide a proxy or fill out a written ballot in person at the Annual Meeting. If you hold shares through the AutoNation 401(k) Plan, your shares may be voted as described below even if you do not provide voting instructions.

How do I vote my 401(k) shares?

If you participate in the AutoNation 401(k) Plan, you may vote the number of shares credited to your account as of 5:00 p.m. Eastern Time on April 26, 2006, by instructing our plan trustee, Merrill Lynch & Co., how to vote your shares pursuant to the instruction card being mailed with this Proxy Statement to plan participants. If you do not provide clear voting instructions, Merrill Lynch will vote the shares in your account in the same proportion that it votes shares for which it received valid and timely instructions.

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How do I vote?

You can vote in any of the following ways. Please check your proxy card or contact your broker to determine whether you will be able to vote by telephone or via the Internet.

To vote by mail:

Mark, sign and date your proxy card or vote instruction card; and

Return it in the enclosed envelope.

To vote using the Internet:

Have your proxy card or vote instruction card in hand;

Log on to the Internet and visit the website address provided on your proxy card or your vote instruction card; and

Follow the instructions provided.

To vote by telephone:

Have your proxy card or vote instruction card in hand;

Call the toll-free number listed on your proxy card if you are a registered stockholder (that is, your shares are held on the company's books in your name or by you in certificate form), or call the number listed on your vote instruction card if your shares are held in street name (that is, in the name of your bank or broker); and

Follow the recorded instructions.

To vote in person if you are a registered stockholder:

Attend our Annual Meeting;

Bring valid photo identification; and

Deliver your completed proxy card or ballot in person.

To vote in person if you hold in street name:

Attend our Annual Meeting;

Bring valid photo identification; and

Obtain a legal proxy from your bank or broker to vote the shares that are held for your benefit, attach it to your completed proxy card and deliver it in person.

Can I change my vote after I have voted?

Yes. If you voted by proxy card, vote instruction card or telephone or via the Internet, you can change your vote at any time before the proxy is exercised. To change your vote:

Submit a later dated and signed proxy by mail;

Recast your vote by telephone or via the Internet;

Attend our Annual Meeting and vote your shares in person in accordance with the procedures set forth in the answer to *How do I vote?* above. The powers of the proxy holders will be suspended if you attend the Annual Meeting in person and so request, although attendance at the Annual Meeting will not by itself revoke a previously granted proxy; or

Submit a written notice of revocation to our Secretary.

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What vote is required to elect directors or take other action at the Annual Meeting?

In order to be approved, any proposal that comes before the Annual Meeting must receive the affirmative vote of a majority of the shares present and entitled to vote at the Annual Meeting with respect to such proposal. If you mark your proxy or vote instruction card *withhold* with respect to any director or *abstain* with respect to any other proposal, you will effectively be voting against the election of such director or the approval of such proposal. If your shares are not voted by your brokerage firm or nominee with respect to a particular proposal, or if you direct your proxy holder not to vote all or a portion of your shares with respect to a particular proposal, such shares will not be considered to be present at the Annual Meeting for purposes of considering such proposal and will not be counted.

How does the Board recommend I vote on the proposals?

The Board recommends that you vote:

FOR each of the nominees for director set forth on page 6;

FOR the ratification of the appointment of our independent auditor set forth on page 16; and

AGAINST the stockholder proposal on cumulative voting for the election of directors set forth on page 29.

How will my proxy holders vote?

The enclosed proxy card designates Mike Jackson, our Chairman of the Board and Chief Executive Officer, and Jonathan P. Ferrando, our Executive Vice President, General Counsel and Secretary, or their duly named successors, to hold your proxy and vote your shares. With respect to the election of directors, Messrs. Jackson and Ferrando will vote in accordance with the instructions set forth on your duly executed proxy or vote instruction card or as directed by you over the telephone or via the Internet. If you sign and return your proxy card but do not provide instructions or if your instructions are unclear, Messrs. Jackson and Ferrando intend to vote FOR each of the nominees for director, FOR the ratification of the appointment of our independent auditor and AGAINST the stockholder proposal on cumulative voting for the election of directors.

With respect to any other proposal that properly comes before the Annual Meeting, Messrs. Jackson and Ferrando will vote as recommended by our Board of Directors or, if no recommendation is given, in their own discretion.

How much did this proxy solicitation cost?

We engaged Innisfree M&A Incorporated to assist with the solicitation of proxies for a fee not to exceed \$11,000, plus reimbursement for out-of-pocket expenses. In addition to soliciting proxies by mail, certain of our employees also may solicit proxies personally, by telephone or otherwise, but such persons will not receive any special compensation for such services. As is customary, we will reimburse brokerage firms, banks, fiduciaries, voting trustees and other nominees for forwarding the soliciting material to each beneficial owner of stock held of record by them. We will pay the entire cost of the solicitation.

Can I receive materials relating to future AutoNation Annual Meetings via the Internet?

Yes. In an effort to reduce our proxy solicitation costs, you may receive future Annual Meeting materials via the Internet. We encourage you to help us reduce our costs by electing to receive our Annual Meeting materials via the Internet. If you are a registered stockholder, log on to <http://www.computershare.com/us/sc/auin> in order to register to receive our Annual Meeting materials via the Internet. If you hold AutoNation stock through a brokerage firm, bank or other nominee, you may be able to register to receive future Annual Meeting materials

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via the Internet by voting online and following the instructions provided. Alternatively, you should call your broker for instructions on how to receive our future Annual Meeting materials via the Internet.

If you elect to receive our future Annual Meeting materials via the Internet, you will receive a proxy card in the mail or, if you choose, an e-mail notification alerting you when our Annual Meeting materials are available online. Our future proxy statements and annual reports will be available online on the same day as such materials are filed with the Securities and Exchange Commission. You may revoke at any time your election to receive our future Annual Meeting materials via the Internet.

This Proxy Statement and our 2005 Annual Report to Stockholders also are available on AutoNation's corporate website, which you can visit by logging on to <http://corp.autonation.com/investors/>.

Can different stockholders sharing the same address receive only one Annual Report and Proxy Statement?

Yes. The Securities and Exchange Commission permits companies and intermediaries, such as a brokerage firm or a bank, to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more security holders sharing the same address by delivering only one proxy statement and annual report to that address. This process, which is commonly referred to as householding, can effectively reduce our printing and postage costs. Under householding, each stockholder would continue to receive a separate proxy card or vote instruction card.

Certain of our stockholders whose shares are held in street name and who have consented to householding will receive only one set of our Annual Meeting materials per household. If your household received a single set of our Annual Meeting materials, you can request to receive additional copies of these materials by calling or writing your brokerage firm, bank or other nominee. If you own your shares in street name, you can request householding by calling or writing your brokerage firm, bank or other nominee.

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Election of Directors

(Proposal 1)

Our Board of Directors currently consists of eight members. Each of our current directors was elected by our stockholders at the Annual Meeting of Stockholders in 2005, except for Michael E. Maroone, who was appointed to our Board effective July 27, 2005 upon the recommendation of our Corporate Governance Committee, and is standing for election for the first time. Our Board, upon the recommendation of the Nominating Subcommittee, has nominated the seven persons listed below to stand for election for a new term expiring at the Annual Meeting of Stockholders in 2007 or until their successors are duly elected and qualified. Each of the nominees listed below is currently serving as a director. Detailed biographical and other information concerning each nominee for director is provided on pages 7 and 8 of this Proxy Statement. Each nominee is willing and able to serve as a director of AutoNation. J.P. Bryan, who has served as one of our Directors since 1991, has announced that he will retire from our Board on the date of the Annual Meeting and has, therefore, declined to stand for re-election.

Nominees For Director

Positions and Offices Held with Us

Mike Jackson	Chairman of the Board and Chief Executive Officer
Robert J. Brown	Director
Rick L. Burdick	Director
William C. Crowley	Director
Edward S. Lampert	Director
Michael E. Maroone	Director, President and Chief Operating Officer
Irene B. Rosenfeld	Director

Our Board of Directors recommends a vote FOR the election of each of the nominees for director named above.

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Nominees for Our Board of Directors

Mike Jackson

Mike Jackson, age 57, has served as our Chairman of the Board since January 1, 2003 and as our Chief Executive Officer and as one of our directors since September 1999. From October 1998 until September 1999, Mr. Jackson served as Chief Executive Officer of Mercedes-Benz USA, LLC, a North American operating unit of DaimlerChrysler AG, a multinational automotive manufacturing company. From April 1997 until September 1999, Mr. Jackson also served as President of Mercedes-Benz USA. From July 1990 until March 1997, Mr. Jackson served in various capacities at Mercedes-Benz USA, including as Executive Vice President immediately prior to his appointment as President of Mercedes-Benz USA. Mr. Jackson was also the managing partner from March 1979 to July 1990 of Euro Motorcars of Bethesda, Maryland, a regional group that owned and operated eleven automotive dealership franchises, including Mercedes-Benz and other brands of automobiles.

Robert J. Brown

Mr. Brown, age 71, has served as one of our directors since May 1997. Mr. Brown has served as Chairman and Chief Executive Officer of B&C Associates, Inc., a management consulting, marketing research and public relations firm, since 1973. Mr. Brown also serves as a director of Wachovia Corporation, a commercial and retail bank, Sonoco Products Company, a manufacturer of industrial and consumer packaging products, and aaiPharma, Inc., a pharmaceutical company.

Rick L. Burdick

Mr. Burdick, age 54, has served as one of our directors since May 1991. Since 1988, Mr. Burdick has been a partner in Akin, Gump, Strauss, Hauer & Feld, L.L.P., a global full service law firm. Mr. Burdick serves as a member of the firm's Executive Committee, Chairman of the firm's Business Transactions Department and Partner-In-Charge of the Washington, D.C. office. Mr. Burdick also serves as a non-executive Vice Chairman of Century Business Services, Inc., a provider of outsourced business services to small and medium-sized companies in the United States.

William C. Crowley

Mr. Crowley, age 48, has served as one of our directors since January 2002. Since March 2005, Mr. Crowley has served as a director and Chief Financial Officer of Sears Holding Corporation, the nation's third largest broad-line retailer. From May 2003 until March 2005, Mr. Crowley served as director and Senior Vice President, Finance of Kmart Holding Corporation. Since January 1999, Mr. Crowley has been President and Chief Operating Officer of ESL Investments, Inc., a private investment firm. Prior to joining ESL Investments, Mr. Crowley was a Managing Director at Goldman, Sachs & Co., a leading global investment banking and securities firm.

Edward S. Lampert

Mr. Lampert, age 43, has served as one of our directors since January 2002. Mr. Lampert is Chairman and Chief Executive Officer of ESL Investments, Inc., a private investment firm that he founded in 1988. Mr. Lampert also serves on the Board of Directors of AutoZone, Inc., a national retailer of automotive parts and accessories, and is Chairman of the Board and a director of Sears Holding Corporation, the nation's third largest broad-line retailer. From May 2003 until March 2005, Mr. Lampert served as Chairman of the Board and a director of Kmart Holding Corporation.

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Michael E. Maroone

Mr. Maroone, age 52, has served as one of our directors since July 2005 and as our President and Chief Operating Officer since August 1999. Following our acquisition of the Maroone Automotive Group in January 1997, Mr. Maroone served as President of our New Vehicle Dealer Division. In January 1998, Mr. Maroone was named President of our Automotive Retail Group with responsibility for our new and used vehicle operations. Prior to joining our company, Mr. Maroone was President and Chief Executive Officer of the Maroone Automotive Group, one of the country's largest privately-held automotive retail groups prior to its acquisition by us.

Irene B. Rosenfeld

Ms. Rosenfeld, age 52, has served as one of our directors since March 1999. Since September 2004, Ms. Rosenfeld has served as Chairman and Chief Executive Officer of Frito-Lay, Inc., a snack and convenient food division of PepsiCo, Inc., a leading global food and beverage company. Prior to joining Frito-Lay, Ms. Rosenfeld spent 22 years in various capacities with Kraft Foods, Inc., a diversified food company, including as President, North American Businesses, of its Kraft Foods North America unit until July 2003. Ms. Rosenfeld also serves as a Trustee of Cornell University.

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Board Governance

Our business and affairs are managed under the direction of our Board of Directors, which is AutoNation's ultimate decision-making body except with respect to those matters reserved to our stockholders. Our Board's mission is to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our senior management team, which is charged with the conduct of our business, and acts as an advisor and counselor to senior management. Our Board also oversees AutoNation's business strategy and the performance of management in executing our business strategy and managing our day-to-day operations.

Does AutoNation have corporate governance principles?

Yes. Our Board is committed to sound corporate governance principles and practices. Our Board's core principles of corporate governance are set forth in the AutoNation, Inc. Corporate Governance Guidelines (the "Guidelines"), which were adopted by the Board in March 2003 and most recently amended as of February 7, 2006. A copy of the Guidelines is set forth as Exhibit A hereto and also is available at <http://corp.autonation.com/investors/>. The Guidelines, which exceed NYSE corporate governance listing standard requirements, serve as a framework within which our Board conducts its operations. The Corporate Governance Committee of our Board has been charged with periodically reviewing the Guidelines and recommending to our Board appropriate changes in light of applicable laws and regulations, the governance standards identified by leading governance authorities and our company's evolving needs.

Do we have a policy regarding our Board's attendance at our Annual Meeting of stockholders?

Yes. Our directors are expected to attend our Annual Meeting of Stockholders. A director who is unable to attend our Annual Meeting is expected to notify the Chairman of the Board in advance of the Annual Meeting. All of our directors standing for election at the 2005 Annual Meeting of Stockholders attended that meeting.

How many times did our Board meet during 2005?

Our Board of Directors held ten meetings and took one action by unanimous written consent during 2005. During 2005, each of our incumbent directors attended at least 90% of the total number of meetings of our Board of Directors and any Board committee on which he or she served.

What Committees has our Board established?

Our Board of Directors has established three separately designated standing committees to assist it in discharging its responsibilities: the Audit Committee, the Compensation Committee and the Corporate Governance Committee. In addition, our Board has established the Executive Compensation Subcommittee, which is a subcommittee of the Compensation Committee, and the Nominating Subcommittee, which is a subcommittee of the Corporate Governance Committee. The charters for our Board committees are in compliance with the provisions of the Sarbanes-Oxley Act of 2002, the rules of the Securities and Exchange Commission and the NYSE's corporate governance listing standards. Our Board Committee charters are available on AutoNation's corporate website at <http://corp.autonation.com/investors/> and you may obtain a printed copy of these charters by sending a written request to: Investor Relations Department, AutoNation, Inc., 110 S.E. 6th Street, Fort Lauderdale, Florida 33301.

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The following chart reflects the current membership of each of our Board's committees:

Name	Audit Committee	Compensation Committee	Executive Compensation Subcommittee	Corporate Governance Committee	Nominating Subcommittee
Robert J. Brown	*	*	*	*	*
J.P. Bryan ⁽¹⁾	**				
Rick L. Burdick				**	
William C. Crowley				*	**
Edward S. Lampert		**			
Irene B. Rosenfeld	*	*	**		

* Member

** Chair

(1) J.P. Bryan, who has served as one of our directors since 1991, has announced that he will retire from our Board on the date of the Annual Meeting of Stockholders and has, therefore, declined to stand for re-election to our Board.

Audit Committee. The Audit Committee primarily assists our Board in fulfilling its oversight responsibilities by reviewing our financial reporting and audit processes and our systems of internal control over financial reporting and disclosure controls. Among the Committee's core responsibilities are the following: (i) overseeing the integrity of our financial statements and reviewing and approving the scope of the annual audit; (ii) appointing, retaining, compensating, overseeing, evaluating and replacing our independent auditor; (iii) reviewing the company's critical accounting policies; (iv) reviewing the company's quarterly and annual financial statements prior to their filing with the Securities and Exchange Commission; (v) preparing the Audit Committee report for inclusion in our annual proxy statement; and (vi) reviewing with management significant financial risks or exposures and assessing the steps management has taken to minimize, monitor and control such risks or exposures. For a complete description of our Audit Committee's responsibilities, you should refer to the Audit Committee Charter, a copy of which is set forth as Exhibit B hereto.

The Audit Committee currently consists of three directors. Our Board has determined that the Audit Committee members have the requisite independence and other qualifications for audit committee membership under NYSE corporate governance listing standards, the Sarbanes-Oxley Act of 2002, our Audit Committee Charter and the independence standard set forth in the Guidelines (as discussed below). Our Board also has determined that Ms. Rosenfeld is an "audit committee financial expert" within the meaning of Item 401(h) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit Committee held eight meetings and took no actions by unanimous written consent during 2005. The Audit Committee Report for fiscal year 2005, which contains a description of the Audit Committee's responsibilities and its recommendation with respect to our audited consolidated financial statements for the year ended December 31, 2005, is set forth on page 15.

Compensation Committee. The Compensation Committee primarily assists our Board in fulfilling its oversight responsibilities by, among other things: (i) reviewing our director compensation program; (ii) reviewing and approving the compensation of our chief executive officer and other senior executive officers and, except as expressly delegated to the Executive Compensation Subcommittee, setting annual and long-term performance goals for these

individuals; and (iii) reviewing and approving the compensation of all of our corporate officers. Our Board has determined that the Compensation Committee members have the requisite independence for compensation committee membership under NYSE corporate governance listing standards and the independence standard set forth in the Guidelines. The Compensation Committee held five meetings and took two actions by unanimous written consent during 2005. The Compensation Committee Report for fiscal 2005 is set forth on page 17.

Executive Compensation Subcommittee. The Executive Compensation Subcommittee is a subcommittee of the Compensation Committee. The Subcommittee assists the Board and the Compensation Committee in

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fulfilling their responsibilities by performing the following duties: (i) reviewing and approving performance-based compensation of executive officers as contemplated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), including bonuses and stock option grants; (ii) administering the AutoNation, Inc. Senior Executive Incentive Bonus Plan, including establishing performance goals and certifying whether such goals are attained as contemplated under Section 162(m) of the Code; and (iii) administering our stock option plans, including approving stock option grants. Our Board has determined that each member of the Subcommittee qualifies as a non-employee director within the meaning of Rule 16b-3 under the Exchange Act, and as an outside director under Section 162(m) of the Code. The Executive Compensation Subcommittee held four meetings and took one action by unanimous written consent during 2005.

Corporate Governance Committee. The Corporate Governance Committee assists our Board in fulfilling its oversight responsibilities by performing the following duties: (i) periodically reviewing the corporate governance principles and practices set forth in the Guidelines, in comparison to the governance standards identified by leading governance authorities and our evolving needs, and making recommendations to the Board with respect to any appropriate amendment to the Guidelines; and (ii) leading annual evaluations of Board and Board committee performance. Our Board has determined that each Corporate Governance Committee member has the requisite independence for Corporate Governance Committee membership under NYSE corporate governance listing standards and the independence standard set forth in the Guidelines. The Corporate Governance Committee held six meetings and took no actions by unanimous written consent during 2005. A copy of the charter by which the Corporate Governance Committee is governed is set forth as [Exhibit C](#) hereto.

Nominating Subcommittee. The Nominating Subcommittee is a subcommittee of the Corporate Governance Committee established on February 7, 2006. The Nominating Subcommittee assists the Board and the Corporate Governance Committee in fulfilling their responsibilities by performing the following duties: (i) assessing periodically our Board's needs in terms of skills and qualifications and recommending to our Board candidates for nomination and election to our Board; (ii) reviewing Board candidates recommended by our stockholders; and (iii) recommending to our Board assignments to committees. Our Board has determined that each Nominating Subcommittee member has the requisite independence for Nominating Subcommittee membership under NYSE corporate governance listing standards and the independence standard set forth in the Guidelines. A copy of the charter by which the Nominating Subcommittee is governed is set forth as [Exhibit D](#) hereto.

How are our directors compensated?

In 2005, we paid each of our non-employee directors an annual fee for service on our Board of Directors of \$25,000, plus \$1,000 for each Board meeting attended in excess of four annually and for each committee meeting attended. The annual fee payable to our directors is prorated based on the number of months served during the year. The Chair of our Audit Committee also receives an annual fee of \$10,000 in recognition of the additional time commitment and responsibilities associated with this service. Our directors also are entitled to receipt of an annual vehicle allowance of \$22,500 to purchase or lease a company vehicle in accordance with our Director Vehicle Allowance Program, and expense reimbursement in connection with Board and committee meeting attendance. The annual vehicle allowance for each of our directors was \$22,500 during 2005.

We want our outside directors' compensation to be aligned with your interests as stockholders. Accordingly, our 1995 Amended and Restated Non-Employee Director Stock Option Plan currently provides for an initial grant of options to purchase 50,000 shares of our stock immediately upon the appointment of a non-employee director to our Board. This plan also provides for an annual grant of options to purchase 20,000 shares of our stock at the beginning of each fiscal year to each non-employee director serving on the Board at such date. Unless otherwise provided, all options granted under this plan are fully vested and immediately exercisable. Under this plan, each grant of options to a non-employee director remains exercisable for a term of ten years from the grant date so long as the director remains a member of the

Board. The options are exercisable at a

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price per share equal to the closing price per share of our stock on the NYSE on the date immediately prior to the grant date. In accordance with the plan, on January 3, 2006, Messrs. Brown, Bryan, Burdick, Crowley and Lampert and Ms. Rosenfeld each received an automatic grant of options to purchase 20,000 shares of our stock at an exercise price of \$21.73 per share.

Is a majority of our Board independent u