

AUTONATION INC /FL
Form DEF 14A
April 14, 2003

Table of Contents

**SCHEDULE 14A
(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

AutoNation, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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

(1) Title of each class of securities to which transaction applies:

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Table of Contents

April 14, 2003

Dear AutoNation Stockholder:

We are pleased to invite you to attend the 2003 Annual Meeting of Stockholders of AutoNation, Inc. to be held at 8:30 a.m. Eastern Time on Wednesday, May 14, 2003, at the Museum of Art, Fort Lauderdale, located at One East Las Olas Boulevard, Fort Lauderdale, Florida 33301.

The accompanying Notice of Annual Meeting and Proxy Statement describe the specific matter to be acted upon at the meeting. We also will report on our progress and provide an opportunity for you to ask questions of general interest.

Whether you own a few or many shares of AutoNation stock and whether or not you plan to attend the meeting in person, it is important that your shares be represented at the annual meeting. **We ask that you please cast your vote as soon as possible.** The Board of Directors unanimously recommends that stockholders vote FOR the election of our nominees for Director as described in the accompanying Proxy Statement.

We look forward to seeing you on May 14, 2003 in Fort Lauderdale. Thank you.

Sincerely,

Mike Jackson
*Chairman of the Board and
Chief Executive Officer*

TABLE OF CONTENTS

NOTICE OF THE 2003 ANNUAL MEETING OF STOCKHOLDERS

TABLE OF CONTENTS

PROXY STATEMENT

Questions and Answers About Our Annual Meeting

Election of Directors

Nominees for Our Board of Directors

Board Governance

AUDIT COMMITTEE REPORT

AUDIT FEES

STATEMENTS REGARDING OUR CURRENT AND FORMER INDEPENDENT AUDITOR

Executive Compensation

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

OPTION GRANTS IN LAST FISCAL YEAR

AGGREGATED OPTION EXERCISES IN YEAR ENDED DECEMBER 31, 2002 AND YEAR-END

OPTION VALUES

EQUITY COMPENSATION PLAN INFORMATION

PERFORMANCE GRAPH

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

EMPLOYMENT AGREEMENTS

Stock Ownership Information

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Certain Relationships and Related Transactions

Other Matters

Stockholder Proposals

Table of Contents

AUTONATION, INC.

**AutoNation Tower
110 S.E. Sixth Street
Fort Lauderdale, Florida 33301**

NOTICE OF THE 2003 ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF AUTONATION, INC.:

The 2003 Annual Meeting of Stockholders of AutoNation, Inc. will be held at the Museum of Art, Fort Lauderdale, located at One East Las Olas Boulevard, Fort Lauderdale, Florida 33301 on Wednesday, May 14, 2003 at 8:30 a.m. Eastern Time. At the meeting, we will consider and vote upon the following matters:

- (1) The election of eight Directors, each for a term expiring at the next Annual Meeting or until their successors are duly elected and qualified; and
- (2) Any other business that is properly presented at the meeting or any adjournments or postponements of the meeting.

Only stockholders of record as of 5:00 p.m. Eastern Time on March 27, 2003, 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 meeting.

We cordially invite you to attend the Annual Meeting in person. **Even if you plan to attend the 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.

By Order of the Board of Directors,

Jonathan P. Ferrando
*Senior Vice President,
General Counsel and Secretary*

April 14, 2003

PLEASE DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT

TO US PROMPTLY IN THE ENCLOSED ENVELOPE.

Table of Contents

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING	1
ELECTION OF DIRECTORS	5
NOMINEES FOR OUR BOARD OF DIRECTORS	6
BOARD GOVERNANCE	8
Audit Committee Report	11
Audit Fees	12
Statements Regarding our Current and Former Independent Auditor	13
EXECUTIVE COMPENSATION	14
Compensation Committee Report on Executive Compensation	14
Summary Compensation Table	16
Option Grants in Last Fiscal Year	17
Aggregated Option Exercises in Year Ended December 31, 2002 and Year-End Option Values	18
Equity Compensation Plan Information	18
Performance Graph	19
Compensation Committee Interlocks and Insider Participation	20
Employment Agreements	20
STOCK OWNERSHIP INFORMATION	22
Section 16(a) Beneficial Ownership Reporting Compliance	22
Security Ownership of Certain Beneficial Owners and Management	22
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	25
OTHER MATTERS	26
STOCKHOLDER PROPOSALS	26
EXHIBIT A AutoNation, Inc. Corporate Governance Guidelines	A-1
EXHIBIT B Audit Committee Charter	B-1
EXHIBIT C Compensation Committee Charter	C-1
EXHIBIT D Executive Compensation Subcommittee Charter	D-1
EXHIBIT E Corporate Governance Committee Charter	E-1

Table of Contents

AUTONATION, INC.

AutoNation Tower
110 S.E. Sixth Street
Fort Lauderdale, Florida 33301

PROXY STATEMENT

This Proxy Statement contains information relating to the solicitation of proxies by the Board of Directors of AutoNation, Inc., for use at our 2003 Annual Meeting of Stockholders. Our annual meeting will be held at the Museum of Art, Fort Lauderdale, located at One East Las Olas Boulevard, Fort Lauderdale, Florida 33301 on Wednesday, May 14, 2003 at 8:30 a.m. Eastern Time.

This Proxy Statement, the Notice of the 2003 Annual Meeting, the proxy card and our 2002 Annual Report to Stockholders were mailed to stockholders on or about April 14, 2003.

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

What is the purpose of our annual meeting?

The purpose of our annual meeting is to:

elect eight Directors, each for a term expiring at the next annual meeting or until their successors are duly elected and qualified; and
consider any other matters properly presented at the meeting.

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

Who is entitled to vote at the annual meeting?

Only our stockholders as of 5:00 p.m. Eastern Time on March 27, 2003, the record date, are entitled to receive notice of the annual meeting and to vote at the meeting, or any postponements or adjournments of the meeting.

What are the voting rights of AutoNation stockholders?

Each stockholder is entitled to one vote on each matter properly presented at the annual meeting for each share of common stock owned by that stockholder on the record date. Therefore, if you owned 100 shares of common stock as of 5:00 p.m. Eastern Time on March 27, 2003, you can cast 100 votes for each matter properly presented at the annual meeting. As of 5:00 p.m. Eastern Time on March 27, 2003, there were 282,452,148 shares of AutoNation common stock issued and outstanding and entitled to vote at the meeting.

What constitutes a quorum?

In order for us to conduct business at our annual meeting, we must have a quorum of at least 141,226,075 shares of common stock represented at the meeting, in person or by proxy, and entitled to vote. If you submit a properly executed proxy or vote instruction card or properly cast your vote by telephone or via the Internet, your shares will be considered part of the quorum, even if you abstain from voting or withhold authority to vote as to a particular proposal. We also will consider as present for purposes of determining whether a quorum exists any shares represented by broker non-votes as to a particular proposal.

Table of Contents

What are broker non-votes ?

Broker non-votes occur when shares held by a brokerage firm are not voted with respect to a proposal because the firm has not received voting instructions from the stockholder and the firm does not have the authority to vote the shares at its discretion. Under the rules of The New York Stock Exchange, brokerage firms may have the authority to vote their customers' shares on certain routine matters for which they do not receive voting instructions, including the uncontested election of directors. If, as we presently anticipate, the agenda for our meeting will provide only for a vote for the election of our Board's nominees for Director, brokerage firms may have the authority to vote all shares of our stock that they hold, even if they do not receive specific voting instructions from their customers. However, if other matters are properly brought before the meeting and they are not considered routine under the applicable New York Stock Exchange rules, shares held by brokerage firms will not be voted on such non-routine matters by the brokerage firms unless they have received voting instructions and, accordingly, any such shares will be broker non-votes and will not be counted with respect to such matters.

Will my shares be voted if I do not provide my proxy?

If your shares are held in the name of a brokerage firm, they may be voted by the brokerage firm (as described above) even if you do not give the brokerage firm specific voting instructions. If you are a registered stockholder and hold your shares directly in your own name, your shares will not be voted unless you provide a proxy or fill out a written ballot in person at the meeting.

How do I vote?

You can vote in any of the following ways. Please check your proxy card or contact your broker to determine whether you will be able to vote by telephone or via the Internet.

To vote by mail:

Mark, sign and date your proxy card or vote instruction card; and
Return it in the enclosed envelope.

To vote using the Internet:

Have your proxy card or vote instruction card in hand;
Log on to the Internet and visit the website address provided on your proxy card or your vote instruction card;
and
Follow the instructions provided.

To vote by telephone:

Have your proxy card or vote instruction card in hand;
Call the toll-free number listed on your proxy card if you are a registered stockholder (that is, your shares are held on the company's books in your name or by you in certificate form), or call the number listed on your vote instruction card if your shares are held in street name (that is, in the name of your bank or broker); and
Follow the recorded instructions.

To vote in person if you are a registered stockholder:

Attend our annual meeting;
Bring valid photo identification; and
Deliver your completed proxy card or ballot in person.

To vote in person if you hold in street name:

Attend our annual meeting;
Bring valid photo identification; and
Obtain a legal proxy from your bank or broker to vote the shares that are held for your benefit, attach it to your completed proxy card and deliver it in person.

Table of Contents

How do I vote my 401(k) shares?

If you participate in the AutoNation 401(k) Plan, you may vote the number of shares credited to your account as of 5:00 p.m. Eastern Time on March 27, 2003, by instructing our plan trustee, Merrill Lynch & Co., how to vote your shares pursuant to the instruction card being mailed with this Proxy Statement to plan participants. If you do not provide clear voting instructions, Merrill Lynch will vote the shares in your account in the same proportion that it votes shares for which it received timely and clear instructions.

Can I change my vote after I have voted?

Yes. If you voted by proxy card, vote instruction card or telephone or via the Internet, you can change your vote at any time before the proxy is exercised. To change your vote:

- Submit a later dated and signed proxy by mail;
- Recast your vote by telephone or via the Internet;
- Attend our annual meeting and vote your shares in person in accordance with the procedures set forth in the answer to *How do I vote?* above. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy; or
- Submit a written notice of revocation to our Secretary.

What vote is required to elect Directors or take other action at the annual meeting?

In order to be approved, any proposal that comes before the meeting must receive the affirmative vote of a majority of the shares present and entitled to vote at the meeting with respect to such proposal. If you mark your proxy or vote instruction card *withhold* with respect to any Director, you will effectively be voting against the election of such Director. If your shares are not voted by your brokerage firm or nominee with respect to a particular proposal, or if you direct your proxy holder not to vote all or a portion of your shares with respect to a particular proposal, such shares will not be considered to be present at the meeting for purposes of considering such proposal and will not be counted.

How does the Board recommend I vote on the proposal?

The Board recommends that you vote **FOR** each of the nominees for Director set forth on page 5.

How will my proxy holders vote?

The enclosed proxy card designates Mike Jackson, our Chairman of the Board and Chief Executive Officer, and Jonathan P. Ferrando, our Senior Vice President, General Counsel and Secretary, or their duly named successors, to hold your proxy and vote your shares. With respect to the election of Directors, Messrs. Jackson and Ferrando will vote in accordance with the instructions set forth on your duly executed proxy or vote instruction card or as directed by you over the telephone or via the Internet. If you sign and return your proxy card but do not provide instructions or if your instructions are unclear, Messrs. Jackson and Ferrando intend to vote FOR each of the nominees for Director.

With respect to any other proposal that properly comes before the meeting, Messrs. Jackson and Ferrando will vote as recommended by our Board of Directors or, if no recommendation is given, in their own discretion.

How much did this proxy solicitation cost?

We engaged Innisfree M&A Incorporated to assist with the solicitation of proxies for a fee not to exceed \$8,500, plus reimbursement for out-of-pocket expenses. In addition to soliciting proxies by mail, certain of our employees also may solicit proxies personally, by telephone or otherwise, but such persons will not receive any

Table of Contents

special compensation for such services. As is customary, we will reimburse brokerage firms, banks, fiduciaries, voting trustees and other nominees for forwarding the soliciting material to each beneficial owner of stock held of record by them. We will pay the entire cost of the solicitation.

Can I receive materials relating to future AutoNation annual meetings via the Internet?

Yes. In an effort to reduce our proxy solicitation costs, you may receive future annual meeting materials via the Internet. We encourage you to help us reduce our costs by electing to receive our annual meeting materials via the Internet. If you are a registered stockholder, log on to <http://www.computershare.com/consent/autonation> in order to register to receive our future annual meeting materials via the Internet. If you hold AutoNation stock through a brokerage firm, bank or other nominee, you may be able to register to receive future annual meeting materials via the Internet by voting online and following the instructions provided. Alternatively, you should call your broker for instructions on how to receive our future annual meeting materials via the Internet.

If you elect to receive our future annual meeting materials via the Internet, you will receive a proxy card in the mail or, if you choose, an e-mail notification alerting you when our annual meeting materials are available online. Our future proxy statements and annual reports will be available online on the same day as such materials are filed with the Securities and Exchange Commission. You may revoke at any time your election to receive our future annual meeting materials via the Internet.

This Proxy Statement and our 2002 Annual Report to Stockholders also are available on AutoNation's corporate website, which you can visit by logging on to <http://corp.autonation.com/investors/>.

Can different stockholders sharing the same address receive only one Annual Report and Proxy Statement?

Yes. The Securities and Exchange Commission permits companies and intermediaries, such as a brokerage firm or a bank, to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more security holders sharing the same address by delivering only one proxy statement and annual report to that address. This process, which is commonly referred to as householding, can effectively reduce our printing and postage costs. Under householding, each stockholder would continue to receive a separate proxy card or vote instruction card.

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

Table of Contents

ELECTION OF DIRECTORS

Our Board of Directors currently consists of ten members. Each of our current Directors was elected by our stockholders at the Annual Meeting of Stockholders in 2002. Our Board has nominated the eight nominees listed below to stand for election for a new term expiring at the Annual Meeting of Stockholders in 2004 or until their successors are duly elected and qualified. Each of the nominees listed below is currently serving as a Director. Detailed biographical and other information on each nominee for Director is provided on pages 6 and 7 of this Proxy Statement. Each nominee is willing and able to serve as a Director of AutoNation.

During 2002, Mr. Michael G. DeGroote, who had served as one of our Directors since 1991, retired from our Board of Directors due to health reasons. Mr. John J. Melk, who had served as one of our Directors since 1995, retired from our Board effective as of March 31, 2003. In addition, Messrs. Harris W. Hudson and George D. Johnson, Jr., each of whom has served as a Director since 1995, have declined to stand for re-election in 2003 and will retire from our Board as of the date of the annual meeting. On January 1, 2003, Mike Jackson, our Chief Executive Officer and Director, succeeded H. Wayne Huizenga as Chairman of our Board of Directors.

Nominees For Director	Positions and Offices Held with Us
Mike Jackson	Chairman of the Board and Chief Executive Officer
Robert J. Brown	Director
J.P. Bryan	Director
Rick L. Burdick	Director
William C. Crowley	Director
H. Wayne Huizenga	Director
Edward S. Lampert	Director
Irene B. Rosenfeld	Director

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

Table of Contents

NOMINEES FOR OUR BOARD OF DIRECTORS

Mike Jackson

Mr. Jackson, age 54, has served as our Chairman of the Board since January 1, 2003 and as our Chief Executive Officer and as a Director of the Company 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 also was 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.

Robert J. Brown

Mr. Brown, age 68, has served as a Director of the Company since May 1997. 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 also serves as a director of Duke Energy Corporation, a diversified energy company, Wachovia Corporation, a commercial and retail bank, and Sonoco Products Company, a manufacturer of industrial and consumer packaging products.

J.P. Bryan

Mr. Bryan, age 63, has served as a Director of the Company since May 1991. From January 1995 until February 1998, Mr. Bryan served as President and Chief Executive Officer of Gulf Canada Resources, Ltd., which is engaged in oil and gas exploration and production. Since 1998, Mr. Bryan has served as Senior Managing Director of Torch Energy Advisors, Inc., an outsourcing and service provider to the oil and gas industry. Mr. Bryan also serves on the Board of Directors of ANC Rental Corporation, a car rental company.

Rick L. Burdick

Mr. Burdick, age 51, has served as a Director of the Company since May 1991. Since 1988, Mr. Burdick has been a partner in Akin, Gump, Strauss, Hauer & Feld, L.L.P., a global full service law firm. Mr. Burdick serves as a member of the firm's Executive Committee, Chairman of the firm's Corporate and Securities Department and Partner-In-Charge of the Washington office. Mr. Burdick also serves as non-executive Vice Chairman of Century Business Services, Inc., a provider of outsourced business services to small and medium-sized companies in the United States.

William C. Crowley

Mr. Crowley, age 45, has served as a Director of the Company since January 2002. Since January 1999, Mr. Crowley has been President and Chief Operating Officer of ESL Investments, Inc., a private investment firm. Prior to joining ESL Investments, Mr. Crowley served for 13 years with Goldman Sachs, a leading global investment banking and securities firm, most recently as a Managing Director in the firm's mergers and acquisitions department.

H. Wayne Huizenga

Mr. Huizenga, age 65, was our founding Chairman of the Board and served as our Chairman from August 1995 until December 31, 2002. Mr. Huizenga currently serves as a Director of the Company. He also served as our Co-Chief Executive Officer from October 1996 through September 1999. From May 1998 until December 2002, Mr. Huizenga served as Chairman of the Board of Republic Services, Inc., a solid waste services company, and he served as its Chief Executive Officer from May 1998 until December 1998. Since September 1996, Mr. Huizenga has been Chairman of the Board of Boca Resorts, Inc., which owns and operates luxury resort properties. Since August 1995, Mr. Huizenga also

Table of Contents

has been Chairman of the Board of Extended Stay America, Inc., an operator of extended stay lodging facilities. Mr. Huizenga owns the Miami Dolphins, as well as Pro Player Stadium in South Florida, and is also a director of Republic Services, NationsRent, Inc., an equipment rental company, and ANC Rental.

Edward S. Lampert

Mr. Lampert, age 40, has served as a Director of the Company since January 2002. In April 1988, Mr. Lampert formed ESL Investments, Inc., a private investment firm, and since then has managed the business and operations of ESL Investments and its various investment partnerships. Mr. Lampert also serves on the Board of Directors of AutoZone, Inc., a national retailer of automotive parts and accessories.

Irene B. Rosenfeld

Ms. Rosenfeld, age 49, has served as a Director of the Company since March 1999. Since September 2002, Ms. Rosenfeld has served as President, North American Businesses, of Kraft Foods North America, a unit of Kraft Foods, Inc., a diversified food company. From May 2000 until September 2002, Ms. Rosenfeld served as Group Vice President of Kraft Foods North America and President, Operations, Technology, Procurement, Information Systems, Canada, Mexico & Puerto Rico, and prior to that as President of Kraft Canada, Inc. Ms. Rosenfeld also serves as a Trustee of Cornell University.

Table of Contents

BOARD GOVERNANCE

Our business and affairs are managed under the direction of our Board of Directors, which is AutoNation's ultimate decision-making body except with respect to those matters reserved to our stockholders. Our Board's mission is to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our senior management team, which is charged with the conduct of our business, and acts as an advisor and counselor to senior management. Our Board also reviews AutoNation's business strategy and the performance of management in executing our business strategy and managing our day-to-day operations. Our Directors are informed of our operations during meetings of our Board and our Board's Committees, through reports and analyses presented to our Board and our Board's committees, and by discussions with our management. Significant communications between our Directors and our management also occur apart from meetings of our Board and our Board's committees.

In March 2003, our Board of Directors took significant strides to assure that our policies and practices reflect our strong commitment to corporate governance by adopting the AutoNation, Inc. Corporate Governance Guidelines (the Guidelines). A copy of the Guidelines is set forth as Exhibit A hereto and will be made available on our corporate website at <http://corp.autonation.com/investors/>. Our Board's adoption of the Guidelines followed a recommendation by the Corporate Governance Committee, which has been charged with developing the Guidelines and periodically reviewing them 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.

Additionally, in March 2003 our Board of Directors, following a recommendation by our Corporate Governance Committee, adopted the AutoNation, Inc. Code of Ethics for Senior Officers (the Code of Conduct), which is applicable to our executive officers and senior financial officers and supplements our Company-wide Code of Business Ethics and Corporate Compliance Program. A copy of the Code of Conduct, which sets forth our commitment to conducting our business in accordance with applicable laws, rules and regulations and the highest standards of business ethics, and to full and accurate financial disclosure in compliance with applicable laws, rules and regulations, will be made available on our corporate website at <http://corp.autonation.com/investors/>. Our Board does not expect to grant waivers from the Code of Conduct. However, in the event any such waiver is granted, or if the Code of Conduct is amended, we intend to post on our website the nature of any waiver from or amendment to the Code of Conduct.

How many times did our Board meet during 2002?

Our Board of Directors held ten meetings and took two actions by unanimous written consent during 2002. During 2002, each of our Directors attended at least 75% of the total number of meetings of our Board of Directors and any Committees on which he or she served, except for Irene B. Rosenfeld, who attended 21 of the 29 meetings of our Board and the Compensation and Audit Committees of our Board.

Table of Contents**What Committees has our Board established?**

Our Board of Directors has established three standing committees to assist it in discharging its responsibilities: the Audit Committee; the Compensation Committee; and the Corporate Governance Committee. In addition, our Board has established the Executive Compensation Subcommittee, which is a subcommittee of the Compensation Committee. The following chart reflects the current membership of each of our Board's committees:

Name	Audit Committee	Compensation Committee	Executive Compensation Subcommittee	Corporate Governance Committee
Mike Jackson				
Robert J. Brown		*	*	
J.P. Bryan	**			*
Rick L. Burdick	*			**
William C. Crowley	*			*
Harris W. Hudson ⁽¹⁾				
H. Wayne Huizenga				
George D. Johnson, Jr. ⁽¹⁾		*		
Edward S. Lampert		**		
Irene B. Rosenfeld		*	**	

* Member

** Chair

(1) Messrs. Harris W. Hudson and George D. Johnson, Jr., each of whom has served as a Director since 1995, have declined to stand for re-election in 2003 and will retire from our Board on the date of our annual meeting.

Audit Committee. The Audit Committee is responsible for assisting our Board in fulfilling its oversight responsibilities by reviewing our financial reporting and audit processes and our systems of internal controls and disclosure controls. The Audit Committee currently consists of three Directors. Our Board has determined that the Audit Committee members have the requisite independence and other qualifications for audit committee membership under Section 303.01(B) of the current listing standards of The New York Stock Exchange and our Audit Committee Charter. Our Board also has determined that Mr. Bryan is an audit committee financial expert within the meaning of Item 401(h) of Regulation S-K as recently adopted by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002. The Audit Committee held twelve meetings and took no actions by unanimous written consent during 2002. The Audit Committee Report for fiscal year 2002, 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, 2002, is set forth on page 11. A copy of the charter by which the Audit Committee is governed, which was amended in March 2003, is set forth as Exhibit B hereto and will be made available on our corporate website at <http://corp.autonation.com/investors/>.

Compensation Committee. The Compensation Committee (which was designated the Compensation and Nominating Committee prior to January 1, 2003) is responsible for assisting our Board in fulfilling its oversight responsibilities by setting our compensation philosophy and administering our compensation programs to the extent such duties are not delegated to the Executive Compensation Subcommittee. In addition, prior to the establishment of the Executive Compensation Subcommittee, the Compensation Committee administered the AutoNation, Inc. Senior Executive Incentive Bonus Plan, including by establishing performance goals and certifying whether such goals were attained as contemplated under Section 162(m) of the Internal Revenue Code (the Code), and our stock option plans. The Compensation Committee consists of four non-employee Directors. The Compensation Committee held seven meetings and took one action by unanimous written consent during 2002. The Compensation Committee Report for fiscal 2002 is set forth on page 14. A copy of the charter by which the Compensation Committee is governed is set forth as Exhibit C hereto and will be made available on our corporate website at <http://corp.autonation.com/investors/>.

Table of Contents

Executive Compensation Subcommittee. The Executive Compensation Subcommittee is a subcommittee of the Compensation Committee. The Subcommittee assists the Compensation Committee in fulfilling its responsibilities by performing the following duties: reviewing and approving performance-based compensation of executive officers as contemplated under Section 162(m) of the Code, including bonuses and stock option grants; 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 administering our stock option plans, including approving stock option grants. Our Board has determined that each member of the Subcommittee qualifies as a non-employee director within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and as an outside director under Section 162(m) of the Code. The Executive Compensation Subcommittee was formed effective as of January 1, 2003 and, accordingly, held no meetings during 2002. A copy of the charter by which the Executive Compensation Subcommittee is governed is set forth as Exhibit D hereto and will be made available on our corporate website at <http://corp.autonation.com/investors/>.

Corporate Governance Committee. The Corporate Governance Committee assists our Board in fulfilling its oversight responsibilities by performing the following duties: developing and recommending to our Board the AutoNation, Inc. Corporate Governance Guidelines and reviewing periodically the Guidelines; 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; reviewing Board candidates recommended by our stockholders; recommending to our Board assignments to committees; and determining criteria on which our Board's performance will be evaluated annually. The Corporate Governance Committee was formed effective as of December 18, 2002 and held no meetings during 2002. In September 2002, our Board formed a Special Committee to study and evaluate our corporate governance practices and policies in light of the provisions of the Sarbanes-Oxley Act of 2002, certain proposed listing standards approved by The New York Stock Exchange and certain rules and regulations adopted and to be adopted by the Securities and Exchange Commission. This Special Committee, comprised of Messrs. Burdick, Bryan and Crowley, held four meetings and took one action by unanimous written consent prior to its dissolution on December 18, 2002. The Corporate Governance Committee will consider persons recommended by stockholders as nominees for election to serve as Directors if the names of such persons are submitted in writing to our Corporate Secretary in a timely manner. A copy of the charter by which the Corporate Governance Committee is governed is set forth as Exhibit E hereto and will be made available on our corporate website at <http://corp.autonation.com/investors/>.

How are our Directors compensated?

In 2002, we paid each of our non-employee Directors, other than Mr. DeGroote, an annual fee for service on our Board of Directors of \$25,000 plus \$1,000 for each Board meeting attended in excess of four annually and for each committee meeting attended. Our Directors also are entitled to the use of a company vehicle in accordance with our Director Car Policy and expense reimbursement in connection with Board and committee meeting attendance. Imputed income from the use of company vehicles by our Directors under our Director Car Policy averaged approximately \$17,500 during 2002 for each of our Directors who used a company car during 2002. Mr. DeGroote retired from our Board effective as of November 20, 2002 and did not accept the annual Director fee or the use of a company vehicle under our Director Car Policy during 2002.

We want our outside Directors' compensation to be aligned with your interests as stockholders. Accordingly, our 1995 Amended and Restated Non-Employee Director Stock Option Plan currently provides for an initial grant of options to purchase 50,000 shares of our stock immediately upon the appointment of a non-employee Director to our Board. This plan also provides for an annual grant of options to purchase 20,000 shares of our stock at the beginning of each fiscal year to each non-employee Director serving on the Board at such date. Unless otherwise provided, all options granted under this plan are fully vested and immediately exercisable. Under this plan, each grant of options to a non-employee Director remains exercisable for a term of ten years from the grant date so long as the Director remains a member of the Board. The options are exercisable at a price per share equal to the closing price per share of our stock on The New York Stock Exchange on the date immediately prior to the grant date. In accordance with the plan, on January 2, 2003, Messrs. Brown, Bryan, Burdick, Crowley, Hudson, Huizenga, Johnson, Lampert and Melk and Ms. Rosenfeld each received an automatic grant of options to purchase 20,000 shares of our stock at an exercise price of \$12.56 per share. Pursuant to agreements between us and Messrs. Crowley and Lampert, the options granted to Messrs. Crowley and Lampert may not be exercised until November 1, 2004.

Table of Contents

AUDIT COMMITTEE REPORT

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

During 2002, the Audit Committee consisted of Irene B. Rosenfeld (Chair), J. P. Bryan, Rick L. Burdick, William C. Crowley (since January 29, 2002) and John J. Melk. Since January 1, 2003, the Audit Committee has consisted of J.P. Bryan (Chair), Rick L. Burdick, William C. Crowley and, until his retirement effective as of March 31, 2003, John J. Melk. In March 2003, the Board of Directors adopted an updated charter for the Audit Committee in light of the provisions of the Sarbanes-Oxley Act of 2002, rules adopted by the Securities and Exchange Commission and new rules proposed by The New York Stock Exchange with respect to auditor independence, appropriate qualifications of audit committee members and related matters. The full text of the charter for the Audit Committee is set forth as Exhibit B to this Proxy Statement.

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

In fulfilling our oversight role, we met and held discussions with the company's management and auditor. Management advised us that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and we reviewed and discussed the consolidated financial statements and key accounting and reporting issues with management and the auditor. We discussed privately with the auditor matters deemed significant by the auditor, including those matters required to be discussed pursuant to *Statement on Auditing Standards No. 61 (Communication with Audit Committees)*, as amended.

The auditor also provided us with the written disclosures and the letter required by *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*, and we discussed with the auditor matters relating to their independence and considered whether their provision of non-audit services is compatible with maintaining their independence.

Based on our review with management and the auditor of AutoNation's audited consolidated financial statements and the auditor's report on such financial statements, and based on the discussions and written disclosures described above and our business judgment, we recommended to the Board of Directors that the audited consolidated financial statements be included in AutoNation's Annual Report on Form 10-K for the year ended December 31, 2002 for filing with the Securities and Exchange Commission.

Audit Committee:

J. P. Bryan
Rick L. Burdick
William C. Crowley
John J. Melk
Irene B. Rosenfeld

Table of Contents**AUDIT FEES**

On May 31, 2002, our Audit Committee selected Deloitte & Touche LLP (D&T) to serve as our independent auditor and to perform audit services for our fiscal year 2002. During 2002, prior to the selection of D&T as our independent auditor, we issued a Request for Proposals (RFP) to several consulting firms, including Deloitte Consulting, to obtain financial information systems implementation project management services in connection with the Shared Resource Center (SRC) model that we had already begun to implement in certain of our operating districts. After evaluating several firms' responses to our RFP, we determined that Deloitte Consulting was the firm best qualified to assist us in connection with our SRC project. Accordingly, we engaged Deloitte Consulting to assist us with the remainder of our SRC project.

Prior to determining to engage D&T to serve as our independent auditor, our Audit Committee considered whether D&T's independence and objectivity as our auditor would be affected by our engagement of Deloitte Consulting in connection with our SRC project. In connection with our Audit Committee's consideration of such matters, D&T made, and our Audit Committee relied on, certain representations to the effect that (i) D&T had publicly announced and was actively pursuing the separation of Deloitte Consulting from D&T and expected to complete such separation before December 31, 2002, and (ii) under the applicable auditor independence standards in effect at the time we considered the engagement of D&T as our independent auditor, our engagement of Deloitte Consulting in connection with the SRC project would not be deemed to impair D&T's independence for purposes of providing audit services to us. As discussed below, as a result of D&T's recent announcement that it will continue to operate its auditing and consulting businesses as part of one organization, in March 2003 our Audit Committee determined that it will evaluate other firms to serve as our independent auditor for the fiscal year ending December 31, 2003. D&T also provided other non-audit services for us during 2002, including tax consulting and tax compliance services. In these situations, our Audit Committee considered whether the provision of such non-audit services by D&T was compatible with maintaining its independence.

The following table sets forth: (i) the aggregate fees billed for professional services rendered by D&T for the audit of our financial statements for fiscal year 2002 and the reviews of the financial statements included in our Forms 10-Q for fiscal year 2002; (ii) the aggregate fees billed for professional services rendered during fiscal year 2002 by D&T, including Deloitte Consulting, for financial information systems implementation; and (iii) the aggregate fees billed for services rendered by D&T during fiscal year 2002 other than the services described in clause (i) and clause (ii) above:

Audit Fees	\$1,818,000
Financial Information Systems Design and Implementation Fees	3,059,000
All Other Fees	849,000
	<hr/>
Total	\$5,726,000
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Prior to May 31, 2002, Arthur Andersen LLP (Andersen) served as our independent auditor and billed us (i) audit fees in the amount of \$375,000 in connection with their reviews of the financial statements included in our Form 10-K for the year ended December 31, 2001 and our Form 10-Q for the quarterly period ended March 31, 2002, and (ii) all other fees (primarily tax consulting and tax compliance services) in the amount of \$1,248,000. In these situations, our Audit Committee considered whether the provision of non-audit services by Andersen was compatible with maintaining its independence. Andersen did not provide us any financial information systems design and implementation services during 2002.

Table of Contents

STATEMENTS REGARDING OUR

CURRENT AND FORMER INDEPENDENT AUDITOR

Our Board of Directors, upon the recommendation of our Audit Committee, approved the appointment of Deloitte & Touche LLP as our independent auditor for 2002 effective as of May 31, 2002. As stated above, when D&T was appointed it had represented that it intended to separate its consulting business by year-end 2002. In March 2003, after D&T announced it will not separate its consulting business, our Audit Committee determined that it will evaluate other firms to serve as our independent auditor for the fiscal year ending December 31, 2003. Our Audit Committee's decision was based on, among other factors: (i) D&T's decision to continue the operation of its auditing and consulting businesses as part of one organization, (ii) that the auditor independence rules recently adopted by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002 will preclude the provision of certain non-audit services by auditors, including the consulting services that Deloitte Consulting provides in connection with our SRC project, and (iii) our determination that we intend to continue the engagement of Deloitte Consulting in connection with our ongoing SRC project. As a result, as of the date of this Proxy Statement, our Audit Committee has not made a final determination as to the appointment of an independent auditor to audit our financial statements for the year ending December 31, 2003. Accordingly, we do not intend to ask our stockholders to ratify the selection of our independent auditor for 2003. However, we do expect to ask our stockholders at our 2004 Annual Meeting of Stockholders to ratify our appointment of an independent auditor to audit our financial statements for the year ending December 31, 2004. A representative of D&T is expected to attend the annual meeting and be available to respond to appropriate questions. The representative also will be afforded an opportunity to make a statement if he or she desires to do so.

The appointment of D&T followed our dismissal of Andersen as our independent auditor effective May 30, 2002 and was the result of an evaluation process undertaken by us to identify a new independent auditor in light of the well-publicized legal issues that confronted Andersen during that time. During fiscal years 2000 and 2001 and through May 30, 2002, there were no disagreements between us and Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference to the subject matter of the disagreement in connection with its reports. None of the reportable events described under Item 304(a)(1)(v) of Regulation S-K occurred within our fiscal years 2000 and 2001 and through May 30, 2002. The audit reports of Andersen on the consolidated financial statements of AutoNation and its subsidiaries as of and for the fiscal years ended December 31, 2000 and 2001 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. We provided Andersen with a copy of the disclosures that we made pursuant to Item 304(a) of Regulation S-K. Attached as Exhibit 16.1 to the Form 8-K/A filed with the Securities and Exchange Commission on July 10, 2002 is a copy of Andersen's letter, dated July 9, 2002, stating its agreement with such statements. During fiscal years 2000 and 2001 and through May 30, 2002, we did not consult with D&T with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, or any other matters or reportable events listed in Item 304(a)(2)(i) and (ii) of Regulation S-K.

Table of Contents

EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

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

During 2002, the Compensation Committee consisted of J.P. Bryan (Chair), George D. Johnson, Jr., Edward S. Lampert (since January 29, 2002) and Irene B. Rosenfeld. Since January 1, 2003, the Compensation Committee has consisted of Edward S. Lampert (Chair), Robert J. Brown, George D. Johnson and Irene B. Rosenfeld. A written charter adopted by the Board of Directors governs the Compensation Committee. A copy of the charter is set forth on Exhibit C to this Proxy Statement.

Compensation Philosophy

AutoNation's executive compensation program consists of three primary elements:

- an annual base salary;
- a performance-based annual bonus; and
- periodic grants of stock options designed to align the executive officer's interest with the interests of the company's stockholders.

The compensation program for executive officers is designed to attract and retain highly-skilled executives who are key to our long term success. We strive to effectively serve AutoNation's stockholders' best interests by aligning a significant portion of incentive compensation with the achievement of AutoNation's goals and increases in stockholder value. We review executive compensation annually and make appropriate adjustments based on AutoNation's performance, achievement of predetermined goals, and changes in an executive's duties and responsibilities. The compensation of other AutoNation employees is based on a similar philosophy.

We consider the anticipated tax treatment of various payments and benefits when determining executive compensation and administer the executive compensation program in a manner that maximizes the tax deductibility of compensation paid to the company's executives under Internal Revenue Code Section 162(m) to the extent practicable. We believe, however, that AutoNation's priority is to attract and retain highly-skilled executives to manage AutoNation and, in some cases, the loss of a tax deduction may be necessary to accomplish that goal.

The following is a summary of the considerations underlying each component of compensation paid to AutoNation's executive officers for 2002.

Base Salary

We approve and recommend to the Board of Directors base salaries for AutoNation's executive officers annually and consider such factors as: the level and scope of the executive officer's responsibilities; compensation levels of similarly positioned executives in comparable companies, as reflected in a market analysis conducted by outside compensation consultants; the performance of the particular business area or function for which the executive officer is responsible; and certain qualitative factors reflecting the individual performance of the executive officers. We attempt to set the annual base salary for each of AutoNation's executive officers at a level competitive with such salaries at comparable companies to attract and retain a high quality management team. We believe that the executive officers' base salaries for 2002 were set in accordance with this policy.

Incentive Bonus

In 2002, the Board adopted, and AutoNation's stockholders approved, the AutoNation, Inc. Senior Executive Incentive Bonus Plan, which provides for a performance-based bonus program for certain senior executive officers of AutoNation. Under the terms of the plan, we establish specific annual performance goals and set target awards for participants, each of whom is selected based on the likelihood that he or she will have a significant impact on AutoNation's performance. Our objective is to create a direct link between pay and performance for our senior executives. Participants selected with respect to one particular plan year are not assured of selection as to any subsequent

Table of Contents

year. Under the plan, we choose from a number of factors to set the performance goals applicable to a particular participant. These performance factors are established while actual performance relative to the target remains substantially uncertain within the meaning of Section 162(m) of the Code. At the time that the performance goals are selected for a particular participant, we also establish an objective formula or standard for calculating the amount of the target award. The maximum annual target award payable to any particular participant under the plan is \$5 million. We have absolute negative discretion to eliminate or reduce the amount of any award under the plan. For 2002, we selected Messrs. Michael J. Jackson, AutoNation's Chairman and Chief Executive Officer, Michael E. Maroone, AutoNation's President and Chief Operating Officer, and Craig T. Monaghan, AutoNation's Senior Vice President, Chief Financial Officer, to participate in the plan, and we established performance goals under the plan based upon the achievement of specified levels of operating income per share and operating income as a percentage of gross profit for AutoNation. After the end of the year, we determined that the performance goals for 2002 had been achieved under the plan and, accordingly, we made awards to Messrs. Jackson, Maroone and Monaghan under the plan. Effective as of January 1, 2003, the Executive Compensation Subcommittee has been delegated responsibility to administer the AutoNation, Inc. Senior Executive Incentive Bonus Plan.

We also award annual performance-based incentive bonuses to other senior officers. For 2002, we based the amount and conditions of such bonuses on the company's financial performance for the year and the individual performance of the senior officer during the year.

Stock Options

We believe that awarding stock options to our executive officers motivates them to focus on AutoNation's long-term performance. For fiscal 2002, we administered AutoNation's stock option plans and approved the grant of stock option awards to each executive officer. Effective as of January 1, 2003, the Executive Compensation Subcommittee has been delegated the authority to administer AutoNation's stock option plans. Under AutoNation's stock option guidelines, stock option grants are generally made on an annual basis in competitive amounts. Stock option grants also are made to executive officers upon commencing service to AutoNation or entering into an employment agreement with AutoNation, subject to Executive Compensation Subcommittee approval. Stock options generally vest in equal installments over four years and have an exercise price equal to the closing price of AutoNation common stock on the last trading day immediately preceding the grant.

Compensation of the Chief Executive Officer

In July 2002, AutoNation entered into an employment agreement with Mr. Jackson pursuant to which his initial base salary is \$1,150,000 per year. Mr. Jackson's base salary was based upon his performance and an assessment of competitive market data of comparable companies, as described above. In addition to his annual base salary, as described above, Mr. Jackson was awarded a \$1,734,617 bonus for 2002 under the AutoNation, Inc. Senior Executive Incentive Bonus Plan. Receipt of \$433,632 of Mr. Jackson's bonus will be deferred until February 28, 2004, subject to certain terms and conditions, including his continued service to AutoNation until February 28, 2004 (unless Mr. Jackson's employment is terminated by reason of death or disability, by the company without cause or by Mr. Jackson for good reason as provided in the deferral agreement). In August 2002, we approved an annual grant to Mr. Jackson of options to purchase 400,000 shares of stock exercisable at \$12.25 per share. The options have a ten-year term (subject to earlier termination in certain circumstances), vest over four years and are not presently exercisable.

We believe that aligning a large part of our Chairman and Chief Executive Officer's compensation with the performance of the company's stock improves AutoNation's long-term performance by providing Mr. Jackson an incentive to create stockholder value and make AutoNation more profitable in future years. We believe that Mr. Jackson's compensation, as described above, is fair for his services as our Chairman and Chief Executive Officer.

Compensation Committee:

Edward S. Lampert
Robert J. Brown
George D. Johnson, Jr.
Irene B. Rosenfeld
J.P. Bryan

Table of Contents

SUMMARY COMPENSATION TABLE

The following tables set forth information with respect to our Chief Executive Officer and four other most highly compensated executive officers at December 31, 2002.

<u>Name and Principal Position</u>	<u>Annual Compensation</u>				<u>Long-Term Compensation Awards</u>	<u>All Other Compensation⁽²⁾</u>
	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation⁽¹⁾</u>	<u>Securities Underlying Options to Purchase Common Stock</u>	