ASBURY AUTOMOTIVE GROUP INC
Form 10-Q
July 31, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-31262

ASBURY AUTOMOTIVE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**01-0609375**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2905 Premiere Parkway NW Suite 300 Duluth, Georgia	**30097**
(Address of principal executive offices)	**(Zip Code)**

(770) 418-8200

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	¨	Accelerated Filer	x
Non-Accelerated Filer	¨	Smaller Reporting Company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of July 29, 2009, was 32,248,959 (net of 4,770,224 treasury shares).

Table of Contents

ASBURY AUTOMOTIVE GROUP, INC.

INDEX

PART I Financial Information

Item 1.	Condensed Consolidated Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008	3
	Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2009 and 2008	4
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	51
Item 4.	Controls and Procedures	53

PART II Other Information

Item 1A.	Risk Factors	54
Item 4.	Submission of Matters to a Vote of Security Holders	55
Item 6.	Exhibits	57
	Signatures	58
	Index to Exhibits	59

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)

(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 41.9	$ 91.6
Restricted cash	8.0	
Contracts-in-transit	54.4	63.8
Accounts receivable (net of allowance of $0.7 and $0.9, respectively)	85.8	82.2
Inventories	529.3	666.6
Deferred income taxes	8.9	10.9
Assets held for sale	31.5	50.4
Other current assets	61.5	54.2
Total current assets	821.3	1,019.7
PROPERTY AND EQUIPMENT, net	468.9	476.7
DEFERRED INCOME TAXES, net of current portion	85.1	100.0
OTHER LONG-TERM ASSETS	51.0	54.5
Total assets	$ 1,426.3	$ 1,650.9
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable trade	$ 359.7	$ 478.2
Floor plan notes payable non-trade	96.4	134.6
Current maturities of long-term debt	8.6	58.8
Accounts payable and accrued liabilities	143.9	151.3
Liabilities associated with assets held for sale	17.9	31.6
Total current liabilities	626.5	854.5
LONG-TERM DEBT	538.9	540.9
OTHER LONG-TERM LIABILITIES	27.6	28.9
COMMITMENTS AND CONTINGENCIES (Note 11)		
SHAREHOLDERS EQUITY:		
Preferred stock, $.01 par value, 10,000,000 shares authorized		
Common stock, $.01 par value, 90,000,000 shares authorized 37,019,183 and 36,711,885 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	453.8	453.5
Accumulated deficit	(141.4)	(147.2)
Treasury stock, at cost; 4,770,224 and 4,760,218 shares held, respectively	(74.6)	(74.5)

Accumulated other comprehensive loss	(4.9)	(5.6)
Total shareholders equity	233.3	226.6
Total liabilities and shareholders equity	$ 1,426.3	$ 1,650.9

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

ASBURY AUTOMOTIVE GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
REVENUES:				
New vehicle	$ 517.7	$ 743.7	$ 958.3	$ 1,438.4
Used vehicle	242.4	289.2	451.3	587.7
Parts and service	159.7	169.2	321.7	336.6
Finance and insurance, net	22.6	36.8	43.3	73.0
Total revenues	942.4	1,238.9	1,774.6	2,435.7
COST OF SALES:				
New vehicle	483.3	693.3	896.5	1,341.6
Used vehicle	222.4	263.9	411.7	535.7
Parts and service	80.8	82.8	163.7	165.8
Total cost of sales	786.5	1,040.0	1,471.9	2,043.1
GROSS PROFIT	155.9	198.9	302.7	392.6
OPERATING EXPENSES:				
Selling, general and administrative	126.7	156.2	249.7	311.1
Depreciation and amortization	5.9	5.4	12.0	10.5
Other operating (income) expense, net	(0.4)	2.0	(0.8)	1.7
Income from operations	23.7	35.3	41.8	69.3
OTHER INCOME (EXPENSE):				
Floor plan interest expense	(4.7)	(7.5)	(9.6)	(15.8)
Other interest expense	(9.0)	(9.3)	(19.0)	(18.3)
Convertible debt discount amortization	(0.5)	(0.8)	(0.9)	(1.6)
Interest income	0.1	0.3	0.1	1.3
Total other expense, net	(14.1)	(17.3)	(29.4)	(34.4)
Income before income taxes	9.6	18.0	12.4	34.9
INCOME TAX EXPENSE	3.6	7.1	4.6	13.5
INCOME FROM CONTINUING OPERATIONS	6.0	10.9	7.8	21.4
DISCONTINUED OPERATIONS, net of tax	(0.5)	(0.5)	(2.0)	(0.9)
NET INCOME	$ 5.5	$ 10.4	$ 5.8	$ 20.5
EARNINGS (LOSS) PER COMMON SHARE:				
Basic				
Continuing operations	$ 0.19	$ 0.34	$ 0.24	$ 0.68
Discontinued operations	(0.02)	(0.01)	(0.06)	(0.03)

Net income	$ 0.17	$ 0.33	$ 0.18	$ 0.65
Diluted				
Continuing operations	$ 0.18	$ 0.34	$ 0.24	$ 0.66
Discontinued operations	(0.01)	(0.02)	(0.06)	(0.02)
Net income	$ 0.17	$ 0.32	$ 0.18	$ 0.64
CASH DIVIDENDS DECLARED PER COMMON SHARE	$	$ 0.23	$	$ 0.45
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	32.2	31.7	32.1	31.6
Performance share units	0.1	0.2	0.1	0.4
Restricted stock	0.2	0.2	0.4	0.1
Stock options	0.7	0.1	0.4	0.1
Diluted	33.2	32.2	33.0	32.2

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

ASBURY AUTOMOTIVE GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	For the Six Months Ended June 30,	
	2009	**2008**
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 5.8	$ 20.5
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	12.0	10.5
Stock-based compensation	0.9	1.6
Deferred income taxes	16.7	5.4
Loaner vehicle amortization	4.2	4.1
Other adjustments, net	2.6	6.8
Changes in operating assets and liabilities, net of acquisitions and divestitures		
Contracts-in-transit	9.4	21.5
Accounts receivable	(14.2)	17.1
Proceeds from the sale of accounts receivable	10.8	10.7
Inventories	158.3	45.6
Other current assets	(41.4)	(28.8)
Floor plan notes payable trade	(121.5)	(4.1)
Floor plan notes payable trade divestitures	(7.7)	(4.6)
Accounts payable and accrued liabilities	(8.4)	(0.1)
Other long-term assets and liabilities, net	1.6	(0.1)
Net cash provided by operating activities	29.1	106.1
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(4.8)	(31.5)
Construction reimbursements associated with sale-leaseback agreements		1.9
Acquisitions		(41.9)
Purchases of previously leased real estate		(207.9)
Proceeds from the sale of assets	22.2	20.7
Other investing activities	(0.5)	0.4
Net cash provided by (used in) investing activities	16.9	(258.3)
CASH FLOW FROM FINANCING ACTIVITIES:		
Floor plan borrowings non-trade	164.0	1,283.2
Floor plan borrowings acquisitions		7.6
Floor plan repayments non-trade	(199.3)	(1,301.7)
Floor plan repayments non-trade divestitures	(2.9)	(2.8)
Payments of dividends		(14.4)
Proceeds from borrowings	0.9	187.5
Repayments of borrowings	(57.3)	(24.3)
Payments of debt issuance costs	(1.1)	(0.4)
Purchase of treasury stock associated with net share settlement of employee share-based awards	(0.1)	(1.2)
Proceeds from the exercise of stock options	0.1	0.1
Net cash (used in) provided by financing activities	(95.7)	133.6

Net decrease in cash and cash equivalents	(49.7)	(18.6)
CASH AND CASH EQUIVALENTS, beginning of period	91.6	53.4
CASH AND CASH EQUIVALENTS, end of period	$ 41.9	$ 34.8

See Note 10 for supplemental cash flow information

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

ASBURY AUTOMOTIVE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. DESCRIPTION OF BUSINESS

We are one of the largest automotive retailers in the United States, operating 110 franchises (84 dealership locations) in 21 metropolitan markets within 11 states as of June 30, 2009. We offer an extensive range of automotive products and services, including new and used vehicles; vehicle maintenance, replacement parts and collision repair services; and financing, insurance and service contracts. We offer 37 domestic and foreign brands of new vehicles, including 7 heavy truck brands. We also operate 25 collision repair centers that serve customers in our local markets.

During the first quarter of 2009, we completed the relocation of our corporate headquarters to Duluth, Georgia, and announced the elimination of our regional management structure. Our retail network is made up of nine locally branded dealership groups including: our Coggin dealerships, operating primarily in the Florida markets of Jacksonville, Fort Pierce and Orlando; our Courtesy dealerships operating in Tampa, Florida; our Crown dealerships operating in New Jersey, North Carolina, South Carolina and Virginia; our Nalley dealerships operating in Atlanta, Georgia; our McDavid dealerships operating throughout Texas; our North Point dealerships operating in Little Rock, Arkansas; our California dealerships operating in Los Angeles and Fresno; our Plaza dealerships operating in St. Louis, Missouri; and our Gray Daniels dealerships operating in Jackson, Mississippi.

The automotive retail market declined significantly throughout 2008, reflecting the impact of weak economic conditions in the U.S., including turmoil in the debt markets, broad declines in the equity markets and continued weakness in the housing markets. The effects of these conditions continued into the second quarter of 2009, as the seasonally adjusted annual rate (SAAR) of new vehicle sales in the U.S., which was over 16.0 million from 1999 to 2007, decreased to approximately 9.6 million during the first half of 2009. Tighter lending standards for automotive financing and certain manufacturers decisions to reduce support of customer leasing programs have limited some customers ability to purchase vehicles. While U.S. vehicle sales for all major vehicle manufacturers have declined during the recent difficult economic environment, U.S. domestic manufacturers have contributed a disproportionate amount of the decline in U.S. industry-wide vehicle sales over recent years.

RECENT MANUFACTURER DEVELOPMENTS

On April 30, 2009, Chrysler LLC (Chrysler) and certain of its affiliates filed for Chapter 11 bankruptcy protection. In connection with its reorganization, Chrysler terminated the franchise agreement for one of our four Chrysler dealerships. We have $2.2 million of payments remaining on the lease for the premises of this terminated Chrysler dealership, which expires in July 2012. However, the termination did not have a material impact on our financial results or operations as we transferred the remaining Chrysler/Jeep new vehicle, used vehicle and parts inventory to our other Chrysler dealerships and expect to receive full payment of receivables owed to us by Chrysler as of the date of the bankruptcy filing. In addition, we do not expect any disruptions to our floor plan financing arrangements for our remaining Chrysler dealerships as a result of the Chrysler bankruptcy. On June 10, 2009, a group led by Fiat SpA (New Chrysler) purchased a substantial portion of Chrysler s assets, which include the rights related to our three remaining franchise agreements. New Chrysler subsequently assumed Chrysler s obligations under our three remaining franchise agreements.

On June 1, 2009, General Motors Corp. (General Motors) and certain of its affiliates filed for Chapter 11 bankruptcy protection. In connection with its reorganization, General Motors notified us that it would not renew the franchise agreements for two of our six General Motors dealerships when they expire in November 2010. General Motors offered assistance with winding down the operations of these dealerships in exchange for our execution of a termination agreement for each dealership. We executed both termination agreements. The termination agreements provide for the following:

- The termination of the franchise agreement no earlier than January 1, 2010 (except with the consent of New GM, as defined below) and no later than October 31, 2010;

- The assignment and assumption of the franchise agreement by the purchaser of General Motors (New GM) assets;

Financial assistance payable to us in installments in connection with the orderly winding down of the franchise operations**,** subject to the satisfaction of certain conditions;

The waiver of any other termination assistance of any kind that may have been required under the franchise agreement;

The release of claims against General Motors or New GM assets and their related parties, including any obligation of General Motors or New GM to repurchase from the dealerships any vehicles, parts, accessories or special tools;

The franchise operations to continue pursuant to the franchise agreement, as supplemented by the termination agreement, through the effective date of termination of the franchise agreement, except that we shall not be entitled to order any new vehicles from General Motors or New GM; and

A restriction on our ability to transfer the franchise agreement to another party.

On July 16, 2009, we sought consent from New GM to close these two dealerships in the third quarter of 2009. On July 20, 2009, pursuant to the termination agreements, we received approximately 25% of the financial assistance payable to us by New GM. On July 29, 2009, we received consent from New GM to close these dealerships prior to January 2010. The closure of these two dealerships is not expected to have a material impact on our financial results or operations.

For our remaining four General Motors dealerships, we executed participation agreements that amend the existing franchise agreements for those dealerships. Under the participation agreements, we agreed to meet increased sales and inventory level expectations and that the amended franchise agreements will expire no later than October 31, 2010. The participation agreements also provide for the extinguishment of all amounts owed to us from General Motors except for certain product liability indemnifications, unpaid warranty claims for transactions occurring 90 days prior to June 1, 2009 and amounts owed to us through incentive programs and under our open account with General Motors. Payments of the amounts discussed above will be subject to approval by the bankruptcy court. On July 10, 2009, New GM purchased a substantial portion of General Motors assets, which include the rights related to our four remaining franchise agreements (as modified by the participation agreements). As part of the closing of this sale, New GM assumed General Motors obligations under our four remaining franchise agreements.

The three dealerships to be closed in connection with these bankruptcies generated revenues of approximately $105.0 million in 2008, or about 2% of our total revenues.

MANAGEMENT S PLAN FOR MANAGING THROUGH THE CURRENT ECONOMIC CRISIS

We expect the remainder of 2009 to continue to be a very challenging retail environment, which we believe will continue to negatively impact new vehicle, used vehicle and F&I revenue. In addition, the weak economic conditions have resulted in increasing momentum in period over period parts and service sales declines. We expect the luxury and mid-line import brands, which comprised approximately 87% of our light vehicle revenue in the second quarter of 2009, will increase their share of the U.S. market over the long term. Excluding the impact of impairment expenses in 2008, we expect to experience lower net income in 2009 as compared to 2008, as a result of our expectation (i) of lower new vehicle unit sales in 2009, (ii) that retail margins will remain under pressure while manufacturers bring supply in line with demand, and (iii) that consumers will continue to experience difficulty securing vehicle financing.

In response to the weakening U.S. automotive retail environment in 2008 and our expectation for continued weakness in U.S. automotive sales in 2009, we took action to align our expense structure to current business levels. These actions, which were initiated during the third quarter of 2008, include the relocation of our corporate offices, the elimination of our regional management structure and store-level productivity initiatives. The relocation of our corporate offices has delivered annualized cost savings of approximately $3.5 million resulting principally from staffing reductions, and expected rent savings would increase annualized savings to approximately $4.5 million. We expect that the elimination of our regional management structure will reduce our annual operating expenses by approximately $10.0 million, consisting of personnel and rent expense. We began to experience the benefit from our restructuring plans in January 2009, and we expect to receive full benefit beginning in September 2009. Our restructuring plans, store-level productivity initiatives and variable cost structure delivered $29.6 million in same store operating expense reduction during the second quarter of 2009, when compared to the prior year quarter.

Since the beginning of the fourth quarter of 2008, we have temporarily suspended our strategy of growing our business through acquisitions, eliminated our dividend payments and significantly reduced our capital expenditure plans. We have also focused on improving our working capital by (i) increasing our floor plan notes payable related to loaner vehicles and new vehicles obtained from third-party dealerships, (ii) continuing to lower our inventory balances and (iii) improving our collection of contracts-in-transit and accounts receivable.

We are subject to a number of financial covenants in our various debt agreements. We have successfully modified those covenants to remove the most restrictive covenant, which in turn reduced the level of cash flow from operations necessary to remain in compliance with those covenants in the current depressed economic environment. In exchange for the removal of the most restrictive covenant, we agreed to (i) a reduction in total credit commitments, (ii) additional restrictions on new indebtedness and (iii) an increase in the interest rates on outstanding borrowings. Refer to the Long-Term Debt footnote and Subsequent Events footnote for further discussion of the covenant amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and reflect the consolidated accounts of Asbury Automotive Group, Inc. and our wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation. In addition, certain immaterial amounts have been reclassified to conform to current presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed quarterly and the effects of revisions are reflected in the condensed consolidated financial statements in the period they are determined to be necessary. Significant estimates made in the accompanying condensed consolidated financial statements include, but are not limited to, inventory valuation reserves, reserves for chargebacks against revenue recognized from the sale of finance and insurance products, certain assumptions related to intangible and long-lived assets, reserves for insurance programs, reserves for certain legal proceedings, realization of deferred tax assets and reserves for estimated tax liabilities.

In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) considered necessary for a fair presentation of the unaudited interim condensed consolidated financial statements as of June 30, 2009, and for the three and six months ended June 30, 2009 and 2008 have been included. The results of operations for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the full year. Our interim unaudited condensed consolidated financial statements should be read together with our consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2008.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, certain amounts reflected in the accompanying Condensed Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008, have been classified as Assets Held for Sale and Liabilities Associated with Assets Held for Sale. In addition, the accompanying Condensed Consolidated Statements of Income for the three and six months ended June 30, 2008, have been reclassified to reflect the status of our discontinued operations as of June 30, 2009.

We adopted the provisions of FASB Statement Position APB 14-a, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-a) as of January 1, 2009. FSP APB 14-a requires retroactive application. FSP APB 14-a applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlements that do not fall under the requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). FSP APB 14-a requires that an issuer of certain convertible debt instruments separately account for the liability and equity components in a manner that will reflect the issuer s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The excess of the principal amount of the liability component over its initial fair value shall be amortized to interest cost using the effective interest method. We have determined that the provisions of FSP APB 14-a apply to our 3% Senior Subordinated Convertible Notes due 2012 (the 3% Notes).

In determining the effect of the adoption of FSP APB 14-a, we retroactively adjusted Long-Term Debt, Equity and Interest Expense on the accompanying Condensed Consolidated Balance Sheets and Statements of Income related to our 3% Notes. As a result of the adoption of this pronouncement, we have determined that the value of our 3% Notes as of June 30, 2009, and December 31, 2008, is $55.5 million and $54.6 million, respectively, compared to $62.0 million of face value. These balances reflect the accretion and reclassification of the value of the convertible feature of the debt, assuming a nonconvertible debt borrowing rate of 6.7% at issuance. As of June 30, 2009, and December 31, 2008, the unamortized balance, which reduces the balance of our 3% Notes, was $6.5 million and $7.4 million, respectively. The remaining balance will be fully amortized by September 2012. As a result, interest expense for the six months ended June 30, 2009, and 2008, increased by $0.9 million and $1.6 million, respectively. Additionally, our accumulated deficit as of January 1, 2009 increased by $7.2 million, and our additional paid-in capital as of January 1, 2009 increased by $11.1 million.

Revenue Recognition

Revenue from the sale of new and used vehicles is recognized upon delivery, passage of title, signing of the sales contract and approval of financing. Revenue from the sale of parts and service is recognized upon delivery of parts to the customer or at the time vehicle service or repair work is completed. Manufacturer incentives and rebates, including manufacturer holdbacks, floor plan interest assistance and certain advertising assistance, are recognized as a component of new vehicle cost of sales when earned, generally at the time the related vehicles are sold.

We receive commissions from third party lending and insurance institutions for arranging customer financing and for the sale of vehicle service contracts, credit life insurance and disability insurance to customers (collectively F&I). We may be charged back (chargebacks) for F&I commissions in the event a contract is prepaid, in default or terminated prior to maturity. F&I commissions

are recorded at the time the vehicles are sold and a reserve for future chargebacks is established based on historical operating results and the termination provisions of the applicable contracts. F&I commissions, net of estimated chargebacks, are included in Finance and Insurance, net in the accompanying Condensed Consolidated Statements of Income.

In addition to the commissions we receive on the sale of third-party warranty and insurance products, we also have contingent revenue arrangements with third-party administrators whereby we will potentially receive retrospective payments in the future. These payments, if any, represent the amount of funds available to pay future claims in excess of what is actually used to pay claims on the related policies. These payments are determined by the third-party administrator based upon a predetermined earnings formula. The amount of retrospective payments is contingent on the claim performance (i.e., the amount of the funds used to pay customer claims). If the claim performance is such that no excess funds are predicted to exist at the maturity of the related contracts, then no retrospective commissions are paid. As a result, we do not record retrospective commissions until such time that the payment has been confirmed by the third-party administrator to the contracts, because that is the first time that the amount is fixed and determinable.

Earnings Per Share

Basic earnings per share is computed by dividing net income by our weighted-average common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted-average common shares and common share equivalents outstanding during the period. There were no adjustments to the numerator necessary to compute diluted earnings per share. We have issued warrants that, upon exercise, may result in the issuance of between 2,443,526 and 4,887,052 shares of our common stock at an exercise price of $44.74 per share. In addition, our 3% Notes are convertible into our common stock at a current exercise price of $33.73 per share. The shares issuable upon exercise of warrants and 3% Notes could potentially dilute basic earnings per share in the future; however, these shares were not included in the computation of diluted earnings per share, because they are currently anti-dilutive.

Statements of Cash Flows

Borrowings and repayments of floor plan notes payable to a party unaffiliated with the manufacturer of a particular new vehicle (Non-trade), and all floor plan notes payable relating to pre-owned vehicles, are classified as financing activities on the accompanying Condensed Consolidated Statements of Cash Flows with borrowings reflected separately from repayments. The net change in floor plan notes payable to a lender affiliated with the manufacturer of a particular new vehicle (Trade) is classified as an operating activity on the Condensed Consolidated Statements of Cash Flows.

Loaner vehicle activity accounts for a significant portion of Other Current Assets on the accompanying Condensed Consolidated Statements of Cash Flows. We acquire loaner vehicles either with available cash or through borrowings from manufacturer affiliated lenders. While loaner vehicles are initially used by our service department for use in our business, these vehicles are used in such capacity for a short period of time (typically six to twelve months) before we sell them. Therefore we classify the acquisition of loaner vehicles and the related borrowings and repayments as operating activities in the accompanying Condensed Consolidated Statements of Cash Flows. The cash outflow to acquire loaner vehicles is presented in Other Current Assets in the accompanying Condensed Consolidated Statements of Cash Flows. Borrowings and repayments of loaner vehicle notes payable are presented in Accounts Payable and Accrued Liabilities in the accompanying Condensed Consolidated Statements of Cash Flows. When loaner vehicles are taken out of loaner status they are transferred to used vehicle inventory, which is reflected as a non-cash transfer in the accompanying Condensed Consolidated Statements of Cash Flows. The cash inflow from the sale of loaner vehicles is reflected in Inventories on the accompanying Condensed Consolidated Statements of Cash Flows.

Construction reimbursements from third parties in connection with sale-leaseback agreements for the construction of new dealership facilities or leasehold improvements on our dealership facilities are included in investing activities in the accompanying Condensed Consolidated Statements of Cash Flows.

Restricted Cash

During the second quarter of 2009 we entered into an agreement with Wachovia Bank, National Association, a national banking association, whereby we placed $8.0 million of cash into two restricted cash accounts to be used to repay two of our mortgages. In the third quarter of 2009, we used this restricted cash to repay the two mortgages. As a result we have classified $8.0 million as Restricted Cash within Current Assets on the accompanying Condensed Consolidated Balance Sheet as of June 30, 2009 and as Other Current Assets on the accompanying Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2009.

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued Financial Staff Position (FSP) 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP 107-1 and APB 28-1). This FSP amends FASB Statement No. 107, Disclosures about Fair Values of Financial Instruments, to require

Table of Contents

disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. The FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements. This FSP is effective for interim periods ending after June 15, 2009. We adopted FSP 107-1 and APB 28-1 as of June 30, 2009.

In May 2009, the FASB issued Statement of Financial Accounting Standard No. 165, Subsequent Events (SFAS 165). SFAS 165 provides authoritative accounting literature for subsequent events disclosure previously addressed only in the auditing literature, under AIPCA AU Section 560, Subsequent Events. Under SFAS 165, entities must (i) identify subsequent events as either Recognized or Non-Recognized events (formerly referred to as Type I and Type II events, respectively) and (ii) disclose the date through which evaluation of subsequent events has taken place and the basis for that date. This SFAS is effective for interim or annual periods ending after June 15, 2009. We adopted SFAS 165 as of June 30, 2009.

3. ACQUISITIONS

During the six months ended June 30, 2009, we did not acquire any dealerships. During the six months ended June 30, 2008, we acquired one franchise (one dealership location), for an aggregate purchase price of $41.9 million. We financed this acquisition through the use of (i) $33.9 million of cash, (ii) $7.6 million of floor plan borrowings from our Committed Credit Facility for the purchase of new vehicle inventory, and (iii) $0.4 million of loaner vehicle financing.

During the six months ended June 30, 2008, we were awarded two smart franchises, which were added to our Mercedes-Benz locations in St. Louis, Missouri and Tampa, Florida. We did not pay any amounts in connection with acquiring these two franchises.

4. INVENTORIES

Inventories consist of the following:

	As of	
	June 30, 2009	December 31, 2008
	(In millions)	
New vehicles	$ 414.6	$ 562.2
Used vehicles	71.0	59.9
Parts and accessories	43.7	44.5
Total inventories	$ 529.3	$ 666.6

The lower of cost or market reserves reduced total inventory cost by $5.7 million and $5.6 million as of June 30, 2009 and December 31, 2008, respectively. In addition to the inventories shown above, we have $9.9 million and $22.9 million of inventory as of June 30, 2009 and December 31, 2008, respectively, classified as Assets Held for Sale on the accompanying Condensed Consolidated Balance Sheets as they are associated with franchises held for sale.

5. ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities classified as held for sale include (i) assets and liabilities associated with discontinued operations held for sale at each balance sheet date, and (ii) real estate not currently used in our operations that we intend to sell and the related mortgage notes payable.

Assets associated with pending dispositions as of June 30, 2009, totaled $13.7 million. Liabilities associated with pending dispositions totaled $9.9 million as of June 30, 2009. During the six months ended June 30, 2009, we sold three franchises (two dealership locations). Assets associated with pending dispositions totaled $32.6 million as of December 31, 2008. Liabilities associated with pending dispositions totaled $20.6 million as of December 31, 2008.

Assets and liabilities held for sale also includes real estate not currently used in our operations that we intend to sell totaling $17.8 million as of June 30, 2009 and December 31, 2008, and the related liabilities totaling $8.0 million and $11.0 million as of June 30, 2009, and December 31, 2008, respectively.

Table of Contents

A summary of assets held for sale and liabilities associated with assets held for sale are as follows:

	As of	
	June 30, 2009	December 31, 2008
	(In millions)	
Assets:		
Inventories	$ 9.9	$ 22.9
Property and equipment, net	18.7	19.6
Manufacturer franchise rights	2.9	7.9
Total assets	31.5	50.4
Liabilities:		
Floor plan notes payable	9.9	20.6
Mortgage notes payable	8.0	8.0
Other		3.0
Total liabilities	17.9	31.6
Net assets held for sale	$ 13.6	$ 18.8

6. LONG-TERM DEBT

Long-term debt consists of the following:

	As of	
	June 30, 2009	December 31, 2008
	(In millions)	
8% Senior Subordinated Notes due 2014 ($179.4 million face value, net of hedging activity of $5.0 million and $5.6 million, respectively)	$ 174.4	$ 173.8
7.625% Senior Subordinated Notes due 2017	143.2	143.2
3% Senior Subordinated Convertible Notes Due 2012 ($62.0 million face value, net of discounts of $6.5 million and $7.4 million, respectively)	55.5	54.6
Mortgage notes payable bearing interest at fixed and variable rates	174.1	177.5
Revolving credit facility		50.0
Other	0.3	0.6
	547.5	599.7
Less: current portion	(8.6)	(58.8)
Long-term debt	$ 538.9	$ 540.9

In May 2009, we amended our Master Loan Agreement with Wachovia Bank, National Association, a national banking association, and Wachovia Financial Services, Inc., a North Carolina corporation. The key components of this first amendment are as follows:

The removal of the total leverage ratio financial covenant through the full term of the agreement;

Significant additional limitations on our ability to incur new indebtedness other than (i) permitted floorplan indebtedness, (ii) a one-time real estate loan in an amount not to exceed $12.0 million, (iii) certain refinancings, refunds, renewals or extensions of existing indebtedness and (iv) other customary permitted indebtedness;

At our option, after April 30, 2010, we may revert back to our original total leverage ratio financial covenant and remove the limitation related to any new indebtedness; and

A modification to the definition of (i) EBITDA, excluding gains or losses on the repurchase of debt, and (ii) Fixed Charges, excluding non-cash, non-floor plan interest expense and the cash portion of income taxes associated with gains on the repurchase of long-term debt.

Table of Contents

7. FINANCIAL INSTRUMENTS

Financial instruments consist primarily of cash, contracts-in-transit, accounts receivable, notes receivable, cash surrender value of corporate-owned life insurance policies, accounts payable, floor plan notes payable, long-term debt and interest rate swap agreements. The carrying amounts of our accounts receivable, notes receivable, restricted investments, accounts payable, floor plan notes payable and interest rate swap agreements approximate fair value due either to length of maturity or existence of variable interest rates, which approximate market rates. The fair market value of our long-term debt is based on reported market value. A summary of the carrying values and fair market values of our 8% Senior Subordinated Notes due 2012 (the 8% Notes), 7.625% Senior Subordinated Notes due 2017 (the 7.625% Notes) and our 3% Convertible Notes due 2014 (the 3% Notes) are as follows:

	As of	
	June 30, 2009	December 31, 2008
	(In millions)	
Carrying Value:		
8% Senior Subordinated Notes due 2014 ($179.4 million face value, net of hedging activity of $5.0 million and $5.6 million, respectively)	$ 174.4	$ 173.8
7.625% Senior Subordinated Notes due 2017	143.2	143.2
3% Senior Subordinated Convertible Notes due 2012 ($62.0 million face value, net of discounts of $6.5 million and $7.4 million, respectively)	55.5	54.6
Total carrying value	$ 373.1	$ 371.6
Fair Market Value:		
8% Senior Subordinated Notes due 2014	$ 143.9	$ 85.2
7.625% Senior Subordinated Notes due 2017	101.0	64.4
3% Senior Subordinated Convertible Notes due 2012	38.5	23.3
Total fair market value	$ 283.4	$ 172.9

In the second quarter of 2008, we entered into an interest rate swap with a current notional principal amount of $125.0 million. The swap was designed to provide a hedge against changes in interest rates of our variable rate floor plan notes payable through maturity in June 2013. This swap is collateralized by our assets that do not otherwise have a first priority lien. This interest rate swap qualifies for cash flow hedge accounting treatment and will contain minor ineffectiveness.

In addition, we have an interest rate swap with a current notional principal amount of $12.6 million. The swap was designed to provide a hedge against changes in interest rates of our variable rate mortgage notes payable through maturity in June 2011. This interest rate swap qualifies for cash flow hedge accounting treatment and will contain minor ineffectiveness.

The effect of derivative instruments on the Condensed Consolidated Statement of Income for the three months ended June 30, 2009 (in millions):

Derivative in Cash Flow Hedging relationships	Effective Results Recognized in OCI (Effective Portion)	Location of Results Reclassified from AOCI to Earnings	Amount Reclassified from AOCI to Earnings Active Swaps	Amount Reclassified from AOCI to Earnings Terminated Swaps	Ineffective Results Recognized in Earnings	Location of Ineffective Results
Interest rate swaps	$ 1.8	Floor plan interest expense	$ (1.2)	$	$	NA
Interest rate swaps	$	Other interest expense	$ (0.1)	$	$	NA

Interest rate swaps	NA	Floor plan interest expense	NA	$	(0.2)	$	NA

Table of Contents

The effect of derivative instruments on the Condensed Consolidated Statement of Income for the six months ended June 30, 2009 (in millions):

Derivative in Cash Flow Hedging relationships	Effective Results Recognized in OCI (Effective Portion)	Location of Results Reclassified from AOCI to Earnings	Amount Reclassified from AOCI to Earnings Active Swaps	Amount Reclassified from AOCI to Earnings Terminated Swaps	Ineffective Results Recognized in Earnings	Location of Ineffective Results
Interest rate swaps	$ (1.4)	Floor plan interest expense	$ (2.2)	$	$	NA
Interest rate swaps	$ (0.1)	Other interest expense	$ (0.2)	$	$	NA
Interest rate swaps	NA	Floor plan interest expense	NA	$ (0.3)	$	NA

On the basis of yield curve conditions as June 30, 2009, we anticipate that the amount expected to be reclassified out of Accumulated Other Comprehensive Income (AOCI) into earnings in the next 12 calendar months will be a loss of $4.7 million. However, this $4.7 million loss represents hedging activity that fixes the interest rates on only 22% of our variable rate debt, including floor plan notes payable, and therefore if the current low interest rate environment continues we would experience the benefit of low interest rates on 78% of our variable rate debt.

Fair Values of Derivative Instruments on the Condensed Consolidated Balance Sheet as of June 30, 2009 (in millions):

	Asset Derivatives		Liability Derivatives	
Derivatives Designed as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Swaps	Other Long-Term Assets	N/A	Other Long-Term Liabilities	$ 6.6
Interest Rate Swaps	Other Current Assets	N/A	Accrued Liabilities	$ 0.4

Fair value estimates reflect making a credit adjustment to the discount rate applied to all expected cash flows under the swap. We used a discount rate of 20 percent for all prospective periods. This adjustment is designed to reflect our creditworthiness. Other than that assumption, all other inputs to the valuation reflect level 2 inputs.

Market Risk Disclosures as of June 30, 2009:

Instruments entered into for trading purposes None

Instruments entered into for hedging purposes (in millions)

Type of Derivative	Notional Size	Fixed Rate	Underlying Rate	Expiration	Fair Value
Interest Rate Swap	$ 125.0	4.0425%	1 month LIBOR	2013	$ (6.3)
Interest Rate Swap*	$ 12.6	6.0800%	1 month LIBOR plus 175 basis points	2011	$ (0.7)

* This swap is amortizing. At the last quarter, its notional value will be $11.3 million.

Table of Contents

8. COMPREHENSIVE INCOME

The following table provides a reconciliation of net income to comprehensive income:

(In millions)	For the Three Months Ended June 30, 2009	2008	For the Six Months Ended June 30, 2009	2008
Net income	$ 5.5	$ 10.4	$ 5.8	$ 20.5
Other comprehensive income:				
Change in fair value of cash flow swaps	3.0	2.1	0.7	0.6
Amortization of expired cash flow swaps	0.2	0.1	0.3	0.3
Income tax expense associated with cash flow swaps	(1.3)	(0.8)	(0.3)	(0.4)
Comprehensive income	$ 7.4	$ 11.8	$ 6.5	$ 21.0

9. DISCONTINUED OPERATIONS

During the six months ended June 30, 2009, we sold three franchises (two dealership locations). There were six franchises (four dealership locations) pending disposition as of June 30, 2009. The accompanying Condensed Consolidated Statements of Income for the three and six months ended June 30, 2008 have been reclassified to reflect the status of our discontinued operations as of June 30, 2009.

The following table provides further information regarding our discontinued operations as of June 30, 2009, and includes the results of businesses sold prior to June 30, 2009:

(Dollars in millions)	For the Three Months Ended June 30, 2009 Sold/Closed	Pending Disposition (b)	Total	For the Three Months Ended June 30, 2008 Sold/Closed (a)	Pending Disposition (b)	Total
Franchises:						
Mid-line Domestic		4	4	7	4	11
Mid-line Import		1	1	1	1	2
Value						
Luxury	1	1	2	4	1	5
Total	1	6	7	12	6	18
Revenues	$ 13.5	$ 24.8	$ 38.3	$ 44.2	$ 43.3	$ 87.5
Cost of sales	11.3	20.5	31.8	36.4	36.4	72.8
Gross profit	2.2	4.3	6.5	7.8	6.9	14.7
Operating expenses	4.8	4.7	9.5	7.7	6.9	14.6
Income (loss) from operations	(2.6)	(0.4)	(3.0)	0.1		0.1
Other expense, net	(0.4)	(0.2)	(0.6)	(0.5)	(0.2)	(0.7)
Gain (loss) on disposition of discontinued operations, net	2.9		2.9	(0.3)		(0.3)
Loss before income taxes	(0.1)	(0.6)	(0.7)	(0.7)	(0.2)	(0.9)
Income tax benefit		0.2	0.2	0.3	0.1	0.4
Discontinued operations, net of tax	$ (0.1)	$ (0.4)	$ (0.5)	$ (0.4)	$ (0.1)	$ (0.5)

(a) Franchises were sold between April 1, 2008 and June 30, 2009
(b) Franchises pending disposition as of June 30, 2009

(Dollars in millions)	For the Six Months Ended June 30, 2009 Sold/Closed	Pending Disposition (b)	Total	For the Six Months Ended June 30, 2008 Sold/Closed (a)	Pending Disposition (b)	Total
Franchises:						
Mid-line Domestic	1	4	5	9	4	13
Mid-line Import		1	1	1	1	2
Value				1		1
Luxury	2	1	3	4	1	5
Total	3	6	9	15	6	21
Revenues	$ 31.8	$ 49.7	$ 81.5	$ 96.7	$ 86.6	$ 183.3
Cost of sales	26.0	40.4	66.4	80.6	72.5	153.1
Gross profit	5.8	9.3	15.1	16.1	14.1	30.2
Operating expenses	10.1	9.8	19.9	16.0	13.8	29.8
Income (loss) from operations	(4.3)	(0.5)	(4.8)	0.1	0.3	0.4
Other expense, net	(1.1)	(0.3)	(1.4)	(0.9)	(0.8)	(1.7)
Gain (loss) on disposition of discontinued operations, net	3.0		3.0	(0.3)	0.1	(0.2)
Loss before income taxes	(2.4)	(0.8)	(3.2)	(1.1)	(0.4)	(1.5)
Income tax benefit	0.9	0.3	1.2	0.4	0.2	0.6
Discontinued operations, net of tax	$ (1.5)	$ (0.5)	$ (2.0)	$ (0.7)	$ (0.2)	$ (0.9)

(a) Franchises were sold between January 1, 2008 and June 30, 2009

(b) Franchises pending disposition as of June 30, 2009

10. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended June 30, 2009 and 2008, we made interest payments, net of amounts capitalized, totaling $28.6 million and $35.2 million, respectively.

During the six months ended June 30, 2009 and 2008, we made income tax payments, net of refunds received, totaling $1.1 million and $6.3 million, respectively.

The following items are included in Other Adjustments to reconcile net income to cash flow from operating activities:

(In millions)	For the Six Months Ended June 30, 2009	2008
Amortization of deferred financing fees	$ 1.4	$ 1.3
Unrealized loss on deferred compensation investments	(0.3)	0.8
(Gain) loss on sale of assets	(3.0)	0.6
Swap amortization	0.8	0.8
Convertible debt discount amortization	0.9	1.6
Depreciation and amortization from discontinued operations	0.5	0.8
Deferred compensation (income) expense	0.3	0.3
Lease termination costs	1.4	
Other individually immaterial items	0.6	0.6

Other adjustments, net	$ 2.6	$ 6.8

Table of Contents

11. COMMITMENTS AND CONTINGENCIES

A significant portion of our vehicle business involves the sale of vehicles, parts or vehicles composed of parts that are manufactured outside the United States of America. As a result, our operations are subject to customary risks of importing merchandise, including fluctuations in the relative values of currencies, import duties, exchange controls, trade restrictions, work stoppages and general political and socio-economic conditions in foreign countries. The United States of America or the countries from which our products are imported may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adjust presently prevailing quotas, duties or tariffs, which may affect our operations and our ability to purchase imported vehicles and/or parts at reasonable prices.

Manufacturers may direct us to implement costly capital improvements to dealerships as a condition upon entering into franchise agreements with them. Manufacturers also typically require that their franchises meet specific standards of appearance. These factors, either alone or in combination, could cause us to divert our financial resources to capital projects from uses that management believes may be of higher long-term value, such as acquisitions.

Substantially all of our facilities are subject to federal, state and local provisions regarding the discharge of materials into the environment. Compliance with these provisions has not had, nor do we expect such compliance to have, any material effect upon our capital expenditures, net earnings, financial condition, liquidity or competitive position. We believe that our current practices and procedures for the control and disposition of such materials comply with applicable federal, state and local requirements.

From time to time, we and our dealerships are involved in litigation, including class actions, involving the manufacture and sale of motor vehicles, including but not limited to the charging of administrative, service, processing or document preparation fees, employment-related claims, the operation of dealerships, contractual disputes, actions brought by governmental authorities and other matters arising in the ordinary course of our business. With respect to certain of these claims, the previous owners of dealerships we have acquired have indemnified us. We do not believe that the ultimate resolution of these matters will have a material adverse effect on our financial condition, liquidity, results of operations or financial statement disclosures. However, the outcome of these matters cannot be predicted with certainty, and unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, liquidity, results of operations or financial statement disclosures.

Our dealerships hold dealer agreements with a number of vehicle manufacturers. In accordance with the individual dealer agreements, each dealership is subject to certain rights and restrictions typical of the industry. The ability of the manufacturers to influence the operations of the dealerships or the loss of a dealer agreement could have a negative impact on our operating results.

In connection with the purchase of one franchise in the third quarter of 2007, we may be required to pay additional consideration to the seller if the franchise achieves specified net income levels in future periods. If payable, the additional consideration is distributable annually beginning January 1, 2009 through January 1, 2015, and the additional consideration could total up to approximately $2.5 million. The seller did not become our employee subsequent to the transaction and therefore this consideration is not contingent on employment. As of June 30, 2009 we have paid less than $0.1 million of additional consideration in connection with this dealership acquisition.

We have $11.4 million of letters of credit outstanding as of June 30, 2009, which are required by certain of our insurance providers.

Additionally, we have a $5.0 million surety bond line which we use in our ordinary course of business.

12. SHARE-BASED COMPENSATION

A summary of options outstanding and exercisable under our share-based compensation plans as of June 30, 2009, and changes during the six months ended is presented below:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value*
Options outstanding December 31, 2008	1,494,300	$ 11.39		
Granted	1,100,000	$ 4.21		

Exercised	(7,500)	$	10.40			
Expired / Forfeited	(467,101)	$	9.76			
Options outstanding June 30, 2009	2,119,699	$	8.07	7.5	$	8.1
Options exercisable June 30, 2009	794,654	$	14.63	4.2	$	

* Based on the closing price of our common stock on June 30, 2009 which was $10.24 per share.

Table of Contents

A summary of performance share units as of June 30, 2009, and changes during the six months then ended is presented below:

	Shares	Weighted Average Grant Date Fair Value
Performance Share Units December 31, 2008	203,305	$ 21.06
Vested	(63,950)	$ 23.05
Forfeited	(30,225)	$ 21.49
Performance estimate	(53,480)	$ 27.15
Performance Share Units June 30, 2009*	55,650	$ 14.54

* Maximum of 441,002 issuable upon attaining certain performance metrics.

Each performance share unit provides an opportunity for the employee to receive a number of shares of our common stock based on our performance during a three-year period as measured against objective performance goals as determined by the compensation committee of our board of directors. The actual number of shares earned may range from 0% to 180% of the target number of shares depending upon achievement of such performance goals.

A summary of restricted stock issued as of June 30, 2009, and changes during the six months then ended, is presented below:

	Shares	Weighted Average Grant Date Fair Value
Restricted Stock December 31, 2008	221,082	$ 16.40
Granted	235,848	$ 11.38
Vested	(181,891)	$ 6.37
Forfeited	(26,917)	$ 15.12
Restricted Stock June 30, 2009	248,122	$ 13.66

13. SUBSEQUENT EVENTS

In July 2009, we amended our revolving credit facility with Bank of America, as administrative agent, and a syndicate of commercial banks and commercial financing entities (the BofA Revolving Credit Facility), and our used vehicle floor plan facility with JPMorgan Chase Bank, N.A. and Bank of America (the JPMorgan Used Vehicle Floor Plan Facility). We paid usual customary fees in conjunction with the execution of these amendments. The amendments provide us with additional flexibility under each of the revolving credit facilities by:

- Eliminating the total leverage ratio; and

- Reducing the fixed coverage charge ratio from 1.20 to 1.00 to 1.10 to 1.00 for each four fiscal quarter period ending on or prior to September 30, 2010.

The amendments also modify each of the revolving credit facilities by:

- Imposing significant additional limitations on our ability to incur new indebtedness other than (i) permitted floorplan indebtedness, (ii) real estate loans in an aggregate amount not to exceed $12.0 million, (iii) certain refinancings, refunds, renewals or extensions of

existing indebtedness and (iv) other customary permitted indebtedness;

Effective for the four fiscal quarter period ending March 31, 2010, modifying the definitions of (i) Consolidated EBITDA by excluding gains and losses and other expenses on repurchases of long-term debt, and (ii) Consolidated Fixed Charge Coverage Ratio by excluding from the calculation any taxes paid as a result of any gains on repurchases of long-term debt; and

Table of Contents

Increasing the applicable margin from 1.5% to 2% and the undrawn commitment fee from 0.25% to 0.35% under the JPMorgan Used Vehicle Floor Plan Facility and increasing the fees and rates payable by us under the BofA Revolving Credit Facility in accordance with the revised pricing grid set forth below:

Pricing Level	Utilization Rate	Commitment Fee	Letter of Credit Fee	Eurodollar Rate +	Base Rate +
1	Less than or equal to 25%	0.40%	2.75%	3.00%	2.00%
2	Less than or equal to 50% but greater than 25%	0.50%	3.25%	3.50%	2.50%
3	Greater than 50%	0.60%	3.75%	4.00%	3.00%

In addition, the amendment to our BofA Revolving Credit Facility modifies that facility by:

Reducing the EBITDA component of our borrowing base calculation;

Reducing the swing line credit availability from $25.0 million to $20.0 million; and

Requiring us to reduce the total credit availability from $175.0 million to $150.0 million.

Pursuant to these amendments, at any time after April 30, 2010, we have the option upon thirty days written notice to the applicable administrative agent to reinstate the total leverage ratio and revert to the restrictions regarding additional debt set forth in the applicable revolving credit facility prior to the amendment. The execution of these amendments is defined as a Non-Recognized Subsequent Event under SFAS 165.

The disclosure of the subsequent events described above is based on our evaluation of events through July 30, 2009, the date of this report on Form 10-Q.

In July 2009, we used $8.0 million of restricted cash to repay two mortgages with Wachovia Bank, National Association, a national banking association. These mortgages were included in Liabilities Associated with Assets Held for Sale on our Condensed Consolidated Balance Sheet as of June 30, 2009.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements in certain circumstances. Certain information included in this report and our other filings with the Securities and Exchange Commission (the SEC) under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as well as information communicated orally or in writing between the dates of these SEC filings, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may include statements relating to goals, plans, projections regarding our financial position, results of operations, market position, business strategy and expectations of our management with respect to, among other things: our ability to improve our margins, operating cash flows, availability of capital and liquidity, our estimated capital expenditures, our ability to mitigate future negative trends in new vehicle sales with the stability of our parts and service business, the variable nature of significant components of our cost structure and our advantageous brand mix, manufacturers willingness to continue to use incentive programs in the near future to drive demand for their product offerings, our ability to implement our dealer management system, our acquisition and divestiture strategies, our ability to collect amounts owed to us by manufacturers emerging from bankruptcy protection, the availability of floor plan financing for inventory produced by manufacturers emerging from bankruptcy protection, the ability of consumers to secure vehicle financing, automotive retail industry trends, the continuation of the recent industry-wide gain in market share of the luxury and mid-line import brands in the near future, our cost savings resulting from the relocation of our corporate offices from New York and Connecticut to Georgia, and the reorganization of our retail network, our store-level productivity initiatives, our estimated future restructuring costs, and our ability to reduce our annual cash expenditures. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include: general economic and business conditions, including consumer confidence, interest rate changes, the price of oil and gasoline and the availability of consumer credit; our ability to generate sufficient cash flows, maintain our liquidity and to secure additional funds for working capital, capital expenditures, acquisitions and other corporate purposes, if necessary; our inability to comply with our debt or lease covenants and obtain waivers of these covenants as necessary; the reputation and financial health and viability of vehicle manufacturers whose brands we sell, and their ability to design, manufacture, deliver and market their vehicles successfully; and other risks set forth in our SEC filings. Readers should carefully review our financial statements and the notes thereto, as well as the risk factors described in the documents we file from time to time with the SEC. We assume no obligation and do not intend to update forward-looking statements. Among the risk factors the reader should review are those set forth in Part II, Item IA. of this report and Part I, Item IA. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, all of which risk factors are incorporated herein by reference.

OVERVIEW

We are one of the largest automotive retailers in the United States operating 110 franchises (84 dealership locations) in 21 metropolitan markets within 11 states as of June 30, 2009. We offer an extensive range of automotive products and services, including new and used vehicles; vehicle maintenance, replacement parts and collision repair services; and financing, insurance and service contracts. We offer 37 domestic and foreign brands of new vehicles, including 7 heavy truck brands. We also operate 25 collision repair centers that serve customers in our local markets.

During the first quarter of 2009, we completed the relocation of our corporate headquarters to Duluth, Georgia, and announced the elimination of our regional management structure. Our retail network is made up of nine locally branded dealership groups including: our Coggin dealerships, operating primarily in the Florida markets of Jacksonville, Fort Pierce and Orlando; our Courtesy dealerships operating in Tampa, Florida; our Crown dealerships operating in New Jersey, North Carolina, South Carolina and Virginia; our Nalley dealerships operating in Atlanta, Georgia; our McDavid dealerships operating throughout Texas; our North Point dealerships operating in Little Rock, Arkansas; our California dealerships operating in Los Angeles and Fresno; our Plaza dealerships operating in St. Louis, Missouri; and our Gray Daniels dealerships operating in Jackson, Mississippi.

Our revenues are derived primarily from: (i) the sale of new vehicles to individual retail customers (new light vehicle retail), commercial customers (fleet) and new heavy trucks (heavy trucks) (the terms new light vehicle retail, fleet and heavy trucks being collectively referred t new); (ii) the sale of used vehicles to individual retail customers (used retail) and to other dealers at auction (wholesale) (the terms used retail and wholesale being collectively referred to as used); (iii) maintenance and collision repair services and the sale of automotive parts (collectively referred to as parts and service); and (iv) the arrangement of vehicle financing and the sale of various insurance, warranty and maintenance products (collectively referred to as F&I). We evaluate the results of our new and used vehicle sales based on unit volumes and gross profit per vehicle sold, our parts and service operations based on aggregate gross profit, and F&I based on F&I per vehicle sold. We assess the organic growth of our revenue and gross profit by comparing the year-to-year results of stores that we have operated for at least twelve full months.

Our organic growth is dependent upon the execution of our balanced automotive retailing and service business strategy, our strong brand mix, which is heavily weighted towards luxury and mid-line import brands and the production of attractive products by automotive manufacturers whose brands we sell. Our vehicle sales have historically fluctuated with general, local and national economic conditions, including consumer confidence, availability of consumer credit and fuel prices. We believe that the impact on our business by any future negative trends in new vehicle sales will be partially mitigated by (i) the relative stability of our parts and service operations, (ii) the variable nature of significant components of our cost structure and (iii) our advantageous brand mix. Historically, our brand mix has been less affected by market volatility than the U.S. automobile industry as a whole. We expect the recent industry-wide gain in market share of the luxury and mid-line import brands to continue over the long term.

Our gross profit margin varies with our revenue mix. The sale of new vehicles generally results in lower gross profit margin than used vehicle sales and sales of parts and services. As a result, when used vehicle and parts and service revenue increases as a percentage of total revenue, we expect our overall gross profit margin to increase. We continue to implement new initiatives specifically designed to improve our high margin businesses and to leverage our selling, general and administrative (SG&A) expense structure, although such initiatives may not keep pace with declining margins and lower gross profit as a result of lower sales volumes.

SG&A expenses consist primarily of fixed and incentive-based compensation, advertising, rent, insurance, utilities and other customary operating expenses. A significant portion of our cost structure is variable (such as sales commissions), or controllable (such as advertising), generally allowing us to adapt to changes in the retail environment over the long term. We evaluate commissions paid to salespeople as a percentage of retail vehicle gross profit and all other SG&A expenses in the aggregate as a percentage of total gross profit.

Our operating results are generally subject to changes in the economic environment as well as seasonal variations. We tend to generate more revenue and operating income in the second and third quarters than in the first and fourth quarters of the calendar year. Generally, the seasonal variations in our operations are caused by factors related to weather conditions, changes in manufacturer incentive programs, model changeovers and consumer buying patterns, among other things. We anticipate that in the near-term certain automotive manufacturers will continue to use a combination of vehicle pricing and financing incentive programs to increase demand for their product offerings.

The automotive retail market declined significantly throughout 2008, reflecting the impact of weak economic conditions in the U.S., including turmoil in the debt markets, broad declines in the equity markets and continued weakness in the housing markets. The effects of these conditions continued into the second quarter of 2009, as the seasonally adjusted annual rate (SAAR) of new vehicle sales in the U.S., which was over 16.0 million from 1999 to 2007, decreased to approximately 9.6 million during the first half of 2009. Tighter lending standards for automotive financing and certain manufacturers decisions to reduce support of customer leasing programs have limited some customers ability to purchase vehicles. While U.S. vehicle sales for all major vehicle manufacturers have declined during the recent difficult economic environment, U.S. domestic manufacturers have contributed a disproportionate amount of the decline in U.S. industry-wide vehicle sales over recent years.

RECENT MANUFACTURER DEVELOPMENTS

On April 30, 2009, Chrysler LLC and certain of its affiliates filed for Chapter 11 bankruptcy protection. In connection with its reorganization, Chrysler terminated the franchise agreement for one of our four Chrysler dealerships. We have $2.2 million of payments remaining on the lease for the premises of this terminated Chrysler dealership, which expires in July 2012. However, the termination did not have a material impact on our financial results or operations as we transferred the remaining Chrysler/Jeep new vehicle, used vehicle and parts inventory to our other Chrysler dealerships and expect to receive full payment of receivables owed to us by Chrysler as of the date of the bankruptcy filing. In addition, we do not expect any disruptions to our floor plan financing arrangements for our remaining Chrysler dealerships as a result of the Chrysler bankruptcy. On June 10, 2009, a group led by Fiat SpA (New Chrysler) purchased a substantial portion of Chrysler s assets, which include the rights related to our three remaining franchise agreements. New Chrysler subsequently assumed Chrysler s obligations under our three remaining franchise agreements.

On June 1, 2009, General Motors Corp. and certain of its affiliates filed for Chapter 11 bankruptcy protection. In connection with its reorganization, General Motors notified us that it would not renew the franchise agreements for two of our six General Motors dealerships when they expire in November 2010. General Motors offered assistance with winding down the operations of these dealerships in exchange for our execution of a termination agreement for each dealership. We executed both termination agreements. The termination agreements provide for the following:

The termination of the franchise agreement no earlier than January 1, 2010 (except with the consent of New GM, as defined below) and no later than October 31, 2010;

20

The assignment and assumption of the franchise agreement by the purchaser of General Motors (New GM) assets;

Financial assistance payable to us in installments in connection with the orderly winding down of the franchise operations, subject to the satisfaction of certain conditions;

The waiver of any other termination assistance of any kind that may have been required under the franchise agreement;

The release of claims against General Motors or New GM assets and their related parties, including any obligation of General Motors or New GM to repurchase from the dealerships any vehicles, parts, accessories or special tools;

The franchise operations to continue pursuant to the franchise agreement, as supplemented by the termination agreement, through the effective date of termination of the franchise agreement, except that we shall not be entitled to order any new vehicles from General Motors or New GM; and

A restriction on our ability to transfer the franchise agreement to another party.

On July 16, 2009, we sought consent from New GM to close these two dealerships in the third quarter of 2009. On July 20, 2009, pursuant to the termination agreements, we received approximately 25% of the financial assistance payable to us by New GM. On July 29, 2009, we received consent from New GM to close these dealerships prior to January 2010. The closure of these two dealerships is not expected to have a material impact on our financial results or operations.

For our remaining four General Motors dealerships, we executed participation agreements that amend the existing franchise agreements for those dealerships. Under the participation agreements, we agreed to meet increased sales and inventory level expectations and that the amended franchise agreements will expire no later than October 31, 2010. The participation agreements also provide for the extinguishment of all amounts owed to us from General Motors except for certain product liability indemnifications, unpaid warranty claims for transactions occurring 90 days prior to June 1, 2009 and amounts owed to us through incentive programs and under our open account with General Motors. Payments of the amounts discussed above will be subject to approval by the bankruptcy court. On July 10, 2009, New GM purchased a substantial portion of General Motors assets, which include the rights related to our four remaining franchise agreements (as modified by the participation agreements). As part of the closing of this sale, New GM assumed General Motors obligations under our four remaining franchise agreements.

The three dealerships to be closed in connection with these bankruptcies generated revenues of approximately $105.0 million in 2008, or about 2% of our total revenues of $4.6 billion.

MANAGEMENT S PLAN FOR MANAGING THROUGH THE CURRENT ECONOMIC CRISIS

We expect the remainder of 2009 to continue to be a very challenging retail environment, which we believe will continue to negatively impact new vehicle, used vehicle and F&I revenue. In addition, the weak economic conditions have resulted in increasing momentum in period over period parts and service sales declines. We expect the luxury and mid-line import brands, which comprised approximately 87% of our light vehicle revenue in the second quarter of 2009, will increase their share of the U.S. market over the long term. Excluding the impact of impairment expenses in 2008, we expect to experience lower net income in 2009 as compared to 2008, as a result of our expectation (i) of lower new vehicle unit sales in 2009, (ii) that retail margins will remain under pressure while manufacturers bring supply in line with demand, and (iii) that consumers will continue to experience difficulty securing vehicle financing.

In response to the weakening U.S. automotive retail environment in 2008 and our expectation for continued weakness in U.S. automotive sales in 2009, we took action to align our expense structure to current business levels. These actions, which were initiated during the third quarter of 2008, include the relocation of our corporate offices, the elimination of our regional management structure and store-level productivity initiatives. The relocation of our corporate offices has delivered annualized cost savings of approximately $3.5 million resulting principally from staffing reductions, and expected rent savings would increase annualized savings to approximately $4.5 million. We expect that the elimination of our regional management structure will reduce our annual operating expenses by approximately $10.0 million, consisting of personnel and rent expense. We began to experience the benefit from our restructuring plans in January 2009, and we expect to receive full benefit beginning in September 2009. Our restructuring plans, store-level productivity initiatives and variable cost structure delivered $29.6 million in same store

operating expense reduction during the second quarter of 2009, when compared to the prior year quarter.

Since the beginning of the fourth quarter of 2008, we have temporarily suspended our strategy of growing our business through acquisitions, eliminated our dividend payments and significantly reduced our capital expenditure plans. We have also focused on improving our working capital by (i) increasing our floor plan notes payable related to our loaner vehicles and new vehicles obtained from third-party dealerships, (ii) continuing to lower our inventory balances and (iii) improving our collection of contracts-in-transit and accounts receivable.

Table of Contents

We are subject to a number of financial covenants in our various debt agreements. We have successfully modified those covenants to remove the most restrictive covenant, which in turn reduced the level of cash flow from operations necessary to remain in compliance with those covenants in the current depressed economic environment. In exchange for the removal of the most restrictive covenant, we agreed to (i) a reduction in total credit commitments, (ii) additional restrictions on new indebtedness and (iii) an increase in the interest rates on outstanding borrowings. Refer to the Liquidity and Capital Resources section below for further discussion of the covenant amendments.

Table of Contents

RESULTS OF OPERATIONS

Three Months Ended June 30, 2009, Compared to the Three Months Ended June 30, 2008

	For the Three Months Ended June 30,			
	2009	2008	Increase (Decrease)	% Change
	(In millions, except per share data)			
REVENUES:				
New vehicle	$ 517.7	$ 743.7	$ (226.0)	(30)%
Used vehicle	242.4	289.2	(46.8)	(16)%
Parts and service	159.7	169.2	(9.5)	(6)%
Finance and insurance, net	22.6	36.8	(14.2)	(39)%
Total revenues	942.4	1,238.9	(296.5)	(24)%
GROSS PROFIT:				
New vehicle	34.4	50.4	(16.0)	(32)%
Used vehicle	20.0	25.3	(5.3)	(21)%
Parts and service	78.9	86.4	(7.5)	(9)%
Finance and insurance, net	22.6	36.8	(14.2)	(39)%
Total gross profit	155.9	198.9	(43.0)	(22)%
OPERATING EXPENSES:				
Selling, general and administrative	126.7	156.2	(29.5)	(19)%
Depreciation and amortization	5.9	5.4	0.5	9%
Other operating (income) expenses, net	(0.4)	2.0	(2.4)	(120)%
Income from operations	23.7	35.3	(11.6)	(33)%
OTHER INCOME (EXPENSE):				
Floor plan interest expense	(4.7)	(7.5)	(2.8)	(37)%
Other interest expense	(9.0)	(9.3)	(0.3)	(3)%
Convertible debt discount amortization	(0.5)	(0.8)	(0.3)	(38)%
Interest income	0.1	0.3	(0.2)	(67)%
Total other expense, net	(14.1)	(17.3)	(3.2)	(18)%
Income before income taxes	9.6	18.0	(8.4)	(47)%
INCOME TAX EXPENSE	3.6	7.1	(3.5)	(49)%
INCOME FROM CONTINUING OPERATIONS	6.0	10.9	(4.9)	(45)%
DISCONTINUED OPERATIONS, net of tax	(0.5)	(0.5)		%
NET INCOME	$ 5.5	$ 10.4	$ (4.9)	(47)%
Income from continuing operations per common share Diluted	$ 0.18	$ 0.34	$ (0.16)	(47)%
Net income per common share Diluted	$ 0.17	$ 0.32	$ (0.15)	(47)%

Table of Contents

	For the Three Months Ended June 30,	
	2009	2008
REVENUE MIX PERCENTAGES:		
New light vehicles	51.3%	56.2%
New heavy trucks	3.7%	3.8%
Used retail	20.7%	18.0%
Used wholesale	5.0%	5.3%
Parts and service	16.9%	13.7%
Finance and insurance, net	2.4%	3.0%
Total revenue	100.0%	100.0%
GROSS PROFIT MIX PERCENTAGES:		
New light vehicles	21.2%	24.3%
New heavy trucks	0.9%	1.0%
Used retail	13.2%	13.0%
Used wholesale	(0.4)%	(0.2)%
Parts and service	50.6%	43.4%
Finance and insurance, net	14.5%	18.5%
Total gross profit	100.0%	100.0%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	81.3%	78.5%

Net income and income from continuing operations each decreased $4.9 million during the second quarter of 2009, as compared to the second quarter of 2008, primarily as a result of a $43.0 million (22%) decrease in gross profit, partially offset by a $29.5 million (19%) decrease in SG&A expense and a $2.8 million (37%) decrease in floor plan interest expense. Our operations during the three months ended June 30, 2009 and 2008 were impacted by certain items that are not core dealership items, which we believe are important to highlight when reviewing our results and should be considered when forecasting our future results. Income from continuing operations during 2009 and 2008 include non-core items as detailed in the table below:

	For the Three Months Ended June 30,	
	2009	2008
	(In millions, except per share data)	
NON CORE ITEMS		
Restructuring costs	$ 1.7	$ 0.3
Executive separation benefits expense		1.7
Dealer management system implementation costs	0.1	0.3
Tax benefit of non-core items above	(0.6)	(0.9)
Total non-core items	$ 1.2	$ 1.4

The non-core items shown in the table above include (i) restructuring costs consisting primarily of severance and retention expenses related to the relocation of our corporate headquarters and the elimination of our regional management structure, (ii) executive separation benefits in 2008 related to the departure of our former chief financial officer and (iii) implementation costs associated with transitioning our dealerships to DealerTrack s Arkona dealer management system.

The $4.9 million decrease in income from continuing operations was a result of a decline in gross profit across all four of our business lines. The $43.0 million (22%) decrease in total gross profit was partially offset by our reduction of SG&A expense of $29.5 million (19%) and a $2.8 million (37%) decrease in floor plan interest expense, due to lower average new vehicle inventory balances and lower short-term interest rates.

The $296.5 million (24%) decrease in total revenue was primarily a result of a $226.0 million (30%) decrease in new vehicle revenue and a $46.8 million (16%) decrease in used vehicle revenue.

Table of Contents

The $43.0 million (22%) decrease in total gross profit was a result of a $16.0 million (32%) decrease in new vehicle gross profit, a $14.2 million (39%) decrease in F&I gross profit and a $7.5 million (9%) decrease in parts and service gross profit. Our total gross profit margin increased 40 basis points to 16.5%, principally as a result of a mix shift to our higher margin parts and service business.

New Vehicle

	For the Three Months Ended June 30,		Increase	%
	2009	2008	(Decrease)	Change
	(Dollars in millions, except for per vehicle data)			
Revenue:				
New vehicle revenue same store(1)				
Luxury brands	$ 164.0	$ 240.4	$ (76.4)	(32)%
Mid-line import brands	249.3	365.5	(116.2)	(32)%
Mid-line domestic brands	65.1	84.1	(19.0)	(23)%
Value brands	4.5	6.1	(1.6)	(26)%
Total light vehicle revenue same store(1)	482.9	696.1	(213.2)	(31)%
Heavy truck brands	34.6	47.6	(13.0)	(27)%
Total new vehicle revenue same store(1)	517.5	743.7	(226.2)	(30)%
New vehicle revenue acquisitions	0.2			
New vehicle revenue, as reported	$ 517.7	$ 743.7	$ (226.0)	(30)%
Revenue per new vehicle sold same store(1)	$ 30,427	$ 30,040	$ 387	1%
Revenue per new vehicle sold actual	$ 30,419	$ 30,040	$ 379	1%
New vehicle revenue mix same store(1)				
Luxury brands	32%	32%		
Mid-line import brands	47%	50%		
Mid-line domestic brands	13%	11%		
Value brands	1%	1%		
Heavy truck brands	7%	6%		
Gross Profit:				
New vehicle gross profit same store(1)				
Luxury brands	$ 15.2	$ 17.8	$ (2.6)	(15)%
Mid-line import brands	13.4	24.2	(10.8)	(45)%
Mid-line domestic brands	4.2	6.0	(1.8)	(30)%
Value brands	0.2	0.4	(0.2)	(50)%
Total light vehicle gross profit same store(1)	33.0	48.4	(15.4)	(32)%
Heavy truck brands	1.4	2.0	(0.6)	(30)%
Total new vehicle gross profit same store(1)	34.4	50.4	(16.0)	(32)%
New vehicle gross profit acquisitions				
New vehicle gross profit, as reported	$ 34.4	$ 50.4	$ (16.0)	(32)%
Gross profit per new vehicle sold same store(1)	$ 2,023	$ 2,036	$ (13)	(1)%

Gross profit per new vehicle sold actual	$ 2,021	$ 2,036	$ (15)	(1)%
New vehicle gross margin same store(1)	6.6%	6.8%	(0.2)%	(3)%
New vehicle gross margin actual	6.6%	6.8%	(0.2)%	(3)%

25

Table of Contents

New vehicle gross profit mix same store(1)		
Luxury brands	44%	35%
Mid-line import brands	39%	48%
Mid-line domestic brands	12%	12%
Value brands	1%	1%
Heavy truck brands	4%	4%

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

	For the Three Months Ended June 30,		Increase	%
	2009	2008	(Decrease)	Change
New Vehicle Units:				
New vehicle units same store(1)				
Luxury brands	3,458	5,177	(1,719)	(33)%
Mid-line import brands	10,179	15,095	(4,916)	(33)%
Mid-line domestic brands	1,905	2,785	(880)	(32)%
Value brands	217	314	(97)	(31)%
Total light vehicle retail units same store(1)	15,759	23,371	(7,612)	(33)%
Fleet vehicles	741	688	53	8%
Total light vehicle units same store(1)	16,500	24,059	(7,559)	(31)%
Heavy truck brands	508	698	(190)	(27)%
Total new vehicle units same store(1)	17,008	24,757	(7,749)	(31)%
New vehicle units acquisitions	11			
New vehicle units actual	17,019	24,757	(7,738)	(31)%
Total light vehicle units same store(1)	16,500	24,059	(7,559)	(31)%
Total light vehicle units acquisitions	11			
Total light vehicle units	16,511	24,059	(7,548)	(31)%
New vehicle units mix same store(1)				
Luxury brands	20%	21%		
Mid-line import brands	61%	61%		
Mid-line domestic brands	11%	11%		
Value brands	1%	1%		
Heavy truck brands	3%	3%		
Fleet vehicles	4%	3%		

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

The $226.0 million (30%) decrease in new vehicle revenue was primarily the result of a $213.2 million (31%) decrease in same store light vehicle revenue due to a 33% decrease in same store light vehicle retail unit sales.

The new vehicle business declined significantly throughout 2008, particularly in the second half of the year. The decline in the new vehicle business continued into the second quarter of 2009 and we continued to experience sales decreases across all brands; however, our sales decreases were generally in line with overall U.S. vehicle sales. New vehicle SAAR reached its lowest level since 1982, decreasing to

approximately 9.6 million during the first half of 2009. Our revenue was impacted by the overall economic

environment, the turmoil in the financial markets, which led to tighter lending standards for manufacturer captive and bank financing, including decreasing loan-to-value ratios and increasing credit score requirements for consumers. Unit volumes declined in each brand segment, including a 32% decrease in same store light vehicle retail unit sales from our mid-line domestic brands and 33% decreases from both our luxury and mid-line import brands. During the second quarter of 2009, the bankruptcies of General Motors and Chrysler, LLC resulted in the expected closure of approximately 1,800 of those brands U.S. dealerships.

The $16.0 million (32%) decrease in new vehicle gross profit was due to a $15.4 million (32%) decrease in same store light vehicle gross profit, resulting from a 33% decrease in same store light vehicle retail unit sales and a 20 basis point decrease in same store gross margin. The unit sales and margin decreases reflect a competitive marketplace with less business available due to the overall weak economic environment and tighter lending standards. In addition, we experienced a 45% decrease in our mid-line import gross profit as a result of a mix shift to lower priced, smaller and more fuel efficient vehicles, which have a lower gross margin than higher priced sport utility vehicles (SUV s) and trucks.

Table of Contents

Used Vehicle

	For the Three Months Ended June 30,			
	2009	2008	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
Revenue:				
Retail revenues same store(1)				
Light vehicle	$ 189.3	$ 223.1	$ (33.8)	(15)%
Heavy trucks	5.3	0.9	4.4	489%
Total used retail revenues same store(1)	194.6	224.0	(29.4)	(13)%
Retail revenues acquisitions	0.3			
Total used retail revenues	194.9	224.0	(29.1)	(13)%
Wholesale revenues same store(1)	47.5	65.2	(17.7)	(27)%
Wholesale revenues acquisitions				
Total wholesale revenues	47.5	65.2	(17.7)	(27)%
Used vehicle revenue, as reported	$ 242.4	$ 289.2	$ (46.8)	(16)%
Gross profit:				
Retail gross profit same store(1)				
Light vehicle	$ 21.0	$ 25.7	$ (4.7)	(18)%
Heavy trucks	(0.7)			
Total used retail gross profit same store(1)	20.3	25.7	(5.4)	(21)%
Retail gross profit acquisitions	0.3			
Total used retail gross profit	20.6	25.7	(5.1)	(20)%
Wholesale gross profit same store(1)	(0.4)	(0.4)		%
Wholesale gross profit acquisitions	(0.2)			
Total wholesale gross profit	(0.6)	(0.4)	(0.2)	(50)%
Used vehicle gross profit, as reported	$ 20.0	$ 25.3	$ (5.3)	(21)%
Used retail units same store(1)				
Light vehicle	10,510	12,638	(2,128)	(17)%
Heavy trucks	139	28	111	396%
Total used retail units same store(1)	10,649	12,666	(2,017)	(16)%
Used retail units acquisitions	6			
Used retail units actual	10,655	12,666	(2,011)	(16)%
Used revenue PVR same store(1)	$ 18,274	$ 17,685	$ 589	3%

Used revenue PVR actual	$ 18,292	$ 17,685	$ 607	3%
Used gross profit PVR same store(1)	$ 1,906	$ 2,029	$ (123)	(6)%
Used gross profit PVR actual	$ 1,933	$ 2,029	$ (96)	(5)%