

AUTONATION, INC.
Form DEF 14A
March 26, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

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
- Definitive Additional Materials
- Soliciting Material under § 240.14a-12

AutoNation, Inc.

(Name of Registrant as Specified In Its Charter)

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

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(3) Filing Party:

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AutoNation, Inc.
AutoNation Headquarters
200 SW 1st Ave
Fort Lauderdale, FL 33301

NOTICE OF THE 2012 ANNUAL MEETING OF STOCKHOLDERS

To Stockholders of AutoNation, Inc.:

The 2012 Annual Meeting of Stockholders of AutoNation, Inc. will be held on the 15th Floor of the AutoNation Headquarters, located at 200 SW 1st Ave, Fort Lauderdale, Florida 33301, on Wednesday, May 9, 2012, at 8:00 a.m. Eastern Time for the following purposes as more fully described in the proxy statement:

- (1) To elect the 10 director nominees named in the proxy statement, each for a term expiring at the next Annual Meeting of Stockholders or until their successors are duly elected and qualified;
- (2) To ratify the selection of KPMG LLP as our independent registered public accounting firm for 2012;
- (3) To approve the AutoNation, Inc. Senior Executive Incentive Bonus Plan;
- (4) To consider three stockholder proposals, if properly presented at the Annual Meeting; and
- (5) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

Only stockholders of record as of 5:00 p.m. Eastern Time on March 15, 2012, the record date, are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting or any adjournments or postponements of the Annual Meeting.

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

By Order of the Board of Directors,
Jonathan P. Ferrando
Executive Vice President,
General Counsel and Secretary
March 26, 2012

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INTERNET AVAILABILITY OF PROXY MATERIALS

In accordance with the rules of the Securities and Exchange Commission (“SEC”), we are furnishing our proxy materials, including this proxy statement and our annual report, to our stockholders primarily via the Internet. On March 26, 2012, we began mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials (the “Notice”) that contains instructions on how to access our proxy materials on the Internet. The Notice also contains instructions on how to vote via the Internet or by telephone. Other stockholders, in accordance with their prior requests, received an email with instructions on how to access our proxy materials and vote via the Internet, or have been mailed paper copies of our proxy materials and a proxy card or voting form. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by email by following the instructions contained in the Notice.

Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to be Held on May 9, 2012

Our 2011 Annual Report and this proxy statement are available at www.edocumentview.com/an.

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AUTONATION, INC.
 AutoNation Headquarters
 200 SW 1st Ave
 Fort Lauderdale, FL 33301

PROXY STATEMENT

This Proxy Statement contains information relating to the solicitation of proxies by the Board of Directors (the “Board”) of AutoNation, Inc. (“AutoNation” or the “Company”) for use at our 2012 Annual Meeting of Stockholders or any adjournment or postponement thereof. Our Annual Meeting will be held on the 15th Floor of the AutoNation Headquarters, located at 200 SW 1st Ave, Fort Lauderdale, Florida 33301, on Wednesday, May 9, 2012, at 8:00 a.m. Eastern Time.

Only stockholders of record as of 5:00 p.m. Eastern Time on March 15, 2012 (the “record date”) are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting or any adjournments or postponements of the Annual Meeting. As of the record date, there were 127,103,469 shares of AutoNation common stock issued and outstanding and entitled to vote at the Annual Meeting. We made copies of this proxy statement available to our stockholders beginning on March 26, 2012.

INFORMATION ABOUT THE ANNUAL MEETING

Agenda

To elect the 10 director nominees named in this proxy statement, each for a term expiring at the next Annual Meeting of Stockholders or until their successors are duly elected and qualified

To ratify the selection of KPMG LLP as our independent registered public accounting firm for 2012

- To approve the AutoNation, Inc. Senior Executive Incentive Bonus Plan

To consider three stockholder proposals, if properly presented at the Annual Meeting

To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting

Vote Recommendations

Proposal	Matter	Board Vote Recommendation
1	Election of Directors	FOR EACH NOMINEE
2	Ratification of the Selection of KPMG LLP as Independent Auditor for 2012	FOR
3	Approval of the AutoNation, Inc. Senior Executive Incentive Bonus Plan	FOR
4	Stockholder Proposal Regarding Independent Board Chairman	AGAINST
5	Stockholder Proposal Regarding Cumulative Voting	AGAINST
6	Stockholder Proposal Regarding Political Contributions	AGAINST

Voting Matters

Quorum. The holders of at least 63,551,735 shares (a majority of shares outstanding on the record date) must be present in person or represented by proxy to conduct business at the Annual Meeting. Both abstentions and broker non-votes will be counted for the purpose of determining the presence of a quorum.

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Voting by Stockholders of Record. If you are a stockholder of record (your shares are registered directly in your name with our transfer agent), you may vote by proxy via the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials. If you receive printed copies of the proxy materials by mail, you may also vote by proxy via the Internet, by telephone, or by mail by following the instructions provided on the proxy card. Stockholders of record who attend the Annual Meeting may vote in person by obtaining a ballot from the inspector of elections.

Voting by Beneficial Owners. If you are a beneficial owner of shares (your shares are held in the name of a brokerage firm, bank, or other nominee), you may vote by proxy by following the instructions provided in the Notice of Internet Availability of Proxy Materials, vote instruction form, or other materials provided to you by the brokerage firm, bank, or other nominee that holds your shares. If you do not provide specific voting instructions to the nominee that holds your shares, such nominee will have the authority to vote your shares only with respect to the ratification of the selection of KPMG LLP as our independent registered accounting firm (such proposal is considered a “routine” matter under NYSE rules), and your shares will not be voted and will be considered “broker non-votes” with respect to the other proposals (such proposals are considered “non-routine” matters under NYSE rules). To vote in person at the Annual Meeting, you must obtain a legal proxy from the brokerage firm, bank, or other nominee that holds your shares.

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

Votes Required to Adopt Proposals. Each share of our common stock outstanding on the record date is entitled to one vote on each of the 10 director nominees and one vote on each other matter. To be elected, directors must receive a majority of the votes cast (the number of shares voted “for” a director nominee must exceed the number of votes cast “against” that nominee). Approval of each of the other matters on the agenda requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the proposal.

Effect of Abstentions and Broker Non-Votes. For the election of directors, broker non-votes (shares held by brokers that do not have discretionary authority to vote on a proposal and have not received voting instructions from their clients) and abstentions will not be counted as having been voted. For Proposals 2, 3, 4, 5, and 6, abstentions will be counted as having been voted and will have the same effect as negative votes. For Proposals 3, 4, 5, and 6, broker non-votes will not be counted as having been voted. Brokers will have discretionary authority to vote on Proposal 2 since it is considered a routine matter under NYSE rules. Since they are not counted as “for” votes, broker non-votes could prevent the election of our directors and/or approval of Proposals 3, 4, 5, and 6, so we urge you to provide voting instructions.

Voting Instructions. If you complete and submit a proxy with voting instructions, the persons named as proxies will follow your instructions. If you are a stockholder of record and submit a proxy without voting instructions, or if your instructions are unclear, the persons named as proxies will vote as the Board recommends on each proposal. With respect to any other matters properly presented at the Annual Meeting, the persons named as proxies will vote as recommended by our Board of Directors, or if no recommendation is given, in their own discretion. If you hold shares through the AutoNation 401(k) Plan and you do not provide clear voting instructions, Wells Fargo will vote the shares in your 401(k) account in the same proportion that it votes shares for which it received valid and timely instructions.

Proxy Solicitation

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

Attending the Annual Meeting

You are entitled to attend the Annual Meeting only if you were an AutoNation stockholder as of the record date or you hold a valid proxy for the Annual Meeting. You may be asked to present valid photo identification and proof of stock ownership as of the record date to be admitted to the Annual Meeting.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Directors

Our Board currently consists of ten members. Each of our current directors was elected by our stockholders at our 2011 Annual Meeting of Stockholders.

Upon the recommendation of the Corporate Governance and Nominating Committee, the Board has nominated each of our current directors to stand for election for a new term expiring at the 2013 Annual Meeting of Stockholders or until their successors are duly elected and qualified. See “Items To Be Voted On - Proposal 1: Election of Directors.” Our Board consists of a diverse group of leaders. Many of our directors have experience serving as executive officers or on boards and board committees of major companies. Many of our directors also have extensive corporate finance and investment banking experience as well as a broad understanding of capital markets. Our directors have a strong owner orientation - approximately 68% of our common stock is held by our directors or entities or persons related to our directors (as of March 15, 2012).

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

Nominee	Current Position with AutoNation	Age	Director Since
Mike Jackson	Chairman of the Board and Chief Executive Officer	63	1999
Robert J. Brown	Director	77	2010
Rick L. Burdick	Director	60	1991
William C. Crowley	Director	54	2002
David B. Edelson	Director	52	2008
Robert R. Grusky	Director	54	2006
Michael Larson	Director	52	2010
Michael E. Maroone	Director, President and Chief Operating Officer	58	2005
Carlos A. Migoya	Director	61	2006
Alison H. Rosenthal	Director	35	2011

Mike Jackson has served as our Chairman of the Board since January 2003 and as our Chief Executive Officer and Director since September 1999. From October 1998 until September 1999, Mr. Jackson served as Chief Executive Officer of Mercedes-Benz USA, LLC, a North American operating unit of DaimlerChrysler AG, a multinational automotive manufacturing company. From April 1997 until September 1999, Mr. Jackson also served as President of Mercedes-Benz USA. From July 1990 until March 1997, Mr. Jackson served in various capacities at Mercedes-Benz USA, including as Executive Vice President immediately prior to his appointment as President of Mercedes-Benz USA. Mr. Jackson was also the managing partner from March 1979 to July 1990 of Euro Motorcars of Bethesda, Maryland, a regional group that owned and operated eleven automotive dealership franchises, including Mercedes-Benz and other brands of automobiles. In January 2011, Mr. Jackson was appointed to the Board of Directors of the Federal Reserve Bank of Atlanta’s Miami Branch. Mr. Jackson’s automotive experience, his position as our Chief Executive Officer, and his broad knowledge of our Company and the automotive industry led the Board to conclude that he should serve as one of our directors.

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

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Rick L. Burdick has served as one of our directors since May 1991. Since 1988, Mr. Burdick has been a partner in Akin, Gump, Strauss, Hauer & Feld, L.L.P., a global full service law firm. Mr. Burdick is managing partner (international) and chair of the international corporate transactions practice of the firm. He also serves as Lead Director of CBIZ, Inc. (formerly, Century Business Services, Inc.), a provider of outsourced business services to small and medium-sized companies in the United States. Mr. Burdick's experience as a senior partner at a large law firm advising large companies on a broad range of corporate transactions and on securities law and corporate governance matters led the Board to conclude that he should serve as one of our directors.

William C. Crowley has served as one of our directors since January 2002. Since January 1999, Mr. Crowley has been President and Chief Operating Officer of ESL Investments, Inc., a private investment firm. He served as Executive Vice President of Sears Holdings Corporation from March 2005 until January 2011 and as Chief Administrative Officer of Sears Holdings Corporation from September 2005 until January 2011. Mr. Crowley also served as the Chief Financial Officer of Sears Holdings Corporation from March 2005 until September 2006 and from January 2007 until October 2007. Mr. Crowley has served as a director of Sears Canada Inc. since March 2005 and as the Chairman of the Board of Sears Canada Inc. since December 2006. From May 2003 until March 2005, Mr. Crowley served as director and Senior Vice President, Finance of Kmart Holding Corporation. Prior to joining ESL Investments in 1999, Mr. Crowley was a Managing Director at Goldman, Sachs & Co., a leading global investment banking and securities firm. Mr. Crowley is a director of AutoZone, Inc. and is director and chairman of Orchard Supply Hardware Stores Corporation, a former subsidiary of Sears Holdings Corporation. He served as a director of Sears Holdings Corporation from March 2005 until May 2010. Mr. Crowley's experience in corporate finance and investment banking, as well as his experience as a senior executive officer of a Fortune 500 company and his position as the President and Chief Operating Officer of ESL Investments, Inc., led the Board to conclude that he should serve as one of our directors.

David B. Edelson has served as one of our directors since July 2008. Mr. Edelson is Senior Vice President of Loews Corporation, a diversified holding company with subsidiaries in the property-casualty insurance, offshore drilling, natural gas transmission and storage, natural gas exploration and production, and lodging industries. He joined Loews in May 2005. Prior to joining Loews, Mr. Edelson was Executive Vice President & Corporate Treasurer of JPMorgan Chase & Co. He was named Corporate Treasurer in April 2001 and promoted to Executive Vice President in February 2003. Mr. Edelson spent the first 15 years of his career as an investment banker, first with Goldman Sachs & Co. and subsequently with JPMorgan Chase & Co. From February 2007 until June 2011, he served as a director of CNA Surety Corporation, and from January 2009 until June 2011, as Chairman of the Board of CNA Surety Corporation. Mr. Edelson's experience as a senior executive officer of a large holding company owning a wide range of businesses, as well as his prior experience as an investment banker and corporate treasurer, led the Board to conclude that he should serve as one of our directors.

Robert R. Grusky has served as one of our directors since June 2006. In 2000, Mr. Grusky founded Hope Capital Management, LLC, an investment management firm for which he serves as Managing Member. He co-founded New Mountain Capital, LLC, a private equity and public equity investment management firm, in 2000 and was a Principal, Managing Director and Member of New Mountain Capital from 2000 to 2005 and has been a Senior Advisor since then. From 1998 to 2000, Mr. Grusky served as President of RSL Investments Corporation, the primary investment vehicle for the Hon. Ronald S. Lauder. Prior thereto, Mr. Grusky served in a variety of capacities at Goldman, Sachs & Co. in its Mergers & Acquisitions Department and Principal Investment Area. Mr. Grusky is a director of Strayer Education, Inc., an education services company, and AutoZone, Inc. Mr. Grusky's board experience and experience in investment management, private equity, and investment banking led the Board to conclude that he should serve as one of our directors.

Michael Larson has served as one of our directors since February 2010. Mr. Larson serves as chief investment officer for William H. Gates III, a position he has held since 1994. He is responsible for Mr. Gates' non-Microsoft investments as well as the investments of the Bill & Melinda Gates Foundation Trust. He serves as a director of Republic Services, Inc., Ecolab Inc., Fomento Mexicano Economico, S.A.B. de C.V., and Grupo Televisa, S.A.B. In addition, he is

Chairman of the Board of Trustees for Western Asset/Claymore Inflation-Linked Securities & Income Fund and Western Asset/Claymore Inflation-Linked Opportunities & Income Fund. From November 1999 until December 2010, Mr. Larson served as a director of Pan American Silver Corp. Mr. Larson's investment and business experience and broad understanding of the capital markets, business cycles, and capital investment and allocation led the Board to conclude that he should serve as one of our directors.

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Michael E. Maroone has served as one of our directors since July 2005 and as our President and Chief Operating Officer since August 1999. Following our acquisition of the Maroone Automotive Group in January 1997, Mr. Maroone served as President of our New Vehicle Dealer Division. In January 1998, Mr. Maroone was named President of our Automotive Retail Group with responsibility for our new and used vehicle operations. Prior to joining AutoNation, Mr. Maroone was President and Chief Executive Officer of the Maroone Automotive Group, one of the country's largest privately-held automotive retail groups prior to its acquisition by us. Mr. Maroone's position as our President and his broad knowledge of our Company and the automotive retail industry led the Board to conclude that he should serve as one of our directors.

Carlos A. Migoya has served as one of our directors since June 2006. In May 2011, Mr. Migoya was named Chief Executive Officer of Jackson Health System. From February 2010 until December 2010, Mr. Migoya served as City Manager for the City of Miami. He previously served as Regional President - North Carolina of Wachovia Corporation, a Wells Fargo Company, from December 2007 until May 2009. From June 2006 until December 2007, Mr. Migoya served as State CEO for the Atlantic Region of Wachovia Corporation. In this position, Mr. Migoya was responsible for Wachovia's general banking businesses in New Jersey, Connecticut, and New York. From 1987 until 2006, Mr. Migoya served as Regional President - Dade and Monroe Counties of Wachovia Corporation, with responsibility for Wachovia's general banking businesses in the region. Mr. Migoya has more than 35 years of experience in banking. Mr. Migoya's management and banking experience led the Board to conclude that he should serve as one of our directors.

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

Corporate Governance Guidelines and Codes of Ethics

Our Board is committed to sound corporate governance principles and practices. Our Board's core principles of corporate governance are set forth in the AutoNation, Inc. Corporate Governance Guidelines (the "Guidelines"), which were adopted by the Board in March 2003 and most recently amended as of October 20, 2011. The Guidelines serve as a framework within which our Board conducts its operations. The Corporate Governance and Nominating Committee of our Board is charged with reviewing annually, or more frequently as appropriate, the Guidelines and recommending to our Board appropriate changes in light of applicable laws and regulations, the governance standards identified by leading governance authorities, and our Company's evolving needs.

In order to clearly set forth our commitment to conduct our operations in accordance with our high standards of business ethics and applicable laws and regulations, we have a company-wide Business Ethics Program, which includes a Code of Business Ethics applicable to all of our employees. We also maintain a 24-hour Alert-Line for employees to report any Company policy violations under our Business Ethics Program. In addition, our Board has adopted the Code of Ethics for Senior Officers and the Code of Business Ethics for the Board of Directors. These codes comply with NYSE listing standards.

A copy of the Guidelines and the codes referenced above are available on our corporate website at investors.autonation.com. You also may obtain a printed copy of the Guidelines by sending a written request to: Investor Relations, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301.

Role of the Board and Board Structure

Our business and affairs are managed under the direction of our Board, which is the Company's ultimate decision-making body, except with respect to those matters reserved to our stockholders. Our Board's mission is to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our

senior management team, who is charged with the conduct of our business, and acts as an advisor and counselor to senior management. Our Board also oversees our business strategy and planning as well as the performance of management in executing our business strategy, assessing and managing risks, and managing our day-to-day operations.

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

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

Our Board has adopted strong and effective corporate governance policies and procedures to promote the effective and independent governance of the Company. See "Corporate Governance Guidelines and Codes of Ethics" above. Our Board is stockholder-oriented and focused on the best interests of our stockholders - approximately 68% of our common stock is held by our directors or entities or persons related to our directors (as of March 15, 2012), a significant portion of our director's compensation is equity-based, and the Board has established director stock ownership guidelines.

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

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

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

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

At our 2009 and 2010 Annual Meetings of Stockholders, stockholder proposals to amend our by-laws to require an independent Board chairman were presented, and 86% and 85% of the votes cast, respectively, voted against such proposals.

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

Our Board of Directors held 14 meetings and took no action by unanimous written consent during 2011. In 2011, each person serving as a director attended at least 75% of the total number of meetings of our Board and any Board committee on which he or she served.

Our independent directors held four executive sessions without management present during 2011. Our Board has not appointed a lead independent director; instead, in accordance with our Guidelines, the presiding director for each executive session is rotated among the Chairs of our Board committees.

Our directors are expected to attend our Annual Meeting of Stockholders. Any director who is unable to attend our Annual Meeting is expected to notify the Chairman of the Board in advance of the Annual Meeting. Each person who was then serving as a director attended the 2011 Annual Meeting of Stockholders.

Board Committees

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

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

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

The Audit Committee primarily assists our Board in fulfilling its oversight responsibilities by reviewing our financial reporting and audit processes and our systems of internal control over financial reporting and disclosure controls. Among the Committee's core responsibilities are the following: (i) overseeing the integrity of our financial statements, for which management is responsible, and reviewing and approving the scope of the annual audit; (ii) selecting, retaining, compensating, overseeing, and evaluating our independent registered public accounting firm; (iii) reviewing the Company's critical accounting policies; (iv) reviewing the Company's quarterly and annual financial statements prior to the filing of such statements with the SEC; (v) preparing the Audit Committee report for inclusion in our proxy statement; and (vi) reviewing with management significant risks and assessing the steps management has taken to minimize, monitor, and control such risks or exposures. For a complete description of our Audit Committee's responsibilities, you should refer to the Audit Committee's charter.

The Audit Committee currently consists of four directors. Our Board has determined that each Audit Committee member has the requisite independence and other qualifications for audit committee membership under SEC rules, NYSE listing standards, the Audit Committee's charter, and the independence standards set forth in the Guidelines (as discussed below under "Director Independence"). Our Board has also determined that each of Mr. Grusky and Mr. Edelson is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). See "Directors" above for a description of the business experience of each of Mr. Grusky and Mr. Edelson.

The Audit Committee held six meetings and took one action by unanimous written consent during 2011. The Audit Committee Report for fiscal 2011, which contains a description of the Audit Committee's responsibilities and its recommendation with respect to our audited consolidated financial statements for the year ended December 31, 2011, is set forth below under "Audit Committee Report."

Compensation Committee

The Compensation Committee primarily assists our Board in fulfilling its compensation and management development and succession planning oversight responsibilities by, among other things: (i) reviewing our director compensation program; (ii) reviewing and approving the compensation of our Chief Executive Officer and other senior executive officers and, except as expressly delegated to the Executive Compensation Subcommittee, setting annual and long-term performance goals for these individuals; (iii) reviewing and approving the compensation of all of our corporate officers; and (iv) reviewing the Company's program for management development and succession planning.

Please refer to "Executive Compensation Subcommittee" below for a description of the Executive Compensation Subcommittee, which is a subcommittee of the Compensation Committee. Pursuant to the Compensation Committee's charter, the Committee may form subcommittees and may delegate to such subcommittees any or all power and authority of the Committee as the Committee deems appropriate, provided that no subcommittee may consist of fewer than two members, and provided further that the Committee may not delegate to a subcommittee any power or

authority required by any applicable laws, regulations or listing standards to be exercised by the Committee as a whole.

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The Committee reviews executive compensation at its meetings throughout the year and sets executive compensation. The Committee also reviews director compensation annually. As part of its review of executive compensation, the Committee reviews the executive compensation arrangements at other retail companies. The Committee reviews the data at a high level in order to evaluate and confirm whether our executive compensation is within a reasonably competitive range. The Committee, however, does not set executive compensation at a set target percentile based on the data. See “Executive Compensation - Compensation Discussion and Analysis - Setting Compensation Levels of Executive Officers.” The Committee did not engage a compensation consultant to advise the Committee with respect to executive or director compensation for 2011.

Our Board has determined that each Compensation Committee member has the requisite independence for Compensation Committee membership under NYSE listing standards and the independence standards set forth in the Guidelines. The Compensation Committee held four meetings and took five actions by unanimous written consent during 2011. For more information on the responsibilities and activities of the Compensation Committee, including the Committee’s processes for determining executive compensation, see “Executive Compensation” below, as well as the Compensation Committee’s charter.

Executive Compensation Subcommittee

The Executive Compensation Subcommittee is a subcommittee of the Compensation Committee. The Subcommittee assists the Board and the Compensation Committee in fulfilling their compensation oversight responsibilities by performing the following duties: (i) reviewing and approving performance-based compensation of executive officers as contemplated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), including bonuses and stock-based awards; (ii) administering the AutoNation, Inc. Senior Executive Incentive Bonus Plan, including establishing performance goals and certifying whether such goals are attained as contemplated under Section 162(m) of the Code; and (iii) administering our equity compensation plans, including approving stock-based awards.

Our Board has determined that each member of the Subcommittee qualifies as a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act, and as an “outside director” under Section 162(m) of the Code. The Executive Compensation Subcommittee held four meetings and took three actions by unanimous written consent during 2011. For more information on the responsibilities and activities of the Executive Compensation Subcommittee, please refer to the Executive Compensation Subcommittee’s charter.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee assists our Board in fulfilling its oversight responsibilities by performing the following duties: (i) reviewing annually, or more frequently as appropriate, the corporate governance principles and practices set forth in the Guidelines, in comparison to the governance standards identified by leading governance authorities and our evolving needs, and making recommendations to the Board with respect to any appropriate amendment to the Guidelines; (ii) considering and advising the Board with respect to other corporate governance issues; (iii) periodically reviewing our codes of ethics and conduct for directors, officers, and employees; (iv) leading annual evaluations of Board and Board committee performance; (v) assessing periodically our Board’s needs in terms of skills and qualifications and recommending to our Board candidates for nomination and election to our Board; (vi) reviewing Board candidates recommended by our stockholders; and (vii) recommending to our Board assignments to committees.

Our Board has determined that each Corporate Governance and Nominating Committee member is independent under NYSE listing standards and the independence standards set forth in the Guidelines. In 2011, the Corporate Governance and Nominating Committee held four meetings and took one action by unanimous written consent. The Corporate Governance and Nominating Committee has a policy with regard to the consideration of director candidates recommended by stockholders. For information regarding this policy, refer to “Stockholder Communications - Stockholder Director Recommendations” below.

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Director Independence

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

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

In making its independence determinations, the Board considered relationships and transactions since the beginning of 2009 between the Company and its subsidiaries and our non-employee directors, entities associated with those directors, or members of their immediate families, including the relationships and transactions described under “Certain Relationships and Related Transactions” below. The Board determined that none of the relationships and transactions it considered impaired the independence of our non-employee directors or disqualified any of our non-employee directors from serving as independent directors under our independence standards and the listing standards of the NYSE. The Board’s independence determinations included a review of the following relationships and transactions: Mr. Crowley is President and Chief Operating Officer of ESL Investments, Inc., and ESL Investments, Inc. together with its investment affiliates (collectively, “ESL”) beneficially owns approximately 53% of our common stock. In addition, Mr. Crowley and ESL have relationships with Sears Holdings Corporation (“Sears”) and AutoZone, Inc. (“AutoZone”), and in the ordinary course of business, we enter into transactions with Sears and AutoZone as a purchaser or supplier of goods or services. See “Certain Relationships and Related Party Transactions” below for more information regarding these relationships and transactions.

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

Mr. Edelson is Senior Vice President of Loews Corporation (“Loews”), and, in connection with certain of our insurance programs, we have paid premiums to American Casualty Company of Reading, Pennsylvania and to Continental Casualty Company, each a subsidiary of CNA Financial Corporation (“CNA Financial”), which is a 90%-owned subsidiary of Loews. In addition, we may from time to time use hotels owned by Loews Hotel Holdings Corporation, a wholly-owned subsidiary of Loews.

Michael Larson serves as chief investment officer for William H. Gates III, and all shares of our common stock owned by Cascade Investment, L.L.C. (“Cascade”) and the Bill & Melinda Gates Foundation Trust (the “Trust”) may be deemed to be beneficially owned by Mr. Gates. On a combined basis, Cascade and the Trust beneficially own approximately 14% of our common stock. In the ordinary course of business, we enter into transactions, as a purchaser or supplier of goods or services, with Republic Services, Inc. (“Republic”), and Mr. Larson serves as a director of Republic. In addition, Cascade and the Trust on a combined basis beneficially own approximately 17% of Republic’s common stock (based on publicly available data as of March 15, 2012).

Director Selection Process

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

In accordance with the Guidelines, candidates, including candidates recommended by stockholders, are selected on the basis of, among other things, broad experience, financial expertise, wisdom, integrity, ability to make independent analytical inquiries, understanding of our business environment, the candidate’s ownership interest in the Company,

and willingness and ability to devote adequate time to Board duties, all in the context of assessing the needs of our Board at

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that point in time and with the objective of ensuring diversity in the background, experience, and viewpoints of our Board members. The Guidelines provide that the number of directors should permit diversity of experience without hindering effective discussion, diminishing individual accountability, or exceeding a number that can function efficiently as a body.

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

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

Board Compensation

Our non-employee director compensation program is designed to:

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

Summary

In 2011, our non-employee director compensation program consisted of the following:

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

In addition, the AutoNation, Inc. 2007 Non-Employee Director Option Plan (as amended, the "2007 Plan") provides for an automatic grant of an option to purchase 5,000 shares of our common stock to each non-employee director on the first trading day of each March, June, September, and December.

The most recent amendment to the 2007 Plan was approved by our Board of Directors on February 1, 2012. Prior to the adoption of that amendment, each option granted under the 2007 Plan was immediately exercisable and expired on the 10th anniversary of the option grant date. The amendment provides that, with respect to grants made under the 2007 Plan after February 1, 2012, (1) each option will become exercisable with respect to 25% of the total number of shares underlying the option on June 1 of the year following the year in which the option is granted (the "initial vesting date") and with respect to an additional 25% on each of the next three succeeding anniversaries of the initial vesting date, (2) except as set forth in (3) below, in the event an optionee ceases to be a non-employee director, then any options held by such non-employee director will become immediately exercisable until the earlier of (a) 30 days following the date the optionee ceases to be a non-employee director and (b) the expiration of the options, (3) in the event an optionee ceases to be a non-employee director because of retirement, death, or permanent and total disability (each as defined in the 2007 Plan), then any options held by such non-employee director will become immediately exercisable until the earlier of (x) the third anniversary of the date of such retirement, death, or permanent and total disability and (y) the expiration of the options, and (4) each option will expire on the 10th anniversary of the first grant date in the year in which the option was granted.

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In November 2010, our non-employee directors became eligible to defer all or a portion of their annual and committee retainers under the AutoNation, Inc. Deferred Compensation Plan (the “DCP”). Please refer to “Executive Compensation - Compensation Tables - Non-Qualified Deferred Compensation in Fiscal 2011” for additional information regarding the DCP.

2011 Director Compensation

The following table sets forth the compensation earned during 2011 by each non-employee director.

2011 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)(1)	Total (\$)
Robert J. Brown	60,000	305,410	365,410
Rick L. Burdick	65,000	(2)305,410	370,410
William C. Crowley	65,000	(2)305,410	370,410
David B. Edelson	60,000	305,410	365,410
Robert R. Grusky	71,667	305,410	377,077
Michael Larson	55,000	305,410	360,410
Carlos A. Migoya	63,333	305,410	368,743
Alison H. Rosenthal(3)	48,333	236,041	284,374

The amounts reported in this column are based on the grant date fair values 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 (1) Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011.

In 2011, each of our non-employee directors received an option to purchase 5,000 shares of common stock on each of March 1, June 1, September 1, and December 1, except for Ms. Rosenthal who only received the June 1, September 1, and December 1 option grants since she joined the Board on March 14, 2011. The following table sets forth information regarding each option award granted to our non-employee directors who were serving on the quarterly grant dates in 2011:

Grant Date	Number of Shares Underlying Option Award	Option Exercise Price (\$)	Grant Date Fair Value of Option Award (\$)
March 1, 2011	5,000	32.50	69,369
June 1, 2011	5,000	34.51	71,910
September 1, 2011	5,000	40.37	86,693
December 1, 2011	5,000	35.99	77,438

(2)Deferred under the DCP.

(3)Ms. Rosenthal joined the Board on March 14, 2011.

The following table sets forth information regarding the number of options held by each of our non-employee directors as of December 31, 2011:

Name	Number of Options Held as of December 31, 2011
Robert J. Brown	10,000
Rick L. Burdick	140,000
William C. Crowley	180,000
David B. Edelson	110,000
Robert R. Grusky	103,134
Michael Larson	70,000

Carlos A. Migoya
Alison H. Rosenthal

60,000
15,000

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Director Stock Ownership Guidelines

The Board believes that non-employee directors should be stockholders and have a financial stake in the Company. Toward this end, the Board expects that each non-employee director will invest at least \$100,000 in the Company's common stock within five years of first becoming a non-employee director. 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 non-employee directors in our common stock as of March 15, 2012.

DIRECTOR STOCK OWNERSHIP GUIDELINES

Name	Number of Shares Owned ⁽¹⁾	Amount Deemed Invested (\$)	Progress	Deadline
Robert J. Brown	2,000	45,060	(2)45%	February 2015
Rick L. Burdick	7,365	139,935	(3)Achieved	N/A
William C. Crowley	182,241	(4)>4,000,000	(5)Achieved	N/A
David B. Edelson	4,850	100,447	(6)Achieved	N/A
Robert R. Grusky	6,450	103,915	(7)Achieved	N/A
Michael Larson	2,000	55,147	(6)55%	February 2015
Carlos A. Migoya	15,150	392,886	(8)Achieved	N/A
Alison H. Rosenthal	—	—	—	March 2016

(1)Based on filings with the SEC.

With respect to 1,000 shares, based on the closing price per share on February 24, 2010, the date he was appointed

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

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

(4)Includes 83,545 shares held by Tynan, LLC, a limited liability company of which Mr. Crowley is the sole member.

(5)Estimated value based on the closing price per share on the dates shares were acquired.

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

With respect to 5,200 shares, based on the purchase price paid for the shares, as reported with the SEC; and with

(7)respect to 1,250 shares, based on the closing price per share of our common stock on the date the shares were acquired in connection with the exercise of an option.

With respect to 1,000 shares that Mr. Migoya held on the date he became a director, based on the closing price per

(8)share of our common stock on such date; with respect to 6,000 shares, based on the purchase price paid for the shares, as reported with the SEC; and with respect to 8,150 shares, based on the closing price per share of our common stock on the date the shares were acquired in connection with the exercise of an option.

2012 Option Grants

In accordance with the terms of the 2007 Plan, Messrs. Brown, Burdick, Crowley, Edelson, Grusky, Larson, and Migoya, and Ms. Rosenthal were each automatically granted an option to purchase 5,000 shares of our common stock at an exercise price equal to \$34.09 per share, the closing price per share of our common stock on March 1, 2012. Each non-employee director will also receive an option to purchase 5,000 shares of our common stock on the first trading day of each of June, September, and December 2012. Each option grant will have an exercise price equal to the closing price per share of our common stock on the applicable grant date.

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Compensation Committee Interlocks and Insider Participation

During 2011, Messrs. Burdick, Crowley, Larson, and Migoya served on our Compensation Committee. Please refer to “Certain Relationships and Related Party Transactions” below for a description of certain transactions we entered into since January 1, 2011 in which Mr. Crowley may be deemed to have had 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 other committee serving an equivalent function) or board of directors of any company, one of whose executive officers served on our Board or our Compensation Committee.

Certain Relationships and Related Party Transactions

Our Board has adopted a written policy which requires that transactions with related parties must be entered into in good faith on fair and reasonable terms that are no less favorable to us than those that would be available in a comparable transaction in arm’s-length dealings with an unrelated third party. Our Board, by a vote of the disinterested directors, must approve all related party transactions valued over \$500,000, while our Audit Committee must approve all related party transactions valued between \$100,000 and \$500,000 and review with management all other related party transactions.

In accordance with SEC rules, we have set forth below a summary of transactions that occurred since January 1, 2011, in which the amount involved exceeded \$120,000, the Company or one of its subsidiaries was a participant, and any related party may be deemed to have had a direct or indirect material interest. Under SEC rules, a related party is any director, executive officer, nominee for director, or 5% stockholder of the Company, and their immediate family members. In each case, the transactions complied with our Board’s policy on related party transactions.

In the ordinary course of business, we enter into transactions with Sears as a purchaser or supplier of goods or services. As of March 15, 2012, ESL, which beneficially owns approximately 53% of our common stock, beneficially owns approximately 62% of Sear’s common stock (based on publicly available data as of March 15, 2012), and Edward S. Lampert, the Chairman, Chief Executive Officer and controlling principal of ESL Investments, Inc., serves as the Chairman of the Board of Sears. In addition, Mr. Crowley who serves as the President and Chief Operating Officer of ESL Investments, Inc., served in various executive positions at Sears from March 2005 until January 2011 and as a director of Sears from March 2005 until May 2010. He also serves as Chairman of the Board of Sears Canada Inc., a subsidiary of Sears. In 2011, we paid Sears approximately \$200,000 primarily for automotive parts and accessories, and Sears paid us approximately \$250,000 primarily for automotive parts, accessories, and services. We also enter into transactions with AutoZone, Inc., as a purchaser or supplier of goods or services, in the ordinary course of business. ESL owns approximately 10% of AutoZone’s common stock (based on publicly available data as of March 15, 2012), and Messrs. Crowley and Grusky serve as directors of AutoZone. In 2011, we paid AutoZone approximately \$765,000 primarily for automotive parts and accessories, and AutoZone paid us approximately \$135,000 primarily for automotive parts and accessories. In addition, in 2011, Lease Plan USA, a fleet leasing company, paid us approximately \$6.2 million for certain vehicles that were subsequently leased by Lease Plan USA to AutoZone.

In January 2009, our Board authorized and approved letter agreements with certain automotive manufacturers that, among other things, eliminated certain adverse consequences that would have been triggered under the framework agreements with those manufacturers upon ESL’s acquisition of a 50% or greater ownership interest in our Company. The letter agreements with American Honda Motor Co., Inc. (“Honda”) and Toyota Motor Sales, U.S.A., Inc. (“Toyota”) also contain governance-related and other provisions. ESL is also a party to both the Honda and Toyota agreements. Under