AUTONATION INC /FL
Form DEF 14A
March 27, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

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):

þ 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:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

o

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

AUTONATION, INC.
AutoNation Tower
110 S.E. Sixth Street
Fort Lauderdale, FL 33301

March 27, 2008

Dear Fellow AutoNation Stockholder:

We are pleased to invite you to attend the 2008 Annual Meeting of Stockholders of AutoNation, Inc. to be held at 9:00 a.m. Eastern Time on Wednesday, May 7, 2008, at the AutoNation Tower, located at 110 S.E. 6th Street, Fort Lauderdale, Florida 33301.

At this year s Annual Meeting, the agenda includes the annual election of directors; ratification of the selection of our independent registered public accounting firm; approval of the AutoNation, Inc. 2008 Employee Equity and Incentive Plan; and consideration of two stockholder proposals, if properly presented at the annual meeting. We will also report on our progress and provide an opportunity for you to ask questions of general interest.

The Board of Directors recommends that you vote **FOR** the election of the director nominees, **FOR** ratification of the selection of our independent registered public accounting firm, **FOR** approval of the AutoNation, Inc. 2008 Employee Equity and Incentive Plan, and **AGAINST** the two stockholder proposals. Please refer to the proxy statement for detailed information on each of the proposals and the annual meeting. Your AutoNation stockholder vote is important, and we ask that you please cast your vote as soon as possible.

To conserve natural resources and to reduce the costs of printing and distributing our proxy materials (which include the proxy statement and our 2007 Annual Report), we are taking advantage of the new U.S. Securities and Exchange Commission (SEC) rules that allow us to deliver these materials to stockholders via the Internet. As a result, most of our stockholders will receive a mailing containing only a notice of the 2008 Annual Meeting instead of paper copies of our proxy materials. The notice will include instructions on how to access these documents over the Internet, as well as instructions on how stockholders receiving this form of notice can request paper copies of our proxy materials. Stockholders who do not receive the notice-only mailing will receive either paper copies of the proxy materials by mail or electronically-available materials as permitted under applicable SEC rules.

We look forward to seeing you on May 7, 2008 in Fort Lauderdale. Thank you.

Sincerely,

Mike Jackson
Chairman of the Board and
Chief Executive Officer

AUTONATION, INC.
AutoNation Tower
110 S.E. Sixth Street
Fort Lauderdale, FL 33301

NOTICE OF THE 2008 ANNUAL MEETING OF STOCKHOLDERS

To Stockholders of AutoNation, Inc.:

The 2008 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 Wednesday, May 7, 2008 at 9:00 a.m. Eastern Time for the following purposes, as more fully described in the proxy statement:

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

(2) To ratify the selection of KPMG LLP as our independent registered public accounting firm for 2008;

(3) To approve the AutoNation, Inc. 2008 Employee Equity and Incentive Plan;

(4) To consider two stockholder proposals, if properly presented at the Annual Meeting; and

(5) To transact such other business as may properly come before 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 March 14, 2008, 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. The proxy statement includes information on what you will need to attend the Annual Meeting.

By Order of the Board of Directors,

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

March 27, 2008

AUTONATION, INC.

PROXY STATEMENT

TABLE OF CONTENTS

Questions and Answers About Our Annual Meeting	1
Proposal 1: Election of Directors	5
Corporate Governance	8
Audit Committee Report	13
Independent Registered Public Accounting Firm	15
Proposal 2: Ratification of the Selection of Our Independent Registered Public Accounting Firm	16
Compensation Discussion and Analysis	17
Compensation Committee and Executive Compensation Subcommittee Report on Executive Compensation	24
Executive Compensation	25
Summary Compensation Table	25
Grants of Plan-Based Awards	27
2007 Outstanding Equity Awards at Fiscal Year-End	29
2007 Option Exercises and Stock Vested	30
2007 Non-Qualified Deferred Compensation	30
Potential Payments Upon Termination or Change in Control	32
Compensation Committee Interlocks and Insider Participation	39
Employment Agreements	39
Director Compensation	41
2007 Director Compensation	41
Stock Ownership Information	43
Security Ownership of Certain Beneficial Owners and Management	43
Section 16(a) Beneficial Ownership Reporting Compliance	44
Equity Compensation Plan Information	45
Proposal 3: Approval of AutoNation, Inc. 2008 Employee Equity and Incentive Plan	46
Proposal 4: Stockholder Proposal	52
Proposal 5: Stockholder Proposal	54
Other Matters	56
Stockholder Proposals for Next Year s Annual Meeting	56
Exhibit A AutoNation, Inc. 2008 Employee Equity and Incentive Plan	A-1

Table of Contents

AUTONATION, INC.
AutoNation Tower
110 S.E. Sixth Street
Fort Lauderdale, FL 33301

PROXY STATEMENT

This Proxy Statement contains information relating to the solicitation of proxies by the Board of Directors of AutoNation, Inc. (AutoNation or the Company) for use at our 2008 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 Wednesday, May 7, 2008 at 9:00 a.m. Eastern Time.

Only stockholders of record as of 5:00 p.m. Eastern Time on March 14, 2008 (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. As of the Record Date, there were 179,680,290 shares of AutoNation common stock issued and outstanding and entitled to vote at the Annual Meeting. We made copies of this proxy statement available to our stockholders beginning on March 27, 2008.

Questions and Answers About Our Annual Meeting

What is the purpose of our 2008 Annual Meeting?

Our 2008 Annual Meeting will be held for the following purposes:

- To elect seven directors, each for a term expiring at the next Annual Meeting or until their successors are duly elected and qualified;
- To ratify the selection of KPMG LLP as our independent registered public accounting firm for 2008;
- To approve the AutoNation, Inc. 2008 Employee Equity and Incentive Plan;
- To consider two stockholder proposals, if properly presented at the Annual Meeting; and
- To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

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

Why did I receive a notice regarding the availability of proxy materials on the Internet instead of a full set of proxy materials?

Pursuant to the new notice and access rules recently adopted by the U.S. Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials via the Internet. A Notice of Internet Availability of Proxy Materials (Notice) will be mailed to most of our registered stockholders and beneficial owners. The Notice contains instructions on how to access the proxy materials on the Internet, how to vote, and how to request printed copies. In addition, stockholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice.

How can I attend the Annual Meeting?

You are entitled to attend the annual meeting only if you were an AutoNation stockholder as of the Record Date or you hold a valid proxy for the annual meeting. You should be prepared to present photo identification for admittance. If your shares are held by a brokerage firm, bank, or a trustee, you should

Table of Contents

provide proof of beneficial ownership as of the Record Date, such as a bank or brokerage account statement or other similar evidence of ownership. Even if you plan to attend the Annual Meeting, please cast your vote as soon as possible.

What are the voting rights of AutoNation stockholders?

Each stockholder is entitled to one vote on each of the seven director nominees and one vote on each other matter properly presented at the Annual Meeting for each share of common stock owned by that stockholder on the Record Date.

What constitutes a quorum?

In order for us to conduct business at our Annual Meeting, we must have a quorum of at least 89,840,146 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 in 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 selection of our independent registered public accounting firm. 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 proposal to approve the AutoNation, Inc. 2008 Employee Equity and Incentive Plan and the two stockholder proposals, 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 by 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 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 will 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 March 14, 2008, by instructing the plan s 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.

Table of Contents

How do I vote?

Registered Stockholders

If you are a registered stockholder (you hold your AutoNation shares in your own name through our transfer agent), you may vote in person at the Annual Meeting. We will give you a ballot when you arrive. If you do not wish to vote in person or if you will not be attending the Annual Meeting, you may vote by proxy. You can vote by proxy over the Internet by following the instructions provided in the Notice, or, if you receive printed copies of the proxy materials by mail, you can also vote by mail or telephone by following the instructions provided on the proxy card.

Beneficial Owners

If you are a beneficial owner of shares (your shares are held in the name of a brokerage firm, bank, or a trustee) and you wish to vote in person at the Annual Meeting, you must obtain a valid proxy from the organization that holds your shares. If you do not wish to vote in person or you will not be attending the Annual Meeting, you may vote by proxy. You may vote by proxy over the Internet by following the instructions provided in the Notice, or, if you receive printed copies of the proxy materials by mail, you can also vote by mail or telephone by following the instructions provided on the proxy card. Please also refer to the instructions you receive from your brokerage firm, bank, or trustee on how to vote your shares.

Can I change my vote after I have voted?

You may revoke your proxy and change your vote at any time before the final vote at the meeting. You may vote again on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the meeting will be counted), or by signing and returning a new proxy card with a later date, or by attending the meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the meeting or specifically request in writing that your prior proxy be revoked.

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, including the proposal to elect directors, the proposal to ratify the selection of our independent registered public accounting firm, the proposal to approve the AutoNation, Inc. 2008 Employee Equity and Incentive Plan, and each of the stockholder proposals, 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 against 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** the election of the director nominees (see Proposal 1: Election of Directors), **FOR** ratification of the selection of our independent registered public accounting firm (see Proposal 2: Ratification of the Selection of Our Independent Registered Public Accounting Firm), **FOR** approval of the AutoNation, Inc. 2008 Employee Equity and Incentive Plan (see Proposal 3: Approval of AutoNation, Inc. 2008 Employee Equity and Incentive Plan), and **AGAINST** the two stockholder proposals (see Proposal 4: Stockholder Proposal and Proposal 5: Stockholder Proposal).

How will the persons named as proxies vote?

If you complete and submit a proxy, the persons named as proxies will follow your instructions. If you submit a proxy but do not provide instructions or if your instructions are unclear, the persons named as proxies will vote your shares as follows: **FOR** the election of the director nominees, **FOR** ratification of the selection of our independent registered public accounting firm, **FOR** approval of the AutoNation, Inc. 2008 Employee Equity and Incentive Plan, and **AGAINST** each of the stockholder proposals. With respect to any other proposal that properly comes before the Annual Meeting, the persons named as proxies 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 $15,000, 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 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 Notices and proxy materials with respect to two or more stockholders sharing the same address by delivering only one Notice or set of proxy materials to that address. This process, which is commonly referred to as householding, can effectively reduce our printing and postage costs.

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

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 7, 2008

Our 2007 Annual Report and this proxy statement are available at *http:// www.edocumentview.com/AN*.

Table of Contents

Proposal 1: Election of Directors

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 2007. 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 2009 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 below. Each nominee is willing and able to serve as a director of AutoNation. On February 5, 2008, Robert J. Brown, who has served as one of our directors since May 1997, informed the Board of Directors that he plans to retire from the Board and that therefore he will not stand for re-election to the Board at the 2008 Annual Meeting.

Nominee	Current Position with AutoNation
Mike Jackson	Chairman of the Board and Chief Executive Officer
Rick L. Burdick	Director
William C. Crowley	Director
Kim C. Goodman	Director
Robert R. Grusky	Director
Michael E. Maroone	Director, President and Chief Operating Officer
Carlos A. Migoya	Director

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

Table of Contents

NOMINEES FOR OUR BOARD OF DIRECTORS

Mike Jackson

Mike Jackson (age 59) has served as our Chairman of the Board since January 2003 and as our Chief Executive Officer and Director 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.

Rick L. Burdick

Rick L. Burdick (age 56) 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 and Partner-In-Charge of the Washington, D.C. office. Mr. Burdick also serves as Lead Director of CBIZ, Inc. (formerly, Century Business Services, Inc.), a provider of outsourced business services to small and medium-sized companies in the United States.

William C. Crowley

William C. Crowley (age 50) has served as one of our directors since January 2002. Since March 2005, Mr. Crowley has served as a director of Sears Holdings Corporation, a broadline retailer. Additionally, he has served as Executive Vice President of Sears Holdings Corporation since March 2005 and as Chief Administrative Officer of Sears Holdings Corporation since September 2005. Mr. Crowley also served as the Chief Financial Officer of Sears Holdings Corporation from March 2005 until September 2006 and from January 2007 until October 2007. Mr. Crowley has served as a director of Sears Canada Inc. since March 2005 and as the Chairman of the Board of Sears Canada Inc. since December 2006. 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.

Kim C. Goodman

Kim C. Goodman (age 42) has served as one of our directors since February 2007. In September 2007, Ms. Goodman joined American Express Company, a global payments and travel company, as Executive Vice President, Merchant Services North America. From September 2005 until July 2007, Ms. Goodman served as Vice President of Software and Peripherals of Dell Inc., a worldwide supplier of technology products and services. From September 2000 until August 2005, Ms. Goodman served in various other capacities at Dell Inc., including as Vice President of Public Sector Marketing and Transactional Sales, Vice President of Dell Networking and Vice President of Business Development. Prior to joining Dell Inc., Ms. Goodman was a Partner and Vice President of Bain & Company, Inc., a strategic consulting firm.

Robert R. Grusky

Robert R. Grusky (age 50) has served as one of our directors since June 2006. In 2000, Mr. Grusky founded Hope Capital Management, LLC, an investment firm for which he serves as Managing Member. He co-founded New Mountain Capital, LLC, a private equity firm, in 2000 and was a Principal, Managing Director and Member of New Mountain Capital from 2000 to 2005 and has been a Senior Advisor since then. From 1998 to 2000, Mr. Grusky served as President of RSL Investments Corporation, the primary investment vehicle

Table of Contents

for the Hon. Ronald S. Lauder. Prior thereto, Mr. Grusky also served in a variety of capacities at Goldman, Sachs & Co. in its Mergers & Acquisitions Department and Principal Investment Area. Mr. Grusky is a director of Strayer Education, Inc., an education services company, and National Medical Health Card Systems, Inc., a national independent pharmacy benefits management company.

Michael E. Maroone

Michael E. Maroone (age 54) 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 AutoNation, 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.

Carlos A. Migoya

Carlos A. Migoya (age 57) has served as one of our directors since June 2006. Since December 2007, Mr. Migoya has served as Regional President, Wachovia Bank - Metro Charlotte, of Wachovia Corporation, a financial services company. Prior to that, Mr. Migoya served as State CEO for the Atlantic Region of Wachovia Corporation. In this position, Mr. Migoya had responsibility for Wachovia s general banking businesses in New Jersey, Connecticut and New York. Since 1989, Mr. Migoya served as Regional President for Wachovia Bank, Florida, a division of Wachovia Corporation, with responsibility for Wachovia s general banking businesses in Dade and Monroe Counties, Florida. Mr. Migoya has more than 33 years of experience in banking.

Corporate 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, and 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 available on AutoNation s corporate website at *http://corp.autonation.com/investors/*. You also may obtain a printed copy of the Guidelines by sending a written request to: Investor Relations Department, AutoNation, Inc., 110 S.E. 6th Street, Fort Lauderdale, Florida 33301. 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 incumbent directors attended the 2007 Annual Meeting of Stockholders.

How many times did our Board meet during 2007?

Our Board of Directors held eight meetings and took one action by unanimous written consent during 2007. During 2007, each of our incumbent directors attended at least 75% 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 SEC rules and the NYSE s corporate governance listing standards. Our Board Committee charters are available 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.

Table of Contents

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(1)	*	*	*	*	*
Rick L. Burdick				**	
William C. Crowley		**		*	**
Kim C. Goodman	*				
Robert R. Grusky	**				
Carlos A. Migoya	*	*	**		

* Member

** Chair

(1) On February 5, 2008, Robert J. Brown informed the Board of Directors that he plans to retire from the Board and that therefore he will not stand for re-election to the Board at the 2008 Annual Meeting. Mr. Brown will continue serving on our Board (and the committees of which he is a member) until the date of the 2008 Annual Meeting.

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, for which management is responsible, and reviewing and approving the scope of the annual audit; (ii) appointing, retaining, compensating, overseeing, evaluating, and replacing our independent registered public accounting firm; (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, which is available at *http://corp.autonation.com/investors/*.

The Audit Committee currently consists of four directors. Our Board has determined that the Audit Committee members have the requisite independence and other qualifications for audit committee membership under SEC rules, the listing standards of the New York Stock Exchange, our Audit Committee Charter and the independence standards set forth in the Guidelines (as discussed below). Our Board also has determined that Mr. Grusky is an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee held nine meetings and took no actions by unanimous written consent during 2007. The Audit Committee Report for fiscal year 2007, 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, 2007, is set forth below under Audit Committee Report.

Compensation Committee. The Compensation Committee primarily assists our Board in fulfilling its compensation and management development and succession planning 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; (iii) reviewing and approving the compensation of all of our corporate officers; and (iv) reviewing the Company s program for management development and succession planning. The Committee reviews executive compensation at its meetings throughout the year and sets executive compensation. The Committee also reviews director compensation annually. In setting the compensation level of our named executive officers and recommending the form and amount of director compensation, the Committee considers the comparative pay of other retail companies. The Committee reviews the data for informational purposes, but does not structure executive compensation or set the level of compensation of our executive officers, or recommend compensation for our directors, at a set percentage threshold based on the data. In addition, our Chief Executive Officer reviews the performance of each named executive officer and makes recommendations to the Committee with respect to compensation adjustments for such officers. However, the Committee determines in its sole discretion whether to make any adjustments to the compensation paid to such executive 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 standards set forth in the Guidelines. The Compensation Committee held four meetings and took four actions by unanimous written consent during 2007. For more information on the responsibilities and activities of the Compensation Committee, including the Committee s processes for determining executive compensation, see Compensation Discussion and Analysis, Compensation Committee and Executive Compensation Subcommittee Report on Executive Compensation and Executive Compensation below, and the Compensation Committee s charter which is available at *http://corp.autonation.com/investors/*.

Executive Compensation Subcommittee. The Executive Compensation Subcommittee is a subcommittee of the Compensation Committee. The Subcommittee assists the Board and the Compensation Committee in fulfilling their compensation oversight 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 three meetings and took two actions by unanimous written consent during 2007.

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 standards set forth in the Guidelines. The Corporate Governance Committee held four meetings and took no actions by unanimous written consent during 2007.

Nominating Subcommittee. The Nominating Subcommittee is a subcommittee of the Corporate Governance Committee. 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. The Nominating Subcommittee held four meetings and took no actions by unanimous written consent during 2007.

Table of Contents

Is a majority of our Board independent under our director independence standards and applicable New York Stock Exchange rules?

Yes. Under our Corporate Governance Guidelines, our Board has committed that a substantial majority of our directors be independent. Our Board has adopted director independence standards to assist it in determining whether a director is independent. The full text of our director independence standards is set forth in the AutoNation, Inc. Corporate Governance Guidelines, which is available at *http://corp.autonation.com/investors/*.

In accordance with the NYSE listing standards, our Board affirmatively determines the independence of each director and nominee for election as a director in accordance with the NYSE listing standards and our independence standards. Based on these standards, the Board determined that each of the following non-employee directors is independent and has no material relationship with the Company, except as a director and stockholder of the Company: Robert J. Brown, Rick L. Burdick, William C. Crowley, Kim C. Goodman, Robert R. Grusky, and Carlos A. Migoya.

In making these determinations, our Board considered the relationships described under *Does the Board have a policy with regard to related party transactions?* below. In addition, the Board considered the following relationships: (i) AutoNation s banking relationship with Wachovia Corporation and its affiliates; (ii) ESL Investment, Inc. s significant ownership stake in AutoNation; (iii) ESL Investment, Inc. s ownership stake in AutoZone, Inc., with which we enter into commercial transactions from time to time in the ordinary course of business; (iv) our purchases of computer-related equipment and services from Dell Inc.; (v) our payment of credit card fees to American Express; (vi) our use of the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P. for certain legal services (which use was discontinued as of January 1, 2008); and (vii) Mr. Grusky s minority investment in ESL Partners, L.P. In each case, the relationships did not violate our independence standards or the NYSE listing standards, and the Board concluded that such relationships would not impact the independence of our non-employee directors.

Do our independent directors meet at regularly scheduled sessions without management present?

Yes. Our independent directors (each director other than Messrs. Jackson and Maroone) meet in regularly scheduled sessions without management of our Company present. The presiding director for each executive session is rotated among the chairs of our Board committees. In 2007, our independent directors held three executive sessions without management of our Company present.

Can our stockholders and interested parties communicate with our directors?

Yes. To communicate with our Board, any Board committee, any individual director, any group of directors (such as our independent directors), or our presiding director, our stockholders or interested parties should send written correspondence to AutoNation, Inc. Board of Directors, c/o Corporate Secretary, AutoNation, Inc., 110 S.E. 6 Street, 29th Floor, Fort Lauderdale, Florida 33301. You may also ask questions at the Annual Meeting of Stockholders.

How does the Nominating Subcommittee identify and evaluate nominees for director?

Potential candidates may come to the attention of the Nominating Subcommittee through recommendations made by current directors, stockholders, executive or director search firms retained by the Nominating Subcommittee, or other persons. All of our nominees for director, whether or not recommended by a stockholder, will be selected on the basis of, among other things, broad experience, wisdom, integrity, ability to make independent analytical inquiries, understanding of our business environment, and willingness and ability to devote adequate time to our Board s duties, all in the context of the needs of our Board at that point in time as assessed by our Nominating Subcommittee and with the objective of ensuring diversity in the background, experience, and viewpoints of our Board members. Our Nominating Subcommittee is responsible for assessing the appropriate balance of skills and characteristics required of our Board members.

Table of Contents

Does the Nominating Subcommittee have a policy with regard to the consideration of any director candidates recommended by our stockholders?

Yes. The Nominating Subcommittee has a policy pursuant to which it considers director candidates recommended by our stockholders. As described above, all director candidates recommended by our stockholders are considered for selection to the Board on the same basis as if such candidates were recommended by one or more of our directors or other sources. To recommend a director candidate for consideration by our Nominating Subcommittee, a stockholder must submit the recommendation in writing to our Corporate Secretary not later than one hundred twenty (120) calendar days prior to the anniversary date of our proxy statement distributed to our stockholders in connection with our most recent annual meeting of stockholders, and the recommendation must provide the following information: (i) the name of the stockholder making the recommendation; (ii) the name of the candidate; (iii) the candidate s resume or a listing of his or her qualifications to be a director; (iv) the proposed candidate s written consent to being named as a nominee and to serving as one of our directors if elected; and (v) a description of all relationships, arrangements or understandings, if any, between the proposed candidate and the recommending stockholder and between the proposed candidate and us so that the candidate s independence may be assessed. The stockholder or the director candidate also must provide any additional information requested by our Nominating Subcommittee to assist the Subcommittee in appropriately evaluating the candidate.

Does AutoNation have a code of ethics?

Yes. In order to clearly set forth our commitment to conduct our operations in accordance with our high standards of business ethics and applicable laws and regulations, we have a company-wide Business Ethics Program, which includes a Code of Business Ethics applicable to all of our employees. We also maintain a 24-hour Alert-Line for employees to report any Company policy violations under our Business Ethics Program. In addition, our Board has adopted the Code of Ethics for Senior Officers and the Code of Business Ethics for the Board of Directors. Copies of these codes are available at *http://corp.autonation.com/investors/*, and you may obtain a printed copy of these codes by sending a written request to: Investor Relations Department, AutoNation, Inc., 110 S.E. 6th Street, Fort Lauderdale, Florida 33301. These codes comply with NYSE corporate governance listing standards.

Does the Board have a policy with regard to related party transactions?

Yes. Our Board s policy requires that transactions with related parties must be entered into in good faith on fair and reasonable terms that are no less favorable to us than those that would be available in a comparable transaction in arm s-length dealings with an unrelated third party. Based on our experience, we believe that each of the transactions described below complied with our Board s policy at the time the transaction was effected. Our Board, by a vote of the disinterested directors, must approve all related party transactions valued over $500,000, while our Audit Committee must approve all related party transactions valued between $100,000 and $500,000 and review with management all other related party transactions. The following is a summary of transactions with parties related to our directors or us since January 1, 2007.

We enter into commercial transactions with Sears Holdings Corporation and its affiliates (collectively, Sears), which are related to ESL Investments, Inc., in the ordinary course of business. ESL Investments, Inc., together with its investment affiliates (collectively, ESL), beneficially owns approximately 37% of the outstanding shares of our common stock, and Mr. Crowley is the President and Chief Operating Officer of ESL Investments, Inc. In 2007, we paid Sears approximately $430,000 primarily for automotive parts and accessories, and Sears paid us approximately $13,000 for automotive parts, accessories and services. ESL owns approximately 48% of the outstanding common stock of Sears, and Edward S. Lampert, the Chairman, Chief Executive Officer and controlling principal of ESL Investments, Inc., serves as the Chairman of the Board of Directors of Sears. Additionally, Mr. Crowley serves as a director, Executive Vice President and Chief Administrative Officer of Sears, and as the Chairman of the Board of

Sears Canada Inc.

Table of Contents

Audit Committee Report

The following statement made by our Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate such statement by reference.

During 2007, the Audit Committee consisted of Robert R. Grusky (Chair), Carlos A. Migoya, Robert J. Brown, and Kim C. Goodman (member since May 9, 2007). The Audit Committee currently consists of the same directors. On February 5, 2008, Robert J. Brown informed the Board of Directors that he plans to retire from the Board and that therefore he will not stand for re-election to the Board at the 2008 Annual Meeting. Mr. Brown will continue to serve on the Audit Committee until the date of the 2008 Annual Meeting. The charter under which the Audit Committee operates is available at *http://corp.autonation.com/investors/*. The Board has determined that each Audit Committee member has the requisite independence and other qualifications for audit committee membership under SEC rules, the listing standards of the New York Stock Exchange, our Audit Committee Charter and the independence standards set forth in our Corporate Governance Guidelines. The Board has also determined that Mr. Grusky is an audit committee financial expert within the meaning of Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

Our primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing AutoNation s financial reporting, audit processes, systems of internal control over financial reporting, and disclosure controls. Management is responsible for the Company s financial statements and the financial reporting process, including the system of internal control over financial reporting. We also monitor the preparation by management of the Company s quarterly and annual financial statements. KPMG LLP, AutoNation s independent registered public accounting firm, is accountable to us and is responsible for expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of AutoNation in conformity with generally accepted accounting principles in the United States. KPMG LLP also is responsible for auditing and reporting on internal control over financial reporting. We are solely responsible for selecting and reviewing the performance of AutoNation s independent registered public accounting firm and, if we deem appropriate in our sole discretion, terminating and replacing the independent registered public accounting firm. We also are responsible for reviewing and approving the terms of the annual engagement of AutoNation s independent registered public accounting firm, including the scope of audit and non-audit services to be provided by the independent registered public accounting firm and the fees to be paid for such services, and discussing with the independent registered public accounting firm any relationships or services that may impact the objectivity and independence of the independent registered public accounting firm.

In fulfilling our oversight role, we met and held discussions, both together and separately, with the Company s management and KPMG LLP. Management advised us that the Company s consolidated financial statements were prepared in accordance with generally accepted accounting principles, and we reviewed and discussed the consolidated financial statements and key accounting and reporting issues with management and KPMG LLP, both together and separately, in advance of the public release of operating results and filing of annual or quarterly reports with the Securities and Exchange Commission. We discussed with KPMG LLP matters deemed significant by KPMG LLP, including those matters required to be discussed pursuant to Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, and reviewed a letter from KPMG LLP disclosing such matters.

KPMG LLP also provided us with the written disclosures and the letter required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and we discussed with KPMG LLP matters relating to their independence and considered whether their provision of certain non-audit services is compatible with maintaining their independence. In the letter, KPMG LLP confirmed its independence, and we determined that the KPMG LLP s provision of non-audit services to AutoNation is compatible with maintaining their independence. We also reviewed a report by KPMG LLP describing the firm s internal quality-control procedures and any material issues raised in the most recent internal quality-control review or external peer review or inspection performed by the Public Company Accounting Oversight Board.

Based on our review with management and KPMG LLP of AutoNation s audited consolidated financial statements and the KPMG LLP s report on such financial statements, and based on the discussions and written disclosures described above and our business judgment, we recommended to the Board of Directors that the audited consolidated financial statements be included in AutoNation s Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission.

Audit Committee:

Robert R. Grusky (Chair)
Robert J. Brown
Kim C. Goodman
Carlos A. Migoya

Table of Contents

Independent Registered Public Accounting Firm

AUDIT FEES

The following table sets forth: (i) the aggregate fees billed for professional services rendered by KPMG LLP for the audits of our financial statements and internal control over financial reporting for years 2007 and 2006; and (ii) the aggregate fees billed in 2007 and 2006 by KPMG for our use of KPMG s on-line technical research service:

Fee Category:	**2006**	**2007**
Audit Fees	$ 2,823,000	$ 2,761,400
Audit-Related Fees		
Tax Fees		
All Other Fees	1,500	1,500
Total Fees	$ 2,824,500	$ 2,762,900
Ratio of Tax and All Other Fees to Audit And Audit-Related Fees:	0.00:1	0.00:1
Percentage of Aggregate Fees which were Audit or Audit-Related:	100%	100%

PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES

Our Audit Committee s policies require pre-approval of all audit and permissible non-audit services provided by our independent registered public accounting firm other than services permitted under the *de minimus* exception under applicable Securities and Exchange Commission rules (which are approved by our Audit Committee prior to our independent registered public accounting firm s completion of its annual audit). Under our Audit Committee s policies, pre-approval generally is detailed as to the particular service or category of services and is subject to a specific budget. Under our Audit Committee s policies, all tax planning services and services that do not constitute audit, audit-related, or tax-compliance services are subject to a formal bidding process and may not be provided by our independent registered public accounting firm unless our Audit Committee concludes that such services may be provided most effectively or economically by our independent registered public accounting firm and that the independence of our registered public accounting firm would not be affected adversely by the provision of such services. Our Audit Committee has delegated to its Chair the authority to approve, within guidelines and limits established by the Committee, specific services to be provided by our independent registered public accounting firm and the fees to be paid. Any such approval must be reported to the Audit Committee at the next scheduled meeting. As required by Section 10A of the Exchange Act, our Audit Committee has pre-approved all audit and non-audit services provided by our independent registered public accounting firm during 2007, and the fees paid for such services.

Table of Contents

Proposal 2: Ratification of the Selection of Our Independent Registered Public Accounting Firm

The Audit Committee of our Board of Directors has selected KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2008. KPMG LLP has served us in this capacity since May 6, 2003. If the selection of KPMG LLP as our independent registered public accounting firm is not ratified by our stockholders, the Audit Committee will re-evaluate its selection, taking into consideration the stockholder vote on the ratification. However, the Audit Committee is solely responsible for selecting and terminating our independent registered public accounting firm, and may do so at any time at its discretion. A representative of KPMG LLP is expected to attend the Annual Meeting and be available to respond to appropriate questions. The representative also will be afforded an opportunity to make a statement, if he or she desires to do so.

Our Board of Directors recommends a vote FOR the ratification of the selection of KPMG LLP as our independent registered public accounting firm for us and our subsidiaries for the year ending December 31, 2008.

Table of Contents

Compensation Discussion and Analysis

Overview

Our compensation programs are administered by the Compensation Committee (the Committee) and the Executive Compensation Subcommittee (the Subcommittee) of the Committee. The Committee primarily assists the 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 (CEO) and other senior executive officers and, except as expressly delegated to the Subcommittee, setting annual and long-term performance goals for these individuals and reviewing the performance of these individuals; and (iii) reviewing and approving the compensation of all of our corporate officers.

The Subcommittee assists the Board and the Committee in 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 our 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.

From January 1, 2007 until May 8, 2007, the Committee consisted of Edward S. Lampert (Chair), Robert J. Brown, and Irene B. Rosenfeld, and the Subcommittee consisted of Ms. Rosenfeld (Chair) and Mr. Brown. Since May 9, 2007, the Committee has consisted of William C. Crowley (Chair), Carlos A. Migoya and Mr. Brown, and the Subcommittee has consisted of Carlos A. Migoya (Chair) and Mr. Brown. The Board has determined that each member of the Committee and the Subcommittee satisfies the requisite director independence standards under the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines. The Board has also determined that each member of the Subcommittee qualifies as an outside director under Section 162(m) of the Code and as a non-employee director under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended. The operations of the Committee and the Subcommittee are governed by written charters adopted by the Board, copies of which are available at *http://corp.autonation.com/investors/*.

For the fiscal year ended December 31, 2007, our named executive officers were: our Chairman and Chief Executive Officer (Mike Jackson), our President and Chief Operating Officer (Michael E. Maroone), our Executive Vice President and Chief Financial Officer (Michael J. Short), our former Vice President, Controller and Interim Chief Financial Officer (J. Alexander McAllister, who served as our principal financial officer until January 15, 2007), our Executive Vice President, General Counsel and Secretary (Jonathan P. Ferrando) and our Senior Vice President, Sales (Kevin P. Westfall).

Compensation Philosophy and Objectives

The Committee s fundamental philosophy is to closely link executive compensation with the achievement of Company performance goals and to create an owner-oriented, pay-for-performance culture. The Committee s objectives in administering our compensation program for executive officers are to ensure that we are able to attract and retain highly-skilled executives and to provide a compensation program that incentivizes management to optimize business performance, deploy capital productively and increase long-term stockholder value. The Committee also believes that overall compensation should be fair for the services rendered and that the compensation structure should be transparent, which is why the key components of executive compensation are limited to a base salary, an annual performance bonus based solely on the achievement of financial targets and stock options.

Setting Compensation Levels of Executive Officers

The Committee reviews executive compensation at its meetings throughout the year and sets executive compensation based primarily on our financial and operating performance and on executive management s performance in developing and executing the Company s business strategy, managing the Company s day-to-day business operations, optimizing the Company s business performance and productivity of its business operations, and creating stockholder value. The Committee also considers the scope of an executive s duties and responsibilities and individual executive performance. Our Chief Executive Officer reviews the performance of each named executive officer and makes recommendations to the Committee with respect to compensation adjustments for such officers. However, the Committee determines in its sole discretion whether to make any adjustments to the compensation paid to such executive officers.

In setting the compensation level of our named executive officers for 2007, the Committee considered the comparative pay of other retail companies (specifically, AutoZone, Inc., Best Buy Co., Inc., Circuit City Stores, Inc., CVS Caremark Corporation, Foot Locker, Inc., The Gap, Inc., Kohl s Corporation, Limited Brands, Inc., Macy s, Inc., Office Depot, Inc., RadioShack Corporation, Ross Stores, Inc., Saks Incorporated, Staples, Inc., and The TJX Companies, Inc.). The Committee reviewed the data for informational purposes, but did not structure executive compensation or set the level of compensation of our executive officers at a set percentage threshold based on the data. The Committee did not engage a compensation consultant to advise the Committee with respect to executive compensation for 2007.

The Committee has no pre-established target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. However, pursuant to the Committee s pay-for-performance philosophy, a significant portion of each executive officer s total compensation is allocated to incentive compensation in the form of an annual performance-based bonus and non-cash compensation in the form of stock options, which are designed to incentivize management to build long-term stockholder value for the Company over time and to align executives and stockholders interests. The Committee reviews and considers total compensation in setting each element of compensation for our named executive officers.

2007 Executive Compensation Elements

The key elements of our executive compensation program for the year ended December 31, 2007 were:

base salary;

annual incentive bonus; and

stock options.

Executive officers are also entitled to limited perquisites and other benefits as outlined below. The following is a summary of the considerations underlying each component of compensation paid to our named executive officers for 2007.

Base Salary

We provide our named executive officers and other officers with a base salary to compensate them for services rendered during the fiscal year. The Committee reviews and, as appropriate, adjusts the base salaries for our named executive officers. The factors that the Committee considers in setting salaries include the scope of job responsibilities, individual contributions to our success, Company-wide performance and market compensation. However, the Committee does not as a practice grant annual base salary adjustments for executive officers, and it did not grant any base salary adjustments during 2007 for any of the named executive officers, except for Mr. Westfall, who received an $18,000 increase to his base salary in February 2007. In February 2008, the Committee increased Mr. Westfall s base salary by $14,040 to $482,040 and Mr. Short s base salary by $36,000 to $561,000.

Annual Incentive Bonus

A core component of our compensation program is the AutoNation Operating Performance Plan (the AOP), the annual bonus program in which bonus-eligible, corporate-level employees participate. The AOP is designed to incentivize management to continually improve our operating performance and to use capital to maximize returns. The Subcommittee structured the AOP for 2007 to reward participants upon the

Table of Contents

achievement of specified levels of adjusted operating income per share (75% weight) and adjusted operating income as a percentage of gross profit (25% weight). For 2007, the targeted level of adjusted operating income per share was $3.28, and the targeted level of adjusted operating income as a percentage of gross profit was 23.0%. Bonus awards under the AOP for 2007 were payable on a sliding scale based on our actual achievement relative to the predetermined goals, with the possibility that bonuses earned may exceed or be less than the targeted level. In calculating the level of our performance under the AOP, operating income per share is adjusted to reflect a capital charge for acquisitions and the repurchase of shares of our common stock, as well as to exclude the effect of certain extraordinary or one-time items. Certain other adjustments are made as well to ensure operating performance is measured to incentivize management appropriately (for example, floorplan interest expense is charged against operating income to ensure management manages this expense; on a generally accepted accounting principles basis, floorplan interest expense is not included in operating income). The capital charge is designed to encourage more productive uses of capital and to discourage less productive uses of capital. The adjusted operating income as a percentage of gross profit metric is designed to incentivize management to increase variability in our expense structure and to increase the productivity of our operations so that bottom-line profitability and stockholder value are maximized.

On February 5, 2007, our Board adopted a new Senior Executive Incentive Bonus Plan (the Executive Incentive Bonus Plan). The Executive Incentive Bonus Plan, which is administered by the Subcommittee, was approved by our stockholders at the 2007 Annual Meeting. The Executive Incentive Bonus Plan, which is substantially identical to the AutoNation, Inc. Senior Executive Incentive Bonus Plan that was approved by stockholders in 2002 (the Prior Executive Incentive Bonus Plan), replaced the Prior Executive Incentive Bonus Plan. The Executive Incentive Bonus Plan is designed to create a direct link between pay and performance for our named executive officers and to ensure that annual cash performance bonuses payable to executive officers of the Company are tax deductible by the Company pursuant to Section 162(m) of the Code.

Under the Executive Incentive Bonus Plan, the Subcommittee, in its sole discretion, determines which of our named executive officers or other key employees participate in the plan in any particular year. In addition, the Subcommittee is responsible for identifying annual performance factors and establishing specific performance targets with respect thereto that must be met in order for annual bonuses to be paid under the Executive Incentive Bonus Plan. The Subcommittee retains absolute negative discretion to eliminate or reduce the amount of any award under the Executive Incentive Bonus Plan and to make all determinations under the Executive Incentive Bonus Plan.

In accordance with the terms and objectives of the AOP, the Subcommittee established an incentive bonus program for 2007 for certain of our named executive officers under the Executive Incentive Bonus Plan. For 2007, the Subcommittee selected Mike Jackson, Chairman and Chief Executive Officer, Michael E. Maroone, Director, President and Chief Operating Officer, Michael J. Short, Executive Vice President and Chief Financial Officer, and Jonathan P. Ferrando, Executive Vice President, General Counsel and Secretary, to participate in the Executive Incentive Bonus Plan. Under the terms of the Executive Incentive Bonus Plan, the Subcommittee set specific annual performance goals and established an objective formula for calculating the amount of the target awards for participants. Bonus awards were payable based on a sliding scale based on our actual achievement relative to the predetermined goals, with the possibility that bonuses earned may exceed or be less than the targeted level. The Subcommittee had absolute negative discretion to eliminate or reduce the amount of any award under the Executive Incentive Bonus Plan. The target incentive award percentages assigned to our select named executive officers are set forth below.

Participant	2007 Target Award as a Percentage of Base Salary
Mike Jackson	1331/3%
Michael E. Maroone	100%

Michael J. Short	60%
Jonathan P. Ferrando	60%

The performance goals that the Subcommittee established for 2007 under the Executive Incentive Bonus Plan for the executives named above adjusted operating income per share (75% weight) of $3.28 and adjusted operating income as a percentage of gross profit (25% weight) of 23.0% were the same as those the Committee established for 2007 under the AOP for all other corporate bonus plan participants, including Mr. Westfall, who was eligible to receive a target award as a percentage of his base salary of 45%. The Subcommittee believes this symmetry assures that all participants are appropriately aligned to achieve our objectives. One hundred percent of the target award for each participant in the Executive Incentive Bonus Plan was based upon achievement of the predetermined performance goals.

For 2007, the performance goals were not met at the level necessary to achieve a bonus payout, and, as a result, the Subcommittee awarded no bonuses to Messrs. Jackson, Maroone, Short, and Ferrando under the Executive Incentive Bonus Plan, or to other corporate bonus plan participants, including Mr. Westfall, under the AOP. The Executive Incentive Bonus Plan was the only bonus program in which our named executive officers participated in 2007 (other than Mr. Westfall who participated in the AOP only). For 2007, Mr. McAllister was not eligible to receive a target award under the Executive Incentive Bonus Plan or the AOP. However, in December 2006, the Committee approved a $100,000 retention bonus for Mr. McAllister which was paid in April 2007.

On February 4, 2008, the Subcommittee selected the participants in the Executive Incentive Bonus Plan for 2008, established specific objective annual performance goals, and set target awards for participants in the Executive Incentive Bonus Plan for 2008. For 2008, the Subcommittee selected Messrs. Jackson, Maroone, Short, and Ferrando to participate in the Executive Incentive Bonus Plan. The performance goals that the Subcommittee established for 2008 under the Executive Incentive Bonus Plan are based upon the achievement of specified levels of adjusted operating income per share (minus a charge for capital deployed for acquisitions or share repurchases) and adjusted operating income as a percentage of gross profit for the Company during 2008. The performance goals established under the Executive Incentive Bonus Plan for 2008 also constitute the performance goals that have been established for bonus-eligible corporate employees of the Company under the AOP to ensure that the corporate management team is fully aligned. Bonus awards will be payable based on a sliding scale based on our actual achievement relative to the predetermined goals, with the possibility that bonuses earned may exceed or be less than the targeted level (up to a maximum of 200% of the targeted level). The Subcommittee will have absolute negative discretion to eliminate or reduce the amount of any award under the Executive Incentive Bonus Plan. The target incentive award percentages assigned to our select named executive officers for 2008 are set forth below.

Participant	2008 Target Award as a Percentage of Base Salary
Mike Jackson	1331/3%
Michael E. Maroone	100%
Michael J. Short	75%
Jonathan P. Ferrando	75%

In February 2008, the Committee increased Mr. Short s base salary by $36,000 to $561,000. Kevin Westfall s target award as a percentage of base salary under the AOP is 45% for 2008, and based on his performance, his base salary was increased in February 2008 by $14,040 to $482,040. As part of our retention efforts with respect to Mr. Jackson, a portion of the target bonus for Mr. Jackson in 2008 and 2009 (to the extent earned) under the Executive Incentive Bonus Plan (equal to 331/3% of his base salary) will be payable to him on a deferred basis in 2010 (without interest), subject to certain terms and conditions.

Stock Options

In order to align the long-term interests of management and our stockholders, the Subcommittee awards stock options to our named executive officers. The Committee believes that stock options motivate our named executive officers to focus on optimizing our long-term business performance and stockholder value. For 2007, the Subcommittee administered our stock option plans and approved all grants of stock option awards. Stock option grants are made on an annual basis in amounts determined by the Subcommittee, and are designed to motivate our executives as outlined above, while carefully considering the cost to us and our stockholders of the issuance of the options, including common stock dilution. With respect to stock option recipients other than our named executive officers, stock option grants are based on the position of the recipient, with adjustments up or down to reflect the recipient s individual performance rating for the prior year. In general, the Subcommittee has endeavored to limit aggregate annual stock option grants to an amount equal to approximately one percent (1%) of our outstanding shares of common stock. Stock options generally vest annually in equal installments over four years commencing with the first anniversary of the grant date and expire ten years after the grant date. In accordance with the stock option plan pursuant to which options were granted to our named executive officers in 2007, stock options were granted at an exercise price that equals or exceeds the closing price of our common stock on the last trading day immediately preceding the grant date.

Since 2000, annual stock option grants have been awarded during the third fiscal quarter in late July or early August at meetings of the Subcommittee (or predecessor committees responsible for option grants at the time), and the grants were all made effective after public release of the Company s second-quarter earnings results. Annual grants are made to executive officers and other stock option-eligible employees at the same time and on the same terms (other than the number of options granted, which varies primarily by position and based on individual performance). Consistent with past practice, in 2007 the Subcommittee awarded stock options to our executive officers and other employees at the Subcommittee s regularly scheduled meeting during the third quarter of the Company s fiscal year. This meeting was held on July 24, 2007. Also consistent with past practice, the Subcommittee granted options effective after the second quarter earnings release was made in order to ensure that the earnings information was publicly disseminated prior to the option grants. Accordingly, the annual option grant was approved by the Subcommittee on July 24, 2007 with an effective grant date of Monday, July 30, 2007, two trading days after the Company s second quarter earnings release was made on Thursday, July 26, 2007. The exercise price as specified under the Company s stock option plans was $19.21 per share, which was the closing price of the Company s common stock on Friday, July 27, 2007, the trading day immediately preceding the grant date.

The Subcommittee also, at its discretion, may award stock options to our named executive officers upon commencement of employment. In this instance, the Subcommittee s practice has been for the effective date of the option grant to be the date the executive officer commences employment. On January 3, 2007, the Subcommittee approved an option grant to Mr. Short with an effective grant date of Monday, January 15, 2007 (his start date). On January 15, 2007, Mr. Short received an option to purchase 200,000 shares of our common stock with an exercise price of $21.56 per share, the closing price of our common stock on Friday, January 12, 2007, the trading day immediately preceding the grant date.

On March 14, 2008, our Board adopted and approved the AutoNation, Inc. 2008 Employee Equity and Incentive Plan (the 2008 Plan), subject to stockholder approval. The AutoNation, Inc. Amended and Restated 1998 Employee Stock Option Plan (the 1998 Plan) has expired, and no additional awards may be granted to employees under the 1998 Plan or any other equity compensation plan of AutoNation (other than the recently adopted 2008 Plan). Please refer to Proposal 3: Approval of AutoNation, Inc. 2008 Employee Equity and Incentive Plan for additional information regarding the 2008 Plan.

Perquisites and Other Benefits

Our compensation program for named executive officers also includes limited perquisites and other benefits, including participation in the Company s life and health insurance and similar benefit programs (including our AutoNation 401(k) Plan and our AutoNation Deferred Compensation Plan) on the same general terms as other participants in these programs, participation in Company car programs entitling the executives to vehicle use or a vehicle allowance, use of an on-site fitness facility and, pursuant to their employment agreements, limited personal use of corporate aircraft for each of Messrs. Jackson and Maroone. The employment agreements with each of Messrs. Jackson and Maroone, respectively, provide for personal use of corporate aircraft of up to 70 hours per year.

Employment Agreements with Executive Officers

We have entered into an employment agreement with each of our Chief Executive Officer (Mike Jackson) and our Chief Operating Officer (Michael E. Maroone) and an Employment Letter with our Chief Financial Officer (Michael J. Short). The Committee believes that entering into the employment agreements with Messrs. Jackson and Maroone and the employment letter with Mr. Short furthered our efforts to attract and retain such executives. For a summary of the material terms of Messrs. Jackson s, Maroone s, and Short s employment arrangements, please see Executive Compensation Employment Agreements below.

Severance Policy and Agreements for Post-Termination Payments

We have a policy governing severance and change in control agreements with the Company s named executive officers, which is set forth in our Corporate Governance Guidelines. Generally, the policy provides that we will not enter into any severance agreements with senior executives that provide specified benefits in an amount exceeding 299% of the sum of such executive s base salary plus bonus unless such severance agreement has been submitted to a stockholder vote. Further, unless such severance agreement has been submitted to a stockholder vote, we will not enter into a severance agreement that provides for the payment of specified benefits to an executive triggered by (i) a change in control of our Company that is approved by stockholders but not completed, or (ii) a completed change in control of the Company in which the named executive officer remains employed in a substantially similar capacity by the successor entity.

We have entered into stock option agreements with all of our named executive officers, employment agreements with our Chief Executive Officer (Mr. Jackson) and our President and Chief Operating Officer (Mr. Maroone) and an employment letter with our Executive Vice President and Chief Financial Officer (Mr. Short) that provide for payments or benefits to such persons at, following, or in connection with, termination under certain circumstances. We have not entered into any change in control agreements with any of our named executive officers. The payment or benefits provisions contained in the employment agreements and stock option agreements are designed to promote stability and continuity of senior management. A description of the applicable payments under such agreements for the named executive officers is provided under Executive Compensation Potential Payments Upon Termination or Change in Control.

Company Policy on Internal Revenue Code Section 162(m) Limits on Deductibility of Compensation

Section 162(m) of the Code generally disallows a tax deduction to public corporations for compensation over $1,000,000 paid for any fiscal year to the corporation s CEO and four other most highly compensated executive officers as of the end of any fiscal year. However, the statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met.

The Committee administers the executive compensation program in general, and our Executive Incentive Bonus Plan in particular, in a manner that maximizes the tax deductibility of compensation paid to the Company s executives under Section 162(m) of the Code to the extent practicable. The Committee believes, however, that our priority is to attract and retain highly-skilled executives to manage our Company and, in some cases, the loss of a tax deduction may be necessary to accomplish that goal. Accordingly, the Committee has from time to time approved elements of compensation for certain officers that are not fully deductible, and the Committee reserves the right to do so in the future in appropriate circumstances. For 2007, the compensation of our named executive officers was fully deductible under Section 162(m), except with respect to an amount equal to $150,000 of our Chief Executive Officer s base salary and certain portions of other elements of non-performance-based compensation for the Company s Chief Executive Officer and President and Chief Operating Officer.

Executive Stock Ownership Guidelines

In order to further align the long-term interests of management and stockholders and to ensure an owner-oriented culture, the Committee believes that our senior executive officers should have a significant financial stake in our Company. Accordingly, in February 2006, the Board of Directors adopted a policy setting forth its expectation that the Chief Executive Officer and the President and Chief Operating Officer will attain ownership of our common stock with a fair market value of not less than four times his or her annual base compensation, and each Executive Vice President will attain ownership of AutoNation s common stock with a fair market value of not less than two times his or her annual base compensation, in each case within five years of such person first becoming an executive officer or the adoption of this policy (February 7, 2006).

Table of Contents

Exceptions to this requirement may only be made by the Board of Directors under compelling mitigating circumstances. The Committee believes these ownership guidelines are an important tool in aligning the interests of our senior executive officers with the long term interests of our stockholders. As of December 31, 2007, our senior executive officers had met their guidelines or were making progress toward their guidelines as set forth in the chart below:

	Ownership as of December 31, 2007			
Name	**Number of Shares**[1]	**Dollar Value of Shares**[2]	**Ownership Requirement**	**Percentage of Requirement Met**
Mike Jackson	315,000	$ 4,932,900	$ 4,600,000	107%[3]
Michael E. Maroone	2,498,159	$ 39,121,170	$ 4,000,000	978%
Michael J. Short	1,563	$ 24,477	$ 1,122,000	2%[4]
Jonathan P. Ferrando	29,767	$ 466,151	$ 1,122,000	42%[5]

(1) The number of shares includes common stock beneficially owned by each executive (excluding stock options), including shares held through the AutoNation 401(k) Plan.

(2) The value of the shares is based on the closing price of a share of our common stock on the New York Stock Exchange as of December 31, 2007 ($15.66).

(3) Mr. Jackson has until February 2011 to meet the above ownership requirement.

(4) Mr. Short has until January 2012 to meet the above ownership requirement.

(5) Mr. Ferrando has until February 2011 to meet the above ownership requirement.

Conclusion

The Committee believes that our compensation programs are designed and administered in a manner consistent with the Committee s philosophy as described above. The Committee also believes that the programs appropriately reward executive performance and align the interests of the Company s named executive officers and key employees with the long-term interests of stockholders, while also enabling the Company to attract and retain talented executives. The Committee will continue to evolve and administer our compensation program in a manner that the Committee believes will be in the best interests of our stockholders.

Table of Contents

Compensation Committee and Executive Compensation Subcommittee
Report on Executive Compensation

The following statement made by our Compensation Committee and Executive Compensation Subcommittee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate such statement by reference.

The Compensation Committee and Executive Compensation Subcommittee of the Company have reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and, based on such review and discussions, the Compensation Committee and Executive Compensation Subcommittee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Compensation Committee:

William C. Crowley (Chair)
Robert J. Brown
Carlos A. Migoya

Executive Compensation Subcommittee:

Carlos A. Migoya (Chair)
Robert J. Brown

Executive Compensation

SUMMARY COMPENSATION TABLE

The following table shows compensation earned by our Chief Executive Officer, each person who served as our Chief Financial Officer during any part of 2007, and each of our three other most highly compensated executive officers at December 31, 2007.

ame and rincipal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total
ackson	2007	1,150,000			2,096,651			187,036(4)	3,433
man and	2006	1,150,000			2,049,276	1,116,420		197,921(5)	4,513
tive Officer)									
el E. ne	2007	1,000,000			1,677,833			274,027(6)	2,951
dent and Operating r)	2006	1,000,000			1,640,252	728,100		338,603(7)	3,706
el J. Short tive Vice ent and Chief cial r)(8)	2007	502,789			570,410			379,846(9)	1,453
xander ister	2007	65,999	100,000(11)					9,603(12)	175
er Interim Financial r & VP rate oller)(10)	2006	258,844			141,479	75,722			476
an P. do	2007	561,000			1,196,941			24,250(13)	1,782

utive Vice ent, General el cretary)	2006	561,000	954,463	245,078	19,818(14)	1,780
P. Westfall	2007	465,992	494,281		21,119(15)	981
r Vice ent, Sales)	2006	450,000	425,733	147,440	16,999(16)	1,040

(1) The amounts in this column reflect the approximate dollar amount we recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 for option awards granted in and prior to 2007, and for the fiscal year ended December 31, 2006 for option awards granted in and prior to 2006, in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R). These amounts exclude the impact of estimated forfeitures related to service-based vesting conditions, as required by SEC rules. For a description of the assumptions used in the calculation of these amounts, see Note 10 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007. During 2007, Mr. McAllister forfeited an aggregate of 37,600 options upon his resignation.

(2) Non-equity incentive plan compensation earned during 2006 was paid on February 15, 2007. No non-equity incentive plan compensation was earned in 2007.

(3) The amounts reported for personal usage by Mr. Jackson and Mr. Maroone of corporate aircraft are calculated based on the aggregate incremental cost to the Company. The incremental cost to the Company of personal usage of corporate aircraft by our executives is calculated based on the direct operating costs to the Company, including fuel costs, crew fees and travel expenses, trip-related repairs and maintenance, ground transportation, landing fees and other direct operating costs. The amounts reported for personal usage of cars are based on imputed income attributable to each named executive officer calculated in accordance with Treasury Regulations, which amounts we believe are equal to or greater than our incremental costs thereof. In addition to the perquisites and other benefits identified in the footnotes below, our named executive officers also are eligible to use our on-site fitness facility, and from time to time, use our tickets for sporting and entertainment events for personal purposes, and receive occasional secretarial support with respect to personal matters.

(4) Includes $10,882 for imputed income from group term life insurance, $126,202 for personal usage of corporate aircraft, $24,119 for personal company car usage, and $22,500 as vehicle allowance for service on the Board of Directors. Also includes a Company-paid executive health examination.

(5) Includes imputed income from group term life insurance, $138,079 for personal usage of corporate aircraft, $26,758 for personal company car usage, and $22,500 as vehicle allowance for service on the Board of Directors.

Table of Contents

(6) Includes imputed income from group term life insurance, $207,701 for personal usage of corporate aircraft, $34,751 for personal company car usage, $22,500 as vehicle allowance for service on the Board of Directors, and a $4,000 matching contribution to Mr. Maroone s non-qualified deferred compensation account.

(7) Includes imputed income from group term life insurance, $282,654 for personal usage of corporate aircraft, $28,596 for personal company car usage, and $22,500 as vehicle allowance for service on the Board of Directors.

(8) Mr. Short was hired on January 15, 2007 and therefore did not have earnings in 2006.

(9) Includes imputed income from group term life insurance, $359,032 for relocation reimbursement including tax gross-up, $14,940 as a vehicle allowance, and COBRA reimbursement.

(10) Mr. McAllister served as our Interim Chief Financial Officer beginning September 1, 2006 through January 15, 2007. Reported data reflects activity until his resignation on March 29, 2007.

(11) Mr. McAllister received a $100,000 retention bonus in 2007.

(12) Includes imputed income from group term life insurance, vacation pay, and a $4,000 matching contribution to Mr. McAllister s non-qualified deferred compensation account (of which $2,939 was forfeited upon his resignation).

(13) Includes imputed income from group term life insurance and $15,600 as a vehicle allowance. Also includes a Company-paid executive health examination and a $4,000 matching contribution to Mr. Ferrando s non-qualified deferred compensation account.

(14) Includes imputed income from group term life insurance and $15,600 as a vehicle allowance. Also includes a Company-paid executive health examination.

(15) Includes $15,600 as a vehicle allowance, imputed income from group term life insurance, and a $4,000 matching contribution to Mr. Westfall s non-qualified deferred compensation account.

(16) Includes $15,600 as a vehicle allowance and imputed income from group term life insurance.

Table of Contents

GRANTS OF PLAN-BASED AWARDS

The Executive Incentive Bonus Plan was approved by the Board in February 2007 and by our stockholders in May 2007. For 2007, the Executive Compensation Subcommittee selected Mike Jackson, Chairman and Chief Executive Officer, Michael E. Maroone, Director, President and Chief Operating Officer, Michael J. Short, Executive Vice President and Chief Financial Officer, and Jonathan P. Ferrando, Executive Vice President, General Counsel and Secretary, to participate in the Executive Incentive Bonus Plan. Under the terms of the Executive Incentive Bonus Plan, the Subcommittee set specific annual performance goals (while actual performance relative to the target remained substantially uncertain within the meaning of Section 162(m) of the Code) and established an objective formula for calculating the amount of the target awards for the participants. Bonus awards were payable based on a sliding scale based on our actual achievement relative to the predetermined goals, with the possibility that bonuses earned may exceed or be less than the targeted level. The Subcommittee had absolute negative discretion to eliminate or reduce the amount of any award under the Executive Incentive Bonus Plan. The target incentive award, as a percentage of base salary, assigned to our select named executive officers for 2007 were: Mike Jackson 1331/3%; Michael E. Maroone 100%; Michael J. Short 60%; and Jonathan P. Ferrando 60%.

The performance goals that the Subcommittee established for 2007 under the Executive Incentive Bonus Plan for the executives named above adjusted operating income per share (75% weight) of $3.28 and adjusted operating income as a percentage of gross profit (25% weight) of 23.0% were the same as those the Committee established for 2007 under the AOP for all other corporate bonus plan participants, including Mr. Westfall, who was eligible to receive a target award as a percentage of his base salary of 45%. One hundred percent of the target award for each participant in the Executive Incentive Bonus Plan was based upon achievement of the predetermined performance goals.

For 2007, the performance goals were not met at the level necessary to achieve a bonus payout, and, as a result, the Subcommittee awarded no bonuses to Messrs. Jackson, Maroone, Short, and Ferrando under the Executive Incentive Bonus Plan, or to other corporate bonus plan participants, including Mr. Westfall, under the AOP. The Executive Incentive Bonus Plan was the only bonus program in which our named executive officers participated in 2007 (other than Mr. Westfall who participated in the AOP only). For 2007, Mr. McAllister was not eligible to receive a target award under the Executive Incentive Bonus Plan or the AOP. However, in December 2006, the Committee approved a $100,000 retention bonus for Mr. McAllister which was paid in April 2007. As part of our retention efforts with respect to Mr. Jackson, a portion of the target bonus for Mr. Jackson in 2008 and 2009 (to the extent earned) under the Executive Incentive Bonus Plan (equal to 331/3% of his base salary) will be payable to him on a deferred basis in 2010 (without interest), subject to certain terms and conditions.

The following table sets forth certain information with respect to grants of awards to the named executive officers of the Company under our non-equity incentive plans and equity compensation plans during 2007. The grants include the 2007 cash incentive bonus plan awards and annual stock option grants. We have not granted restricted stock or other stock or long-term cash incentive awards.

Table of Contents

2007 GRANTS OF PLAN-BASED AWARDS

me	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1] Threshold ($)	Target ($)	Maximum ($)[2]	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fai Value of Stock anc Option Awards ($)[3]
ke Jackson	7/30/2007	7/24/2007				275,195	19.21	2,220,82
			311,420	1,533,333	5,000,000			
chael E. aroone	7/30/2007	7/24/2007				220,250	19.21	1,777,41
			203,100	1,000,000	5,000,000			
chael J. ort	1/15/2007	1/3/2007				200,000	21.56	1,882,00
	7/30/2007	7/24/2007				165,494	19.21	1,335,53
			61,270	301,673	5,000,000			
Alexander cAllister								
			N/A	N/A	N/A			
nathan P. rrando	7/30/2007	7/24/2007				165,494	19.21	1,335,53
			68,363	336,600	5,000,000			
vin P. estfall	7/30/2007	7/24/2007				49,620	19.21	400,43
			42,733	210,600	N/A			

(1) As disclosed above, these targets relate to the AOP and Executive Incentive Bonus Plan for 2007. No bonus awards occurred under these plans. Mr. McAllister was not eligible to receive an award under the plan due to his resignation from the Company effective March 29, 2007.

(2) $5,000,000 is the maximum allowable bonus as provided for under the Executive Incentive Bonus Plan.

(3) Based on FAS 123R value of $8.07 per share for options granted on July 30, 2007, and a FAS 123R value of $9.41 per share for options granted on January 15, 2007.

Table of Contents

2007 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Our equity compensation plans are administered by the Subcommittee. Stock option grants are made on an annual basis in amounts determined by the Subcommittee. In general, the Subcommittee has endeavored to limit aggregate annual stock option grants to an amount equal to approximately one percent (1%) of our outstanding shares of common stock. Stock options generally vest in equal installments over four years. In accordance with the terms of our equity compensation plans approved by stockholders, the exercise price for all options granted is equal to or higher than the closing price for one share of our common stock on the New York Stock Exchange as of the trading day immediately preceding the effective date of the grant (or a higher price designated by the Subcommittee). As a result, stock options granted under those plans will have value only if the market price of our common stock increases after that date. The following table sets forth certain information regarding equity-based awards held by our named executive officers as of December 31, 2007, which consist solely of stock options. We have not granted restricted stock or other stock awards.

	Option Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**
Mike Jackson	400,000		12.25	8/5/2012
	321,000		17.00	7/28/2013
	219,000	73,000(1)	16.77	7/27/2014
	146,000	146,000(2)	21.59	8/1/2015
	63,500	190,500(3)	20.08	7/31/2016
		275,195(4)	19.21	7/30/2017
Michael E. Maroone	830,882		14.39	1/6/2009
	276,961		13.26	7/29/2009
	350,000		6.88	8/1/2010
	500,000		6.88	8/1/2010
	400,000		11.05	7/25/2011
	320,000		12.25	8/5/2012
	257,000		17.00	7/28/2013
	175,350	58,450(5)	16.77	7/27/2014
	116,900	116,900(6)	21.59	8/1/2015
	50,750	152,250(7)	20.08	7/31/2016
		220,250(8)	19.21	7/30/2017
Michael J. Short		200,000(9)	21.56	1/15/2017
		165,494(10)	19.21	7/30/2017
J. Alexander McAllister(11)				

Jonathan P. Ferrando	77,200		17.00	7/28/2013
	131,700	43,900(12)	16.77	7/27/2014
	87,800	87,800(13)	21.59	8/1/2015
	43,900	131,700(14)	20.08	7/31/2016
		165,494(15)	19.21	7/30/2017
Kevin P. Westfall	28,950		17.00	7/28/2013
	17,550	17,550(16)	16.77	7/27/2014
	26,325	26,325(17)	21.59	8/1/2015
	12,500	12,500(18)	20.94	9/7/2015
	16,453	49,360(19)	20.08	7/31/2016
		49,620(20)	19.21	7/30/2017

The unexercisable stock options disclosed in the table above will vest as follows:

(1) 73,000 on July 27, 2008.

(2) 73,000 on August 1, 2008; 73,000 on August 1, 2009.

Table of Contents

(3) 63,500 on July 31, 2008; 63,500 on July 31, 2009; 63,500 on July 31, 2010.

(4) 68,798 on July 30, 2008; 68,799 on July 30, 2009; 68,799 on July 30, 2010; 68,799 on July 30, 2011.

(5) 58,450 on July 27, 2008.

(6) 58,450 on August 1, 2008; 58,450 on August 1, 2009.

(7) 50,750 on July 31, 2008; 50,750 on July 31, 2009; 50,750 on July 31, 2010.

(8) 55,062 on July 30, 2008; 55,063 on July 30, 2009; 55,062 on July 30, 2010; 55,063 on July 30, 2011.

(9) 50,000 on January 15, 2008; 50,000 on January 15, 2009; 50,000 on January 15, 2010; 50,000 on January 15, 2011.

(10) 41,373 on July 30, 2008; 41,374 on July 30, 2009; 41,373 on July 30, 2010; 41,374 on July 30, 2011.

(11) Mr. McAllister resigned from the Company effective March 29, 2007; therefore, he had no outstanding options as of December 31, 2007 and had 37,600 options cancelled upon termination.

(12) 43,900 on July 27, 2008.

(13) 43,900 on August 1, 2008; 43,900 on August 1, 2009.

(14) 43,900 on July 31, 2008; 43,900 on July 31, 2009; 43,900 on July 31, 2010.

(15) 41,373 on July 30, 2008; 41,374 on July 30, 2009; 41,373 on July 30, 2010; 41,374 on July 30, 2011.

(16) 17,550 on July 27, 2008.

(17) 13,162 on August 1, 2008; 13,163 on August 1, 2009.

(18) 6,250 on September 7, 2008; 6,250 on September 7, 2009.

(19) 16,453 on July 31, 2008; 16,453 on July 31, 2009; 16,454 on July 31, 2010.

(20) 12,405 on July 30, 2008; 12,405 on July 30, 2009; 12,405 on July 30, 2010; 12,405 on July 30, 2011.

2007 OPTION EXERCISES AND STOCK VESTED

The following table sets forth certain information regarding exercises of options by each of our named executive officers during 2007.

	Option Awards	
	Number of Shares	**Value Realized on Exercise**

Name	Acquired on Exercise (#)	($)
Mike Jackson	250,000	2,466,875
Michael E. Maroone	249,265	1,204,224
Michael J. Short		
J. Alexander McAllister	6,160	7,146
Jonathan P. Ferrando	96,000	1,014,032
Kevin P. Westfall	108,364	744,376

2007 NON-QUALIFIED DEFERRED COMPENSATION

The AutoNation Deferred Compensation Plan (DCP) affords a select group of management and highly compensated employees the opportunity to defer up to 75% of base salary and 90% of annual bonus and/or commissions on a pre-tax basis. We also provide a 50% matching contribution, with vesting, up to the first $8,000 deferred to the DCP for certain participants including our named executive officers. Participants eligible for a matching contribution under the DCP are not eligible for the matching contribution in the AutoNation 401(k) plan. Earnings on deferrals are based on deemed investments in funds, selected for inclusion in the DCP by us, investing in equity instruments or debt securities. The DCP provides daily processing of account transactions including participant deemed investment election changes. Additionally, the

Table of Contents

DCP provides for payment of vested deferrals and earnings upon separation from service, death, and disability as well as upon specified in-service payment dates selected by the participants. Participants may elect to receive payments upon specified in-service dates or upon separation from service in the form of lump sum payments or annual installments up to 10 years. Specified in-service date payments may be paid in a lump sum or in up to five (5) annual installments. The DCP is intended to meet the requirements of Section 409A of the Code and other relevant provisions thereunder and related Treasury regulations.

Name	**Executive Contributions in Last Fiscal Year ($)(1)**	**Registrant Contributions in Last Fiscal Year ($)(2)**	**Aggregate Earnings in Last Fiscal Year ($)**	**Aggregate Withdrawals/ Distributions ($)**	**Aggregate Balance at Last Fiscal Year-End ($)(3)**
Mike Jackson(4)					