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AUTONATION INC /FL
Form DEF 14A
April 12, 2002

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

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|--|---|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission
Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
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| <input type="checkbox"/> Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 | |

AutoNation, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- 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:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

(AutoNation LOGO)

April 12, 2002

Dear AutoNation Stockholder:

We are pleased to invite you to attend the 2002 Annual Meeting of Stockholders of AutoNation, Inc. to be held at 9:30 a.m. Eastern Time on Thursday, May 16, 2002, at the Parker Playhouse, 707 N.E. 8th Street, Fort Lauderdale, Florida 33312.

The accompanying Notice of Annual Meeting and Proxy Statement describe the specific matters to be acted upon at the meeting. We will also 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 each of the matters described in the Proxy Statement to be presented at the meeting.

We look forward to seeing you on May 16th in Fort Lauderdale. Thank you.

Sincerely,

/s/ WAYNE
H. Wayne Huizenga
Chairman of the Board

AUTONATION, INC.
AUTONATION TOWER

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110 S.E. SIXTH STREET
FORT LAUDERDALE, FLORIDA 33301

NOTICE OF THE 2002 ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF AUTONATION, INC.:

The 2002 Annual Meeting of Stockholders of AutoNation, Inc. will be held at the Parker Playhouse, 707 N.E. 8th Street, Fort Lauderdale, Florida on Thursday, May 16, 2002 at 9:30 a.m. Eastern Time. At the meeting, we will consider and vote upon the following matters:

- (1) The election of twelve Directors, each for a term expiring at the next Annual Meeting or until their successors are duly elected and qualified;
- (2) The approval of the AutoNation, Inc. Senior Executive Incentive Bonus Plan; and
- (3) 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. on March 25, 2002, 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 SIG)

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

April 12, 2002

PLEASE DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT
PROMPTLY IN THE ENVELOPE PROVIDED FOR THAT PURPOSE.

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(Instr. 3)	
2. Transaction Date (Month/Day/Year)	
2A. Deemed Execution Date, if any (Month/Day/Year)	
3. Transaction Code	
(Instr. 8)	
4. Securities Acquired (A) or Disposed of (D)	

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- (Instr. 3, 4 and 5)
- 5. Amount of Securities Beneficially Owned Following Reported Transaction(s)
(Instr. 3 and 4)
- 6. Ownership Form: Direct (D) or Indirect (I)
(Instr. 4)
- 7. Nature of Indirect Beneficial Ownership
(Instr. 4)

Code
V
Amount
(A) or (D)
Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title Amount or Number of Shares
Option (Right to Buy)	\$ 42.58	09/21/2007		A	50,000	<u>(1)</u> 09/21/2017	Class A Common Stock 50,000
Restricted Stock Units (Share Payout)	\$ 0	09/21/2007		A	8,666	<u>(2)</u> <u>(2)</u>	Class A Common Stock 8,666

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other

PROUVE CEDRIC
THE ESTEE LAUDER COMPANIES INC.
767 FIFTH AVENUE
NEW YORK, NY 10153

Group President, International

Signatures

Cedric Prouve, by Charles E. Reese, II,
attorney-in fact

09/24/2007

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

- (1) Stock Options granted pursuant to Fiscal 2002 Share Incentive Plan in respect of 16,666 shares exercisable from and after January 1, 2009; 16,667 shares exercisable from and after January 1, 2010; 16,667 shares exercisable from and after January 1, 2011.

- (2) Assuming continued employment, the restricted stock units will vest and be paid out as follows: 2,888 on October 31, 2008, 2,889 on November 2, 2009, and 2,889 on November 1, 2010, or in each case the first day thereafter that shares may be sold pursuant to company policy. Upon payout, shares will be withheld to cover minimum statutory tax obligations. Restricted stock units are accompanied by dividend equivalent rights that will be payable in cash at the time of payout of the related shares.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

roval of the AutoNation, Inc. Senior Executive Incentive Bonus Plan. HOW WILL MY PROXY HOLDERS VOTE? The enclosed proxy card designates Mike Jackson, our Chief Executive Officer, and Jonathan P. Ferrando, our Senior Vice President, General Counsel & Secretary, or their duly named successors, to hold your proxy and vote your shares. With respect to the election of Directors and the approval of the AutoNation, Inc. Senior Executive Incentive Bonus Plan, 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 and FOR the approval of the AutoNation, Inc. Senior Executive Incentive Bonus Plan. 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. 3 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 may also solicit proxies personally, by telephone or otherwise, but such persons will not receive any 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, we intend to make it possible for you to 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 www.computershare.com/consent/autonation in order to register to receive our 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 2001 Annual Report to Stockholders also are

available on AutoNation's corporate website, which you can visit by logging on to www.autonation.com. CAN DIFFERENT STOCKHOLDERS SHARING THE SAME ADDRESS RECEIVE ONLY ONE ANNUAL REPORT AND PROXY STATEMENT? Yes. The Securities and Exchange Commission recently adopted new rules that permit 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.

4 PROPOSALS ON WHICH WE ARE ASKING YOU TO VOTE

PROPOSAL 1 ELECTION OF DIRECTORS Our Board of Directors currently consists of twelve members. With the exception of Edward S. Lampert and William C. Crowley, each of our Directors was elected by our stockholders at the Annual Meeting of Stockholders in 2001. Messrs. Lampert and Crowley were appointed to serve as Directors by our Board of Directors in January 2002. Our Board has nominated each of our current Directors to stand for election for a new term expiring at the Annual Meeting of Stockholders in 2003 or until their successors are duly elected and qualified. Detailed biographical and other information on each Director is provided on pages 8 and 9 of this Proxy Statement. Each nominee is willing and able to serve as a Director of AutoNation.

NOMINEES FOR DIRECTOR POSITIONS AND OFFICES HELD WITH US ----- H. Wayne Huizenga Chairman of the Board
 Mike Jackson Chief Executive Officer and Director
 Harris W. Hudson Vice Chairman of the Board
 Robert J. Brown Director
 J.P. Bryan Director
 Rick L. Burdick Director
 William C. Crowley Director
 Michael G. DeGroot Director
 George D. Johnson, Jr. Director
 Edward S. Lampert Director
 John J. Melk 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.

5 PROPOSAL 2 APPROVAL OF THE AUTONATION, INC. SENIOR EXECUTIVE INCENTIVE BONUS PLAN Our Board of Directors recently approved a new performance-based bonus plan for our executive officers and other key employees, subject to the requisite approval by our stockholders. The purpose of the AutoNation, Inc. Senior Executive Incentive Bonus Plan (the "Plan") is to better align the interests of our management with the interests of our stockholders by encouraging management to achieve goals designed to increase stockholder value. The full text of the Plan is set forth as Exhibit A to this Proxy Statement, and you should refer to it for a complete description of the Plan. The following summary of the key terms of the Plan is qualified by reference to the Plan. If the requisite stockholder approval is obtained, the Plan would be effective as of January 1, 2002 and would supersede the 1999 Senior Executive Bonus Plan that was approved by our Board and our stockholders in 1999.

Intended Tax Treatment of Awards under the Plan. The Plan is designed to provide for the payment of performance-based compensation that is qualified within the meaning of Section 162(m) of the Internal Revenue Code and related Internal Revenue Service regulations and that we may deduct for tax purposes. Section 162(m) requires that certain material terms of a compensation plan, including participant eligibility, the business criteria on which performance goals are based and maximum award amounts, be approved by a company's stockholders in order for compensation paid thereunder to be tax deductible. Accordingly, we are submitting the Plan for the requisite approval by our stockholders.

Administration of the Plan. The Compensation and Nominating Committee of our Board, or such other committee or subcommittee as may be designated by our Board, will administer the Plan (the "Committee"). The Committee shall be comprised of two or more "outside directors" within the meaning of Section 162(m). **Selection of Participants.** The Committee, in its sole discretion, shall determine which of our executive officers or other key employees shall participate in the Plan in any particular year. An executive officer or key employee who is a participant for a given plan year is not guaranteed or assured of being selected for participation in any subsequent plan year. **Establishment of Performance Targets.** The Committee is responsible for identifying annual "performance factors" and establishing specific performance targets with respect thereto that must be met in order for annual bonuses to be paid under the Plan. The Committee has the sole discretion to determine whether, or to what extent, the established performance targets are achieved. The performance targets may be based upon any or all of the following performance factors or any combination thereof: (i)

net income (before or after taxes); (ii) operating income; (iii) gross margin; (iv) earnings before all or any of interest, taxes, depreciation and/or amortization; (v) revenue; (vi) unit sales; (vii) cash flow; (viii) return on equity; (ix) return on assets; (x) return on capital; (xi) asset management (e.g., inventory and receivable levels); (xii) earnings from continuing operations; (xiii) cost reduction goals or levels of expenses, costs or liabilities; (xiv) market share; and (xv) customer satisfaction. The performance targets must be established while the performance relative to the established target remains substantially uncertain within the meaning of Section 162(m). Concurrently with the selection of performance factors and the establishment of targets relating thereto, the Committee must establish an objective formula or standard for calculating the maximum bonus payable to each participant. Subject to the discretion of the Committee, the performance measurement periods are typically the one-year periods commencing on January 1, 2002. As provided in the definition of "Performance Factors" in Section 2 of the Plan, the Committee has the authority to make appropriate adjustments in performance targets under an award to reflect the impact of extraordinary items not reflected in such targets, such as the effect of: (1) acquisitions or divestitures; (2) changes in accounting principles or policies; (3) restructuring charges; (4) extraordinary or one-time gains, losses or expenses; (5) discontinued operations; (6) capital expenditures; and (7) share repurchases and other capitalization changes. Awards Under the Plan. Awards under the Plan will be payable in cash, unless otherwise determined by the Committee. Under the Plan, the maximum cash bonus for each fiscal year may not exceed \$5 million for any particular participant. Notwithstanding this maximum, and even if the Performance Factors are met, the Committee has sole discretion, pursuant to the exercise of its "negative discretion," to decrease the amount of any award payable or to pay no award at all. In no event may the Committee increase at its discretion the amount of an award payable upon attainment of the Performance Factors. Payment of any bonus under the Plan may be deferred, subject to the Plan's terms and any other written commitment authorized by the Committee. Amendment of the Plan. The Plan may from time to time be altered, amended, suspended or terminated, in whole or in part, by our Board of Directors or the Committee, but no amendment will be effective without the requisite stockholder approval if such approval is required to satisfy the requirements of Section 162(m). Other Compensation. The Plan is not exclusive. We may and do pay cash and other bonuses and other compensation to certain named executive officers and other officers. You are not being asked at the meeting to approve any such other compensation. If the Plan is not approved by the requisite vote of our stockholders, we currently contemplate that any cash bonuses for fiscal year 2002 for our named executive officers would be discretionary. Any such bonuses would not be deductible under Section 162(m) to the extent that (when combined with other non-exempt compensation paid with respect to 2002) they exceed the \$1 million individual limit on non-exempt compensation paid to named executive officers under Section 162(m) of the Internal Revenue Code. **OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE AUTONATION, INC. SENIOR EXECUTIVE INCENTIVE BONUS PLAN. STATEMENT REGARDING OUR INDEPENDENT PUBLIC ACCOUNTANT** Arthur Andersen LLP served as our independent public accountant for the year ended December 31, 2001. Although we have been satisfied with Arthur Andersen LLP's service as our independent public accountant, in light of recent well-publicized events involving Arthur Andersen LLP, our Board of Directors and Audit Committee have directed us to evaluate alternatives for engaging an independent public accountant for the fiscal year ending December 31, 2002. Accordingly, we recently commenced a process to seek proposals from other audit firms to become our independent public accountant for the fiscal year ending December 31, 2002 in the event we determine not to retain Arthur Andersen LLP as our independent public accountant for 2002. As a result, as of the date of this Proxy Statement, our Board of Directors and Audit Committee have not made a final determination as to the appointment of an independent public accountant to audit our financial statements for the year ending December 31, 2002. Accordingly, our stockholders are not being asked to ratify the selection of an independent public accountant at this time. We presently expect that we will ask our stockholders at our 2003 Annual Meeting of Stockholders to ratify our appointment of an independent public accountant to audit our financial statements for the year ending December 31, 2003. A representative of Arthur Andersen LLP is expected to attend the annual meeting and be available to respond to appropriate questions. The representative also will be afforded an opportunity to make a statement if he or she desires to do so. **7 NOMINEES FOR OUR BOARD OF DIRECTORS** H. WAYNE HUIZENGA Mr. Huizenga, age 64, has served as our Chairman of the Board since August 1995. He also served as our Chief Executive Officer from August 1995 until October 1996, and as Co-Chief Executive Officer from October 1996 through September 1999. Since May 1998, Mr. Huizenga has been Chairman of the Board of Republic Services, Inc., a solid waste services company, and served as its Chief Executive Officer from May 1998 until

December 1998. Since May 2000, Mr. Huizenga has been Vice Chairman of ZixIt Corporation, a provider of security services and products for Internet use. Since September 1996, Mr. Huizenga has been Chairman of the Board of Boca Resorts, Inc., an owner and operator of luxury resort hotels and related facilities. Since August 1995, Mr. Huizenga also has been Chairman of the Board of Extended Stay America, Inc., an operator of extended stay lodging facilities. Mr. Huizenga served as the Vice Chairman of Viacom Inc., a diversified entertainment and communications company, from September 1994 until October 1995, during which time he also served as the Chairman of the Board and Chief Executive Officer of Blockbuster Entertainment Group, a division of Viacom. From April 1987 through September 1994, Mr. Huizenga served as the Chairman of the Board and Chief Executive Officer of Blockbuster Entertainment Corporation, during which time he helped build Blockbuster from a 19-store chain to the world's largest video rental company. In September 1994, Blockbuster merged with Viacom. In 1971, Mr. Huizenga co-founded Waste Management, Inc., which he helped build into the world's largest integrated solid waste services company, and he served in various capacities, including as President, Chief Operating Officer and director, from its inception until 1984. Mr. Huizenga owns the Miami Dolphins, as well as Pro Player Stadium in South Florida, and is a director of NationsRent, Inc., a national equipment rental company, and ANC Rental Corporation, a car rental company.

MIKE JACKSON Mr. Jackson, age 53, has served 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 was also the managing partner from March 1979 to July 1990 of Euro Motorcars of Bethesda, Maryland, a regional group that owned and operated eleven automotive dealership franchises, including Mercedes-Benz and other brands of automobiles.

HARRIS W. HUDSON Mr. Hudson, age 59, has served as a Director of the Company since August 1995, and has served as our Vice Chairman since October 1996. From August 1995 until October 1996, Mr. Hudson served as our President. Since May 1998, Mr. Hudson has served as Vice Chairman and Secretary of Republic Services. Mr. Hudson also serves as a director of Boca Resorts and NationsRent.

ROBERT J. BROWN Mr. Brown, age 67, 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, Wachovia Corporation and Sonoco Products Company.

J.P. BRYAN Mr. Bryan, age 62, 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 8 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 Mission Resources Corp., an oil and gas exploration company, and ANC Rental.

RICK L. BURDICK Mr. Burdick, age 50, 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 a director 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 44, 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.

MICHAEL G. DEGROOTE Mr. DeGroote, age 68, has served as a Director of the Company since 1991 and served as the Vice Chairman of the Board of Directors of the Company from August 1995 until October 1996. Since April 1995, Mr. DeGroote has served as Chairman of the Board of Century Business Services. Mr. DeGroote also served as President and Chief Executive Officer of Century Business Services from April 1995 until October 1996 and from November 1997 until April 1999, and he served as Chief Executive Officer from April 1999 until October 2000.

GEORGE D. JOHNSON, JR. Mr. Johnson, Jr., age 59, has served as a Director of the Company since November 1995. Since January 1995, Mr. Johnson has served as Chief Executive Officer of Extended Stay America. Mr. Johnson serves as a director of Extended Stay

America, Duke Energy Corporation and Boca Resorts. EDWARD S. LAMPERT Mr. Lampert, age 39, 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. JOHN J. MELK Mr. Melk, age 65, has served as a Director of the Company since August 1995. Mr. Melk has been Chairman and Chief Executive Officer of H(2)O Plus, Inc., a bath and skin care product manufacturer and retail distributor, since 1988. Mr. Melk also serves as a director of Extended Stay America. Additionally, he is Chairman and Chief Executive Officer of Fisher Island Holdings, LLC, which owns the development rights of Fisher Island, Florida. IRENE B. ROSENFELD Ms. Rosenfeld, age 48, has served as a Director of the Company since March 1999. Ms. Rosenfeld has been President of Kraft Canada, Inc., a subsidiary of Kraft Foods, Inc., a diversified food company, since 1996, and in May 2000 was also named Group Vice President of Kraft Foods and President of Operations, Research & Development and Information Systems, Canada, Mexico & Puerto Rico. Ms. Rosenfeld also serves as a Trustee of Cornell University. Mr. Hudson is married to Mr. Huizenga's sister. Otherwise, there are no family relationships between any of our Directors.

9 BOARD GOVERNANCE Our business and affairs are managed under the direction of our Board of Directors. Our Board establishes our overall corporate policies and reviews the performance of our management in executing our business strategy and managing our day-to-day operations. Our Directors are informed of our operations at 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.

HOW MANY TIMES DID OUR BOARD MEET DURING 2001? Our Board of Directors held seven meetings during 2001 and took one action by unanimous written consent. During 2001, 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 Harris W. Hudson, who attended five of our Board's seven meetings during the year.

WHAT COMMITTEES HAS OUR BOARD ESTABLISHED? Our Board of Directors has established two standing Committees to assist it in discharging its responsibilities: our Audit Committee and our Compensation and Nominating Committee. In January 2002, our Board dissolved our Executive Committee, which had formerly consisted of Messrs. Huizenga, Jackson and Hudson, and generally retained for the full Board the powers that had previously been delegated to the Executive Committee. The following chart reflects the membership of each Committee of our Board:

AUDIT COMMITTEE -----	H. Wayne Huizenga.....	Mike Jackson.....
Harris W. Hudson.....	Robert J. Brown.....	J.P. Bryan.....
* ** Rick L. Burdick.....	* William C. Crowley(1).....	* Michael G. DeGroote.....
George D. Johnson, Jr.....	* Edward S. Lampert(1).....	* John J. Melk.....
* Irene B. Rosenfeld.....	** * -----	* Member ** Chair (1)

Appointed to the Board of Directors and Committee on January 29, 2002. 10 Audit Committee. Our Audit Committee is responsible for assisting our Board in fulfilling its oversight responsibilities by reviewing our financial reporting and audit processes, system of internal controls and ethical behavior. Please refer to our Audit Committee's Report, which is set forth on page 12, for a further description of our Audit Committee's responsibilities and its recommendation with respect to our audited consolidated financial statements for the year ended December 31, 2001. Our Audit Committee consists of five Directors. Based upon the rules adopted by The New York Stock Exchange and the standards set forth in our Audit Committee charter, our Board has determined that each member of our Audit Committee meets all requisite qualifications to be a member of the Committee. Our Audit Committee held nine meetings during 2001.

Compensation and Nominating Committee. Our Compensation and Nominating Committee sets our compensation philosophy and is responsible for administering our compensation programs, including approving base salaries and incentive compensation for our officers and stock option grants pursuant to our stock option plans. Our Compensation and Nominating Committee also identifies, evaluates and recommends to our Board candidates for nomination and election to our Board of Directors and for appointment to the Committees of our Board. Our Compensation and Nominating Committee consists of four Directors who have never been employees of AutoNation and who are not eligible to participate in any of the Compensation and Nominating Committee-administered compensation programs or plans. Our Compensation and Nominating Committee held six meetings during 2001 and took one action by unanimous written consent. Our Compensation and Nominating Committee's Report on Executive Compensation is set forth on pages 14 and 15.

HOW ARE OUR DIRECTORS COMPENSATED? In 2001, we paid each of our

non-employee Directors, other than Mr. DeGroot, 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 \$16,170 during 2001 for each of our Directors who used a company car during 2001. Mr. DeGroot does not accept the annual Director fee and he does not use a company vehicle under our Director Car Policy. 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, 2002, Messrs. Brown, Bryan, Burdick, DeGroot, Hudson, Johnson 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 \$12.33 per share. Upon their appointment to our Board of Directors on January 29, 2002, Messrs. Crowley and Lampert each received an automatic grant of options to purchase 50,000 shares of our stock at an exercise price of \$12.60 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.

11 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 2001, the Audit Committee consisted of Irene B. Rosenfeld (Chair), J. P. Bryan, Rick L. Burdick and John J. Melk. William C. Crowley was appointed to the Audit Committee and joined Ms. Rosenfeld and Messrs. Bryan, Burdick and Melk as members of the Audit Committee on January 29, 2002. A written charter adopted by the Board of Directors governs the Audit Committee. Our primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing AutoNation's financial reporting and audit processes, system of internal controls and ethical behavior. 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 we recommend to the Board, 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 also are responsible for reviewing the scope of audit services in conjunction with management and the auditor 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 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, 2001 for filing with the Securities and Exchange Commission. Audit Committee: Irene B. Rosenfeld (Chair) J. P. Bryan Rick L. Burdick William C. Crowley (member since January 29,

2002) John J. Melk 12 AUDIT FEES During fiscal 2001, we paid the following amounts to Arthur Andersen LLP in connection with audit and other services: Audit Fees..... \$1,723,000 Financial Information Systems Design and Implementation Fees..... -- All Other Fees: Audit-Related Fees..... \$ 523,000 Other Fees..... 1,354,000 ----- \$1,877,000 ----- Total..... \$3,600,000 =====

During fiscal 2001, we hired Arthur Andersen LLP to perform certain audit and other services. The audit-related services referenced in the table above include services performed in connection with certain securities offerings completed during 2001, including our offering of senior unsecured notes in August 2001. Other services included tax consulting, tax compliance services and employee benefit plan audits. In these situations, our Audit Committee and our management considered whether Arthur Andersen LLP could provide the necessary services without effect on its independence.

13 EXECUTIVE COMPENSATION COMPENSATION AND NOMINATING COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The following statement made by our Compensation and Nominating 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. **COMPENSATION PHILOSOPHY** The company'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, motivate, reward and retain highly-skilled executives who have the talent and experience necessary to advance the company's short- and long-term interests. We believe that this approach effectively serves AutoNation's stockholders' best interests by tying a significant portion of incentive compensation to the achievement of goals that are aligned with your goals. The executive officer compensation program in 2001 was based in part on a competitive market analysis conducted by independent compensation consultants. 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 the company's priority is to attract and retain highly-skilled executives to manage the company 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 2001.

BASE SALARY We approve and recommend to the Board of Directors base salaries for the company's executive officers annually and consider such factors as: the level and scope of our executive officer's responsibilities; compensation levels of similarly positioned executives in comparable companies, as reflected in a market analysis conducted by independent compensation consultants; the performance of our particular business area or function for which the executive officer is responsible; and certain qualitative factors reflecting the individual performance of the executive officers. Our Compensation and Nominating Committee attempts to set the annual base salary for each of our 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 2001 were set in accordance with this policy.

INCENTIVE BONUS In 1999, we adopted, and the company's stockholders approved, the 1999 Senior Executive Bonus Plan, which provides for a performance-based bonus program for executives who are designated as "covered employees" under Section 162(m) of the Internal Revenue Code. Under the terms of the 1999 Senior Executive Bonus Plan, we established specific annual performance goals and set target awards for participants, each of whom was selected based on the likelihood that he or she would have a 14 significant impact on our performance. Our objective was to create a direct link between pay and performance for our senior executives. Participants selected with respect to one particular plan year were not guaranteed or assured of selection as to any subsequent year. We chose from any one or more of the following factors to set the performance goals applicable to a particular participant: (a) annual revenue; (b) controllable profits; (c) earnings per share; (d) customer satisfaction indices; (e) net income; (f) pro forma net income; (g) return on assets; and (h) return on sales. These performance goals were established while actual performance relative to the target remained substantially uncertain within the meaning of Section 162(m). At the time that the performance goals were selected for a particular participant, we also established 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 was \$2 million. We had absolute "negative discretion" to eliminate or reduce the amount of any award under the plan. For 2001, we established performance goals under the plan based upon the achievement of a specified

level of earnings per share for the company. After the end of the year, we determined that the performance goal for 2001 had been achieved under the Plan and we made awards to participants in the Plan, subject to the exercise of negative discretion. We also award annual performance-based incentive bonuses to other senior officers. For 2001, we based the amount and conditions of such bonuses primarily on the company's financial performance for the year and, to a lesser degree, the individual performance of the senior officer during the year. STOCK OPTIONS We believe that awarding stock options to our executive officers will motivate them to focus on the company's long-term performance. Under the company's stock option guidelines, stock option grants are generally made on an annual basis in competitive amounts. Stock option grants are also made to executive officers upon commencing service to the company or entering into an employment agreement with the company, subject to Compensation and Nominating Committee approval. Accordingly, in 2001 we approved the grant of stock option awards to each executive officer. 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 Our Board granted a salary adjustment for Mr. Jackson as our Chief Executive Officer in January 2001, increasing his annual base salary to \$1,150,000. 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 \$758,331 bonus for 2001 under the 1999 Senior Executive Bonus Plan. Receipt of \$189,581 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 July 2001, we approved an annual grant to Mr. Jackson of options to purchase 500,000 shares of stock exercisable at \$11.05 per share. The options have a ten-year term, vest over four years and are not presently exercisable. We believe that tying a large part of our Chief Executive Officer's compensation to the performance of the company's stock improves the company's long-term performance by providing Mr. Jackson the incentive to grow the company's stock price 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 Chief Executive Officer. Compensation and Nominating Committee: J.P. Bryan (Chair) George D. Johnson, Jr. Edward S. Lampert (member since January 29, 2002) Irene B. Rosenfeld

15 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, 2001. LONG-TERM COMPENSATION AWARDS ----- SECURITIES ANNUAL COMPENSATION UNDERLYING ----- OPTIONS TO OTHER ANNUAL PURCHASE ALL OTHER NAME AND PRINCIPAL POSITION YEAR SALARY BONUS COMPENSATION(1) COMMON STOCK COMPENSATION -----

NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	COMMON STOCK COMPENSATION	SECURITIES ANNUAL PURCHASE	OPTIONS TO OTHER ANNUAL PURCHASE
H. Wayne Huizenga..... (Chairman of the Board)	2001	\$ 500,000	\$ --	\$ --	500,000	\$ 4,910(2)
Mike Jackson..... (Chief Executive Officer)	2001	1,134,807	758,331(5)	--	500,000	4,429(6)
Michael E. Maroone..... (President and Chief Operating Officer)	2001	850,000	205,831(8)	1999	250,000	250,000
Craig T. Monaghan..... (Senior Vice President, Chief Financial Officer)	2001	896,927	358,335	111,272(11)	400,000	1,689(2)
Patricia A. McKay..... (Finance)	2001	398,270	91,919	--	60,000	1,567(17)

(1) Except as disclosed below, the aggregate total value of perquisites and other personal benefits, securities or property did not equal the lesser of \$50,000 or ten percent (10%) of the annual salary and bonus for this officer during the fiscal year indicated. (2) Imputed income from life insurance. (3) Reflects adjustment to stock options in connection with the tax-free spin-off to our stockholders of ANC Rental Corporation. (4) Mr. Jackson began serving as our Chief Executive Officer in September 1999. (5) Includes \$189,581 as to which receipt by Mr. Jackson is deferred until February 28, 2004, subject to certain terms and conditions. (6) Includes \$2,723 of imputed income from life insurance and \$1,706 of imputed income from an executive physical examination. (7) Includes \$115,017 of reimbursement by us for the payment of taxes in connection with certain relocation expenses, \$61,764 of imputed income from company car usage and \$27,543 of imputed income from use of our aircraft. (8) Includes \$203,209 of relocation expenses and \$2,622 of imputed income from life insurance. (9) Reimbursement by

us for the payment of taxes in connection with certain relocation expenses. (10) Includes \$77,122 of relocation expenses and \$404 of imputed income from life insurance. (11) Includes \$79,593 of imputed income from use of our aircraft and \$31,679 of imputed income from company car usage. (12) Includes \$57,660 of imputed income from use of our aircraft and \$9,766 of imputed income from company car usage. (13) Mr. Monaghan began serving as our Senior Vice President, Chief Financial Officer in May 2000. (14) Includes \$480 of imputed income from life insurance and \$1,217 of imputed income from an executive physical examination. (15) Includes \$93,105 of relocation expenses and \$240 of imputed income from life insurance. (16) Ms. McKay served as our Acting Chief Financial Officer and Controller from November 1999 until April 2000. Ms. McKay currently serves as our Senior Vice President, Finance, a position that she has held since November 1999. (17) Includes \$560 of imputed income from life insurance and \$1,007 of imputed income from an executive physical examination. (18) Includes a one-time bonus of \$125,000 paid during April 2000 in recognition of Ms. McKay's service from November 1999 until April 2000 as our Acting Chief Financial Officer and Controller.

16 OPTION GRANTS IN LAST FISCAL YEAR POTENTIAL REALIZABLE INDIVIDUAL GRANTS VALUE AT ----- ASSUMED ANNUAL NUMBER OF % OF TOTAL RATES OF STOCK SECURITIES OPTIONS PRICE APPRECIATION FOR UNDERLYING GRANTED TO OPTION TERM OPTIONS EMPLOYEES IN EXERCISE EXPIRATION ----- NAME AND PRINCIPAL POSITION GRANTED FISCAL YEAR PRICE DATE(1) 5% 10%

NAME AND PRINCIPAL POSITION	GRANTED FISCAL YEAR	PRICE	DATE(1)	5%	10%
H. Wayne Huizenga.....					
Mike Jackson.....					
Michael E. Maroone.....					
Craig T. Monaghan.....					
Patricia A. McKay.....					

AGGREGATED OPTION EXERCISES IN YEAR ENDED DECEMBER 31, 2001 AND YEAR-END OPTION VALUES NUMBER OF SECURITIES UNDERLYING UNEXERCISED VALUE OF UNEXERCISED OPTIONS AT IN-THE-MONEY OPTIONS AT SHARES DECEMBER 31, 2001 DECEMBER 31, 2001 ACQUIRED VALUE -----

NAME AND PRINCIPAL POSITION ON EXERCISE	REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
H. Wayne Huizenga.....					
Mike Jackson.....					
Michael E. Maroone.....					
Craig T. Monaghan.....					
Patricia A. McKay.....					

17 PERFORMANCE GRAPH The following graph and table compare the cumulative total stockholder return on our common stock from December 31, 1996 through December 31, 2001 with the performance of: (i) the Standard & Poor's 500 Stock Index and (ii) the Standard & Poor's Retail (Specialty) Index. We have created these comparisons using data supplied by Research Data Group, Inc. The comparisons reflected in the graph and table are not intended to forecast the future performance of our stock and may not be indicative of future performance. The graph and table assume investments of \$100 in our stock and each index on December 31, 1996, as well as reinvestment of dividends. The distribution we made to our stockholders on June 30, 2000 in connection with the tax-free spin-off to our stockholders of ANC Rental Corporation is reflected in the graph and table as a reinvestment of a cash dividend in the amount of \$.69. The spin-off was completed by issuing to each AutoNation stockholder of record as of June 16, 2000 one share of ANC Rental common stock for each eight shares of AutoNation common stock held by such stockholder. (PERFORMANCE GRAPH) CUMULATIVE TOTAL RETURN

	12/96	12/97	12/98	12/99	12/00	12/01
AUTONATION, INC.....	\$100.00	\$ 74.75	\$ 47.70	\$ 29.66	\$ 19.24	\$ 39.54
S & P 500.....	100.00	133.36	171.47	207.56	188.66	166.24
S & P RETAIL (SPECIALTY).....	100.00	100.45	86.04	61.48	51.30	82.81

18 COMPENSATION AND NOMINATING COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION Messrs. Bryan and Johnson and Ms. Rosenfeld served as members of our Compensation and Nominating Committee in 2001. Mr. Johnson has served as the President

and Chief Executive Officer of Extended Stay America, and Mr. Huizenga has served as the Chairman of the Board of Extended Stay America, since January 1995. **EMPLOYMENT AGREEMENTS** We have entered into employment agreements with Mike Jackson, Michael E. Maroone and Craig T. Monaghan. Summaries of these employment agreements and other employment arrangements are set forth below. **Mike Jackson.** In September 1999, we entered into an employment agreement with Mr. Jackson pursuant to which he serves as our Chief Executive Officer. The agreement, which expires September 24, 2002 (subject to earlier termination), provided for an initial base salary of \$1,000,000 per year, subject to future increases as determined by our Compensation and Nominating Committee. In January 2001, our Compensation and Nominating Committee approved an increase in Mr. Jackson's base salary to \$1,150,000 per year. Mr. Jackson's employment agreement also provides for his participation in the 1999 Senior Executive Bonus Plan, with bonus eligibility and performance objectives as established by the Compensation and Nominating Committee during the first quarter of each year. Receipt of a portion of the bonus award payable to Mr. Jackson for 2001 under the 1999 Senior Executive Bonus Plan was deferred until February 28, 2004, subject to certain terms and conditions. Upon the commencement of Mr. Jackson's employment, we granted to Mr. Jackson a sign-on bonus in the amount of \$250,000 and stock options with respect to a total of 1,107,843 shares of our common stock (adjusted to reflect the tax-free spin-off to our stockholders of ANC Rental). All of these options vest in four equal annual installments commencing on September 24, 2000 and have an exercise price equal to \$10.61 per share and a term expiring on September 24, 2009 (subject to earlier termination in accordance with the applicable stock option plan and agreement). Mr. Jackson has participated in our stock option program in each year since the commencement of his employment and will continue to participate in this program in future years at the discretion of our Compensation and Nominating Committee. Under the terms of the agreement, if we terminate Mr. Jackson's employment for any reason other than "cause," he is entitled to receive his annual base salary until September 24, 2002, as well as the pro rata portion of his annual performance bonus applicable to the period prior to the termination of his employment. Additionally, if we terminate Mr. Jackson's employment without "cause," all stock options held by him will continue to vest during the 12-month period immediately following such termination, and he shall have an additional two-month period from the end of such 12-month period to exercise any vested options. The agreement also provides that Mr. Jackson is entitled to certain benefits during his employment, including limited personal use of our corporate aircraft. **Michael E. Maroone.** On August 1, 2000, we entered into an employment agreement with Michael E. Maroone that provides for him to serve as our President and Chief Operating Officer. The term of the employment agreement ends on December 31, 2003. Our agreement with Mr. Maroone provided for an initial base salary of \$850,000 per year, subject to future increases as determined by our Compensation and Nominating Committee. In January 2001, our Compensation and Nominating Committee approved an increase in Mr. Maroone's base salary to \$900,000 per year. The employment agreement also provides for Mr. Maroone's participation in the 1999 Senior Executive Bonus Plan, with bonus eligibility and performance objectives as established by the Compensation and Nominating Committee during the first quarter of each year. Upon the execution of his employment agreement, on August 1, 2000, we granted him options to purchase 350,000 shares of our stock. All of these options vest in four equal annual installments commencing on August 1, 2001 and have an exercise price equal to \$6.875 per share and a term expiring on August 1, 2010 (subject to earlier termination in accordance with the applicable stock option plan and agreement). Mr. Maroone has participated in our stock option program in each year since the commencement of his employment and will continue to participate in this program in future years at the discretion of our Compensation and Nominating Committee. Under the terms of the agreement, if Mr. Maroone's employment is terminated by us for any reason other than "cause," or if he terminates his employment with us for "good reason" (each as defined in the employment agreement), he is entitled to receive the greater of one year's base salary and his then-current base salary for the remainder of his employment term. In such circumstances, Mr. Maroone would also be entitled to receive the pro rata portion of his annual performance bonus applicable to the period prior to the termination of his employment, provided that the applicable performance objectives are satisfied. Additionally, by letter to Mr. Maroone dated March 26, 1999, we confirmed that upon the termination of Mr. Maroone's employment with us any stock options granted to Mr. Maroone prior to March 26, 1999 would continue to vest in accordance with their initial vesting schedule and would be exercisable through the duration of their original ten-year terms. **Craig T. Monaghan.** On April 19, 2000, we entered into an agreement with Craig T. Monaghan by which he serves as our Senior Vice President, Chief Financial Officer. Our agreement with Mr. Monaghan provided for Mr. Monaghan's employment with us at an initial base salary of \$450,000 per year. In January 2001, our Compensation and Nominating Committee

approved an increase in Mr. Monaghan's base salary to \$550,000 per year. The agreement also provided for an initial annual bonus of up to 50% of Mr. Monaghan's annual salary, payable upon the achievement of certain company performance goals. Upon the commencement of Mr. Monaghan's employment, we granted to Mr. Monaghan a sign-on bonus in the amount of \$100,000 and options to purchase a total of 387,745 shares of our stock (adjusted to reflect the tax-free spin-off to our stockholders of ANC Rental). These options vest in four equal annual installments commencing on May 8, 2001 and have an exercise price equal to \$8.41 per share and a term expiring on May 8, 2010 (subject to earlier termination in accordance with the applicable stock option plan and agreement). Mr. Monaghan has participated in our stock option program in each year since the commencement of his employment and will continue to participate in this program in future years at the discretion of our Compensation and Nominating Committee. Under the terms of the agreement, if Mr. Monaghan's employment is terminated by us for any reason other than "cause," or if he terminates his employment with us for "good reason" (as defined in the employment agreement), he is entitled to receive an amount equivalent to eighteen (18) months of his initial base salary of \$450,000.

20 STOCK OWNERSHIP INFORMATION SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE Section 16(a) of the Securities Exchange Act of 1934 requires that our Directors, executive officers and persons who beneficially own 10% or more of our stock file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our stock and our other equity securities. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the year ended December 31, 2001, all such filing requirements applicable to our Directors, executive officers and greater than 10% beneficial owners were complied with. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of March 25, 2002 with respect to the beneficial ownership of our stock by (1) each person who is known by us to be a beneficial owner of more than 5% of our stock outstanding, (2) each of our Directors, (3) our Chief Executive Officer and our four other highest paid executive officers named in the Summary Compensation Table and (4) all of our current Directors and executive officers as a group. Share amounts and percentages include shares of our stock that may be acquired by such individual, entity or group upon exercise of all options exercisable on March 25, 2002 or within sixty days thereafter. As of March 25, 2002, there were 321,199,684 shares of our common stock outstanding. References to stock options in the footnotes to the following table reflect an adjustment made in connection with the spin-off to our stockholders of ANC Rental Corporation with respect to any stock options granted prior to August 1, 2000. SHARES OF COMMON STOCK BENEFICIALLY OWNED

NAME AND ADDRESS OF BENEFICIAL OWNER	(1) NUMBER	PERCENT	ESL Investments, Inc.(2)
One Lafayette Place Greenwich, CT 06830 Subsidiaries of FMR Corp.(3)	76,738,300	23.9%	
82 Devonshire Street Boston, MA 02109 H. Wayne Huizenga(4)	30,456,677	9.5%	
Mike Jackson(5)	17,266,482	5.3%	796,422 * Harris W. Hudson(6)
Robert J. Brown(7)	16,124,588	5.0%	197,455 * J.P. Bryan(8)
Rick L. Burdick(9)	150,785		150,785 * William C. Crowley(10)
Michael G. DeGroot(11)	76,738,300	23.9%	8,285,652
George D. Johnson, Jr.(12)	1,160,890		2.6%
Edward S. Lampert(13)	76,738,300	23.9%	John J. Melk(14)
Irene B. Rosenfeld(15)	117,549		1,208,570 * Michael E. Maroone(16)
4,980,347	1.5%		
Patricia A. McKay(18)	206,573		247,292 *
All Directors and executive officers as a group (17 persons)(19)	127,773,450	38.2%	

* Less than 1% 21 (1) Except as otherwise indicated, the mailing address of each person or entity named in the table is AutoNation, Inc., AutoNation Tower, 110 S.E. 6th Street, Fort Lauderdale, Florida 33301. (2) Shares deemed beneficially owned by ESL Investments, Inc., are owned by a group consisting of ESL Partners, L.P., ESL Limited, ESL Institutional Partners, L.P., ESL Investors, L.L.C., CBL Partners, L.P., Courtesy Partners, L.P., Mr. Lampert and Mr. Crowley. The general partner of ESL Partners, L.P., is RBS Partners, L.P. The general partner of RBS Partners, L.P. is ESL Investments, Inc. ESL Investment Management, LLC is the investment manager of ESL Limited. RBS Investment Management, LLC is the general partner of ESL Institutional Partners, L.P. ESL Investments, Inc. is the general partner of CBL Partners, L.P. and Courtesy Partners, L.P. Mr. Lampert is the managing member of ESL Investment Management, LLC and RBS Investment Management, LLC, and the Chief Executive Officer of ESL Investments, Inc. Mr. Crowley is the President and Chief Operating Officer of ESL

Investments, Inc. In their respective capacities, each of the foregoing may be deemed to be the beneficial owner of the shares of AutoNation common stock beneficially owned by other members of the group. ESL Partners, L.P., is the record owner of 40,819,475 shares, ESL Limited is the record owner of 7,922,202 shares, ESL Institutional Partners, L.P., is the record owner of 1,443,026 shares, ESL Investors, L.L.C., is the record owner of 9,553,597 shares, CBL Partners, L.P., is the record owner of 9,000,000 shares and Courtesy Partners, L.P., is the record owner of 8,000,000 shares. Each entity has the sole power to vote and dispose of the shares deemed beneficially owned by it. (3) Includes: (a) 30,048,477 shares owned by Fidelity Management & Research Company, (b) 104,200 shares owned by Fidelity Management Trust Company and (c) 304,000 shares owned by Fidelity International Limited. Fidelity Management & Research Company and Fidelity Management Trust are wholly-owned subsidiaries of FMR Corp. This information is based on an amendment to Schedule 13G filed by FMR Corp. on February 14, 2002. FMR Corp. and Fidelity International expressly disclaim that they are acting as a "group" for purposes of Section 13(d) under the Exchange Act. (4) The aggregate amount of our stock beneficially owned by Mr. Huizenga consists of: (a) 2,929 shares owned directly, (b) 9,894,219 shares owned by Huizenga Investments Limited Partnership, a Nevada limited partnership controlled by Mr. Huizenga, and (c) vested options to purchase 7,369,334 shares. (5) The aggregate amount of our stock beneficially owned by Mr. Jackson consists of: (a) 30,000 shares owned directly and (b) vested options to purchase 766,422 shares. (6) The aggregate amount of our stock beneficially owned by Mr. Hudson consists of: (a) 14,650,279 shares beneficially owned by Harris W. Hudson Limited Partnership, a Nevada limited partnership controlled by Mr. Hudson, and (b) vested options to purchase 1,474,309 shares. (7) The aggregate amount of our stock beneficially owned by Mr. Brown consists of: (a) 200 shares owned by Mr. Brown and his wife as joint tenants and (b) vested options to purchase 197,255 shares. (8) The aggregate amount of our stock beneficially owned by Mr. Bryan consists of vested options to purchase 150,785 shares. (9) The aggregate amount of our stock beneficially owned by Mr. Burdick consists of vested options to purchase 150,785 shares. (10) Mr. Crowley is the President and Chief Operating Officer of ESL Investments, Inc. All shares indicated are owned by ESL Partners, L.P., ESL Limited, ESL Institutional Partners, L.P., ESL Investors, L.L.C., CBL Partners, L.P. and Courtesy Partners, L.P. Mr. Crowley does not have direct beneficial ownership of any shares, however, he may be deemed to have indirect beneficial ownership of the shares owned by these entities. (11) The aggregate amount of our stock beneficially owned by Mr. DeGroot consists of: (a) 8,024,083 shares owned by Westbury (Bermuda) Ltd., a Bermuda corporation controlled by Mr. DeGroot, and (b) vested options to purchase 261,569 shares. (12) The aggregate amount of our stock beneficially owned by Mr. Johnson consists of: (a) 899,321 shares owned by GDJ, Jr. Investments Limited Partnership, a Nevada limited partnership controlled by Mr. Johnson, and (b) vested options to purchase 261,569 shares. (13) Mr. Lampert is the Chief Executive Officer of ESL Investments, Inc. All shares indicated are owned by ESL Partners, L.P., ESL Limited, ESL Institutional Partners, L.P., ESL Investors, L.L.C., CBL Partners, L.P. and Courtesy Partners, L.P. Mr. Lampert does not have direct beneficial ownership of any shares, however, he may be deemed to have indirect beneficial ownership of the shares owned by these entities. (14) The aggregate amount of our stock beneficially owned by Mr. Melk consists of: (a) 122,001 shares owned directly, (b) 825,000 shares owned by JJM Republic Limited Partnership, of which Mr. Melk is the general partner and his three adult children are limited partners, and (c) vested options to purchase 261,569 shares. (15) The aggregate amount of our stock beneficially owned by Ms. Rosenfeld consists of vested options to purchase 117,549 shares. (16) The aggregate amount of our stock beneficially owned by Mr. Maroone consists of: (a) 3,353,988 shares beneficially owned by Michael Maroone Family Partnership, a Nevada limited partnership controlled by Mr. Maroone, (b) 1,912 shares held through the AutoNation 401(k) Plan and (c) vested options to purchase 1,624,447 shares. (17) The aggregate amount of our stock beneficially owned by Mr. Monaghan consists of: (a) options to purchase 206,373 shares, of which options to purchase 109,436 shares have vested as of March 25, 2002, and (b) 200 shares held through the AutoNation 401(k) Plan. (18) The aggregate amount of our stock beneficially owned by Ms. McKay consists of: (a) options to purchase 245,735 shares, of which options to purchase 238,811 shares have vested as of March 25, 2002, and (b) 1,557 shares held through the AutoNation 401(k) Plan. (19) The aggregate amount of our stock beneficially owned by all Directors and executive officers as a group includes: (a) 5,437 shares held through the AutoNation 401(k) Plan and (b) options to purchase 13,227,693 shares, of which options to purchase 13,123,833 shares have vested as of March 25, 2002. 23

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS The following is a summary of agreements and transactions among certain related parties and us. It is our policy that transactions with related parties must be on fair and reasonable terms that are no less favorable to us than those that would be available in an arm's length transaction

with an unrelated party. Based on our experience, we believe that all of the transactions described below met that standard at the time the transactions were effected. The amounts disclosed for the following transactions are estimates based on our records and other information currently available to us. Mr. Huizenga owns the Miami Dolphins and Pro Player Stadium, a professional sports stadium in South Florida. In 2001, we paid an aggregate of approximately \$375,000 to the Miami Dolphins and Pro Player Stadium in exchange for certain marketing services, including the rental of the stadium for an off-site used vehicle sale event for our dealerships, and for the use of executive suites and tickets to events at Pro Player Stadium. We expect to continue these relationships with the Miami Dolphins and Pro Player Stadium during 2002. During 2001, we leased an executive suite at the National Car Rental Center, a professional sports arena in Broward County, Florida that was leased by Boca Resorts, Inc. Mr. Huizenga is the Chairman of the Board of Boca Resorts and beneficially owns approximately 18% of Boca Resorts' outstanding stock. Messrs. Hudson and Johnson are also directors of Boca Resorts and own approximately 3% of Boca Resorts' outstanding common stock in the aggregate. Under the suite lease agreement, we paid Boca Resorts approximately \$128,000 during 2001, plus incidental costs. In July 2001, Boca Resorts sold the Florida Panthers, the National Hockey League franchise that plays at the National Car Rental Center, and transferred its interest in the arena. Boca Resorts also owns and operates various resort hotels, including a hotel in Fort Lauderdale, Florida, at which we have hosted from time to time meetings of our key managers. During 2001, we paid Boca Resorts approximately \$156,000 for the use of conference facilities and lodging accommodations at its hotels in connection with our management meetings. During 2001, we purchased approximately \$620,000 of pre-employment drug screening services from Psychemedics Corporation. Mr. Huizenga owns approximately 11.1% of the outstanding common stock of Psychemedics. We expect to continue to utilize Psychemedics to perform customary pre-employment drug screenings in 2002. In connection with our spin-off of ANC Rental Corporation in June 2000, we entered into a distribution agreement, a tax sharing agreement and various lease agreements, transitional service agreements, purchase agreements and other arrangements with ANC Rental. Messrs. Huizenga and Bryan are directors of ANC Rental and several of our Directors own stock of ANC Rental. In November 2001, ANC Rental filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in Wilmington, Delaware. Due to the bankruptcy of ANC Rental, some or all of its obligations under the agreements described below may be extinguished or our claims against ANC Rental under such agreements may be unenforceable. In May 2000, we agreed to lease certain space in our computer data center to ANC Rental. ANC Rental paid us approximately \$870,000 for such space in 2001. In connection with the spin-off, we also agreed to provide guarantees and credit enhancements for certain ANC Rental indebtedness and other obligations, for which ANC Rental paid us a fee of approximately \$915,000 during 2001. We expect to continue to provide certain credit support, although we do not believe ANC Rental will pay us for our credit support during 2002 due to its bankruptcy. We entered into agreements with ANC Rental pursuant to which it agreed to purchase a certain number of its rental fleet vehicles through certain of our dealerships. During 2001, ANC Rental purchased approximately 31,000 rental fleet vehicles through us under these agreements, generating a mark-up fee for us of approximately \$220,000. These agreements have expired and, accordingly, we do not expect to sell to ANC Rental any vehicles during 2002. ANC Rental also paid us approximately \$8.1 million for parts purchases made during 2001. In addition, we sold parts to ANC Rental for approximately \$1.2 million during 2001 for which we do not expect to receive payment from ANC Rental due to its bankruptcy. ANC Rental also leases space from certain of our dealerships to operate its local car rental businesses. During 2001, ANC Rental paid our dealerships an aggregate of approximately \$460,000 under such leases. In January 2001, we sold a jet to Republic Services, Inc. for approximately \$4.7 million, which was based on its then current net asset value plus the agreed upon value of certain repairs performed by us immediately prior to the sale. Messrs. Huizenga and Hudson are Chairman of the Board and Vice Chairman of the Board and Secretary, respectively, of Republic Services. We also sublease office space at our corporate headquarters to Republic Services. During 2001, Republic Services paid us approximately \$700,000 pursuant to this lease, which expires in February 2003. We lease to NationsRent, Inc. space at our computer data center for which NationsRent paid us approximately \$150,000 in 2001. Messrs. Huizenga and Hudson are directors of NationsRent and Mr. Hudson owns approximately 1.8% of NationsRent's outstanding common stock. Additionally, until December 2001, Wayne Huizenga, Jr., the son of Mr. Huizenga, owned approximately 20.9% of NationsRent's outstanding common stock through H. Family Investments, Inc., a Florida corporation controlled by him. In 2001, we also subleased to NationsRent certain office space at a monthly rental rate of approximately \$61,000. NationsRent paid us approximately \$732,000 pursuant to this arrangement during 2001. In January 2002, based upon prevailing

market conditions, we extended the office sublease at a monthly rental rate of approximately \$52,000. In December 2001, H. Family Investments, Inc. sold all of its NationsRent common stock. In addition, we subleased two other office space locations to NationsRent, each of which expired in August 2001. NationsRent paid us approximately \$400,000 during 2001 for this office space. In December 2001, NationsRent filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in Wilmington, Delaware. Due to the bankruptcy of NationsRent, some or all of NationsRent's obligations under the foregoing agreements may be extinguished or our claims thereunder may be unenforceable. During March 2002, we sold approximately 100 fleet vehicles to AutoZone, Inc. Mr. Lampert is a director of AutoZone and is Chairman, Chief Executive Officer and controlling principal of ESL Investments, Inc., which together with its affiliated investment partnerships owns approximately 24% of the outstanding common stock of AutoZone. Mr. Crowley is the President and Chief Operating Officer of ESL Investments. The vehicles were sold for an aggregate price of approximately \$1.2 million and a mark-up fee for us of approximately \$22,000. We expect to enter into similar fleet arrangements with AutoZone in the future. During 2001, we engaged the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P. for various legal services. Mr. Burdick is a partner in that law firm. We expect this relationship to continue in 2002. OTHER MATTERS We are not aware of any other matters that will be properly brought before the annual meeting. However, if any additional matters are properly brought before the annual meeting, Messrs. Jackson and Ferrando will vote as recommended by our Board of Directors or, if no recommendation is given, in accordance with their judgment. The accompanying form of proxy has been prepared at the direction of our Board of Directors and is being sent to you at the request of our Board of Directors. Messrs. Jackson and Ferrando were designated to be your proxies by our Board of Directors.

STOCKHOLDER PROPOSALS As more specifically provided in our bylaws, no business may be brought before an annual meeting unless it is specified in the notice of the meeting or is otherwise brought before the meeting by or at the direction of our Board of Directors or by a stockholder entitled to vote who has delivered proper notice to us not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. Accordingly, any stockholder proposal to be considered at the 2003 Annual Meeting of Stockholders generally must be properly submitted to us not earlier than January 16, 2003 nor later than February 15, 2003. Detailed information for submitting stockholder proposals will be provided upon written request to the Secretary of AutoNation, Inc., 110 S.E. 6th Street, Fort Lauderdale, Florida 33301. These requirements are separate from and in addition to the Securities and Exchange Commission's requirements that a stockholder must meet in order to have a stockholder proposal included in our Proxy Statement for the 2003 Annual Meeting of Stockholders. Stockholders interested in submitting a proposal for inclusion in our proxy materials for the 2003 Annual Meeting of Stockholders may do so by following the procedures set forth in Rule 14a-8 under the Securities Exchange Act of 1934, as amended. To be eligible for inclusion in such proxy materials, stockholder proposals must be received by our Secretary not later than December 13, 2002. No stockholder proposal was properly received for inclusion in this Proxy Statement.

25 EXHIBIT A
AUTONATION, INC. SENIOR EXECUTIVE INCENTIVE BONUS PLAN

1. Purpose. The purpose of the AutoNation, Inc. Senior Executive Incentive Bonus Plan is to align the interests of Company management with those of the shareholders of the Company by encouraging management to achieve goals intended to increase shareholder value.

2. Definitions. The following terms, as used herein, shall have the following meanings: (a) "Award" shall mean an incentive compensation award, granted pursuant to the Plan, which is contingent upon the attainment of Performance Factors with respect to a Performance Period. (b) "Board" shall mean the Board of Directors of the Company. (c) "Code" shall mean the Internal Revenue Code of 1986, as amended. (d) "Committee" shall mean the Compensation and Nominating Committee of the Board or such other committee or subcommittee as may be appointed by the Board to administer the Plan in accordance with Section 3 of the Plan. (e) "Common Stock" shall mean the common stock of the Company, par value \$.01 per share. (f) "Company" shall mean AutoNation, Inc., a Delaware corporation, or any successor corporation. (g) "Disability" shall mean permanent disability as determined pursuant to the long-term disability plan or policy of the Company or its Subsidiaries in effect at the time of such disability and applicable to a Participant. (h) "Effective Date" shall mean January 1, 2002. (i) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended. (j) "Executive Officer" shall mean an officer of the Company or its Subsidiaries who is an "executive officer" within the meaning of Rule 3b-7 promulgated under the Exchange Act. (k) "Participant" shall mean an Executive Officer or other key employee who is, pursuant to Section 4 of the Plan, selected to participate herein. (l) "Performance Factors" shall mean the criteria and objectives, determined by the Committee, which must be met during the applicable Performance Period as a condition of the Participant's receipt of

payment with respect to an Award. Performance Factors may include any or all of the following or any combination thereof: net income (before or after taxes); operating income; gross margin; earnings before all or any of interest, taxes, depreciation and/or amortization ("EBIT", "EBITA" or "EBITDA"); revenue; unit sales; cash flow; return on equity; return on assets; return on capital; asset management (e.g., inventory and receivable levels); earnings from continuing operations; cost reduction goals or levels of expenses, costs or liabilities; market share; customer satisfaction or any increase or decrease of one or more of the foregoing over a specified period. Such Performance Factors may relate to the performance of the Company, a Subsidiary, any portion of the business (including one or more stores or franchises), product line or any combination thereof and may be expressed on an aggregate, per share (outstanding or fully diluted) or per unit basis. Where applicable, the Performance Factors may be expressed in terms of attaining a specified level of the particular criteria, the attainment of a percentage increase or decrease in the particular criteria, or may be applied to the performance of the Company, a Subsidiary, any portion of the business (including one or more stores or franchises), product line, or any combination thereof, relative to a market index, a group of other companies (or their subsidiaries, any portion of their businesses (including one or more stores or franchises) or product lines), or a combination thereof, all as determined by the Committee. Performance Factors may include a threshold level of performance below which no payment shall be made, levels of performance below the target level but above the threshold level at which specified percentages of the Award shall be paid, a target level of performance at which the full Award shall be paid, levels of A-1 performance above the target level but below the maximum level at which specified multiples of the Award shall be paid, and a maximum level of performance above which no additional payment shall be made. Performance Factors may also specify that payments for levels of performances between specified levels will be interpolated. The Committee shall have the sole discretion to determine whether, or to what extent, Performance Factors are achieved; provided, however, that the Committee shall have the authority to make appropriate adjustments in Performance Factors under an Award to reflect the impact of extraordinary items not reflected in such goals. For purposes of the Plan, extraordinary items shall be defined as (1) any profit or loss attributable to acquisitions or dispositions of stock or assets, (2) any changes in accounting standards or treatments that may be required or permitted by the Financial Accounting Standards Board or adopted by the Company or its Subsidiaries after the goal is established, (3) all items of gain, loss or expense for the year related to restructuring charges for the Company or its Subsidiaries, (4) all items of gain, loss or expense for the year determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business, (5) all items of gain, loss or expense for the year related to discontinued operations that do not qualify as a segment of a business as defined in APB Opinion No. 30 (or successor literature), (6) the impact of capital expenditures, (7) the impact of share repurchases and other changes in the number of outstanding shares, and (8) such other items as may be prescribed by Section 162(m) of the Code and the Treasury Regulations thereunder as may be in effect from time to time, and any amendments, revisions or successor provisions and any changes thereto. (m) "Performance Period" shall mean the twelve-month periods commencing on January 1, 2002 and each January 1 thereafter, or such other periods as the Committee shall determine; provided that a Performance Period for a Participant who becomes employed by the Company or its Subsidiaries following the commencement of a Performance Period may be a shorter period that commences with the date of the commencement of such employment. (n) "Plan" shall mean this AutoNation, Inc. Senior Executive Incentive Bonus Plan. (o) "Subsidiary" shall mean any company, partnership, limited liability company, business or entity (other than the Company) of which at least 50% of the combined voting power of its voting securities is, or the operations and management are, directly or indirectly controlled by the Company. 3. Administration. The Plan shall be administered by a Committee of the Board. The Committee shall have the authority in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; to determine the terms, conditions, restrictions and performance criteria, including Performance Factors, relating to any Award; to determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, forfeited, or surrendered; to make adjustments in the Performance Factors in recognition of unusual or non-recurring events affecting the Company or its Subsidiaries or the financial statements of the Company or its Subsidiaries, or in response to changes in applicable laws, regulations or accounting principles; to construe and interpret the Plan and any Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and

provisions of Awards; and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Committee shall consist of two or more persons each of whom shall be an "outside director" within the meaning of Section 162(m) of the Code. All decisions, determinations and interpretations of the Committee shall be final and binding on all persons, including the Company and the Participant (or any person claiming any rights under the Plan from or through any Participant). Subject to Section 162(m) of the Code or as otherwise required for compliance with other applicable law, the Committee may delegate all or any part of its authority under the Plan to an employee, employees or committee of employees.

4. Eligibility. Awards may be granted to Participants in the sole discretion of the Committee. In determining the persons to whom Awards shall be granted and the Performance Factors relating to each Award, the Committee shall take into account such factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

A-2 5. Terms of Awards. Awards granted pursuant to the Plan shall be communicated to Participants in such form as the Committee shall from time to time approve and the terms and conditions of such Awards shall be set forth therein.

(a) In General. On or prior to the date on which 25% of a Performance Period has elapsed, the Committee shall specify in writing, by resolution of the Committee or other appropriate action, the Participants for such Performance Period and the Performance Factors applicable to each Award for each Participant with respect to such Performance Period. Unless otherwise provided by the Committee in connection with specified terminations of employment, payment in respect of Awards shall be made only if and to the extent the Performance Factors with respect to such Performance Period are attained.

(b) Special Provisions Regarding Awards. Notwithstanding anything to the contrary contained herein, in no event shall payment in respect of Awards granted hereunder exceed \$5,000,000 to any one Participant in any one year. The Committee may at its discretion decrease the amount of an Award payable upon attainment of the specified Performance Factors, but in no event may the Committee increase at its discretion the amount of an Award payable upon attainment of the specified Performance Factors.

(c) Time and Form of Payment. Unless otherwise determined by the Committee, all payments in respect of Awards granted under this Plan shall be made in cash within ninety (90) days after the end of the Performance Period.

6. Term. Subject to the approval of the Plan by the holders of a majority of the Common Stock represented and voting on the proposal at the annual meeting of Company stockholders to be held in 2002 (or any adjournment thereof), the Plan shall be effective as of January 1, 2002 and shall continue in effect until all awards for Performance Periods ending on or before December 31, 2006 have been paid, unless earlier terminated as provided below.

7. General Provisions.

(a) Compliance with Legal Requirements. The Plan and the granting and payment of Awards, and the other obligations of the Company under the Plan shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required.

(b) Nontransferability. Awards shall not be transferable by a Participant except upon the Participant's death following the end of the Performance Period but prior to the date payment is made, in which case the Award shall be transferable in accordance with any beneficiary designation made by the Participant in accordance with Section 7(k) below or, in the absence thereof, by will or the laws of descent and distribution.

(c) No Right To Continued Employment. Nothing in the Plan or in any Award granted pursuant hereto shall confer upon any Participant the right to continue in the employ of the Company or any of its Subsidiaries or to be entitled to any remuneration or benefits not set forth in the Plan or to interfere with or limit in any way whatever rights otherwise exist of the Company or its Subsidiaries to terminate such Participant's employment or change such Participant's remuneration.

(d) Withholding Taxes. Where a Participant or other person is entitled to receive a payment pursuant to an Award hereunder, the Company shall have the right either to deduct from the payment, or to require the Participant or such other person to pay to the Company prior to delivery of such payment, an amount sufficient to satisfy any federal, state, local or other withholding tax requirements related thereto.

(e) Amendment and Termination of the Plan. The Board or the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided that no amendment that requires stockholder approval in order for the Plan to continue to comply with Code Section 162(m) shall be effective unless the same shall be approved by the requisite vote of the stockholders of the Company. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Participant under any Award following the end of the Performance Period to which such Award relates, provided that the exercise of the Committee's discretion pursuant to Section 5(b) to reduce the amount of an Award shall not be deemed an amendment of the Plan.

(f) Participant Rights. No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment for Participants.

A-3 (g) Termination of Employment. (i) Unless otherwise provided by the Committee, except as set forth in subparagraph (ii) of this subsection (g), a Participant must

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Annual Report for the fiscal year ended December 31, 2001 furnished herewith. PLEASE MARK, SIGN, DATE AND PROMPTLY RETURN THIS PROXY CARD USING THE ENCLOSED POSTAGE-PAID ENVELOPE. (Continued and to be signed on reverse side) NOW YOU CAN VOTE YOUR SHARES BY TELEPHONE OR INTERNET QUICK * EASY * IMMEDIATE * AVAILABLE 24 HOURS A DAY * 7 DAYS A WEEK Use any touch-tone phone or the Internet to transmit your voting instructions. Proxies granted by telephone or Internet are valid under Delaware corporation law. To vote by phone or Internet, please follow these easy steps: [TELEPHONE ICON] TO VOTE BY PHONE [COMPUTER MOUSE ICON] TO VOTE BY INTERNET * Call toll free 1-888-215-9330 on a touch-tone telephone. * Log onto www.computershare.com/us/proxy, which will be available until midnight, Eastern Time, on May 15, 2002. Shareholders residing outside the United States and Canada must vote by Internet or mail. Telephone voting will be available until midnight, Eastern Time, on May 15, 2002. * Use the Control Number located below. Enter the Control Number and pound signs(#) exactly as they appear. * Follow the instructions on the screen. * Follow the recorded instructions. CONTROL NUMBER THANK YOU FOR VOTING