

AFFILIATED MANAGERS GROUP INC
Form DEF 14A
April 28, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

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))**
- Definitive Proxy Statement
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AFFILIATED MANAGERS GROUP, 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

AFFILIATED MANAGERS GROUP, INC.

**600 Hale Street
Prides Crossing, Massachusetts 01965**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 1, 2005**

NOTICE IS HEREBY GIVEN that the 2005 Annual Meeting of Stockholders (the "Annual Meeting") of Affiliated Managers Group, Inc. (the "Company") will be held on Wednesday, June 1, 2005, at 2:00 p.m., Boston time, at the Company's offices, 600 Hale Street, Prides Crossing, Massachusetts 01965 for the following purposes:

1. To elect six directors of the Company to serve until the 2006 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified.
2. To approve the material terms of the Company's Long-Term Executive Incentive Plan, as amended.
3. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the current fiscal year.
4. To consider and act upon any other matters that may properly be brought before the Annual Meeting and at any adjournments or postponements thereof.

Any action may be taken on the foregoing matters at the Annual Meeting on the date specified above, or on any date or dates to which, by original or later adjournment, the Annual Meeting may be adjourned, or to which the Annual Meeting may be postponed.

The Board of Directors has fixed the close of business on April 15, 2005 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof. Only stockholders of record of the Company's common stock, par value \$.01 per share, at the close of business on that date will be entitled to notice of the Annual Meeting and to vote at the Annual Meeting and at any adjournments or postponements thereof.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, please carefully review the enclosed proxy statement and submit your proxy, which is being solicited by the Board of Directors. If you are a stockholder of record, please complete, sign, date and mail promptly the accompanying proxy card in the postage-prepaid envelope; or, vote by telephone or over the Internet by following the instructions included with your proxy card. If your shares are held by a broker, bank or other nominee, which are referred to as shares held in "street name," please complete, sign, date and mail the voting instruction form; or, vote by telephone or over the Internet if your voting instruction form includes instructions and a toll-free telephone number or Internet website to do so. In any event, to be sure that your vote will be received in time, please cast your vote by your choice of available means at your earliest convenience.

Any proxy may be revoked by delivery of a later-dated proxy. Stockholders of record who attend the Annual Meeting may vote in person, even if they have previously submitted a completed proxy by telephone, Internet or mail. If you hold your shares in street name and would like to change your voting instructions, please check the voting instruction form provided to you by your broker, bank or other nominee.

By Order of the Board of
Directors.

John Kingston, III
Secretary

Prides Crossing, Massachusetts
April 28, 2005

AFFILIATED MANAGERS GROUP, INC.

**600 Hale Street
Prides Crossing, Massachusetts 01965**

PROXY STATEMENT

FOR 2005 ANNUAL MEETING OF STOCKHOLDERS

To be Held on June 1, 2005

April 28, 2005

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Affiliated Managers Group, Inc. ("AMG" or the "Company") for use at the 2005 Annual Meeting of Stockholders of the Company to be held on Wednesday, June 1, 2005 at 2:00 p.m., Boston time, at the Company's offices, 600 Hale Street, Prides Crossing, Massachusetts 01965, and at any adjournments or postponements thereof (the "Annual Meeting"). At the Annual Meeting, stockholders will be asked to elect six directors of the Company, approve the material terms of the Company's Long-Term Executive Incentive Plan, as amended, ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the current fiscal year, and to consider and act upon any other matters properly brought before them.

This Proxy Statement and the accompanying notice of Annual Meeting and proxy card are first being sent to stockholders on or about May 2, 2005. The Board of Directors has fixed the close of business on April 15, 2005 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting (the "Record Date"). Only stockholders of record of the Company's common stock, par value \$.01 per share, at the close of business on the Record Date will be entitled to notice of the Annual Meeting and to vote at the Annual Meeting. Holders of common stock outstanding and entitled to vote as of the close of business on the Record Date will be entitled to one vote for each share held by them. As of the Record Date, there were 33,329,832 shares of common stock outstanding and entitled to vote at the Annual Meeting.

The presence, in person or by proxy, of holders of at least a majority of the total number of shares of common stock outstanding and entitled to vote at the Annual Meeting is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Both abstentions and broker non-votes (as defined below) will be counted as present in determining the presence of a quorum. A plurality of votes cast shall be sufficient for the election of directors. Approval of the material terms of the Long-Term Executive Incentive Plan, as amended, and ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the current fiscal year require the affirmative vote of a majority of the shares of common stock present or represented at the Annual Meeting and entitled to vote on each proposal. Abstentions and broker non-votes will be disregarded in determining the "votes cast" for purposes of electing directors and will not affect the election of the nominees. Similarly, broker non-votes will not count as votes for or against approval of the material terms of the Long-Term Executive Incentive Plan or ratification of the selection of PricewaterhouseCoopers and will not affect the outcome of either vote; however, abstentions will be treated as votes against such proposals. A "broker non-vote" is a proxy from a broker or other nominee indicating that such person has not received instructions from the beneficial owner or other person entitled to vote the shares which are the subject of the proxy on a particular matter with respect to which the broker or other nominee does not have discretionary voting power.

Stockholders of the Company are requested to submit a proxy by telephone or Internet, or by completing, signing, dating and returning the accompanying proxy card or, for shares held in street name, the voting instruction form in the enclosed, postage-prepaid envelope. If you vote by telephone or the Internet, you should not return your proxy card or voting instruction form. Instead, please follow the instructions on your proxy card or voting instruction form for telephone and Internet voting. Shares

represented by a properly completed proxy received prior to the vote at the Annual Meeting and not revoked will be voted at the Annual Meeting as directed on the proxy. If a properly executed proxy is submitted and no instructions are given, the proxy will be voted FOR the election of each of the nominees for director, FOR approval of the material terms of the Company's Long-Term Executive Incentive Plan, as amended, and FOR ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered accounting firm for the current fiscal year. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders on such other matters.

A stockholder of record may revoke a proxy at any time before it has been exercised by filing a written revocation with the Secretary of the Company at the address of the Company set forth above; by filing a duly executed proxy bearing a later date; or by appearing in person and voting by ballot at the Annual Meeting. A stockholder of record who voted by telephone or the Internet may also change his or her vote with a timely and valid later telephone or Internet vote, as the case may be. Any stockholder of record as of the Record Date attending the Annual Meeting may vote in person whether or not a proxy has previously been given, but the presence (without further action) of a stockholder at the Annual Meeting will not constitute revocation of a previously given proxy.

A stockholder whose shares are held in street name may change previously delivered voting instructions by following the procedure set forth in the voting instruction form provided by the broker, bank or other nominee. A stockholder whose shares are held in street name may vote in person at the Annual Meeting, upon presenting picture identification, an account statement or a letter from the record holder indicating that the stockholder owned the shares as of the record date, and a proxy from the record holder issued in the stockholder's name.

The Company's 2004 Annual Report, including audited financial statements for the fiscal year ended December 31, 2004, is being mailed to stockholders concurrently with this Proxy Statement. The Annual Report, however, is not part of the proxy solicitation materials.

PROPOSAL 1: ELECTION OF DIRECTORS**Introduction**

The Board of Directors of the Company currently consists of seven members. At the Annual Meeting, six directors will be elected to serve until the 2006 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified, while Mr. Stephen J. Lockwood will not stand for re-election. The Board of Directors has nominated Messrs. William J. Nutt, Sean M. Healey, Richard E. Floor, Harold J. Meyerman and Robert C. Puff, Jr., and Dr. Rita M. Rodriguez (collectively, the "Nominees") to serve as directors. Each of the Nominees is currently serving as a director of the Company. The Board of Directors anticipates that each of the Nominees will, if elected, serve as a director. However, if any person nominated by the Board of Directors is unable to accept election, the proxies will be voted for the election of such other person or persons as the Board of Directors may recommend.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE **FOR** THE ELECTION OF EACH OF THE NOMINEES.

Information Regarding the Nominees

The name, age (as of April 1, 2005) and a description of the business experience, principal occupation and past employment during at least the last five years of each of the Nominees is set forth below.

| Name | Age |
|-----------------------------|-----|
| Richard E. Floor | 64 |
| Sean M. Healey | 43 |
| Harold J. Meyerman(1)(2)(3) | 66 |
| William J. Nutt | 60 |
| Robert C. Puff, Jr.(2)(3) | 59 |
| Rita M. Rodriguez(1)(3) | 62 |

- (1) Member of the Nominating and Governance Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Audit Committee.

Richard E. Floor has been a director of the Company since its formation in December 1993. Mr. Floor has been a partner at the law firm of Goodwin Procter LLP since 1975. Mr. Floor is also a director of New America High Income Fund, a closed-end investment company.

Sean M. Healey joined the Company in 1995 and is the Company's President and Chief Executive Officer. From 1995 to 1999, Mr. Healey served as Executive Vice President, and was named President and Chief Operating Officer in 1999. He has been a director of the Company since May 2001. Prior to joining AMG, Mr. Healey was a Vice President in the Mergers and Acquisitions Department at Goldman, Sachs & Co. focusing on financial institutions. Mr. Healey also serves as a Trustee of the Peabody Essex Museum and Shore Country Day School. Mr. Healey received a J.D. from Harvard Law School, an M.A. from University College, Dublin and an A.B. from Harvard College.

Harold J. Meyerman has been a director of the Company since July 1999. Mr. Meyerman retired as a Managing Director of the Global Financial Institutions and Trade Group of The Chase Manhattan Bank ("Chase") in December 1998. His responsibilities at Chase included overseeing the asset management businesses. Before joining Chase, Mr. Meyerman was President and Chief Executive Officer of First

Interstate Bank, Ltd. Mr. Meyerman also serves on the Boards of Directors of the Huntington Medical Research Institutes, the Genetics and IVF Institute, as Chairman of Exporters Insurance, Inc. and as Chairman of Ansett Aircraft Spares and Services, Inc., a private corporation located in Sylmar, California. Mr. Meyerman also serves on the Board of Trustees of the Palm Springs Desert Museum.

William J. Nutt founded the Company in December 1993 and is the Company's Chairman. From 1993 to December 2004, Mr. Nutt served as Chief Executive Officer of the Company. Prior to founding AMG, Mr. Nutt was President and Chief Operating Officer of The Boston Company and was responsible for its institutional money management business, mutual fund administration, distribution and custody business and master trustee and custodian business. As Chairman and Chief Executive Officer of The Boston Company's principal subsidiary, Boston Safe Deposit and Trust Company, Mr. Nutt was also responsible for its personal banking and trust business. He also serves as an Overseer of the New England Aquarium and on the Advisory Council of the Trustees of Reservations. Mr. Nutt is also a Commissioner of the Massachusetts Aeronautical Commission. Mr. Nutt received a J.D. from the University of Pennsylvania and a B.A. from Grove City College.

Robert C. Puff, Jr. has been a director of the Company since April 2004. Mr. Puff served as President of American Century Investment Management, Inc. from 1997 to 2001 and as Chief Investment Officer from 1993 to 2001. Mr. Puff served in a variety of other roles at American Century Investments after joining the company in 1983, including as a member of the company's Executive Committee and Board of Directors. Mr. Puff also serves as the Vice Chairman and a director of Sands Capital Management, Inc., a private investment advisory firm.

Rita M. Rodriguez has been a director of the Company since January 2000. Dr. Rodriguez has been a Fellow and Senior Fellow at the Woodstock Theological Center at Georgetown University since September 2002, and from March 1999 to September 2002 served as an international finance consultant. Dr. Rodriguez was formerly a full-time member of the Board of Directors of the Export-Import Bank of the United States from 1982 to March 1999. Prior to joining the Export-Import Bank Board, Dr. Rodriguez was on the finance faculties at the University of Illinois at Chicago and at Harvard Business School. In addition, Dr. Rodriguez has authored numerous journal articles and books on the subject of international finance. Dr. Rodriguez also serves on the Board of Directors and the Audit Committee of ENSCO International Incorporated, an international offshore contract drilling company, and on the Board of Directors of the Academy for Educational Development and the Private Export Funding Corporation.

Meetings of the Board of Directors and Committees and Corporate Governance Matters

During 2004, the Board of Directors met seven times. Each member of the Board of Directors attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of all standing committees of the Board of Directors on which such director served (during the period such director served on the Board of Directors or any committee thereof). The Company does not have a formal policy regarding director attendance at an annual meeting of stockholders; Messrs. Floor, Healey, Nutt and Puff were in attendance at the 2004 Annual Meeting of Stockholders.

At least annually, the Board of Directors evaluates all relationships between the Company and each director in light of the relevant facts and circumstances to determine whether a material relationship exists that might signal a potential conflict of interest. After its most recent evaluation of director independence, the Board of Directors determined that five of its seven current directors, Messrs. Floor, Lockwood, Meyerman, Puff and Dr. Rodriguez, have no material relationship with the Company that might present a conflict of interest and are "independent" for purposes of the listing standards of the New York Stock Exchange (the "NYSE"). The Board of Directors based these determinations primarily on a review of the responses of the nominees to questions regarding employment and compensation history, affiliations and family and other relationships and on discussions with them.

Of the five independent directors, only one has a direct or indirect business relationship with the Company. Mr. Floor is the sole shareholder of Richard E. Floor, P.C., which is a partner in Goodwin Procter LLP. During 2004, the Company retained Goodwin Procter LLP for certain legal services. In each of the past three fiscal years, the amount that the Company paid to Goodwin Procter LLP was less than 2% of Goodwin Procter LLP's consolidated gross revenues. Furthermore, the Board of Directors determined that these payments were not otherwise material to Goodwin Procter LLP or the Company and did not constitute a material benefit to Mr. Floor. The Board of Directors determined that Mr. Floor's relationship to the Company through Goodwin Procter LLP does not impair his independence as a director.

The standing committees of the Board of Directors are the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Each such committee acts pursuant to a written charter adopted by the respective committee. A description of each committee is set forth below.

Audit Committee. The Audit Committee currently consists of Dr. Rodriguez and Messrs. Meyerman and Puff. The Board of Directors has determined that each member of its Audit Committee is "independent" for purposes of the NYSE listing standards, including those applicable to audit committees, and each member of the Audit Committee is an audit committee financial expert, as defined by the Securities and Exchange Commission (the "SEC"). The amended and restated charter of the Audit Committee is filed as an appendix to this Proxy Statement. The Audit Committee met five times during 2004.

Compensation Committee. The Compensation Committee, which currently consists of Messrs. Lockwood, Meyerman and Puff, is responsible for overseeing the Company's general compensation policies and establishing and reviewing the compensation plans applicable to the Company's executive officers. The Compensation Committee met seven times during 2004.

Nominating and Governance Committee. The Nominating and Governance Committee, which currently consists of Messrs. Meyerman and Lockwood and Dr. Rodriguez, is primarily responsible for recommending criteria to the Board of Directors for Board of Directors' and committee membership, identifying and evaluating director candidates, overseeing the evaluation of the Board of Directors and its committees, and maintaining the Company's corporate governance guidelines. The Nominating and Governance Committee may solicit director candidate recommendations from a number of sources, including non-management directors, executive officers and third-party search firms. The Nominating and Governance Committee will consider for nomination any director candidates, including director candidates recommended by stockholders of the Company, who are deemed qualified by the Nominating and Governance Committee in light of the qualifications and criteria for Board of Directors' membership described below, or such other criteria as approved by the Board of Directors or a committee thereof from time to time. Stockholder recommendations must be submitted to the Nominating and Governance Committee in accordance with the substantive and procedural requirements set forth in the Company's By-laws, including as discussed below under the caption "Other Matters," and any procedures established from time to time by the Nominating and Governance Committee. The Nominating and Governance Committee does not have a specific policy regarding the consideration of stockholder recommendations for director candidates and evaluates recommendations without regard to their source. The Nominating and Governance Committee met four times during 2004.

When considering candidates for directorship, the Nominating and Governance Committee takes into account a number of factors, including the following qualifications: the nominee shall have the highest personal and professional integrity, have demonstrated exceptional ability and judgment and the attributes necessary to (in conjunction with the other members of the Board of Directors) best serve the long-term interests of the Company and its stockholders. In addition, the Nominating and Governance Committee reviews from time to time the skills and characteristics necessary and appropriate for directors in light of the then current composition of the Board of Directors, including such factors as business experience,

diversity and knowledge of the financial services industry in general and the asset management industry in particular. The Nominating and Governance Committee will review at least annually the Company's corporate governance guidelines to ensure that the Company continues to meet best corporate governance practice standards.

Executive Sessions of Non-management Directors. Non-management directors of the Company meet in regularly scheduled executive sessions. Since the charter of the Nominating and Governance Committee provides that the Chairperson of such committee shall serve as the lead director, Mr. Meyerman serves as the lead director calling and chairing the executive sessions and in communicating with Mr. Nutt, Chairman of the Board of Directors, and Mr. Healey, President and Chief Executive Officer.

Shareholder Communications with Non-management Directors or the Board of Directors. An interested party may communicate directly with Mr. Meyerman, the Chairperson of the Nominating and Governance Committee, by sending a confidential memorandum addressed to his attention at the Company at 600 Hale Street, Prides Crossing, Massachusetts 01965. Any communications to the full Board of Directors may be directed to John Kingston, III, Senior Vice President, General Counsel and Secretary of the Company, who would, in his discretion, discuss the communications with the Board of Directors at a regular meeting of the Board of Directors.

Availability of Corporate Governance Documents. The Company maintains a corporate governance section on its web site that includes, among other items, the Board of Directors' Corporate Governance Guidelines; the charters for the Audit, Compensation and Nominating and Governance Committees; the Code of Business Conduct and Ethics applicable to all directors, officers and employees; and the Code of Ethics applicable to the Company's chief executive officer, chief financial officer and other senior financial officers. This information is available on the investor information section of the Company's web site, www.amg.com, under "corporate governance," but is not incorporated by reference into this Proxy Statement. In addition, copies of these documents will be provided without charge to any person upon request of such person to John Kingston, III, Senior Vice President, General Counsel and Secretary, Affiliated Managers Group, Inc., 600 Hale Street, Prides Crossing, Massachusetts 01965.

Compensation of Directors

Directors of the Company who are also employees receive no additional compensation for their service as directors. Each of Messrs. Floor, Lockwood, Meyerman, Puff and Dr. Rodriguez receives an annual fee of \$40,000 for his or her service as a director, as well as a quarterly meeting fee of \$2,500 (for in-person attendance) and \$1,250 (for telephonic attendance). In addition, directors receive an annual fee of \$10,000 for their service as a member of each of the Audit Committee, Compensation Committee or Nominating and Governance Committee, as the case may be, with the Chairperson of the Audit Committee receiving an additional annual fee of \$15,000, and the Chairperson of each of the Compensation Committee and Nominating and Governance Committee receiving an additional annual fee of \$5,000. In addition, all directors of the Company are reimbursed for travel expenses incurred in attending meetings of the Board of Directors and its committees.

For their services as directors, non-employee directors are also eligible to receive shares of restricted common stock and options to purchase shares of common stock under the Company's 1997 Stock Option and Incentive Plan, as amended and restated (the "1997 Option Plan"), and the Company's 2002 Stock

Option and Incentive Plan, as amended and restated (the "2002 Option Plan"). Each of the non-employee directors received the following option awards during 2004:

| <u>Grant Date</u> | <u>Number of Shares Underlying Options</u> | <u>Exercise Price</u> | <u>Vesting</u> | <u>Expiration Date</u> |
|-------------------|--|-----------------------|---|------------------------|
| July 27, 2004 | 5,625 | \$ 45.27 | 4 annual installments beginning December 31, 2004 | July 27, 2014 |
| November 30, 2004 | 5,625 | \$ 63.38 | 4 annual installments beginning December 31, 2005 | November 30, 2014 |

Information Regarding Executive Officers of the Company

The name, age (as of April 1, 2005) and positions of each of the executive officers of the Company, as well as a description of their respective business experience and past employment during at least the last five years, is set forth below:

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|------------------|------------|---|
| William J. Nutt | 60 | Chairman of the Board of Directors |
| Sean M. Healey | 43 | President and Chief Executive Officer |
| Seth W. Brennan | 34 | Executive Vice President |
| Darrell W. Crate | 38 | Executive Vice President, Chief Financial Officer and Treasurer |
| Nathaniel Dalton | 38 | Executive Vice President |

John Kingston, III 39 Senior Vice President, General Counsel and Secretary
 For the biographical information of Messrs. Nutt and Healey, see " Information Regarding the Nominees" above.

Seth W. Brennan joined the Company in 1995 and in 2001 became an Executive Vice President, with responsibility for coordinating the Company's new investment activities. Prior to joining AMG, Mr. Brennan was in the Global Insurance Investment Banking Group at Morgan Stanley & Co. Incorporated and in the Financial Institutions Group at Wasserstein, Perella & Co. Mr. Brennan received a B.A. from Hamilton College.

Darrell W. Crate joined the Company in 1998 as a Senior Vice President and Chief Financial Officer and in 2001 became Executive Vice President and Chief Financial Officer. He also serves as the Company's Treasurer. Prior to joining AMG, Mr. Crate was a Managing Director in the Financial Institutions Group of Chase Manhattan Corporation focusing exclusively on investment management firms. Mr. Crate received an M.B.A. from Columbia Business School and a B.A. from Bates College.

Nathaniel Dalton joined the Company in 1996 as a Senior Vice President and General Counsel and in 2001 became Executive Vice President, with responsibility for AMG's Affiliate Development efforts. He served as General Counsel and as the Company's Secretary until June 2002. Prior to joining AMG, Mr. Dalton was an attorney at Goodwin Procter LLP, focusing on mergers and acquisitions, including those in the asset management industry. Mr. Dalton received a J.D. from Boston University School of Law and a B.A. from the University of Pennsylvania.

John Kingston, III joined the Company in 1999 as Vice President and in 2002 became Senior Vice President and General Counsel. He also serves as Secretary of the Company. Prior to joining the Company, Mr. Kingston served as a senior counsel to Miller Anderson & Sherrerd, LLP, a division of Morgan Stanley Investment Management, and was an attorney at Ropes & Gray LLP, focusing on corporate and securities laws issues, with a particular focus on the investment management industry. Mr. Kingston received a J.D. from Harvard Law School, and a B.S. and B.A. from the University of Pennsylvania.

Executive Compensation

Summary Compensation Table. The following table sets forth information regarding the compensation earned during the indicated periods by the Company's Chief Executive Officer and the Company's four other most highly compensated executive officers during the fiscal years indicated (collectively, the "Named Executive Officers"). The number of shares of common stock subject to options and the option exercise prices have been adjusted to give effect to the three-for-two stock split declared by the Board of Directors in January 2004 and effected by payment of a stock dividend in March 2004 in the form of one half share of common stock for every one outstanding share of common stock as of the specified record date.

| Name and Principal Position | Year | Annual Compensation | | | Long-Term Compensation Awards | |
|--|------|---------------------|---------------|--------------------------------|-----------------------------------|--------------------------------|
| | | Salary(\$) | Bonus (1)(\$) | Other Annual Compensation (\$) | Securities Underlying Options (#) | All Other Compensation (2)(\$) |
| William J. Nutt Chairman | 2004 | 750,000 | 2,700,000 | 168,454(3) | 275,000 | 38,208 |
| | 2003 | 650,000 | 1,900,000 | 40,894(4) | 240,000 | 48,442 |
| | 2002 | 625,000 | 2,200,000 | 16,177(5) | 172,500 | 145,475 |
| Sean M. Healey President and Chief Executive Officer () | 2004 | 650,000 | 2,700,000 | 66,056(3) | 265,000 | 25,200 |
| | 2003 | 550,000 | 1,700,000 | 21,379(4) | 217,500 | 24,700 |
| | 2002 | 500,000 | 2,100,000 | 16,252(5) | 157,500 | 94,082 |
| Seth W. Brennan Executive Vice President | 2004 | 500,000 | 1,950,000 | 31,445(3) | 230,000 | 25,200 |
| | 2003 | 400,000 | 1,300,000 | 18,093(4) | 165,000 | 24,700 |
| | 2002 | 325,000 | 1,500,000 | 18,383(5) | 142,500 | 63,290 |
| Darrell W. Crate Executive Vice President, Chief Financial Officer and Treasurer | 2004 | 500,000 | 1,950,000 | 29,253(3) | 230,000 | 25,200 |
| | 2003 | 400,000 | 1,300,000 | 15,746(4) | 195,000 | 24,700 |
| | 2002 | 325,000 | 1,500,000 | 16,185(5) | 142,500 | 72,220 |
| Nathaniel Dalton Executive Vice President | 2004 | 500,000 | 1,950,000 | 36,290(3) | 230,000 | 25,200 |
| | 2003 | 400,000 | 1,300,000 | 15,882(4) | 195,000 | 24,700 |
| | 2002 | 325,000 | 1,500,000 | 19,077(5) | 142,500 | 72,591 |

Mr. Healey assumed the position of Chief Executive Officer on January 1, 2005; prior to that time, Mr. Nutt served as the Company's Chief Executive Officer.

- (1) Represents compensation paid by the Company under the Long-Term Executive Incentive Plan, as amended (the "Long-Term Incentive Plan"), the material terms of which are summarized in Proposal 2 and a copy of which is attached to this Proxy Statement as Appendix B.
- (2) For fiscal 2004, such compensation consisted of (i) contributions by the Company under its 401(k) Profit Sharing Plan in the amount of \$20,500 on behalf of each Named Executive Officer; (ii) the dollar value of insurance premiums paid by the Company with respect to term life and long-term disability insurance policies in the amount of \$4,700 on behalf of each Named Executive Officer; and (iii) profit distributions on compensation paid under the Long-Term Incentive Plan in the amount of \$13,008 to Mr. Nutt.
- (3) Includes tax payments made in connection with the provision of certain financial service, health care and other benefits in the amounts of \$70,323, \$34,823, \$12,894, \$11,934, and \$14,860 for Messrs. Nutt, Healey, Brennan, Crate and Dalton, respectively, and total financial service benefits of \$88,925 for Mr. Nutt.

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(4) Includes tax payments made in connection with the provision of certain financial service benefits in the amounts of \$16,745, \$8,754, \$7,409, \$6,447, and \$6,503 for Messrs. Nutt, Healey, Brennan, Crate and Dalton, respectively.

(5) Includes tax payments made in connection with the provision of certain financial service benefits in the amounts of \$7,193, \$7,226, \$8,174, \$7,196 and \$8,482 for Messrs. Nutt, Healey, Brennan, Crate and Dalton, respectively.

Option Grants. The following table sets forth information regarding the option grants made during 2004 to the Named Executive Officers. The number of shares of common stock subject to options and the option exercise prices have been adjusted to give effect to the three-for-two stock split declared by the Board of Directors in January 2004 and effected by payment of a stock dividend in March 2004 in the form of one half share of common stock for every one outstanding share of common stock as of the specified record date.

Option Grants in 2004

| | Individual Grants | | | | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term(1) | |
|------------------|---|---|-----------------------------------|-----------------|---|------------|
| | Number of Securities Underlying Options | Percent of Total Options Granted to Employees | Exercise or Base Price (\$/Share) | Expiration Date | 5%(\$) | 10%(\$) |
| William J. Nutt | 137,500(2) | 7.12% | 45.27 | 7/27/14 | 3,914,633 | 9,920,449 |
| | 137,500(3) | 7.12% | 63.38 | 11/30/14 | 5,480,659 | 13,889,067 |
| Sean M. Healey | 132,500(2) | 6.86% | 45.27 | 7/27/14 | 3,772,283 | 9,559,706 |
| | 132,500(3) | 6.86% | 63.38 | 11/30/14 | 5,281,363 | 13,384,010 |
| Seth W. Brennan | 115,000(2) | 5.95% | 45.27 | 7/27/14 | 3,274,057 | 8,297,103 |
| | 115,000(3) | 5.95% | 63.38 | 11/30/14 | 4,583,824 | 11,616,311 |
| Darrell W. Crate | 115,000(2) | 5.95% | 45.27 | 7/27/14 | 3,274,057 | 8,297,103 |
| | 115,000(3) | 5.95% | 63.38 | 11/30/14 | 4,583,824 | 11,616,311 |
| Nathaniel Dalton | 115,000(2) | 5.95% | 45.27 | 7/27/14 | 3,274,057 | 8,297,103 |
| | 115,000(3) | 5.95% | 63.38 | 11/30/14 | 4,583,824 | 11,616,311 |

(1) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the respective option term. These gains are based upon assumed rates of stock appreciation set by the SEC of 5% and 10%, compounded annually, from the date the respective options were granted and do not reflect the Company's estimate of future stock price growth, if any. Actual gains, if any, are dependent, in part, on the performance of the common stock. There can be no assurance that the amounts reflected will be achieved.

(2) The options are immediately exercisable but the shares issuable on exercise of the option are subject to restrictions on transfer. The restrictions lapse in five installments of 18.75%, 25%, 25%, 25% and 6.25% on the last day of each calendar year beginning in the year of the date of grant, provided that the option holder remains employed by the Company. In the event the option holder ceases to be employed by the Company before the restrictions lapse on all shares, shares as to which the restrictions have not lapsed will remain subject to restrictions until July 2011.

(3) The options are immediately exercisable but the shares issuable on exercise of the option are subject to restrictions on transfer. The restrictions lapse in six installments of 10%, 10%, 10%, 23%, 23% and 24% on the last day of each calendar year beginning in the year following the date of grant, provided that the option holder remains employed by the Company. In the event the option holder ceases to be employed by the Company before the restrictions lapse on all shares, shares as to which the restrictions have not lapsed will remain subject to restrictions until December 2011.

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Aggregated Option Exercises in Last Fiscal Year and Year-End Option Values. The following table sets forth information regarding the shares of common stock acquired on exercise of stock options during 2004, the number of unexercised options at the end of 2004 and the value of stock options held at the end of 2004 by each Named Executive Officer.

The "Value Realized" column reflects the difference between the market price on the date of exercise and the market price on the date of grant (which equals the option exercise price) and assumes the sale of all shares issued upon exercise of the option. Accordingly, the "Value Realized" amount does not necessarily reflect the actual amount received by the Named Executive Officer since the market price on the actual date of sale may be higher or lower than the market price on the date of exercise of the option and the total number of shares sold, if any, may be less than the number of shares issued upon exercise of the option.

The table below sets forth information regarding the number of securities underlying options and the value of such securities at year-end which are free of transfer restrictions and which are subject to transfer restrictions, as the case may be.

2004 Year-End Option Values

| | Shares Acquired on Exercise (#) | Value Realized (\$) | Number of Securities Underlying Options at Year-End | | Year-end(1)(\$) | |
|------------------|---------------------------------------|------------------------|---|---|---|--|
| | | | which are Free of Transfer Restrictions | which are Subject to Transfer Restrictions | Value of Exercisable In-the-Money Options which are Free of Transfer Restrictions | Value of Exercisable In-the-Money Options which are Subject to Transfer Restrictions |
| | | | | | | |
| William J. Nutt | 5,000 | 246,400 | 1,235,283 | 496,719 | 48,587,972 | 9,696,442 |
| Sean M. Healey | 119,421 | 4,999,525 | 857,117 | 464,219 | 30,690,783 | 8,967,634 |
| Seth W. Brennan | 68,368 | 2,454,791 | 466,632 | 386,562 | 14,486,971 | 7,429,767 |
| Darrell W. Crate | 54,828 | 2,009,995 | 568,609 | 409,063 | 18,089,366 | 7,956,157 |
| Nathaniel Dalton | 54,771 | 2,026,790 | 636,353 | 409,063 | 21,373,360 | 7,956,157 |

(1) Based on \$67.74 per share, the reported closing price of the common stock on the NYSE on December 31, 2004.

Equity Compensation Plan Information

The Company has two equity compensation plans. The 1997 Option Plan authorizes the Company to grant stock options to employees, directors and other key persons. In 2002, stockholders approved an amendment to increase to 7,875,000 the shares of common stock authorized for issuance under this plan. In 2002, the Board of Directors established the 2002 Option Plan, under which the Company is authorized to grant non-qualified stock options and certain other awards to employees and directors. The 2002 Option Plan requires that the majority of grants under the plan in any three-year period must be issued to employees who are not executive officers or directors of the Company. The 2002 Option Plan has not been approved by the Company's stockholders. There are 3,375,000 shares of common stock authorized for issuance under this plan.

The plans are administered by the Compensation Committee of the Board of Directors. The exercise price of stock options is the fair market value of the common stock on the date of grant, or such other amount as the Compensation Committee may determine in accordance with the respective plan. The shares issuable on exercise of the options are subject to restrictions on transfer that lapse in installments according to specified schedules, provided that the respective recipient remains employed by the Company. In the event the recipient ceases to be employed by the Company, such restrictions will remain outstanding

until December 2010 or seven years after the date of grant, whichever is later. The stock options generally expire seven to ten years after the grant date.

The following table sets forth information regarding the securities authorized for issuance under the Company's equity compensation plans as of December 31, 2004:

| | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under compensation plans (excluding securities reflected in column (a)) |
|---|--|--|---|
| | (a) | (b) | (c) |
| Equity compensation plans approved by stockholders(1) | 5,732,867 | 34.72 | 51,040 |
| Equity compensation plans not approved by stockholders(2) | 3,061,889 | 48.13 | 151,178 |
| Total(3) | 8,794,756 | 39.39 | 202,218 |

(1) Consists of the 1997 Option Plan.

(2) Consists of the 2002 Option Plan.

(3) The (i) number of shares of common stock subject to outstanding options, warrants and rights, (ii) weighted-average exercise prices and (iii) number of securities remaining available for future issuance have been adjusted to give effect to the three-for-two stock split declared by the Board of Directors in January 2004 and effected by payment of a stock dividend in March 2004 in the form of one half share of common stock for every one outstanding share of common stock as of the specified record date.

Stock Performance Graph

The following graph provides a comparison of cumulative total stockholder return for the period from January 1, 2000 through December 31, 2004, among the Company, the S&P 500 Stock Index, an asset management industry composite index constructed and used by the Company. The Peer Group Index is comprised of the following entities: BlackRock, Inc., Eaton Vance Corp., Federated Investors, Inc., Franklin Resources, Inc., Gabelli Asset Management Inc., Janus Capital Group Inc., Nuveen Investments, Inc., T. Rowe Price Group, Inc., Waddell & Reed Financial, Inc. and W.P. Stewart & Co., Ltd.

COMPARISON OF CUMULATIVE TOTAL RETURN*
AMONG THE COMPANY, THE S&P 500 INDEX,
AND THE PEER GROUP INDEX

*

The stock performance graph assumes an investment of \$100 in the common stock of the Company (at the per share closing price of the Company's common stock on December 31, 1999) and each of the indices described above, and the reinvestment of any dividends. The historical information set forth above is not necessarily indicative of future performance.

**COMPENSATION COMMITTEE REPORT ON
EXECUTIVE COMPENSATION**

The Compensation Committee

The Compensation Committee currently consists of Messrs. Lockwood, Meyerman and Puff with Mr. Lockwood serving as the Chairperson of the Compensation Committee. The Compensation Committee is responsible for overseeing the Company's general compensation policies and establishing and reviewing the compensation plans applicable to the Company's executive officers. In that capacity, the Compensation Committee also administers the Company's stock option and incentive plans, as well as the Long-Term Incentive Plan.

Compensation Policies

The Compensation Committee structures its policies and programs to further two basic philosophies: first, that executive compensation should be closely aligned with increases in stockholder value as measured by growth in Cash earnings per share (as discussed below); and second, that executive compensation should be designed to retain the services of key members of senior management of the Company. In keeping with these two philosophies, the Compensation Committee closely monitors the allocation of the Company's executives' compensation among three primary components: base salary, bonus and equity-based compensation awards, so as to maintain an appropriate balance between fixed compensation and performance-based compensation. In awarding any performance-based compensation, the Committee also considers the mix and timing of such compensation to achieve short and long-term incentive objectives. Throughout these processes, the Compensation Committee strives to create the optimum level of incentives to ensure that key executives remain with the Company and manage the Company's affairs with the goal of increasing value to stockholders.

Base Salary

In determining base salary levels for the Company's executive officers, the Compensation Committee annually reviews the amounts of base compensation being paid to executive officers of other companies in the asset management industry, and in particular those comprising the Peer Group Index described above. The Compensation Committee intends that the base salary levels of the Company's executive officers be somewhat below the average for executives in similar positions in comparable public companies in the asset management industry. The Compensation Committee believes it is appropriate to target a base salary level that reflects the Compensation Committee's belief that total compensation should be principally focused on performance-based compensation. Based on the Compensation Committee's philosophy and the factors stated above, the Compensation Committee determined to approve 2005 base salaries as follows: Mr. Healey, \$750,000, Mr. Nutt, \$650,000 and each of Messrs. Brennan, Crate and Dalton, \$500,000.

Performance-based Compensation

In determining the performance-based compensation levels for the Company's executive officers, the Compensation Committee considers the Company's Cash Net Income per share (or "Cash earnings") (as discussed in the Company's Annual Report for the fiscal year ended December 31, 2004) to be the principal performance benchmark for the Company and therefore uses Cash earnings as a measure to align executive compensation with stockholder value. Under the terms of the Long-Term Incentive Plan, executives covered under the Long-Term Incentive Plan are eligible to receive incentive compensation for any fiscal year in which the Company achieves certain targets of Cash earnings, which are established by the Compensation Committee within the first 90 days of the fiscal year. The Company's Cash earnings for 2004 exceeded the initial Cash earnings target established by the Compensation Committee for the year,

resulting in the payment of performance-based compensation pursuant to the pre-established formula under the Long-Term Incentive Plan.

In addition to Cash earnings, the Compensation Committee believes it is important to consider certain additional Company and individual performance factors, in total, in determining the appropriate level of overall compensation for the Company's executive officers. Where appropriate, the Compensation Committee considers the performance of the Company's common stock, the performance of the Company (with respect to a number of financial measures) relative to other companies in its peer group and the performance of the Company relative to the financial markets generally, along with a broad assessment of qualitative management performance on both an individual and collective basis. The Compensation Committee's determinations regarding the amount of performance-based compensation to be paid to each executive officer is set forth in the Summary Compensation Table.

Equity-Based Incentive Compensation Awards

In addition to performance-based compensation that rewards executives for positive short-term performance, the Compensation Committee believes that equity-based compensation awards provide appropriate long-term incentives to executive officers that are aligned more closely with the achievement of enhanced stockholder value. The Compensation Committee grants equity-based incentive compensation awards on the basis of the Company's historical performance and the individual executive officer's contributions to that performance, as well as the expected contribution of the executive officer to the Company's future performance. In granting awards, the Compensation Committee considers potential equity-based awards in relation to the compensation to be paid in any particular year to an executive officer.

While the Compensation Committee has generally employed stock options as the principal form of equity-based incentive compensation, the Committee currently intends to employ long-term incentive award arrangements in which the value of long-term incentive awards for executive officers may be directly tied to the value of the Company's common stock. These awards will be subject to vesting and forfeiture provisions, and will in most cases be similar to restricted stock. In connection with its expected use of this form of equity-based incentive compensation during 2005, the Compensation Committee also intends to adopt stock ownership guidelines that would require executive officers to maintain a certain level of equity ownership in the Company. The Compensation Committee believes that these changes advance the Committee's employee retention and incentive objectives and align the interests of executive officers with those of our stockholders.

As noted, the Compensation Committee has historically employed stock options as the principal form of equity-based incentive compensation. In making its stock option grant determinations in 2004, the Compensation Committee evaluated the Company's performance (both in terms of Cash earnings growth and increase in stockholder value), individual executive officer contributions to that performance, expected executive officer contributions to the Company's future performance, the levels of salary and performance-based compensation and the equity ownership of executive officers. Grants of stock options to executive officers are described in the "Option Grants in 2004" table.

Compensation of the Chief Executive Officer

Mr. Healey serves as President and Chief Executive Officer of the Company. Until December 31, 2004, Mr. Nutt served as Chief Executive Officer, and continues to serve as Chairman. In determining the annual and performance-based compensation levels for the Company's Chief Executive Officer, the Compensation Committee applies the same principles and methods applied to its other executive officers. On that basis, and based upon its assessment of Mr. Nutt's contributions relative to other senior managers of the Company in 2004, the Compensation Committee determined Mr. Nutt's overall compensation in 2004 to be appropriate.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, places a limit on the tax deduction for compensation in excess of \$1 million paid to any "covered employee" of a publicly held corporation (generally the corporation's chief executive officer and its next four most highly compensated executive officers in the year that the compensation is paid). Under the Long-Term Incentive Plan, performance compensation paid thereunder to such covered employees is intended to be deductible by the Company. In implementing its compensation policies during fiscal 2004, the Compensation Committee considered, among other things, the Long-Term Incentive Plan and the opportunities it affords to preserve the tax deductibility of compensation to executive officers. The Compensation Committee's policy with respect to Section 162(m) is to make reasonable efforts to ensure that compensation is deductible to the extent permitted while providing the Company's executive officers with appropriate rewards for their performance.

STEPHEN J. LOCKWOOD
HAROLD J. MEYERMAN
ROBERT C. PUFF, JR.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2004, the Company retained Goodwin Procter LLP for certain legal services. Richard E. Floor, a director of the Company, is the sole shareholder of Richard E. Floor, P.C., which is a partner in Goodwin Procter LLP. In each of the past three fiscal years, the amount that the Company paid to Goodwin Procter LLP was less than 2% of Goodwin Procter LLP's consolidated gross revenues and the Board of Directors has determined that these payments were not otherwise material to Goodwin Procter LLP or the Company and did not constitute a material benefit to Mr. Floor.

**PROPOSAL 2: APPROVAL OF THE MATERIAL TERMS OF THE COMPANY'S
LONG-TERM EXECUTIVE INCENTIVE PLAN**

With limited exceptions, a publicly-held corporation may not claim a federal income tax deduction for compensation for any year in excess of \$1 million paid to the corporation's chief executive officer or any of its other four most highly paid named executive officers. An exception to this deduction limitation applies in the case of certain qualifying performance-based compensation paid pursuant to a plan, the material terms of which are periodically approved by the corporation's stockholders. Our stockholders approved the Long-Term Executive Incentive Plan, or Plan, at our Annual Meeting in 2000 and approved amendments to the Plan at our Annual Meeting in 2002. This year, we are making some changes to the Plan to align the performance measure more closely with the way that we report our financial results to the public and we are asking stockholders to approve the material terms of the Plan, as amended. The material terms of the Plan are summarized below.

Eligibility for awards under the Plan is limited to those executive officers of the Company who are selected by the Compensation Committee. Within the first 90 days of each fiscal year of the Company, the Compensation Committee establishes the formula by which an incentive pool will be determined for the year by reference to growth in the Company's pre-tax Cash net income. The Compensation Committee also fixes for each participant the percentage share of the pool that the participant can earn and a target amount of base Cash earnings per share that must be achieved for the participant to be paid an award. Pre-tax Cash net income for a year is defined as Cash net income (that is, the Cash earnings that we report when we disclose our financial results) plus all items of income tax expense that we deducted to arrive at cash net income. We have amended the definition of Cash net income to align it to what we report publicly; similarly, we have revised the definition of base Cash earnings per share to be consistent with our publicly reported Cash earnings per share, using adjusted diluted average shares outstanding. Awards are paid only if the Compensation Committee certifies performance results. In awarding any performance-based compensation, the Committee also considers the mix and timing of such compensation to achieve short and long-term incentive objectives. Earned awards may be decreased but not increased by the Compensation Committee. In addition, we have amended the Plan such that no participant's award may exceed 5% of pre-tax Cash net income.

The Company believes that performance-based compensation that is closely aligned with growth in Cash earnings per share will continue to retain the services of key members of senior management of the Company. In order to continue to make performance-based awards under the Plan, we need your approval of the material terms described above.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE **FOR APPROVAL OF THE MATERIAL TERMS OF THE LONG-TERM EXECUTIVE INCENTIVE PLAN.**

**PROPOSAL 3: RATIFICATION OF THE
SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the current fiscal year, subject to ratification by the company's stockholders at the Annual Meeting. PricewaterhouseCoopers has acted as the Company's independent registered public accounting firm since the Company's inception. The Company has been advised by PricewaterhouseCoopers that it is a registered public accounting firm with the Public Company Accounting Oversight Board (the "PCAOB") and complies with the auditing, quality control, and independence standards and rules of the PCAOB and the Securities and Exchange Commission. A representative of PricewaterhouseCoopers LLP is expected to be present at the Annual Meeting to respond to appropriate questions and to make a statement if he or she so desires.

While stockholder ratification of the selection of PricewaterhouseCoopers as the Company's independent registered public accounting firm is not required, the Board of Directors is nevertheless submitting the selection of PricewaterhouseCoopers to the stockholders for ratification. Unless contrary instructions are given, shares represented by proxies solicited by the Board of Directors will be voted for the ratification of the selection of PricewaterhouseCoopers as the independent registered public accounting firm of the Company for the year ending December 31, 2005. Should the selection of PricewaterhouseCoopers not be ratified by the stockholders, the Audit Committee will reconsider the matter. Even in the event the selection of PricewaterhouseCoopers is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change is in the best interests of the Company and its stockholders.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS BELIEVES THAT THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM IS IN THE BEST INTERESTS OF THE COMPANY AND OF ITS STOCKHOLDERS AND, THEREFORE, UNANIMOUSLY RECOMMENDS THAT THE COMPANY'S STOCKHOLDERS VOTE FOR THIS PROPOSAL.

AUDIT COMMITTEE REPORT

The Audit Committee consists of Messrs. Puff and Meyerman and Dr. Rodriguez, each a non-employee director of the Company, with Dr. Rodriguez serving as the Chairperson of the Audit Committee. The Audit Committee's purpose is to assist the Board of Directors in oversight of the Company's internal controls and financial statements and the audit process. The Board of Directors has determined in its business judgment that all members of the Audit Committee are "independent" as is required by the listing standards of the NYSE.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an independent audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

In performing its oversight role, the Audit Committee has reviewed and discussed the audited financial statements with management and the independent registered public accounting firm. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as currently in effect. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect, and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence.

Based on the reports and discussions described in this Report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to below and in the charter, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing, including with respect to auditor independence. Members of the Audit Committee rely without independent verification on the information provided to them and on the representations made by management and the independent registered public accounting firm. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board, that the financial statements are presented in accordance with generally accepted accounting principles or that PricewaterhouseCoopers LLP is in fact "independent."

The Audit Committee operates pursuant to a charter that was adopted by the Board of Directors on October 26, 2004 and is attached to this Proxy Statement as Appendix A.

ROBERT C. PUFF, JR.
HAROLD J. MEYERMAN
RITA M. RODRIGUEZ

Principal Accountant Fees and Services

The following table sets forth information regarding the fees for professional services rendered by PricewaterhouseCoopers LLP in each of the last two fiscal years:

| Type of Fee | Year Ended December 31, 2003 | Year Ended December 31, 2004 |
|-----------------------|---------------------------------|---------------------------------|
| Audit Fees(1) | \$ 1,210,000 | \$ 3,017,000 |
| Audit-Related Fees(2) | 1,189,000 | 1,483,000 |
| Tax Fees(3) | 1,328,000 | 1,476,000 |
| All Other Fees | | |

- (1) Represents fees for professional services rendered in connection with the audit of the Company's financial statements, reviews of the financial statements included in each of the Company's quarterly reports on Form 10-Q, issuances of consents and comfort letters, services performed in connection with certain registration statements filed by the Company and services related to the implementation of accounting standards. For the year ended December 31, 2004, the audit fees also include \$1.2 million for the audit of the Company's compliance with the Sarbanes-Oxley Act of 2002 Section 404.
- (2) Represents fees for research assistance on accounting-related issues, benefit plan audit, issuance of the Association of Investment Management and Research (AIMR) performance verification and internal controls reports such as those pursuant to Statement of Auditing Standard No. 70, an additional attestation engagement and due diligence procedures in connection with new investments. For the year ended December 31, 2003, the fees also include consulting and planning for the Sarbanes-Oxley Act of 2002 Section 404 disclosure requirements.
- (3) Represents fees for income tax compliance and domestic and international tax planning.

In making its determination regarding the independence of PricewaterhouseCoopers, the Audit Committee considered whether the provision of the services covered in the sections entitled "Audit-Related Fees" and "Tax Fees" was compatible with maintaining such independence. Under its charter, the Audit Committee must pre-approve all auditing and any non-auditing services with the Company's independent registered public accounting firm unless an exception to such pre-approval exists under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the rules of the SEC.

Consistent with past practices of the Audit Committee and pursuant to the pre-approval policies of the Audit Committee adopted in October 2004, the retention of the independent registered public accounting firm to audit the Company's financial statements, including the associated fee, is approved each year by the Audit Committee. At the beginning of the year, the Audit Committee also evaluates other potential engagements by the Company of the independent registered public accounting firm, including the scope of the work proposed to be performed and the proposed fees, and approves or rejects each service considering (among other factors) the possible impact of each non-audit service on the independent registered public accounting firm's independence from management. At each subsequent meeting, the Audit Committee receives updates on the services provided by the independent registered public accounting firm, and management may present additional services for approval. In the event that a need arises for the approval of additional services between meetings (if, for example, the Company proposed to conduct a financing on an accelerated timetable), the services would be considered and provisionally approved by a designee of the Audit Committee, and the related fees for these services would be considered and approved by the Committee at its next meeting.

**SECURITY OWNERSHIP OF MANAGEMENT AND
CERTAIN BENEFICIAL OWNERS**

The following table sets forth information as of April 1, 2005 (unless otherwise noted) regarding the beneficial ownership of common stock by (i) each person or "group" (as that term is used in Section 13(d)(3) of the Exchange Act) known by the Company to be the beneficial owner of 5% or more of the common stock of the Company, (ii) each Named Executive Officer of the Company, (iii) each director and nominee and (iv) all directors and executive officers as a group. Except as otherwise indicated, the Company believes, based on information furnished by such persons, that each person listed below has sole voting and investment power over the shares of common stock shown as beneficially owned, subject to community property laws, where applicable.

| Name of Beneficial Owner(1) | Number of Shares Beneficially Owned(2) | Percent of Common Stock(3) |
|--|---|-------------------------------|
| Wellington Management Company, LLP(4) | 2,087,361 | 7.0% |
| Nicholas Company, Inc.(5) | 1,643,500 | 5.5% |
| William J. Nutt(6) | 2,110,922 | 6.0% |
| Sean M. Healey(7) | 1,330,000 | 3.8% |
| Seth W. Brennan(8) | 865,941 | 2.5% |
| Darrell W. Crate(9) | 1,004,172 | 2.9% |
| Nathaniel Dalton(10) | 1,067,869 | 3.1% |
| Richard E. Floor(11) | 83,826 | * |
| Stephen J. Lockwood(12) | 58,826 | * |
| Harold J. Meyerman(13) | 47,576 | * |
| Robert C. Puff, Jr.(14) | 14,656 | * |
| Rita M. Rodriguez(15) | 51,326 | * |
| All directors and executive officers as a group (11 persons)(16) | 7,040,114 | 17.7% |

*

Less than 1%

(1)

The mailing address for each executive officer, director nominee and director is c/o AMG, 600 Hale Street, Prides Crossing, Massachusetts 01965.

(2)

In December 2003, the Compensation Committee approved an amendment to the Company's outstanding stock option agreements (other than options granted to directors) that resulted in unvested options becoming vested options to purchase shares of restricted stock. Any shares of restricted stock issued on the exercise of the vested options remain subject to restrictions on transfer that lapse according to specified schedules which are identical to the original option vesting schedule at the date of grant, provided the option holder remains x">Summary

Each of our non-employee directors receives the following annual fees and other compensation for service on our Board:

\$25,000, plus \$1,000 for each Board meeting attended in excess of four annually (the annual fee is prorated based on the number of months served during the year);

\$1,000 for each committee meeting attended;

The Chair of our Audit Committee receives an annual fee of \$10,000 and each member of our Audit Committee receives an annual fee of \$5,000 in recognition of the additional time commitment and responsibilities associated with Audit Committee service;

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An 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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Additionally, the AutoNation, Inc. 2007 Non-Employee Director Stock Option Plan (the 2007 Non-Employee Director Plan) provides for:

an initial grant of an option to purchase 50,000 shares of our common stock immediately upon the appointment of a non-employee director to our Board (not including re-election by our stockholders); and

an annual grant of an option to purchase 20,000 shares of our common stock at the beginning of each fiscal year to each non-employee director serving on the Board at such date.

Unless otherwise provided, all options granted under the 2007 Non-Employee Director Plan are:

fully vested and immediately exercisable;

exercisable for a term of ten years from the date of grant so long as the director remains a member of the Board; and

exercisable at a price per share equal to the closing price per share of our common stock on the trading day immediately preceding the date of grant.

2009 Director Compensation

The following table sets forth the compensation earned during 2009 by each non-employee director.

| Name | 2009 DIRECTOR COMPENSATION | | | Total |
|--------------------------------|----------------------------|---------------------|---------------------|---------|
| | Fees Earned or Paid | | All Other | |
| | in Cash | Option Awards | Compensation | |
| | (\$) | (\$) ⁽¹⁾ | (\$) ⁽²⁾ | (\$) |
| Robert J. Brown ⁽³⁾ | | | | |
| Rick L. Burdick | 36,000 | 91,400 | 22,500 | 149,900 |
| William C. Crowley | 37,000 | 91,400 | 22,500 | 150,900 |
| David B. Edelson | 41,000 | 91,400 | 22,500 | 154,900 |
| Kim C. Goodman | 38,000 | 91,400 | 22,500 | 151,900 |
| Robert R. Grusky | 50,000 | 91,400 | 22,500 | 163,900 |
| Michael Larson ⁽³⁾ | | | | |
| Carlos A. Migoya | 50,000 | 91,400 | 22,500 | 163,900 |

- (1) In accordance with the terms of the 2007 Non-Employee Director Plan, on January 2, 2009, 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 \$9.88 per share, the closing price per share of Company common stock on December 31, 2008. 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, 2009.

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As of December 31, 2009, our non-employee directors held the following number of options: Rick L. Burdick 140,000; William C. Crowley 190,000; David B. Edelson 70,000; Kim C. Goodman 110,000; Robert R. Grusky 110,000; Carlos A. Migoya 110,000.

(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.

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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 (prior to February 12, 2009, our Guidelines provided that each director should own shares of the Company's common stock having a market value of at least \$100,000 in light of market volatility impacting our stock price, our Guidelines were amended to require each director to invest at least \$100,000 in our common stock). Exceptions to this requirement may only be made by the Board under compelling mitigating circumstances.

The following table sets forth information regarding investments made by our directors in our common stock as of March 17, 2010.

| DIRECTOR STOCK OWNERSHIP GUIDELINES | | | |
|--|---|-------------------------------|-----------------|
| Name | Number of Shares Owned⁽¹⁾ | Amount Deemed Invested | Progress |
| Robert J. Brown | 1,000 | \$ 18,130 ⁽²⁾ | (3) |
| Rick L. Burdick | 7,500 | \$ 142,500 ⁽⁴⁾ | Achieved |
| William C. Crowley | 52,789 ⁽⁵⁾ | \$ 1,079,535 ⁽⁶⁾ | Achieved |
| David B. Edelson | 1,000 | \$ 17,146 ⁽⁷⁾ | (8) |
| Kim C. Goodman | 4,375 | \$ 39,098 ⁽⁷⁾ | (9) |
| Robert R. Grusky | 5,200 | \$ 71,027 ⁽⁷⁾ | (10) |
| Michael Larson | | | (11) |
| Carlos A. Migoya | 7,000 | \$ 122,500 ⁽¹²⁾ | Achieved |

(1) Based on filings with the SEC.

(2) Based on the closing price per share on February 24, 2010, the date he was appointed to the Board.

(3) Mr. Brown has until February 2015 to meet the above investment requirement.

(4) 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.

(5) Based on 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.

(6) The Amount Deemed Invested for Mr. Crowley is based on the closing price per share of our common stock on January 11, 2010 (\$20.45), the date of the last transaction reported that brought Mr. Crowley's ownership interest to 52,789 shares.

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

(8) Mr. Edelson has until July 2013 to meet the above investment requirement.

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- (9) On March 8, 2010, Kim C. Goodman informed the Company that she will not stand for re-election to the Board at the 2010 Annual Meeting. Under the Guidelines, Ms. Goodman had until February 2012 to meet the above investment requirement.
- (10) Mr. Grusky has until June 2011 to meet the above investment requirement.
- (11) Mr. Larson has until February 2015 to meet the above investment requirement.
- (12) 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.

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2010 Option Grants

In accordance with the terms of the 2007 Non-Employee Director Plan, on January 2, 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 our common stock on December 31, 2009. Also in accordance with the terms of the 2007 Non-Employee Director Plan, Messrs. Larson and Brown were each automatically granted an option to purchase 50,000 shares of our common stock upon their appointments to the Board on February 24, 2010. 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.

Compensation Committee Interlocks and Insider Participation

During 2009, Messrs. Burdick, Crowley, 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, 2009 in which Mr. Crowley may have an indirect material interest. 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. The following is a summary of related party transactions since January 1, 2009, each of which complied with our Board's policy on related party transactions.

We enter into commercial transactions with Sears Holdings Corporation and its affiliates (collectively, *Sears*), which are related to ESL Investments, Inc., in the ordinary course of business. As of March 17, 2010, ESL Investments, Inc., together with its investment affiliates (collectively, *ESL*), beneficially owns approximately 47% of the outstanding shares of our common stock, and Mr. Crowley, one of our directors, is the President and Chief Operating Officer of ESL Investments, Inc. ESL owns approximately 57% of the outstanding common stock of Sears (based on publicly available data as of March 17, 2010), and Edward S. Lampert, the Chairman, Chief Executive Officer and controlling principal of ESL Investments, Inc., serves as the Chairman of the Board of Directors of Sears. Additionally, Mr. Crowley serves as a director, Executive Vice President and Chief Administrative Officer of Sears, and as the Chairman of the Board of Sears Canada Inc. In 2009, we paid Sears approximately \$700,000 primarily for automotive parts and accessories, and Sears paid us approximately \$7,200 primarily for automotive parts, accessories, and services.

We also enter into commercial transactions with AutoZone, Inc. (*AutoZone*) in the ordinary course of business. ESL owns approximately 41% of the outstanding common stock of AutoZone (based on publicly available data as of March 17, 2010), and Messrs. Crowley and Grusky, two of our directors, serve as directors of AutoZone. In 2009, we paid AutoZone approximately \$140,000 primarily for automotive parts and accessories, and AutoZone paid us approximately \$1.9 million primarily for fleet vehicle purchases and automotive parts and accessories.

In January 2009, our Board authorized and approved letter agreements with certain automotive manufacturers in order to, among other things, eliminate any potential adverse consequences under our framework agreements with those manufacturers in the event that ESL acquires 50% or more of our common

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stock. The letter agreement with American Honda Motor Co., Inc. (Honda, and such agreement, the Honda Agreement) and the letter agreement with Toyota Motor Sales, U.S.A., Inc. (Toyota, and such agreement, the Toyota Agreement) also contain governance-related and other provisions as described below. Also a party to both the Honda and Toyota Agreements is ESL, our largest stockholder.

Under the terms of the Honda Agreement, Honda has agreed not to assert its right to purchase our Honda and Acura franchises and/or similar remedies under the manufacturer framework agreement between Honda and the Company in the event that ESL acquires 50% or more of our common stock. If ESL acquires more than 50% of our common stock, ESL has agreed to vote all shares in excess of 50% in the same proportion as all non-ESL-owned shares are voted. In addition, we have agreed to ensure that a majority of our Board is independent of both the Company and ESL under existing NYSE listing standards. Furthermore, the Honda Agreement provides that Honda's consent does not apply to a going private transaction under Rule 13e-3 of the Exchange Act. The terms and conditions of the Honda Agreement will only apply at such time and for so long as ESL owns more than 50% of our common stock.

Under the terms of the Toyota Agreement, Toyota has agreed not to assert its right to purchase our Toyota and Lexus franchises and/or similar remedies under the manufacturer framework agreement between Toyota and the Company in the event that ESL acquires 50% or more of our common stock. If ESL acquires more than 50% of our common stock, ESL has agreed to vote all shares in excess of 50% in the same proportion as all non-ESL-owned shares are voted. Furthermore, we have agreed that a majority of our Board will be independent from both the Company and from ESL under existing NYSE listing standards. We have also agreed not to merge, consolidate, or combine with any entity owned or controlled by ESL unless Toyota consents thereto. In addition, the Toyota Agreement provides that in the event that we appoint a Chief Operating Officer who, in the good faith judgment of our Board, does not have sufficient breadth and depth of experience, a relevant, successful automotive track record, and extensive successful automotive experience, ESL shall be required to divest its shares in excess of 50% within nine months or its voting interest will be limited to 25%, and if ESL does not divest such shares within 18 months, it will lose all voting rights until it divests such shares. The terms and conditions of the Toyota Agreement will only apply at such time and for so long as ESL owns more than 50% of our common stock and, pursuant to an amendment to the original Toyota Agreement, will terminate on December 31, 2010 with respect to future stock acquisitions by ESL, provided that ESL may seek successive annual one-year extensions, and Toyota may not unreasonably withhold or delay its consent thereto.

In connection with the Toyota and Honda Agreements described above, in January 2009, our Board authorized and approved a separate letter agreement between the Company and ESL (the ESL Agreement), in which ESL agreed to vote shares of our common stock owned by ESL in excess of 45% in the same proportion as all non-ESL-owned shares are voted. The ESL Agreement expired on January 28, 2010 pursuant to its terms.

We also entered into separate letter agreements with certain other manufacturers that eliminate any potential adverse consequences under our framework agreements with those manufacturers in the event that ESL acquires 50% or more of our common stock. ESL is not a party to any of those agreements.

Stockholder Communications

Communications with the Company and the Board

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

Stockholders 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.

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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 2011 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, 2011 nor later than February 4, 2011. 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 Securities and Exchange Commission's requirements that a stockholder must meet in order to have a stockholder proposal included in our Proxy Statement for the 2011 Annual Meeting of Stockholders. Stockholders interested in submitting a proposal for inclusion in our proxy materials for the 2011 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 25, 2010.

Stockholder Director Nominations

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) 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, 2009, our directors, executive officers, and greater than 10% beneficial owners complied with all such applicable filing requirements.

STOCK OWNERSHIP**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth certain information as of March 17, 2010 regarding beneficial owners of more than five percent of the outstanding shares of our common stock.

| Name of Beneficial Owner | Shares of | Options Exercisable | Shares of Common Stock | |
|--|--------------|---------------------|------------------------|------------------------|
| | Common Stock | | Beneficially Owned | Percent ⁽¹⁾ |
| | Owned | Within 60 days | Number | |
| ESL Investments, Inc. ⁽²⁾ | 79,934,477 | 210,000 | 80,144,477 | 47% |
| Cascade Investment, L.L.C. ⁽³⁾ | 11,865,688 | | 11,865,688 | 7% |
| Bill & Melinda Gates Foundation Trust ⁽⁴⁾ | 10,792,100 | | 10,792,100 | 6% |

(1) Based on 169,853,466 shares outstanding at March 17, 2010.

(2) Based on publicly available data as of March 17, 2010, the total amount of our common stock beneficially owned by ESL Investments, Inc. includes: (i) 12,502,031 shares held in an account established by the investment member of ESL Investors, L.L.C.; (ii) 6,704 shares held by ESL Institutional Partners, L.P.; (iii) 58,849,041 shares held by ESL Partners, L.P.; (iv) 5,712,083 shares held by CBL Partners, L.P.; (v) 51,880 shares held in a grantor retained annuity trust, of which Edward S. Lampert is the trustee; (vi) 2,759,949 shares held by Mr. Lampert; (viii) 52,789 shares held by Tynan, LLC, a limited liability company of which William C. Crowley is the sole member; and (ix) 210,000 shares issuable upon the exercise of director stock options held by Mr. Crowley. Mr. Crowley disclaims beneficial ownership of the AutoNation shares beneficially owned by ESL Investments, Inc., except for the 52,789 shares held by Tynan, LLC. The address of ESL Investments, Inc. is 200 Greenwich Avenue, Greenwich, CT 06830. Please refer to Corporate Governance Certain Relationships and Related Party Transactions for a description of certain letter agreements by and among the Company, ESL, and certain automotive manufacturers and a voting agreement between the Company and ESL.

(3) Based on a Schedule 13D filed with the SEC on February 24, 2010, Cascade Investment, L.L.C. (Cascade) owns 11,865,688 shares of our common stock. 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 filed with the SEC on February 24, 2010, the Bill & Melinda Gates Foundation Trust (the Trust) beneficially owns 10,792,100 shares of our common stock. 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.

Table of Contents**SECURITY OWNERSHIP OF MANAGEMENT**

The following table sets forth certain information as of March 17, 2010 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 17, 2010 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 | 1,233,097 | 1,248,097 | * |
| Robert J. Brown | 1,000 | 110,000 | 111,000 | * |
| Rick L. Burdick | 7,500 | 160,000 | 167,500 | * |
| William C. Crowley ⁽³⁾ | 79,934,477 | 210,000 | 80,144,477 | 47% |
| David B. Edelson | 1,000 | 90,000 | 91,000 | * |
| Kim C. Goodman | 4,375 | 130,000 | 134,375 | * |
| Robert R. Grusky ⁽⁴⁾ | 5,200 | 130,000 | 135,200 | * |
| Michael Larson | | 50,000 | 50,000 | * |
| Carlos A. Migoya | 7,000 | 130,000 | 137,000 | * |
| Michael E. Maroone ⁽⁵⁾ | 2,498,159 | 1,761,211 | 4,259,370 | 2% |
| Michael J. Short | 1,563 | 273,500 | 275,063 | * |
| Jonathan P. Ferrando ⁽⁶⁾ | 32,767 | 642,847 | 675,614 | * |
| Kevin P. Westfall ⁽⁷⁾ | 16,283 | 215,869 | 232,152 | * |
| All directors and current executive officers as a group (11 persons) ⁽⁸⁾ | 82,524,324 | 5,136,524 | 87,660,848 | 50% |

* Less than 1%.

(1) Based on 169,853,466 shares outstanding at March 17, 2010.

(2) All of the shares and 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 52,789 shares held by Tynan, LLC, a limited liability company of which William C. Crowley is the sole member.

(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 2,247,357 shares beneficially owned by Michael Maroone Family Partnership, a Nevada limited partnership controlled by Mr. Maroone, of which all shares are pledged as security and 1,537 shares held through the AutoNation 401(k) Plan.

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

- (7) Includes 14,510 unvested shares of restricted stock and 1,773 shares held through the AutoNation 401(k) Plan.

- (8) Includes 5,077 shares held through the AutoNation 401(k) Plan.

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EXECUTIVE COMPENSATION
REPORT OF THE COMPENSATION COMMITTEE AND
EXECUTIVE COMPENSATION SUBCOMMITTEE

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, 2009.

Compensation Committee:

William C. Crowley, Chair

Rick L. Burdick

Carlos A. Migoya

Executive Compensation Subcommittee:

Carlos A. Migoya, Chair

Rick L. Burdick

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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.

Since January 1, 2009, the Committee has consisted of William C. Crowley (Chair), Rick L. Burdick, and Carlos A. Migoya, and the Subcommittee has consisted of Mr. Migoya (Chair) and Mr. Burdick.

For the fiscal year ended December 31, 2009, 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 the 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 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

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reviews the performance of each named executive officer and makes recommendations to the Committee with respect to compensation adjustments for such officers. However, the Committee determines in its sole discretion whether to make any adjustments to the compensation paid to such executive officers.

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. For 2009, the following companies were removed from our peer group: Best Buy Co., Inc., Foot Locker, Inc., and Saks Incorporated, in each case, due to significant differences in financial measures as compared to AutoNation and the other peer group companies, and Circuit City Stores, Inc., due to its bankruptcy filing. In light of the removal of those companies, and to increase the number of companies in, and improve the quality of, our peer group, the following companies were added: Advance Auto Parts, Inc., BJ's Wholesale Club, Inc., CarMax, Inc., Family Dollar Stores, Inc., J.C. Penney Company, Inc., Nordstrom, Inc., and Tiffany & Co. 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. Our peer group for 2009 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.

2009 Executive Compensation Elements

The key elements of our executive compensation program for the year ended December 31, 2009 were:

base salary;

annual incentive bonus; and

stock-based awards.

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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 2009.

Base Salary

We provide our named executive officers and other officers with a base salary to compensate them for services rendered during the fiscal year. The Committee reviews and, as appropriate, adjusts the base salaries for our named executive officers. The factors that the Committee considers in setting salaries include the scope of job responsibilities, individual contributions to our success, Company-wide performance and market compensation. However, the Committee does not as a practice grant annual base salary adjustments for executive officers, and it did not grant any base salary adjustments during 2009 for any of the named executive officers.

Annual Incentive Bonus

2009 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 2009, the Subcommittee established performance goals under the AOP for 2009 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 2009 bonus metrics under the AOP.

| | | Threshold | Target | Maximum |
|--|---------------|-----------------------|---------------------|----------------------------------|
| 2009 Bonus Metrics | Weight | Payout Level | Payout Level | Payout Level |
| Adjusted Operating Income Per Basic Share | 75% | 1.28 ⁽¹⁾ | 2.14 | ³ 4.28 ⁽²⁾ |
| Adjusted Operating Income as a Percent of Gross Margin | 25% | 15.50% ⁽³⁾ | 16.50% | 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.

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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 2009, the Subcommittee established an incentive bonus program for 2009 for certain of our named executive officers under the Executive Incentive Plan. For 2009, the Subcommittee selected Mike Jackson, Michael E. Maroone, Michael J. Short, and Jonathan P. Ferrando to participate in the Executive 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 2009 bonus metrics that the Subcommittee established under the Executive Incentive Plan were the same as those that the Committee established for 2009 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 2009 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 | 2009 Threshold (% of Salary) | 2009 Target (% of Salary) | 2009 Maximum |
|----------------------|---|--------------------------------------|---------------------|
| Mike Jackson | 20% | 133 1/3% | (1), (2) |
| Michael E. Maroone | 15% | 100% | (1), (2) |
| Michael J. Short | 11.25% | 75% | (1), (2) |
| Jonathan P. Ferrando | 11.25% | 75% | (1), (2) |
| Kevin P. Westfall | 6.75% | 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.

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Based on our financial performance against the bonus targets, bonus awards under the AOP and the Executive Incentive Plan were paid at 111.25% of the targeted levels. Performance under the AOP and the Executive Incentive Plan for 2009 was calculated as follows:

| | | Target | | Weighted | |
|--|--------|--------------|------------|----------|---------|
| 2009 Bonus Metrics | Weight | Payout Level | Attainment | Payout | Payout |
| Adjusted Operating Income Per Basic Share | 75% | \$ 2.14 | \$ 2.12 | 95% | 71.25% |
| Adjusted Operating Income as a Percent of Gross Margin | 25% | 16.5% | 19.7% | 160% | 40.0% |
| Total Payout | | | | | 111.25% |

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 2009, other than Mr. Westfall who participated in the AOP only.

2010 Incentive Bonus

In February 2010, the Subcommittee selected the 2010 participants under the Executive Incentive Plan, established specific objective annual performance goals for 2010, and set target awards for the 2010 participants in the Executive Incentive Plan. For 2010, the Subcommittee selected Messrs. Jackson, Maroone, Short, and Ferrando to participate in the Executive Incentive Plan. The performance goals that the Subcommittee established for 2010 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 certain extraordinary or other items) and adjusted operating income as a percentage of gross margin for the Company during 2010. The performance goals established under the Executive Incentive Plan for 2010 also constitute the performance goals that have been established for bonus-eligible corporate employees of the Company under the AOP to ensure that the corporate management team is fully aligned. Bonus awards 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 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 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.

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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 33 1/3% of his base salary) 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 2009, 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.

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 2009, the sum of all stock-based awards granted to AutoNation employees represented potential share issuances equal to approximately 0.79% of our outstanding shares of common stock (0.68% relating to stock options and 0.11% relating to restricted stock).

In 2009, 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 2009 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 2009 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 2009 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

Prior to 2009, the Subcommittee's practice had been to approve annual stock option awards during our third fiscal quarter at meetings of the Subcommittee (or predecessor committees responsible for option grants at the time) with an effective grant date after the public release of the Company's second-quarter earnings. Additionally, the terms of the annual stock option awards provided that stock options would vest in equal installments over four years commencing with the first anniversary of the grant date and expire ten years after the grant date.

For 2009, the Subcommittee modified its practice by approving the annual stock option awards for our named executive officers and other employees at its regularly scheduled meeting on February 11, 2009 and granting the awards in four equal increments over the year, subject to continuous employment through each grant date. One-fourth of each stock option award that was approved on February 11, 2009 was granted on each of March 2, 2009, June 1, 2009, September 1, 2009, and December 1, 2009. The 2009 stock option grants have an exercise price equal to the closing price per share on the grant date, vest in equal installments over four years commencing on June 1, 2010, and expire on March 2, 2019. Detailed information regarding the 2009 stock option grants to our named executive officers is provided in the table entitled "Grants of Plan-Based Awards in Fiscal 2009" below.

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Since the Subcommittee approved the 2009 annual stock option awards in February, the exercise price for each of the four grants comprising an annual stock option award is 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. The Subcommittee adopted this practice for all stock option-eligible employees of the Company and in 2009 awarded stock options 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).

On February 4, 2010, the Subcommittee approved the 2010 annual stock options awards for our named executive officers and other employees. The total stock option award for 2010 that the Subcommittee granted to each of our named executive officers is as follows: Mike Jackson 255,024 options, Michael E. Maroone 204,104 options, Michael J. Short 153,364 options, Jonathan P. Ferrando 153,364 options, and Kevin P. Westfall 15,332 options. One-fourth of each stock option award that was approved on February 4, 2010, was granted on March 1, 2010, 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 2010. In accordance with the 2008 Plan, the options granted on March 1, 2010 have an exercise price equal to the closing price per share on such date (\$18.20), and each subsequent option grant will have an exercise price equal to the closing price per share on the applicable grant date. The 2010 stock option awards vest in equal installments over four years commencing on June 1, 2011 and expire on March 1, 2020.

Restricted Stock

On February 11, 2009, the same date that it approved the 2009 stock option awards, the Subcommittee approved restricted stock awards to certain employees, including Mr. Westfall, who received 5,324 shares of restricted stock, but excluding all other named executive officers. These shares of restricted stock were granted on March 2, 2009 and will vest in equal installments over four years commencing on June 1, 2010. The 2009 restricted stock awards were made to all restricted stock-eligible employees of the Company on the same terms (other than the number of restricted shares granted, which varies primarily by position and based on individual performance).

On February 4, 2010, in addition to the 2010 stock option awards, the Subcommittee approved the 2010 restricted stock awards to certain employees, including Mr. Westfall, who received 5,112 shares of restricted stock. The Subcommittee did not grant restricted stock awards to our other named executive officers. The 2010 restricted stock awards were granted on March 1, 2010 and will vest in equal installments over four years commencing on June 1, 2011.

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 vehicle use or a vehicle allowance, use of an on-site fitness facility and, pursuant to their employment agreements, limited personal use of corporate aircraft for each of Messrs. Jackson and Maroone. The employment agreements with each of Messrs. Jackson and Maroone, respectively, provide for personal use of corporate aircraft of up to 70 hours per year.

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Employment Agreements with Executive Officers

We have an employment agreement with each of Mike Jackson and Michael E. Maroone. The Committee believes that entering into the employment agreements with Messrs. Jackson and Maroone furthered our efforts to attract and retain such executives. For a summary of the material terms of these employment agreements, please see [Employment Agreements](#) below.

Severance Policy and Agreements for Post-Termination Payments

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

We have entered into stock option agreements with all of our named executive officers, as well as employment agreements with Mr. Jackson and Mr. 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.

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 2009, 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 \$190,000 of other non-performance-based compensation for Messrs. Jackson and Maroone.

Table of Contents**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 believes that our senior executive officers should have a significant financial stake in our Company. Accordingly, in February 2006, the Board adopted a policy setting forth its expectation that the Chief Executive Officer and the President and Chief Operating Officer will attain ownership of our common stock with a fair market value of not less than four times his or her annual base compensation, and each Executive Vice President will attain ownership of AutoNation's common stock with a fair market value of not less than two times his or her annual base compensation, in each case within five years of such person first becoming an executive officer or the adoption of the policy. On July 30, 2009, in light of market volatility impacting our stock price, the Board amended the ownership guidelines to include fixed share alternatives, which are set forth in the table below, and to extend the deadline under the policy until the later of February 7, 2014 or the date that is five years after the executive was appointed to such position.

Exceptions to this requirement may only be made by the Board of Directors under compelling mitigating circumstances. The Committee believes these ownership guidelines are an important tool in aligning the interests of our senior executive officers with the long term interests of our stockholders. The following table sets forth information regarding number and dollar value of shares held by our senior executive officers as of December 31, 2009.

EXECUTIVE STOCK OWNERSHIP GUIDELINES**Ownership as of December 31, 2009**

| Name | Ownership as of December 31, 2009 | | Ownership Requirement |
|-------------------------------------|--|-----------------------------|-------------------------------|
| | Number of | Dollar Value of | |
| | Shares⁽¹⁾ | Shares⁽²⁾ | |
| Mike Jackson ⁽³⁾ | 15,000 | \$287,250 | 200,000 shares or \$4,600,000 |
| Michael E. Maroone | 2,498,159 | \$47,839,745 | 175,000 shares or \$4,000,000 |
| Michael J. Short ⁽³⁾ | 1,563 | \$29,931 | 50,000 shares or \$1,122,000 |
| Jonathan P. Ferrando ⁽³⁾ | 32,767 | \$627,488 | 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 December 31, 2009 (\$19.15).

(3) Messrs. Jackson, Short, and Ferrando have until February 7, 2014 to meet the above investment requirements.

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.

Table of Contents**COMPENSATION TABLES****Summary Compensation Table**

The following table provides information concerning total compensation earned in 2007, 2008, and 2009 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 2009.

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- | All Other Compensation (\$) ⁽³⁾ | Total (\$) |
|---|------|----------------|---------------|-------------------------------------|--------------------------------------|---|--|---|---------------|
| | | | | | | | qualified Deferred Compensation Earnings (\$) | | |
| Mike Jackson (Chairman and Chief Executive Officer) | 2009 | 1,150,000 | | | 2,087,993 | 1,705,833 | | 220,053 ⁽⁴⁾ | 5,163,879 |
| | 2008 | 1,150,000 | | | 1,230,644 | | | 198,446 | 2,579,090 |
| | 2007 | 1,150,000 | | | 2,220,824 | | | 187,036 | 3,557,860 |
| Michael E. Maroone (President and Chief Operating Officer) | 2009 | 1,000,000 | | | 1,671,099 | 1,112,500 | | 199,605 ⁽⁵⁾ | 3,983,204 |
| | 2008 | 1,000,000 | | | 984,935 | | | 270,758 | 2,255,693 |
| | 2007 | 1,000,000 | | | 1,777,418 | | | 274,027 | 3,051,445 |
| Michael J. Short (Executive Vice President and Chief Financial Officer) | 2009 | 561,000 | | | 1,255,651 | 468,084 | | 25,233 ⁽⁶⁾ | 2,309,968 |
| | 2008 | 557,398 | | | 740,074 | | | 20,454 | 1,317,926 |
| | 2007 | 502,789 | | | 3,217,537 | | | 379,846 | 4,100,172 |
| Jonathan P. Ferrando (Executive Vice President, General Counsel and Secretary) | 2009 | 561,000 | | | 1,255,651 | 468,084 | | 23,997 ⁽⁷⁾ | 2,308,732 |
| | 2008 | 561,000 | | | 740,074 | | | 20,528 | 1,321,602 |
| | 2007 | 561,000 | | | 1,335,537 | | | 24,250 | 1,920,787 |
| Kevin P. Westfall (Senior Vice President, Sales) | 2009 | 482,040 | | 52,814 | 125,508 | 241,321 | | 20,982 ⁽⁸⁾ | 922,665 |
| | 2008 | 481,359 | | 55,233 | 73,966 | | | 21,174 | 631,732 |
| | 2007 | 465,992 | | | 400,433 | | | 21,119 | 887,544 |

(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, 2009.

(2) No non-equity incentive plan compensation was earned in respect of 2007 or 2008. Non-equity incentive plan compensation earned in respect of 2009 was paid on February 25, 2010.

(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

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

- (4) Includes \$9,156 for imputed income from group term life insurance, \$170,454 for personal usage of corporate aircraft, \$17,943 for personal company car usage, and \$22,500 as vehicle allowance for service on the Board of Directors.

- (5) Includes \$5,153 for imputed income from group term life insurance, \$144,087 for personal usage of corporate aircraft, \$23,865 for personal company car usage, \$22,500 as vehicle allowance for service on the Board of Directors, and a \$4,000 matching contribution to Mr. Maroone's non-qualified deferred compensation account.

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- (6) Includes \$929 imputed income from group term life insurance, \$15,750 for a vehicle allowance, \$4,554 for a company paid executive health examination, and a \$4,000 matching contribution to Mr. Short's non-qualified deferred compensation account.
- (7) Includes \$646 for imputed income from group term life insurance, \$15,750 for a vehicle allowance, \$3,601 for a Company paid executive health examination, and a \$4,000 matching contribution to Mr. Ferrando's non-qualified deferred compensation account.
- (8) Includes \$1,232 for imputed income from group term life insurance, \$15,750 for a vehicle allowance, and a \$4,000 matching contribution to Mr. Westfall's non-qualified deferred compensation account.

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 2009

The Executive Incentive Plan was approved by the Board in February 2007 and by our stockholders in May 2007. For 2009, 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 2009 were: Mike Jackson 133 1/3%; Michael E. Maroone 100%; Michael J. Short 75%; and Jonathan P. Ferrando 75%.

The performance goals that the Subcommittee established for 2009 under the Executive Incentive Plan for the executives named above adjusted operating income per basic share (75% weight) of \$2.14 and adjusted operating income as a percentage of gross margin (25% weight) of 16.50% were the same as those that the Committee established for 2009 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 111.25% 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 2009 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 2009, 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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| Name | Award Type | Grant Date | Approval Date | GRANTS OF PLAN-BASED AWARDS IN 2009 | | | 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 (\$/sh) | Grant Date Fair Value of Stock and Option Awards ⁽²⁾ |
|----------------------|------------------|------------|---------------|---|-------------|-----------------------------|--|--|---|---|
| | | | | Estimated Future Payouts under Non-Equity Incentive Plan Awards | | Target | | | | |
| | | | | Threshold (\$) | Target (\$) | Maximum (\$) ⁽¹⁾ | | | | |
| Mike Jackson | Option | 3/2/09 | 2/11/09 | | | | | 66,412 | 9.92 | 350,655 |
| | Option | 6/1/09 | 2/11/09 | | | | | 66,412 | 16.99 | 578,448 |
| | Option | 9/1/09 | 2/11/09 | | | | | 66,412 | 18.02 | 596,380 |
| | Option | 12/1/09 | 2/11/09 | | | | | 66,412 | 17.70 | 562,510 |
| | Cash | | | 287,500 | 1,533,333 | 5,000,000 | | | | |
| Michael E. Maroone | Option | 3/2/09 | 2/11/09 | | | | | 53,152 | 9.92 | 280,643 |
| | Option | 6/1/09 | 2/11/09 | | | | | 53,152 | 16.99 | 462,954 |
| | Option | 9/1/09 | 2/11/09 | | | | | 53,152 | 18.02 | 477,305 |
| | Option | 12/1/09 | 2/11/09 | | | | | 53,152 | 17.70 | 450,197 |
| | Cash | | | 187,500 | 1,000,000 | 5,000,000 | | | | |
| Michael J. Short | Option | 3/2/09 | 2/11/09 | | | | | 39,938 | 9.92 | 210,873 |
| | Option | 6/1/09 | 2/11/09 | | | | | 39,938 | 16.99 | 347,860 |
| | Option | 9/1/09 | 2/11/09 | | | | | 39,938 | 18.02 | 358,643 |
| | Option | 12/1/09 | 2/11/09 | | | | | 39,938 | 17.70 | 338,275 |
| | Cash | | | 78,891 | 420,750 | 5,000,000 | | | | |
| Jonathan P. Ferrando | Option | 3/2/09 | 2/11/09 | | | | | 39,938 | 9.92 | 210,873 |
| | Option | 6/1/09 | 2/11/09 | | | | | 39,938 | 16.99 | 347,860 |
| | Option | 9/1/09 | 2/11/09 | | | | | 39,938 | 18.02 | 358,643 |
| | Option | 12/1/09 | 2/11/09 | | | | | 39,938 | 17.70 | 338,275 |
| | Cash | | | 78,891 | 420,750 | 5,000,000 | | | | |
| Kevin P. Westfall | Restricted Stock | 3/2/09 | 2/11/09 | | | | 5,324 | | | 52,814 |
| | Option | 3/2/09 | 2/11/09 | | | | | 3,992 | 9.92 | 21,078 |
| | Option | 6/1/09 | 2/11/09 | | | | | 3,992 | 16.99 | 34,770 |
| | Option | 9/1/09 | 2/11/09 | | | | | 3,992 | 18.02 | 35,848 |
| | Option | 12/1/09 | 2/11/09 | | | | | 3,992 | 17.70 | 33,812 |
| | 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: \$5.28 per share for options granted on March 2, 2009, \$8.71 for options granted on June 1, 2009, \$8.98 for options granted on September 1, 2009, and \$8.47 for options granted on December 1, 2009. 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 2, 2009, \$9.92.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End 2009**

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, 2009.

| OUTSTANDING EQUITY AWARDS AT END OF FISCAL 2009 | | | | | | | |
|--|-------------------|--|--|------------------------------|--------------------------|--|--|
| | | Option Awards⁽¹⁾ | | | | Stock Awards⁽²⁾ | |
| | | Number of Securities Underlying Unexercised Options | Number of Securities Underlying Unexercised Options | Option Exercise Price | Option Expiration | Number of Shares or Units of Stock That Have Not Vested | Market Value of Shares or Units of Stock That Have Not Vested |
| Name | Grant Date | (#) Exercisable | (#) Unexercisable | (\$) | Date | (#) | (\$)⁽³⁾ |
| Mike Jackson ⁽⁴⁾ | 7/28/2003 | 321,000 | | 17.00 | 7/28/2013 | | |
| | 7/27/2004 | 292,000 | | 16.77 | 7/27/2014 | | |
| | 8/1/2005 | 292,000 | | 21.59 | 8/1/2015 | | |
| | 7/31/2006 | 190,500 | 63,500 | 20.08 | 7/31/2016 | | |
| | 7/30/2007 | 137,597 | 137,598 | 19.21 | 7/30/2017 | | |
| | 7/30/2008 | | 203,301 | 10.17 | 7/30/2018 | | |
| | 3/2/2009 | | 66,412 | 9.92 | 3/2/2019 | | |
| | 6/1/2009 | | 66,412 | 16.99 | 3/2/2019 | | |
| | 9/1/2009 | | 66,412 | 18.02 | 3/2/2019 | | |
| | 12/1/2009 | | 66,412 | 17.70 | 3/2/2019 | | |
| Michael E. Maroone | 7/25/2001 | 400,000 | | 11.05 | 7/25/2011 | | |
| | 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 | 152,250 | 50,750 | 20.08 | 7/31/2016 | | |
| | 7/30/2007 | 110,125 | 110,125 | 19.21 | 7/30/2017 | | |
| | 7/30/2008 | 54,236 | 162,710 | 10.17 | 7/30/2018 | | |
| | 3/2/2009 | | 53,152 | 9.92 | 3/2/2019 | | |
| | 6/1/2009 | | 53,152 | 16.99 | 3/2/2019 | | |
| 9/1/2009 | | 53,152 | 18.02 | 3/2/2019 | | | |
| 12/1/2009 | | 53,152 | 17.70 | 3/2/2019 | | | |
| Michael J. Short | 1/15/2007 | 100,000 | 100,000 | 21.56 | 1/15/2017 | | |
| | 7/30/2007 | 82,747 | 82,747 | 19.21 | 7/30/2017 | | |
| | 7/30/2008 | 40,753 | 122,259 | 10.17 | 7/30/2018 | | |
| | 3/2/2009 | | 39,938 | 9.92 | 3/2/2019 | | |
| | 6/1/2009 | | 39,938 | 16.99 | 3/2/2019 | | |
| | 9/1/2009 | | 39,938 | 18.02 | 3/2/2019 | | |
| 12/1/2009 | | 39,938 | 17.70 | 3/2/2019 | | | |
| Jonathan P. Ferrando | 7/28/2003 | 77,200 | | 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 | 131,700 | 43,900 | 20.08 | 7/31/2016 | | |
| | 7/30/2007 | 82,747 | 82,747 | 19.21 | 7/30/2017 | | |
| | 7/30/2008 | | 122,259 | 10.17 | 7/30/2018 | | |
| | 3/2/2009 | | 39,938 | 9.92 | 3/2/2019 | | |
| | 6/1/2009 | | 39,938 | 16.99 | 3/2/2019 | | |
| | 9/1/2009 | | 39,938 | 18.02 | 3/2/2019 | | |
| | 12/1/2009 | | 39,938 | 17.70 | 3/2/2019 | | |

Table of Contents**OUTSTANDING EQUITY AWARDS AT END OF FISCAL 2009**

| Name | Grant Date | Option Awards ⁽¹⁾ | | | | Stock Awards ⁽²⁾ | |
|-------------------|------------|---|---|----------------------------|------------------------|---|---|
| | | 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 | 28,950 | | 17.00 | 7/28/2013 | | |
| | 7/27/2004 | 35,100 | | 16.77 | 7/27/2014 | | |
| | 8/1/2005 | 52,650 | | 21.59 | 8/1/2015 | | |
| | 9/7/2005 | 25,000 | | 20.94 | 9/7/2015 | | |
| | 7/31/2006 | 49,359 | 16,454 | 20.08 | 7/31/2016 | | |
| | 7/30/2007 | 24,810 | 24,810 | 19.21 | 7/30/2017 | | |
| | 7/30/2008 | | 12,219 | 10.17 | 7/30/2018 | | |
| | 7/30/2008 | | | | | 4,074 | 78,017 |
| | 3/2/2009 | | | | | 5,324 | 101,955 |
| | 3/2/2009 | | 3,992 | 9.92 | 3/2/2019 | | |
| | 6/1/2009 | | 3,992 | 16.99 | 3/2/2019 | | |
| | 9/1/2009 | | 3,992 | 18.02 | 3/2/2019 | | |
| | 12/1/2009 | | 3,992 | 17.70 | 3/2/2019 | | |

- (1) Stock options granted prior to January 1, 2009 vest 25% per year over four years on the anniversary of the applicable grant date. Each stock option granted in 2009 vests 25% per year over four years on the anniversary of June 1, 2009.
- (2) Shares of restricted stock granted prior to January 1, 2009 vest 25% per year over four years on the anniversary of the applicable grant date. Shares of restricted stock granted in 2009 vest 25% per year over four years on the anniversary of June 1, 2009.
- (3) Based on the closing price per share of our common stock on December 31, 2009 (\$19.15).
- (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 2009

The following table provides information concerning exercises of stock options and vesting of restricted stock held by the named executive officers during 2009.

OPTIONS EXERCISES AND STOCK VESTED DURING FISCAL 2009

| Name | Option Awards | | Stock Awards | |
|--------------------|---|---------------------------------|--|--------------------------------|
| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Mike Jackson | 467,766 | 3,635,533 | | |
| Michael E. Maroone | 1,126,961 | 10,940,228 | | |
| Michael J. Short | | | | |

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| | | | | |
|----------------------|--------|---------|-------|--------|
| Jonathan P. Ferrando | 40,753 | 405,900 | | |
| Kevin P. Westfall | 4,073 | 42,074 | 1,357 | 27,995 |

Table of Contents**Equity Compensation Plans**

The following table provides information as of December 31, 2009 regarding equity compensation plans approved and not approved by stockholders.

| Plan Category | EQUITY COMPENSATION PLANS | | |
|--|---|---|--|
| | (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 | 11,885,280 | \$17.09 | 10,846,952 ⁽¹⁾ |
| Equity Compensation Plans Not Approved by Security Holders | | | |
| Total | 11,885,280 | \$17.09 | 10,846,952 |

(1) Amount includes 9,313,720 million shares available under the AutoNation, Inc. 2008 Employee Equity and Incentive Plan (the 2008 Plan). As of December 31, 2009, a maximum of 1,645,499 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 2009

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

Table of Contents**NON-QUALIFIED DEFERRED COMPENSATION IN FISCAL 2009**

| Name | Executive | AutoNation | Aggregate | Aggregate | Aggregate |
|-----------------------------|---------------------|---------------------|---------------------|---------------|---------------------|
| | Contributions in | Contributions in | Earnings (Loss) | | |
| | Last Fiscal Year | Last Fiscal Year | in Last Fiscal Year | Distributions | Fiscal Year-End |
| | (\$) ⁽¹⁾ | (\$) ⁽²⁾ | (\$) ⁽³⁾ | (\$) | (\$) ⁽⁴⁾ |
| Mike Jackson ⁽⁵⁾ | | | | | |
| Michael E. Maroone | 7,692 | 4,000 | 82,954 | | 352,772 |
| Michael J. Short | | 4,000 | 852 | 7,039 | 5,329 |
| Jonathan P. Ferrando | | 4,000 | 1,460 | 24,716 | 11,307 |
| Kevin P. Westfall | 72,306 | 4,000 | 65,878 | | 271,888 |

(1) Amounts included as part of Salary for 2009 in the Summary Compensation Table.

(2) Matching contributions made in 2009 were based upon 2008 executive contributions, and are included as part of All Other Compensation for 2009 in the Summary Compensation Table.

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

(4) 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.

(5) 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, 2009, 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, 2009, which was \$19.15. 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) \$19.15. 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 (1) 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 (6) 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

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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.

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 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 and 2010 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 | | \$1,150,000 | | | | \$1,150,000 | |
| Deferred Bonus | | | | | | | |
| Acceleration of | | | | | | | |
| Unvested Stock | | | | | | | |
| Options | | \$2,753,419 | \$2,753,419 | \$2,753,419 | \$2,753,419 | \$2,753,419 | \$2,753,419 |
| Post-Separation | | | | | | | |
| Health and | | | | | | | |
| Welfare Benefits | | \$ 15,296 | | | | \$ 15,296 | |
| <i>Termination for Cause</i> | | | | | | | |

If we terminate Mr. Jackson's employment for cause, he is not entitled to any payments triggered by the termination, and options held by Mr. Jackson on the date of termination, whether vested or unvested, will be cancelled.

Voluntary Termination for Good Reason

If Mr. Jackson terminates his employment with us for good reason, as long as Mr. Jackson is in compliance with the restrictive covenants and confidentiality provision of his employment agreement and signs a reasonable and mutually acceptable severance agreement (including a release and a covenant of reasonable cooperation), he will be entitled to receive an amount equal to: (i) the sum of his then-current annual base salary plus annual bonus awarded to him in the calendar year prior to such termination of his employment, as well as (ii) the pro-rata portion (based on the portion of the calendar year actually served by Mr. Jackson) of his annual bonus to which he would have been entitled had his employment not been terminated, to the extent applicable performance targets are met. Payment of the amount due under clause (i) above would be made by us (by lump sum or otherwise) within 30 days following the termination, and payment of the amount due under clause (ii) above would be made by us (in lump sum) at the same time as year 2009 annual bonuses would have been paid to our bonus-eligible employees. (Since the assumed date of termination is year-end under our Executive Incentive Plan, payment of the amount due under clause (ii) (which was \$1,705,833 for 2009) is reflected under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table, not Cash Severance in the table above.) Mr. Jackson and his dependents also will be entitled to continue to participate in our group health and welfare benefit plans for a period of 18 months following the termination at the same cost to Mr. Jackson as provided to him prior to termination (or we will procure and pay for comparable benefits during such time period). Moreover, all vested stock options held by Mr. Jackson will survive and be exercisable for the remainder of their initial ten-year term, and all unvested stock options held by him will immediately vest on such termination and will survive and be exercisable for one year following such termination.

Voluntary Termination Without Good Reason

If Mr. Jackson terminates his employment with us without good reason, he is not entitled to any payments triggered by the termination. Since Mr. Jackson is eligible for retirement (as defined in our equity compensation plans), he would be entitled to the benefit described in the Retirement paragraph below.

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Termination Due to Death or Disability

If Mr. Jackson's employment is terminated due to death or disability (as defined in our equity compensation plans), all options held by Mr. Jackson at the time of termination shall become immediately vested and exercisable in full and shall remain exercisable until the earlier of the expiration date of the option or the third anniversary of the date of termination.

Retirement

In the event of Mr. Jackson's retirement, all options held by Mr. Jackson at the time of termination shall become immediately vested and exercisable in full and shall remain exercisable until the earlier of the expiration date of the option or the third anniversary of the date of termination.

Involuntary Termination Without Cause

If we terminate Mr. Jackson's employment without cause, as long as Mr. Jackson is in compliance with the restrictive covenants and confidentiality provision of his employment agreement and signs a reasonable and mutually acceptable severance agreement (including a release and a covenant of reasonable cooperation), he will be entitled to receive the same payments and other benefits as described in the Voluntary Termination for Good Reason paragraph above.

Material Conditions and Obligations

Mr. Jackson will be subject to the restrictive covenant agreements described under General Assumptions Restrictive Covenant Agreements above.

Michael E. Maroone

| Michael E. Maroone | 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 | | \$1,000,000 | | | | \$1,000,000 | |
| Acceleration of Unvested Stock | | | | | | | |
| Options Post-Separation | | \$2,203,669 | \$2,203,669 | \$2,203,669 | \$2,203,669 | \$2,203,669 | \$2,203,669 |
| Health and Welfare Benefits | | \$ 20,139 | | | | \$ 20,139 | |
| | <i>Termination for Cause</i> | | | | | | |

If we terminate Mr. Maroone's employment for cause, he is not entitled to any payments triggered by the termination, and options held by Mr. Maroone on the date of termination, whether vested or unvested, will be cancelled.

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Voluntary Termination for Good Reason

If Mr. Maroone terminates his employment with us for good reason, as long as Mr. Maroone is in compliance with the restrictive covenants and confidentiality provision of his employment agreement and signs a reasonable and mutually acceptable severance agreement (including a release and a covenant of reasonable cooperation), he will be entitled to receive an amount equal to: (i) the sum of his then-current annual base salary plus annual bonus awarded to him in the calendar year prior to such termination of his employment, as well as (ii) the pro-rata portion (based on the portion of the calendar year actually served by Mr. Maroone) of his annual bonus to which he would have been entitled had his employment not been terminated, to the extent applicable performance targets are met. Payment of the amount due under clause (i) above will be made by us (by lump sum or otherwise) within 30 days following the termination, and payment of the amount due under clause (ii) above will be made by us (in lump sum) at the same time as year 2009 annual bonuses would have been paid to our bonus-eligible employees. (Since the assumed date of termination is year-end under our Executive Incentive Plan, payment of the amount due under clause (ii) (which was \$1,112,500 for 2009) is reflected under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table, not Cash Severance in the table above.) Also, Mr. Maroone and his dependents will also be entitled to continue to participate in our group health and welfare benefit plans for a period of 18 months following the termination at the same cost to Mr. Maroone as provided to him prior to termination (or we will procure and pay for comparable benefits during such time period). Moreover, all vested stock options held by Mr. Maroone will survive and be exercisable for the remainder of their initial ten-year term, and all unvested stock options held by him will immediately vest on such termination and will survive and be exercisable for one year following such termination.

Voluntary Termination Without Good Reason

If Mr. Maroone terminates his employment with us without good reason, he is not entitled to any payments triggered by the termination. Since Mr. Maroone is eligible for retirement (as defined in our equity compensation plans), he would be entitled to the benefit described in the Retirement paragraph below.

Termination Due to Death or Disability

If we terminate Mr. Maroone's employment due to death or disability (as defined in our equity compensation plans), all options held by Mr. Maroone at the time of termination shall become immediately vested and exercisable in full and shall remain exercisable until the earlier of the expiration date of the option or the third anniversary of the date of termination.

Retirement

In the event of Mr. Maroone's retirement, all options held by Mr. Maroone at the time of termination shall become immediately vested and exercisable in full and shall remain exercisable until the earlier of the expiration date of the option or the third anniversary of the date of termination.

Involuntary Termination Without Cause

If we terminate Mr. Maroone's employment without cause, as long as Mr. Maroone is in compliance with the restrictive covenants and the confidentiality provision of his employment agreement and signs a reasonable and mutually acceptable severance agreement (including a release and a covenant of reasonable cooperation), he will be entitled to receive the same payments and other benefits as described in the Voluntary Termination for Good Reason paragraph above.

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Material Conditions and Obligations

Mr. Maroone will be subject to the restrictive covenant agreements described under General Assumptions Restrictive Covenant Agreements above.

Michael J. Short

| | Termination for Cause | Voluntary Termination | Death or Disability | Retirement | Involuntary Termination Without Cause | Change in Control |
|-------------------------|----------------------------------|----------------------------------|--------------------------------|-------------------|--|------------------------------|
| Michael J. Short | | | | | | |
| Cash Severance | | | | | | |
| Acceleration of | | | | | | |
| Unvested Stock | | | | | | |
| Options | | | \$1,655,820 | | | \$1,655,820 |
| Post-Separation | | | | | | |
| Health and | | | | | | |
| Welfare Benefits | | | | | | |

Jonathan P. Ferrando

| | Termination for Cause | Voluntary Termination | Death or Disability | Retirement | Involuntary Termination Without Cause | Change in Control |
|---------------------------------|----------------------------------|----------------------------------|--------------------------------|-------------------|--|------------------------------|
| Jonathan P. Ferrando | | | | | | |
| Cash Severance | | | | | | |
| Acceleration of | | | | | | |
| Unvested Stock | | | | | | |
| Options | | | \$1,655,820 | | | \$1,655,820 |
| Post-Separation | | | | | | |
| Health and | | | | | | |
| Welfare Benefits | | | | | | |

Kevin P. Westfall

| | Termination with Cause | Voluntary Termination | Death or Disability | Retirement | Involuntary Termination Without Cause | Change in Control |
|--------------------------|-----------------------------------|----------------------------------|--------------------------------|-------------------|--|------------------------------|
| Kevin P. Westfall | | | | | | |
| Cash Severance | | | | | | |
| Acceleration of | | | | | | |
| Unvested Stock | | | | | | |
| Options | | | \$165,495 | | | \$165,495 |

| | | |
|---------------------|-----------|-----------|
| Acceleration of | | |
| Unvested Shares | | |
| of Restricted Stock | \$179,972 | \$179,972 |
| Post-Separation | | |

Health and

Welfare Benefits

Termination for Cause

If we terminate Messrs. Short s, Ferrando s, or Westfall s employment for cause, they are not entitled to any payments triggered by the termination and options held by such executive on the date of termination, whether vested or unvested, will be cancelled.

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Voluntary Termination

If Messrs. Short, Ferrando, or Westfall voluntarily terminate their employment for any reason, they are not entitled to any payments triggered by the termination and options held by such executive, to the extent exercisable on the date of termination, shall remain exercisable until the earlier of the expiration date of the options or sixty (60) days following the date of termination.

Termination Due to Death or Disability

If Messrs. Short s, Ferrando s, or Westfall s employment is terminated because of death or disability (as defined in our equity compensation plans), they are not entitled to any payments triggered by the termination, and options held by such executive at the time of termination shall become immediately vested and exercisable in full and shall remain exercisable until the earlier of the expiration date of the option or the third anniversary of the date of termination.

Retirement

In the event of Messrs. Short s, Ferrando s, or Westfall s retirement, they will be entitled to receive the same payments and other benefits as described under the section *Voluntary Termination* above. Messrs. Short, Ferrando, and Westfall were not at December 31, 2009 and are not currently eligible for retirement treatment under our equity compensation plans.

Involuntary Termination Without Cause

If we terminate Messrs. Short s, Ferrando s, or Westfall s employment without cause, they are not entitled to any payments triggered by the termination, and options held by them, to the extent exercisable on the date of termination, shall remain exercisable until the earlier of the expiration date of the options or 60 days following the date of the termination.

Material Conditions and Obligations

Messrs. Short, Ferrando and Westfall will be subject to the restrictive covenant agreements described under *General Assumptions Restrictive Covenant Agreements* above.

EMPLOYMENT AGREEMENTS

We have employment agreements with Mike Jackson and Michael E. Maroone. Summaries of these employment agreements are set forth below.

Mike Jackson

On July 25, 2007, we entered into an employment agreement with Mr. Jackson pursuant to which he serves as our Chairman and Chief Executive Officer. The agreement, which expires on September 24, 2010 (subject to earlier termination in certain circumstances), effectively extends Mr. Jackson s prior employment agreement and provides for a continuation of his base salary of \$1,150,000 per year, subject to future increases as determined by the Compensation Committee (or the Executive Compensation Subcommittee, as applicable). Mr. Jackson s employment agreement also provides for his participation in the AutoNation, Inc. Senior Executive Incentive Bonus Plan, with bonus eligibility (which shall be no less than 133 1/3% of his base salary) and performance objectives as established by the Executive Compensation Subcommittee during the first quarter of each year. A portion of the bonus awards under the AutoNation, Inc. Senior Executive Incentive Bonus Plan are payable to Mr. Jackson on a deferred basis (without interest), subject to certain terms and conditions. The agreement provides that Mr. Jackson will participate in our stock option program during each year of his employment at the

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discretion of the Executive Compensation Subcommittee. Under the terms of the agreement, if we terminate Mr. Jackson's employment for any reason other than cause, or if he terminates his employment with us for good reason (each as defined in the employment agreement), he is entitled to receive an amount equal to the sum of his then-current annual base salary plus annual bonus awarded to him in the calendar year prior to such termination of his employment, as well as the pro rata portion of his annual bonus to which he would have been entitled had his employment not been terminated, to the extent applicable performance targets are met. Additionally, if we terminate Mr. Jackson's employment without cause or if he terminates employment for good reason, all vested stock options held by him will survive and be exercisable for the remainder of their initial ten-year term and all unvested stock options held by him will immediately vest on such termination and will survive and be exercisable for one year following such termination. The agreement also contains non-competition covenants and provides that Mr. Jackson is entitled to certain benefits during his employment, including limited personal use of our corporate aircraft.

Michael E. Maroone

On July 25, 2007, we entered into an employment agreement with Michael E. Maroone pursuant to which he serves as our President and Chief Operating Officer. The agreement, which expires on December 31, 2010 (subject to earlier termination in certain circumstances), effectively extends Mr. Maroone's prior employment agreement and provides for a continuation of his base salary of \$1,000,000 per year, subject to future increases as determined by the Compensation Committee (or the Executive Compensation Subcommittee, as applicable). The employment agreement also provides for Mr. Maroone's participation in the AutoNation, Inc. Senior Executive Incentive Bonus Plan, with bonus eligibility (which shall be no less than 100% of his base salary) and performance objectives as established by the Executive Compensation Subcommittee during the first quarter of each year. The agreement provides that Mr. Maroone will participate in our stock option program during each year of his employment at the discretion of the Executive Compensation Subcommittee. Under the terms of the agreement, if we terminate Mr. Maroone's employment for any reason other than cause, or if he terminates his employment with us for good reason (each as defined in the employment agreement), he is entitled to receive an amount equivalent to his then-current annual base salary plus annual bonus awarded to him in the calendar year prior to such termination of his employment. In such circumstances, Mr. Maroone would also be entitled to receive the pro rata portion of his annual performance bonus applicable to the period prior to the termination of his employment, provided that the applicable performance targets are met. Additionally, if we terminate Mr. Maroone's employment without cause or if he terminates employment for good reason, all vested stock options held by him will survive and be exercisable for the remainder of their initial ten-year term and all unvested stock options held by him will immediately vest on such termination and will survive and be exercisable for one year following such termination. The agreement also contains non-competition covenants and provides that Mr. Maroone is entitled to certain benefits during his employment, including limited personal use of our corporate aircraft.

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AUDIT-RELATED MATTERS

REPORT OF THE AUDIT COMMITTEE

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

During 2009, the Audit Committee consisted of Robert R. Grusky (Chair), David B. Edelson, Kim C. Goodman, and Carlos A. Migoya. On March 8, 2010, Kim C. Goodman informed the Company that she will not stand for re-election to the Board at the 2010 Annual Meeting. Ms. Goodman will continue to serve on the Audit Committee until the date of 2010 Annual Meeting. The Board has determined that each Audit Committee member has the requisite independence and other qualifications for audit committee membership under SEC rules, the listing standards of the New York Stock Exchange, our Audit Committee Charter, and the independence standards set forth in our Corporate Governance Guidelines. The Board has also determined that each of Mr. Grusky and Mr. Edelson is an audit committee financial expert as defined under Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended. As more fully described below, in carrying out its responsibilities, the Audit Committee looks to management and AutoNation's independent registered public accounting firm. The Audit Committee members are not professionally engaged in the practice of accounting or auditing. The Audit Committee operates under a written charter that is reviewed annually and is available at <http://corp.autonation.com/investors>.

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

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

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KPMG LLP also provided us with the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and we discussed with KPMG LLP matters relating to their independence and considered whether their provision of certain non-audit services is compatible with maintaining their independence. In the letter, KPMG LLP confirmed its independence, and we determined that the KPMG LLP's provision of non-audit services to AutoNation is compatible with maintaining their independence. We also reviewed a report by KPMG LLP describing the firm's internal quality-control procedures and any material issues raised in the most recent internal quality-control review or external peer review or inspection performed by the Public Company Accounting Oversight Board.

Based on our review with management and KPMG LLP of AutoNation's audited consolidated financial statements and the KPMG LLP's report on such financial statements, and based on the discussions and written disclosures described above and our business judgment, we recommended to the Board of Directors that the audited consolidated financial statements be included in AutoNation's Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the Securities and Exchange Commission.

Audit Committee:

Robert R. Grusky, Chair

David B. Edelson

Kim C. Goodman

Carlos A. Migoya

AUDITOR FEES AND SERVICES

The following table sets forth (i) the aggregate fees billed for professional services rendered by KPMG LLP for the audits of our financial statements and internal control over financial reporting for years 2009 and 2008 (reported in the "Audit Fees" category below) and (ii) the aggregate fees billed in 2009 and 2008 by KPMG for our use of KPMG's on-line technical research service (reported in the "All Other Fees" category below).

| Fee Category | 2008 | 2009 |
|---|------------------|------------------|
| Audit Fees | \$ 2,664,400 | \$ 2,350,000 |
| Audit-Related Fees | | |
| Tax Fees | | |
| All Other Fees | 1,500 | 1,500 |
| Total Fees | 2,665,900 | 2,351,500 |
| Ratio of Tax and All Other Fees to Audit and Audit-Related Fees | 0.00:1 | 0.00:1 |
| Percentage of Aggregate Fees which were Audit or Audit Related | 100% | 100% |

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POLICY FOR APPROVAL OF AUDIT AND PERMITTED NON-AUDIT SERVICES

Our Audit Committee's policies require pre-approval of all audit and permissible non-audit services provided by our independent registered public accounting firm other than services permitted under the de minimis exception under applicable Securities and Exchange Commission rules (which are approved by our Audit Committee prior to our independent registered public accounting firm's completion of its annual audit). Under our Audit Committee's policies, pre-approval generally is detailed as to the particular service or category of services and is subject to a specific budget. Under our Audit Committee's policies, all tax planning services and services that do not constitute audit, audit-related, or tax-compliance services are subject to a formal bidding process and may not be provided by our independent registered public accounting firm unless our Audit Committee concludes that such services may be provided most effectively or economically by our independent registered public accounting firm and that the independence of our registered public accounting firm would not be affected adversely by the provision of such services. Our Audit Committee has delegated to its Chair the authority to approve, within guidelines and limits established by the Committee, specific services to be provided by our independent registered public accounting firm and the fees to be paid. Any such approval must be reported to the Audit Committee at the next scheduled meeting. As required by Section 10A of the Exchange Act, our Audit Committee pre-approved all audit and non-audit services provided by our independent registered public accounting firm during 2009, and the fees paid for such services.

PROPOSAL 2: RATIFICATION OF THE SELECTION OF

OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of our Board of Directors has selected KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2010. KPMG LLP has served us in this capacity since May 6, 2003. If the selection of KPMG LLP as our independent registered public accounting firm is not ratified by our stockholders, the Audit Committee will re-evaluate its selection, taking into consideration the stockholder vote on the ratification. However, the Audit Committee is solely responsible for selecting and terminating our independent registered public accounting firm, and may do so at any time at its discretion. A representative of KPMG LLP is expected to attend the Annual Meeting and be available to respond to appropriate questions. The representative also will be afforded an opportunity to make a statement, if he or she desires to do so.

The Board recommends that you vote FOR the ratification of the selection of KPMG LLP as our independent registered public accounting firm for us and our subsidiaries for 2010.

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PROPOSAL 3: STOCKHOLDER PROPOSAL

The stockholder proposal set forth below was submitted to the Company by John Chevedden, 2215 Nelson Avenue, No. 205, Redondo Beach, California 90278, a purported owner of 500 shares of our common stock. Mr. Chevedden's proposal is printed below verbatim, and we have not endeavored to correct any erroneous statements or typographical errors contained therein. Mr. Chevedden has advised the Company that he intends to present the following resolution at our Annual Meeting. However, it should be noted that although Mr. Chevedden has attempted to make, or made, stockholder proposals to the Company every year since 2001, he has never personally attended an annual meeting to present one of his proposals. The Company is not responsible for the contents of this proposal or the supporting statement. Our Board has recommended a vote against the proposal for the reasons set forth following the proposal.

3 Special Shareowner Meetings

RESOLVED, Shareowners ask our board to take the steps necessary to amend our bylaws and each appropriate governing document to give holders of 10% of our outstanding common stock (or the lowest percentage allowed by law above 10%) the power to call special shareowner meetings. This includes that such bylaw and/or charter text will not have any exception or exclusion conditions (to the fullest extent permitted by state law) that apply only to shareowners but not to management and/or the board.

Special meetings allow shareowners to vote on important matters, such as electing new directors, that can arise between annual meetings. If shareowners cannot call special meetings investor returns may suffer. Shareowners should have the ability to call a special meeting when a matter merits prompt consideration. This proposal is in favor of our board maintaining its current power to call a special meeting.

This proposal topic won more than 60% support at the following companies in 2009: CVS Caremark (CVS), Sprint Nextel (S), Alaska Air (ALK), Safeway (SWY), Motorola (MOT), R.R. Donnelley (RRD) and Mattel (MAT).

The merits of this Special Shareowner Meetings proposal should also be considered in the context of the need for improvements in our company's corporate governance and in individual director performance. In 2009 the following governance and performance issues were identified:

Our board's decision to pay our CEO Mike Jackson more than \$1million in salary was not in line with shareholder's interests because part of his salary was therefore not deductible. Additionally, Mr. Jackson received the personal use of company aircraft and this was not linked to our company's performance, and therefore, was not in shareholder interest. Mr. Jackson did not receive a 2008 bonus because his performance goals were not achieved based on operating income per share and operating income as a percent of gross margin.

Approximately 45% of our company's stock was owned by ESL Investments, a hedge fund run by Edward Lampert, of Sears Holdings fame. William Crowley, the President and COO of the hedge fund, served on the AutoNation board.

Any time one entity holds this much company stock, there is the risk that the interests of minority shareholders are subordinated to the interests of the large shareholder according to The Corporate Library www.thecorporatelibrary.com, an independent investment research firm. It is believed that ESL Investments would vote against any shareholder proposal.

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We did not have an Independent Chairman or even a Lead Director independence concerns. And we had no shareholder right to Cumulative Voting. Our 2009 annual meeting was less than 15-minutes and was held in a conference room. The Chairman of our Nomination committee had 18-years tenure independence concern.

The above concerns shows there is need for improvement. Please encourage our board to respond positively to this proposal: Special Shareowner Meetings Yes on 3.

Board of Directors Response

Under our by-laws, a special meeting of stockholders may be called at any time by the Board of Directors. This by-law provision conforms to the requirements of the Delaware General Corporation Law, and is an appropriate corporate governance provision because it

enables the orderly conduct of our business,

affords the Board of Directors ample notice and opportunity to respond to proposals, and

allows our directors, according to their fiduciary obligations, to exercise their business judgment to determine when it is in the best interests of stockholders to convene a special meeting.

The Board does not believe it is appropriate to enable holders of only ten percent (a small minority of stockholders) of our common stock to have an unlimited ability to call special meetings for any purpose at any time. Enabling the holders of only ten percent of the Company's outstanding stock to call special meetings could subject the Company and the Board to disruption from stockholder activists or special interest groups with an agenda not in the best interests of the Company or long-term stockholders. Additionally, special meetings could impose substantial administrative and financial burdens on the Company and could significantly disrupt the conduct of the Company's business.

For a Company with as many stockholders as AutoNation, a special meeting of stockholders is a very expensive and time-consuming affair because of the legal costs in preparing required disclosure documents, and printing and mailing costs. Additionally, preparing for stockholder meetings requires significant time and attention of the Board of Directors, members of senior management and significant employees, diverting their attention away from performing their primary function which is to operate the business of the Company in the best interests of our stockholders. Calling special meetings of stockholders is not a matter to be taken lightly, and special meetings should be extraordinary events that only occur when either fiduciary obligations or strategic concerns require that the matters to be addressed cannot wait until the next annual meeting.

Because each director is elected annually, our directors are already accountable to the Company's stockholders. The Board also believes that the current timing and process set forth in our by-laws to allow stockholders to submit a proposal and bring a matter to an annual meeting for a vote is an effective means for stockholders to voice their concerns, as well as an efficient use of the Company's resources. The timing and process to submit a proposal for the 2011 annual meeting is described on page 18 of this proxy statement. Furthermore, our by-laws permit stockholders to act by written consent at any time in lieu of a meeting.

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Mr. Chevedden has previously presented similar stockholder proposals, and they have been soundly rejected by AutoNation stockholders. Approximately 67%, 82%, and 86% of the votes cast in 2007, 2008, and 2009, respectively, voted against these proposals.

We also note that Mr. Chevedden, a purported owner of 500 shares of our common stock and a stockholder proponent that sends out stockholder proposals to a large number of companies every year, has been sending stockholder proposals to the Company since 2001, none of which have received a majority stockholder vote. Instead, each time one of his stockholder proposals has been presented at an annual meeting of AutoNation stockholders, our stockholders have soundly rejected it. Further, at each of the last four annual meetings of AutoNation stockholders, rather than presenting the stockholder proposal himself, a representative of the International Association of Machinists and Aerospace Workers (the Machinists) presented the stockholder proposal from Mr. Chevedden on his behalf. It is not clear to us what the nature of Mr. Chevedden's relationship is with the Machinists or what his or the Machinists' motivations are in making stockholder proposals, but we do know that the Machinists have been attempting to organize automotive dealership service technicians, including some of ours, for many years. While we do not ascribe improper motivations to Mr. Chevedden or the Machinists, we do not believe it is appropriate to make stockholder proposals based on personal or special interests such as a desire to organize Company employees or grievances against the Company that are not shared by stockholders at large.

The Board recommends that you vote AGAINST this stockholder proposal.

PROPOSAL 4: STOCKHOLDER PROPOSAL

The proposal set forth below was submitted to the Company by the International Brotherhood of Electrical Workers Pension Benefit Fund (referred to as the Fund), 900 Seventh Street, NW, Washington, D.C. 2001. The Fund's proposal is printed below verbatim, and we have not endeavored to correct any erroneous statements or typographical errors contained therein. The Fund has advised the Company that it intends to present the following resolution at our Annual Meeting. The Company is not responsible for the contents of this proposal or the supporting statement. Our Board has recommended a vote against the proposal for the reasons set forth following the proposal.

RESOLVED: The shareholders of AutoNation Incorporated (Company) urge the Board of Directors to amend the Company's by laws, effective upon the expiration of current employment contracts, to require that an independent director as defined by the rules of the New York Stock Exchange (NYSE) be its Chairman of the Board of Directors. The amended by laws should specify (a) how to select a new independent chairman if a current chairman ceases to be independent during the time between annual meetings of shareholders, and (b) that compliance is excused if no independent director is available and willing to serve as chairman.

SUPPORTING STATEMENT

The wave of corporate scandals at such companies as Enron, WorldCom and Tyco resulted in renewed emphasis on the importance of independent directors. For example, both the NYSE and the NASDAQ have adopted new rules that would require corporations that wish to be traded on them to have a majority of independent directors.

Unfortunately, having a majority of independent directors alone is clearly not enough to prevent the type of scandals that have afflicted Enron, WorldCom and Tyco. All of these corporations had a majority of independent directors on their boards when the scandals occurred.

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All of these corporations also had a Chairman of the Board who was also an insider, usually the Chief Executive Officer (CEO), or a former CEO, or some other officer. We believe that no matter how many independent directors there are on a board, that board is less likely to protect shareholder interests by providing independent oversight of the officers if the Chairman of that board is also the CEO, former CEO or some other officer or insider of the company.

We also believe that it is worth noting that many of the companies that were embroiled in the financial turmoil stemming from the recent crisis in the financial services industry Bank of America, Citigroup, Merrill Lynch, Morgan Stanley, Wachovia and Washington Mutual did not have an independent Chairman of the Board of Directors.

Company even lacks a Lead Director, which in our opinion, is not an adequate substitute for an independent director having the full powers and authority of the Chairman for providing oversight of the Company s officers.

We respectfully urge the board of our Company to change its corporate governance structure by having an independent director serve as its Chairman.

Board of Directors Response

Under our by-laws, the Board has the flexibility to determine whether it is in the best interests of our stockholders and the Company to separate or combine the roles of the Chairman of the Board and Chief Executive Officer at any point in time. This proposal would remove this flexibility and narrow the governance arrangements that the Board may consider, which could be contrary to the best interests of our stockholders. The Board believes that it should be permitted to use its business judgment to decide who is the best person to serve as Chairman of the Board, based on what is in the best interests of AutoNation at a given point in time, taking into account, among other things, the composition of the Board and the issues facing AutoNation. See also Corporate Governance Role of the Board and Board Structure. We note that the Fund presented a similar stockholder proposal last year and that 86% of the votes cast voted against such proposal.

Our Board is stockholder-oriented approximately 62% of our outstanding shares of common stock are held by our directors or entities related to our directors and focused on the best interests of our stockholders. Furthermore, we have adopted strong and effective corporate governance policies and procedures to promote the effective and independent governance of the Company. For example, our independent directors meet in executive session. Seventy-eight percent of our directors are independent under NYSE listing standards and AutoNation s corporate governance guidelines. Additionally, the Audit Committee, the Compensation Committee, the Executive Compensation Subcommittee, and the Corporate Governance and Nominating Committee are each comprised solely of independent directors.

The Board recommends that you vote AGAINST this stockholder proposal.

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OTHER MATTERS

We are not aware of any other matters that will be properly brought before the Annual Meeting. However, if any additional matters are properly brought before the Annual Meeting, Messrs. Jackson and Ferrando will vote as recommended by our Board of Directors or, if no recommendation is given, in accordance with their judgment. Messrs. Jackson and Ferrando were designated to be your proxies by our Board of Directors.

HOUSEHOLDING; AVAILABILITY OF ANNUAL REPORT AND PROXY STATEMENT

The SEC permits companies and intermediaries, such as a brokerage firm or a bank, to satisfy the delivery requirements for Notices and proxy materials with respect to two or more stockholders sharing the same address by delivering only one Notice or set of proxy materials to that address. This process, which is commonly referred to as householding, can effectively reduce our printing and postage costs.

Certain of our stockholders whose shares are held in street name and who have consented to householding will receive only one Notice or set of proxy materials per household. If you would like to receive a separate Notice or set of proxy materials in the future, or if your household is currently receiving multiple copies of the same items and you would like to receive only a single copy at your address in the future, please contact Household Department by mail at 51 Mercedes Way, Edgewood, NY 11717 or by telephone at 1-800-542-1061 and indicate your name, the name of each of your brokerage firms or banks where your shares are held, and your account numbers.

If you would like to receive a copy of our 2009 Annual Report or this proxy statement, please contact our Investor Relations by mail at Investor Relations, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301 or by telephone at (954) 769-7342, and we will send a copy to you without charge. Please note, however, that if you wish to receive a paper proxy card or other proxy materials for the purpose of the Annual Meeting, you should follow the instructions included in the Notice of Internet Availability of Proxy Materials.

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