AUTONATION, INC.
Form DEF 14A
March 23, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under § 240.14a-12

AutoNation, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(4) Date Filed:

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AUTONATION, INC.

AutoNation Headquarters

200 SW 1st Ave

Fort Lauderdale, FL 33301

NOTICE OF THE 2011 ANNUAL MEETING OF STOCKHOLDERS

To Stockholders of AutoNation, Inc.:

The 2011 Annual Meeting of Stockholders of AutoNation, Inc. will be held on the 15th Floor of the AutoNation Headquarters, located at 200 SW 1st Ave, Fort Lauderdale, Florida 33301, on Wednesday, May 4, 2011, at 9:00 a.m. Eastern Time for the following purposes as more fully described in the proxy statement:

(1) To elect the ten director nominees named in the proxy statement, each for a term expiring at the next Annual Meeting of Stockholders 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 2011;

(3) To hold an advisory vote on executive compensation;

(4) To hold an advisory vote on the frequency of the advisory vote on executive compensation;

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

(6) 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 17, 2011, 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 23, 2011

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Important Notice Regarding the Availability of Proxy Materials

for the Stockholder Meeting to be Held on May 4, 2011

Our 2010 Annual Report and this proxy statement are available at *www.edocumentview.com/AN*.

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AUTONATION, INC.

AutoNation Headquarters

200 SW 1st Ave

Fort Lauderdale, FL 33301

PROXY STATEMENT

This Proxy Statement contains information relating to the solicitation of proxies by the Board of Directors (the Board) of AutoNation, Inc. (AutoNation or the Company) for use at our 2011 Annual Meeting of Stockholders or any adjournment or postponement thereof. Our Annual Meeting will be held on the 15th Floor of the AutoNation Headquarters, located at 200 SW 1st Ave, Fort Lauderdale, Florida 33301, on Wednesday, May 4, 2011, at 9:00 a.m. Eastern Time.

Only stockholders of record as of 5:00 p.m. Eastern Time on March 17, 2011 (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 149,420,388 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 23, 2011.

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

What is the purpose of our 2011 Annual Meeting?

Our 2011 Annual Meeting will be held for the following purposes:

- To elect the ten director nominees named in this proxy statement, each for a term expiring at the next annual meeting of stockholders or until their successors are duly elected and qualified;
- To ratify the selection of KPMG LLP as our independent registered public accounting firm for 2011;
- To hold an advisory vote on executive compensation;
- To hold an advisory vote on the frequency of the advisory vote on executive compensation;
- 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?

In accordance with the rules of the Securities and Exchange Commission (SEC), we are furnishing our proxy materials, including this proxy statement and our annual report, to our stockholders primarily via the Internet. On March 23, 2011, we began mailing to our stockholders a Notice of Internet Availability of Proxy Materials (the Notice) that contains instructions on how to access our proxy materials on the Internet, how to vote, and how to request printed copies. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by email 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 may be asked to present valid photo identification and proof of stock ownership as of the record date to be admitted to the Annual Meeting.

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What are the voting rights of AutoNation stockholders?

Each stockholder is entitled to one vote on each of the ten 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.

How many shares must be present or represented to conduct business at the Annual Meeting?

The holders of at least 74,710,195 shares (a majority of shares outstanding on the record date) must be present in person or represented by proxy to conduct business at the Annual Meeting. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

How do I vote?

Registered Stockholders. If you are a registered stockholder (you hold your 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.

401(k) Participants. 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 17, 2011, by following the instructions provided by the Plan s trustee, Wells Fargo Bank, N.A. (Wells Fargo).

Will my shares be voted if I do not provide voting instructions?

If your shares are held by a brokerage firm and you do not provide the firm specific voting instructions, that firm will have the authority to vote your shares only with respect to the ratification of the selection of our independent registered public accounting firm (Proposal 2), and your shares will not be voted and will be considered broker non-votes with respect to the election of directors (Proposal 1), the advisory vote on executive compensation (Proposal 3), the advisory vote on the frequency of the advisory vote on executive compensation (Proposal 4), and the two stockholder proposals (Proposals 5 and 6). See also What are broker non-votes? below. We urge you to provide voting instructions so that your shares will be voted.

If you hold shares through the AutoNation 401(k) Plan and you do not provide clear voting instructions, Wells Fargo will vote the shares in your 401(k) account in the same proportion that it votes shares for which it received valid and timely instructions.

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 Annual 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), by signing and returning a new proxy card with a later date, or

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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?

Proposal 1: Election of Directors. To be elected, directors must receive a majority of votes cast (the number of shares voted for a director nominee must exceed the number of votes cast against that nominee).

Proposal 2: Ratification of the Selection of Our Independent Registered Public Accounting Firm. Ratification of the selection of KPMG LLP as our independent registered public accounting firm for the year ended December 31, 2011, requires the affirmative vote of the majority of shares present in person or by proxy and entitled to vote on the proposal.

Proposal 3: Advisory Vote on Executive Compensation. Advisory approval of the resolution on executive compensation requires the affirmative vote of the majority of shares present in person or by proxy and entitled to vote on the proposal.

Proposal 4: Advisory Vote on Frequency of Advisory Vote on Executive Compensation. Stockholders may indicate whether they prefer that we conduct future advisory votes on executive compensation every one, two, or three years, and the option receiving the highest number of votes will be deemed to be the preferred frequency of our stockholders.

Proposal 5: Stockholder Proposal. Approval of the stockholder proposal on special meetings requires the affirmative vote of the majority of shares present in person or by proxy and entitled to vote on the proposal.

Proposal 6: Stockholder Proposal. Approval of the stockholder proposal on cumulative voting requires the affirmative vote of the majority of shares present in person or by proxy and entitled to vote on the proposal.

What happens if an incumbent director fails to receive a majority vote?

Our Corporate Governance Guidelines, available at *http://corp.autonation.com/investors*, provide that if an incumbent director fails to receive a majority vote in an uncontested election of directors, such director must offer his or her written resignation from the Board. The Guidelines provide procedures pursuant to which the Board will consider any such resignation.

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 beneficial owner of the shares 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 have the authority to vote shares held for a beneficial owner on routine matters, such as the ratification of the selection of our independent registered public accounting firm (Proposal 2), without instructions from the beneficial owner of those shares. The election of directors (Proposal 1), the advisory vote on executive compensation (Proposal 3), the advisory vote on the frequency of the advisory vote on executive compensation (Proposal 4), and the two stockholder proposals (Proposals 5 and 6) are considered non-routine matters. As a result, if a brokerage firm does not receive voting instructions from the beneficial owner of shares held by the firm, those shares will not be voted and will be considered broker non-votes with respect to those matters.

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How are abstentions and broker non-votes treated?

Abstentions and broker non-votes are counted for purposes of determining whether a quorum is present. For Proposal 1, abstentions will not be counted in determining whether a director received a majority of votes cast (only FOR and AGAINST votes are counted). For Proposals 2, 3, 5, and 6, abstentions will have the same effect as negative votes. For Proposal 4, abstentions will not be counted in determining the preferred frequency for future advisory votes on executive compensation. Broker non-votes will not be counted for purposes of determining the voting results of any proposal. We urge you to provide voting instructions so that your shares will be voted.

How does the Board recommend I vote on the proposals?

The Board recommends that you vote FOR election of each of the ten director nominees named in this proxy statement, FOR ratification of the selection of KPMG LLP as our independent registered public accounting firm for 2011, FOR advisory approval of the resolution on executive compensation, for every 3 YEARS as the preferred frequency for future advisory votes on executive compensation, and AGAINST each of the stockholder proposals. See Items To Be Voted On for more information.

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 election of each of the ten director nominees named in this proxy statement, FOR ratification of the selection of KPMG LLP as our independent registered public accounting firm for 2011, FOR advisory approval of the resolution on executive compensation, for every 3 YEARS as the preferred frequency for future advisory votes on executive compensation, 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.

Who will pay for the cost of soliciting proxies?

We will pay for the cost of soliciting proxies. Our directors, officers, and other employees, without additional compensation, may solicit proxies personally or in writing, by telephone, email, or otherwise. As is customary, we will reimburse brokerage firms, fiduciaries, voting trustees, and other nominees for forwarding our proxy materials to each beneficial owner of common stock held of record by them.

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Board of Directors and Corporate Governance

Directors

Our Board currently consists of ten members. Except for Ms. Rosenthal, each of our current directors was elected by our stockholders at our 2010 Annual Meeting of Stockholders. Upon the recommendation of the Corporate Governance and Nominating Committee, the Board appointed Ms. Rosenthal as a member of the Board effective March 14, 2011. An independent director recommended Ms. Rosenthal for consideration as a Board member.

Upon the recommendation of the Corporate Governance and Nominating Committee, the Board has nominated each of our current directors to stand for election for a new term expiring at the 2012 Annual Meeting of Stockholders or until their successors are duly elected and qualified. See Items To Be Voted On Proposal 1: Election of Directors.

Our Board consists of a diverse group of leaders. Many of our directors have experience serving as executive officers or on boards and board committees of major companies. Many of our directors also have extensive corporate finance and investment banking experience as well as a broad understanding of capital markets. Our directors have a strong owner orientation approximately 72% of our common stock is held by our directors or entities or persons related to our directors (as of March 15, 2011).

We have set forth below information regarding each of our directors, including the specific experience, qualifications, attributes, or skills that led the Board to conclude that such person should serve as a director. Our Corporate Governance and Nominating Committee and the Board believe that the experience, qualifications, attributes, and skills of our directors provide the Company with the ability to address the evolving needs of the Company and represent the best interests of our stockholders.

Nominee	Age	Current Position with AutoNation	Director Since
Mike Jackson	62	Chairman of the Board and Chief Executive Officer	1999
Robert J. Brown	76	Director	2010
Rick L. Burdick	59	Director	1991
William C. Crowley	53	Director	2002
David B. Edelson	51	Director	2008
Robert R. Grusky	53	Director	2006
Michael Larson	51	Director	2010
Michael E. Maroone	57	Director, President and Chief Operating Officer	2005
Carlos A. Migoya	60	Director	2006
Alison H. Rosenthal	34	Director	2011

Mike Jackson 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. In January 2011, Mr. Jackson was appointed to the Board of Directors of the Federal Reserve Bank of Atlanta s Miami Branch. Mr. Jackson s automotive experience, his position as our Chief Executive Officer, and his broad knowledge of our Company and the automotive industry led the Board to conclude that he should serve as one of our directors.

Robert J. Brown has served as one of our directors since February 2010 and also previously served as one of our directors from May 1997 until May 2008. Mr. Brown has served as Chairman and Chief Executive Officer of B&C Associates, Inc., a management consulting, marketing research, and public relations firm, since 1973. Mr. Brown served as a director of Wachovia Corporation, a commercial and retail bank from April 1993 until April 2007, Sonoco Products Company, a manufacturer of industrial and consumer packaging products, from April 1993 until February 2007, and Duke Energy Corporation, an electric power company, from April 1994 until May 2005. Mr. Brown s experience operating B&C Associates, Inc. and his prior public company board experience led the Board to conclude that he should serve as one of our directors.

Rick L. Burdick 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 is managing partner (international) and chair of the international corporate transactions practice of the firm. He 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. Mr. Burdick s experience as a senior partner at a large law firm advising large companies on a broad range of corporate transactions and on securities law and corporate governance matters led the Board to conclude that he should serve as one of our directors.

William C. Crowley has served as one of our directors since January 2002. Since January 1999, Mr. Crowley has been President and Chief Operating Officer of ESL Investments, Inc., a private investment firm. He served as Executive Vice President of Sears Holdings Corporation, a broadline retailer, from March 2005 until January 2011 and as Chief Administrative Officer of Sears Holdings Corporation from September 2005 until January 2011. 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. Prior to joining ESL Investments in 1999, Mr. Crowley was a Managing Director at Goldman, Sachs & Co., a leading global investment banking and securities firm. Mr. Crowley is a director of AutoZone, Inc. He served as a director of Sears Holdings Corporation from March 2005 until May 2010. Mr. Crowley s experience in corporate finance and investment banking, as well as his experience as a senior executive officer of a major Fortune 500 company and his position as the President and Chief Operating Officer of ESL Investments, Inc., led the Board to conclude that he should serve as one of our directors.

David B. Edelson has served as one of our directors since July 2008. Mr. Edelson is Senior Vice President of Loews Corporation, a diversified holding company with subsidiaries in the property-casualty insurance, offshore drilling, natural gas transmission and storage, natural gas exploration and production, and lodging industries. He joined Loews in May 2005. Prior to joining Loews, Mr. Edelson was Executive Vice President & Corporate Treasurer of JPMorgan Chase & Co. He was named Corporate Treasurer in April 2001 and promoted to Executive Vice President in February 2003. Mr. Edelson spent the first 15 years of his career as an investment banker, first with Goldman Sachs & Co. and subsequently with JPMorgan Chase & Co. He has served as a director of CNA Surety Corporation, a 61%-owned subsidiary of CNA Financial Corporation, which is a 90%-owned subsidiary of Loews Corporation, since February 2007 and in January 2009 became its Chairman of the Board. Mr. Edelson s experience as a senior executive officer of a large holding company owning a wide range of businesses, as well as his prior experience as an investment banker and corporate treasurer, led the Board to conclude that he should serve as one of our directors.

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Robert R. Grusky has served as one of our directors since June 2006. In 2000, Mr. Grusky founded Hope Capital Management, LLC, an investment management firm for which he serves as Managing Member. He co-founded New Mountain Capital, LLC, a private equity and public equity investment management 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 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 AutoZone, Inc. Mr. Grusky s board experience and experience in investment management, private equity, and investment banking led the Board to conclude that he should serve as one of our directors.

Michael Larson has served as one of our directors since February 2010. Mr. Larson serves as chief investment officer for William H. Gates III, a position he has held since 1994. He is responsible for Mr. Gates non-Microsoft investments as well as the investments of the Bill & Melinda Gates Foundation Trust. He serves as a director of Republic Services, Inc. and Grupo Televisa, S.A.B. In addition, he is Chairman of the Board of Trustees for Western Asset/Claymore Inflation-Linked Securities & Income Fund and Western Asset/Claymore Inflation-Linked Opportunities & Income Fund. From November 1999 until December 2010, Mr. Larson served as a director of Pan American Silver Corp. Mr. Larson s investment and business experience and broad understanding of the capital markets, business cycles, and capital investment and allocation led the Board to conclude that he should serve as one of our directors.

Michael E. Maroone 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. Mr. Maroone s position as our President and his broad knowledge of our Company and the automotive retail industry led the Board to conclude that he should serve as one of our directors.

Carlos A. Migoya has served as one of our directors since June 2006. From February 2010 until December 2010, Mr. Migoya served as City Manager for the City of Miami. He formerly served as Regional President North Carolina of Wachovia Corporation, a Wells Fargo Company, from December 2007 until May 2009. From June 2006 until December 2007, Mr. Migoya served as State CEO for the Atlantic Region of Wachovia Corporation. In this position, Mr. Migoya was responsible for Wachovia s general banking businesses in New Jersey, Connecticut, and New York. From 1987 until 2006, Mr. Migoya served as Regional President Dade and Monroe Counties of Wachovia Corporation, with responsibility for Wachovia s general banking businesses in the region. Mr. Migoya has more than 35 years of experience in banking. Mr. Migoya s management and banking experience led the Board to conclude that he should serve as one of our directors.

Alison H. Rosenthal has served as one of our directors since March 2011. From February 2006 until January 2011, Ms. Rosenthal led various initiatives in the Business Development Department at Facebook, Inc., where she served as Senior Manager from February 2006 until July 2008 and as Head of the Global Operator Program, Mobile from July 2008 until January 2011. Ms. Rosenthal also served as an associate at General Atlantic Partners, LLC, a global private equity fund focused on IT, from February 2001 until June 2003 and as an analyst at Goldman, Sachs & Co., a leading global investment banking and securities firm, from July 1998 until July 2000. Ms. Rosenthal s technology experience, including in the areas of mobile applications and social media, and investment and finance experience led the Board to conclude that she should serve as one of our directors.

Corporate Governance Guidelines and Codes of Ethics

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

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Guidelines), which were adopted by the Board in March 2003 and most recently amended as of February 2, 2011. The Guidelines serve as a framework within which our Board conducts its operations. The Corporate Governance and Nominating Committee of our Board is 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.

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. These codes comply with NYSE listing standards.

A copy of the Guidelines and the codes referenced above are available on our 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, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301.

Role of the Board and Board Structure

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

Our Board s oversight of our business strategy and planning and management of our day-to-day operations includes a review of risks that could impact our goals, objectives, and financial condition. In addition, our Audit, Corporate Governance and Nominating, and Compensation committees assist the Board in overseeing our management of risk. Our Audit Committee reviews with management significant risks as well as our process for assessing and managing risks. Our Corporate Governance and Nominating Committee oversees our Company-wide Business Ethics Program, which includes a Code of Business Ethics applicable to all of our employees. Our Compensation Committee, in certain cases through its Executive Compensation Subcommittee, reviews and approves our executive compensation program and also reviews the general compensation structure for our corporate and key field employees. While our Board oversees our management of risk as outlined above, management is responsible for identifying and managing risks.

The positions of Chairman of the Board and Chief Executive Officer are both currently held by Mike Jackson. The Board believes that this leadership model is currently appropriate for the following reasons:

- Our Board has adopted strong and effective corporate governance policies and procedures to promote the effective and independent governance of the Company. See Corporate Governance Guidelines and Codes of Ethics above.

- Our Board is stockholder-oriented and focused on the best interests of our stockholders approximately 72% of our common stock is held by our directors or entities or persons related to our directors (as of March 15, 2011), a significant portion of our director s compensation is equity-based, and the Board has established director stock ownership guidelines.

- The combined role enables decisive leadership, ensures clear accountability, and fosters alignment on corporate strategy.

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Our independent directors meet in regularly scheduled executive sessions led by a presiding director (rotated among Committee Chairs) without management present.

Our independent directors annually review the performance of our Chairman and Chief Executive Officer.

The Board believes that it functions well with its current leadership structure and with Mr. Jackson as Chairman of the Board.

At our 2009 Annual Meeting of Stockholders, a stockholder proposal to amend our by-laws to require an independent Board chairman was presented, and 86% of the votes cast voted against such proposal.

In addition, we believe that the current leadership structure of the Board supports its risk oversight functions by providing independent leadership at the committee level, executive sessions of the Board of Directors with rotating presiding directors and ultimate oversight by the full Board led by our Chairman and CEO.

Our Board of Directors held 15 meetings and took one action by unanimous written consent during 2010. In 2010, each person serving as a director attended at least 75% of the total number of meetings of our Board and any Board committee on which he or she served.

Our independent directors held four executive sessions without management present during 2010. Our Board has not appointed a lead independent director; instead, in accordance with our Guidelines, the presiding director for each executive session is rotated among the Chairs of our Board committees.

Our directors are expected to attend our Annual Meeting of Stockholders. Any director who is unable to attend our Annual Meeting is expected to notify the Chairman of the Board in advance of the Annual Meeting. Except for Kim C. Goodman, who did not stand for re-election to the Board, each person who was then serving as a director attended the 2010 Annual Meeting of Stockholders.

Board Committees

Our Board has established three separately designated standing committees to assist the Board in discharging its responsibilities: the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. In addition, our Board has established the Executive Compensation Subcommittee, which is a subcommittee of the Compensation Committee. The charters for our Board committees are in compliance with SEC rules and NYSE listing standards. These charters are available at *http://corp.autonation.com/investors*, and you may obtain a printed copy of any of these charters by sending a written request to: Investor Relations, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, Florida 33301.

The following table sets forth the current membership of each of our Board s committees:

Name	Audit Committee	Compensation Committee	Executive Compensation Subcommittee	Corporate Governance and Nominating Committee
Robert J. Brown	*			
Rick L. Burdick		*	*	**
William C. Crowley		**		*
David B. Edelson	*			
Robert R. Grusky	**			*
Michael Larson		*	*	
Carlos A. Migoya	*	*	**	*

* Member

** Chair

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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) selecting, retaining, compensating, overseeing, and evaluating 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 the filing of such statements with the SEC; (v) preparing the Audit Committee report for inclusion in our proxy statement; and (vi) reviewing with management significant risks 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 s charter.

The Audit Committee currently consists of four directors. Our Board has determined that each Audit Committee member has the requisite independence and other qualifications for audit committee membership under SEC rules, NYSE listing standards, the Audit Committee s charter, and the independence standards set forth in the Guidelines (as discussed below under Director Independence). Our Board has also determined that each of Mr. Grusky and Mr. Edelson 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). See Directors above for a description of the business experience of each of Mr. Grusky and Mr. Edelson.

The Audit Committee held eight meetings and took no actions by unanimous written consent during 2010. The Audit Committee Report for fiscal 2010, 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, 2010, 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. As part of its review of executive compensation, the Committee reviews the executive compensation arrangements at other retail companies. The Committee reviews the data at a high level in order to evaluate and confirm whether our executive compensation is within a reasonably competitive range. The Committee, however, does not set executive compensation at a set target percentile based on the data. See Executive Compensation Compensation Discussion and Analysis Setting Compensation Levels of Executive Officers. The Committee did not engage a compensation consultant to advise the Committee with respect to executive or director compensation for 2010.

Our Board has determined that each Compensation Committee member has the requisite independence for Compensation Committee membership under NYSE listing standards and the independence standards set forth in the Guidelines. The Compensation Committee held five meetings and took two actions by unanimous written consent during 2010. For more information on the responsibilities and activities of the Compensation Committee, including the Committee s processes for determining executive compensation, see Executive Compensation below, as well as the Compensation Committee s charter.

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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-based awards; (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 equity compensation plans, including approving stock-based awards.

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 five meetings and took one action by unanimous written consent during 2010. For more information on the responsibilities and activities of the Executive Compensation Subcommittee, please refer to the Executive Compensation Subcommittee s charter.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating 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; (ii) leading annual evaluations of Board and Board committee performance; (iii) 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; (iv) reviewing Board candidates recommended by our stockholders; and (v) recommending to our Board assignments to committees.

Our Board has determined that each Corporate Governance and Nominating Committee member is independent under NYSE listing standards and the independence standards set forth in the Guidelines. In 2010, the Corporate Governance and Nominating Committee held six meetings and took one action by unanimous written consent.

The Corporate Governance and Nominating Committee has a policy with regard to the consideration of director candidates recommended by stockholders. For information regarding this policy, refer to Stockholder Communications Stockholder Director Recommendations below.

Director Independence

The director independence standards set forth in our Guidelines, available at *http://corp.autonation.com/investors*, meet and in some areas exceed the listing standards of the NYSE. Our Board has affirmatively determined that all of our directors, except Mr. Jackson, our Chairman and Chief Executive Officer, and Mr. Maroone, our President and Chief Operating Officer, are independent under our independence standards and the listing standards of the NYSE.

In addition to our independence standards, the directors who serve on our Audit Committee each satisfy standards established by the SEC providing that to qualify as independent for the purposes of membership on that committee, members of audit committees may not (1) accept directly or indirectly any consulting, advisory, or other compensatory fee from the company other than their director compensation or (2) be an affiliated person of the Company or any of its subsidiaries.

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In making its independence determinations, the Board considered relationships and transactions since the beginning of 2008 between the Company and its subsidiaries and our non-employee directors, entities associated with those directors, or members of their immediate families, including the relationships and transactions described under Certain Relationships and Related Transactions below. The Board determined that none of the relationships and transactions it considered impaired the independence of our non-employee directors or disqualified any of our non-employee directors from serving as independent directors under our independence standards and the listing standards of the NYSE. The Board s independence determinations included a review of the following relationships and transactions:

Mr. Crowley is President and Chief Operating Officer of ESL Investments, Inc., and ESL Investments, Inc. together with its investment affiliates (collectively, ESL) beneficially owns approximately 54% of our common stock. In addition, Mr. Crowley and ESL have relationships with Sears Holdings Corporation (Sears) and AutoZone, Inc. (AutoZone), and in the ordinary course of business, we enter into transactions with Sears and AutoZone as a purchaser or supplier of goods or services. See Certain Relationships and Related Party Transactions below for more information regarding these relationships and transactions.

Mr. Grusky is a limited partner in ESL Partners, L.P., an investment affiliate of ESL Investments, Inc., and he serves as a director of AutoZone.

Mr. Edelson is Senior Vice President of Loews Corporation (Loews), and, in connection with certain of our insurance programs, we pay premiums to American Casualty Company of Reading, Pennsylvania, a subsidiary of CNA Financial Corporation (CNA Financial), which is a 90%-owned subsidiary of Loews. Mr. Edelson is also the Chairman of the Board of CNA Surety Corporation, which is a 61%-owned subsidiary of CNA Financial. In addition, we may from time to time use hotels owned by Loews Hotel Holdings Corporation, a wholly-owned subsidiary of Loews.

Michael Larson serves as chief investment officer for William H. Gates III, and all shares of our common stock owned by Cascade Investment, L.L.C. (Cascade) and the Bill & Melinda Gates Foundation Trust (the Trust) may be deemed to be beneficially owned by Mr. Gates. On a combined basis, Cascade and the Trust beneficially own approximately 16% of our common stock. In the ordinary course of business, we enter into transactions, as a purchaser or supplier of goods or services, with Republic Services, Inc. (Republic), and Mr. Larson serves as a director of Republic. In addition, Cascade and the Trust on a combined basis beneficially own approximately 15% of Republic s common stock.

The Board determined that Kim C. Goodman, who served as a director and Audit Committee member for part of 2010, was independent under our independence standards, the listing standards of the NYSE, and the SEC independence standards applicable to members of audit committees. In making this determination, the Board reviewed and considered our payment of credit card fees to American Express in the ordinary course of business, in light of her position as an officer of American Express. The Board determined that the transactions with American Express did not impair her independence or disqualify her from serving as an independent director under the applicable independence standards.

Director Selection Process

The Corporate Governance and Nominating Committee is responsible for identifying, evaluating, and recommending candidates to the Board for nomination and election to the Board. The Committee is also responsible for assessing the appropriate balance of skills and characteristics required of our Board members. The Committee considers candidates suggested by its members and other Board members, as well as management and stockholders. The Committee has retained an executive search firm to identify and review candidates in the past.

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In accordance with the Guidelines, candidates, including candidates recommended by stockholders, are selected on the basis of, among other things, broad experience, wisdom, integrity, ability to make independent analytical inquiries, understanding of our business environment, the candidate s ownership interest in the Company, and willingness and ability to devote adequate time to Board duties, all in the context of the needs of our Board at that point in time and with the objective of ensuring diversity in the background, experience, and viewpoints of our Board members. The Guidelines provide that the number of directors should permit diversity of experience without hindering effective discussion, diminishing individual accountability, or exceeding a number that can function efficiently as a body.

The Board periodically reviews the size of the Board to determine the size that will be most effective for the Company. In addition, the Board completes an annual self-evaluation, which includes a self-assessment questionnaire for each Board member. The self-assessment questionnaire addresses topics such as the structure of the Board, the skills and backgrounds of the current directors, the size of the Board, and the Board s committee structure. Each of the Audit Committee, the Corporate Governance and Nominating Committee, the Compensation Committee, and the Executive Compensation Subcommittee also completes an annual self-evaluation, which includes a self-assessment questionnaire tailored specifically for such committee or subcommittee.

Candidates recommended by our stockholders are considered on the same basis as if such candidates were recommended by one of our Board members or other persons. See Stockholder Communications Stockholder Director Recommendations below.

Board Compensation

Our non-employee director compensation program is designed to:

- ensure alignment with long-term stockholder interests;
- ensure we can attract and retain outstanding director candidates who meet the criteria outlined under Director Selection Process above; and
- recognize the time commitments necessary to oversee the Company.

Summary

In 2010, our non-employee director compensation program consisted of the following:

- annual retainer of $25,000, plus $1,000 for each Board meeting attended in excess of four annually (the annual retainer was prorated based on the number of months served during the year);
- $1,000 for each committee meeting attended;
- annual fee of $10,000 for the Chair of our Audit Committee and an annual fee of $5,000 for each other member of our Audit Committee, in recognition of the additional time commitment and responsibilities associated with Audit Committee service;
- annual vehicle allowance of $22,500 in accordance with our Director Vehicle Allowance Program; and
- expense reimbursement in connection with Board and committee meeting attendance.

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In October 2010, our Board of Directors amended our non-employee director compensation program to (1) increase the annual retainer from $25,000 to $50,000 and eliminate the per meeting Board fees, (2) replace the per meeting Committee fees with retainers for Committee members, and (3) eliminate the annual vehicle allowance for non-employee directors, in each case effective January 1, 2011. As a result, for 2011 our non-employee director compensation program consists of the following:

- annual Board retainer of $50,000 for each non-employee director;
- annual committee retainers of $20,000 for the Chairman of the Audit Committee and $10,000 for each other Audit Committee member;
- annual committee retainers of $10,000 for the Chairmen of the Compensation Committee and the Corporate Governance and Nominating Committee and $5,000 for the other members of the Compensation Committee and the Corporate Governance and Nominating Committee; and
- expense reimbursement in connection with Board and committee meeting attendance.

In connection with the amendments described above, the Board also amended the AutoNation, Inc. 2007 Non-Employee Director Stock Option Plan (the 2007 Director Plan). Prior to the adoption of the amendment, the 2007 Director Plan provided for (1) an initial automatic grant of an option to purchase 50,000 shares of our common stock to each individual who was initially elected or appointed as a non-employee director of the Company and (2) an annual automatic grant of an option to purchase 20,000 shares of our common stock to each non-employee director of the Company. The amendment, which became effective upon adoption by the Board on October 26, 2010, (1) eliminates the initial automatic grant and (2) replaces the annual automatic grant with automatic quarterly grants, so that each non-employee director will receive an automatic grant of an option to purchase 5,000 shares of our common stock on the first trading day of each March, June, September, and December, in lieu of the annual automatic grant. The amendment also provides that options will have an exercise price equal to the closing price per share of the Company s common stock on the applicable grant date (prior to the amendment, options were granted with an exercise price equal to the closing price on the trading day immediately preceding the applicable grant date) and clarifies that, once triggered by an optionee, the retirement provisions contained in the 2007 Director Plan will continue to apply without regard to whether such optionee subsequently resumes service as a non-employee director.

All options granted under the 2007 Director Plan (both before and after the October 2010 amendment described above) are (1) fully vested and immediately exercisable and (2) exercisable for a term of ten years from the date of grant so long as the director remains a member of the Board.

In November 2010, the Board amended the AutoNation, Inc. Deferred Compensation Plan (the DCP) primarily to add non-employee directors as eligible participants to allow them to defer all or a portion of their annual and committee retainers under the DCP.

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2010 Director Compensation

The following table sets forth the compensation earned during 2010 by each non-employee director.

2010 DIRECTOR COMPENSATION

	Fees Earned or Paid in			
	Cash	Option Awards	All Other Compensation	Total
Name	($)	($)[1]	($)[2]	($)
Robert J. Brown[3]	34,250	394,450	18,750	447,450
Rick L. Burdick	41,000	169,060	22,500	232,560
William C. Crowley	41,000	169,060	22,500	232,560
David B. Edelson	43,000	169,060	22,500	234,560
Kim C. Goodman[4]	14,500	169,060	22,500	206,060
Robert R. Grusky	53,000	169,060	22,500	244,560
Michael Larson[3]	29,917	394,450	18,750	443,117
Carlos A. Migoya	53,000	169,060	22,500	244,560

(1) On January 4, 2010, Messrs. Burdick, Crowley, Edelson, Grusky, and Migoya and Ms. Goodman were each automatically granted an option to purchase 20,000 shares of our common stock at an exercise price equal to $19.15 per share (the closing price per share of Company common stock on December 31, 2009), in accordance with the terms of the 2007 Director Plan on the grant date. On February 24, 2010, the date of their appointment to the Board, Messrs. Larson and Brown were each automatically granted an option to purchase 50,000 shares of our common stock, in accordance with the terms of the 2007 Director Plan on that date. The options granted to Messrs. Larson and Brown on February 24, 2010, have an exercise price equal to $18.02 per share (the closing price of a share of our common stock on February 23, 2010). The amounts reported in this column are based on the grant date fair values computed in accordance with FASB ASC Topic 718 - $8.45 per share for options granted on January 4, 2010 and $7.89 per share for options granted on February 24, 2010. For a description of the assumptions used in the calculation of these amounts, see Note 10 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010.

As of December 31, 2010, our non-employee directors held the following number of options: Robert J. Brown 50,000; Rick L. Burdick 160,000; William C. Crowley 210,000; David B. Edelson 90,000; Robert R. Grusky 83,384; Michael Larson 50,000; and Carlos A. Migoya 130,000.

(2) Represents amounts provided in accordance with the Director Vehicle Allowance Program.

(3) Messrs. Larson and Brown were appointed to the Board on February 24, 2010.

(4) Ms. Goodman did not stand for re-election to the Board at the 2010 Annual Meeting.

Director Stock Ownership Guidelines

The Board believes that directors should be stockholders and have a financial stake in the Company. Toward this end, the Board expects that each director will invest at least $100,000 in the Company s common stock within five years of first becoming a director. Exceptions to this requirement may only be made by the Board under compelling mitigating circumstances.

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The following table sets forth information regarding investments made by our directors in our common stock as of March 15, 2011.

DIRECTOR STOCK OWNERSHIP GUIDELINES

Name	Number of Shares Owned[1]	Amount Deemed Invested	Progress	Deadline
Robert J. Brown	2,000	$ 45,060[2]	45%	February 2015
Rick L. Burdick	7,500	$ 142,500[3]	Achieved	N/A
William C. Crowley	152,315[4]	$ 3,117,828[5]	Achieved	N/A
David B. Edelson	4,500	$ 89,572[6]	90%	July 2013
Robert R. Grusky	6,200	$ 95,457[7]	95%	June 2011
Michael Larson	1,000	$ 23,229[6]	23%	February 2015
Carlos A. Migoya	7,000	$ 122,550[8]	Achieved	N/A

(1) Based on filings with the SEC.

(2) With respect to 1,000 shares, based on the closing price per share on February 24, 2010, the date he was appointed to the Board; and with respect to 1,000 shares, based on the closing price per share of our common stock on the day the shares were acquired in connection with the exercise of an option.

(3) Based on the closing price per share of our common stock on the day the shares were acquired in connection with the exercise of an option.

(4) Includes 91,242 shares held by Tynan, LLC, a limited liability company of which Mr. Crowley is the sole member. Mr. Crowley may be deemed to have an indirect beneficial ownership interest in shares of AutoNation held by ESL Investments, Inc. and its investment affiliates. Mr. Crowley disclaims beneficial ownership of those shares. See also Stock Ownership below.

(5) With respect to 52,789 shares, based on the closing price per share on January 11, 2010, the date of the transaction that brought Mr. Crowley s ownership interest to 52,789 shares. With respect to 99,526 shares, based on the closing price per share on June 2, 2010, the date of the transaction that brought Mr. Crowley s ownership interest to 152,315 shares.

(6) Based on the purchase price paid for the shares, as reported with the SEC.

(7) With respect to 5,200 shares, based on the purchase price paid for the shares, as reported with the SEC; and with respect to 1,000 shares, based on the closing price per share of our common stock on the day the shares were acquired in connection with the exercise of an option.

(8) With respect to 1,000 shares that Mr. Migoya held on the date he became a director, based on the closing price per share of our common stock on such date. For all other shares held by Mr. Migoya, based on the purchase price paid for the shares, as reported with the SEC.

2011 Option Grants

In accordance with the terms of the 2007 Director Plan, as amended, on March 1, 2011, Messrs. Brown, Burdick, Crowley, Edelson, Grusky, Larson, and Migoya were each automatically granted an option to purchase 5,000 shares of our common stock at an exercise price equal to $32.50 per share, the closing price per share of our common stock on March 1, 2011. Each non-employee director will also receive an option to purchase 5,000 shares of our common stock on the first trading day of each of June 2011, September 2011, and December 2011. Each option grant will have an exercise price equal to the closing price per share of our common stock on the applicable grant date.

Compensation Committee Interlocks and Insider Participation

During 2010, Messrs. Burdick, Crowley, Larson, and Migoya served on our Compensation Committee. Please refer to Certain Relationships and Related Party Transactions below for a description of certain transactions we entered into since January 1, 2010 in which Mr. Crowley may have an indirect material interest.

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None of our Compensation Committee members has ever been an officer or employee of AutoNation or any of our subsidiaries, and none of our executive officers has served on the compensation committee or board of directors of any company, one of whose executive officers served on our Board or our Compensation Committee.

Certain Relationships and Related Party Transactions

Our Board has adopted a written policy which 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. 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.

In accordance with SEC rules, we have set forth below a summary of transactions that occurred since January 1, 2010, in which the amount involved exceeded $120,000, the Company or one of its subsidiaries was a participant, and any related party may be deemed to have had a direct or indirect material interest. Under SEC rules, a related party is any director, executive officer, nominee for director, or 5% stockholder of the Company, and their immediate family members. In each case, the transactions complied with our Board s policy on related party transactions.

In the ordinary course of business, we enter into transactions with Sears as a purchaser or supplier of goods or services. As of March 15, 2011, ESL, which beneficially owns 54% of our common stock, beneficially owns approximately 60% of Sears common stock (based on publicly available data as of March 15, 2011), and Edward S. Lampert, the Chairman, Chief Executive Officer and controlling principal of ESL Investments, Inc., serves as the Chairman of the Board of Sears. Additionally, Mr. Crowley serves as the President and Chief Operating Officer of ESL Investments, Inc., and during 2010, he served as a director of Sears (until May 2010), as Executive Vice President and Chief Administrative Officer of Sears, and as Chairman of the Board of Sears Canada Inc., a subsidiary of Sears. In 2010, we paid Sears approximately $300,000 primarily for automotive parts and accessories, and Sears paid us approximately $240,000 primarily for automotive parts, accessories, and services.

We also enter into transactions with AutoZone, Inc., as a purchaser or supplier of goods or services, in the ordinary course of business. ESL owns approximately 32% of AutoZone s common stock (based on publicly available data as of March 15, 2011), and Messrs. Crowley and Grusky serve as directors of AutoZone. In 2010, we paid AutoZone approximately $360,000 primarily for automotive parts and accessories, and AutoZone paid us approximately $120,000 primarily for automotive parts and accessories. In addition, in 2010, Lease Plan USA, a fleet leasing company, paid us approximately $3.7 million for certain vehicles that were subsequently leased by Lease Plan USA to AutoZone.

In January 2009, our Board authorized and approved letter agreements with certain automotive manufacturers that, among other things, eliminated certain adverse consequences that would have been triggered under the framework agreements with those manufacturers upon ESL s acquisition of a 50% or greater ownership interest in our Company. The letter agreements with American Honda Motor Co., Inc. (Honda) and Toyota Motor Sales, U.S.A., Inc. (Toyota) also contain governance-related and other provisions. ESL is also a party to both the Honda and Toyota agreements. Under the terms of the Honda and Toyota agreements, ESL has agreed to vote all shares of our common stock in excess of 50% of our outstanding shares in the same proportion as all non-ESL-owned shares are voted. For additional information regarding these agreements, please refer to Agreements with Vehicle Manufacturers Framework Agreements in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2010.

In April 2010, we entered into an amendment to the Toyota agreement with Toyota and ESL, which provides that if either (a) the exercise of options to purchase our common stock and/or (b) the issuance or vesting of restricted shares of our common stock, causes ESL to no longer own in excess of 50% of our common stock,

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then the Toyota agreement, and Toyota s consent thereunder, will continue to be in effect until any subsequent disposition of common stock by ESL during the time when ESL s ownership is not in excess of 50% of our common stock as a result of such exercise, issuance, or vesting. In December 2010, Toyota agreed to an extension of the Toyota agreement until December 31, 2011.

Stockholder Communications

Communications with the Company and the Board

Stockholders and interested parties may communicate with the Company through its Investor Relations Department by writing to Investor Relations, 200 SW 1st Ave, Fort Lauderdale, FL 33301.

Stockholders and interested parties interested in communicating with our Board, any Board committee, any individual director, any group of directors (such as our independent directors), or our presiding director should send written correspondence to AutoNation, Inc. Board of Directors, c/o Corporate Secretary, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, Florida 33301. Additional information is available on our corporate website at *http://corp.autonation.com/investors*.

Stockholder Proposals for Next Year s Annual Meeting

As more specifically provided in our by-laws, no business may be brought before an Annual Meeting unless it is specified in the notice of the Annual Meeting or is otherwise brought before the Annual Meeting by or at the direction of our Board of Directors or by a stockholder entitled to vote who has delivered proper notice to us not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year s Annual Meeting. Accordingly, any stockholder proposal to be considered at the 2012 Annual Meeting of Stockholders, including nominations of persons for election to our Board, generally must be properly submitted to us not earlier than January 5, 2012 nor later than February 4, 2012. Detailed information for submitting stockholder proposals or nominations of director candidates will be provided upon written request to the Secretary of AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, Florida 33301.

These requirements are separate from the SEC s requirements that a stockholder must meet in order to have a stockholder proposal included in our Proxy Statement for the 2012 Annual Meeting of Stockholders. Stockholders interested in submitting a proposal for inclusion in our proxy materials for the 2012 Annual Meeting of Stockholders may do so by following the procedures set forth in Rule 14a-8 under the Exchange Act. To be eligible for inclusion in such proxy materials, stockholder proposals must be received by our Secretary not later than November 24, 2011.

Stockholder Director Recommendations

The Corporate Governance and Nominating Committee has established a policy pursuant to which it considers director candidates recommended by our stockholders. 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 persons. To recommend a director candidate for consideration by our Corporate Governance and Nominating Committee, a stockholder must submit the recommendation in writing to our Corporate Secretary not later than 120 calendar days prior to the anniversary date of our proxy statement distributed to our stockholders in connection with our previous year s 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 Corporate Governance and Nominating Committee to assist the Committee in appropriately evaluating the candidate.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our directors, executive officers, and persons who beneficially own 10% or more of our stock file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our stock and our other equity securities. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the year ended December 31, 2010, our directors, executive officers, and greater than 10% beneficial owners complied with all such applicable filing requirements, except that one late Form 4 was filed for Mr. Westfall on June 3, 2010 to report the sale of 1,773 shares of common stock held in his 401(k) account on April 30, 2010.

STOCK OWNERSHIP

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information as of March 15, 2011 regarding beneficial owners of more than five percent of the outstanding shares of our common stock.

	Shares of		Shares of Common Stock	
	Common Stock	Options Exercisable	Beneficially Owned	
Name of Beneficial Owner	Owned	Within 60 days	Number	Percent[1]
ESL Investments, Inc.[2]	80,907,306	215,000	81,122,306	54.1%
Cascade Investment, L.L.C.[3]	13,753,872		13,753,872	9.2%
Bill & Melinda Gates Foundation Trust[4]	10,792,100		10,792,100	7.2%
Capital Research Global Investors[5]	8,585,000		8,585,000	5.7%

(1) Based on 149,657,497 shares outstanding at March 15, 2011.

(2) Based on a Schedule 13D/A filed with the SEC on December 17, 2010, updated to reflect the grant of an option to Mr. Crowley on March 1, 2011, the total amount of our common stock beneficially owned by ESL Investments, Inc. includes: 44,117,331 shares held by ESL Partners, L.P., 6,704 shares held by ESL Institutional Partners, L.P., 12,882,401 shares held in an account established by the investment member of ESL Investors, L.L.C., 5,220,154 shares held by CBL Partners, L.P., 91,242 shares held by Tynan, LLC, 18,528,401 shares held by Edward S. Lampert, 61,073 shares held by Mr. Crowley, and 215,000 shares issuable upon the exercise of options held by Mr. Crowley. Mr. Crowley disclaims beneficial ownership of the AutoNation shares beneficially owned by ESL Investments, Inc., except for the 91,242 shares held by Tynan, LLC, the 61,073 shares held by Mr. Crowley, and the 215,000 shares issuable upon the exercise of options held by Mr. Crowley. The address of ESL Investments, Inc. is 200 Greenwich Avenue, Greenwich, CT 06830.

On May 20, 2010, we filed with the SEC a Current Report on Form 8-K to disclose that ESL became the beneficial owner of a greater than 50% ownership interest in our common stock. Please refer to the Form 8-K and also to Agreements with Vehicle Manufacturers Framework Agreements in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2010, for a description of certain letter agreements by and among the Company, ESL, and certain automotive manufacturers relating to ESL s ownership of our common stock. See also Board of Directors and Corporate Governance Certain Relationships and Related Party Transactions.

(3) Based on a Schedule 13D/A filed with the SEC on February 9, 2011. All shares of common stock held by Cascade may be deemed to be beneficially owned by William H. Gates III as the sole member of Cascade. The address of Cascade is 2365 Carillon Point, Kirkland, WA 98033.

(4) Based on a Schedule 13D/A filed with the SEC on February 9, 2011. All shares of common stock beneficially owned by the Trust may be deemed to be beneficially owned by William H. Gates III and Melinda French Gates as Co-Trustees of the Trust. The address of the Bill &

Melinda Gates Foundation Trust is 1551 Eastlake Avenue E., Seattle, WA 98102.

(5) Based on a Schedule 13G filed with the SEC on February 11, 2011. The address of Capital Research Global Investors is 333 South Hope Street, Los Angeles, CA 90071.

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SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information as of March 15, 2011 regarding the amount of our common stock beneficially owned by each of our current directors and executive officers and by our current directors and executive officers as a group. Beneficial ownership includes shares that may be acquired within 60 days of March 15, 2011 through the exercise of outstanding stock options, as well as shares of restricted stock.

Name of Beneficial Owner	Shares of Common Stock Owned	Options Exercisable Within 60 days	Shares of Common Stock Beneficially Owned	
			Number	Percent[1]
Mike Jackson[2]	15,000	802,205	817,205	*
Robert J. Brown	2,000	38,900	40,900	*
Rick L. Burdick	7,500	165,000	172,500	*
William C. Crowley[3]	80,907,306	215,000	81,122,306	54.1%
David B. Edelson	4,500	95,000	99,500	*
Robert R. Grusky[4]	6,200	88,384	94,584	*
Michael Larson	1,000	55,000	56,000	*
Carlos A. Migoya	7,000	135,000	142,000	*
Alison H. Rosenthal				
Michael E. Maroone[5]	2,498,159	1,254,412	3,752,571	2.5%
Michael J. Short	1,563	317,762	319,325	*
Jonathan P. Ferrando[6]	34,767	558,072	592,839	*
Kevin P. Westfall	11,513[7]	78,648	90,161	*
All directors and current executive officers as a group (13 persons)[8]	83,496,508	3,803,383	87,299,891	56.9%

* Less than 1%.

(1) Based on 149,657,497 shares outstanding at March 15, 2011.

(2) All options held by Mr. Jackson are owned by a trust of which he is the sole trustee and beneficiary.

(3) Includes shares beneficially owned by ESL Investments, Inc. Mr. Crowley is the President and Chief Operating Officer of ESL Investments, Inc., which together with various of its affiliates, beneficially owns shares of AutoNation s common stock as set forth above under Security Ownership of Certain Beneficial Owners. Mr. Crowley may be deemed to have an indirect beneficial ownership interest in the shares beneficially owned by ESL Investments, Inc. Mr. Crowley disclaims beneficial ownership of the AutoNation shares beneficially owned by ESL Investments, Inc., except for 91,242 shares held by Tynan, LLC, a limited liability company of which William C. Crowley is the sole member, 61,073 shares held by Mr. Crowley, and the 215,000 shares issued upon the exercise of options held by Mr. Crowley.

(4) Mr. Grusky is a limited partner in ESL Partners, L.P. (ESL Partners), which together with various of its affiliates owns shares of AutoNation s common stock. As a limited partner, Mr. Grusky is not deemed to have a reportable interest in the AutoNation shares held by ESL Partners, and Mr. Grusky disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein.

(5) Includes 2,496,622 shares beneficially owned by Michael Maroone Family Partnership, a Nevada limited partnership controlled by Mr. Maroone, of which 1,451,646 shares are pledged as security for a loan, and 1,537 shares held through the AutoNation 401(k) Plan.

(6) Includes 28,000 shares owned by Mr. Ferrando and his wife as tenants by the entirety and 1,767 shares held through the AutoNation 401(k) Plan.

(7) Represents unvested shares of restricted stock.

(8) Includes 3,304 shares held through the AutoNation 401(k) Plan.

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EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE AND

EXECUTIVE COMPENSATION SUBCOMMITTEE REPORT

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 discussion, 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 in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Compensation Committee:

William C. Crowley, Chair

Rick L. Burdick

Michael Larson

Carlos A. Migoya

Executive Compensation Subcommittee:

Carlos A. Migoya, Chair

Rick L. Burdick

Michael Larson

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COMPENSATION DISCUSSION AND ANALYSIS

Overview

Our compensation programs are administered by the Compensation Committee (referred to as the Committee in this section) and the Executive Compensation Subcommittee (referred to as the Subcommittee in this section) 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-based awards; (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 equity compensation plans, including approving stock-based awards.

From January 1, 2010 until May 5, 2010, the Committee consisted of William C. Crowley (Chair), Rick L. Burdick, and Carlos A. Migoya, and the Subcommittee consisted of Mr. Migoya (Chair) and Mr. Burdick. On May 5, 2010, the Board appointed Michael Larson to the Compensation Committee and the Executive Compensation Subcommittee. Since May 5, 2010, the Committee has consisted of Mr. Crowley (Chair), Mr. Burdick, Mr. Larson, and Mr. Migoya, and the Subcommittee has consisted of Mr. Migoya (Chair), Mr. Burdick, and Mr. Larson.

For the fiscal year ended December 31, 2010, our named executive officers were: Mike Jackson, Chairman and Chief Executive Officer; Michael E. Maroone, President and Chief Operating Officer; Michael J. Short, Executive Vice President and Chief Financial Officer; Jonathan P. Ferrando, Executive Vice President, General Counsel and Secretary; and Kevin P. Westfall, Senior Vice President, Sales.

This Compensation Discussion and Analysis section discusses the compensation policies and programs for our named executive officers as shown in the compensation tables that follow.

Compensation Philosophy and Objectives

The Committee s fundamental philosophy is to closely link executive compensation with the achievement of performance goals and to create an owner-oriented 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-based awards.

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 executing the Company s business strategy, optimizing the Company s business performance and

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productivity of its business operations, and increasing long-term stockholder value. The Committee also considers the scope of an executive s duties and responsibilities and individual executive performance. Our CEO reviews the performance of other named executive officers and makes recommendations, if any, 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.

As part of its review of executive compensation, the Committee reviews the executive compensation arrangements at peer group companies. Our peer group includes comparable specialty retail companies based on specific financial measures, including, but not limited to, revenue, total assets, market capitalization, and net income. The Committee s practice has been to make changes to our peer group only when necessary or when in the Committee s judgment comparison to a company is no longer appropriate. There were no changes to our peer group for 2010 as compared to 2009. For 2010, our peer group consisted of the following companies:

Advance Auto Parts, Inc.	J.C. Penney Company, Inc.	RadioShack Corporation
AutoZone, Inc.	Kohl s Corporation	Ross Stores, Inc.
BJ s Wholesale Club, Inc.	Limited Brands, Inc.	Staples, Inc.
CarMax, Inc.	Macy s Inc.	Tiffany & Co.
Family Dollar Stores, Inc.	Nordstrom, Inc.	The TJX Companies, Inc.
The Gap, Inc.	Office Depot, Inc.	

The Committee reviews the executive compensation benchmark data at a high level in order to evaluate and confirm whether our executive compensation is within a reasonably competitive range. The Committee, however, does not set executive compensation at a specific target percentile within the peer group. Instead, the Committee focuses on providing compensation that is fair for the services rendered, closely linking executive compensation with the achievement of Company performance goals, and creating an owner-oriented culture, where the interests of our executive officers are aligned with the long-term interests of our stockholders.

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, 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 stock-based awards in order to provide incentives to create and maintain long-term stockholder value. The Committee reviews and considers total compensation in setting each element of compensation for our named executive officers.

2010 Executive Compensation Elements

The key elements of our executive compensation program for the year ended December 31, 2010 were:

- base salary;
- annual incentive bonus; and
- stock-based awards.

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 2010.

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

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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 2010 for any of the named executive officers.

Annual Incentive Bonus

2010 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. In February 2010, the Subcommittee established performance goals under the AOP for 2010 based upon specified levels of adjusted operating income per basic share and adjusted operating income as a percentage of gross margin. The following table sets forth the 2010 bonus metrics under the AOP.

2010 Bonus Metrics	Weight	Threshold Payout Level	Target Payout Level	Maximum Payout Level
Adjusted Operating Income Per Basic Share	75%	$2.03[1]	$2.25	³ $2.81[2]
Adjusted Operating Income as a Percent of Gross Margin	25%	19.8%[3]	20.8%	N/A[4]

(1) 25% of target payout level.

(2) 200% of target payout level.

(3) 81.25% of target payout level.

(4) Each 0.1 percentage point change in this performance metric represented a plus or minus 1.875% payout versus target.

In calculating the level of our performance under the AOP, operating income per basic 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 other 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 margin 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.

Each year, the Subcommittee, in its sole discretion, determines which of our named executive officers or other key employees will participate in the AutoNation, Inc. Senior Executive Incentive Bonus Plan (the Executive Incentive Plan). The Executive Incentive Plan is designed to create a direct link between pay and performance for our 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. Historically, the Subcommittee has selected only those officers who were likely to receive annual compensation in excess of $1 million. Our executive officers may participate in either the AOP or the Executive Incentive Plan, but not both. The Subcommittee is also 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 Plan.

In February 2010, the Subcommittee established an incentive bonus program for 2010 for certain of our named executive officers under the Executive Incentive Plan. For 2010, the Subcommittee selected Mike Jackson, Michael E. Maroone, Michael J. Short, and Jonathan P. Ferrando to participate in the Executive

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Incentive Plan. Under the terms of the Executive Incentive Plan, the Subcommittee set specific annual performance goals and established an objective formula for calculating the amount of the target awards for participants. The 2010 bonus metrics that the Subcommittee established under the Executive Incentive Plan were the same as those that the Committee established for 2010 under the AOP (set forth above) for all other corporate bonus plan participants, including Mr. Westfall. The Subcommittee believes that symmetry between the AOP and the Executive Incentive Plan assures that all participants are appropriately aligned to achieve our objectives.

One hundred percent of the target award for each participant in the AOP and the Executive Incentive Plan was based upon achievement of the predetermined performance goals. Bonus awards under the AOP and the Executive Incentive Plan were payable on a sliding scale based on the Company s actual achievement relative to the predetermined goals, with the possibility that bonuses earned may exceed or be less than the targeted payout level. The Subcommittee had absolute negative discretion to eliminate or reduce the amount of any award under the AOP and the Executive Incentive Plan.

The following table sets forth the 2010 threshold and target awards reflected as a percentage of salary for each of the participants under the Executive Incentive Plan and for Mr. Westfall under the AOP.

Participant	2010 Threshold (% of Salary)	2010 Target (% of Salary)	2010 Maximum
Mike Jackson	25%	133 1 /3%	(1), (2)
Michael E. Maroone	18.75%	100%	(1), (2)
Michael J. Short	14.06%	75%	(1), (2)
Jonathan P. Ferrando	14.06%	75%	(1), (2)
Kevin P. Westfall	8.44%	45%	(1), (3)

(1) The maximum payout level for the adjusted operating income per basic share metric was 200% versus target.

(2) While there was no maximum for the adjusted operating income as a percentage of gross margin metric, the maximum amount payable to any one participant in any one year is $5,000,000 under the Executive Incentive Plan. Each 0.1 percentage point change in this performance metric represented a plus or minus 1.875% payout.

(3) There was no maximum for the adjusted operating income as a percentage of gross margin metric. Each 0.1 percentage point change in this performance metric represented a plus or minus 1.875% payout.

Based on our financial performance against the bonus targets, bonus awards under the AOP and the Executive Incentive Plan were paid at 186.72% of the targeted levels. Performance under the AOP and the Executive Incentive Plan for 2010 was calculated as follows:

2010 Bonus Metrics	Weight	Target Payout Level	Attainment	Payout	Weighted Payout
Adjusted Operating Income Per Basic Share	75%	$ 2.25	$ 2.84	200%	150%
Adjusted Operating Income as a Percent of Gross Margin	25%	20.8%	23.3%	146.88%	36.72%
Total Payout					186.72%

Actual payouts to our named executive officers are shown in the table entitled Summary Compensation Table below. The Executive Incentive Plan was the only bonus program in which our named executive officers participated in 2010, other than Mr. Westfall who participated in the AOP only.

As part of our retention efforts with respect to Mr. Jackson, a portion of the 2010 bonus earned by Mr. Jackson under the Executive Incentive Plan (equal to $715,760) will be paid to him on a deferred basis in 2013 (without interest), subject to certain terms and conditions.

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2011 Incentive Bonus

In February 2011, the Subcommittee selected the 2011 participants under the Executive Incentive Plan, established specific objective annual performance goals for 2011, and set target awards for the 2011 participants in the Executive Incentive Plan. For 2011, the Subcommittee selected Messrs. Jackson, Maroone, Short, and Ferrando to participate in the Executive Incentive Plan. The performance goals that the Subcommittee established for 2011 under the Executive Incentive Plan are based upon the achievement of specified levels of adjusted operating income per basic share (minus a net charge for capital deployed for acquisitions or share repurchases and subject to an adjustment for certain extraordinary or other items) and adjusted operating income as a percentage of gross margin for the Company during 2011. The performance goals established under the Executive Incentive Plan for 2011 also constitute the performance goals that have been established for bonus-eligible, corporate-level employees of the Company under the AOP to ensure that the corporate management team is fully aligned. Bonus awards under both the AOP and the Executive Incentive Plan will be 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. The Subcommittee will have absolute negative discretion to eliminate or reduce the amount of any award under the AOP and the Executive Incentive Plan.

The following table sets forth the 2011 threshold and target awards reflected as a percentage of salary for each of the participants under the Executive Incentive Plan and for Mr. Westfall under the AOP.

Participant	2011 Threshold (% of Salary)	2011 Target (% of Salary)	2011 Maximum
Mike Jackson	27.08%	133 1/3%	(1), (2)
Michael E. Maroone	20.31%	100%	(1), (2)
Michael J. Short	15.23%	75%	(1), (2)
Jonathan P. Ferrando	15.23%	75%	(1), (2)
Kevin P. Westfall	9.14%	45%	(1), (3)

(1) The maximum payout level for the adjusted operating income per basic share metric is 200%.

(2) While there is no maximum for the adjusted operating income as a percentage of gross margin metric, the maximum amount payable to any one participant in any one year is $5,000,000 under the Executive Incentive Plan. Each 0.1 percentage point change in this performance metric represents a plus or minus 1.875% payout.

(3) There is no maximum for the adjusted operating income as a percentage of gross margin metric. Each 0.1 percentage point change in this performance metric represents a plus or minus 1.875% payout.

As part of our retention efforts with respect to Mr. Jackson, a portion of the 2011 bonus earned by Mr. Jackson under the Executive Incentive Plan (equal to 33 1/3% of his base salary to the extent actually awarded) will be paid to him on a deferred basis in 2013 (without interest), subject to certain terms and conditions.

Stock-Based Awards

The Subcommittee grants stock-based awards to our named executive officers in order to provide long-term incentives which align the long-term interests of management and our stockholders. The Committee believes that stock-based awards motivate our named executive officers to focus on optimizing our long-term business performance and stockholder value and create an owner-oriented culture. For 2010, the Subcommittee administered our equity compensation plans and approved all stock-based awards under the AutoNation, Inc. 2008 Employee Equity and Incentive Plan (the 2008 Plan), which was approved by our stockholders at the 2008 Annual Meeting of Stockholders.

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Stock-based awards are approved on an annual basis in amounts determined by the Subcommittee, while carefully considering the cost to us and our stockholders, including common stock dilution. For 2010, the sum of all stock-based awards granted to AutoNation employees represented potential share issuances equal to approximately 0.78% of our outstanding shares of common stock (0.67% relating to stock options and 0.11% relating to restricted stock).

In 2010, the Subcommittee approved two types of stock-based awards: stock options and restricted stock. Except for Messrs. Jackson, Maroone, Short, and Ferrando, who received stock options only, other employees eligible for stock-based awards received either a mix of stock options and restricted stock, or restricted stock only. Mr. Westfall received a mix of stock options and restricted stock.

The 2010 annual stock option and restricted stock awards were made to all stock option-eligible and restricted stock-eligible employees at the same time. Additionally, the 2010 annual stock option awards were made to all stock option-eligible employees on the same terms (other than the number of options granted, which varies primarily by position and based on individual performance), and the 2010 annual restricted stock awards were made to all restricted stock-eligible employees on the same terms (other than the number of restricted shares granted, which varies primarily by position and based on individual performance).

Stock Options

Since 2009, the Subcommittee s practice has been to approve annual stock option awards during the first quarter and to grant the awards in four equal increments over the year, subject to continuous employment through each grant date. Consistent with this practice, on February 4, 2010, the Subcommittee approved the 2010 annual stock option awards for our named executive officers and other employees. One-fourth of each stock option award was granted on each of March 1, 2010, June 1, 2010, September 1, 2010, and December 1, 2010. The 2010 stock option grants have an exercise price equal to the closing price per share on the grant date, vest in equal annual installments over four years commencing on June 1, 2011, and expire on March 1, 2020. Detailed information regarding the 2010 stock option grants to our named executive officers is provided in the table entitled Grants of Plan-Based Awards in Fiscal 2010 below.

Since the Subcommittee approved the 2010 annual stock option awards in February, the exercise price for each of the four grants comprising an annual stock option award was based on the closing price of our common stock on a pre-determined date subsequent to the approval of such award. The Subcommittee believes that this practice is fair and reasonable to the award recipients, the Company, and its stockholders since it minimizes the impact that any particular event could have on the exercise price of stock options, particularly during times of market volatility.

On February 1, 2011, the Subcommittee approved the 2011 annual stock options awards for our named executive officers and other employees. The total stock option award for 2011 that the Subcommittee granted to each of our named executive officers is as follows: Mike Jackson 221,516 options, Michael E. Maroone 177,288 options, Michael J. Short 133,212 options, Jonathan P. Ferrando 133,212 options, and Kevin P. Westfall 13,316 options. One-fourth of each stock option award that was approved on February 1, 2011, was granted on March 1, 2011, and an additional one-fourth of each stock option award will be granted on the first trading day of each of June, September, and December 2011. In accordance with the 2008 Plan, the options granted on March 1, 2011 have an exercise price equal to the closing price per share on such date ($32.50), and each subsequent option grant will have an exercise price equal to the closing price per share on the applicable grant date. The 2011 stock option awards vest in equal annual installments over four years commencing on June 1, 2012 and expire on March 1, 2021.

Restricted Stock

On February 4, 2010, the same date that it approved the 2010 stock option awards, the Subcommittee approved restricted stock awards to certain employees, including Mr. Westfall, who received 5,112 shares of

restricted stock, but excluding all other named executive officers. These shares of restricted stock were granted on March 1, 2010 and will vest in equal annual installments over four years commencing on June 1, 2011.

On February 1, 2011, in addition to the 2011 stock option awards, the Subcommittee approved the 2011 restricted stock awards to certain employees, including Mr. Westfall, who received 4,440 shares of restricted stock. The Subcommittee did not grant restricted stock awards to our other named executive officers. The 2011 restricted stock awards were granted on March 1, 2011 and will vest in equal annual installments over four years commencing on June 1, 2012.

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 the AutoNation 401(k) Plan and the AutoNation, Inc. Deferred Compensation Plan) on the same general terms as other participants in these programs, participation in Company car programs entitling the executives to a demonstrator vehicle and/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

On July 20, 2010, we entered into new employment agreements with Mike Jackson and Michael Maroone, pursuant to which Mr. Jackson will continue to serve as Chairman and Chief Executive Officer until September 24, 2013 and Mr. Maroone will continue to serve as President and Chief Operating Officer until December 31, 2013. The new agreements are on substantially the same terms and conditions as Mr. Jackson s and Mr. Maroone s prior employment agreements, which were replaced and superseded by the new agreements. See Employment Agreements below for a summary of the material terms of the new employment agreements. The Committee believes that entering into the employment agreements with Messrs. Jackson and Maroone furthered our efforts to retain such executives.

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, as well as employment agreements with Messrs. Jackson and Maroone 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 stock option agreements and the employment agreements are designed to promote stability and continuity of senior management. A description of the applicable potential payments under such agreements for the named executive officers is provided under Potential Payments Upon Termination or Change in Control below.

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Company Policy on 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 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 2010, the compensation of our named executive officers was fully deductible under Section 162(m), except for $150,000 of Mr. Jackson s base salary and approximately $208,289 of other non-performance-based compensation for Messrs. Jackson and Maroone.

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 Board has set stock ownership guidelines for our Chief Executive Officer, Chief Operating Officer, and each Executive Vice President. The following table sets forth information regarding the number and dollar value of shares held by these officers as of March 15, 2011 and lists the specific ownership requirements under the ownership guidelines. Each of these officers has either satisfied the ownership guidelines or has time remaining to do so. The ownership guidelines provide that the ownership requirements must be met by the later of February 7, 2014 or the date that is five years after the executive was appointed to the position.

EXECUTIVE STOCK OWNERSHIP GUIDELINES

	Ownership as of March 15, 2011		
Name	**Number of Shares[1]**	**Dollar Value of Shares[2]**	**Ownership Requirement**
Mike Jackson	15,000	$ 498,300	200,000 shares or $4,600,000
Michael E. Maroone	2,498,159	$82,988,842	175,000 shares or $4,000,000
Michael J. Short	1,563	$ 51,923	50,000 shares or $1,122,000
Jonathan P. Ferrando	34,767	$ 1,154,960	50,000 shares or $1,122,000

(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 March 15, 2011 ($33.22).

Conclusion

The Committee believes that our compensation programs appropriately reward executive performance and align the interests of our named executive officers and key employees with the long-term interests of our 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.

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COMPENSATION TABLES

Summary Compensation Table

The following table provides information concerning total compensation earned in 2008, 2009, and 2010 by our Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated individuals serving as executive officers of the Company at the end of 2010.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)[1]	Option Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)[2]	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)[3]	Total ($)
Mike Jackson (Chairman and Chief Executive Officer)	2010	1,150,000			2,577,655	2,863,039[4]		174,928[5]	6,765,622
	2009	1,150,000			2,087,993	1,705,833		220,053	5,163,879
	2008	1,150,000			1,230,644			198,446	2,579,090
Michael E. Maroone (President and Chief Operating Officer)	2010	1,000,000			2,062,981	1,867,200		269,215[6]	5,199,396
	2009	1,000,000			1,671,099	1,112,500		199,605	3,983,204
	2008	1,000,000			984,935			270,758	2,255,693
Michael J. Short (Executive Vice President and Chief Financial Officer)	2010	561,000			1,550,127	785,624		28,214[7]	2,924,965
	2009	561,000			1,255,651	468,084		25,233	2,309,968
	2008	557,398			740,074			20,454	1,317,926
Jonathan P. Ferrando (Executive Vice President, General Counsel and Secretary)	2010	561,000			1,550,127	785,624		20,430[8]	2,917,181
	2009	561,000			1,255,651	468,084		23,997	2,308,732
	2008	561,000			740,074			20,528	1,321,602
Kevin P. Westfall (Senior Vice President, Sales)	2010	482,040		93,038	154,968	405,029		17,767[9]	1,152,842
	2009	482,040		52,814	125,508	241,321		20,982	922,665
	2008	481,359		55,233	73,966			21,174	631,732

(1) The amounts reported reflect the aggregate grant date fair value of each award computed in accordance with FASB ASC Topic 718. For a description of the assumptions used in the calculation of these amounts, see Note 10 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010.

(2) No non-equity incentive plan compensation was earned in 2008. Non-equity incentive plan compensation earned in 2009 was paid on February 25, 2010, and non-equity incentive plan compensation earned in 2010 was paid on February 25, 2011.

(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) $715,760 of this amount will be paid to Mr. Jackson on a deferred basis in 2013 (without interest), subject to certain terms and conditions.

(5) Includes $8,203 for group term life insurance, $104,855 for personal usage of corporate aircraft, $58,175 for demonstrator vehicle usage and/or a vehicle allowance, and $3,695 for a company paid executive health examination.

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(6) Includes $4,773 for group term life insurance, $204,766 for personal usage of corporate aircraft, and $59,602 for demonstrator vehicle usage and/or a vehicle allowance, and $74 for a company paid health examination.

(7) Includes $895 for group term life insurance, $25,849 for demonstrator vehicle usage and/or a vehicle allowance, and $1,470 for a company paid executive health examination.

(8) Includes $596 for group term life insurance and $19,834 for demonstrator vehicle usage and/or a vehicle allowance.

(9) Includes $2,167 for group term life insurance and $15,600 for a vehicle allowance.

We have employment agreements with Messrs. Jackson and Maroone that establish certain terms relating to their compensation. For information regarding these agreements, refer to Employment Agreements below.

Grants of Plan-Based Awards in Fiscal 2010

The Executive Incentive Plan was approved by the Board in February 2007 and by our stockholders in May 2007. For 2010, the Executive Compensation Subcommittee selected Messrs. Jackson, Maroone, Short, and Ferrando to participate in the Executive Incentive Plan. Under the terms of the Executive Incentive 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. The target incentive awards, as a percentage of base salary, assigned to our select named executive officers for 2010 were: Mike Jackson 133⅓%; Michael E. Maroone 100%; Michael J. Short 75%; and Jonathan P. Ferrando 75%.

The performance goals that the Subcommittee established for 2010 under the Executive Incentive Plan for the executives named above adjusted operating income per basic share (75% weight) of $2.25 and adjusted operating income as a percentage of gross margin (25% weight) of 20.8% were the same as those that the Committee established for 2010 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 AOP and the Executive Incentive Plan was based upon achievement of the predetermined performance goals.

Bonus awards under the Executive Incentive Plan and the AOP 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. The Subcommittee had absolute negative discretion to eliminate or reduce the amount of any award under the Executive Incentive Plan and the AOP.

Based on our financial performance against the bonus targets, bonus awards under the Executive Incentive Plan and the AOP were paid at 186.72% of the targeted levels. Actual payouts to our named executive officers are set forth in the table entitled Summary Compensation Table above, and information regarding how our 2010 performance was calculated is set forth in Compensation Discussion and Analysis Annual Incentive Bonus above. The Executive Incentive Plan was the only bonus program in which our named executive officers participated in 2010, other than Mr. Westfall who participated in the AOP only.

The following table sets forth certain information with respect to the (i) non-equity incentive plan awards granted to Messrs. Jackson, Maroone, Short, and Ferrando under the Executive Incentive Plan and to Mr. Westfall under the AOP and (ii) the option awards granted to each of our named executive officers and the restricted stock awards granted to Mr. Westfall under the 2008 Plan.

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GRANTS OF PLAN-BASED AWARDS IN 2010

				Estimated Future Payouts under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards[2]
Name	Award Type	Grant Date	Approval Date	Threshold ($)	Target ($)	Maximum ($)[1]	(#)	(#)	($/sh)	
Mike Jackson	Option	3/1/10	2/4/10					63,756	18.20	547,664
	Option	6/1/10	2/4/10					63,756	19.64	600,582
	Option	9/1/10	2/4/10					63,756	23.21	662,425
	Option	12/1/10	2/4/10					63,756	26.49	766,985
	Cash			287,500	1,533,333	5,000,000				
Michael E. Maroone	Option	3/1/10	2/4/10					51,026	18.20	438,313
	Option	6/1/10	2/4/10					51,026	19.64	480,665
	Option	9/1/10	2/4/10					51,026	23.21	530,160
	Option	12/1/10	2/4/10					51,026	26.49	613,843
	Cash			187,500	1,000,000	5,000,000				
Michael J. Short	Option	3/1/10	2/4/10					38,341	18.20	329,349
	Option	6/1/10	2/4/10					38,341	19.64	361,172
	Option	9/1/10	2/4/10					38,341	23.21	398,363
	Option	12/1/10	2/4/10					38,341	26.49	461,242
	Cash			78,891	420,750	5,000,000				
Jonathan P. Ferrando	Option	3/1/10	2/4/10					38,341	18.20	329,349
	Option	6/1/10	2/4/10					38,341	19.64	361,172
	Option	9/1/10	2/4/10					38,341	23.21	398,363
	Option	12/1/10	2/4/10					38,341	26.49	461,242
	Cash			78,891	420,750	5,000,000				
Kevin P. Westfall	Restricted Stock	3/1/10	2/4/10				5,112			93,038
	Option	3/1/10	2/4/10					3,833	18.20	32,925
	Option	6/1/10	2/4/10					3,833	19.64	36,107
	Option	9/1/10	2/4/10					3,833	23.21	39,825
	Option	12/1/10	2/4/10					3,833	26.49	46,111
	Cash			40,672	216,918	N/A				

(1) $5,000,000 is the maximum allowable bonus under the Executive Incentive Plan.

(2) With respect to option awards, the amounts reported in this column are based on the grant date fair values computed in accordance with FASB ASC Topic 718, which were as follows: $8.59 per share for options granted on March 1, 2010, $9.42 per share for options granted on June 1, 2010, $10.39 per share for options granted on September 1, 2010, and $12.03 per share for options granted on December 1, 2010. With respect to the restricted stock award for Mr. Westfall, the amount reported in this column is based on the closing price per share of our common stock on March 1, 2010, $18.20.

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Outstanding Equity Awards at Fiscal Year-End 2010

The following table provides information concerning unexercised options and unvested restricted stock awards held by the named executive officers of the Company as of December 31, 2010.

OUTSTANDING EQUITY AWARDS AT END OF FISCAL 2010

		Option Awards[1]				Stock Awards[2]	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[3]
Mike Jackson[4]	7/27/2004	292,000		16.77	7/27/2014		
	8/1/2005	292,000		21.59	8/1/2015		
	7/31/2006	254,000		20.08	7/31/2016		
	7/30/2007	206,396	68,799	19.21	7/30/2017		
	7/30/2008		135,534	10.17	7/30/2018		
	3/2/2009		49,809	9.92	3/2/2019		
	6/1/2009	16,603	49,809	16.99	3/2/2019		
	9/1/2009	16,603	49,809	18.02	3/2/2019		
	12/1/2009	16,603	49,809	17.70	3/2/2019		
	3/1/2010		63,756	18.20	3/1/2020		
	6/1/2010		63,756	19.64	3/1/2020		
	9/1/2010		63,756	23.21	3/1/2020		
	12/1/2010		63,756	26.49	3/1/2020		
Michael E. Maroone	8/5/2002	320,000		12.25	8/5/2012		
	7/28/2003	257,000		17.00	7/28/2013		
	7/27/2004	233,800		16.77	7/27/2014		
	8/1/2005	233,800		21.59	8/1/2015		
	7/31/2006	203,000		20.08	7/31/2016		
	7/30/2007	165,187	55,063	19.21	7/30/2017		
	7/30/2008	108,437	108,473	10.17	7/30/2018		
	3/2/2009	13,288	39,864	9.92	3/2/2019		
	6/1/2009	13,288	39,864	16.99	3/2/2019		
	9/1/2009	13,288	39,864	18.02	3/2/2019		
	12/1/2009	13,288	39,864	17.70	3/2/2019		
	3/1/2010		51,026	18.20	3/1/2020		
	6/1/2010		51,026	19.64	3/1/2020		
	9/1/2010		51,026	23.21	3/1/2020		
	12/1/2010		51,026	26.49	3/1/2020		
Michael J. Short	1/15/2007	150,000	50,000	21.56	1/15/2017		
	7/30/2007	124,120	41,374	19.21	7/30/2017		
	7/30/2008	41,606	81,506	10.17	7/30/2018		
	3/2/2009	9,984	29,954	9.92	3/2/2019		
	6/1/2009	9,984	29,954	16.99	3/2/2019		
	9/1/2009	9,984	29,954	18.02	3/2/2019		
	12/1/2009	9,984	29,954	17.70	3/2/2019		
	3/1/2010		38,341	18.20	3/1/2020		
	6/1/2010		38,341	19.64	3/1/2020		
	9/1/2010		38,341	23.21	3/1/2020		
	12/1/2010		38,341	26.49	3/1/2020		
Jonathan P. Ferrando	7/28/2003	27,200		17.00	7/28/2013		

7/27/2004	175,600		16.77	7/27/2014
8/1/2005	175,600		21.59	8/1/2015
7/31/2006	175,600		20.08	7/31/2016
7/30/2007	124,120	41,374	19.21	7/30/2017
7/30/2008		81,506	10.17	7/30/2018
3/2/2009		29,954	9.92	3/2/2019
6/1/2009	9,984	29,954	16.99	3/2/2019
9/1/2009	9,984	29,954	18.02	3/2/2019
12/1/2009	9,984	29,954	17.70	3/2/2019
3/1/2010		38,341	18.20	3/1/2020
6/1/2010		38,341	19.64	3/1/2020
9/1/2010		38,341	23.21	3/1/2020
12/1/2010		38,341	26.49	3/1/2020

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OUTSTANDING EQUITY AWARDS AT END OF FISCAL 2010

		Option Awards[1]				Stock Awards[2]	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[3]
Kevin P. Westfall	7/28/2003	18,950		17.00	7/28/2013		
	8/1/2005	52,650		21.59	8/1/2015		
	9/7/2005	25,000		20.94	9/7/2015		
	7/31/2006	65,813		20.08	7/31/2016		
	7/30/2007	37,215	12,405	19.21	7/30/2017		
	7/30/2008					1,997	56,315
	7/30/2008		8,146	10.17	7/30/2018		
	3/2/2009					2,936	82,795
	3/2/2009		2,994	9.92	3/2/2019		
	6/1/2009	998	2,994	16.99	3/2/2019		
	9/1/2009	998	2,994	18.02	3/2/2019		
	12/1/2009	998	2,994	17.70	3/2/2019		
	3/1/2010					3,759	106,004
	3/1/2010		3,833	18.20	3/1/2020		
	6/1/2010		3,833	19.64	3/1/2020		
	9/1/2010		3,833	23.21	3/1/2020		
	12/1/2010		3,833	26.49	3/1/2020		

(1) Stock options granted prior to January 1, 2009 vest 25% on each of the first, second, third, and fourth anniversaries of the applicable grant date. Each stock option granted in 2009 vests 25% on each of the first, second, third, and fourth anniversaries of June 1, 2009, and each stock option granted in 2010 vests 25% on each of the first, second, third, and fourth anniversaries of June 1, 2010.

(2) Shares of restricted stock granted prior to January 1, 2009 vest 25% on each of the first, second, third, and fourth anniversaries of the applicable grant date. Shares of restricted stock granted in 2009 vest 25% on each of the first, second, third, and fourth anniversaries of June 1, 2009, and shares of restricted stock granted in 2010 vest 25% on each of the first, second, third, and fourth anniversaries of June 1, 2010.

(3) Based on the closing price per share of our common stock on December 31, 2010 ($28.20).

(4) All of Mr. Jackson s options have been transferred other than for value to a personal trust.

Option Exercises and Stock Vested in Fiscal 2010

The following table provides information concerning exercises of stock options and vesting of restricted stock held by the named executive officers during 2010.

OPTIONS EXERCISES AND STOCK VESTED DURING FISCAL 2010

Name	Option Awards	Stock Awards
		Number of Shares

	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Acquired on Vesting (#)	Value Realized on Vesting ($)
Mike Jackson	405,370	4,371,035		
Michael E. Maroone	400,000	4,865,920		
Michael J. Short	39,900	663,961		
Jonathan P. Ferrando	100,737	1,179,868		
Kevin P. Westfall	50,171	477,445	2,689	59,317

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Equity Compensation Plans

The following table provides information as of December 31, 2010 regarding equity compensation plans approved and not approved by stockholders.

EQUITY COMPENSATION PLANS

Plan Category	(A) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(B) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity Compensation Plans Approved by Security Holders	10,142,884	$17.92	9,326,250[(1)]
Equity Compensation Plans Not Approved by Security Holders			
Total	10,142,884	$17.92	9,326,250

(1) Amount includes 8,013,018 shares available under the AutoNation, Inc. 2008 Employee Equity and Incentive Plan (the 2008 Plan). As of December 31, 2010, a maximum of 1,478,215 shares may be awarded as awards, other than options or stock appreciation rights, that are settled in shares under the 2008 Plan.

Non-Qualified Deferred Compensation in Fiscal 2010

The AutoNation, Inc. 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. Prior to 2009, we provided 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 were not eligible for the matching contribution in the AutoNation 401(k) plan. Effective January 1, 2009, we suspended matching contributions for both the DCP and the AutoNation 401(k) plan in light of the economic conditions.

Effective January 1, 2011, we reinstated matching contributions for both the DCP and the AutoNation 401(k) plan. For 2011, we will provide eligible participants a matching contribution of up to 50% of the first $5,000 deferred under the DCP. The 2011 matching contributions will be credited by the Company in 2012 and vest 33 1/3% per year beginning on January 1, 2012.

Earnings on deferrals are based on deemed investments in funds, selected for inclusion in the DCP by us, or investments in equity or debt securities. The DCP provides daily processing of account transactions including participant deemed investment election changes. Additionally, the 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 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.

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The following table sets forth the non-qualified deferred compensation activity for each named executive officer during 2010.

NON-QUALIFIED DEFERRED COMPENSATION IN FISCAL 2010

Name	Executive Contributions in Last Fiscal Year ($)[1]	AutoNation Contributions in Last Fiscal Year ($)	Aggregate Earnings (Loss) in Last Fiscal Year ($)[2]	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year-End ($)[3]
Mike Jackson[4]					
Michael E. Maroone	60,000		52,640		465,412
Michael J. Short			1,517		6,846
Jonathan P. Ferrando			1,202		12,508
Kevin P. Westfall	84,432		68,854		419,175

(1) Amounts included as part of Salary for 2010 in the Summary Compensation Table, except for $60,330 deferred by Mr. Westfall of the amount included as part of Non-Equity Incentive Plan Compensation for Mr. Westfall for 2009 in the Summary Compensation Table.

(2) Amounts not included in the Summary Compensation Table.

(3) Amounts, other than (1) contributions reported in the Executive Contributions in Last Fiscal Year and AutoNation Contributions in Last Fiscal Year columns and (2) gains or losses not required to be reported in the Summary Compensation Table, have been previously reported as compensation to our named executive officers in the Summary Compensation Table included in our prior proxy statements.

(4) Mr. Jackson did not participate in the DCP.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The tables below reflect the amount of compensation that would have been payable to each of our named executive officers under any contract, agreement, plan, or arrangement with us that provides for any payment to such executive in the event of termination of such executive s employment or a change in control of the Company, in each case assuming the termination or change in control occurred effective as of December 31, 2010, the last business day of our most recent fiscal year. The amount of compensation payable to each named executive officer upon termination for cause, voluntary termination (or voluntary termination for good reason and voluntary termination without good reason), death or disability, retirement, involuntary termination without cause, and change in control, as applicable, is shown below. We have prepared the tables based on the following general assumptions, and the tables should be considered in conjunction with these assumptions and the disclosures below the tables.

General Assumptions

Stock-Based Awards

In certain cases upon a termination or change in control, the vesting of unvested stock options and shares of restricted stock is accelerated. To determine the value of unvested stock options that would accelerate in such cases, we calculated the difference between (1) the exercise price of the unvested stock options that would accelerate and (2) the closing price per share of our common stock on December 31, 2010, which was $28.20. To determine the market value of unvested shares of restricted stock that would accelerate in such cases, we multiplied (x) the number of unvested shares of restricted stock that would accelerate by (y) $28.20. Since vested stock options are already exercisable upon termination (except in the case of a termination for cause), no value is attributable in the tables to the extension of the exercise period for such vested options.

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Benefits

Messrs. Jackson and Maroone are eligible for health and welfare benefits, including disability and life insurance, in connection with certain termination events, and in such events the tables below reflect our expense (based on 2010 premiums) in connection with such executive s elections.

Change in Control

We have not entered into any change in control agreements with any of our named executive officers. However, under our equity compensation plans, in the event of a change in control (as defined in our equity compensation plans and related agreements), all outstanding stock options held by such executive shall become immediately exercisable in full and, unless waived in advance of such change in control by our Board, such executive shall have the right to require us to pay, in cancellation of options, an amount equal to the product of (i) the excess of (a) the fair market value per share of the stock over (b) the option price times (ii) the number of shares of stock specified by such executive in a written notice to us. Additionally, in such case, all unvested shares of restricted stock shall immediately vest.

Restrictive Covenant Agreements

Our named executive officers have entered into restrictive covenants and other obligations as contained in various stock-based award agreements, confidentiality, non-solicitation/no-hire and non-compete agreements, and other similar agreements with us in connection with employment or the grant of stock-based awards. Generally, these restrictive covenants provide a restriction of one year in which the named executive officer may not perform certain activities within specified geographic regions. The competitive activities include generally (i) participating or owning an interest in an entity engaged in the auto business (as defined in the applicable agreement) or any other business of the type and character engaged by us, (ii) employing any person that was employed by us within the prior six months or seeking to induce any such person to leave his or her employment, (iii) soliciting any customer to patronize any business in competition with our business, or (iv) requesting or advising our customers or vendors to withdraw, curtail, or cancel their business with us. In certain cases, the receipt of post-termination payments by our named executive officers is conditioned upon their compliance with these restrictive covenants.

Receipt of Benefits

To the extent required in order to comply with Section 409A of the Code, certain payments that would otherwise be made during the six-month period immediately following the executive s termination of employment may instead be paid on the first business day after the date that is six months following the executive s separation from service within the meaning of Section 409A.

Description of Triggering Events

Termination for Cause (Employment Agreements)

Under our employment agreements with each of Messrs. Jackson and Maroone, termination for cause generally shall mean termination because of (i) the executive s breach of any of his covenants contained in the applicable employment agreement, (ii) the executive s failure or refusal to perform the duties and responsibilities required to be performed by the executive under the terms of the applicable employment agreement, (iii) the executive s willfully engaging in illegal conduct or gross misconduct in the performance of his duties hereunder (provided, that no act or failure to act shall be deemed willful if done, or omitted to be done, in good faith and with the reasonable belief that such action or omission was in our best interest), (iv) the executive s commission of an act of fraud or dishonesty affecting us or the commission of an act constituting a felony, or (v) the executive s violation of our policies in any material respect.

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Termination for Cause (Equity Compensation Plans)

Under our equity compensation plans, termination for cause generally shall mean termination because of (i) the executive s conviction for commission of a felony or other crime, (ii) the commission by the executive of any act against us constituting willful misconduct, dishonesty, fraud, theft, or embezzlement, (iii) the executive s failure, inability, or refusal to perform any of the material services, duties, or responsibilities required of him by us or to materially comply with the policies or procedures established from time to time by us, for any reason other than his illness or physical or mental incapacity, (iv) the executive s dependence, as determined in good faith by us, on any addictive substance, including, but not limited to, alcohol or any illegal or narcotic drugs, (v) the destruction of or material damage to our property caused by the executive s willful or grossly negligent conduct, and (vi) the willful engaging by the executive in any other conduct which is demonstrably injurious to us or our subsidiaries, monetarily or otherwise.

Termination for Good Reason

Under our employment agreements with each of Messrs. Jackson and Maroone, termination by Messrs. Jackson or Maroone for good reason generally shall mean the occurrence of (i) a material change by us in the executive s duties or responsibilities which would cause the executive s position to become of materially and substantially less responsibility and importance than those associated with his duties or responsibilities as of the date of the applicable employment agreement, or (ii) a material breach of the applicable employment agreement by us, which breach is not cured within ten days after written notice is received by us.

Retirement

Retirement (as defined in our equity compensation plans) generally shall mean the named executive officer s termination of employment or other service from us or a subsidiary of ours after attainment of age 55 and completion of at least six years of service with us or a subsidiary of ours (disregarding any service with an entity prior to becoming a subsidiary or after ceasing to be a subsidiary).

Change in Control

Change in Control (as defined in our equity compensation plans) generally shall mean if any person shall (i) acquire direct or indirect beneficial ownership of more than 50% of the total combined voting power with respect to the election of directors of our issued and outstanding stock (except that no change in control shall be deemed to have occurred if the persons who were our stockholders immediately before such acquisition own all or substantially all of the voting stock or other interests of such person immediately after such transaction), or (ii) have the power (whether as a result of stock ownership, revocable or irrevocable proxies, contract or otherwise) or ability to elect or cause the election of directors consisting at the time of such election of a majority of the Board. The stock option and restricted stock award agreements for the 2009, 2010, and 2011 stock-based awards provide that neither (A) the acquisition by ESL of either (x) direct or indirect beneficial ownership of 50% or more of our common stock or (y) direct or indirect beneficial ownership of more than 50% of total combined voting power with respect to the election of directors of our outstanding common stock nor (B) ESL having the power to (whether as a result of stock ownership, revocable or irrevocable proxies, contract or otherwise) or ability to elect or cause the election of directors consisting at the time of such election of a majority of the Board, shall constitute a Change in Control with respect to any stock-based award under any AutoNation equity compensation plan.

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Mike Jackson

Mike Jackson	Termination for Cause	Voluntary Termination for Good Reason	Voluntary Termination Without Good Reason	Death or Disability	Retirement	Involuntary Termination Without Cause	Change in Control
Cash Severance		$2,855,833				$2,855,833	
Deferred Bonus		$ 715,760				$ 715,760	
Acceleration of Unvested Stock Options		$7,171,575	$7,171,575	$7,171,575	$7,171,575	$7,171,575	$7,171,575
Post-Separation Health and Welfare Benefits							