PENSKE Automotive

2008 ANNUAL REPORT

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

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-12297

Penske Automotive Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**22-3086739** *(I.R.S. Employer Identification No.)*
2555 Telegraph Road **Bloomfield Hills, Michigan** *(Address of principal executive offices)*	**48302-0954** *(Zip Code)*

Registrant's telephone number, including area code (248) 648-2500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Voting Common Stock, par value $0.0001 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (Check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of the voting common stock held by non-affiliates as of June 30, 2008 was $601,998,905. As of March 1, 2009, there were 91,519,198 shares of voting common stock outstanding.

Documents Incorporated by Reference

Certain portions, as expressly described in this report, of the registrant's proxy statement for the 2009 Annual Meeting of the Stockholders to be held May 1, 2009 are incorporated by reference into Part III, Items 10-14.

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PART I

Item 1. *Business*

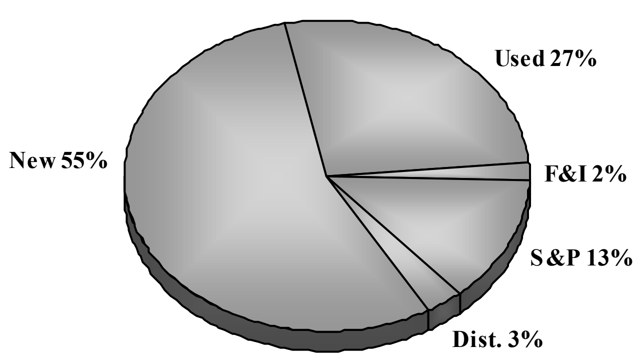
We are the second largest automotive retailer headquartered in the U.S. as measured by total revenues. As of February 1, 2009, we owned and operated 156 franchises in the U.S. and 148 franchises outside of the U.S., primarily in the United Kingdom. We offer a full range of vehicle brands, with 96% of our total revenue in 2008 generated from brands of non-U.S. based manufacturers, including sales relating to premium brands, such as Audi, BMW, Cadillac and Porsche, which represented 65% of our total revenue. As a result, we have the highest concentration of revenues from brands of non-U.S. based manufacturers among the U.S. publicly-traded automotive retailers. Each of our dealerships offers a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of higher-margin products, such as third-party finance and insurance products, third-party extended service contracts and replacement and aftermarket automotive products. We are also diversified geographically, with 64% of our revenues generated from operations in the U.S. and 36% generated from our operations outside the U.S. (predominately in the U.K.).

We are, through smart USA Distributor, LLC ("smart USA"), a wholly-owned subsidiary, the exclusive distributor of the smart fortwo vehicle in the U.S. and Puerto Rico. smart USA wholesaled approximately 27,000 vehicles in 2008 to a certified network of 75 smart dealerships in 35 states, eight of which are owned and operated by us.

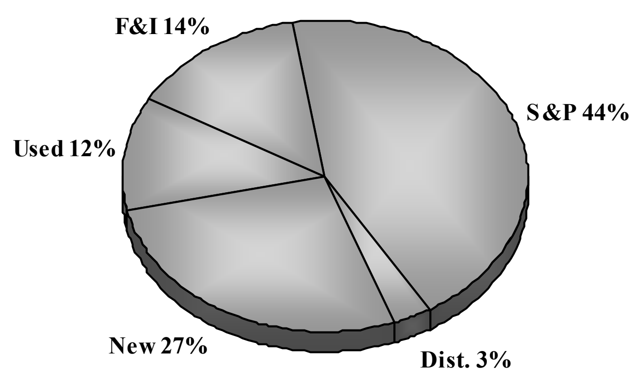
In June 2008, we acquired a 9% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL") from GE Capital. PTL is a leading global transportation services provider which operates and maintains more than 200,000 vehicles and services customers in North America, South America, Europe and Asia.

We believe our diversified income streams may mitigate the historical cyclicality found in some elements of the automotive sector. Revenues from higher margin service and parts sales are typically less cyclical than retail vehicle sales, and generate the largest part of our gross profit. The following graphic shows the percentage of our retail revenues by product area and their respective contribution to our overall gross profit in 2008:

Revenue Mix



Gross Profit Mix



Outlook

The worldwide automotive industry experienced significant operational and financial difficulties in 2008. The turbulence in worldwide credit markets and the resulting decrease in the availability of financing and leasing alternatives for consumers hampered our sales efforts. In addition, there was reduced consumer confidence and spending in the markets in which we operate, which we believe reduced customer traffic in our dealerships, particularly since September 2008. Rapid changes in fuel prices also resulted in rapid changes in consumer preferences and demand, which negatively impacted vehicle retail sales. We expect our business to remain significantly impacted by economic conditions in 2009.

Market conditions have also negatively impacted vehicle manufacturers. In particular, the U.S. based automotive manufacturers have experienced critical operational and financial distress, due in part to shrinking market share in the U.S. and the recent limitations in worldwide credit capacity. In 2008 and early 2009, certain U.S. based manufacturers received support from the U.S. government in the form of loans, due in part to their admission of limited liquidity. While we have limited exposure to these manufacturers as a percentage of our overall revenue, a restructuring of any one of them would likely lead to significant disruption to the automotive supply chain and to our dealerships that represent those manufacturers, and could possibly also impact other automotive manufacturers and suppliers. We cannot reasonably predict the impact to the automotive retail environment of any such disruption.

In response to the challenging operating environment, we have undertaken significant cost saving initiatives. In 2008, we eliminated approximately 1,400 positions, representing approximately 10% of our worldwide workforce, and amended pay plans for certain other employees to better align our workforce for current business levels and to reduce compensation expense generally. Other cost curtailment initiatives include a reduction in advertising activities, a suspension of matching contributions to our defined contribution plan in the U.S., and the suspension of our quarterly cash dividends to stockholders. Our Chief Executive Officer and President also announced that they will each forgo all bonus amounts payable relating to their 2008 management incentive plans, and our Board of Directors has elected to forgo approximately 25% of its cash annual fee relating to 2008. We will continue to monitor the business climate, and take such further actions as needed to respond to business conditions.

For a more detailed discussion of our financial and operating results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

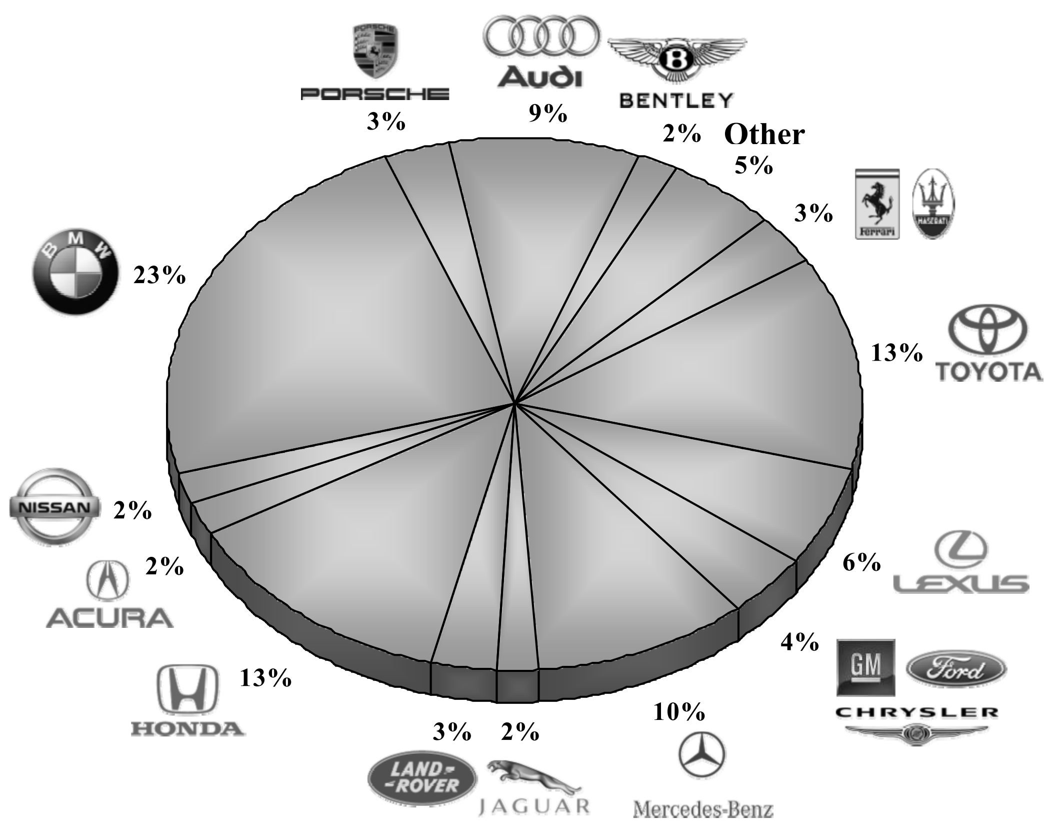
Long-Term Business Strategy

In spite of recent economic conditions, we remain committed to our long-term strategy to sell and service outstanding vehicle brands in premium facilities. We believe offering our customers superior customer service in a premium location fosters a long-term relationship, which helps generate repeat and referral business, particularly in our higher-margin service and parts business. We believe our focus on developing a loyal customer base has helped generate incremental service and parts sales. In addition, our large number of dealerships, geographically concentrated by region, allows us the opportunity to achieve cost savings and implement best practices, while also providing access to a broad base of potential acquisitions.

Offer Outstanding Brands in Premium Facilities

We have the highest concentration of revenues from brands of non-U.S. based manufacturers among the U.S. based publicly-traded automotive retailers. We believe the market performance of the brands we represent contributed to our historical results, as those brands have gained market share in recent years. Our revenue mix consists of 65% related to premium brands, 31% related to volume foreign brands, and 4% relating to brands of U.S. based manufacturers.

The following chart reflects our percentage of total revenues by brand in 2008:



Over time, we have made substantial investments in our retail dealerships in an effort to create an outstanding retail experience for our customers. We believe the experience we offer customers in our facilities drives repeat and referral business, particularly in our higher margin service and parts operations. Where advantageous, we attempt to aggregate our dealerships in a campus or group setting in order to build a destination location for our customers, which we believe helps to drive increased customer traffic to each of the brands at the location. This strategy also creates an opportunity to reduce personnel expenses and administrative expenses, and leverage operating expenses over a larger base of dealerships. We believe this strategy has enabled us to consistently achieve new unit vehicle sales per dealership that are significantly higher than industry averages for most of the brands we sell.

The following is a list of our larger dealership campuses or groups:

Location	Square Feet	Service Bays	2008 Revenue (millions)	Franchises
North Scottsdale, Arizona	450,000	253	$ 443.9	Acura, Audi, BMW, Bentley, Bugatti, Jaguar, Land Rover, MINI, Porsche, Rolls-Royce, Volkswagen
San Diego, California	415,000	343	$ 558.4	Acura, Aston Martin, BMW, Jaguar, Lexus, Mercedes-Benz, Scion, smart, Toyota
Turnersville, New Jersey	343,000	177	$ 348.5	Acura, BMW, Cadillac, Chevrolet, Honda, HUMMER, Hyundai, Nissan, Scion, Toyota
Inskip, Rhode Island	319,000	176	$ 360.5	Acura, Audi, Bentley, BMW, Infiniti, Lexus, Mercedes-Benz, MINI, Nissan, Porsche, smart
Tyson's Corner, Virginia	191,000	138	$ 232.9	Audi, Aston Martin, Mercedes-Benz, Porsche, smart
Fayetteville, Arkansas	129,000	109	$ 217.0	Acura, Chevrolet, Honda, HUMMER, Scion, Toyota

By way of example, our Scottsdale 101 Auto Mall features ten separate showrooms with approximately 450,000 square feet of facilities. Typically, customers may choose from an inventory of over 1,250 new and used vehicles, and have access to 253 service bays with the capacity to service approximately 1,000 vehicles per day. We will continue to evaluate other opportunities to aggregate our facilities to reap the benefits of a destination location.

Maintain Diversified Income Stream and Variable Cost Structure

We benefit from a diversified income mix because of the multiple revenue streams in a traditional automotive dealership (new vehicles, used vehicles and service and parts operations), income from the distribution of the smart fortwo vehicle, and income relating to our investment in PTL. We believe this diversification may mitigate the historical cyclicality found in some elements of the automotive sector. We are further diversified within our retail automotive operations due to our brand mix and geographical dispersion. Recent experience has shown that demand for our higher-margin service and parts business is less affected by economic cycles than demand for new vehicles. In addition, a significant percentage of our operating expenses are variable, including sales compensation, floor plan interest expense (inventory-secured financing) and advertising, which we believe we can adjust over time to reflect economic trends.

Diversification Outside the U.S.

One of the unique attributes of our operations versus our peers is our diversification outside the U.S. Approximately 36% of our consolidated revenue during 2008 was generated from operations located outside the U.S. and Puerto Rico, predominately in the U.K. According to industry data, the U.K. represented the third largest retail automotive market in Western Europe in 2008 with approximately 2.1 million new vehicle registrations. Our brand mix in the U.K. is predominantly premium. We believe that as of December 31, 2008, we were among the largest volume Audi, Bentley, BMW, Land Rover, Lexus, Mercedes-Benz, Maserati and Porsche dealers in this market based on number of dealerships. Additionally, we operate a number of dealerships in Germany, some through joint ventures with experienced local partners, which sell and service Audi, BMW, Lexus, MINI, Toyota, Volkswagen and various other premium brands.

smart Distributorship

smart USA, a wholly-owned subsidiary, is the exclusive distributor of the smart fortwo vehicle in U.S. and Puerto Rico. The smart fortwo is manufactured by Mercedes-Benz Cars and is a Daimler brand. This technologically advanced vehicle achieves 40-plus miles per gallon on the highway and is an ultra-low emissions vehicle as certified by the State of California Air Resources Board. As distributor, smart USA is responsible for maintaining a vehicle dealership network in the U.S. and Puerto Rico. smart USA has certified a network of 75 smart dealerships in

35 states, eight of which are owned and operated by us (see "Acquisitions" below for a list of our dealerships). The smart fortwo currently offers five different versions, the *pure, passion coupe, passion cabriolet, BRABUS coupe, and BRABUS cabriolet* with base prices ranging from $11,990 to $20,990. smart USA wholesaled approximately 27,000 smart fortwo vehicles in 2008.

Investment in Penske Truck Leasing

In June 2008, we acquired a 9% limited partnership interest in PTL from subsidiaries of General Electric Capital Corporation (collectively, "GE Capital") in exchange for $219.0 million. PTL operates and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rental and logistics services, including, transportation and distribution center management and supply chain management. The general partner of PTL is Penske Truck Leasing Corporation, a wholly-owned subsidiary of Penske Corporation, which together with other wholly-owned subsidiaries of Penske Corporation, owns 40% of PTL. The remaining 51% of PTL is owned by GE Capital. We currently expect to receive annual pro-rata cash distributions of partnership profits and to realize U.S. cash tax savings relating to tax attributes we expect to realize as a result of this investment.

Expand Revenues at Existing Locations and Increase Higher-Margin Businesses

We aim to increase our existing business over time by generating additional revenue at existing dealerships, with a particular focus on developing our higher-margin businesses such as finance, insurance and other product sales and service, parts and collision repair services.

Increase Same-Store Sales. We believe our emphasis on improving customer service and upgrading our facilities should contribute to increases in same-store sales over time. As part of the investment program noted above, in recent years we have added numerous incremental service bays in order to better accommodate our customers.

Grow Finance, Insurance and Other Aftermarket Revenues. Each sale of a vehicle provides us the opportunity to assist in financing the sale, selling the customer a third party extended service contract or insurance product, or to sell other aftermarket products, such as entertainment systems, security systems, satellite radios and protective coatings. In order to improve our finance and insurance business, we focus on enhancing and standardizing our salesperson training programs, strengthening our product offerings and standardizing our selling processes.

Expand Service and Parts and Collision Repair Revenues. In recent years, we have added a significant number of service bays at our dealerships in an effort to expand this higher-margin element of our business. Many of today's vehicles are complex and require sophisticated equipment and specially trained technicians to perform certain services. Unlike independent service shops, our dealerships are authorized to perform this work under warranties provided by manufacturers. We believe that our brand mix and the complexity of today's vehicles, combined with our focus on customer service and superior facilities, contribute to our service and parts revenue increases. We also operate 25 collision repair centers which are operated as an integral part of our dealership operations. As a result, the repair centers benefit from the dealerships' repeat and referral business.

Continue Growth through Targeted Acquisitions

We believe that attractive acquisition opportunities will continue to exist for well-capitalized dealership groups with experience in identifying, acquiring and integrating dealerships. The automotive retail market provides us with significant growth opportunities in each of the markets in which we operate. In the U.S., the ten largest industry participants generated less than 10% of new vehicle industry sales in 2007. Generally, we seek to acquire dealerships that operate high growth automotive brands in highly concentrated or growing demographic areas. We focus on larger dealership operations that will benefit from our management assistance, manufacturer relations and scale of operations, as well as individual dealerships that can be effectively integrated into our existing operations. Given the current economic environment and its potential impact on smaller, less well capitalized dealership groups, we anticipate that acquisition opportunities at attractive prices may present themselves.

Strengthen Customer Loyalty

Our ability to generate and maintain repeat and referral business depends on our ability to deliver superior customer service. We believe that customer loyalty contributes directly to increases in same-store sales. By offering outstanding brands in premium facilities, "one-stop" shopping convenience, competitive pricing and a well-trained and knowledgeable sales staff, we aim to establish lasting relationships with our customers, enhance our reputation in the community, and create the opportunity for significant repeat and referral business. We believe our below industry average employee turnover is critical to furthering our customer relationships. Additionally, we monitor customer satisfaction data accumulated by manufacturers to track the performance of dealership operations and use it as a factor in determining the compensation of general managers and sales and service personnel in our dealerships.

Leverage Scale and Implement "Best Practices"

We seek to build scale in many of the markets where we have dealership operations. Our desire is to reduce or eliminate redundant administrative costs such as accounting, information technology systems and other general administrative costs. In addition, we seek to leverage our industry knowledge and experience to foster communication and cooperation between like brand dealerships throughout our organization. Senior management and dealership management meet regularly to review the operating performance of our dealerships, examine industry trends and, where appropriate, implement specific operating improvements. Key financial information is discussed and compared to other dealerships across all markets. This frequent interaction facilitates implementation of successful strategies throughout the organization so that each of our dealerships can benefit from the successes of our other dealerships and the knowledge and experience of our senior management.

Industry Overview

In 2007, the majority of automotive retail sales in the U.S. were generated by the approximately 21,800 franchised dealerships in the U.S., producing revenues of approximately $693.0 billion, including approximately 59% from new vehicle sales, approximately 29% from used vehicle sales and approximately 12% from service and parts sales. Dealerships also offer a wide range of higher-margin products and services, including extended service contracts, financing arrangements and credit insurance. The National Automobile Dealers Association figures noted above include finance and insurance revenues within either new or used vehicle sales, as sales of these products are usually incremental to the sale of a vehicle.

Germany and the U.K. represented the first and third largest European automotive retail markets in 2008, with new car registrations of 3.1 million and 2.1 million vehicles, respectively. In 2007, U.K. and German automotive sales exceeded $202.0 billion and $267.0 billion, respectively. Combined, the UK and German markets make up approximately 35% of the European market, based on new vehicle unit registrations.

The automotive retail industry in the U.S and Europe is highly fragmented and largely privately held. In the U.S., publicly held automotive retail groups account for less than 10% of total industry revenue. According to industry data, the number of U.S. franchised dealerships has declined from approximately 24,000 in 1990 to approximately 21,800 as of January 1, 2007. Although significant consolidation has already taken place, the industry remains highly fragmented, with more than 90% of the U.S. industry's market share remaining in the hands of smaller regional and independent players. We believe that further consolidation in the industry is probable due to the significant capital requirements of maintaining manufacturer facility standards, the limited number of viable alternative exit strategies for dealership owners and the impact of the current economic environment on smaller less well capitalized dealership groups.

Generally, new vehicle unit sales are cyclical and, historically, fluctuations have been influenced by factors such as manufacturer incentives, interest rates, fuel prices, unemployment, inflation, weather, the level of personal discretionary spending, credit availability, consumer confidence and other general economic factors. However, from a profitability perspective, automotive retailers have historically been less vulnerable than automobile manufacturers to declines in new vehicle sales. We believe this may be due to the retailers' more flexible expense structure (a significant portion of the automotive retail industry's costs are variable, relating to sales personnel, advertising and inventory finance cost) and their diversified revenue stream. In addition, automobile manufacturers may offer various dealer incentives when sales are slow, which further increases the volatility in profitability for automobile manufacturers and may help to decrease volatility for automotive retailers. Despite this, our 2008 results were significantly impacted by the difficult operating environment for the automotive retail industry. We believe declining consumer confidence in the wake of an unstable financial market resulted in significantly reduced consumer traffic industry-wide, particularly during the last quarter.

Acquisitions

We routinely acquire and dispose of franchises. Our financial statements include the results of operations of acquired dealerships from the date of acquisition. The following table sets forth information with respect to our current dealerships acquired or opened from January 2006 to December 31, 2008:

Dealership	Date Opened or Acquired	Location	Franchises
U.S.			
Acura of Escondido	01/06	Escondido, CA	Acura
Aston Martin San Diego	01/06	San Diego, CA	Aston Martin

Audi of Escondido	01/06	Escondido, CA	Audi
Honda Mission Valley	01/06	San Diego, CA	Honda
Honda of Escondido	01/06	Escondido, CA	Honda
Jaguar Kearny Mesa	01/06	San Diego, CA	Jaguar
Kearny Mesa Acura	01/06	San Diego, CA	Acura
Mazda of Escondido	01/06	Escondido, CA	Mazda
Motorwerks BMW/MINI	05/06	Minneapolis, MN	BMW/MINI
Triangle Nissan del Oeste	07/06	Puerto Rico	Nissan
Cadillac of Turnersville	11/06	Turnersville, NJ	Cadillac
Landers Ford Lincoln Mercury	01/07	Benton, Arkansas	Ford, Lincoln, Mercury
Lexus of Edison	03/07	Edison, NJ	Lexus
Round Rock Toyota-Scion	04/07	Round Rock, TX	Toyota, Scion
Round Rock Hyundai	04/07	Round Rock, TX	Hyundai
Round Rock Honda	04/07	Round Rock, TX	Honda
Inskip MINI	05/07	Warwick, RI	MINI
Royal Palm Toyota-Scion	01/08	Royal Palm, FL	Toyota, Scion
smart center Bedford	01/08	Bedford, OH	smart
smart center Bloomfield	01/08	Bloomfield Hills, MI	smart
smart center Chandler	01/08	Chandler, AZ	smart
smart center Fairfield	01/08	Fairfield, CT	smart
smart center Round Rock	01/08	Round Rock, TX	smart
smart center San Diego	01/08	San Diego, CA	smart
smart center Tyson's Corner	01/08	Tyson's Corner, VA	smart
smart center Warwick	01/08	Warwick, RI	smart
Bingham Toyota	04/08	Clovis, CA	Toyota Scion
Peter Pan BMW	07/08	San Mateo, CA	BMW

Outside the U.S.

Sytner Sunningdale	01/06	Berkshire, England	BMW, MINI, Rolls Royce
Guy Salmon Jaguar Land Rover Ascot	01/06	Berkshire, England	Jaguar, Land Rover
Guy Salmon Jaguar Land Rover Gatwick	01/06	West Sussex, England	Jaguar, Land Rover
Guy Salmon Jaguar Land Rover Maidstone	01/06	Kent, England	Jaguar, Land Rover
Guy Salmon Land Rover Portsmouth	01/06	Portsmouth, England	Land Rover
Honda Redhill	01/06	Surrey, England	Honda
Sytner Coventry	01/06	West Midlands, England	BMW, MINI
Lamborghini Birmingham	06/06	Birmingham, England	Lamborghini
Lamborghini Edinburgh	06/06	Edinburgh, Scotland	Lamborghini
Kings Chrysler Newcastle	08/06	Newcastle, England	Chrysler, Jeep, Dodge
Kings Chrysler Stockton	08/06	Stockton-on-Tees, England	Chrysler, Jeep, Dodge
Mercedes-Benz of Carlisle	08/06	Cumbria, England	Mercedes-Benz
Mercedes-Benz of Newcastle	08/06	Newcastle, England	Mercedes-Benz
Mercedes-Benz of Teesside	08/06	Stockton-on-Tees, England	Mercedes-Benz
Mercedes-Benz of Sunderland	08/06	Sunderland, England	Mercedes-Benz
Sytner Cardiff	08/06	South Glamorgan, Wales	BMW/MINI
Sytner Birmingham	08/06	West Midlands, England	BMW/MINI
Sytner Newport	08/06	Newport, South Wales	BMW/MINI
Sytner Sutton	08/06	West Midlands, England	BMW/MINI
Sytner Oldbury	08/06	West Midlands, England	BMW/MINI
Audi Leicester	06/07	Leicester, England	Audi
Audi Nottingham	06/07	Nottingham, England	Audi
Toyota World Solihull	09/07	West Midlands, England	Toyota
Maranello Ferrari Egham	10/07	Surrey, England	Ferrari, Maserati
Audi Derby	04/08	Derby, England	Audi
Bentley Leicester	05/08	Leicester, England	Bentley
Bentley Norwich	05/08	Norfolk, England	Bentley
Gatwick Honda	06/08	West Sussex, England	Honda
Penske Sportwagenzentrum	07/08	Mannheim, Germany	Porsche
Huddersfield Audi	12/08	West Yorkshire, England	Audi
Huddersfield SEAT	12/08	West Yorkshire, England	SEAT
Harrogate Volkswagen	12/08	West Yorkshire, England	Volkswagen
Huddersfield Volkswagen	12/08	West Yorkshire, England	Volkswagen
Leeds Volkswagen	12/08	West Yorkshire, England	Volkswagen

In 2008 and 2007, we disposed of 26 and 21 dealerships, respectively, that we believe were not integral to our strategy or operations. We expect to continue to pursue acquisitions, selected dispositions and related transactions in the future.

Dealership Operations

Franchises. The following charts reflect our franchises by location and our dealership mix by franchise as of February 1, 2009:

Location	Franchises
Arizona	19
Arkansas	14
California	23
Connecticut	5
Florida	8
Georgia	4
Indiana	2
Michigan	7
Minnesota	2
Nevada	2
New Jersey	19
New York	4
Ohio	6
Puerto Rico	15
Rhode Island	11
Tennessee	2
Texas	8
Virginia	5
Total United States	156
United Kingdom	137
Germany	11
Total Foreign	148
Total Worldwide	304

Franchises	U.S.	Non-U.S.	Total
Toyota/Lexus/Scion	39	13	52
BMW/MINI	12	30	42
Mercedes-Benz/smart	15	20	35
Honda/Acura	27	2	29
Chrysler/Jeep/Dodge	9	15	24
Jaguar/Land Rover	3	19	22
Audi	7	12	19
Ferrari/Maserati	6	10	16
Ford/Mazda/Volvo	9	3	12
Porsche	5	5	10
General Motors	9	—	9
Bentley	2	6	8
Nissan/Infiniti	7	—	7
Others	6	13	19
Total	156	148	304

Management. Each dealership or group of dealerships has independent operational and financial management responsible for day-to-day operations. We believe experienced local managers are better qualified to make day-to-day decisions concerning the successful operation of a dealership and can be more responsive to our customers' needs. We seek local dealership management that not only has experience in the automotive industry, but also is familiar with the local dealership's market. We also have regional management that oversees operations at the individual dealerships and supports the dealerships operationally and administratively.

New Vehicle Retail Sales. In 2008, we sold 171,872 new vehicles which generated 56.9% of our retail revenue and 28.0% of our retail gross profit. We sell forty brands of domestic and import family, sports and premium cars, light trucks and sport utility vehicles through 304 franchises in 17 U.S. states, Puerto Rico, the U.K. and Germany. New vehicles are typically acquired by dealerships directly from the manufacturer. We strive to maintain outstanding relations with the automotive manufacturers, based in part on our long-term presence in the automotive retail market, our commitment to providing premium facilities, the reputation of our management team and the consistent high sales volume from our dealerships. Our dealerships finance the purchase of most new vehicles from the manufacturers through floor plan financing provided by various manufacturers' captive finance companies.

Used Vehicle Retail Sales. In 2008, we sold 101,769 used vehicles, which generated 27.2% of our retail revenue and 12.3% of our retail gross profit. We acquire used vehicles from various sources, including auctions open only to authorized new vehicle dealers, public auctions, trade-ins from consumers in connection with their purchase of a new vehicle from us and lease expirations or terminations. Leased vehicles returned at the end of the lease provide us with low mileage, late model vehicles for our used vehicle sales operations. We clean, repair and recondition all used vehicles we acquire for resale. We believe we may benefit from the opportunity to retain used vehicle retail customers as service and parts customers.

To improve customer confidence in our used vehicle inventory, each of our dealerships participates in all available manufacturer certification processes for used vehicles. If certification is obtained, the used vehicle owner is typically provided benefits and warranties similar to those offered to new vehicle owners by the applicable manufacturer. We have also recently implemented additional initiatives designed to enhance our used vehicles sales and have stocked additional low-mileage late model vehicles at a lower price point in response to recent economic conditions. Several of our dealerships have also implemented software tools which assist in procuring and selling used vehicles. Through our scale in many markets, we have also implemented closed-bid auctions that allow us to bring a large number of vehicles we do not intend to retail to a central market for other dealers or wholesalers to purchase. In the U.K., we also offer used vehicles for wholesale via an online auction. We believe these strategies have resulted in greater operating efficiency and helped to reduce costs associated with maintaining optimal inventories.

Vehicle Finance, Extended Service and Insurance Sales. Finance and insurance sales represented 2.5% of our retail revenue and 14.9% of our retail gross profit in 2008. At our customers' option, our dealerships can arrange third-party financing or leasing for our customers' vehicle purchases. We typically receive a portion of the cost of financing or leasing paid by the customer for each transaction as compensation. While these services are generally non-recourse to us, we are subject to chargebacks in certain circumstances, such as default under a financing arrangement or prepayment. These chargebacks vary by finance product but typically are limited to the fee income we receive absent a breach of our agreement with the third party finance or leasing company. We provide training to our finance and insurance personnel to help assure compliance with internal policies and procedures, as well as applicable state regulations. We also impose limits on the amount of revenue per transaction we may receive from certain finance products as part of our compliance efforts. We also offer our customers various vehicle warranty and extended protection products, including extended service contracts, maintenance programs, guaranteed auto protection (known as "GAP," this protection covers the shortfall between a customer's loan balance and insurance payoff in the event of a casualty), lease "wear and tear" insurance and theft protection products. The extended service contracts and other products that our dealerships currently offer to customers are underwritten by independent third parties, including the vehicle manufacturers' captive finance subsidiaries. Similar to finance transactions, we are subject to chargebacks relating to fees earned in connection with the sale of certain extended protection products. We also offer for sale other aftermarket products, including satellite radio service, cellular phones, security systems and protective coatings. We offer finance and insurance products using a "menu" process, which is designed to ensure that we offer our customers the complete range of finance, insurance, protection, and other aftermarket products in a transparent manner.

Service and Parts Sales. Service and parts sales represented 13.4% of our retail revenue and 44.8% of our retail gross profit in 2008. We generate service and parts sales in connection with warranty and non-warranty work performed at each of our dealerships. We believe our service and parts revenues benefit from our increased service capacity and the increasingly complex technology used in vehicles that makes it difficult for independent repair facilities to maintain and repair today's automobiles.

A goal of each of our dealerships is to make each vehicle purchaser a customer of our service and parts department. Our dealerships keep detailed records of our customers' maintenance and service histories, and many dealerships send reminders to customers when vehicles are due for periodic maintenance or service. Many of our dealerships have extended evening and weekend service hours for the convenience for our customers. We also operate 25 collision repair centers, each of which is operated as an integral part of our dealership operations.

Internet Presence. We believe the majority of our customers will consult the Internet for new and used automotive information. In order to attract customers and enhance our customer service, each of our dealerships maintains its own website. Our corporate website, www.penskeautomotive.com, provides a link to each of our dealership websites allowing consumers to source information and communicate directly with our dealerships locally. In the U.S. and U.K., all of our dealership websites are presented in common formats (except where otherwise required by manufacturers) which helps to minimize costs and provide a consistent image across dealerships. In addition, many automotive manufacturers' websites provide links to our dealership websites and, in the U.K., manufacturers also provide a website for the dealership. Using our dealership websites, consumers can review our vehicle inventory and access detailed information relating to the purchase process, including photos, prices, promotions, specifications, reviews and tools to schedule service appointments. We believe these features make it easier for consumers to meet all of their automotive research needs.

Non-U.S. Operations. Sytner Group, our wholly-owned U.K. subsidiary, is one of the leading retailers of premium vehicles in the U.K. As of February 1, 2009, Sytner operated 137 franchises, representing more than twenty brands. Revenues attributable to Sytner Group for the years ended December 31, 2008, 2007 and 2006 were $4.1 billion, $4.6 billion and $3.3 billion, respectively.

The following is a list of all of our dealerships as of February 1, 2009:

U.S. DEALERSHIPS

ARIZONA
Acura North Scottsdale
Audi of Chandler
Audi North Scottsdale
Bentley Scottsdale
BMW North Scottsdale
Bugatti Scottsdale
Jaguar North Scottsdale
Land Rover North Scottsdale
Lexus of Chandler
Mercedes-Benz of Chandler
MINI North Scottsdale
Porsche North Scottsdale
Rolls-Royce Scottsdale
Scottsdale Aston Martin
Scottsdale Ferrari Maserati
Scottsdale Lexus
smart center Chandler
Tempe Honda
Volkswagen North Scottsdale
ARKANSAS
Acura of Fayetteville
Chevrolet/HUMMER of Fayetteville
Honda of Fayetteville
Landers Chevrolet HUMMER
Landers Chrysler Jeep Dodge
Landers Ford Lincoln Mercury
Toyota-Scion of Fayetteville
CALIFORNIA
Acura of Escondido
Aston Martin of San Diego
Audi Escondido
Audi Stevens Creek
Bingham Toyota Scion
BMW of San Diego
Capitol Honda
Honda Mission Valley
Honda North
Honda of Escondido
Jaguar Kearny Mesa
Kearny Mesa Acura
Kearny Mesa Toyota-Scion
Lexus Kearny Mesa
Los Gatos Acura
Marin Honda
Mazda of Escondido
Mercedes-Benz of San Diego
Peter Pan BMW
Porsche of Stevens Creek
smart center San Diego
CONNECTICUT
Audi of Fairfield
Honda of Danbury
Mercedes-Benz of Fairfield
Porsche of Fairfield
smart center Fairfield
FLORIDA
Central Florida Toyota-Scion
Royal Palm Mazda
Palm Beach Toyota-Scion
Royal Palm Toyota-Scion
Royal Palm Nissan
GEORGIA
Atlanta Toyota-Scion
Honda Mall of Georgia
United BMW of Gwinnett
United BMW of Roswell
INDIANA
Penske Chevrolet
Penske Honda
MICHIGAN
Honda Bloomfield
Rinke Cadillac
Rinke Toyota-Scion
smart center Bloomfield
Toyota-Scion of Waterford
MINNESOTA
Motorwerks BMW/MINI
NEW JERSEY
Acura of Turnersville
BMW of Turnersville
Chevrolet HUMMER Cadillac of Turnersville
BMW of Tenafly
Lexus of Edison
Ferrari Maserati of Central New Jersey
Gateway Toyota-Scion
Honda of Turnersville
Hudson Nissan
Hudson Toyota-Scion
Hyundai of Turnersville
Lexus of Bridgewater
Nissan of Turnersville
Toyota-Scion of Turnersville
NEW YORK
Honda of Nanuet
Mercedes-Benz of Nanuet
Westbury Toyota-Scion
OHIO
Honda of Mentor
Infiniti of Bedford
Mercedes-Benz of Bedford
smart center Bedford
Toyota-Scion of Bedford
RHODE ISLAND
Inskip Acura
Inskip Audi
Inskip Autocenter (Mercedes-Benz)
Inskip Bentley Providence
Inskip BMW
Inskip Infiniti
Inskip Lexus
Inskip MINI
Inskip Nissan
Inskip Porsche
smart center Warwick
TENNESSEE
Wolfchase Toyota-Scion
TEXAS
BMW of Austin
Goodson Honda North
Goodson Honda West
Round Rock Honda
Round Rock Hyundai
Round Rock Toyota-Scion
smart center Round Rock
VIRGINIA
Aston Martin of Tysons Corner
Audi of Tysons Corner
Mercedes-Benz of Tysons Corner
Porsche of Tysons Corner
smart center Tysons Corner

NON-U.S. DEALERSHIPS

UNITED KINGDOM

Audi
Audi Leicester
Audi Nottingham
Bradford Audi
Harrogate Audi
Leeds Audi
Mayfair Audi
Reading Audi
Slough Audi
Wakefield Audi
West London Audi

Bentley
Bentley Birmingham
Bentley Edinburgh
Bentley Leicester
Bentley Manchester
Bentley Norwich

BMW/MINI
Sytner Birmingham
Sytner Cardiff
Sytner Central
Sytner Chigwell
Sytner Coventry
Sytner Docklands
Sytner Harold Wood
Sytner High Wycombe
Sytner Leicester
Sytner Newport
Sytner Nottingham
Sytner Oldbury
Sytner Sheffield
Sytner Solihull
Sytner Sunningdale
Sytner Sutton
Sytner Warley

Chrysler/Jeep/Dodge
Kings Cheltenham & Gloucester
Kings Manchester
Kings Newcastle
Kings Swindon
Kings Teesside

Ferrari/Maserati
Ferrari Classic Parts
Graypaul Edinburgh
Graypaul Nottingham
Maranello Egham Ferrari/Maserati

Honda
Honda Gatwick
Honda Redhill

Jaguar/Land Rover
Guy Salmon Jaguar Coventry
Guy Salmon Jaguar/Land Rover Ascot
Guy Salmon Jaguar/Land Rover Gatwick
Guy Salmon Jaguar/Land Rover Maidstone
Guy Salmon Jaguar/Land Rover Thames Ditton
Guy Salmon Jaguar Northampton
Guy Salmon Jaguar Oxford
Guy Salmon Land Rover Knutsford
Guy Salmon Land Rover Leeds
Guy Salmon Land Rover Portsmouth
Guy Salmon Land Rover Sheffield
Guy Salmon Land Rover Stockport
Guy Salmon Land Rover Stratford-upon-Avon
Guy Salmon Land Rover Wakefield

Lamborghini
Lamborghini Birmingham
Lamborghini Edinburgh

Lexus
Lexus Birmingham
Lexus Bristol
Lexus Cardiff
Lexus Leicester
Lexus Milton Keynes

Mercedes-Benz/smart
Mercedes-Benz of Bath
Mercedes-Benz of Bedford
Mercedes-Benz of Carlisle
Mercedes-Benz of Cheltenham and Gloucester
Mercedes-Benz of Cribbs Causeway
Mercedes-Benz of Kettering
Mercedes-Benz of Newbury
Mercedes-Benz of Northampton
Mercedes-Benz of Sunderland
Mercedes-Benz of Weston-Super-Mare
Mercedes-Benz/smart of Bristol
Mercedes-Benz/smart of Milton Keynes
Mercedes-Benz/smart of New Castle
Mercedes-Benz/smart of Teesside

Porsche
Porsche Centre Edinburgh
Porsche Centre Glasgow
Porsche Centre Mid-Sussex
Porsche Centre Silverstone

Rolls-Royce
Rolls-Royce Motor Cars Manchester
Rolls-Royce Motor Cars Sunningdale

Saab
Oxford Saab

Toyota
Toyota World Birmingham
Toyota World Bridgend
Toyota World Bristol
Toyota World Bristol Central
Toyota World Cardiff
Toyota World Newport
Toyota World Solihull
Toyota World Tamworth

Volvo
Tollbar Warwick

GERMANY
Tamsen, Bremen (Aston Martin, Bentley, Ferrari, Maserati, Rolls-Royce)
Tamsen, Hamburg (Aston Martin, Ferrari, Lamborghini, Maserati, Rolls-Royce)

PUERTO RICO
Lexus de San Juan
Triangle Chrysler, Dodge, Jeep de Ponce
Triangle Chrysler, Dodge, Jeep, Honda del Oeste
Triangle Honda 65 de Infanteria
Triangle Honda-Suzuki de Ponce
Triangle Mazda de Ponce
Triangle Nissan del Oeste
Triangle Toyota-Scion de San Juan

We also own approximately 50% of the following dealerships:

GERMANY
Aix Automobile (Toyota, Lexus)
Audi Zentrum Aachen
Autohaus Augsburg (Goeggingen) (BMW/MINI
Autohaus Augsburg (Lechhausen) (BMW)
Autohaus Augsburg (Stadtmitte) (MINI)
Autohaus Nix (Eschborn) (Toyota, Lexus)
Autohaus Krings (Volkswagen)
Autohaus Nix (Frankfurt) (Toyota, Lexus)
Autohaus Nix (Offenbach) (Toyota, Lexus)
Autohaus Nix (Wachtersbach) (Toyota, Lexus)
Autohaus Piper (Volkswagen)
Autohaus Reisacher (Krumbach) (BMW)
Autohaus Reisacher (Memmingen) (BMW, MINI)
Autohaus Reisacher (Ulm) (BMW, MINI)
Autohaus Reisacher (Vöhringen) (BMW)
J-S Auto Park Stolberg (Volkswagen)
Lexus Forum Frankfort
TCD (Toyota)
Volkswagen Zentrum Aachen
Wolff & Meir (Volkswagen)
Zabka Automobile (Eschweiler) (Audi)
Zabka Automobile (Alsdorf) (Volkswagen)
Jacobs Automobile (Duren) (Volkswagen, Audi)
Jacobs Automobile (Geilenkirchen) (Volkswagen, Audi)

MEXICO
Toyota de Aguascalientes
Toyota de Lindavista
Toyota de Monterrey

U.S.
Penske Wynn Ferrari Maserati (Nevada)
MAX BMW Motorcycles (New Hampshire)
MAX BMW Motorcycles (New York)

Management Information Systems

We consolidate financial, accounting and operational data received from our U.S. dealers through a private communications network. Dealership data is gathered and processed through individual dealer systems utilizing a common dealer management system licensed from a third party. Each dealership is allowed to tailor the operational capabilities of that system locally, but we require that they follow our standardized accounting procedures. Our U.S. network allows us to extract and aggregate information from the system in a consistent format to generate consolidating financial and operational data. The system also allows us to access detailed information for each dealership individually, as a group, or on a consolidated basis. Information we can access includes, among other things, inventory, cash, unit sales, the mix of new and used vehicle sales and sales of aftermarket products and services. Our ability to access this data allows us to continually analyze these dealerships' results of operations and financial position so as to identify areas for improvement. Our technology and processes also enable us to quickly integrate dealerships or dealership groups we acquire in the U.S.

Our U.K. dealership financial, accounting and operational data is processed through a standard dealer management system licensed from a third party, except when otherwise required by the manufacturer. Financial and operational information is aggregated following U.S. policies and accounting requirements, and is reported in our U.S. reporting format to ensure consistency of results among our worldwide operations. Similar to the U.S., the U.K. technology and processes enable us to quickly integrate dealerships or dealership groups we acquire in the U.K.

Marketing

Our advertising and marketing efforts are focused at the local market level, with the aim of building our retail vehicle business, as well as repeat sales and service business. We utilize many different media for our marketing activities, including newspapers, direct mail, magazines, television, radio and the Internet. We also assist our local management in running special marketing events to generate sales. Automobile manufacturers supplement our local and regional advertising efforts through large advertising campaigns promoting attractive financing packages and other incentive programs they may offer. We believe that in some instances our scale has enabled us to obtain favorable terms from suppliers and advertising media, and should enable us to realize continued cost savings in marketing. In an effort to realize increased efficiencies, we are focusing on common marketing metrics and business practices across our dealerships, as well as negotiating enterprise arrangements for targeted marketing resources.

Agreements with Vehicle Manufacturers

Each of our dealerships operates under separate franchise agreements with the manufacturers of each brand of vehicle sold at that dealership. These agreements may contain provisions and standards governing almost every aspect of the dealership, including ownership, management, personnel, training, maintenance of a minimum of working capital, net worth requirements, maintenance of minimum lines of credit, advertising and marketing activities, facilities, signs, products and services, maintenance of minimum amounts of insurance, achievement of minimum customer service standards and monthly financial reporting. Typically, the dealership principal and/or the owner of a dealership may not be changed without the manufacturer's consent. In exchange for complying with these provisions and standards, we are granted the non-exclusive right to sell the manufacturer's brand of vehicles and related parts and warranty services at our dealerships. The agreements also grant us a non-exclusive license to use each manufacturer's trademarks, service marks and designs in connection with our sales and service of its brands at our dealerships.

Some of our franchise agreements expire after a specified period of time, ranging from one to six years. Manufacturers have generally not terminated our franchise agreements, and our franchise agreements with fixed terms have typically been renewed without substantial cost. We currently expect the manufacturers to renew all of our franchise agreements as they expire. In addition, certain agreements may also limit the total number of dealerships of that brand that we may own in a particular geographic area and, in some cases, limit the total number of their vehicles that we may sell as a percentage of a particular manufacturer's overall sales. Manufacturers may also limit the ownership of stores in contiguous markets. To date, we have reached the limit of the number of Lexus dealerships we may own in the U.S., and we have reached certain geographical limitations with certain manufacturers in the U.S., such that without negotiated modifications to the agreements we cannot acquire additional franchises of those brands in certain U.S. markets. Geographical limitations have historically had little impact on our ability to execute on our acquisition strategy.

Many of these agreements also grant the manufacturer a security interest in the vehicles and/or parts sold by the manufacturer to the dealership as well as other dealership assets and permit the manufacturer to terminate or not renew the agreement for a variety of causes, including failure to adequately operate the dealership, insolvency or bankruptcy, impairment of the dealer's reputation or financial standing, changes in the dealership's management, owners or location without consent, sales of the dealership's assets without consent, failure to maintain adequate working capital or floor plan financing, changes in the dealership's financial or other condition, failure to submit required information to the manufacturer on a timely basis, failure to have any permit or license necessary to operate the dealership, and material breaches of other provisions of the agreement. In the U.S., these termination rights are subject to applicable state franchise laws that limit a manufacturer's right to terminate a franchise. In the U.K., we operate without such local franchise law protection (see "Regulation" below).

Our agreements with manufacturers usually give the manufacturers the right, in some circumstances (including upon a merger, sale, or change of control of the company, or in some cases a material change in our business or capital structure), to acquire from us, at fair market value, the dealerships that sell the manufacturers' brands. For example, our agreement with General Motors Corporation provides that, upon a proposed sale of 20% or more of our voting stock to any other person or entity (other than for passive investment) or another manufacturer, an extraordinary corporate transaction (such as a merger, reorganization or sale of a material amount of assets) or a change of control of our board of directors, General Motors has the right to acquire all assets, properties and business of any General Motors dealership owned by us for fair value. In addition, General Motors has a right of first refusal if we propose to sell any of our General Motors dealerships to a third party. Some of our agreements with other major manufacturers contain provisions similar to the General Motors provisions. Some of the agreements also prohibit us from pledging, or impose significant limitations on our ability to pledge, the capital stock of some of our subsidiaries to lenders.

We are also party to a distributor agreement with smart gmbh, pursuant to which we are the exclusive distributor of the smart fortwo in the United States and Puerto Rico. The agreement governs all aspects of our distribution rights, including sales and service activities, service and warranty terms, use of intellectual property, promotion and advertising provisions, pricing and payment terms, and indemnification requirements. The agreement expires on December 31, 2021, subject to early termination by either party subject to various conditions.

Competition

For new vehicle sales, we compete primarily with other franchised dealers in each of our marketing areas. We do not have any cost advantage in purchasing new vehicles from manufacturers, and typically we rely on our premium facilities, advertising and merchandising, management experience, sales expertise, service reputation and the location of our dealerships to sell new vehicles. Each of our markets may include a number of well-capitalized competitors that also have extensive automobile dealership managerial experience and strong retail locations and facilities. In addition, we compete against dealerships owned by automotive manufacturers in some retail markets.

We compete with dealers that sell the same brands of new vehicles that we sell and with dealers that sell other brands of new vehicles that we do not represent in a particular market. Our new vehicle dealership competitors have franchise agreements with the various vehicle manufacturers and, as such, generally have access to new vehicles on the same terms as we do. Automotive dealers also face competition in the sale of new vehicles from on-line purchasing services and warehouse clubs. Due to lower overhead and sales costs, these companies may be willing to offer products at lower prices than franchised dealers.

For used vehicle sales, we compete with other franchised dealers, independent used vehicle dealers, automobile rental agencies, on-line purchasing services, private parties and used vehicle "superstores" for the procurement and resale of used vehicles. We believe that the principal competitive factors in vehicle sales are the marketing campaigns conducted by manufacturers, the ability of dealerships to offer a wide selection of the most popular vehicles, the location of dealerships and the quality of customer experience. Other competitive factors include customer preference for particular brands of automobiles, pricing (including manufacturer rebates and other special offers) and warranties. We believe that our dealerships are competitive in all of these areas.

With respect to arranging or providing financing for our customers' vehicle purchases, we compete with a broad range of financial institutions. We compete with other franchised dealers to perform warranty repairs and with other automotive dealers, franchised and non-franchised service center chains, and independent garages for non-warranty repair and routine maintenance business. We compete with other automotive dealers, service stores and auto parts retailers in our parts operations. We believe that the principal competitive factors in parts and service sales are price, the use of factory-approved replacement parts, facility location, the familiarity with a manufacturer's brands and models and the quality of customer service. A number of regional or national chains offer selected parts and services at prices that may be lower than our prices.

The automotive retail industry in the U.S. is currently served by franchised automotive dealerships, independent used vehicle dealerships and individual consumers who sell used vehicles in private transactions. Several other companies have established national or regional automotive retail chains. Additionally, vehicle manufacturers have historically engaged in the retail sale and service of vehicles, either independently or in conjunction with their franchised dealerships, and may do so on an expanded basis in the future, subject to various state laws that restrict or prohibit manufacturer ownership of dealerships.

We believe that a growing number of consumers are utilizing the Internet, to differing degrees, in connection with the purchase of vehicles. Accordingly, we may face increased pressure from on-line automotive websites, including those developed by automobile manufacturers and other dealership groups. Consumers use the Internet to compare prices for vehicles and related services, which may result in reduced margins for new vehicles, used vehicles and related services.

Employees and Labor Relations

As of December 31, 2008, we employed approximately 14,300 people, approximately 500 of whom were covered by collective bargaining agreements with labor unions. We consider our relations with our employees to be satisfactory. Our policy is to motivate our key managers through, among other things, variable compensation programs tied principally to dealership profitability. Due to our reliance on vehicle manufacturers, we may be adversely affected by labor strikes or work stoppages at the manufacturers' facilities.

Regulation

We operate in a highly regulated industry and a number of regulations affect our business of marketing, selling, financing and servicing automobiles. Under the laws of the jurisdictions in which we currently operate or into which we may expand, we typically must obtain a license in order to establish, operate or relocate a dealership or operate an automotive repair service. These laws also regulate our conduct of business, including our advertising, operating, financing, employment and sales practices. Other laws and regulations include franchise laws and regulations, environmental laws and regulations (see "Environmental Matters" below), laws and regulations applicable to new and used motor vehicle dealers, as well as privacy, identity theft prevention, wage-hour, anti-discrimination and other employment practices laws.

Our operations may also be subject to consumer protection laws. These laws typically require a manufacturer or dealer to replace a new vehicle or accept it for a full refund within a period of time after initial purchase if the vehicle does not conform to the manufacturer's express warranties and the dealer or manufacturer, after a reasonable number of attempts, is unable to correct or repair the defect. Various laws also require various written disclosures to be provided on new vehicles, including mileage and pricing information.

Our financing activities with customers are subject to truth-in-lending, consumer leasing, equal credit opportunity and similar regulations, as well as, motor vehicle finance laws, installment finance laws, insurance laws, usury laws and other installment sales laws. Some jurisdictions regulate finance fees that may be paid as a result of vehicle sales. In recent years, private plaintiffs and state attorneys general in the U.S. have increased their scrutiny of advertising, sales, and finance and insurance activities in the sale and leasing of motor vehicles.

In the U.S., we benefit from the protection of numerous state dealer laws that generally provide that a manufacturer may not terminate or refuse to renew a franchise agreement unless it has first provided the dealer with written notice setting forth good cause and stating the grounds for termination or non-renewal. Some state dealer laws allow dealers to file protests or petitions or to attempt to comply with the manufacturer's criteria within the notice period to avoid the termination or non-renewal. Europe generally does not have these laws and, as a result, our European dealerships operate without these protections. In Europe, rules limit automotive manufacturers "block exemption" to certain anti-competitive rules in regards to establishing and maintaining a retail network. As a result, existing manufacturer authorized retailers are able to, subject to manufacturer facility requirements, relocate or add additional facilities throughout the European Union, offer multiple brands in the same facility, allow the operation of service facilities independent of new car sales facilities and ease restrictions on transfers of dealerships between existing franchisees within the European Union.

Environmental Matters

We are committed to full compliance with the multitude of environmental laws applicable to our business as an automotive retailer. We are subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water, the operation and removal of aboveground and underground storage tanks, the use, handling, storage and disposal of hazardous substances and other materials and the investigation and remediation of contamination. As with automotive dealerships generally, and service, parts and body shop operations in particular, our business involves the generation, use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, filters, transmission fluid, antifreeze, refrigerant, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline and diesel fuels. We have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

Our operations involving the management of hazardous and other environmentally sensitive materials are subject to numerous requirements. Our business also involves the operation of storage tanks containing such materials. Storage tanks are subject to periodic testing, containment, upgrading and removal under applicable law. Furthermore, investigation or remediation may be necessary in the event of leaks or other discharges from current or former underground or aboveground storage tanks. In addition, water quality protection programs govern certain discharges from some of our operations. Similarly, certain air emissions from our operations, such as auto body painting, may be subject to relevant laws. Various health and safety standards also apply to our operations.

We may have liability in connection with materials that were sent to third-party recycling, treatment, and/or disposal facilities under the U.S. Comprehensive Environmental Response, Compensation and Liability Act and comparable statutes. These statutes impose liability for investigation and remediation of contamination without regard to fault or the legality of the conduct that contributed to the contamination. Responsible parties under these statutes may include the owner or operator of the site where the contamination occurred and companies that disposed or arranged for the disposal of the hazardous substances released at these sites.

An expanding trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. Vehicle manufacturers are subject to federally mandated corporate average fuel economy standards, which will increase substantially as a result of legislation passed in 2007. Furthermore, in response to recent studies suggesting that emissions of carbon dioxide and certain other gases, referred to as "greenhouse gases," may be contributing to warming of the Earth's atmosphere, climate change-related legislation and policy changes to restrict greenhouse gas emissions are being considered at state and federal levels. Significant increases in fuel economy requirements or new federal or state restrictions on emissions of carbon dioxide that may be imposed on vehicles and automobile fuels in the United States could adversely affect demand for the vehicles that we sell.

We believe that we do not have any material environmental liabilities and that compliance with environmental laws and regulations will not, individually or in the aggregate, have a material adverse effect on our results of operations, financial condition or cash flows. However, soil and groundwater contamination is known to exist at certain of our current or former properties. Further, environmental laws and regulations are complex and subject to change. In addition, in connection with our acquisitions, it is possible that we will assume or become subject to new or unforeseen environmental costs or liabilities, some of which may be material. Compliance with current, amended, new or more stringent laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions could require additional expenditures by us, and such expenditures could be material.

In an effort to improve our operating costs and be responsible in the area of environmentally sustainable practice, we are pursuing many measures with respect to the design and construction of our dealerships. As a result of our efforts, our smart USA dealerships located in Connecticut and Michigan have obtained Leadership in Energy and Environmental Design (LEED) certifications. The

United States Green Building Council (USGBC), an internationally recognized nonprofit organization, awards the prestigious LEED certification to buildings that have achieved an outstanding rating in energy efficiency and resource conservation in five categories, consisting of sustainable sites, water efficiency, energy and the atmosphere, material resources, and indoor environmental quality. Some of the green features of these dealerships are the incorporation of recyclable materials, low VOC paints and composite materials, wood products certified by the forest stewardship council (FSC), a non profit organization offering recommendations for management of the world's forests, adherence to energy standards that exceed local code, and conservation of municipal water resources through specification of high efficiency fixtures.

Insurance

The automotive retail industry is subject to substantial risk of property loss due to the significant concentration of property values at dealership locations, including vehicles and parts. In addition, we are exposed to other potential liabilities arising out of our operations, including claims by employees, customers or third parties for personal injury or property damage and potential fines and penalties in connection with alleged violations of regulatory requirements. As a result, we require significant levels of insurance covering a broad variety of risks.

We purchase insurance, including umbrella and excess insurance policies, subject to specified deductibles and significant loss retentions. The level of risk we retain may change in the future as insurance market conditions or other factors affecting the economics of purchasing insurance change. We are exposed to uninsured and underinsured losses that could have a material adverse effect on our results of operations, financial condition or cash flows. In certain instances, we post letters of credit to support our loss retentions and deductibles. We and Penske Corporation, which is our largest stockholder, have entered into a joint insurance agreement which provides that, with respect to our joint insurance policies (which includes our property policy), available coverage with respect to a loss shall be paid to each party as stipulated in the policies. In the event of losses by us and Penske Corporation that exceed the limit of liability for any policy or policy period, the total policy proceeds will be allocated based on the ratio of premiums paid. For information regarding our relationship with Penske Corporation, see Part II — Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations-Related Party Transactions."

Seasonality

Our business is modestly seasonal overall. Our U.S. operations generally experience higher volumes of vehicle sales in the second and third quarters of each year due in part to consumer buying trends and the introduction of new vehicle models. Also, vehicle demand, and to a lesser extent demand for service and parts, is generally lower during the winter months than in other seasons, particularly in regions of the U.S. where dealerships may be subject to severe winters. Our U.K. operations generally experience higher volumes of vehicle sales in the first and third quarters of each year, due primarily to vehicle registration practices in the U.K. In the U.K., vehicles sold after March 1 and September 1 of each year reflect a later date of sale, decreasing their perceived residual value resulting in a larger number of sales occurring in March and September of each year.

Available Information

For selected financial information concerning our various operating segments, see Note 16 to our consolidated financial statements included in Item 8 of this report. Our Internet website address is www.penskeautomotive.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act, are available free of charge through our website under the tab "Investor Relations" as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. We also make available on our website copies of materials regarding our corporate governance policies and practices, including our Corporate Governance Guidelines; our Code of Business Ethics; and the charters relating to the committees of our Board of Directors. You may also obtain a printed copy of the foregoing materials by sending a written request to: Investor Relations, Penske Automotive Group, Inc., 2555 Telegraph Road, Bloomfield Hills, MI 48302 or by calling toll-free 1-866-715-528. The information on or linked to our website is not part of this document. We plan to disclose waivers, if any, for our executive officers or directors from our code of business ethics on our website.

We are incorporated in the state of Delaware and began dealership operations in October 1992. We submitted to the New York Stock Exchange its required annual CEO certification in 2008 without qualification and have filed all required certifications under section 302 of the Sarbanes-Oxley Act relating to 2008 as exhibits to this annual report on Form 10-K.

Item 1A. *Risk Factors*

Our business, financial condition, results of operations, cash flows, and prospects, and the prevailing market price and performance of our common stock, may be adversely affected by a number of factors, including the matters discussed below. Certain statements and information set forth in this Annual Report on Form 10-K, as well as other written or oral statements made from time to time by us or by our authorized officers on our behalf, constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "seeks," "projects," "will," "would," and similar expressions are intended to identify such forward-looking statements. We intend for our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we set forth this statement in order to comply with such safe harbor provisions. You should note that our forward-looking statements speak only as of the date of this Annual Report on Form 10-K or when made and we undertake no duty or obligation to update or revise our forward-looking statements, whether as a result of new information, future events, or otherwise. Although we believe that the expectations, plans, intentions, and projections reflected in our forward-looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. The risks, uncertainties, and other factors that our stockholders and prospective investors should consider include, but are not limited to, the following:

Our business is susceptible to adverse economic conditions, including changes in consumer confidence, changes in fuel prices and reduced credit availability.

We believe that the automotive retail industry is influenced by general economic conditions, consumer confidence, personal discretionary spending, interest rates, fuel prices, weather conditions and unemployment rates. The worldwide automotive industry experienced significant operational and financial difficulties in 2008. The turbulence in worldwide credit markets and resulting decrease in the availability of financing and leasing alternatives for consumers hampered our sales efforts. Continued or further restricted credit availability could materially adversely affect our operations as many of our retail sales customers purchase vehicles using credit. In 2008, volatility in fuel prices impacted consumer preferences and caused dramatic swings in consumer demand for various vehicle models, which led to supply and demand imbalances. In addition, there was reduced consumer confidence and spending in the markets in which we operate, which we believe reduced customer traffic in our dealerships, particularly since September 2008. Continued adverse economic conditions will negatively affect our business.

Historically, unit sales of motor vehicles, particularly new vehicles, have been cyclical, fluctuating with general economic cycles. During periods of economic downturn, such as the latter half of 2008, new vehicle retail sales tend to experience periods of decline characterized by oversupply and weak demand. The automotive retail industry may continue to experience sustained periods of decline in vehicle sales in the future, which could materially adversely affect our results of operations, financial condition or cash flows.

Risks Relating to Automotive Manufacturers

Automotive manufacturers exercise significant control over our operations and we depend on them in order to operate our business.

Each of our dealerships operates under franchise agreements with automotive manufacturers or related distributors. We are dependent on these parties because, without a franchise agreement, we cannot operate a new vehicle franchise or perform manufacturer authorized warranty service.

Manufacturers exercise a great degree of control over the operations of our dealerships. For example, manufacturers can require our dealerships to meet specified standards of appearance, require individual dealerships to meet specified financial criteria such as the maintenance of a minimum of net working capital and for a minimum net worth, impose minimum customer service and satisfaction standards, restrict the use of manufacturers' names and trademarks and consent to the replacement of the dealership principal.

Our franchise agreements may be terminated or not renewed by automotive manufacturers for a variety of reasons, including unapproved changes of ownership or management and other material breaches of the franchise agreements. We have, from time to time, not been compliant with various provisions of some of our franchise agreements. Our operations in the U.K. operate without local franchise law protection (see "Regulation" above), and we are aware of efforts by certain manufacturers not to renew their franchise agreements with certain other retailers in the U.K. Although we believe that we will be able to renew all of our existing franchise agreements at expiration, if any of our significant existing franchise agreements or a large number of franchise agreements are not renewed or the terms of any such renewal are materially unfavorable to us, our results of operations, financial condition or cash flows could be materially adversely affected. In addition, actions taken by manufacturers to exploit their bargaining position in negotiating the terms of renewals of franchise agreements could also materially adversely affect our results of operations, financial condition or cash flows.

While U.S. franchise laws give us limited protection in selling a manufacturer's product within a given geographic area, our franchise agreements do not give us the exclusive right to sell vehicles within a given area. In Europe, rules limit automotive manufacturers "block exemption" to certain anti-competitive rules in regards to establishing and maintaining a retail network. As a result, existing manufacturer authorized retailers are able, subject to manufacturer facility requirements, to relocate or add additional facilities throughout the European Union, offer multiple brands in the same facility, allow the operation of service facilities independent of new car sales facilities and ease restrictions on transfers of dealerships between existing franchisees within the European Union. Changes to these rules adverse to us could materially adversely affect our results of operations, financial condition or cash flows.

We depend on manufacturers to provide us with a desirable mix of popular new vehicles, which tend to produce the highest profit margins. Manufacturers generally allocate their vehicles among dealerships based on the sales history of each dealership. Our inability to obtain sufficient quantities of the most popular models, whether due to sales declines at our dealerships or otherwise, could materially adversely affect our results of operations, financial condition or cash flows.

Our volumes and profitability may be adversely affected if automotive manufacturers reduce or discontinue their incentive programs.

Our dealerships depend on the manufacturers for sales incentives, warranties and other programs that promote and support vehicle sales at our dealerships. Some of these programs include customer rebates, dealer incentives, special financing or leasing terms and warranties. Manufacturers frequently change their incentive programs. If manufacturers reduce or discontinue incentive programs, our results of operations, financial condition or cash flows could be materially adversely affected.

Adverse conditions affecting one or more automotive manufacturers may negatively impact our revenues and profitability.

Our success depends on the overall success of the line of vehicles that each of our dealerships sells. As a result, our success depends to a great extent on the automotive manufacturers' financial condition, marketing, vehicle design, production and distribution capabilities, reputation, management and labor relations. For 2008, BMW/MINI, Toyota/Lexus brands, Honda/Acura and Daimler brands accounted for 22%, 19%, 15% and 10%, respectively, of our total revenues. A significant decline in the sale of new vehicles manufactured by these manufacturers, or the loss or deterioration of our relationships with one or more of these manufacturers, could materially adversely affect our results of operations, financial condition or cash flows. No other manufacturer accounted for more than 10% of our total revenues for 2008.

Events such as labor strikes that may adversely affect a manufacturer may also materially adversely affect us, especially if these events were to interrupt the supply of vehicles or parts to us. Similarly, the delivery of vehicles from manufacturers at a time later than scheduled, which may occur during periods of new product introductions, could lead to reduced sales during those periods. In addition, any event that causes adverse publicity involving one or more automotive manufacturers or their vehicles may materially adversely affect our results of operations, financial condition or cash flows.

A restructuring of one of the U.S. based automotive manufacturers may adversely affect our operations, as well as the U.S. automotive sector as a whole.

U.S. based automotive manufacturers have been experiencing decreasing U.S. market share in recent years. Beginning in 2008, these manufacturers have experienced significant operational and financial distress, due in part to shrinking market share in the U.S. and the recent limitation in worldwide credit capacity. In 2008 and early 2009, certain of these manufacturers received support from the U.S. government in the form of loans, due in part to their admission of limited liquidity. While we have limited exposure to these manufacturers in terms of the percentage of our overall revenue, a restructuring of any one of them would likely lead to significant disruption to our dealerships that represent them, including, but not limited to, a loss of availability of new vehicle inventory, reduced consumer demand for vehicle inventory, the loss of funding for existing or future inventory, non payment of receivables due from that manufacturer, and/or the cancellation of our franchise agreement without cancellation of our underlying lease and other obligations. The restructuring of one of these manufacturers could also impact other automotive manufacturers and suppliers. We cannot reasonably predict the impact to the automotive retail environment of any such disruption, but believe it would be significant and adverse to the industry as a whole.

Since 1999, we have sold a number of U.S. brand automotive dealerships to third parties. As a condition to the sale, we have at times remained liable for the lease payments relating to the properties on which those franchises operate. The aggregate rent paid by the tenants on those properties in 2008 was approximately $7.0 million and, in aggregate, we guarantee or are otherwise liable for approximately $148.4 million of lease payments, including lease payments during available renewal periods. In the event of disruption to these franchises from a restructuring of the manufacturer or otherwise, we could be required to fulfill these obligations, which could materially adversely affect our results of operations, financial condition or cash flows.

The dislocation of worldwide credit markets has also resulted in an increase in the cost of capital for the captive finance companies associated with the U.S. based automotive manufacturers. Certain of these lenders have also received support from the U.S government in the form of loans. Those entities provide vehicle procurement financing for certain of our dealerships, which financings are due on demand. We had approximately $180.2 million of such financing outstanding with them as of December 31, 2008, consisting of $97.7 million with Ford Motor Credit, $55.5 million with GMAC, and $27.0 million with Chrysler Financial. In the event we are required to repay those loans prior to the sale of the underlying vehicle, we may not be able to raise capital for such repayment, in which case our results of operations, financial condition or cash flows could be materially, adversely impacted.

Our failure to meet manufacturers' consumer satisfaction requirements may adversely affect us.

Many manufacturers measure customers' satisfaction with their sales and warranty service experiences through systems that are generally known as customer satisfaction indices, or CSI. Manufacturers sometimes use a dealership's CSI scores as a factor in evaluating applications for additional dealership acquisitions. Certain of our dealerships have had difficulty from time to time in meeting their manufacturers' CSI standards. We may be unable to meet these standards in the future. A manufacturer may refuse to consent to a franchise acquisition by us if our dealerships do not meet their CSI standards. This could materially adversely affect our acquisition strategy. In addition, because we receive payments from the manufacturers based in part on CSI scores, future payments could be materially reduced or eliminated if our CSI scores decline.

Automotive manufacturers impose limits on our ability to issue additional equity and on the ownership of our common stock by third parties, which may hamper our ability to meet our financing needs.

A number of manufacturers impose restrictions on the sale and transfer of our common stock. The most prohibitive restrictions provide that, under specified circumstances, we may be forced to sell or surrender franchises (1) if a competing automotive manufacturer acquires a 5% or greater ownership interest in us or (2) if an individual or entity that has a criminal record in connection with business dealings with any automotive manufacturer, distributor or dealer or who has been convicted of a felony acquires a 5% or greater ownership interest in us. Further, certain manufacturers have the right to approve the acquisition by a third party of 20% or more of our common stock, and a number of manufacturers continue to prohibit changes in ownership that may affect control of our company.

Actions by our stockholders or prospective stockholders that would violate any of the above restrictions are generally outside our control. If we are unable to obtain a waiver or relief from these restrictions, we may be forced to terminate or sell one or more franchises, which could materially adversely affect our results of operations, financial condition or cash flows. These restrictions also may prevent or deter prospective acquirers from acquiring control of us and, therefore, may adversely impact the value of our common stock. These restrictions also may impede our ability to raise required capital or our ability to acquire dealership groups using our common stock may also be inhibited.

Risks Relating to our Acquisition Strategy

Growth in our revenues and earnings depends on our ability to acquire and successfully operate new dealerships.

We expect to acquire new dealerships, however, we cannot guarantee that we will be able to identify and acquire additional dealerships in the future. Moreover, acquisitions involve a number of risks, including:

- integrating the operations and personnel of the acquired dealerships;
- operating in new markets with which we are not familiar;
- incurring unforeseen liabilities at acquired dealerships;
- disruption to our existing business;

- failure to retain key personnel of the acquired dealerships;
- impairment of relationships with employees, manufacturers and customers; and
- incorrectly valuing acquired entities.

In addition, integrating acquired dealerships into our existing mix of dealerships may result in substantial costs, diversion of our management resources or other operational or financial problems. Unforeseen expenses, difficulties and delays frequently encountered in connection with the integration of acquired entities and the rapid expansion of operations could inhibit our growth, result in our failure to achieve acquisition synergies and require us to focus resources on integration rather than other more profitable areas. Acquired entities may subject us to unforeseen liabilities that we did not detect prior to completing the acquisition, or liabilities that turn out to be greater than those we had expected. These liabilities may include liabilities that arise from non-compliance with environmental laws by prior owners for which we, as a successor owner, will be responsible.

We may be unable to identify acquisition candidates that would result in the most successful combinations, or complete acquisitions on acceptable terms on a timely basis. The magnitude, timing, pricing and nature of future acquisitions will depend upon various factors, including the availability of suitable acquisition candidates, the negotiation of acceptable terms, our financial capabilities, the availability of skilled employees to manage the acquired companies and general economic and business conditions. Further, we may need to borrow funds to complete future acquisitions, which funds may not be available. Furthermore, we have sold and may in the future sell dealerships based on numerous factors, which may impact our future revenues and earnings, particularly if we do not make acquisitions to replace such revenues and earnings.

Manufacturers' restrictions on acquisitions may limit our future growth.

Our future growth via acquisition of automotive dealerships will depend on our ability to obtain the requisite manufacturer approvals. The relevant manufacturer must consent to any franchise acquisition and it may not consent in a timely fashion or at all. In addition, under many franchise agreements or under local law, a manufacturer may have a right of first refusal to acquire a dealership that we seek to acquire.

Some manufacturers limit the total number of their dealerships that we may own in a particular geographic area and, in some cases, limit the total number of their vehicles that we may sell as a percentage of that manufacturer's overall sales. Manufacturers may also limit the ownership of stores in contiguous markets. To date, we have reached the limit of the number of Lexus dealerships we may own in the U.S., and we have reached certain geographical limitations with certain manufacturers in the U.S., such that without negotiated modifications to the agreements we cannot acquire additional franchises of those brands in certain U.S. markets. If additional manufacturers impose or expand these types of restrictions, our acquisition strategy, results of operations, financial condition or cash flows could be materially adversely affected.

Other Business Risks

Substantial competition in automotive sales and services may adversely affect our profitability.

The automotive retail industry is highly competitive. Depending on the geographic market, we compete with:

- franchised automotive dealerships in our markets that sell the same or similar new and used vehicles that we offer;
- private market buyers and sellers of used vehicles;
- Internet-based vehicle brokers that sell vehicles obtained from franchised dealers directly to consumers;
- vehicle rental companies that sell their used rental vehicles;
- service center chain stores; and
- independent service and repair shops.

We also compete against automotive manufacturers in some retail markets, which may negatively affect our operating results, financial condition or cash flows. Some of our competitors may have greater financial, marketing and personnel resources and lower overhead and sales costs than us. We do not have any cost advantage over other franchised automotive dealerships when purchasing new vehicles from the automotive manufacturers.

In addition to competition for vehicle sales, our dealerships compete with franchised dealerships to perform warranty repairs and with other automotive dealers, independent service center chains, independent garages and others in connection with our non-warranty repair, routine maintenance and parts business. A number of regional or national chains offer selected parts and services at prices that may be lower than our dealerships' prices. We also compete with a broad range of financial institutions in arranging financing for our customers' vehicle purchases.

In addition, customers are using the Internet to compare pricing for cars and related finance and insurance services, which may reduce our profit margins on those lines of business. Some websites offer vehicles for sale over the Internet without being a franchised dealer, although they must currently source their vehicles from a franchised dealer. If new vehicle sales made over the Internet are allowed to be conducted without the involvement of franchised dealers, or if dealerships are able to effectively use the Internet to sell outside of their markets, our business could be materially adversely affected. We could also be materially adversely affected to the extent that Internet companies acquire dealerships or ally themselves with our competitors' dealerships.

The success of our distribution of the smart fortwo is directly impacted by availability and consumer demand for this vehicle.

We are the exclusive distributor of the smart fortwo vehicle in the U.S. and Puerto Rico. The profitability of this business depends upon the number of vehicles we distribute, which in turn is impacted by consumer demand for this vehicle. We believe demand for the smart fortwo is subject to the same general economic conditions, consumer confidence, personal discretionary spending, interest rates and credit availability that impact the retail automotive industry generally. Because the smart fortwo is a vehicle with high fuel economy, future demand may be more responsive to changes in fuel prices than other vehicles. In the event sales of the smart fortwo are less than we expect, our related results of operations and cash flows may be materially adversely affected.

The smart fortwo is manufactured by Mercedes-Benz Cars at its Hambach, France factory. In the event of a supply disruption or if sufficient quantities of the smart fortwo are not made available to us, or if we accept vehicles and are unable to economically distribute those vehicles to the smart dealership network, our cash flows or results of operations may be materially adversely affected.

Our capital costs and our results of operations may be adversely affected by a rising interest rate environment.

We finance our purchases of new and, to a lesser extent, used vehicle inventory using floor plan financing arrangements under which we are charged interest at floating rates. In addition, we obtain capital for general corporate purposes, dealership acquisitions and real estate purchases and improvements under predominantly floating interest rate credit facilities. Therefore, excluding the potential mitigating effects from interest rate hedging techniques, our interest expenses will rise with increases in interest rates. Rising interest rates may also have the effect of depressing demand in the interest rate sensitive aspects of our business, including new and used vehicles sales, because many of our customers finance their vehicle purchases. As a result, rising interest rates may have the effect of simultaneously increasing our costs and reducing our revenues, which could materially adversely affect our results of operations, financial condition or cash flows.

Our interest costs may also rise independent of general interest rates. For example, the dislocation of worldwide credit markets has resulted in an increase in the cost of capital for the captive finance subsidiaries that provide us financing for our inventory procurement. Certain of those companies have responded by increasing the cost of such financing to us. Materially increased interest costs could materially adversely affect our results of operations, financial condition or cash flows.

Our substantial indebtedness and lease commitments may limit our ability to obtain financing for acquisitions and may require that a significant portion of our cash flow be used for debt service, debt repayment and lease payments.

We have a substantial amount of indebtedness. As of December 31, 2008, we had approximately $1.5 billion of floor plan notes payable outstanding and $1.1 billion of total non-floor plan debt outstanding, including $375.0 million of convertible senior notes currently expected to be redeemed in April 2011. In addition, we have the ability to draw on unutilized debt capacity under our credit facilities.

We have historically structured our operations so as to minimize our ownership of real property. As a result, we lease or sublease substantially all of our dealerships properties and other facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options at our election. We estimate our total rent obligations under the leases, including extension periods we may exercise at our discretion and assuming constant consumer price indices, to be approximately $4.8 billion.

Our substantial debt and operating lease commitments could have important consequences. For example, they could:

- make it more difficult for us to obtain additional financing in the future for our acquisitions and operations, working capital requirements, capital expenditures, debt service or other general corporate requirements;
- require us to dedicate a substantial portion of our cash flows from operations to repay debt and related interest rather than other areas of our business;
- limit our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt, creating liens on our properties, making acquisitions or paying dividends;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- make us more vulnerable in the event of adverse economic or industry conditions or a downturn in our business.

Our ability to meet our lease and debt service and repayment obligations depends on our future performance, which will be impacted by general economic conditions and by financial, business and other competitive factors, many of which are beyond our control. These factors could include operating difficulties, increased operating costs, the actions of competitors, regulatory developments and delays in implementing our growth strategies. Our ability to meet our debt and lease obligations may depend on our success in implementing our business strategies, and we may not be able to implement our business strategies or the anticipated results of our strategies may not be realized.

If our business does not generate sufficient cash flow from operations or future sufficient borrowings are not available to us, we may not be able to service or repay our debt or leases or to fund our other liquidity needs. In that event, we may have to delay or cancel acquisitions, sell equity securities, sell assets or restructure or refinance our debt. If we are unable to service or repay our debt or leases, we may not be able to pursue these options on a timely basis or on satisfactory terms or at all. In addition, the terms of our existing or future franchise agreements, agreements with manufacturers or debt agreements may prohibit us from adopting any of these alternatives.

Our inability to raise capital for the purchase of vehicle inventory or otherwise could adversely affect us.

We depend to a significant extent on our ability to finance the purchase of inventory in the form of floor plan financing. Floor plan financing is financing from a vehicle manufacturer or third party secured by the vehicles we sell. Our dealerships borrow money to buy a particular vehicle from the manufacturer and generally pay off the floor plan financing when they sell the particular vehicle, paying interest during the interim period. Our floor plan financing is secured by substantially all of the assets of our automotive dealership subsidiaries. Our remaining assets are pledged to secure our credit facilities. This may impede our ability to borrow from other sources.

Most of our floor plan lenders are associated with manufacturers with whom we have franchise agreements. Consequently, the deterioration of our relationship with a manufacturer could adversely affect our relationship with the affiliated floor plan lender and vice versa. Any inability to obtain floor plan financing on customary terms, or the termination of our floor plan financing arrangements by our floor plan lenders, could materially adversely affect our results of operations, financial condition or cash flows.

We require substantial capital in order to acquire and renovate automotive dealerships. This capital might be raised through public or private financing, including through the issuance of debt or equity securities, sale-leaseback transactions and other sources. Availability under our credit agreements may be limited by the covenants and conditions of those facilities and we may not be able to raise additional funds. If we raise additional funds by issuing equity securities, dilution to then existing stockholders may result. If adequate funds are not available, we may be required to significantly curtail our acquisition and renovation programs, which could materially and adversely affect our growth strategy.

Our failure to comply with our debt and operating lease covenants could have a material adverse effect on our business, financial condition or results of operations.

Our U.S. credit agreement, U.K. credit agreement, and certain operating leases contain financial and operating covenants. A breach of any of these covenants could result in a default under the applicable agreement. If a default were to occur, we would likely seek a waiver of that default, attempt to reset the covenant, or refinance the instrument and accompanying obligations. If we were unable to obtain this relief, the default could result in the acceleration of the total due related to that debt or lease obligation. In addition, these agreements, as well as the indentures that govern our 7.75% notes and our 3.5% convertible notes, contain cross-default provisions such that a default under one agreement could result in a default under all of our significant financing and operating agreements. If a default and/or cross default were to occur, we may not be able to pay our debts or borrow sufficient funds to refinance them. Any of these events, if they occur, could materially adversely affect our results of operations, financial condition, and cash flows.

We depend on the performance of sublessees to offset costs related to certain of our lease agreements and if the sublessees don't perform as expected, we could experience a material adverse effect on our business, financial condition or results of operations.

Since 1999, we have sold a number of dealerships to third parties. As a condition to the sale, we have at times remained liable for the lease payments relating to the properties on which those franchises operate. The aggregate rent paid by the tenants on those properties in 2008 was approximately $13.4 million and, in aggregate, we guarantee or are otherwise liable for approximately $218.7 million of lease payments, including lease payments during available renewal periods. We rely on the buyer of the franchise to pay the associated rent and maintain the property. In the event the buyer does not perform as expected (due to the buyer's financial condition or other factors such as the market performance of the underlying vehicle manufacturer), we may not be able to recover amounts owed to us by the buyer. In this event, we could be required to fulfill these obligations, which could materially adversely affect our results of operations, financial condition or cash flows.

Shares eligible for future sale may cause the market price of our common stock to drop significantly, even if our business is doing well.

The potential for sales of substantial amounts of our common stock in the public market may have a material adverse effect on our stock price. In addition, the amount of equity securities that we issue in connection with acquisitions could be significant and result in dilution to common shareholders or adversely effect our stock price. The majority of our outstanding shares are held by two shareholders, each of whom has registration rights that could result in a substantial number of shares being sold in the market. In addition, we have reserved a significant number of shares for issuance relating to our 3.5% convertible senior subordinated notes which, if issued, may result in substantial dilution to common shareholders or adversely effect our stock price. Finally, we have a significant amount of authorized but unissued shares that, if issued, could materially adversely effect our stock price.

Property loss, business interruptions or other liabilities at some of our dealerships could impact our results of operations.

The automotive retail business is subject to substantial risk of property loss due to the significant concentration of property values at dealership locations, including vehicles and parts. We have historically experienced business interruptions at several of our dealerships due to adverse weather conditions or other extraordinary events, such as wild fires in California or hurricanes in Florida. Other potential liabilities arising out of our operations involve claims by employees, customers or third parties for personal injury or property damage and potential fines and penalties in connection with alleged violations of regulatory requirements. To the extent we experience future similar events, our results of operations, financial condition or cash flows may be materially adversely impacted.

We rely on the management information systems at our dealerships, which are licensed from third parties and are used in all aspects of our sales and service efforts, as well as in the preparation of our consolidating financial and operating data. These systems are principally provided by one supplier in the U.S. and one supplier in the U.K. To the extent these systems become unavailable to us for any reason, or if our relationship deteriorates with either of our two principal suppliers, our business could be significantly disrupted which could materially adversely affect our results of operations, financial condition and cash flow.

If we lose key personnel or are unable to attract additional qualified personnel, our business could be adversely affected.

We believe that our success depends to a significant extent upon the efforts and abilities of our executive management and key employees, including, in particular, Roger S. Penske, our Chairman and Chief Executive Officer. Additionally, our business is dependent upon our ability to continue to attract and retain qualified personnel, such as managers, as well as retaining dealership management in connection with acquisitions. We generally have not entered into employment agreements with our key personnel. The loss of the services of one or more members of our senior management team, including, in particular, Roger S. Penske, could have a material adverse effect on us and materially impair the efficiency and productivity of our operations. We do not have key man insurance for any of our executive officers or key personnel. The loss of any of our key employees or the failure to attract qualified managers could have a material adverse effect on our business.

Our business may be adversely affected by import product restrictions and foreign trade risks that may impair our ability to sell foreign vehicles profitably.

A significant portion of our new vehicle business involves the sale of vehicles, vehicle parts or vehicles composed of parts that are manufactured outside the region in which they are sold. As a result, our operations are subject to customary risks associated with imported merchandise, including fluctuations in the relative value of currencies, import duties, exchange controls, differing tax structures, trade restrictions, transportation costs, work stoppages and general political and economic conditions in foreign countries.

The locations in which we operate may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adjust presently prevailing quotas, duties or tariffs on imported merchandise. Any of those impositions or adjustments could materially affect our operations and our ability to purchase imported vehicles and parts at reasonable prices, which could materially adversely affect our business.

We are subject to substantial regulation, claims and legal proceedings, any of which could adversely affect our profitability.

A number of regulations affect our business of marketing, selling, financing, distributing and servicing automobiles. Under the laws of states in U.S. locations in which we currently operate, we typically must obtain a license in order to establish, operate or relocate a dealership or operate an automotive repair service, including dealer, sales, finance and insurance-related licenses. These laws also regulate our conduct of business, including our advertising, operating, financing, employment and sales practices. In addition, our foreign operations are subject to similar regulations in their respective jurisdictions.

Our financing activities with customers are subject to truth-in-lending, consumer leasing, equal credit opportunity and similar regulations as well as motor vehicle finance laws, installment finance laws, insurance laws, usury laws and other installment sales laws. Some jurisdictions regulate finance fees that may be paid as a result of vehicle sales. In recent years, private plaintiffs and state attorneys general in the U.S. have increased their scrutiny of advertising, sales, and finance and insurance activities in the sale and leasing of motor vehicles. These activities have led many lenders to limit the amounts that may be charged to customers as fee income for these activities. If these or similar activities were significantly to restrict our ability to generate revenue from arranging financing for our customers, we could be adversely affected. We could also be susceptible to claims or related actions if we fail to operate our business in accordance with applicable laws. Claims arising out of actual or alleged violations of law may be asserted against us or any of our dealers by individuals, either individually or through class actions, or by governmental entities in civil or criminal investigations and proceedings. Such actions may expose us to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including suspension or revocation of our licenses and franchises to conduct dealership operations.

We are involved in legal proceedings in the ordinary course of business including litigation with customers regarding our products and services, and expect to continue to be subject to claims related to our existing business and any new business. A significant judgment against us, the loss of a significant license or permit or the imposition of a significant fine could have a material adverse effect on our business, financial condition and future prospects.

If state dealer laws in the U.S. are repealed or weakened, our dealership franchise agreements will be more susceptible to termination, non-renewal or renegotiation.

State dealer laws in the U.S. generally provide that an automotive manufacturer may not terminate or refuse to renew a franchise agreement unless it has first provided the dealer with written notice setting forth good cause and stating the grounds for termination or non-renewal. Some state dealer laws allow dealers to file protests or petitions or to attempt to comply with the manufacturer’s criteria within the notice period to avoid the termination or non-renewal. If dealer laws are repealed in the states in which we operate, manufacturers may be able to terminate our franchises without advance notice, an opportunity to cure, or a showing of good cause. Without the protection of state dealer laws, it may also be more difficult for our U.S. dealerships to renew their franchise agreements upon expiration. Jurisdictions outside the U.S. generally do not have these laws and, as a result, operate without these protections.

Our dealerships are subject to environmental regulations that may result in claims and liabilities which could be material.

We are subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water, the operation and removal of storage tanks and the use, storage and disposal of hazardous substances. Our dealerships and service, parts and body shop operations in particular use, store and contract for recycling or disposal of hazardous materials. Any non-compliance with these regulations could result in significant fines and penalties which could adversely affect our results of operations, financial condition or cash flows. Further, investigation or remediation may be necessary in the event of leaks or other discharges from current or former underground or aboveground storage tanks.

In the U.S., we may also have liability in connection with materials that were sent to third-party recycling, treatment, and/or disposal facilities under federal and state statutes, which impose liability for investigation and remediation of contamination without regard to fault or the legality of the conduct that contributed to the contamination. Similar to many of our competitors, we have incurred and will continue to incur, capital and operating expenditures and other costs to comply with such laws and regulations. Soil and groundwater contamination is known to exist at some of our current or former properties. In connection with our acquisitions, it is possible that we will assume or become subject to new or unforeseen environmental costs or liabilities, some of which may be material. In connection with dispositions of businesses, or dispositions previously made by companies we acquire, we may retain exposure for environmental costs and liabilities, some of which may be material.

An expanding trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and thus any changes in environmental laws and regulations that result in more stringent and costly waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our results of operations and financial condition. Vehicle manufacturers are subject to federally mandated corporate average fuel economy standards, which will increase substantially as a result of legislation passed in 2007. Furthermore, in response to recent studies suggesting that emissions of carbon dioxide and certain other gases, referred to as “greenhouse gases,” may be contributing to warming of the Earth’s atmosphere, climate change-related legislation to restrict greenhouse gas emissions is being considered at the state and federal level to reduce emissions of greenhouse gases. Significant increases in fuel economy requirements or new federal or state restrictions on emissions of carbon dioxide that may be imposed on vehicles and automobile fuels could adversely affect demand for the vehicles that we sell. Environmental laws and regulations are complex and subject to change. Compliance with any new or more stringent laws or regulations, stricter interpretations of existing laws, or the future discovery of environmental conditions could require additional expenditures by us which could materially adversely affect our results of operations, financial condition or cash flows.

Our principal stockholders have substantial influence over us and may make decisions with which you disagree.

Penske Corporation through various affiliates beneficially owns 40% of our outstanding common stock. In addition, Penske Corporation and its affiliates have entered into a stockholders agreement with our second largest stockholder, Mitsui & Co., Ltd. and one of its affiliates, pursuant to which they have agreed to vote together as to the election of our directors. Collectively, these two groups beneficially own 57% of our outstanding stock. As a result, these persons have the ability to control the composition of our board of directors and therefore they may be able to control the direction of our affairs and business. This concentration of ownership, as well as various provisions contained in our agreements with manufacturers, our certificate of incorporation and bylaws and the Delaware General Corporation Law, could have the affect of discouraging, delaying or preventing a change in control of us or unsolicited acquisition proposals. These provisions include the stock ownership limits imposed by various manufacturers and our ability to issue “blank check” preferred stock and the “interested stockholder” provisions of Section 203 of the Delaware General Corporation Law.

Some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests.

Some of our executive officers also hold executive positions at other companies affiliated with our largest stockholder. Roger S. Penske, our Chairman and Chief Executive Officer, is also Chairman and Chief Executive Officer of Penske Corporation, a diversified transportation services company. Robert H. Kurnick, Jr., our President and a director, is also President of Penske Corporation and Hiroshi Ishikawa, our Executive Vice President — International Business Development and a director, serves in a similar capacity for Penske Corporation. Much of the compensation of these officers is paid by Penske Corporation and not by us, and while these officers have historically devoted a substantial amount of their time to our matters, these officers are not required to spend any specific amount of time on our matters. Furthermore, one of our directors, Richard J. Peters serves as a director of Penske Corporation. In addition, Penske Corporation owns Penske Motor Group, a privately held automotive dealership company with operations in southern California. Periodically, we have sold real property and improvements to AGR, a wholly-owned subsidiary of Penske Corporation, which we have then leased. Due to their relationships with these related entities, Messrs. Ishikawa, Kurnick, Penske, and Peters may have a conflict of interest in making any decision related to transactions between their related entities and us, or with respect to allocations of corporate opportunities.

Our operations outside the U.S. subject us to foreign currency translation risk and exposure to changes in exchange rates.

In recent years, between 30% and 40% of our revenues have been generated outside the U.S., predominately in the United Kingdom. As a result, we are exposed to the risks involved in foreign operations, including:

- changes in international tax laws and treaties, including increases of withholding and other taxes on remittances and other payments by subsidiaries;
- tariffs, trade barriers, and restrictions on the transfer of funds between nations;
- changes in international governmental regulations;
- the impact of local economic and political conditions;
- the impact of European Commission regulation and the relationship between the United Kingdom and continental Europe; and
- increased competition and the impact from limited franchise protection in Europe.

If our operations outside the U.S. fail to perform as expected, we will be adversely impacted. In addition, our results of operations and financial position are reported in the local currency and are then translated into U.S. dollars at applicable foreign currency exchange rates for inclusion in our consolidated financial statements. As exchange rates fluctuate, particularly between the U.S. and U.K., our results of operations as reported in U.S. dollars will fluctuate. For example, if the U.S. dollar were to strengthen against the U.K. pound, our U.K. results of operations would translate into less U.S. dollar reported results.

Our investments in joint ventures subject us to additional business risks, including the potential for future impairment charges if the joint ventures do not perform as expected.

We have invested in a variety of joint ventures, including retail automotive operations in Germany and Mexico and a 9% limited partnership interest in Penske Truck Leasing ("PTL"). The net book value of our retail automotive joint venture investments and PTL was $56.3 million and $227.5 million, respectively, as of December 31, 2008. We expect to receive future operating distributions from our joint venture investments and to realize U.S tax savings as a result of the investment in PTL. These benefits may not be realized if the joint ventures do not perform as expected, or if changes in tax, financial or regulatory requirements, changes in the financial health of the joint venture customers, labor strikes or work stoppages, lower asset utilization rates or industry competition negatively impact the results of the joint venture operations. In addition, if the business does not perform as expected, we may recognize an impairment charge on our statement of income which could be material and which could adversely affect our financial results for the periods in which any charge occurs.

We may write down the value of our goodwill or franchises which could have a material adverse impact on our results of operations and stockholders' equity.

In the fourth quarter of 2008, we recorded a $606.3 million pre-tax goodwill impairment charge and a $37.1 million pre-tax franchise value impairment charge. As a result, we have an aggregate of $974.6 million of goodwill and franchise value on our consolidated balance sheet as of December 31, 2008. These intangible assets are subject to impairment assessments at least annually (or more frequently when events or circumstances indicate that an impairment may have occurred) by applying a fair-value based test. If the growth assumptions embodied in our 2008 impairment test prove inaccurate, we may incur incremental impairment charges. In particular, a decline of 10% or more in the estimated fair market value of our U.K. reporting unit or a decline in the market value of our common stock compared to its value as of December 31, 2008 would likely yield a further significant write down of the goodwill attributable to our U.K. reporting unit. The net book value of the goodwill attributable to the U.K. reporting unit as of December 31, 2008 is approximately $306.0 million, a substantial portion of which would likely be written off if step one of the impairment test indicates impairment. If we experienced such a decline in our other reporting units, we would not expect to incur significant goodwill impairment charges. However, a 10% reduction in the estimated fair value of our franchises would result in incremental franchise value impairment charges of approximately $10.0 million. Any such impairment losses could materially adversely affect our shareholders' equity and other results of operations.

Item 1B. ***Unresolved Staff Comments***

Not Applicable.

Item 2. ***Properties***

We have historically structured our operations so as to minimize our ownership of real property. As a result, we lease or sublease substantially all of our dealerships and other facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options for an additional five to ten years at our election. We lease office space in Bloomfield Hills, Michigan, Secaucus, New Jersey, Leicester, England and Stuttgart, Germany for our administrative headquarters and other corporate related activities. We believe that our facilities are sufficient for our needs and are in good repair.

Item 3. ***Legal Proceedings***

We are involved in litigation which may involve issues with customers, employment related matters, class action claims, purported class action claims, and claims brought by governmental authorities. We are not a party to any legal proceedings, including class action lawsuits that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our results of operations, financial condition or cash flows.

Item 4. ***Submission of Matters to a Vote of Security-Holders***

No matter was submitted to a vote of our security holders during the fourth quarter of the year ended December 31, 2008.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities*

Our common stock is traded on the New York Stock Exchange under the symbol "PAG." As of February 15, 2009, there were approximately 245 holders of record of our common stock. The following table shows the high and low per share sales prices of our common stock as reported on the New York Stock Exchange Composite Tape for each quarter of 2008 and 2007, as well as the per share dividends paid in each quarter.

	High	Low	Dividend
2007:			
First Quarter	$ 24.62	$ 20.17	$ 0.07
Second Quarter	22.51	19.39	0.07
Third Quarter	22.92	18.81	0.07
Fourth Quarter	22.57	17.33	0.09
2008:			
First Quarter	$ 20.56	$ 13.57	$ 0.09
Second Quarter	22.51	14.67	0.09
Third Quarter	23.58	10.51	0.09
Fourth Quarter	11.54	5.04	0.09

Dividends. In February 2009, we announced the suspension of our quarterly cash dividend. Future quarterly or other cash dividends will depend upon our earnings, capital requirements, financial condition, restrictions in any existing indebtedness and other factors considered relevant by the Board of Directors. Our U.S. credit agreement and the indenture governing our 7.75% senior subordinated notes each contain certain limitations on our ability to pay dividends. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources." We are a holding company whose assets consist primarily of the direct or indirect ownership of the capital stock of our operating subsidiaries. Consequently, our ability to pay dividends is dependent upon the earnings of our subsidiaries and their ability to distribute earnings and other advances and payments to us. In addition, pursuant to the automobile franchise agreements to which our dealerships are subject, all dealerships are required to maintain a certain amount of working capital or net worth, which could limit our subsidiaries' ability to pay us dividends.

The table below sets forth information with respect to shares of common stock we repurchased during the fourth fiscal quarter of 2008.

Period	Total Number of Shares Purchased	Avg. Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Programs (in millions)(1)(2)
November 1, 2008 to November 31, 2008	450,000	$ 8.00	450,000	$ 96.3
	450,000		450,000	

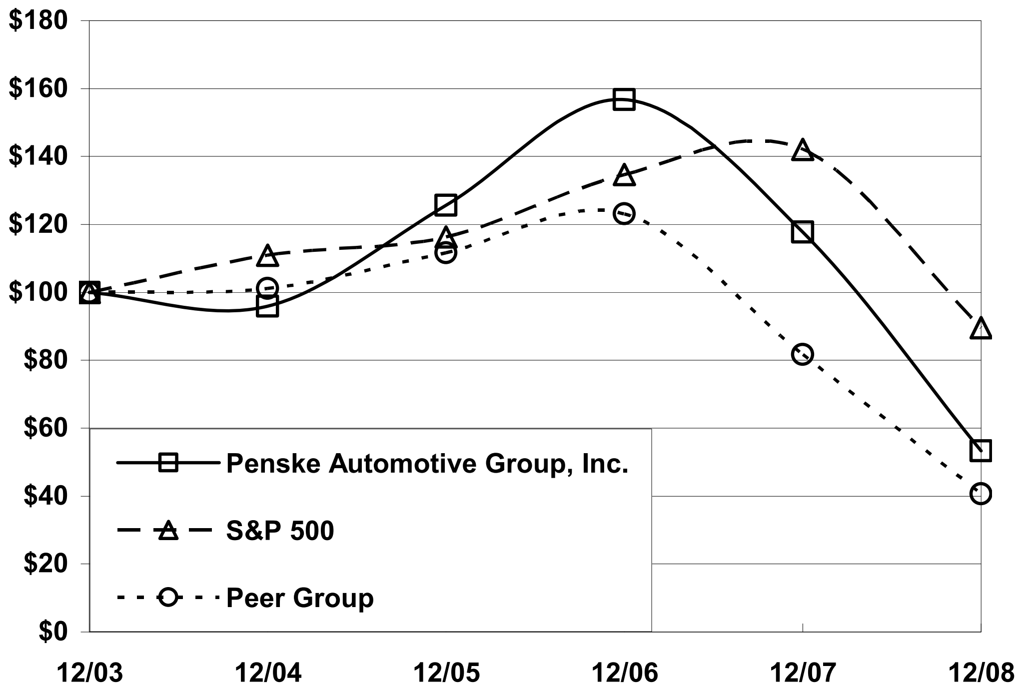
(1) On February 19, 2008, we announced that our Board of Directors approved a stock repurchase program for up to $150 million in shares of our common stock, $53.7 million of which has been repurchased by us in the open market and in privately negotiated transactions as of December 31, 2008. This program does not have an expiration date.

(2) Future share repurchases are subject to limitations contained in our U.S. credit agreement and the 7.75% senior subordinated notes indenture. As of December 31, 2008, we had availability to repurchase the full amount remaining under the program. For a further discussion of factors we will consider in deciding whether to repurchase shares in the future, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Share Repurchases and Dividends."

SHARE INVESTMENT PERFORMANCE

The following graph compares the cumulative total stockholder returns on our common stock based on an investment of $100 on December 31, 2003 and the close of the market on December 31 of each year thereafter against (i) the Standard & Poor's 500 Index and (ii) an industry/peer group consisting of Asbury Automotive Group, Inc., AutoNation, Inc., Group 1 Automotive, Inc., Lithia Motors Inc. and Sonic Automotive Inc. The graph assumes the reinvestment of all dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Penske Automotive Group, Inc., The S&P 500 Index
And A Peer Group



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* $100 invested on 12/31/03 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

	Cumulative Total Return					
	12/03	12/04	12/05	12/06	12/07	12/08
Penske Automotive Group, Inc.	100.00	95.94	125.59	156.72	117.72	53.27
S&P 500 Index	100.00	110.88	116.33	134.70	142.10	89.53
Peer Group	100.00	101.17	111.70	123.07	81.71	40.64

Item 6. *Selected Financial Data*

The following table sets forth our selected historical consolidated financial and other data as of and for each of the five years in the period ended December 31, 2008, which has been derived from our audited consolidated financial statements. During the periods presented, we made a number of acquisitions, each of which has been accounted for using the purchase method of accounting, pursuant to which our financial statements include the results of operations of the acquired dealerships from the date of acquisition. As a result, our period to period results of operations vary depending on the dates of the acquisitions. Accordingly, this selected financial data is not necessarily indicative of our future results. During the periods presented, we also sold certain dealerships which have been treated as discontinued operations in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* You should read this selected consolidated financial data in conjunction with our audited consolidated financial statements and related footnotes included elsewhere in this report.

	As of and for the Years Ended December 31,				
	2008(1)	2007(2)	2006	2005(3)	2004(4)
	(In millions, except per share data)				
Consolidated Statement of Operations Data:					
Total revenues	$ 11,646.3	$ 12,792.1	$ 10,956.9	$ 9,391.7	$ 8,316.4
Gross profit	$ 1,791.8	$ 1,898.9	$ 1,659.7	$ 1,429.0	$ 1,241.4
(Loss) income from continuing operations	$ (403.6)	$ 127.0	$ 131.7	$ 117.2	$ 108.8
Net (loss) income	$ (411.9)	$ 127.7	$ 124.7	$ 119.0	$ 111.7
Diluted (loss) earnings per share from continuing operations	$ (4.33)	$ 1.34	$ 1.40	$ 1.25	$ 1.19
Diluted (loss) earnings per share	$ (4.42)	$ 1.35	$ 1.32	$ 1.27	$ 1.22
Shares used in computing diluted share data	93.2	94.6	94.2	93.9	91.2
Balance Sheet Data:					
Total assets	$ 3,963.2	$ 4,668.6	$ 4,469.8	$ 3,594.2	$ 3,532.8
Total floor plan notes payable	$ 1,480.2	$ 1,535.7	$ 1,153.7	$ 1,068.1	$ 1,024.9
Total debt (excluding floor plan notes payable)	$ 1,099.2	$ 844.6	$ 1,182.1	$ 580.2	$ 586.3
Total stockholders' equity	$ 783.7	$ 1,421.5	$ 1,295.7	$ 1,145.7	$ 1,075.0
Cash dividends per share	$ 0.36	$ 0.30	$ 0.27	$ 0.23	$ 0.21

(1) Includes charges of $661.9 million ($505.2 million after-tax), or $5.42 per share, including $643.5 million ($493.1 million after-tax), or $5.29 per share, relating to goodwill and franchise asset impairments, as well as, an additional $18.4 million ($12.0 million after-tax), or $0.13 per share, of dealership consolidation and relocation costs, severance costs, other asset impairment charges, costs associated with the termination of an acquisition agreement, and insurance deductibles relating to damage sustained at our dealerships in the Houston market during Hurricane Ike.

(2) Includes charges of $18.6 million ($12.3 million after-tax), or $0.13 per share, relating to the redemption of the $300.0 million aggregate amount of 9.625% Senior Subordinated Notes and $6.3 million ($4.5 million after-tax), or $0.05 per share, relating to impairment losses.

(3) Includes $8.2 million ($5.2 million after-tax), or $0.06 per share, of earnings attributable to the sale of all the remaining variable profits relating to the pool of extended service contracts sold at our dealerships from 2001 through 2005.

(4) Includes an $11.5 million ($7.2 million after tax), or $0.08 per share, gain resulting from the sale of an investment and an $8.4 million ($5.3 million after tax), or $0.06 per share, gain resulting from a refund of U.K. consumption taxes. These gains were offset in part by non-cash charges of $7.8 million ($4.9 million after tax), or $0.05 per share, principally in connection with the planned relocation of certain U.K. franchises as part of our ongoing facility enhancement program.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those discussed in "Item 1A. Risk Factors." We have acquired a number of dealerships since inception. Our financial statements include the results of operations of acquired dealerships from the date of acquisition. This Management's Discussion and Analysis of Financial Condition and Results of Operations has been updated to reflect the revision of our financial statements for entities which have been treated as discontinued operations through December 31, 2008 in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Overview

We are the second largest automotive retailer headquartered in the U.S. as measured by total revenues. As of December 31, 2008, we owned and operated 156 franchises in the U.S. and 148 franchises outside of the U.S., primarily in the United Kingdom. We offer a full range of vehicle brands with 96% of our total revenue in 2008 generated from brands of non-U.S. based manufacturers, including sales relating to premium brands, such as Audi, BMW, Cadillac and Porsche which represented 65% of our total revenue. As a result, we have the highest concentration of revenues from brands of non-U.S. based manufacturers among the U.S. publicly-traded automotive retailers. Each of our dealerships offers a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of higher-margin products, such as third-party finance and insurance products, third-party extended service contracts and replacement and aftermarket automotive products. We are also diversified geographically, with 64% of our revenues generated from operations in the U.S. and 36% generated from our operations outside the U.S. (predominately in the U.K.).

We are, through smart Distributor USA, LLC, a wholly-owned subsidiary, the exclusive distributor of the smart fortwo vehicle in the U.S. and Puerto Rico. The smart fortwo is manufactured by Mercedes-Benz Cars and is a Daimler brand. This technologically advanced vehicle achieves 40-plus miles per gallon on the highway and is an ultra-low emissions vehicle as certified by the State of California Air Resources Board. smart USA has certified a network of 75 smart dealerships in 35 states, of which eight are owned and operated by us. The smart fortwo offers five different versions, the *pure, passion coupe, passion* c*abriolet, BRABUS coupe and BRABUS cabriolet* with base prices ranging from $11,990 to $20,990. smart USA wholesaled approximately 27,000 smart fortwo vehicles in 2008.

In June 2008, we acquired a 9% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading global transportation services provider, from subsidiaries of General Electric Capital Corporation (collectively, "GE Capital") in exchange for $219.0 million. PTL operates and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rental and logistics services, including, transportation and distribution center management and supply chain management. The general partner is Penske Truck Leasing Corporation, a wholly-owned subsidiary of Penske Corporation, which together with other wholly-owned subsidiaries of Penske Corporation, owns 40% of PTL. The remaining 51% of PTL is owned by GE Capital. We expect to receive annual pro-rata cash distributions of partnership profits and realize U.S. cash tax savings from this investment.

Outlook

The worldwide automotive industry experienced significant operational and financial difficulties in 2008. The turbulence in worldwide credit markets and resulting decrease in the availability of financing and leasing alternatives for consumers hampered our sales efforts. In addition, there was reduced consumer confidence and spending in the markets in which we operate, which we believe reduced customer traffic in our dealerships, particularly since September 2008. Rapid changes in fuel prices also resulted in rapid changes in consumer preferences and demand, which negatively impacted vehicle retail sales. We expect our business to remain significantly impacted by economic conditions in 2009.

Market conditions have also negatively impacted vehicle manufacturers. In particular, the U.S. based automotive manufacturers have experienced critical operational and financial distress, due in part to shrinking market share in the U.S. and the recent limitation in worldwide credit capacity. In 2008 and early 2009, certain U.S. based manufacturers received support from the U.S. government in the form of loans, due in part to their admission of limited liquidity. While we have limited exposure to these manufacturers as a percentage of our overall revenue, a restructuring of any one of them would likely lead to significant disruption to the automotive supply chain and to our dealerships that represent those manufacturers, and could possibly also impact other automotive manufacturers and suppliers. We cannot reasonably predict the impact to the automotive retail environment of any such disruption.

In addition, the turbulence in worldwide credit markets has resulted in an increase in the cost of capital for the captive finance subsidiaries that provide us financing for our inventory procurement. Interest rates under our inventory borrowing arrangements are variable and based on changes in the prime rate, defined LIBOR or the Euro Interbank Offer Rate (the "base rate"), plus a spread that varies by lender. While the base rate under these arrangements are generally lower due to government actions designed to spur liquidity and bank lending activities, certain of our lenders raised the spread charged to us, or have established minimum lending rates. These increases became effective in late 2008 and early 2009, and varied between 50 and 250 basis points. Due to these relative increases, we do not expect to realize the full benefit of the lower base rates expected in 2009 compared to 2008. The increases levied by lenders to date would result in $5.8 million of incremental floorplan interest expense based on average outstanding balances during 2008.

In response to the challenging operating environment, we have undertaken significant cost saving initiatives. In 2008, we eliminated approximately 1,400 positions, representing approximately 10.0% of our worldwide workforce, and amended pay plans for certain other employees to better align our workforce for current business levels and to reduce compensation expense generally. Other cost curtailment initiatives include a reduction in advertising activities, a suspension of matching contributions to our defined contribution plan in the U.S., and the suspension of our quarterly cash dividends to stockholders. Our Chief Executive Officer and President also announced that they will each forgo all bonus amounts payable under their 2008 management incentive plans, and our Board of Directors has elected to forgo approximately 25% of its annual cash fee relating to 2008. We will continue to monitor the business climate, and take such further actions as needed to respond to business conditions.

Operating Overview

New and used vehicle revenues include sales to retail customers and to leasing companies providing consumer automobile leasing. We generate finance and insurance revenues from sales of third-party extended service contracts, sales of third-party insurance policies, fees for facilitating the sale of third-party finance and lease contracts and the sale of certain other products. Service and parts revenues include fees paid for repair, maintenance and collision services, the sale of replacement parts and the sale of aftermarket accessories. During 2008, we experienced a decline on a same store basis of new and used vehicle unit sales, coupled with a corresponding decrease in finance and insurance revenues. Our same store service and parts business also experienced a decline during the second half of the year, although less so than vehicle sales. We expect a continuation of this difficult operating environment in 2009.

Our gross profit tends to vary with the mix of revenues we derive from the sale of new vehicles, used vehicles, finance and insurance products, and service and parts. Our gross profit varies across product lines, with vehicle sales usually resulting in lower gross profit margins and our other revenues resulting in higher gross profit margins. Factors such as customer demand, general economic conditions, seasonality, weather, credit availability, fuel prices and manufacturers' advertising and incentives may impact the mix of our revenues, and therefore influence our gross profit margin. During 2008, we experienced margin declines relating to our new and used vehicle sales, and we expect this margin pressure to continue in 2009. Beginning in the fourth quarter, the economic factors described above caused deterioration in the margins realized in our service and parts operations.

Our selling expenses consist of advertising and compensation for sales personnel, including commissions and related bonuses. General and administrative expenses include compensation for administration, finance, legal and general management personnel, rent, insurance, utilities and other outside services. A significant portion of our selling expenses are variable, and we believe a significant portion of our general and administrative expenses are subject to our control, allowing us to adjust them over time to reflect economic trends. We believe our selling, general and administrative expenses for compensation and advertising will decrease in 2009, due in part to lower vehicle sales volumes, coupled with the cost savings initiatives outlined above. However, our rent expense is expected to grow as a result of cost of living indexes outlined in our lease agreements. As outlined in "Outlook" above, we will continue to monitor the business climate, and take such further actions as needed to respond to business conditions.

Floor plan interest expense relates to financing incurred in connection with the acquisition of new and used vehicle inventories that is secured by those vehicles. Other interest expense consists of interest charges on all of our interest-bearing debt, other than interest relating to floor plan financing. The cost of our variable rate indebtedness is typically based on benchmark lending rates, which are based in large part upon national inter-bank lending rates set by local governments. During the latter part of 2008, such benchmark rates were significantly reduced as a result of government actions designed to spur liquidity and bank lending activities. As a result, we expect that our cost of capital on variable rate indebtedness will decline at least during a portion of 2009. However, the significance of this decrease is expected to be limited somewhat by the increases in rate spreads being charged by our vehicle finance partners outlined in "Outlook" above.

Equity in earnings of affiliates represents our share of the earnings relating to investments in joint ventures and other non-consolidated investments, notably PTL. It is our expectation that the external factors outlined above will similarly impact these businesses in 2009.

Under an arrangement which terminated at the end of 2008, we and Sirius Satellite Radio Inc. ("Sirius") agreed to jointly promote Sirius Satellite Radio service. As compensation for our efforts, we received warrants to purchase ten million shares of Sirius common stock at $2.392 per share in 2004 that were earned ratably on an annual basis through January 2009. We measured the fair value of the warrants earned ratably on the date they were earned as there were no significant disincentives for non-performance. We also had the right to earn additional warrants to purchase Sirius common stock at $2.392 per share based upon the sale of certain units of specified brands through December 31, 2007. We earned warrants for 189,300 and 1,269,700 during the years ended December 31, 2007 and 2006, respectively. Since we could not reasonably estimate the number of warrants that were earned subject to the sale of units, the fair value of these warrants was recognized when they were earned. Based on the value of Sirius stock on December 31, 2008, we do not expect to receive any further value for the unexercised warrants we achieved under this arrangement, which expire on July 5, 2009.

The future success of our business will likely be dependent on, among other things, general economic and industry conditions, our ability to consummate and integrate acquisitions, our ability to increase sales of higher margin products, especially service and parts services, our ability to realize returns on our significant capital investment in new and upgraded dealerships, the success of our distribution of the smart fortwo, and the return realized from our investments in various joint ventures and other non-consolidated investments, notably PTL. See “Item 1A-Risk Factors.”

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the application of accounting policies that often involve making estimates and employing judgments. Such judgments influence the assets, liabilities, revenues and expenses recognized in our financial statements. Management, on an ongoing basis, reviews these estimates and assumptions. Management may determine that modifications in assumptions and estimates are required, which may result in a material change in our results of operations or financial position.

The following are the accounting policies applied in the preparation of our financial statements that management believes are most dependent upon the use of estimates and assumptions.

Revenue Recognition

Vehicle, Parts and Service Sales

We record revenue when vehicles are delivered and title has passed to the customer, when vehicle service or repair work is performed and when parts are delivered to our customers. Sales promotions that we offer to customers are accounted for as a reduction of revenues at the time of sale. Rebates and other incentives offered directly to us by manufacturers are recognized as a reduction of cost of sales. Reimbursement of qualified advertising expenses are treated as a reduction of selling, general and administrative expenses. The amounts received under various manufacturer rebate and incentive programs are based on the attainment of program objectives, and such earnings are recognized either upon the sale of the vehicle for which the award was received, or upon attainment of the particular program goals if not associated with individual vehicles. During the years ended December 31, 2008, 2007 and 2006, we earned $323.6 million, $342.5 million and $266.2 million, respectively, of rebates, incentives and reimbursements from manufacturers, of which $316.1 million, $335.9 million and $259.7 million was recorded as a reduction of cost of sales.

Finance and Insurance Sales

Subsequent to the sale of a vehicle to a customer, we sell our installment sale contracts to various financial institutions on a non-recourse basis (with specified exceptions) to mitigate the risk of default. We receive a commission from the lender equal to either the difference between the interest rate charged to the customer and the interest rate set by the financing institution or a flat fee. We also receive commissions for facilitating the sale of various third-party insurance products to customers, including credit and life insurance policies and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract.

Intangible Assets

Our principal intangible assets relate to our franchise agreements with vehicle manufacturers, which represent the estimated value of franchises acquired in business combinations, and goodwill, which represents the excess of cost over the fair value of tangible and identified intangible assets acquired in business combinations. We believe the franchise value of our dealerships has an indefinite useful life based on the following facts:

- Automotive retailing is a mature industry and is based on franchise agreements with the vehicle manufacturers;
- There are no known changes or events that would alter the automotive retailing franchise environment;
- Certain franchise agreement terms are indefinite;
- Franchise agreements that have limited terms have historically been renewed by us without substantial cost; and
- Our history shows that manufacturers have not terminated our franchise agreements.

Impairment Testing

Franchise value impairment is assessed as of October 1 every year and upon the occurrence of an indicator of impairment through a comparison of its carrying amounts and estimated fair values. An indicator of impairment exists if the carrying value of a franchise exceeds its estimated fair value and an impairment loss may be recognized up to that excess. We also evaluate our franchises in connection with the annual impairment testing to determine whether events and circumstances continue to support its assessment that the franchise has an indefinite life. As discussed in Note 7, we determined that the carrying value relating to certain of our franchise rights as of December 31, 2008 was impaired and recorded a pre-tax non-cash impairment charge of $37.1 million.

Goodwill impairment is assessed at the reporting unit level as of October 1 every year and upon the occurrence of an indicator of impairment. We have determined that the dealerships in each of our operating segments within the Retail reportable segment, which are organized by geography, are components that are aggregated into five reporting units as they (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). Accordingly, our operating segments are also considered our reporting units for the purpose of goodwill impairment testing relating to our Retail segment. There is no goodwill recorded in our Distribution or PAG Investments reportable segments. An indicator of goodwill impairment exists if the carrying amount of the reporting unit, including goodwill, is determined to exceed the estimated fair value. If an indication of goodwill impairment exists, an analysis reflecting the allocation of the fair value of the reporting unit to all assets and liabilities, including previously unrecognized intangible assets, is performed. The impairment is measured by comparing the implied fair value of the reporting unit goodwill with its carrying amount and an impairment loss may be recognized up to that excess. As discussed in Note 7, we determined that the carrying value of goodwill as of December 31, 2008 relating to certain reporting units was impaired and recorded a pre-tax non-cash impairment charge of $606.3 million.

The fair values of franchise rights and goodwill are determined using a discounted cash flow approach, which includes assumptions that include revenue and profitability growth, franchise profit margins, residual values and our cost of capital.

Investments

Investments include marketable securities and investments in businesses accounted for under the equity method. A majority of our investments are in joint venture relationships that are more fully described in “Joint Venture Relationships” below. Such joint venture relationships are accounted for under the equity method, pursuant to which we record our proportionate share of the joint venture’s income each period. In June 2008, we acquired a 9% limited partnership interest in PTL for $219.0 million from GE Capital.

Investments in marketable securities held by us are typically classified as available for sale and stated at fair value, determined by the use of Level 1 inputs as described under SFAS No. 157, on our balance sheet with unrealized gains and losses included in other comprehensive income (loss), a separate component of stockholders’ equity.

The net book value of our investments was $297.8 million and $64.4 million as of December 31, 2008 and 2007, respectively. Investments for which there is not a liquid, actively traded market are reviewed periodically by management for indicators of impairment. If an indicator of impairment were to be identified, management would estimate the fair value of the investment using a discounted cash flow approach, which would include assumptions relating to revenue and profitability growth, profit margins, residual values and our cost of capital. Declines in investment values that are deemed to be other than temporary may result in an impairment charge reducing the investments’ carrying value to fair value. During 2007, we recorded an adjustment to the carrying value of our investment in Internet Brands to recognize an other than temporary impairment of $3.4 million which became apparent upon their initial public offering. As a result of continued deterioration in the value of the stock, the Company recorded an additional other than temporary impairment charge of $0.5 million during the fourth quarter of 2008.

Self-Insurance

We retain risk relating to certain of our general liability insurance, workers’ compensation insurance, auto physical damage insurance, property insurance, employment practices liability insurance, director’s and officers insurance, and employee medical benefits in the U.S. As a result, we are likely to be responsible for a majority of the claims and losses incurred under these programs. The amount of risk we retain varies by program, and, for certain exposures, we have pre-determined maximum loss limits for certain individual claims and/or insurance periods. Losses, if any, above the pre-determined loss limits are paid by third-party insurance carriers. Our estimate of future losses is prepared by management using our historical loss experience and industry-based development factors. Aggregate reserves relating to retained risk were $19.2 million and $12.8 million as of December 31, 2008 and 2007, respectively. Changes in the reserve estimate during 2008 relate primarily to the inclusion of additional participants in our employee medical benefit plans, reserves for current year activity and changes in loss experience in our historical employee medical, general liability and workers compensation programs.

Income Taxes

Tax regulations may require items to be included in our tax return at different times than the items are reflected in our financial statements. Some of these differences are permanent, such as expenses that are not deductible on our tax return, and some are temporary differences, such as the timing of depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that will be used as a tax deduction or credit in our tax return in future years which we have already recorded in our financial statements. Deferred tax liabilities generally represent deductions taken on our tax return that have not yet been recognized as expense in our financial statements. We establish valuation allowances for our deferred tax assets if the amount of expected future taxable income is not likely to allow for the use of the deduction or credit. A valuation allowance of $3.4 million has been recorded relating to net operating losses and credit carryforwards in the U.S. based on our determination that it is more likely than not that they will not be utilized.

Classification of Franchises in Continuing and Discontinued Operations

We classify the results of our operations in our consolidated financial statements based on the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, which requires judgment in determining whether a franchise will be reported within continuing or discontinued operations. Such judgments include whether a franchise will be divested, the period required to complete the divestiture, and the likelihood of changes to the divestiture plans. If we determine that a franchise should be either reclassified from continuing operations to discontinued operations or from discontinued operations to continuing operations, our consolidated financial statements for prior periods are revised to reflect such reclassification.

New Accounting Pronouncements

SFAS No. 157, "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure requirements relating to fair value measurements. The FASB provided a one year deferral of the provisions of this pronouncement for non-financial assets and liabilities, however, the relevant provisions of SFAS No. 157 required by SFAS No. 159 were adopted as of January 1, 2008. SFAS No. 157 thus became effective for our non-financial assets and liabilities on January 1, 2009. We continue to evaluate the impact of this pronouncement on our non-financial assets and liabilities, including but not limited to, the valuation of our reporting units for the purpose of assessing goodwill impairment, the valuation of our franchise rights in connection with assessing franchise value impairments, the valuation of property and equipment in connection with assessing long-lived asset impairment, the valuation of liabilities in connection with exit or disposal activities, and the valuation of assets acquired and liabilities assumed in business combinations.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" permits entities to choose to measure many financial instruments and certain other items at fair value and consequently report unrealized gains and losses on such items in earnings. We did not elect the fair value option with respect to any of our current financial assets or financial liabilities when the provisions of this pronouncement became effective on January 1, 2008. As a result, there was no impact upon the adoption.

SFAS No. 141(R) "Business Combinations" requires almost all assets acquired and liabilities assumed in connection with a business combination to be recorded at fair value as of the acquisition date, liabilities related to contingent consideration to be remeasured at fair value in each subsequent reporting period, and all acquisition related costs to be expensed as incurred. The pronouncement also clarifies the accounting under various scenarios such as step purchases or in situations in which the fair value of assets and liabilities acquired exceeds the total consideration. SFAS No. 141(R) became effective for us on January 1, 2009.

SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51" clarifies that a noncontrolling interest in a subsidiary must be measured at fair value and classified as a separate component of equity. This pronouncement also outlines the accounting for changes in a parent's ownership in a subsidiary. SFAS No. 160 became effective for us on January 1, 2009 and will require us to reclassify our minority interest liabilities to shareholders equity of the Company's non-wholly-owned consolidated subsidiaries.

SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" amends and expands the disclosure requirements of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" to explain why and how an entity uses derivative instruments, how the hedged items are accounted for under the relevant literature and how the derivative instruments affect an entity's financial position, financial performance and cash flows. SFAS No. 161 became effective for us on January 1, 2009.

This pronouncement will have no impact on our accounting, and we will include the additional disclosure requirements beginning with our first quarter 2009 10-Q filing.

FASB Staff Position ("FSP") APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" requires the issuer of a convertible debt instrument that may be settled in cash upon conversion, including partial cash settlement, to separately account for the debt and equity components of the instrument. The value to be ascribed to the debt portion of the instrument is determined using a fair value methodology, with the residual representing the equity component. The equity component will be recorded as an increase in stockholders equity, with the debt discount being amortized as additional interest expense over the expected life of the instrument. FSP APB 14-1 became effective for our fiscal year beginning January 1, 2009, and requires retrospective application to all periods presented. We will apply this guidance to the accounting for our 3.5% Senior Subordinated Convertible Notes due 2026 (the "Notes"), which we issued in January 2006. We expect to assign approximately $74.0 million to the equity component as of the Notes issuance date. In addition, interest expense will be restated for all periods presented, with an increase of approximately $15.0 million expected for the year ended December 31, 2009. Due to the prepayment features included within the Notes, the recording of incremental interest expense will be completed in April 2011.

FASB Staff Position ("FSP") FAS 142-3, "Determination of the Useful Life of Intangible Assets" amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *"Goodwill and Other Intangible Assets."* FSP FAS 142-3 became effective for the Company on January 1, 2009. The guidance in FSP 142-3 for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after adoption, and the disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, adoption. The FSP will impact our assignment of franchise value in the U.K. for future acquisitions.

Results of Operations

The following tables present comparative financial data relating to our operating performance in the aggregate and on a "same-store" basis. Dealership results are included in same-store comparisons when we have consolidated the acquired entity during the entirety of both periods being compared. As an example, if a dealership was acquired on January 15, 2007, the results of the acquired entity would be included in annual same-store comparisons beginning with the year ended December 31, 2009 and in quarterly same-store comparisons beginning with the quarter ended June 30, 2008.

2008 compared to 2007 and 2007 compared to 2006 (in millions, except unit and per unit amounts)

Due in large part to deterioration in our operating results and turbulence in worldwide credit markets in the fourth quarter of 2008, we recorded an estimated non-cash goodwill impairment charge of $606.3 million ($470.4 million after-tax) and $37.1 million ($22.8 million after-tax) of non-cash franchise value impairment charges. In aggregate, our results for the year ended December 31, 2008 include charges of $661.9 million ($505.2 million after-tax), or $5.42 per share, including the goodwill and franchise asset impairments, as well as, an additional $18.4 million ($12.0 million after-tax) of dealership consolidation and relocation costs, severance costs, other asset impairment charges, costs associated with the termination of an acquisition agreement, and insurance deductibles relating to damage sustained at our dealerships in the Houston market during Hurricane Ike.

Our results for the year ended December 31, 2007 included charges of $18.6 million ($12.3 million after-tax) relating to the redemption of the $300.0 million aggregate principal amount of 9.625% Senior Subordinated Notes and $6.3 million ($4.5 million after-tax) relating to impairment losses.

Total Retail Data

			2008 vs. 2007				2007 vs. 2006	
Total Retail Data	**2008**	**2007**	**Change**	**% Change**	**2007**	**2006**	**Change**	**% Change**
Total retail unit sales	273,641	293,352	(19,711)	(6.7)%	293,352	265,790	27,562	10.4%
Total same-store retail unit sales	247,151	277,180	(30,029)	(10.8)%	258,409	251,357	7,052	2.8%
Total retail sales revenue	$ 10,458.0	$ 11,718.3	$ (1,260.3)	(10.8)%	$ 11,718.3	$ 10,061.0	$ 1,657.3	16.5%
Total same-store retail sales revenue	$ 9,547.9	$ 11,132.9	$ (1,585.0)	(14.2)%	$ 10,177.7	$ 9,429.6	$ 748.1	7.9%
Total retail gross profit	$ 1,741.2	$ 1,891.9	$ (150.7)	(8.0)%	$ 1,891.9	$ 1,654.4	$ 237.5	14.4%
Total same-store retail gross profit	$ 1,600.7	$ 1,805.7	$ (205.0)	(11.4)%	$ 1,665.5	$ 1,563.3	$ 102.2	6.5%
Total retail gross margin	16.7%	16.1%	0.6%	3.7%	16.1%	16.4%	(0.3)%	(1.8)%
Total same-store retail gross margin	16.8%	16.2%	0.6%	3.7%	16.4%	16.6%	(0.2)%	(1.2)%

Units

Retail data includes retail new vehicle, retail used vehicle, finance and insurance and service and parts transactions. Retail unit sales of vehicles decreased by 19,711, or 6.7%, from 2007 to 2008 and increased by 27,562, or 10.4%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a 30,029, or 10.8%, decrease in same-store retail unit sales, offset by a 10,318 unit increase from net dealership acquisitions during the year. The increase from 2006 to 2007 is due to a 20,510 unit increase from net dealership acquisitions during the year, coupled with a 7,052, or 2.8%, increase in same-store retail unit sales. The same-store decrease from 2007 to 2008 was driven by decreases in new retail unit sales in our premium brands in the U.S. and U.K. and volume foreign and domestic brands in the U.S. resulting in part from challenging economic conditions and decreased credit availability in the second half of 2008. The same-store increase from 2006 to 2007 was driven by increases in new and used retail unit sales in our premium brands in the U.K., increases in used retail unit sales in our volume foreign brands in the U.S., and increases in new and used retail unit sales in our domestic brands in the U.S.

We believe the decrease from 2007 to 2008 was primarily due to the challenging automotive retail environment. Results were adversely impacted by overall economic conditions, particularly in the second half of 2008, the discontinuation or limitation of certain manufacturer leasing programs, and a decline in consumer confidence. Additionally, volatility in fuel prices impacted consumer preference and caused dramatic swings in consumer demand for various vehicle models, which led to supply and demand imbalances.

Revenues

Retail sales revenue decreased $1.3 billion, or 10.8%, from 2007 to 2008 and increased $1.7 billion, or 16.5%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a $1.6 billion, or 14.2%, decrease in same-store revenues, offset by a $324.7 million increase from net dealership acquisitions during the year. The same-store revenue decrease is due to: (1) the 10.8% decrease in retail unit sales, which decreased revenue by $1.1 billion, (2) a $3,275, or 10.5%, decrease in average revenue per used vehicle unit retailed, which decreased revenue by $311.8 million, (3) a $786, or 2.2%, decrease in average revenue per new vehicle unit retailed, which decreased revenue by $119.4 million, (4) a $34.3 million, or 2.6%, decrease in service and parts revenues, and (5) a $24, or 2.4%, decrease in average finance and insurance revenue per unit retailed, which decreased revenue by $5.9 million. The increase from 2006 to 2007 is due to a $748.1 million, or 7.9%, increase in same-store revenues coupled with a $909.2 million increase from net dealership acquisitions during the year. The same-store revenue increase is due to: (1) a $1,724, or 5.1%, increase in average revenue per new vehicle unit retailed, which increased revenue by $297.3 million, (2) the 2.8% increase in retail unit sales, which increased revenue by $220.9 million, (3) a $1,668, or 5.9%, increase in average revenue per used vehicle unit retailed, which increased revenue by $131.6 million, (4) a $83.7 million, or 7.3%, increase in service and parts revenues, and (5) a $58, or 6.2%, increase in average finance and insurance revenue per unit retailed, which increased revenue by $14.6 million.

Gross Profit

Retail gross profit decreased $150.7 million, or 8.0%, from 2007 to 2008 and increased $237.5 million, or 14.4%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a $205.0 million, or 11.4%, decrease in same-store gross profit, offset by a $54.3 million increase from net dealership acquisitions during the year. The same-store gross profit decrease is due to: (1) the 10.8% decrease in retail unit sales, which decreased gross profit by $120.7 million, (2) a $345, or 14.1%, decrease in average gross profit per used vehicle retailed, which decreased gross profit by $32.8 million, (3) a $151, or 5.0%, decrease in average gross profit per new vehicle retailed, which decreased gross profit by $23.0 million, (4) a $22.6 million, or 3.0%, decrease in service and parts gross profit, and (5) a $24, or 2.4%, decrease in average finance and insurance revenue per unit retailed, which decreased gross profit by $5.9 million. The increase in retail gross profit from 2006 to 2007 is due to a $102.2 million, or 6.5%, increase in same-store gross profit, coupled with a $135.3 million increase from net dealership acquisitions during the year. The same-store gross profit increase is due to: (1) a $57.4 million, or 9.1%, increase in service and parts gross profit, (2) the 2.8%, increase in retail unit sales, which increased gross profit by $24.5 million, (3) a $58, or 6.2%, increase in average finance and insurance revenue per unit retailed, which increased gross profit by $14.6 million, (4) a $19, or 0.6%, increase in average gross profit per new vehicle retailed, which increased gross profit by $3.2 million, and (5) a $31, or 1.3%, increase in average gross profit per used vehicle retailed, which increased gross profit by $2.5 million.

New Vehicle Data

New Vehicle Data	2008	2007	2008 vs. 2007 Change	2008 vs. 2007 % Change	2007	2006	2007 vs. 2006 Change	2007 vs. 2006 % Change
New retail unit sales	171,872	193,232	(21,360)	(11.1)%	193,232	179,606	13,626	7.6%
Same-store new retail unit sales	151,964	181,940	(29,976)	(16.5)%	172,998	172,447	551	0.3%
New retail sales revenue	$ 5,947.8	$ 6,941.7	$ (993.9)	(14.3)%	$ 6,941.7	$ 6,124.3	$ 817.4	13.3%
Same-store new retail sales revenue	$ 5,366.3	$ 6,567.8	$ (1,201.5)	(18.3)%	$ 6,144.5	$ 5,827.6	$ 316.9	5.4%
New retail sales revenue per unit	$ 34,606	$ 35,924	$ (1,318)	(3.7)%	$ 35,924	$ 34,098	$ 1,826	5.4%
Same-store new retail sales revenue per unit	$ 35,313	$ 36,099	$ (786)	(2.2)%	$ 35,518	$ 33,794	$ 1,724	5.1%
Gross profit — new	$ 487.2	$ 584.0	$ (96.8)	(16.6)%	$ 584.0	$ 536.0	$ 48.0	9.0%
Same-store gross profit — new	$ 436.8	$ 550.5	$ (113.7)	(20.7)%	$ 513.6	$ 508.8	$ 4.8	0.9%
Average gross profit per new vehicle retailed	$ 2,834	$ 3,022	$ (188)	(6.2)%	$ 3,022	$ 2,984	$ 38	1.3%
Same-store average gross profit per new vehicle retailed	$ 2,875	$ 3,026	$ (151)	(5.0)%	$ 2,969	$ 2,950	$ 19	0.6%
Gross margin% — new	8.2%	8.4%	(0.2)%	(2.4)%	8.4%	8.8%	(0.4)%	(4.5)%
Same-store gross margin% — new	8.1%	8.4%	(0.3)%	(3.6)%	8.4%	8.7%	(0.3)%	(3.4)%

Units

Retail unit sales of new vehicles decreased 21,360 units, or 11.1%, from 2007 to 2008, and increased 13,626 units, or 7.6%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a 29,976 unit, or 16.5%, decrease in same-store new retail unit sales, offset by a 8,616 unit increase from net dealership acquisitions during the year. The same-store decrease from 2007 to 2008 was driven by decreases in our premium brands in the U.S. and U.K. and volume foreign and domestic brands in the U.S. The increase from 2006 to 2007 is due to a 13,075 unit increase from net dealership acquisitions during the year coupled with a 551 unit, or 0.3%, increase in same-store new retail unit sales. The same-store increase from 2006 to 2007 was driven by increases in premium brands in the U.K., offset by a decrease in volume foreign brands in the U.S.

Revenues

New vehicle retail sales revenue decreased $993.9 million, or 14.3%, from 2007 to 2008 and increased $817.4 million, or 13.3%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a $1.2 billion, or 18.3%, decrease in same-store revenues, offset by a $207.6 million increase from net dealership acquisitions during the year. The same-store revenue decrease is due primarily to the 16.5% decrease in new retail unit sales, which decreased revenue by $1.1 billion, coupled with a $786, or 2.2%, decrease in comparative average selling price per unit which decreased revenue by $119.4 million. The increase from 2006 to 2007 is due to a $316.9 million, or 5.4%, increase in same-store revenues, coupled with a $500.5 million increase from net dealership acquisitions during the year. The same-store revenue increase is due to a $1,724, or 5.1%, increase in comparative average selling price per unit which increased revenue by $297.3 million, coupled with the 0.3% increase in retail unit sales, which increased revenue by $19.6 million.

Gross Profit

Retail gross profit from new vehicle sales decreased $96.8 million, or 16.6%, from 2007 to 2008, and increased $48.0 million, or 9.0%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a $113.7 million, or 20.7%, decrease in same-store gross profit, offset by a $16.9 million increase from net dealership acquisitions during the year. The same-store retail gross profit decrease is due to the 16.5% decrease in new retail unit sales, which decreased gross profit by $90.7 million, coupled with a $151, or 5.0%, decrease in average gross profit per new vehicle retailed, which decreased gross profit by $23.0 million. The increase from 2006 to 2007 is due to a $43.2 million increase from net dealership acquisitions during the year, coupled with a $4.8 million, or 0.9%, increase in same-store gross profit. The same-store retail gross profit increase is due to a $19, or 0.6%, increase in average gross profit per new vehicle retailed, which increased gross profit by $3.2 million, coupled with the 0.3% increase in new retail unit sales, which increased gross profit by $1.6 million.

Used Vehicle Data

Used Vehicle Data	2008	2007	2008 vs. 2007 Change	2008 vs. 2007 % Change	2007	2006	2007 vs. 2006 Change	2007 vs. 2006 % Change
Used retail unit sales	101,769	100,120	1,649	1.6%	100,120	86,184	13,936	16.2%
Same-store used retail unit sales	95,187	95,240	(53)	(0.1)%	85,411	78,910	6,501	8.2%
Used retail sales revenue	$ 2,846.9	$ 3,096.6	$ (249.7)	(8.1)%	$ 3,096.6	$ 2,483.2	$ 613.4	24.7%
Same-store used retail sales revenue	$ 2,645.5	$ 2,958.9	$ (313.4)	(10.6)%	$ 2,552.8	$ 2,226.9	$ 325.9	14.6%
Used retail sales revenue per unit	$ 27,974	$ 30,928	$ (2,954)	(9.6)%	$ 30,928	$ 28,813	$ 2,115	7.3%
Same-store used retail sales revenue per unit	$ 27,793	$ 31,068	$ (3,275)	(10.5)%	$ 29,888	$ 28,220	$ 1,668	5.9%
Gross profit — used	$ 214.0	$ 242.3	$ (28.3)	(11.7)%	$ 242.3	$ 207.1	$ 35.2	17.0%
Same-store gross profit — used	$ 200.8	$ 233.7	$ (32.9)	(14.1)%	$ 209.4	$ 191.0	$ 18.4	9.6%
Average gross profit per used vehicle retailed	$ 2,102	$ 2,420	$ (318)	(13.1)%	$ 2,420	$ 2,403	$ 17	0.7%
Same-store average gross profit per used vehicle retailed	$ 2,109	$ 2,454	$ (345)	(14.1)%	$ 2,452	$ 2,421	$ 31	1.3%
Gross margin % — used	7.5%	7.8%	(0.3)%	(3.8)%	7.8%	8.3%	(0.5)%	(6.0)%
Same-store gross margin % — used	7.6%	7.9%	(0.3)%	(3.8)%	8.2%	8.6%	(0.4)%	(4.7%)

Units

Retail unit sales of used vehicles increased 1,649 units, or 1.6%, from 2007 to 2008 and increased 13,936 units, or 16.2%, from 2006 to 2007. The increase from 2007 to 2008 is due to a 1,702 unit increase from net dealership acquisitions during the year, offset by a 53 unit, or 0.1%, decrease in same-store used retail unit sales. The increase from 2006 to 2007 is due to a 6,501 unit, or 8.2%, increase in same-store used retail unit sales, coupled with a 7,435 unit increase from net dealership acquisitions during the year. The same-store decrease in 2008 versus 2007 was driven primarily by decreases in our premium brands in the U.K. and volume foreign brands in the U.S., offset by increases in our premium brands in the U.S. We believe our sales of used vehicle units was influenced by customers choosing used vehicles as compared to new vehicles due to the challenging economic climate. The same-store increase in 2007 versus 2006 was driven primarily by increases in our premium brands in the U.S. and U.K. and our volume foreign and domestic brands in the U.S. Used vehicle sales volume was also affected in part by the reduction in traffic into our stores resulting from the significant decline in consumer confidence during 2008 and the volatility in fuel prices.

Revenues

Used vehicle retail sales revenue decreased $249.7 million, or 8.1%, from 2007 to 2008 and increased $613.4 million, or 24.7%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a $313.4 million, or 10.6%, decrease in same-store revenues, offset by a $63.7 million increase from net dealership acquisitions during the year. The same-store revenue decrease is due primarily to the $3,275, or 10.5%, decrease in comparative average selling price per vehicle, which decreased revenue by $311.8 million, coupled with the 0.1% decrease in retail unit sales, which decreased revenue by $1.6 million. The increase from 2006 to 2007 is due to a $325.9 million, or 14.6%, increase in same-store revenues, coupled with a $287.5 million increase from net dealership acquisitions during the year. The same-store revenue increase is due to the 8.2% increase in retail unit sales, which increased revenue by $194.3 million, coupled with a $1,668, or 5.9%, increase in comparative average selling price per unit, which increased revenue by $131.6 million.

Gross Profit

Retail gross profit from used vehicle sales decreased $28.3 million, or 11.7%, from 2007 to 2008 and increased $35.2 million, or 17.0%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a $32.9 million, or 14.1%, decrease in same-store gross profit, offset by a $4.6 million increase from net dealership acquisitions during the year. The same-store gross profit decrease from 2007 to 2008 is due to a $345, or 14.1%, decrease in average gross profit per used vehicle retailed, which decreased gross profit by $32.8 million, coupled with the 0.1% decrease in used retail unit sales, which decreased gross profit by $0.1 million. The increase in retail gross profit from 2006 to 2007 is due to an $18.4 million, or 9.6%, increase in same-store gross profit, coupled with a $16.8 million increase from net dealership acquisitions during the year. The same-store gross profit increase is due to the 8.2% increase in used retail unit sales, which increased gross profit by $15.9 million, coupled with a $31, or 1.3%, increase in average gross profit per used vehicle retailed, which increased gross profit by $2.5 million.

Finance and Insurance Data

Finance and Insurance Data	2008	2007	2008 vs. 2007 Change	2008 vs. 2007 % Change	2007	2006	2007 vs. 2006 Change	2007 vs. 2006 % Change
Total retail unit sales	273,641	293,352	(19,711)	(6.7)%	293,352	265,790	27,562	10.4%
Total same-store retail unit sales	247,151	277,180	(30,029)	(10.8)%	258,409	251,357	7,052	2.8%
Finance and insurance revenue	$ 259.5	$ 286.8	$ (27.3)	(9.5)%	$ 286.8	$ 243.4	$ 43.4	17.8%
Same-store finance and insurance revenue	$ 240.3	$ 276.1	$ (35.8)	(13.0)%	$ 255.6	$ 234.0	$ 21.6	9.2%
Finance and insurance revenue per unit	$ 948	$ 978	$ (30)	(3.1)%	$ 978	$ 916	$ 62	6.8%
Same-store finance and insurance revenue per unit	$ 972	$ 996	$ (24)	(2.4)%	$ 989	$ 931	$ 58	6.2%

Finance and insurance revenue decreased $27.3 million, or 9.5%, from 2007 to 2008 and increased $43.4 million, or 17.8%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a $35.8 million, or 13.0%, decrease in same-store revenues, offset by an $8.5 million increase from net dealership acquisitions during the year. The same-store revenue decrease is due to the 10.8% decrease in retail unit sales, which decreased revenue by $29.9 million, coupled with a $24, or 2.4%, decrease in comparative average finance and insurance revenue per unit retailed, which decreased revenue by $5.9 million. The $24 decrease in comparative average finance and insurance revenue per unit retailed is due primarily to decreased sales penetration of certain products which we believe resulted in part from declining consumer confidence brought about by challenging economic conditions. The increase from 2006 to 2007 is due to a $21.8 million increase from net dealership acquisitions during the year, coupled with a $21.6 million, or 9.2%, increase in same-store revenues. The same-store revenue increase is the result of the 2.8% increase in retail unit sales, which increased revenue by $7.0 million, coupled with a $58, or 6.2%, increase in comparative average finance and insurance revenue per unit retailed, which increased revenue by $14.6 million. The $58 increase in comparative average finance and insurance revenue per unit retailed is due to increased sales penetration of certain products, particularly in the U.K.

Service and Parts Data

Service and Parts Data	2008	2007	2008 vs. 2007 Change	2008 vs. 2007 % Change	2007	2006	2007 vs. 2006 Change	2007 vs. 2006 % Change
Service and parts revenue	$ 1,403.8	$ 1,393.2	$ 10.6	0.8%	$ 1,393.2	$ 1,210.1	$ 183.1	15.1%
Same-store service and parts revenue	$ 1,295.8	$ 1,330.1	$ (34.3)	(2.6)%	$ 1,224.8	$ 1,141.1	$ 83.7	7.3%
Gross profit	$ 780.5	$ 778.8	$ 1.7	0.2%	$ 778.8	$ 667.9	$ 110.9	16.6%
Same-store gross profit	$ 722.8	$ 745.4	$ (22.6)	(3.0)%	$ 686.9	$ 629.5	$ 57.4	9.1%
Gross margin	55.6%	55.9%	(0.3)%	(0.5)%	55.9%	55.2%	0.7%	1.3%
Same-store gross margin	55.8%	56.0%	(0.2)%	(0.4)%	56.1%	55.2%	0.9%	1.6%

Revenues

Service and parts revenue increased $10.6 million, or 0.8%, from 2007 to 2008 and increased $183.1 million, or 15.1%, from 2006 to 2007. The increase from 2007 to 2008 is due to a $44.9 million increase from net dealership acquisitions during the year, offset by a $34.3 million, or 2.6%, decrease in same-store revenues. The same-store decrease largely resulted from a decline in revenues in the second half of the year, due in part to challenging economic conditions. The increase from 2006 to 2007 is due to a $99.4 million increase from net dealership acquisitions during the year, coupled with a $83.7 million, or 7.3%, increase in same-store revenues. We believe that our service and parts business has been positively impacted by the growth in total retail unit sales at our dealerships in prior years and capacity increases in our service and parts operations resulting from our facility improvement and expansion programs.

Gross Profit

Service and parts gross profit increased $1.7 million, or 0.2%, from 2007 to 2008 and increased $110.9 million, or 16.6%, from 2006 to 2007. The increase from 2007 to 2008 is due to a $24.3 million increase from net dealership acquisitions during the year, offset by a $22.6 million, or 3.0%, decrease in same-store gross profit. The same-store gross profit decrease is due to the $34.3 million, or 2.6%, decrease in revenues, which decreased gross profit by $19.2 million, coupled with a 0.2% decrease in gross margin percentage, which decreased gross profit by $3.4 million. The increase from 2006 to 2007 is due to a $57.4 million, or 9.1%, increase in same-store gross profit, coupled with a $53.5 million increase from net dealership acquisitions during the year. The same-store gross profit increase is due to the $83.7 million, or 7.3%, increase in revenues, which increased gross profit by $47.1 million, and a 0.9% increase in gross margin percentage, which increased gross profit by $10.3 million. The gross margin realized on parts, service and collision repairs in 2008 declined compared to the prior year period, due in part to a higher proportion of sales of lower margin activities such as standard oil changes and tire sales. We believe customers are choosing to forgo or delay significant repair and maintenance work due to the current economic environment.

Distribution

Our wholly-owned subsidiary, smart USA , began distribution the smart fortwo vehicle in the U.S. during 2008 and wholesaled 27,054 units. Total distribution segment revenue during the year ended December 31, 2008 aggregated to $409.6 million. Segment gross profit totaled $55.3 million, which includes gross profit on vehicle and parts sales.

Selling, General and Administrative

SG&A expenses as a percentage of total revenue were 12.8%, 11.8% and 12.0% in 2008, 2007 and 2006, respectively, and as a percentage of gross profit were 83.4%, 79.5% and 79.3% in 2008, 2007 and 2006, respectively. Selling, general and administrative ("SG&A") expenses decreased $15.0 million, or 1.0%, from 2007 to 2008 and increased $193.5 million, or 14.7%, from 2006 to 2007. The aggregate decrease from 2007 to 2008 is due to an $88.8 million, or 6.2%, decrease in same-store SG&A expenses, offset by a $73.8 million increase from net dealership acquisitions during the year. The aggregate increase in SG&A expenses from 2006 to 2007 is due to an $84.6 million, or 6.8%, increase in same-store SG&A expenses, coupled with a $108.9 million increase from net dealership acquisitions during the year. The decrease in same-store SG&A expenses from 2007 to 2008 is due in large part to (1) a decrease in variable selling expenses, including decreases in variable compensation as a result of the 11.4% decrease in same-store retail gross profit versus the prior year and (2) other cost savings initiatives discussed above under "Outlook," offset by (1) $18.4 million in charges incurred during 2008 related to dealership consolidation and relocation costs, severance costs, other asset impairment charges, costs associated with the termination of an acquisition agreement, and insurance deductibles relating to damage sustained at our dealerships in the Houston market during Hurricane Ike, (2) $23.0 million of additional costs associated with the smart distribution business, and (3) increased rent and related costs due in part to our facility improvement and expansion programs during the year. The increase in same-store SG&A expenses from 2006 to 2007 is due in large part to (1) increased variable selling expenses, including increases in variable compensation, as a result of the 6.5% increase in retail gross profit over the prior year (2) increased rent and related costs due in part to our facility improvement and expansion program, and (3) increased advertising and promotion caused by the overall competitiveness of the retail vehicle market.

Intangible Impairments

Due in large part to deterioration in our operating results and turbulence in worldwide credit markets in the fourth quarter of 2008, we recorded a non-cash goodwill impairment charge of $606.3 million ($470.4 million after-tax) and $37.1 million ($22.8 million after-tax) of non-cash franchise value impairment charges.

Depreciation and Amortization

Depreciation and amortization increased $3.8 million, or 7.6%, from 2007 to 2008 and increased $7.6 million, or 17.9%, from 2006 to 2007. The increase from 2007 to 2008 is due to a $2.1 million increase from net dealership acquisitions during the year, coupled with a $1.7 million, or 3.4%, increase in same-store depreciation and amortization. The increase from 2006 to 2007 is due to a $5.0 million, or 12.6%, increase in same-store depreciation and amortization, coupled with a $2.6 million increase from net dealership acquisitions during the year. The same-store increases in both periods are due in large part to our facility improvement and expansion program.

Floor Plan Interest Expense

Floor plan interest expense, including the impact of swap transactions, decreased $8.9 million, or 12.2%, from 2007 to 2008 and increased $14.9 million, or 25.5%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a $10.7 million, or 15.5%, decrease in same-store floor plan interest expense, offset by a $1.8 million increase from net dealership acquisitions during the year. The increase from 2006 to 2007 is due to an $8.2 million, or 14.8%, increase in same-store floor plan interest expense, coupled with a $6.7 million increase from net dealership acquisitions during the year. The same store decrease in 2008 is due to decreases in the underlying variable rates of our revolving floor plan arrangements, during the first three quarters of 2008, offset by increases in our average amounts outstanding and, beginning in the fourth quarter, increased interest rates charged to us by our finance partners resulting from turbulence in worldwide credit markets. While the base rate under these arrangements were generally lower in 2008 versus 2007 due to government actions designed to spur liquidity and bank lending activities, certain of our lenders reacted to increases in their cost of capital by raising the spread charged to us, or establishing minimum lending rates. The majority of these increases occurred during the fourth quarter and some were not effective until 2009. Due to these relative increases, we do not expect to realize the full benefit of the lower base rates expected in 2009 compared to 2008. Floor plan interest expense was negatively impacted in 2007 by an increase in our average floor plan notes outstanding.

Other Interest Expense

Other interest expense decreased $1.0 million, or 1.8%, from 2007 to 2008 and increased $7.1 million, or 14.4%, from 2006 to 2007. The decrease from 2007 to 2008 is due to a decrease in our weighted average borrowing rate, offset in part by an increase in our average total outstanding indebtedness in 2008. The increase in our average total outstanding indebtedness is primarily a result of the debt incurred relating to our investment in PTL. The increase from 2006 to 2007 is due to an increase in average total outstanding indebtedness in 2007compared to 2006, offset by a decrease in our weighted average borrowing rate. The decrease in our weighted average borrowing rate was due primarily to the issuance of $375.0 million of 7.75% Senior Subordinated Notes on December 7, 2006 which was used to redeem our 9.625% Senior Subordinated Notes in March 2007.

Equity in Income of Affiliates

Equity in income of affiliates increased $12.4 million, from 2007 to 2008 and decreased $4.1 million from 2006 to 2007. The increase from 2007 to 2008 is largely due to our investment in PTL in June 2008. The decrease from 2006 to 2007 is largely due to a loss on disposal of a subsidiary of one of our investments.

Income Taxes

Income taxes decreased $167.0 million, or 249.4%, from 2007 to 2008 and decreased $1.7 million, or 2.5%, from 2006 to 2007. The income tax benefit recorded in 2008 was approximately 20%, which was significantly impacted by the write-off of goodwill that is not deductible for tax purposes. Excluding the impact of the impairment charge, our annual effective tax rate was 35.7% compared to 34.2% in 2007. The decrease from 2006 to 2007 is due primarily to an decrease in pre-tax income.

Liquidity and Capital Resources

Our cash requirements are primarily for working capital, inventory financing, the acquisition of new dealerships, the improvement and expansion of existing facilities, the construction of new facilities and debt service, and potentially for dividends and repurchases of our outstanding securities under the program discussed below. Historically, these cash requirements have been met through cash flow from operations, borrowings under our credit agreements and floor plan arrangements, the issuance of debt securities, sale-leaseback transactions, mortgages, or the issuance of equity securities. As of December 31, 2008, we had working capital of $126.4 million, including $20.1 million of cash available to fund our operations and capital commitments. In addition, we had $250.0 million and £42.5 million ($62.0 million) available for borrowing under our U.S. credit agreement and our U.K. credit agreement, respectively, each of which is discussed below.

We have historically expanded our retail automotive operations through organic growth and the acquisition of retail automotive dealerships. In addition, one of our subsidiaries is the exclusive distributor of smart fortwo vehicles in the U.S. and Puerto Rico. We believe that cash flow from operations and our existing capital resources, including the liquidity provided by our credit agreements and floor plan financing arrangements, will be sufficient to fund our operations and commitments for at least the next twelve months. To the extent we pursue additional significant acquisitions, other expansion opportunities, significant repurchases of our outstanding securities, or refinance or repay existing debt, we may need to raise additional capital either through the public or private issuance of equity or debt securities or through additional borrowings, which sources of funds may not necessarily be available on terms acceptable to us, if at all. In addition, our liquidity could be negatively impacted in the event we fail to comply with the covenants under our various financing and operating agreements or in the event our floor plan financing is withdrawn. For a discussion of these possible events, see the discussion below with respect to our financing agreements, as well as the Risk Factors section.

Share Repurchases and Dividends

Our board of directors has approved a repurchase program for our outstanding securities with a remaining authority of $96.3 million. During 2008, we repurchased 4.015 million shares for $53.7 million, or an average of $13.36 per share, under this program. We may, from time to time as market conditions warrant, purchase our outstanding common stock, debt and convertible debt on the open market and in privately negotiated transactions and, potentially, via a tender offer or a pre-arranged trading plan. We currently intend to fund any repurchases through cash flow from operations and borrowings under our U.S. credit facility. The decision to make repurchases will be based on factors such as the market price of the relevant security versus our view of its intrinsic value, the potential impact of such repurchases on our capital structure, and alternative uses of capital, such as for strategic store acquisitions and capital investments in our current businesses, as well as any then-existing limits imposed by our finance agreements and securities trading policy.

We paid the following dividends in 2007 and 2008:

Per Share Dividends

2007 :	First Quarter	$ 0.07	**2008**:	First Quarter	$ 0.09
	Second Quarter	0.07		Second Quarter	0.09
	Third Quarter	0.07		Third Quarter	0.09
	Fourth Quarter	0.09		Fourth Quarter	0.09

In February 2009, we announced the suspension of our quarterly cash dividend. Future quarterly or other cash dividends will depend upon our earnings, capital requirements, financial condition, restrictions on any then existing indebtedness and other factors considered relevant by our Board of Directors.

Inventory Financing

We finance substantially all of our new and a portion of our used vehicle inventories under revolving floor plan notes payable with various lenders, including the captive finance companies associated with the U.S. based automotive manufacturers. In the U.S., the floor plan arrangements are due on demand; however, we have not historically been required to make loan principal repayments prior to the sale of the vehicles financed. We typically make monthly interest payments on the amount financed. In the U.K., substantially all of our floor plan arrangements are payable on demand or have an original maturity of 90 days or less and we are generally required to repay floor plan advances at the earlier of the sale of the vehicles financed or the stated maturity. The floor plan agreements grant a security interest in substantially all of the assets of our dealership subsidiaries and in the U.S. are guaranteed by our parent company. Interest rates under the floor plan arrangements are variable and increase or decrease based on changes in the prime rate, defined LIBOR or the Euro Interbank offer Rate. We receive non-refundable credits from certain of our vehicle manufacturers, which are treated as a reduction of cost of sales as vehicles are sold. To date, we have not experienced any material limitation with respect to the amount or availability of financing from any institution providing us vehicle financing. See "Results of Operations – Floor Plan Interest Expense" for a discussion of the impact of challenging credit conditions on the rates charged to us under these agreements.

U.S. Credit Agreement

We are party to a $479.0 million credit agreement with DCFS USA LLC and Toyota Motor Credit Corporation, as amended ("the U.S. credit agreement"), which provides for up to $250.0 million in revolving loans for working capital, acquisitions, capital expenditures, investments and other general corporate purposes, a non-amortizing term loan originally funded for $219.0 million, and for an additional $10.0 million of availability for letters of credit, through September 30, 2011. The revolving loans bear interest at a defined London Interbank Offered Rate ("LIBOR") plus 1.75%, subject to an incremental 0.50% for uncollateralized borrowings in excess of a defined borrowing base. The term loan, which bears interest at defined LIBOR plus 2.50%, may be prepaid at any time, but then may not be reborrowed. We repaid $10.0 million of this term loan in the fourth quarter of 2008.

The U.S. credit agreement is fully and unconditionally guaranteed on a joint and several basis by our domestic subsidiaries and contains a number of significant covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, repay other indebtedness, pay dividends, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. We are also required to comply with specified financial and other tests and ratios, each as defined in the U.S. credit agreement, including: a ratio of current assets to current liabilities, a fixed charge coverage ratio, a ratio of debt to stockholders' equity and a ratio of debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of the amounts owed. As of December 31, 2008, we were in compliance with all covenants under the U.S. credit agreement, and we believe we will remain in compliance with such covenants for the next twelve months. In making such determination, we have considered the current margin of compliance with the covenants and our expected future results of operations, working capital requirements, acquisitions, capital expenditures and investments. However, in the event of continued weakness in the economy and the automotive sector in particular, we may need to seek covenant relief. See the Risk Factors section, including "Our failure to comply with our debt and operating lease covenants could have a material adverse effect on our business, financial condition and results of operations" and "Forward Looking Statements."

The U.S. credit agreement also contains typical events of default, including change of control, non-payment of obligations and cross-defaults to our other material indebtedness. Substantially all of our domestic assets are subject to security interests granted to lenders under the U.S. credit agreement. As of December 31, 2008, $209.0 million of term loans and $0.5 million of letters of credit were outstanding under this agreement. No revolving loans were outstanding as of December 31, 2008.

U.K. Credit Agreement

Our subsidiaries in the U.K. (the "U.K. subsidiaries") are party to an agreement with the Royal Bank of Scotland plc, as agent for National Westminster Bank plc, which provides for a funded term loan, a revolving credit agreement and a seasonally adjusted overdraft line of credit (collectively, the "U.K. credit agreement") to be used to finance acquisitions, working capital, and general corporate purposes. The U.K. credit agreement was amended in 2008 to provide greater flexibility within the financial covenants and increase the borrowing rates. This facility provides for (1) up to £80.0 million in revolving loans through August 31, 2011, which bears interest between a defined LIBOR plus 1.0% and defined LIBOR plus 1.6%, (2) a term loan originally funded for £30.0 million which bears interest between 6.29% and 6.89% and is payable ratably in quarterly intervals until fully repaid on June 30, 2011, and (3) a seasonally adjusted overdraft line of credit for up to £20.0 million that bears interest at the Bank of England Base Rate plus 1.75%, and matures on August 31, 2011.

The U.K. credit agreement is fully and unconditionally guaranteed on a joint and several basis by our U.K. subsidiaries, and contains a number of significant covenants that, among other things, restrict the ability of our U.K. subsidiaries to pay dividends, dispose of assets, incur additional indebtedness, repay other indebtedness, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. In addition, our U.K. subsidiaries are required to comply with specified ratios and tests, each as defined in the U.K. credit agreement, including: a ratio of earnings before interest and taxes plus rental payments to interest plus rental payments (as defined), a measurement of maximum capital expenditures, and a debt to EBITDA ratio (as defined). A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of the amounts owed. As of December 31, 2008, our U.K. Subsidiaries were in compliance with all covenants under the U.K. credit agreement and we believe they will remain in compliance with such covenants for the next twelve months. In making such determination, we have considered the current margin of compliance with the covenants and our expected future results of operations, working capital requirements, acquisitions, capital expenditures and investments in the U.K. However, in the event of continued weakness in the economy and the automotive sector in particular, we may need to seek covenant relief. See the Risk Factors section, including "Our failure to comply with our debt and operating lease covenants could have a material adverse effect on our business, financial condition and results of operations" and "Forward Looking Statements."

The U.K. credit agreement also contains typical events of default, including change of control and non-payment of obligations and cross-defaults to other material indebtedness of our U.K. subsidiaries. Substantially all of our U.K. subsidiaries' assets are subject to security interests granted to lenders under the U.K. credit agreement. As of December 31, 2008, outstanding loans under the U.K. credit agreement amounted £65.2 million ($95.1 million), including £17.6 million ($25.7 million) under the term loan.

7.75% Senior Subordinated Notes

On December 7, 2006 we issued $375.0 million aggregate principal amount of 7.75% Senior Subordinated Notes due 2016 (the "7.75% Notes"). The 7.75% Notes are unsecured senior subordinated notes and are subordinate to all existing and future senior debt, including debt under our credit agreements and our floor plan indebtedness. The 7.75% Notes are guaranteed by substantially all of our wholly-owned domestic subsidiaries on an unsecured senior subordinated basis. Those guarantees are full and unconditional and joint and several. We can redeem all or some of the 7.75% Notes at our option beginning in December 2011 at specified redemption prices, or prior to December 2011 at 100% of the principal amount of the notes plus an applicable "make-whole" premium, as defined. In addition, we may redeem up to 40% of the 7.75% Notes at specified redemption prices using the proceeds of certain equity offerings before December 15, 2009. Upon certain sales of assets or specific kinds of changes of control, we are required to make an offer to purchase the 7.75% Notes. The 7.75% Notes also contain customary negative covenants and events of default. As of December 31, 2008, we were in compliance with all negative covenants and there were no events of default.

Senior Subordinated Convertible Notes

On January 31, 2006, we issued $375.0 million aggregate principal amount of 3.50% senior subordinated convertible notes due 2026 (the "Convertible Notes"). The Convertible Notes mature on April 1, 2026, unless earlier converted, redeemed or purchased by us, as discussed below. The Convertible Notes are unsecured senior subordinated obligations and are subordinate to all future and existing debt under our credit agreements and our floor plan indebtedness. The Convertible Notes are guaranteed on an unsecured senior subordinated basis by substantially all of our wholly-owned domestic subsidiaries. The guarantees are full and unconditional and joint and several. The Convertible Notes also contain customary negative covenants and events of default. As of December 31, 2008, we were in compliance with all negative covenants and there were no events of default.

Holders of the convertible notes may convert them based on a conversion rate of 42.7796 shares of our common stock per $1,000 principal amount of the Convertible Notes (which is equal to a conversion price of approximately $23.38 per share), subject to adjustment, only under the following circumstances: (1) in any quarterly period, if the closing price of our common stock for twenty of the last thirty trading days in the prior quarter exceeds $28.43 (subject to adjustment), (2) for specified periods, if the trading price of the Convertible Notes falls below specific thresholds, (3) if the Convertible Notes are called for redemption, (4) if specified distributions to holders of our common stock are made or specified corporate transactions occur, (5) if a fundamental change (as defined) occurs, or (6) during the ten trading days prior to, but excluding, the maturity date.

Upon conversion of the Convertible Notes, for each $1,000 principal amount of the Convertible Notes, a holder will receive an amount in cash, in lieu of shares of our common stock, equal to the lesser of (i) $1,000 or (ii) the conversion value, determined in the manner set forth in the indenture covering the Convertible Notes, of the number of shares of common stock equal to the conversion rate. If the conversion value exceeds $1,000, we will also deliver, at our election, cash, common stock or a combination of cash and common stock with respect to the remaining value deliverable upon conversion.

In the event of a conversion due to a change of control on or before April 6, 2011, we will, in certain circumstances, pay a make-whole premium by increasing the conversion rate used in that conversion. In addition, we will pay additional cash interest commencing with six-month periods beginning on April 1, 2011, if the average trading price of a Convertible Note for certain periods in the prior six-month period equals 120% or more of the principal amount of the Convertible Notes. On or after April 6, 2011, we may redeem the Convertible Notes, in whole at any time or in part from time to time, for cash at a redemption price of 100% of the principal amount of the Convertible Notes to be redeemed, plus any accrued and unpaid interest to the applicable redemption date.

Holders of the Convertible Notes may require us to purchase all or a portion of their Convertible Notes for cash on April 1, 2011, April 1, 2016 or April 1, 2021 at a purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest, if any, to the applicable purchase date. Because of this feature, we currently expect to be required to redeem the Convertible Notes in April 2011.

Mortgage Facilities

We are party to a $42.4 million seven year mortgage facility with respect to certain of our dealership properties that matures on October 1, 2015. The facility bears interest at a defined rate, requires monthly principal and interest payments, and includes the option to extend the term for successive periods of five years up to a maximum term of twenty-five years. In the event we exercise our options to extend the term, the interest rate will be renegotiated at each renewal period. The mortgage facility also contains typical events of default, including non-payment of obligations, cross-defaults to our other material indebtedness, certain change of control events, and the loss or sale of certain franchises operated at the property. Substantially all of the buildings, improvements, fixtures and personal property of the properties under the mortgage facility are subject to security interests granted to the lender. As of December 31, 2008, $42.2 million was outstanding under this facility.

9.625% Senior Subordinated Notes

In March 2007, we redeemed our outstanding $300.0 million aggregate principal amount of 9.625% senior subordinated notes due 2012 (the “9.625% Notes”). The 9.625% Notes were unsecured senior subordinated notes and were subordinate to all existing senior debt, including debt under our credit agreements and our floor plan indebtedness. We incurred an $18.6 million pre-tax charge in connection with the redemption, consisting of a $14.4 million redemption premium and the write-off of $4.2 million of unamortized deferred financing costs.

Interest Rate Swaps

We are party to interest rate swap agreements through January 7, 2011 pursuant to which the LIBOR portion of $300.0 million of our U.S. floating rate floor plan debt was fixed at 3.67%. We may terminate this arrangement at any time subject to the settlement of the then current fair value of the swap arrangement. The swaps are designated as a cash flow hedge of future interest payments of LIBOR based U.S. floor plan borrowings. During 2008, the swaps increased the weighted average interest rate on our floor plan borrowings by approximately 0.2%. As of December 31, 2008, we used Level 2 inputs as described under SFAS No. 157 to estimate the fair value of these contracts to be a $15.4 million liability, and expect approximately $8.4 million associated with the swaps to be recognized as an increase of interest expense over the next twelve months.

We were party to an interest rate swap agreement which expired in January 2008, pursuant to which a notional $200.0 million of our U.S. floating rate debt was exchanged for fixed rate debt. The swap was designated as a cash flow hedge of future interest payments of LIBOR based U.S. floor plan borrowings.

Operating Leases

We have historically structured our operations so as to minimize our ownership of real property. As a result, we lease or sublease substantially all of our dealerships properties and other facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options at our election. We estimate our total rent obligations under these leases including any extension periods we may exercise at our discretion and assuming constant consumer price indices to be $4.8 billion. Pursuant to the leases for some of our larger facilities, we are required to comply with specified financial ratios, including a "rent coverage" ratio and a debt to EBITDA ratio, each as defined. For these leases, non-compliance with the ratios may require us to post collateral in the form of a letter of credit. A breach of our other lease covenants give rise to certain remedies by the landlord, the most severe of which include the termination of the applicable lease and acceleration of the total rent payments due under the lease, as defined.

Sale/Leaseback Arrangements

We have in the past and expect in the future to enter into sale-leaseback transactions to finance certain property acquisitions and capital expenditures, pursuant to which we sell property and/or leasehold improvements to third-parties and agree to lease those assets back for a certain period of time. Such sales generate proceeds which vary from period to period. In light of the current market conditions, this financing option has become more expensive and thus we may utilize these arrangements less in the near term.

Off-Balance Sheet Arrangements

3.5% Convertible Senior Subordinated Notes due 2026

The Convertible Notes are convertible into shares of our common stock, at the option of the holder, based on certain conditions described above. Certain of these conditions are linked to the market value of our common stock. This type of financing arrangement was selected by us, as opposed to other forms of available financing, in order to achieve a more favorable interest rate. Since we or the holders of the Convertible Notes can redeem these notes on April 2011, a conversion or a redemption of these notes is likely to occur in 2011. Such redemption or conversion will include cash for the principal amount of the Convertible Notes then outstanding plus, depending on the trading price of our common stock, an amount payable in either cash or stock, at our option, representing the notes' conversion value.

Third Party Lease Obligations

Since 1999, we have sold a number of dealerships to third parties. As a condition to the sale, we have at times remained liable for the lease payments relating to the properties on which those franchises operate. The aggregate rent paid by the tenants on those properties in 2008 was approximately $13.4 million, and, in aggregate, we guarantee or are otherwise liable for approximately $218.7 million of lease payments, including lease payments during available renewal periods. We rely on the buyer of the franchise to pay the associated rent and maintain the property. In the event the buyer does not perform as expected (due to the buyer's financial condition or other factors such as the market performance of the underlying vehicle manufacturer), we may not be able to recover amounts owed to us by the buyer. In this event, we could be required to fulfill these obligations, which could materially adversely affect our results of operations, financial condition or cash flows.

Cash Flows

Cash and cash equivalents increased by $5.3 and $12.4 million during the years ended December 31, 2008 and 2006, respectively, and decreased by $5.2 million during the year ended December 31, 2007. The major components of these changes are discussed below.

Cash Flows from Continuing Operating Activities

Cash provided by operating activities was $407.1 million, $300.2 million and $125.6 million during the years ended December 31, 2008, 2007 and 2006, respectively. Cash flows from operating activities includes net income, as adjusted for non-cash items, and the effects of changes in working capital.

We finance substantially all of our new and a portion of our used vehicle inventories under revolving floor plan notes payable with various lenders. We retain the right to select which, if any, financing source to utilize in connection with the procurement of vehicle inventories. Many vehicle manufacturers provide vehicle financing for the dealers representing their brands, however, it is not a requirement that dealers utilize this financing. Historically, our floor plan finance source has been based on aggregate pricing considerations. In accordance with the guidance under SFAS No. 95, "Statement of Cash Flows", we report all cash flows arising in connection with floor plan notes payable with the manufacturer of a particular new vehicle as an operating activity in our statement of cash flows, and all cash flows arising in connection with floor plan notes payable to a party other than the manufacturer of a particular new vehicle and all floor plan notes payable relating to pre-owned vehicles as a financing activity in our statement of cash flows. Currently, the majority of our non-trade vehicle financing is with other manufacturer captive lenders. To date, we have not experienced any material limitation with respect to the amount or availability of financing from any institution providing us vehicle financing.

We believe that changes in aggregate floor plan liabilities are typically linked to changes in vehicle inventory and, therefore, are an integral part of understanding changes in our working capital and operating cash flow. As a result, we have presented the following reconciliation of cash flow from operating activities as reported in our condensed consolidated statement of cash flows as if all changes in vehicle floor plan were classified as an operating activity for informational purposes:

	Year Ended December 31,		
	2008	2007	2006
Net cash from operating activities as reported	$ 407.1	$ 300.2	$ 125.6
Floor plan notes payable — non-trade as reported	(54.3)	193.4	(55.3)
Net cash from operating activities including all floor plan notes payable	$ 352.8	$ 493.6	$ 70.3

Cash Flows from Continuing Investing Activities

Cash used in investing activities was $541.1 million, $227.9 million and $484.8 million during the years ended December 31, 2008, 2007 and 2006, respectively. Cash flows from investing activities consist primarily of cash used for capital expenditures, proceeds from sale-leaseback transactions and net expenditures for acquisitions and other investments. Capital expenditures were $211.0 million, $194.5 million and $222.8 million during the years ended December 31, 2008, 2007 and 2006, respectively. Capital expenditures relate primarily to improvements to our existing dealership facilities and the construction of new facilities. As of December 31, 2008, we do not have material commitments related to our planned or ongoing capital projects. We currently expect to finance our capital expenditures with operating cash flows or borrowings under our U.S. or U.K. credit facilities. Proceeds from sale-leaseback transactions were $37.4 million, $131.8 million and $106.2 million during the years ended December 31, 2008, 2007 and 2006, respectively. Cash used in acquisitions, net of cash acquired, was $147.1 million, $180.7 million and $368.2 million during the years ended December 31, 2008, 2007 and 2006, respectively, and included cash used to repay sellers floor plan liabilities in such business acquisitions of $30.7 million, $51.9 million and $111.3 million, respectively. We used $220.5 million for other investing activities during the year ended December 31, 2008, including $219.0 million for the acquisition of the 9% interest in PTL. The year ended December 31, 2007 also includes $15.5 million of proceeds relating to other investing activities.

Cash Flows from Continuing Financing Activities

Cash provided by financing activities was $108.2 million and $440.3 million during the years ended December 31, 2008 and 2006, respectively, and cash used in financing activities was $181.0 million during the year ended December 31, 2007. Cash flows from financing activities include net borrowings or repayments of long-term debt, net borrowings or repayments of floor plan notes payable non-trade, payments of deferred financing costs, proceeds from the issuance of common stock and the exercise of stock options, repurchases of common stock and dividends. We had net borrowings of long-term debt of $249.9 million during the year ended December 31, 2008 and net repayments of $348.6 million and $211.1 million during the years ended December 31, 2007 and 2006, respectively. The borrowings in the year ended December 31, 2008 included the $219.0 million loan to finance the PTL limited partnership interest acquisition and proceeds relating to a $42.4 million mortgage facility. The repayments in the year ended December 31, 2007 included $14.4 million of premium paid on the redemption of our 9.625% Notes. During the year ended December 31, 2006 we issued $750.0 million of subordinated debt and we paid $17.2 million of financing costs. Proceeds from the $750.0 million of subordinated debt issued in 2006 were used to repurchase one million shares of our common stock for $18.9 million and to repay debt. This activity, combined with borrowing to fund acquisition and other liquidity requirements, resulted in net repayments of long-term debt of $211.1 million during the year ended December 31, 2006. We had net repayments of floor plan notes payable non-trade of $54.3 and $55.3 million during the years ended December 31, 2008 and 2006, respectively, and net borrowings of floor plan notes payable non-trade of $193.4 million during the year ended December 31, 2007. During the years ended December 31, 2008, 2007 and 2006, we received proceeds of $0.8 million, $2.6 million and $18.1 million, respectively, from the issuance of common stock. In 2008, we repurchased 4.015 million shares of common stock for $53.7 million. During the years ended December 31, 2008, 2007 and 2006, we also paid $33.9 million, $28.4 million and $25.2 million, respectively, of cash dividends to our stockholders.

Cash Flows from Discontinued Operations

Cash flows relating to discontinued operations are not currently considered, nor are they expected to be considered, material to our liquidity or our capital resources. Management does not believe that there are any significant past, present or upcoming cash transactions relating to discontinued operations.

Contractual Payment Obligations

The table below sets forth our best estimates as to the amounts and timing of future payments relating to our most significant contractual obligations as of December 31, 2008. The information in the table reflects future unconditional payments and is based upon, among other things, the terms of any relevant agreements. Future events, including acquisitions, divestitures, new or revised operating lease agreements, borrowings or repayments under our credit agreements and our floor plan arrangements, and purchases or refinancing of our securities, could cause actual payments to differ significantly from these amounts.

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Floorplan Notes Payable(A)	$ 1,480.2	$ 1,480.2	$ —	$ —	$ —
Long-Term Debt Obligations(B)	1,099.2	11.3	670.9	2.3	414.7
Operating Lease Commitments	4,821.2	167.4	330.1	326.1	3,997.6
Scheduled Interest Payments(B)(C)	275.4	44.3	78.6	62.0	90.5
Other Long-Term Liabilities(D)	32.9	1.2	—	31.7	—
	$ 7,708.9	$ 1,704.4	$1,079.6	$ 422.1	$ 4,502.8

(A) Floor plan notes payable are revolving financing arrangements. Payments are generally made as required pursuant to the floor plan borrowing agreements discussed above under “Inventory Financing.”

(B) Interest and principal repayments under our $375.0 million of 3.5% senior subordinated notes due 2026 are reflected in the table above, however, this excludes any amount in payment of a premium due for conversion of the notes above the specified conversion trading price. While these notes are not due until 2026, in 2011 the holders may require us to purchase all or a portion of their notes for cash. This acceleration of ultimate repayment is reflected in the table above.

(C) Estimates of future variable rate interest payments under floorplan notes payable and our credit agreements are excluded due to our inability to estimate changes to interest rates in the future. See “Inventory Financing,” “U.S. Credit Agreement,” and “U.K. Credit Agreement” above for a discussion of such variable rates.

(D) Includes uncertain tax positions. Due to the subjective nature of our uncertain tax positions, we are unable to make reasonably reliable estimates of the timing of payments arising in connection with the unrecognized tax benefits, however, as a result of the statute of limitations, we do not expect any of these payments to occur in more than 5 years. We have thus classified this as “3 to 5 years.”

We expect that, other than for scheduled balloon payments upon the maturity or termination dates of certain of our debt instruments, the amounts above will be funded through cash flow from operations. In the case of scheduled balloon payments upon the maturity or termination dates of our debt instruments, we currently expect to be able to refinance such instruments in the normal course of business.

Related Party Transactions

Stockholders Agreement

Several of our directors and officers are affiliated with Penske Corporation or related entities. Roger S. Penske, our Chairman of the Board and Chief Executive Officer, is also Chairman of the Board and Chief Executive Officer of Penske Corporation, and through entities affiliated with Penske Corporation, our largest stockholder owning approximately 41% of our outstanding common stock. Mitsui & Co., Ltd. and Mitsui & Co. (USA), Inc. (collectively, “Mitsui”) own approximately 17% of our outstanding common stock. Mitsui, Penske Corporation and certain other affiliates of Penske Corporation are parties to a stockholders agreement pursuant to which the Penske affiliated companies agreed to vote their shares for one director who is a representative of Mitsui. In turn, Mitsui agreed to vote their shares for up to fourteen directors voted for by the Penske affiliated companies. This agreement terminates in March 2014, upon the mutual consent of the parties, or when either party no longer owns any of our common stock.

Other Related Party Interests and Transactions

Roger S. Penske is also a managing member of Penske Capital Partners and Transportation Resource Partners, each organizations that undertake investments in transportation-related industries. Richard J. Peters, one of our directors, is a managing director of Transportation Resource Partners and is a director of Penske Corporation. Lucio A. Noto (one of our directors) is an investor in Transportation Resource Partners. One of our directors, Hiroshi Ishikawa, serves as our Executive Vice President — International Business Development and serves in a similar capacity for Penske Corporation. Robert H. Kurnick, Jr., our President and a director, is also the President and a director of Penske Corporation.

We sometimes pay to and/or receive fees from Penske Corporation and its affiliates for services rendered in the normal course of business, or to reimburse payments made to third parties on each others' behalf. These transactions are reviewed periodically by our Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties. We and Penske Corporation have entered into a joint insurance agreement which provides that, with respect to our joint insurance policies (which includes our property policy), available coverage with respect to a loss shall be paid to each party as stipulated in the policies. In the event of losses by us and Penske Corporation that exceed the limit of liability for any policy or policy period, the total policy proceeds shall be allocated based on the ratio of premiums paid.

We are a 9% limited partner of PTL, a leading global transportation services provider. PTL operates and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rental and logistics services, including, transportation and distribution center management and supply chain management. The general partner is Penske Truck Leasing Corporation, a wholly-owned subsidiary of Penske Corporation, which together with other wholly-owned subsidiaries of Penske Corporation, owns 40% of PTL. The remaining 51% of PTL is owned by GE Capital. We are party to a partnership agreement among the other partners which, among other things, provides us with specified partner distribution and governance rights and restricts our ability to transfer our interests.

We have entered into joint ventures with certain related parties as more fully discussed below.

Joint Venture Relationships

From time to time, we enter into joint venture relationships in the ordinary course of business, through which we own and operate automotive dealerships together with other investors. We may provide these dealerships with working capital and other debt financing at costs that are based on our incremental borrowing rate. As of December 31, 2008, our automotive joint venture relationships included:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Porsche, smart	88.53%(A)(B)
Edison, New Jersey	Ferrari, Maserati	70.00%(B)
Las Vegas, Nevada	Ferrari, Maserati	50.00%(C)
Munich, Germany	BMW, MINI	50.00%(C)
Frankfurt, Germany	Lexus, Toyota	50.00%(C)
Aachen, Germany	Audi, Lexus, Toyota, Volkswagen	50.00%(C)
Mexico	Toyota	48.70%(C)
Mexico	Toyota	45.00%(C)

(A) An entity controlled by one of our directors, Lucio A. Noto (the "Investor"), owns an 11.47% interest in this joint venture, which entitles the Investor to 20% of the joint venture's operating profits. In addition, the Investor has an option to purchase up to a 20% interest in the joint venture for specified amounts.

(B) Entity is consolidated in our financial statements.

(C) Entity is accounted for using the equity method of accounting.

Cyclicality

Unit sales of motor vehicles, particularly new vehicles, historically have been cyclical, fluctuating with general economic cycles. During economic downturns, the automotive retailing industry tends to experience periods of decline and recession similar to those experienced by the general economy. We believe that the industry is influenced by general economic conditions and particularly by consumer confidence, the level of personal discretionary spending, fuel prices, interest rates and credit availability.

Seasonality

Our business is modestly seasonal overall. Our U.S. operations generally experience higher volumes of vehicle sales in the second and third quarters of each year due in part to consumer buying trends and the introduction of new vehicle models. Also, vehicle demand, and to a lesser extent demand for service and parts, is generally lower during the winter months than in other seasons, particularly in regions of the U.S. where dealerships may be subject to severe winters. Our U.K. operations generally experience higher volumes of vehicle sales in the first and third quarters of each year, due primarily to vehicle registration practices in the U.K.

Effects of Inflation

We believe that inflation rates over the last few years have not had a significant impact on revenues or profitability. We do not expect inflation to have any near-term material effects on the sale of our products and services, however, we cannot be sure there will be no such effect in the future. We finance substantially all of our inventory through various revolving floor plan arrangements with interest rates that vary based on various benchmarks. Such rates have historically increased during periods of increasing inflation.

Forward-Looking Statements

This annual report on Form 10-K contains “forward-looking statements”. Forward-looking statements generally can be identified by the use of terms such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate,” “predict,” “potential,” “forecast,” “continue” or variations of such terms, or the use of these terms in the negative. Forward-looking statements include statements regarding our current plans, forecasts, estimates, beliefs or expectations, including, without limitation, statements with respect to:

- our future financial performance;
- future acquisitions;
- future capital expenditures and share repurchases;
- our ability to obtain cost savings and synergies;
- our ability to respond to economic cycles;
- trends in the automotive retail industry and in the general economy in the various countries in which we operate dealerships;
- our ability to access the remaining availability under our credit agreements;
- our liquidity;
- interest rates;
- trends affecting our future financial condition or results of operations; and
- our business strategy.

Forward-looking statements involve known and unknown risks and uncertainties and are not assurances of future performance. Actual results may differ materially from anticipated results due to a variety of factors, including the factors identified under “Item 1A. — Risk Factors.” Important factors that could cause actual results to differ materially from our expectations include those mentioned in “Item 1A. — Risk Factors” such as the following:

- our business and the automotive retail industry in general are susceptible to further or continued adverse economic conditions, including changes in interest rates, consumer confidence, fuel prices and credit availability;
- the ability of automobile manufacturers to exercise significant control over our operations, since we depend on them in order to operate our business;
- because we depend on the success and popularity of the brands we sell, adverse conditions affecting one or more automobile manufacturers may negatively impact our revenues and profitability;

- a restructuring of one of the U.S. automotive manufacturers may adversely affect our operations, as well as the automotive sector as a whole;

- we may not be able to satisfy our capital requirements for acquisitions, dealership renovation projects or financing the purchase of our inventory;

- our failure to meet a manufacturer's consumer satisfaction requirements may adversely affect our ability to acquire new dealerships, our ability to obtain incentive payments from manufacturers and our profitability;

- with respect to PTL, changes in tax, financial or regulatory rules on requirements, changes in the financial health of PTL's customers, labor strikes or work stoppages, asset utilization rates and industry competition;

- substantial competition in automotive sales and services may adversely affect our profitability;

- if we lose key personnel, especially our Chief Executive Officer, or are unable to attract additional qualified personnel, our business could be adversely affected;

- because most customers finance the cost of purchasing a vehicle, increased interest rates where we operate may adversely affect our vehicle sales;

- our business may be adversely affected by import product restrictions and foreign trade risks that may impair our ability to sell foreign vehicles profitably;

- our automobile dealerships are subject to substantial regulation which may adversely affect our profitability;

- if state dealer laws in the U.S. are repealed or weakened, our U.S. automotive dealerships may be subject to increased competition and may be more susceptible to termination, non-renewal or renegotiation of their franchise agreements;

- non-compliance with the financial ratios and other covenants under our credit agreements and operating leases may materially adversely affect us;

- the success of our smart distribution operations depends upon continued availability of the vehicle and customer demand for that vehicle;

- our dealership operations may be affected by severe weather or other periodic business interruptions;

- our principal stockholders have substantial influence over us and may make decisions with which other stockholders may disagree;

- some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests;

- our level of indebtedness may limit our ability to obtain financing for acquisitions and may require that a significant portion of our cash flow be used for debt service;

- we may be involved in legal proceedings that could have a material adverse effect on our business;

- our operations outside of the U.S. subject our profitability to fluctuations relating to changes in foreign currency valuations; and

- we are a holding company and, as a result, must rely on the receipt of payments from our subsidiaries, which are subject to limitations, in order to meet our cash needs and service our indebtedness.

In addition:

- the price of our common stock is subject to substantial fluctuation, which may be unrelated to our performance; and
- shares eligible for future sale, or issuable under the terms of our convertible notes, may cause the market price of our common stock to drop significantly, even if our business is doing well.

We urge you to carefully consider these risk factors in evaluating all forward-looking statements regarding our business. Readers of this report are cautioned not to place undue reliance on the forward-looking statements contained in this report. All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement. Except to the extent required by the federal securities laws and the Securities and Exchange Commission's rules and regulations, we have no intention or obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rates. We are exposed to market risk from changes in interest rates on a significant portion of our outstanding debt. Outstanding revolving balances under our credit agreements bear interest at variable rates based on a margin over defined LIBOR or the Bank of England Base Rate. Based on the amount outstanding under these facilities as of December 31, 2008, a 100 basis point change in interest rates would result in an approximate $2.8 million change to our annual other interest expense. Similarly, amounts outstanding under our floor plan financing arrangements bear interest at a variable rate based on a margin over the prime rate, defined LIBOR or the Euro Interbank offer Rate. We are currently party to swap agreements pursuant to which a notional $300.0 million of our floating rate floor plan debt was exchanged for fixed rate debt through January 2011. Based on an average of the aggregate amounts outstanding under our floor plan financing arrangements subject to variable interest payments, adjusted to exclude the notional value of the swap agreements, during the year ended December 31, 2008, a 100 basis point change in interest rates would result in an approximate $12.9 million change to our annual floor plan interest expense.

We evaluate our exposure to interest rate fluctuations and follow established policies and procedures to implement strategies designed to manage the amount of variable rate indebtedness outstanding at any point in time in an effort to mitigate the effect of interest rate fluctuations on our earnings and cash flows. These policies include:

- the maintenance of our overall debt portfolio with targeted fixed and variable rate components;
- the use of authorized derivative instruments;
- the prohibition of using derivatives for trading or other speculative purposes; and
- the prohibition of highly leveraged derivatives or derivatives which we are unable to reliably value or obtain a market quotation.

Interest rate fluctuations affect the fair market value of our fixed rate debt, including our swaps, the 7.75% Notes, the Convertible Notes and certain seller financed promissory notes, but, with respect to such fixed rate debt instruments, do not impact our earnings and cash flows.

Foreign Currency Exchange Rates. As of December 31, 2008, we had dealership operations in the U.K. and Germany. In each of these markets, the local currency is the functional currency. Due to our intent to remain permanently invested in these foreign markets, we do not hedge against foreign currency fluctuations. In the event we change our intent with respect to the investment in any of our international operations, we would expect to implement strategies designed to manage those risks in an effort to mitigate the effect of foreign currency fluctuations on our earnings and cash flows. A ten percent change in average exchange rates versus the U.S. Dollar would have resulted in an approximate $422.0 million change to our revenues for the year ended December 31, 2008.

In common with other automotive retailers, we purchase certain of our new vehicle and parts inventories from foreign manufacturers. Although we purchase the majority of our inventories in the local functional currency, our business is subject to certain risks, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions and foreign exchange rate volatility which may influence such manufacturers' ability to provide their products at competitive prices in the local jurisdictions. Our future results could be materially and adversely impacted by changes in these or other factors.

Item 8. *Financial Statements and Supplementary Data*

The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are incorporated by reference into this Item 8.

Item 9. *Changes In and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Under the supervision and with the participation of our management, including the principal executive and financial officers, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive and financial officers, to allow timely discussions regarding required disclosure.

Based upon this evaluation, and as discussed in our report, the Company's principal executive and financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, we maintain internal controls designed to provide us with the information required for accounting and financial reporting purposes. There were no changes in our internal control over financial reporting that occurred during our fourth quarter of 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's and our auditors' reports on our internal control over financial reporting are included with our financial statements filed as part of this Annual Report on Form 10-K.

Item 9B. *Other Information*

Not applicable.

PART III

Except as set forth below, the information required by Items 10 through 14 is included in the Company's definitive proxy statement under the captions "Election of Directors," "Executive Officers," "Compensation Discussion and Analysis," "Executive and Directors Compensation," "Security Ownership of Certain Beneficial Owners and Management," "Independent Auditing Firms," "Related Party Transactions," "Other Matters" and "Our Corporate Governance." Such information is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table provides details regarding the shares of common stock issuable upon the exercise of outstanding options, warrants and rights granted under our equity compensation plans (including individual equity compensation arrangements) as of December 31, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)
Equity compensation plans approved by security holders	323,876	9.01	2,254,458
Equity compensation plans not approved by security holders	—	—	—
Total	323,876	9.01	2,254,458

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(1) Financial Statements

The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K.

(2) Financial Statement Schedule — Schedule II — Valuation and Qualifying Accounts following the Consolidated Financial Statements is filed as part of this Annual Report on Form 10-K.

(3) Exhibits — See the Index of Exhibits following the signature page for the exhibits to this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 10, 2009.

PENSKE AUTOMOTIVE GROUP, INC.

By: /s/ Roger S. Penske
Roger S. Penske
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Roger S. Penske Roger S. Penske	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 10, 2009
/s/ Robert T. O'Shaughnessy Robert T. O'Shaughnessy	Executive Vice President — Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2009
/s/ John D. Barr John D. Barr	Director	March 10, 2009
/s/ Michael R. Eisenson Michael R. Eisenson	Director	March 10, 2009
/s/ Hiroshi Ishikawa Hiroshi Ishikawa	Director	March 10, 2009
/s/ Robert H. Kurnick, Jr. Robert H. Kurnick, Jr.	Director	March 10, 2009
/s/ William J. Lovejoy William J. Lovejoy	Director	March 10, 2009
/s/ Kimberly J. McWaters Kimberly J. McWaters	Director	March 10, 2009
/s/Lucio A. Noto Lucio A. Noto	Director	March 10, 2009
/s/ Richard J. Peters Richard J. Peters	Director	March 10, 2009
/s/ Ronald G. Steinhart Ronald G. Steinhart	Director	March 10, 2009
/s/ H. Brian Thompson H. Brian Thompson	Director	March 10, 2009

INDEX OF EXHIBITS

Each management contract or compensatory plan or arrangement is identified with an asterisk.

3.1	Certificate of Incorporation (incorporated by reference to exhibit 3.2 to our Form 8-K filed on July 2, 2007).
3.2	Bylaws (incorporated by reference to exhibit 3.1 to our Form 8-K filed on December 7, 2007).
4.1.1	Indenture regarding our 3.5% senior subordinated convertible notes due 2026, dated January 31, 2006, by and among us, as Issuer, the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to our Form 8-K filed February 2, 2006).
4.1.2	Amended and Restated Supplemental Indenture regarding our 3.5% senior subordinated convertible notes due 2026 dated as of October 30, 2008, among us, as Issuer, and certain of our domestic subsidiaries, as Guarantors, and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to our Form 10-Q filed on November 5, 2008).
4.2.1	Indenture regarding our 7.75% senior subordinated notes due 2016 dated December 7, 2006, by and among us as Issuer, the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to our current report on Form 8-K filed on December 12, 2006).
4.2.2	Amended and Restated Supplemental Indenture regarding 7.75% Senior Subordinated Notes due 2016 dated October 30, 2008, among us, as Issuer, and certain of our domestic subsidiaries, as Guarantors, and Bank of New York Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.2 to our Form 10-Q filed on November 5, 2008).
4.3.1	Third Amended and Restated Credit Agreement, dated as of October 30, 2008, among us, DCFS USA LLC and Toyota Motor Credit Corporation (incorporated by reference to exhibit 4.4 our form 10-Q filed November 5, 2008).
4.3.2	Second Amended and Restated Security Agreement dated as of September 8, 2004 among us, DaimlerChrysler Financial Services Americas LLC and Toyota Motor Credit Corporation (incorporated by reference to Exhibit 10.2 to our September 8, 2004 Form 8-K).
4.4.1	Multi-Option Credit Agreement dated as of August 31, 2006 between Sytner Group Limited and The Royal Bank of Scotland, plc, as agent for National Westminster Bank Plc. (RBS) (incorporated by reference to exhibit 4.1 to our Form 8-K filed on September 5, 2006).
4.4.2	Amendment dated September 29, 2008 to Multi-Option Credit Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.2 of our October 1, 2008 Form 8-K).
4.4.3	Fixed Rate Credit Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.2 to our Form 8-K filed on September 5, 2006).
4.4.4	Amendment dated September 29, 2008 to Fixed Rate Credit Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.3 of our October 1, 2008 Form 8-K).
4.4.5	Seasonally Adjusted Overdraft Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.3 to our Form 8-K filed on September 5, 2006).
4.4.6	Amendment dated September 29, 2008 to Seasonally Adjusted Overdraft Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.4 of our October 1, 2008 Form 8-K).
10.1	Form of Dealer Agreement with Honda Automobile Division, American Honda Motor Co. (incorporated by reference to exhibit 10.2.3 to our 2001 Form 10-K).
10.2	Form of Car Center Agreement with BMW of North America, Inc. (incorporated by reference to exhibit 10.2.5 to our 2001 Form 10-K).
10.3	Form of SAV Center Agreement with BMW of North America, Inc. (incorporated by reference to exhibit 10.2.6 to our 2001 Form 10-K).
10.4	Form of Dealership Agreement with BMW (GB) Limited (incorporated by reference to exhibit 10.4 to our 2007 Form 10-K).
10.5	Form of Dealer Agreement with Toyota Motor Company (incorporated by reference to exhibit 10.2.7 to our 2001 Form 10-K).
10.6	Form of Mercedes-Benz USA, Inc. Passenger and Car Retailer Agreement (incorporated by reference to exhibit 10.2.11 to our Form 10-Q for the quarter ended March 31, 2000).
10.7	Form of Mercedes-Benz USA, Inc. Light Truck Retailer Agreement (incorporated by reference to exhibit 10.2.12 to our Form 10-Q for the quarter ended March 31, 2000).
10.8	Distributor Agreement dated October 31, 2006 between smart GmbH and smart USA Distributor LLC (incorporated by reference to exhibit 10.8 to our 2007 Form 10-K)**
*10.9	Amended and Restated Penske Automotive Group, Inc. 2002 Equity Compensation Plan (incorporated by reference to exhibit 10.9 to our 2007 Form 10-K).
*10.10	Form of Restricted Stock Agreement (incorporated by reference to exhibit 10.3 to our Form 10-Q for the quarter ended

June 30, 2003).

*10.11 Amended and Restated Penske Automotive Group, Inc. Non-Employee Director Compensation Plan (incorporated by reference to exhibit 10.11 to our 2007 Form 10-K).

*10.12 Penske Automotive Group, Inc. Management Incentive Plan (incorporated by reference to exhibit 10.12 to our 2007 Form 10-K).

10.13.1 First Amended and Restated Limited Liability Company Agreement dated April 1, 2003 between UAG Connecticut I, LLC and Noto Holdings, LLC (incorporated by reference to exhibit 10.3 to our Form 10-Q filed May 15, 2003).

10.13.2 Letter Agreement dated April 1, 2003 between UAG Connecticut I, LLC and Noto Holdings, LLC (incorporated by reference to exhibit 10.5 to our Form 10-Q filed May 15, 2003).

10.14 Registration Rights Agreement among us and Penske Automotive Holdings Corp. dated as of December 22, 2000 (incorporated by reference to exhibit 10.26.1 to our Form 10-K filed February 6, 2002).

10.15 Second Amended and Restated Registration Rights Agreement among us, Mitsui & Co., Ltd. and Mitsui & Co. (U.S.A.), Inc. dated as of March 26, 2004 (incorporated by reference to the exhibit 10.2 to our March 26, 2004 Form 8-K).

10.16 Letter Agreement among Penske Corporation, Penske Capital Partners, L.L.C., Penske Automotive Holdings Corp., International Motor Cars Group I, L.L.C., Mitsui & Co., Ltd. and Mitsui & Co. (U.S.A.), Inc. dated April 4, 2003 (incorporated by reference to exhibit 5 to the Schedule 13D filed by Mitsui on April 10, 2003).

10.17 Purchase Agreement by and between Mitsui & Co., Ltd., Mitsui & Co. (U.S.A.), Inc., International Motor Cars Group I, L.L.C., International Motor Cars Group II, L.L.C., Penske Corporation, Penske Automotive Holdings Corp, and Penske Automotive Group, Inc. (incorporated by reference to exhibit 10.1 to our Form 8-K filed on February 17, 2004).

10.18 Stockholders Agreement among International Motor Cars Group II, L.L.C., Penske Automotive Holdings Corp., Penske Corporation and Mitsui & Co., Ltd. and Mitsui & Co. (USA), Inc. dated as of March 26, 2004 (incorporated by reference to exhibit 10.1 to our March 26, 2004 Form 8-K).

10.19 VMC Holding Corporation Stockholders' Agreement dated April 28, 2005 among VMC Holding Corporation, U.S., Transportation Resource Partners, LP., Penske Truck Leasing Co. LLP., and Opus Ventures General Partners Limited (incorporated by reference to exhibit 10.1 to our Form 10-Q filed on May 5, 2005).

10.20 Management Services Agreement dated April 28, 2005 among VMC Acquisition Corporation, Transportation Resource Advisors LLC., Penske Truck Leasing Co. L.P. and Opus Ventures General Partner Limited (incorporated by reference to exhibit 10.1 to our Form 10-Q filed on May 5, 2005).

10.21 Joint Insurance Agreement dated August 7, 2006 between us and Penske Corporation (incorporated by reference to exhibit 10.1 to our Form 10-Q filed August 9, 2006).

10.22 Trade Name and Trademark Agreement dated May 6, 2008 between us and Penske System, Inc. (incorporated by reference to exhibit 10 to our Form 10-Q filed May 8, 2008).

10.23 Purchase and Sale Agreement dated June 26, 2008 by and among General Electric Credit Corporation of Tennessee, Logistics Holding Corp., RTLC Acquisition Corp., NTFC Capital Corporation, Penske Truck Leasing Corporation, PTLC Holdings Co., LLC, PTLC2 Holdings Co., LLC, Penske Automotive Group, Inc. and Penske Truck Leasing Co., L.P. (incorporated by reference to exhibit 10.1 to our July 2, 2008 Form 8-K).

10.24 Second Amended and Restated Limited Partnership Agreement of Penske Truck Leasing Co., L.P. dated as of September 19, 2008 (incorporated by reference to exhibit 10.1 to our Form 10-Q filed November 5, 2008).

10.25 Rights Agreement dated June 26, 2008 by and among PTLC Holdings Co., LLC, PTLC2 Holdings Co., LLC, Penske Truck Leasing Corporation and Penske Automotive Group, Inc. (incorporated by reference to exhibit 10.4 to our July 2, 2008 Form 8-K).

10.26 Amended and Restated Penske Automotive Group 401(k) Savings and Retirement Plan dated as of March 3, 2009.

*10.27 Amended and Restated Stock Option Plan dated as of December 10, 2003(incorporated by reference to exhibit 10.22 to our 2003 Form 10-K filed March 15, 2004).

12 Computation of Ratio of Earnings to Fixed Charges.

21 Subsidiary List.

23.1 Consent of Deloitte & Touche LLP.

23.2 Consent of KPMG Audit Plc.

31.1 Rule 13(a)-14(a)/15(d)-14(a) Certification.

31.2 Rule 13(a)-14(a)/15(d)-14(a) Certification.

32 Section 1350 Certification.

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* Compensatory plans or contracts

** Portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
PENSKE AUTOMOTIVE GROUP, INC
As of December 31, 2008 and 2007 and For the Years Ended
December 31, 2008, 2007 and 2006

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Penske Automotive Group, Inc. and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors that the Company's internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework.* Based on our assessment we believe that, as of December 31, 2008, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm that audited the consolidated financial statements included in the Company's Annual Report on Form 10-K has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-3.

Penske Automotive Group, Inc.
March 10, 2009

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of UAG UK Holdings Limited and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors that the Company's internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework.* Based on our assessment we believe that, as of December 31, 2008, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm that audited the consolidated financial statements of UAG UK Holdings Limited has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-4.

UAG UK Holdings Limited
March 10, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Penske Automotive Group, Inc.
Bloomfield Hills, Michigan

We have audited the accompanying consolidated balance sheets of Penske Automotive Group, Inc. and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedules and an opinion on the Company's internal control over financial reporting based on our audits. We did not audit the financial statements or the effectiveness of internal control over financial reporting of UAG UK Holdings Limited and subsidiaries (a consolidated subsidiary), which statements reflect total assets constituting 29% and 31% of consolidated total assets as of December 31, 2008 and 2007, respectively, and total revenues constituting 35%, 36%, and 30% of consolidated total revenues for the years ended December 31, 2008, 2007 and 2006, respectively. Those financial statements and the effectiveness of UAG UK Holdings Limited and subsidiaries' internal control over financial reporting were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts and to the effectiveness of UAG UK Holdings Limited and subsidiaries' internal control over financial reporting, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based on our audits and (as to the amounts included for UAG UK Holdings Limited and subsidiaries) the report of the other auditors, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, based on our audit and the report of the other auditors, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 10, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
UAG UK Holdings Limited:

We have audited the accompanying consolidated balance sheets of UAG UK Holdings Limited and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement schedule. We also have audited UAG UK Holdings Limited's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG Audit Plc

Birmingham, United Kingdom
March 10, 2009

PENSKE AUTOMOTIVE GROUP, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
	(In thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 20,109	$ 14,798
Accounts receivable, net of allowance for doubtful accounts of $2,075 and $2,871, as of December 31, 2008 and 2007, respectively	294,567	445,772
Inventories	1,593,267	1,667,522
Other current assets	88,828	65,655
Assets held for sale	9,739	106,983
Total current assets	2,006,510	2,300,730
Property and equipment, net	662,493	616,201
Goodwill	777,811	1,430,431
Franchise value	196,838	236,310
Equity method investments	296,487	62,752
Other assets	23,022	22,129
Total assets	$ 3,963,161	$ 4,668,553
LIABILITIES AND STOCKHOLDERS' EQUITY		
Floor plan notes payable	$ 968,873	$ 1,060,503
Floor plan notes payable — non-trade	511,357	475,188
Accounts payable	178,811	264,473
Accrued expenses	196,274	210,049
Current portion of long-term debt	11,305	14,522
Liabilities held for sale	13,492	71,304
Total current liabilities	1,880,112	2,096,039
Long-term debt	1,087,932	830,106
Other long-term liabilities	211,391	320,949
Total liabilities	3,179,435	3,247,094
Commitments and contingent liabilities		
Stockholders' Equity		
Preferred Stock, $0.0001 par value; 100 shares authorized; none issued and outstanding	—	—
Common Stock, $0.0001 par value, 240,000 shares authorized; 91,431 shares issued and outstanding at December 31, 2008; 95,020 shares issued and outstanding at December 31, 2007	9	9
Non-voting Common Stock, $0.0001 par value, 7,125 shares authorized; none issued and outstanding	—	—
Class C Common Stock, $0.0001 par value, 20,000 shares authorized; none issued and outstanding	—	—
Additional paid-in-capital	687,944	733,896
Retained earnings	141,763	587,566
Accumulated other comprehensive (loss) income	(45,990)	99,988
Total stockholders' equity	783,726	1,421,459
Total liabilities and stockholders' equity	$ 3,963,161	$ 4,668,553

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2008	2007	2006
	(In thousands, except per share amounts)		
Revenue:			
New vehicle	$ 5,947,809	$ 6,941,663	$ 6,124,287
Used vehicle	2,846,929	3,096,557	2,483,237
Finance and insurance, net	259,478	286,797	243,358
Service and parts	1,403,785	1,393,153	1,210,134
Distribution	348,809	—	—
Fleet and wholesale	839,535	1,073,939	895,852
Total revenues	11,646,345	12,792,109	10,956,868
Cost of sales:			
New vehicle	5,460,656	6,357,804	5,588,299
Used vehicle	2,632,959	2,854,294	2,276,121
Service and parts	623,258	614,308	542,230
Distribution	294,535	—	—
Fleet and wholesale	843,159	1,066,823	890,568
Total cost of sales	9,854,567	10,893,229	9,297,218
Gross profit	1,791,778	1,898,880	1,659,650
Selling, general and administrative expenses	1,494,157	1,509,091	1,315,574
Intangible impairments	643,459	—	—
Depreciation and amortization	53,822	50,027	42,445
Operating (loss) income	(399,660)	339,762	301,631
Floor plan interest expense	(64,495)	(73,432)	(58,513)
Other interest expense	(54,870)	(55,900)	(48,848)
Equity in earnings of affiliates	16,513	4,084	8,201
Loss on debt redemption	—	(18,634)	—
(Loss) income from continuing operations before income taxes and minority interests	(502,512)	195,880	202,471
Income tax benefit (provision)	100,020	(66,943)	(68,638)
Minority interests	(1,133)	(1,972)	(2,172)
(Loss) income from continuing operations	(403,625)	126,965	131,661
(Loss) income from discontinued operations, net of tax	(8,276)	774	(6,960)
Net (loss) income	$ (411,901)	$ 127,739	$ 124,701
Basic earnings per share:			
Continuing operations	$ (4.33)	$ 1.35	$ 1.41
Discontinued operations	(0.09)	0.01	(0.07)
Net (loss) income	$ (4.42)	$ 1.36	$ 1.34
Shares used in determining basic earnings per share	93,210	94,104	93,393
Diluted earnings per share:			
Continuing operations	$ (4.33)	$ 1.34	$ 1.40
Discontinued operations	(0.09)	0.01	(0.07)
Net (loss) income	$ (4.42)	$ 1.35	$ 1.32
Shares used in determining diluted earnings per share	93,210	94,558	94,178
Cash dividends per share	$ 0.36	$ 0.30	$ 0.27

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Voting and Non-voting Common Stock								
	Issued Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Treasury Stock	Total Stockholders' Equity	Comprehensive Income (Loss)
					(Dollars in thousands)				
Balance, January 1, 2006	93,767,468	$ 9	$ 746,161	$ 404,010	$ 21,830	$ —	$ (26,278)	$ 1,145,732	
Adjustment (note 1)	—	—	—	(10,792)	—	—	—	(10,792)	
Equity compensation	226,797	—	4,564	—	—	—	—	4,564	
Exercise of options, including tax benefit of $8,695	1,473,748	—	18,069	—	—	—	—	18,069	
Repurchase of common stock	(1,000,000)	—	—	—	—	—	(18,955)	(18,955)	
Dividends	—	—	—	(25,215)	—	—	—	(25,215)	
Foreign currency translation	—	—	—	—	53,420	—	—	53,420	$ 53,420
Other	—	—	—	—	4,129	—	—	4,129	4,129
Net income	—	—	—	124,701	—	—	—	124,701	124,701
Balance, December 31, 2006	94,468,013	9	768,794	492,704	79,379	—	(45,233)	1,295,653	$ 182,250
Adoption of FIN 48 (note 16)	—	—	—	(4,430)	—	—	—	(4,430)	
Equity compensation	346,265	—	7,721	—	—	—	—	7,721	
Exercise of options, including tax benefit of $1,113	205,485	—	2,614	—	—	—	—	2,614	
Dividends	—	—	—	(28,447)	—	—	—	(28,447)	
Foreign currency translation	—	—	—	—	12,745	—	—	12,745	$ 12,745
Other	—	—	—	—	7,864	—	—	7,864	7,864
Retirement of treasury stock	—	—	(45,233)	—	—	—	45,233	—	
Net income	—	—	—	127,739	—	—	—	127,739	127,739
Balance, December 31, 2007	95,019,763	9	733,896	587,566	99,988	—	—	1,421,459	$ 148,348
Equity compensation	365,825	—	6,884	—	—	—	—	6,884	
Exercise of options, including tax benefit of $245	60,336	—	825	—	—	—	—	825	
Repurchase of common stock	(4,015,143)	—	(53,661)	—	—	—	—	(53,661)	
Dividends	—	—	—	(33,902)	—	—	—	(33,902)	
Foreign currency translation	—	—	—	—	(134,088)	—	—	(134,088)	$ (134,088)
Other	—	—	—	—	(11,890)	—	—	(11,890)	(11,890)
Net loss	—	—	—	(411,901)	—	—	—	(411,901)	(411,901)
Balance, December 31, 2008	91,430,781	$ 9	$ 687,944	$ 141,763	$ (45,990)	$ —	$ —	$ 783,726	$ (557,879)

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2008	2007	2006
		(In thousands)	
Operating Activities:			
Net (loss) income	$ (411,901)	$ 127,739	$ 124,701
Adjustments to reconcile net (loss) income to net cash from continuing operating activities:			
Intangible impairments	643,459	—	—
Depreciation and amortization	53,822	50,027	42,445
Undistributed earnings of equity method investments	(13,821)	(4,084)	(7,951)
Loss (income) from discontinued operations, net of tax	8,276	(774)	6,960
Loss on debt redemption	—	18,634	—
Deferred income taxes	(101,033)	29,744	29,947
Minority interests	1,133	1,972	2,172
Changes in operating assets and liabilities:			
Accounts receivable	145,287	22,752	(49,818)
Inventories	144,385	(145,755)	(209,929)
Floor plan notes payable	(1,209)	208,252	140,823
Accounts payable and accrued expenses	(125,456)	(29,815)	61,370
Other	64,125	21,557	(15,105)
Net cash from continuing operating activities	407,067	300,249	125,615
Investing Activities:			
Purchase of equipment and improvements	(210,974)	(194,493)	(222,782)
Proceeds from sale-leaseback transactions	37,422	131,793	106,167
Dealership acquisitions, net, including repayment of sellers floor plan notes payable of $30,711, $51,904 and $111,347, respectively	(147,089)	(180,721)	(368,193)
Purchase of Penske Truck Leasing Co., L.P. partnership interest	(219,000)	—	—
Other	(1,500)	15,518	—
Net cash from continuing investing activities	(541,141)	(227,903)	(484,808)
Financing Activities:			
Proceeds from borrowings under U.S. Credit Agreement	550,900	426,900	441,500
Repayments under U.S. Credit Agreement	(550,900)	(426,900)	(713,500)
Proceeds from U.S. Credit Agreement term loan	219,000	—	—
Repayments under U.S. Credit Agreement term loan	(10,000)	—	—
Proceeds from mortgage facility	42,400	—	—
Issuance of subordinated debt	—	—	750,000
Net (repayments) borrowings of other long-term debt	(1,520)	(34,190)	60,925
Net borrowings (repayments) of floor plan notes payable — non-trade	(54,252)	193,428	(55,287)
Payment of deferred financing costs	(661)	—	(17,210)
Redemption 9 5/8% senior subordinated debt	—	(314,439)	—
Proceeds from exercises of options, including excess tax benefit	825	2,614	18,069
Repurchase of common stock	(53,661)	—	(18,955)
Dividends	(33,902)	(28,447)	(25,215)
Net cash from continuing financing activities	108,229	(181,034)	440,327
Discontinued operations:			
Net cash from discontinued operating activities	(4,235)	16,879	(66,401)
Net cash from discontinued investing activities	64,288	69,692	52,536
Net cash from discontinued financing activities	(28,897)	16,886	(54,889)
Net cash from discontinued operations	31,156	103,457	(68,754)
Net change in cash and cash equivalents	5,311	(5,231)	12,380
Cash and cash equivalents, beginning of period	14,798	20,029	7,649
Cash and cash equivalents, end of period	$ 20,109	$ 14,798	$ 20,029
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$ 125,184	$ 138,941	$ 105,787
Income taxes	8,862	35,054	35,230
Seller financed/assumed debt	4,728	2,992	64,168

See Notes to Consolidated Financial Statements.

1. Organization and Summary of Significant Accounting Policies

Business Overview and Concentrations

Penske Automotive Group, Inc. (the "Company") is engaged in the sale of new and used motor vehicles and related products and services, including vehicle service, parts, collision repair, finance and lease contracts, third-party insurance products and other aftermarket products. The Company operates dealerships under franchise agreements with a number of automotive manufacturers. In accordance with individual franchise agreements, each dealership is subject to certain rights and restrictions typical of the industry. The ability of the manufacturers to influence the operations of the dealerships, or the loss of a significant number of franchise agreements, could have a material impact on the Company's results of operations, financial position and cash flows. For the year ended December 31, 2008, BMW/MINI franchises accounted for 22% of the Company's total revenues, Toyota/Lexus franchises accounted for 19%, Honda/Acura franchises accounted for 15% and Daimler franchises accounted for 10%. No other manufacturers' franchises accounted for more than 10% of our total revenue. At December 31, 2008 and 2007, the Company had receivables from manufacturers of $72,493 and $88,014, respectively. In addition, a large portion of the Company's contracts in transit, which are included in accounts receivable, are due from manufacturers' captive finance subsidiaries. In 2007, the Company established a wholly-owned subsidiary, smart USA Distributor LLC ("smart USA"), which is the exclusive distributor of the smart fortwo vehicle in the U.S. and Puerto Rico.

Basis of Presentation

Results for the year ended December 31, 2008 include charges of $661,880, including $643,459 relating to goodwill and franchise asset impairments, as well as, an additional $18,421 of dealership consolidation and relocation costs, severance costs, other asset impairment charges, costs associated with the termination of an acquisition agreement, and insurance deductibles relating to damage sustained at our dealerships in the Houston market during Hurricane Ike. Results for the year ended December 31, 2007 include charges of $18,634 relating to the redemption of the $300.0 million aggregate principal amount of 9.625% Senior Subordinated Notes and $6,267 relating to impairment losses.

The consolidated financial statements include all majority-owned subsidiaries. Investments in affiliated companies, representing an ownership interest in the voting stock of the affiliate of between 20% and 50% or an investment in a limited partnership or a limited liability corporation for which the Company's investment is more than minor, are stated at cost of acquisition plus the Company's equity in undistributed net income since acquisition. All intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been adjusted for entities that have been treated as discontinued operations through December 31, 2008 in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

In June 2008, the Company acquired a 9% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading global transportation services provider, from subsidiaries of General Electric Capital Corporation (collectively, "GE Capital") in exchange for $219,000. PTL operates and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rental and logistics services, including, transportation and distribution center management and supply chain management.

In September 2006, the SEC released Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"), which permitted the Company to adjust for the cumulative effect of prior period immaterial errors in the carrying amount of assets and liabilities as of the beginning of 2006, with an offsetting adjustment to the opening balance of retained earnings in that year. SAB 108 required the adjustment of any prior quarterly financial statements within the fiscal year of adoption for the effects of such errors on the quarters when that information was next presented. Such adjustments did not require previously filed reports with the SEC to be amended. Pursuant to SAB 108, the Company adjusted its opening retained earnings for fiscal 2006 and its financial results for the first three quarters of fiscal 2006 to correct errors related to operating leases with scheduled rent increases which were not accounted for on a straight line basis over the rental period. A summary of the errors, which were previously determined to be immaterial on a quantitative and qualitative basis under the Company's assessment methodology for each individual period, follows:

(In thousands, except per share amounts) -- (Continued)

	2006
Cumulative effect on stockholders' equity as of January 1,	$ (10,792)
Effect on:	
Net income for the three months ended March 31,	$ (138)
Net income for the three months ended June 30,	$ (143)
Net income for the three months ended September 30,	$ (143)

Reclassification

The 2007 balance sheet has been reclassified to conform to the current year presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounts requiring the use of significant estimates include accounts receivable, inventories, income taxes, intangible assets and certain reserves.

Cash and Cash Equivalents

Cash and cash equivalents include all highly-liquid investments that have an original maturity of three months or less at the date of purchase.

Contracts in Transit

Contracts in transit represent receivables from unaffiliated finance companies relating to the sale of customers' installment sales contracts arising in connection with the sale of a vehicle by us. Contracts in transit, included in accounts receivable, net in the Company's consolidated balance sheets, amounted to $106,058 and $181,410 as of December 31, 2008 and 2007, respectively.

Inventory Valuation

Inventories are stated at the lower of cost or market. Cost for new and used vehicle inventories is determined using the specific identification method. Cost for parts and accessories are based on factory list prices.

Property and Equipment

Property and equipment are recorded at cost and depreciated over estimated useful lives using the straight-line method. Useful lives for purposes of computing depreciation for assets, other than leasehold improvements, range between 3 and 15 years. Leasehold improvements and equipment under capital lease are depreciated over the shorter of the term of the lease or the estimated useful life of the asset, not to exceed 40 years.

Expenditures relating to recurring repair and maintenance are expensed as incurred. Expenditures that increase the useful life or substantially increase the serviceability of an existing asset are capitalized.

When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet, with any resulting gain or loss being reflected in income.

Income Taxes

Tax regulations may require items to be included in our tax return at different times than the items are reflected in our financial statements. Some of these differences are permanent, such as expenses that are not deductible on our tax return, and some are temporary differences, such as the timing of depreciation expense. Temporary differences create deferred tax assets and liabilities.

Deferred tax assets generally represent items that will be used as a tax deduction or credit in our tax return in future years which we have already recorded in our financial statements. Deferred tax liabilities generally represent deductions taken on our tax return that have not yet been recognized as expense in our financial statements. We establish valuation allowances for our deferred tax assets if the amount of expected future taxable income is not more likely than not to allow for the use of the deduction or credit.

Intangible Assets

The Company's principal intangible assets relate to its franchise agreements with vehicle manufacturers, which represent the estimated value of franchises acquired in business combinations, and goodwill, which represents the excess of cost over the fair value of tangible and identified intangible assets acquired in business combinations. Intangible assets are required to be amortized over their estimated useful lives. The Company believes the franchise values of its dealerships have an indefinite useful life based on the following facts:

- Automotive retailing is a mature industry and is based on franchise agreements with the vehicle manufacturers;
- There are no known changes or events that would alter the automotive retailing franchise environment;
- Certain franchise agreement terms are indefinite;
- Franchise agreements that have limited terms have historically been renewed by us without substantial cost; and
- The Company's history shows that manufacturers have not terminated our franchise agreements.

Impairment Testing

Franchise value impairment is assessed as of October 1 every year and upon the occurrence of an indicator of impairment through a comparison of its carrying amounts and estimated fair values. An indicator of impairment exists if the carrying value of a franchise exceeds its estimated fair value and an impairment loss may be recognized up to that excess. The fair value of franchise value is determined using a discounted cash flow approach, which includes assumptions that include revenue and profitability growth, franchise profit margins, residual values and the Company's cost of capital. The Company also evaluates its franchises in connection with the annual impairment testing to determine whether events and circumstances continue to support its assessment that the franchise has an indefinite life. As discussed in Note 7, the Company determined that the carrying value as of December 31, 2008 relating to certain of its franchise value was impaired and recorded a pre-tax non-cash impairment charge of $37,110.

Goodwill impairment is assessed at the reporting unit level as of October 1 every year and upon the occurrence of an indicator of impairment. The Company has determined that the dealerships in each of its operating segments within the Retail reportable segment, which are organized by geography, are components that are aggregated into five reporting units as they (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). Accordingly, our operating segments are also considered our reporting units for the purpose of goodwill impairment testing relating to the Company's Retail segment. There is no goodwill recorded in the Distribution or PAG Investments reportable segments. An indicator of goodwill impairment exists if the carrying amount of the reporting unit, including goodwill, is determined to exceed the estimated fair value. The fair value of goodwill is determined using a discounted cash flow approach, which includes assumptions that include revenue and profitability growth, franchise profit margins, residual values and the Company's cost of capital. If an indication of goodwill impairment exists, an analysis reflecting the allocation of the fair value of the reporting unit to all assets and liabilities, including previously unrecognized intangible assets, is performed. The impairment is measured by comparing the implied fair value of the reporting unit goodwill with its carrying amount and an impairment loss may be recognized up to that excess. As discussed in Note 7, the Company determined that the carrying value of goodwill as of December 31, 2008 relating to certain reporting units was impaired and recorded a pre-tax non-cash impairment charge of $606,349.

(In thousands, except per share amounts) -- (Continued)

Investments

Investments include marketable securities and investments in businesses accounted for under the equity method. A majority of the Company's investments are in joint venture relationships. Such joint venture relationships are accounted for under the equity method, pursuant to which the Company records its proportionate share of the joint ventures' income each period. In June 2008, the Company acquired the 9% limited partnership interest in PTL for $219,000 from GE Capital.

Under an arrangement which terminated at the end of 2008, the Company and Sirius Satellite Radio Inc. ("Sirius") agreed to jointly promote Sirius Satellite Radio service. Pursuant to the terms of the arrangement with Sirius, the Company's dealerships in the U.S. endeavored to order a significant percentage of eligible vehicles with a factory installed Sirius radio. The Company's costs relating to such marketing initiatives are expensed as incurred. As compensation for its efforts, the Company received warrants to purchase ten million shares of Sirius common stock at $2.392 per share in 2004 that were earned ratably on an annual basis through January 2009. The Company measured the fair value of the warrants earned ratably on the date they were earned as there were no significant disincentives for non-performance. Since the Company could reasonably estimate the number of warrants being earned pursuant to the ratable schedule, the estimated fair value (based on current fair value) of these warrants was recognized ratably during each annual period. The Company also received the right to earn additional warrants to purchase Sirius common stock at $2.392 per share based upon the sale of certain units of specified vehicle brands through December 31, 2007. The Company earned warrants for 189,300 and 1,269,700 shares during the years ended December 31, 2007 and 2006, respectively. Since the Company could not reasonably estimate the number of warrants earned subject to the sale of units, the fair value of these warrants was recognized when they were earned. Based on the value of Sirius stock on December 31, 2008, the Company does not expect to receive any further value for the unexercised warrants it has achieved, which expire on July 5, 2009, under this arrangement.

The remaining marketable securities held by the Company are classified as available for sale and are stated at fair value, determined by the use of Level 1 inputs as described under SFAS No. 157, on our balance sheet and related unrealized gains and losses are included in other comprehensive income (loss), a separate component of stockholders' equity.

Investments for which there is not a liquid, actively traded market are reviewed periodically by management for indicators of impairment. If an indicator of impairment was identified, management would estimate the fair value of the investment using a discounted cash flow approach, which would include assumptions relating to revenue and profitability growth, profit margins, residual values and the Company's cost of capital. Declines in investment values that are deemed to be other than temporary may result in an impairment charge reducing the investments' carrying value to fair value. During 2007, the Company recorded an adjustment to the carrying value of its investment in Internet Brands to recognize an other than temporary impairment of $3,360 which became apparent upon its initial public offering. As a result of continued deterioration in the value of the stock, the Company recorded an additional other than temporary impairment charge of $506 relating to Internet Brands during the fourth quarter of 2008.

Foreign Currency Translation

For all of the Company's foreign operations, the functional currency is the local currency. The revenue and expense accounts of the Company's foreign operations are translated into U.S. dollars using the average exchange rates that prevailed during the period. Assets and liabilities of foreign operations are translated into U.S. dollars using period end exchange rates. Cumulative translation adjustments relating to foreign functional currency assets and liabilities are recorded in accumulated other comprehensive income (loss), a separate component of stockholders' equity.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, available for sale investments, accounts payable, debt, floor plan notes payable, and interest rate swaps used to hedge future cash flows. Other than our subordinated notes, the carrying amount of all significant financial instruments approximates fair value due either to length of maturity, the existence of variable interest rates that approximate prevailing market rates, or as a result of mark to market accounting. A summary of the fair value of the subordinated notes, based on quoted, level one market data, follows:

	December 31, 2008		December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
7.75% Senior Subordinated Notes due 2016	$ 375,000	$ 150,938	$ 375,000	$ 361,875
3.5% Senior Subordinated Convertible Notes due 2026	375,000	206,250	375,000	373,650

Revenue Recognition

Vehicle, Parts and Service Sales

The Company records revenue when vehicles are delivered and title has passed to the customer, when vehicle service or repair work is completed, and when parts are delivered to our customers. Sales promotions that we offer to customers are accounted for as a reduction of revenues at the time of sale. Rebates and other incentives offered directly to us by manufacturers are recognized as a reduction of cost of sales. Reimbursement of qualified advertising expenses are treated as a reduction of selling, general and administrative expenses. The amounts received under various manufacturer rebate and incentive programs are based on the attainment of program objectives, and such earnings are recognized either upon the sale of the vehicle for which the award is received, or upon attainment of the particular program goals if not associated with individual vehicles.

Finance and Insurance Sales

Subsequent to the sale of a vehicle to a customer, the Company sells its installment sale contracts to various financial institutions on a non-recourse basis (with specified exceptions) to mitigate the risk of default. The Company receives a commission from the lender equal to either the difference between the interest rate charged to the customer and the interest rate set by the financing institution or a flat fee. The Company also receives commissions for facilitating the sale of various third-party insurance products to customers, including credit and life insurance policies and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts and other insurance products, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions the Company received may be charged back based on the terms of the contracts. The revenue the Company records relating to these transactions is net of an estimate of the amount of chargebacks the Company will be required to pay. The Company's estimate is based upon the Company's historical experience with similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products. Aggregate reserves relating to chargeback activity were $20,420 and $19,400 as of December 31, 2008 and 2007, respectively. Changes in reserve estimates relate primarily to an increase in the level of chargeback activity.

Defined Contribution Plans

The Company sponsors a number of defined contribution plans covering a significant majority of the Company's employees. Company contributions to such plans are discretionary and are based on the level of compensation and contributions by plan participants. The Company suspended its contributions to its U.S. 401(K) plan beginning in the fourth quarter 2008. The Company incurred expense of $10,424, $11,053 and $9,596 relating to such plans during the years ended December 31, 2008, 2007 and 2006, respectively.

Advertising

Advertising costs are expensed as incurred or when such advertising takes place. The Company incurred net advertising costs of $81,274, $87,120 and $83,656 during the years ended December 31, 2008, 2007 and 2006, respectively. Qualified advertising expenditures reimbursed by manufacturers, which are treated as a reduction of advertising expense, were $7,696, $15,524 and $6,940 during the years ended December 31, 2008, 2007 and 2006, respectively.

Self Insurance

We retain risk relating to certain of our general liability insurance, workers' compensation insurance, auto physical damage insurance, property insurance, employment practices liability insurance, directors and officers insurance, and employee medical benefits in the U.S. As a result, we are likely to be responsible for a majority of the claims and losses incurred under these programs. The amount of risk we retain varies by program, and, for certain exposures, we have pre-determined maximum loss limits for certain individual claims and/or insurance periods. Losses, if any, above the pre-determined exposure limits are paid by third-party insurance carriers. Our estimate of future losses is prepared by management using our historical loss experience and industry-based development factors.

(In thousands, except per share amounts) -- (Continued)

Earnings Per Share

Basic earnings per share is computed using net income and the weighted average shares of voting common stock outstanding. Diluted earnings per share is computed using net income and the weighted average shares of voting common stock outstanding, adjusted for the dilutive effect of stock options and restricted stock. For the year ended December 31, 2008, no stock options or restricted stock were included in the computation of diluted loss per share because the Company reported a net loss from continuing operations and the effect of their inclusion would be anti-dilutive. A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the years ended December 31, 2008, 2007 and 2006 follows:

	Year Ended December 31,		
	2008	2007	2006
Weighted average number of common shares outstanding	93,210	94,104	93,393
Effect of stock options	—	193	425
Effect of restricted stock	—	261	360
Weighted average number of common shares outstanding, including effect of dilutive securities	93,210	94,558	94,178

As of December 31, 2008, 449 and 3 shares of restricted stock and stock options, respectively, have been excluded from the calculation of diluted earnings per share because the effect of such securities was anti-dilutive. There were no anti-dilutive shares of restricted stock or stock options in 2007 or 2006. In addition, the Company has senior subordinated convertible notes outstanding which, under certain circumstances discussed in Note 9, may be converted to voting common stock. As of December 31, 2008 2007, and 2006, no shares related to the senior subordinated convertible notes were included in the calculation of diluted earnings per share because the effect of such securities was not dilutive.

Hedging

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, all derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. SFAS No. 133 defines requirements for designation and documentation of hedging relationships, as well as ongoing effectiveness assessments, which must be met in order to qualify for hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recorded in earnings immediately. If the derivative is designated in a fair-value hedge, the changes in the fair value of the derivative and the hedged item are recorded in earnings. If the derivative is designated in a cash-flow hedge, effective changes in the fair value of the derivative are recorded in accumulated other comprehensive income (loss), a separate component of stockholders' equity, and recorded in the income statement only when the hedged item affects earnings. Changes in the fair value of the derivative attributable to hedge ineffectiveness are recorded in earnings immediately.

Stock-Based Compensation

SFAS No. 123(R), "Share-Based Payment," as amended and interpreted, requires the Company to record compensation expense for all awards based on their grant-date fair value. The Company's share-based payments have generally been in the form of "non-vested shares," the fair value of which are measured as if they were vested and issued on the grant date.

New Accounting Pronouncements

SFAS No. 157, "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure requirements relating to fair value measurements. The FASB provided a one year deferral of the provisions of this pronouncement for non-financial assets and liabilities, however, the relevant provisions of SFAS No. 157 required by SFAS No. 159 were adopted as of January 1, 2008. SFAS No. 157 thus became effective for the Company's non-financial assets and liabilities on January 1, 2009. The Company continues to evaluate the impact of this pronouncement on its non-financial assets and liabilities, including but not limited to, the valuation of reporting units for the purpose of assessing goodwill impairment, the valuation of franchise rights in connection with assessing franchise value impairments, the valuation of property and equipment in connection with assessing long-lived asset impairment, the valuation of liabilities in connection with exit or disposal activities, and the valuation of assets acquired and liabilities assumed in business combinations.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" permits entities to choose to measure many financial instruments and certain other items at fair value and consequently report unrealized gains and losses on such items in earnings. The Company did not elect the fair value option with respect to any of its current financial assets or financial liabilities when the provisions of this statement became effective on January 1, 2008. As a result, there was no impact upon adoption.

SFAS No. 141(R) "Business Combinations" requires almost all assets acquired and liabilities assumed in connection with a business combination to be recorded at fair value as of the acquisition date, liabilities related to contingent consideration to be remeasured at fair value in each subsequent reporting period, and all acquisition related costs to be expensed as incurred. The pronouncement also clarifies the accounting under various scenarios such as step purchases or situations in which the fair value of assets and liabilities acquired exceeds the total consideration. SFAS No. 141(R) became effective for the Company on January 1, 2009.

SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51" clarifies that a noncontrolling interest in a subsidiary must be measured at fair value and classified as a separate component of equity. This pronouncement also outlines the accounting for changes in a parent's ownership in a subsidiary. SFAS No. 160 became effective for the Company on January 1, 2009 and will require the Company to reclassify its minority interest liabilities to shareholders equity for the Company's non-wholly-owned consolidated subsidiaries.

SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" amends and expands the disclosure requirements of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" to explain why and how an entity uses derivative instruments, how the hedged items are accounted for under the relevant literature and how the derivative instruments affect an entity's financial position, financial performance and cash flows. SFAS No. 161 became effective for the Company on January 1, 2009. This pronouncement will have no impact on the Company's accounting, and the Company will include the additional disclosure requirements beginning with it's first quarter 2009 10-Q filing.

FASB Staff Position ("FSP") APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" requires the issuer of a convertible debt instrument that may be settled in cash upon conversion, including partial cash settlement, to separately account for the debt and equity components of the instrument. The value to be ascribed to the debt portion of the instrument is determined using a fair value methodology, with the residual representing the equity component. The equity component will be recorded as an increase in stockholders equity, with the debt discount being amortized as additional interest expense over the expected life of the instrument. FSP APB 14-1 became effective for the fiscal year beginning January 1, 2009, and requires retrospective application to all periods presented. The Company will apply this guidance to the accounting for its 3.5% Senior Subordinated Convertible Notes due 2026 (the "Notes"), which the Company issued in January 2006. It is expected that the Company will assign approximately $74,000 to the equity component as of the Notes issuance date. In addition, interest expense will be restated for all periods presented, with an increase of approximately $15,000 expected for the year ended December 31, 2009. Due to the prepayment features included within the Notes, the recording of incremental interest expense will be completed in April 2011.

FASB Staff Position ("FSP") FAS 142-3, "Determination of the Useful Life of Intangible Assets" amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *"Goodwill and Other Intangible Assets."* FSP FAS 142-3 became effective for the Company on January 1, 2009. The guidance in FSP 142-3 for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after adoption, and the disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, adoption. The FSP will impact the Company's assignment of franchise value in the U.K. for future acquisitions.

2. Equity Method Investees

In June 2008, the Company acquired the 9% limited partnership interest in PTL, a leading global transportation services provider, from subsidiaries of General Electric Capital Corporation (collectively, "GE Capital") in exchange for $219,000. PTL operates and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rental and logistics services, including, transportation and distribution center management and supply chain management.

(In thousands, except per share amounts) -- (Continued)

The Company's other investments in companies that are accounted for under the equity method consist of the following: the Jacobs Group (50%), the Nix Group (50%), the Reisacher Group (50%), Penske Wynn Ferrari Maserati (50%), Max Cycles (50%), Toyota de Monterrey (48.7%), Toyota de Aguascalientes (45%), QEK Global Solutions (22.5%), Cycle Express, LP (9.4%), and Fleetwash, LLC (7%). All of these operations except QEK, Fleetwash, Cycle Express, and Max Cycles are engaged in the sale and servicing of automobiles. QEK is an automotive fleet management company, Fleetwash provides vehicle fleet washing services, Cycle Express provides auction services to the motorcycle, ATV and other recreational vehicle market, and Max Cycles is engaged in the sale and servicing of BMW motorcycles. The Company's investment in entities accounted for under the equity method amounted to $296,487 and $62,752 at December 31, 2008 and 2007, respectively.

The combined results of operations and financial position of the Company's equity basis investments are summarized as follows:

Condensed income statement information:

	Year Ended December 31, 2008	2007	2006
Revenues	$ 5,220,893	$ 1,074,144	$ 927,158
Gross margin	2,003,977	199,033	172,089
Net income	242,001	7,079	17,372
Equity in net income of affiliates	16,513	4,084	8,201

Condensed balance sheet information:

	December 31, 2008	December 31, 2007
Current assets	$1,097,773	$ 318,965
Noncurrent assets	6,725,220	284,184
Total assets	$7,822,993	$ 603,149
Current liabilities	$1,028,494	$ 305,607
Noncurrent liabilities	5,739,895	124,368
Equity	1,054,604	173,174
Total liabilities and equity	$7,822,993	$ 603,149

3. Business Combinations

The Company's retail operations acquired thirteen and eleven franchises during 2008 and 2007, respectively. The Company's financial statements include the results of operations of the acquired dealerships from the date of acquisition. Purchase price allocations may be subject to final adjustment. Of the total amount allocated to intangible assets, approximately $22,523 and $4,250 is deductible for tax purposes as of December 31, 2008 and 2007, respectively. A summary of the aggregate purchase price allocations in each year follows:

	December 31, 2008	2007
Accounts receivable	$ 4,845	$ 16,198
Inventory	70,130	68,449
Other current assets	962	2,979
Property and equipment	4,734	6,152
Goodwill	57,729	104,846
Franchise value	23,894	41,917
Other assets	1,084	6,921
Current liabilities	(11,561)	(19,219)
Non-current liabilities	-	(44,530)
Total purchase price	151,817	183,713
Seller financed/assumed debt	(4,728)	(2,992)
Cash used in dealership acquisitions	$ 147,089	$ 180,721

(In thousands, except per share amounts) -- (Continued)

The following unaudited consolidated pro forma results of operations of the Company for the years ended December 31, 2008 and 2007 give effect to acquisitions consummated during 2008 and 2007 as if they had occurred on January 1, 2007.

	December 31, 2008	December 31, 2007
Revenues	$ 12,037,375	$ 13,743,527
(Loss) income from continuing operations	(401,433)	131,085
Net (loss) income	(409,709)	131,859
(Loss) income from continuing operations per diluted common share	(4.31)	1.39
Net (loss) income per diluted common share	$ (4.40)	$ 1.39

4. Discontinued Operations

The Company accounts for dispositions of its retail operations as discontinued operations when it is evident that the operations and cash flows of a franchise being disposed of will be eliminated from on-going operations and that the Company will not have any significant continuing involvement in its operations. In reaching the determination as to whether the cash flows of a dealership will be eliminated from ongoing operations, the Company considers whether it is likely that customers will migrate to similar franchises that it owns in the same geographic market. The Company's consideration includes an evaluation of the brands sold at other dealerships it operates in the market and their proximity to the disposed dealership. When the Company disposes of franchises, it typically does not have continuing brand representation in that market. If the franchise being disposed of is located in a complex of Company owned dealerships, the Company does not treat the disposition as a discontinued operation if the Company believes that the cash flows previously generated by the disposed franchise will be replaced by expanded operations of the remaining franchises. The net assets of dealerships accounted for as discontinued operations as of December 31, 2008 were immaterial. Combined income statement information regarding dealerships accounted for as discontinued operations follows:

	Year Ended December 31, 2008	2007	2006
Revenues	$ 271,401	$ 656,505	$1,152,984
Pre-tax (loss) income	(8,568)	344	(7,827)
Gain (loss) on disposal	(7,391)	1,276	(2,995)

5. Inventories

Inventories consisted of the following:

	December 31, 2008	December 31, 2007
New vehicles	$ 1,251,727	$ 1,209,520
Used vehicles	259,474	375,029
Parts, accessories and other	82,066	82,973
Total inventories, net	$ 1,593,267	$ 1,667,522

The Company receives non-refundable credits from certain of its vehicle manufacturers that reduce cost of sales when the vehicles are sold. Such credits amounted to $24,884, $31,031 and $29,443 during the years ended December 31, 2008, 2007 and 2006, respectively.

6. Property and Equipment

Property and equipment consisted of the following:

	December 31, 2008	December 31, 2007
Buildings and leasehold improvements	$ 583,301	$ 528,816
Furniture, fixtures and equipment	292,369	289,056
Total	875,670	817,872
Less: Accumulated depreciation and amortization	(213,177)	(201,671)
Property and equipment, net	$ 662,493	$ 616,201

As of December 31, 2008 and 2007, approximately $27,700 and $23,700, respectively, of capitalized interest is included in buildings and leasehold improvements and is being amortized over the useful life of the related assets.

(In thousands, except per share amounts) -- (Continued)

7. Intangible Assets

The following is a summary of the changes in the carrying amount of goodwill and franchise value during the years ended December 31, 2008 and 2007:

	Goodwill	Franchise Value
Balance — December 31, 2006	$ 1,279,995	$ 241,240
Additions	104,846	41,917
Deletions	(10,254)	(1,224)
Reclassifications	49,248	(49,248)
Foreign currency translation	6,596	3,625
Balance — December 31, 2007	$ 1,430,431	$ 236,310
Additions	57,729	23,894
Deletions	(356)	(1,758)
Impairment	(606,349)	(37,110)
Foreign currency translation	(103,644)	(24,498)
Balance — December 31, 2008	$ 777,811	$ 196,838

We were required to perform our test for goodwill and franchise value impairment during the fourth quarter. Due to the continued tightening of the credit markets and deterioration in our operating results during the fourth quarter, we utilized information as of December 31 in our testing.

The test for goodwill impairment, as defined by SFAS No. 142, is a two-step approach. The first step of the goodwill impairment test requires a determination of whether or not the fair value of a reporting unit is less than its carrying value. If so, the second step is required, which involves an analysis reflecting the allocation of the fair value determined in the first step to all of the reporting units' assets and liabilities, including goodwill (as if the calculated fair value was the purchase price in a business combination). If the calculated fair value of the implied goodwill resulting from this allocation is lower than the carrying value of the goodwill in the reporting unit, the difference is recognized as a non-cash impairment charge. The purpose of the second step is only to determine the amount of goodwill that should be recorded on the balance sheet. The recorded amounts of other items on the balance sheet are not adjusted.

We estimated the fair value of our reporting units using an "income" valuation approach. The "income" valuation approach estimates our enterprise value using a net present value model, which discounts projected free cash flows of our business using our weighted average cost of capital as the discount rate. We also considered whether the allocation of our enterprise value, which is comprised of our market capitalization and our debt, supported the values obtained through our "income" approach. Through this consideration we include a control premium that represents the estimated amount an investor would pay for our equity securities to obtain a controlling interest. The discounted cash flow approach used in the impairment test contains significant assumptions including revenue and profitability growth, franchise profit margins, residual values and the Company's cost of capital. Due to the weak operating environment, particularly in the fourth quarter of 2008, the Company adjusted the assumptions underlying its historical discounted cash flow. Among the assumptions applied are projected cash flows for 2009 which are lower than historical levels. Revenue and profitability growth estimates reflect growth beginning after 2009 at levels slightly above historical rates to reflect anticipated improvement to the business environment, while the residual value reflects a growth rate more consistent with our historical growth rate. Additionally, the discount rate used in the current year reflects an increase in the Company's cost of capital due to the turbulence in worldwide credit markets.

The requirements of the goodwill impairment testing process are such that, in our situation, if the first step of the impairment testing process indicates that the fair value of the reporting unit is below its carrying value (even by a relatively small amount), the requirements of the second step of the test result in a significant decrease in the amount of goodwill recorded on the balance sheet. This is due to the fact that, prior to our adoption on July 1, 2001 of SFAS No. 141, "Business Combinations," we did not separately identify franchise rights associated with the acquisition of dealerships as separate intangible assets. In performing the second step, we are required by SFAS No. 142 to assign value to any previously unrecognized identifiable intangible assets (including such franchise rights, which are substantial) even though such amounts are not separately recorded on our Consolidated Balance Sheet.

As a result of completing the first step of this interim goodwill impairment test, we determined that the carrying value of the goodwill in four of our five reporting units exceeded their fair value, which required us to perform the second step of the goodwill impairment test. Due to the fact that we were required to allocate significant value to the theoretical value of the franchise value we did not record prior to the advent of SFAS No.142, the remaining fair value that was allocated to goodwill was significantly reduced. In effect, we were required by the second step of the impairment testing under SFAS No. 142 to reduce our goodwill by the amount of our previously unrecognized franchise value. Based on the results of the second step of the goodwill impairment test, we determined that goodwill was impaired, and we recorded an estimated pre-tax non-cash impairment charge of $606,349. We expect to finalize this non-cash goodwill impairment amount during the first quarter of 2009 as the valuation of certain assets and liabilities is completed, and any adjustment will be reflected in the Company's results for the first quarter of 2009.

(In thousands, except per share amounts) -- (Continued)

In connection with the impairment testing of our goodwill noted above, we also tested our franchise value for impairment as of December 31, and determined that $37,110 of the carrying value associated with franchise value was impaired.

If there is continued deterioration in the retail automotive market, or if the growth assumptions embodied in the current year impairment test prove inaccurate, the Company may incur incremental impairment charges. In particular, a decline of 10% or more in the estimated fair market value of our U.K. reporting unit would yield a further substantial write down. The net book value of the goodwill attributable to the U.K. reporting unit is approximately $306,000, a substantial portion of which would likely be written off if step one of the impairment test indicated impairment. If we experienced such a decline in our other reporting units, we would not expect to incur significant goodwill impairment charges. However, a 10% reduction in the estimated fair value of the franchises would result in incremental franchise value impairment charges of approximately $10,000.

During 2007, the Company recorded a reclassification between goodwill and franchise value to correct an immaterial error in the carrying value of franchise value recorded in connection with certain business combination transactions between 2002 and 2006.

8. Floor Plan Notes Payable — Trade and Non-trade

The Company finances substantially all of its new and a portion of its used vehicle inventories under revolving floor plan arrangements with various lenders. In the U.S., the floor plan arrangements are due on demand; however, the Company has not historically been required to repay floor plan advances prior to the sale of the vehicles that have been financed. The Company typically makes monthly interest payments on the amount financed. Outside of the U.S., substantially all of the floor plan arrangements are payable on demand or have an original maturity of 90 days or less and the Company is generally required to repay floor plan advances at the earlier of the sale of the vehicles that have been financed or the stated maturity. All of the floor plan agreements grant a security interest in substantially all of the assets of the Company's dealership subsidiaries and in the U.S. are guaranteed by the Company's parent. Interest rates under the floor plan arrangements are variable and increase or decrease based on changes in the prime rate, defined LIBOR or Euro Interbank offer Rate. The weighted average interest rate on floor plan borrowings, including the effect of the interest rate swap discussed in Note 10, was 5.0%, 5.2% and 6.1% for the years ended December 31, 2008, 2007 and 2006, respectively. The Company classifies floor plan notes payable to a party other than the manufacturer of a particular new vehicle, and all floor plan notes payable relating to pre-owned vehicles, as floor plan notes payable — non-trade on its consolidated balance sheets and classifies related cash flows as a financing activity on its consolidated statements of cash flows.

9. Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2008	December 31, 2007
U.S. credit agreement – revolving credit line	$ —	$ —
U.S. credit agreement – term loan	209,000	—
U.K. credit agreement – revolving credit line	59,831	23,844
U.K. credit agreement – term loan	25,752	49,091
U.K. credit agreement – seasonally adjusted overdraft line of credit	9,502	18,330
7.75% senior subordinated notes due 2016	375,000	375,000
3.5% senior subordinated convertible notes due 2026	375,000	375,000
Mortgage facilities	42,243	—
Other	2,909	3,363
Total long-term debt	1,099,237	844,628
Less: current portion	(11,305)	(14,522)
Net long-term debt	$1,087,932	$ 830,106

(In thousands, except per share amounts) -- (Continued)

Scheduled maturities of long-term debt for each of the next five years and thereafter are as follows:

2009	$ 11,305
2010	11,360
2011	659,572
2012	1,133
2013	1,196
2014 and thereafter	414,671
Total long-term debt	$1,099,237

Principal repayments under our $375.0 million of 3.5% senior subordinated notes due in 2026 are reflected in the table above, however, while these notes are not due until 2026, in 2011 the holders may require us to purchase all or a portion of their notes for cash. This acceleration of ultimate repayment is reflected in the table above.

U.S. Credit Agreement

The Company is party to a $479,000 credit agreement with DCFS USA LLC and Toyota Motor Credit Corporation, as amended (the "U.S. Credit Agreement"), which provides for up to $250,000 in revolving loans for working capital, acquisitions, capital expenditures, investments and other general corporate purposes, a non-amortizing term loan originally funded for $219,000, and for an additional $10,000 of availability for letters of credit, through September 30, 2011. The revolving loans bear interest at a defined LIBOR plus 1.75%, subject to an incremental 0.50% for uncollateralized borrowings in excess of a defined borrowing base. The term loan, which bears interest at defined LIBOR plus 2.50%, may be prepaid at any time, but then may not be reborrowed. The Company repaid $10,000 of this term loan in the fourth quarter of 2008.

The U.S. Credit Agreement is fully and unconditionally guaranteed on a joint and several basis by the Company's domestic subsidiaries and contains a number of significant covenants that, among other things, restrict the Company's ability to dispose of assets, incur additional indebtedness, repay other indebtedness, pay dividends, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. The Company is also required to comply with specified financial and other tests and ratios, each as defined in the U.S. Credit Agreement, including: a ratio of current assets to current liabilities, a fixed charge coverage ratio, a ratio of debt to stockholders' equity and a ratio of debt to EBITDA. A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of the amounts owed. As of December 31, 2008, the Company was in compliance with all covenants under the U.S. Credit Agreement.

The U.S. Credit Agreement also contains typical events of default, including change of control, non-payment of obligations and cross-defaults to the Company's other material indebtedness. Substantially all of the Company's domestic assets are subject to security interests granted to lenders under the U.S. Credit Agreement. As of December 31, 2008, $209,000 of term loans and $500 of letters of credit were outstanding under this facility. No revolving loans were outstanding as of December 31, 2008.

U.K. Credit Agreement

The Company's subsidiaries in the U.K. (the "U.K. Subsidiaries") are party to an agreement with the Royal Bank of Scotland plc, as agent for National Westminster Bank plc, as amended, which provides for a funded term loan, a revolving credit agreement and a seasonally adjusted overdraft line of credit (collectively, the "U.K. Credit Agreement") to be used to finance acquisitions, working capital, and general corporate purposes. The U.K. Credit Agreement was amended in 2008 to provide greater flexibility within the financial covenants and increase the borrowing rates. This facility provides for (1) up to £80,000 in revolving loans through August 31, 2011, which bears interest between a defined LIBOR plus 1.0% and defined LIBOR plus 1.6%, (2) a term loan originally funded for £30,000 which bears interest between 6.29% and 6.89% and is payable ratably in quarterly intervals until fully repaid on June 30, 2011, and (3) a seasonally adjusted overdraft line of credit for up to £20,000 that bears interest at the Bank of England Base Rate plus 1.75%, and matures on August 31, 2011.

The U.K. Credit Agreement is fully and unconditionally guaranteed on a joint and several basis by the U.K. Subsidiaries, and contains a number of significant covenants that, among other things, restrict the ability of the U.K. Subsidiaries to pay dividends, dispose of assets, incur additional indebtedness, repay other indebtedness, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. In addition, the U.K. Subsidiaries are required to comply with specified ratios and tests, each as defined in the U.K. Credit Agreement, including: a ratio of earnings before interest and taxes plus rental payments to interest plus rental payments (as defined), a measurement of maximum capital expenditures, and a debt to EBITDA ratio (as defined). A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of the amounts owed. As of December 31, 2008, the U.K. subsidiaries were in compliance with all covenants under the U.K. Credit Agreement.

The U.K. Credit Agreement also contains typical events of default, including change of control and non-payment of obligations and cross-defaults to other material indebtedness of the U.K. Subsidiaries. Substantially all of the U.K. Subsidiaries' assets are subject to security interests granted to lenders under the U.K. Credit Agreement. As of December 31, 2008, outstanding loans under the U.K. Credit Agreement amounted to £65,158 ($95,085), including £17,647 ($25,752) under the term loan.

7.75% Senior Subordinated Notes

On December 7, 2006, the Company issued $375,000 aggregate principal amount of 7.75% senior subordinated notes (the "7.75% Notes") due 2016. The 7.75% Notes are unsecured senior subordinated notes and are subordinate to all existing and future senior debt, including debt under the Company's credit agreements and floor plan indebtedness. The 7.75% Notes are guaranteed by substantially all of the Company's wholly-owned domestic subsidiaries on a unsecured senior subordinated basis. Those guarantees are full and unconditional and joint and several. The Company can redeem all or some of the 7.75% Notes at its option beginning in December 2011 at specified redemption prices, or prior to December 2011 at 100% of the principal amount of the notes plus an applicable "make-whole" premium, as defined. In addition, the Company may redeem up to 40% of the 7.75% Notes at specified redemption prices using the proceeds of certain equity offerings before December 15, 2009. Upon certain sales of assets or specific kinds of changes of control the Company is required to make an offer to purchase the 7.75% Notes. The 7.75% Notes also contain customary negative covenants and events of default. As of December 31, 2008, the Company was in compliance with all negative covenants and there were no events of default.

Senior Subordinated Convertible Notes

On January 31, 2006, the Company issued $375,000 aggregate principal amount of 3.50% senior subordinated convertible notes due 2026 (the "Convertible Notes"). The Convertible Notes mature on April 1, 2026, unless earlier converted, redeemed or purchased by the Company, as discussed below. The Convertible Notes are unsecured senior subordinated obligations and subordinate to all future and existing debt under the Company's credit agreements and floor plan indebtedness. The Convertible Notes are guaranteed on an unsecured senior subordinated basis by substantially all of the Company's wholly-owned domestic subsidiaries. Those guarantees are full and unconditional and joint and several. The Convertible Notes also contain customary negative covenants and events of default. As of December 31, 2008, the Company was in compliance with all negative covenants and there were no events of default.

Holders of the convertible notes may convert them based on a conversion rate of 42.7796 shares of common stock per $1,000 principal amount of the Convertible Notes (which is equal to a conversion price of approximately $23.38 per share), subject to adjustment, only under the following circumstances: (1) in any quarterly period, if the closing price of the common stock for twenty of the last thirty trading days in the prior quarter exceeds $28.43 (subject to adjustment), (2) for specified periods, if the trading price of the Convertible Notes falls below specific thresholds, (3) if the Convertible Notes are called for redemption, (4) if specified distributions to holders of the common stock are made or specified corporate transactions occur, (5) if a fundamental change (as defined) occurs, or (6) during the ten trading days prior to, but excluding, the maturity date.

Upon conversion of the Convertible Notes, for each $1,000 principal amount of the Convertible Notes, a holder will receive an amount in cash, in lieu of shares of the Company's common stock, equal to the lesser of (i) $1,000 or (ii) the conversion value, determined in the manner set forth in the related indenture covering the Convertible Notes, of the number of shares of common stock equal to the conversion rate. If the conversion value exceeds $1,000, the Company will also deliver, at its election, cash, common stock or a combination of cash and common stock with respect to the remaining value deliverable upon conversion.

In the event of a change of control on or before April 6, 2011, the Company will, in certain circumstances, pay a make-whole premium by increasing the conversion rate used in that conversion. In addition, the Company will pay additional cash interest, commencing with six-month periods beginning on April 1, 2011, if the average trading price of a Convertible Note for certain periods in the prior six-month period equals 120% or more of the principal amount of the Convertible Notes. On or after April 6, 2011, the Company may redeem the Convertible Notes, in whole at any time or in part from time to time, for cash at a redemption price of 100% of the principal amount of the Convertible Notes to be redeemed, plus any accrued and unpaid interest to the applicable redemption date.

Holders of the Convertible Notes may require the Company to purchase all or a portion of their Convertible Notes for cash on each of April 1, 2011, April 1, 2016 and April 1, 2021 at a purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest, if any, to the applicable purchase date.

Mortgage Facilities

The Company is party to a $42,400 seven year mortgage facility with respect to certain of our dealership properties that matures on October 1, 2015. The facility bears interest at a defined rate, requires monthly principal and interest payments, and includes the option to extend the term for successive periods of five years up to a maximum term of twenty-five years. In the event the Company exercises its options to extend the term, the interest rate will be renegotiated at each renewal period. The mortgage facility also contains typical events of default, including non-payment of obligations, cross-defaults to the Company's other material indebtedness, certain change of control events, and the loss or sale of certain franchises operated at the property. Substantially all of the buildings, improvements, fixtures and personal property of the properties under the mortgage facility are subject to security interests granted to the lender. As of December 31, 2008, $42,243 was outstanding under this facility.

9.625% Senior Subordinated Notes

In March 2007, the Company redeemed its $300,000 aggregate principal amount of 9.625% senior subordinated notes due 2012 (the "9.625% Notes") at a price of 104.813%. The 9.625% Notes were unsecured senior subordinated notes and were subordinate to all existing senior debt, including debt under the Company's credit agreements and floor plan indebtedness. The Company incurred an $18,634 pre-tax charge in connection with the redemption, consisting of a $14,439 redemption premium and the write-off of $4,195 of unamortized deferred financing costs.

10. Interest Rate Swaps

The Company is party to interest rate swap agreements through January 7, 2011 pursuant to which the LIBOR portion of $300,000 of the Company's U.S. floating rate floor plan debt was fixed at 3.67%. We may terminate these arrangements at any time subject to the settlement of the then current fair value of the swap arrangements. These swaps are designated as cash flow hedges of future interest payments of LIBOR based U.S. floor plan borrowings. During 2008, the swaps increased the weighted average interest rate on the Company's floor plan borrowings by approximately 0.2%. As of December 31, 2008, the Company used Level 2 inputs as described under SFAS No. 157 to estimate the fair value of these contracts to be a $15,375 liability, and expects approximately $8,403 associated with the swaps to be recognized as an increase of interest expense over the next twelve months.

The Company was party to an interest rate swap agreement which expired in January 2008, pursuant to which a notional $200,000 of its U.S. floating rate debt was exchanged for fixed rate debt. The swap was designated as a cash flow hedge of future interest payments of LIBOR based U.S. floor plan borrowings.

11. Off-Balance Sheet Arrangements

The Convertible Notes are convertible into shares of the Company's common stock, at the option of the holder, as described in Note 9. Certain of these conditions are linked to the market value of the common stock. This type of financing arrangement was selected, as opposed to other forms of available financing, in order to achieve a more favorable interest rate. Since the Company or the holders of the Convertible Notes can redeem these notes on or after April, 2011, a conversion or a redemption of these notes is likely to occur in 2011. Such redemption or conversion will include cash for the principal amount of the Convertible Notes then outstanding plus an amount payable in either cash or stock, at the Company's option, depending on the trading price of the common stock.

Also, see Note 12 for a discussion of the Company's lease obligations relating to properties associated with disposed franchises.

12. Commitments and Contingent Liabilities

The Company is involved in litigation which may relate to issues with customers, employment related matters, class action claims, purported class action claims, and claims brought by governmental authorities. As of December 31, 2008, the Company is not party to any legal proceedings, including class action lawsuits, that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on the Company's results of operations, financial condition or cash flows. See MD&A – "Forward Looking Statements."

(In thousands, except per share amounts) -- (Continued)

The Company was party to a joint venture agreement with respect to one of the Company's franchises pursuant to which the Company was required to repurchase its partner's interest. The Company completed this repurchase on July 23, 2008 with a payment of $5,100.

The Company has historically structured its operations so as to minimize ownership of real property. As a result, the Company leases or subleases substantially all of its dealerships properties and other facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options at the Company's election. The Company estimates the total rent obligations under these leases including any extension periods it may exercise at its discretion and assuming constant consumer price indices to be $4.8 billion. Pursuant to the leases for some of the Company's larger facilities, the Company is required to comply with specified financial rations, including a "rent coverage" ratio and a debt to EBITDA ratio, each as defined. For these leases, non-compliance with the ratios may require the Company to post collateral in the form of a letter of credit. A breach of the other lease covenants give rise to certain remedies by the landlord, the most severe of which include the termination of the applicable lease and acceleration of the total rent payments due under the lease, as defined.

Minimum future rental payments required under operating leases in effect as of December 31, 2008 are as follows:

2009	$ 167,445
2010	165,476
2011	164,627
2012	163,415
2013	162,695
2014 and thereafter	3,997,568
	$ 4,821,226

Rent expense for the years ended December 31, 2008, 2007 and 2006 amounted to $160,100, $150,573 and $131,043, respectively. Of the total rental payments, $470, $455 and $9,860, respectively, were made to related parties during 2008, 2007 and 2006, respectively (See Note 13).

Since 1999, the Company has sold a number of dealerships to third parties. As a condition to the sale, the Company has at times remained liable for the lease payments relating to the properties on which those franchises operate. The aggregate rent paid by the tenants on those properties in 2008 was approximately $13,365, and, in aggregate, the Company currently guarantees or is otherwise liable for approximately $218,680 of lease payments, including lease payments during available renewal periods. The Company relies on the buyer of the franchise to pay the associated rent and maintain the property. In the event the buyer does not perform as expected (due to the buyer's financial condition or other factors such as the market performance of the underlying vehicle manufacturer), the Company may not be able to recover amounts owed to it by the buyer. In this event, the Company could be required to fulfill these obligations, which could materially adversely affect its results of operations, financial condition or cash flows.

13. Related Party Transactions

The Company currently is a tenant under a number of non-cancelable lease agreements with Automotive Group Realty, LLC and its subsidiaries (together "AGR"), which are subsidiaries of Penske Corporation. During the years ended December 31, 2008, 2007 and 2006, the Company paid $470, $455 and $4,160, respectively, to AGR under these lease agreements. From time to time, we may sell AGR real property and improvements that are subsequently leased by AGR to us. In addition, we may purchase real property or improvements from AGR. Each of these transactions is valued at a price that is independently confirmed. During the year ended December 31, 2006, the Company sold AGR real property and/or improvements for $132, which was subsequently leased by AGR to the Company. There were no gains or losses associated with such sales. During the year ended December 31, 2006, the Company purchased $25,630 of real property and improvements from AGR. There were no purchase or sale transactions with AGR in 2007 or 2008.

The Company sometimes pays to and/or receives fees from Penske Corporation and its affiliates for services rendered in the normal course of business, or to reimburse payments made to third parties on each others' behalf. These transactions and those relating to AGR mentioned above are reviewed periodically by the Company's Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties. During the years ended December 31, 2008, 2007 and 2006, Penske Corporation and its affiliates billed the Company $2,522, $3,989 and $5,396, respectively, and the Company billed Penske Corporation and its affiliates $27, $105 and $223, respectively, for such services. As of December 31, 2008 and 2007, the Company had $11 and $4 of receivables from and $313 and $358 of payables to Penske Corporation and its subsidiaries, respectively.

(In thousands, except per share amounts) -- (Continued)

The Company and Penske Corporation have entered into a joint insurance agreement which provides that, with respect to joint insurance policies (which includes the Company's property policy), available coverage with respect to a loss shall be paid to each party as stipulated in the policies. In the event of losses by the Company and Penske Corporation that exceed the limit of liability for any policy or policy period, the total policy proceeds shall be allocated based on the ratio of premiums paid.

The general partner of PTL is Penske Truck Leasing Corporation, a wholly-owned subsidiary of Penske Corporation, which together with other wholly-owned subsidiaries of Penske Corporation, owns 40% of PTL. The remaining 51% of PTL is owned by GE Capital. The Company is party to a partnership agreement among the other partners which, among other things, provides us with specified partner distribution and governance rights and restricts our ability to transfer our interests. In 2008, the Company received $2,691 from PTL in pro rata dividends. The Company is also party to a five year sublease pursuant to which PTL occupies a portion of one of our dealership locations in New Jersey for $87 per year plus its pro rata share of certain property expenses. During 2008, smart USA paid PTL $1,164 for assistance with roadside assistance and other services to smart fortwo owners, of which $860 includes pass-through expenses to be paid by PTL to third party vendors.

Pursuant to the stock repurchase program described in Note 15 below, the Company repurchased an aggregate of 950,000 shares of it's outstanding common stock from Eustace W. Mita, a former director, for $10,300. The transaction prices were based on the closing prices of the Company's common stock on the New York Stock Exchange on the dates the shares were acquired.

From time to time the Company enters into joint venture relationships in the ordinary course of business, pursuant to which it acquires automotive dealerships together with other investors. The Company may also provide these dealerships with working capital and other debt financing at costs that are based on the Company's incremental borrowing rate. As of December 31, 2008, the Company's automotive joint venture relationships were as follows:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Porsche, smart	88.53%(A)(B)
Edison, New Jersey	Ferrari, Maserati	70.00%(B)
Las Vegas, Nevada	Ferrari, Maserati	50.00%(C)
Munich, Germany	BMW, MINI	50.00%(C)
Frankfurt, Germany	Lexus, Toyota	50.00%(C)
Achen, Germany	Audi, Lexus, Toyota, Volkswagen	50.00%(C)
Mexico	Toyota	48.70%(C)
Mexico	Toyota	45.00%(C)

(A) An entity controlled by one of the Company's directors, Lucio A. Noto (the "Investor"), owns an 11.47% interest in this joint venture, which entitles the Investor to 20% of the operating profits of the joint venture. In addition, the Investor has an option to purchase up to a 20% interest in the joint venture for specified amounts.

(B) Entity is consolidated in the Company's financial statements.

(C) Entity is accounted for using the equity method of accounting.

(In thousands, except per share amounts) -- (Continued)

14. Stock-Based Compensation

Key employees, outside directors, consultants and advisors of the Company are eligible to receive stock-based compensation pursuant to the terms of the Company's 2002 Equity Compensation Plan (the "Plan"). The Plan originally allowed for the issuance of 4,200 shares for stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and other awards. As of December 31, 2008, 2,254 shares of common stock were available for grant under the Plan. Compensation expense related to the Plan was $5,710, $5,045, and $3,610 during the years ended December 31, 2008, 2007 and 2006, respectively.

Restricted Stock

During 2008, 2007 and 2006, the Company granted 378, 269 and 245 shares, respectively, of restricted common stock at no cost to participants under the Plan. The restricted stock entitles the participants to vote their respective shares and receive dividends. The shares are subject to forfeiture and are non-transferable, which restrictions generally lapse over a four year period from the grant date. The grant date quoted market price of the underlying common stock is amortized to expense over the restriction period. As of December 31, 2008, there was $8,838 of total unrecognized compensation cost related to the restricted stock. That cost is expected to be recognized over the next 3.5 years.

Presented below is a summary of the status of the Company's restricted stock as of December 31, 2007 and changes during the year ended December 31, 2008:

	Shares	Weighted Average Grant-Date Fair Value	Intrinsic Value
December 31, 2007	705	$ 19.24	$ 12,300
Granted	378	18.62	
Vested	(327)	17.64	
Forfeited	(16)	19.77	
December 31, 2008	740	$ 19.45	$ 5,700

Stock Options

Options were granted by the Company prior to 2006. These options generally vested over a three year period and had a maximum term of ten years.

Presented below is a summary of the status of stock options held by participants during 2008, 2007 and 2006:

	2008		2007		2006	
Stock Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	386	$ 9.11	733	$ 8.40	1,406	$ 8.20
Granted	—	—	—	—	—	—
Exercised	60	9.61	205	7.30	673	7.98
Forfeited	2	8.95	142	8.05	—	—
Options outstanding at end of year	324	$ 9.01	386	$ 9.11	733	$ 8.40

The following table summarizes the status of stock options outstanding and exercisable for the year ended December 31, 2008:

Range of Exercise Prices	Stock Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Intrinsic Value	Stock Options Exercisable	Weighted Average Exercise Price	Intrinsic Value
$3 to $6	85	1.8	$ 5.65	$ 653	85	$ 5.65	$ 653
$6 to $16	239	2.6	9.94	130	239	9.94	130
	324			$ 783	324		$ 783

During 2006, options to purchase 800 shares of common stock with an exercise price of $5.00 per share were exercised that were issued outside of the Plan in 1999. As of December 31, 2008, no options issued outside of the Plan were outstanding.

(In thousands, except per share amounts) -- (Continued)

15. Stockholders' Equity

Share Repurchase

In 2007, the Company's board of directors approved a stock repurchase program for up to $150,000 of outstanding common stock. During 2008, the Company repurchased 4.015 million shares of our outstanding common stock for $53,661, or an average of $13.36 per share.

On January 26, 2006, the Company repurchased 1,000 shares of our outstanding common stock for $18,960, or $18.96 per share.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, follow:

	Currency Translation	Other	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2005	$ 24,876	$ (3,046)	$ 21,830
Change	53,420	4,129	57,549
Balance at December 31, 2006	78,296	1,083	79,379
Change	12,648	7,961	20,609
Balance at December 31, 2007	90,944	9,044	99,988
Change	(134,088)	(11,890)	(145,978)
Balance at December 31, 2008	$ (43,144)	$ (2,846)	$ (45,990)

"Other" represents changes associated with the accounting for immaterial items, including: two defined contribution plans in the U.K., changes in the fair value of interest rate swap agreements, and valuation adjustments relating to certain available for sale securities each of which has been excluded from net income and reflected in equity.

16. Income Taxes

Income taxes relating to (loss) income from continuing operations consisted of the following:

	Year Ended December 31, 2008	2007	2006
Current:			
Federal	$ (17,908)	$ 9,390	$ 15,656
State and local	1,592	2,838	3,371
Foreign	17,329	24,310	19,032
Total current	1,013	36,538	38,059
Deferred:			
Federal	(83,383)	20,272	22,539
State and local	(18,676)	4,055	3,613
Foreign	1,026	6,078	4,427
Total deferred	(101,033)	30,405	30,579
Income taxes relating to continuing operations	$(100,020)	$ 66,943	$ 68,638

Income taxes relating to income (loss) from continuing operations varied from the U.S. federal statutory income tax rate due to the following:

	Year Ended December 31, 2008	2007	2006
Income taxes relating to continuing operations at federal statutory rate of 35%	$(175,879)	$ 68,655	$ 70,909
State and local income taxes, net of federal taxes	(12,173)	4,353	3,862
Foreign	(1,809)	(4,594)	(6,694)
Goodwill impairment	90,575	—	—
Other	(734)	(1,471)	561
Income taxes relating to continuing operations	$(100,020)	$ 66,943	$ 68,638

(In thousands, except per share amounts) -- (Continued)

The components of deferred tax assets and liabilities at December 31, 2008 and 2007 were as follows:

	2008	2007
Deferred Tax Assets		
Accrued liabilities	$ 41,362	$ 29,424
Net operating loss carryforwards	24,051	8,154
Interest rate swap	6,273	384
Other	3,101	5,508
Total deferred tax assets	74,787	43,470
Valuation allowance	(3,378)	(2,337)
Net deferred tax assets	71,409	41,133
Deferred Tax Liabilities		
Depreciation and amortization	(51,748)	(189,595)
Partnership investments	(58,992)	(16,412)
Convertible notes	(22,795)	—
Other	(2,575)	(16,253)
Total deferred tax liabilities	(136,110)	(222,260)
Net deferred tax liabilities	$ (64,701)	$ (181,127)

As of December 31, 2008 and 2007, approximately $676,321 and $653,798 respectively, of the Company's goodwill is deductible for tax purposes. The Company has established deferred tax liabilities related to the temporary differences relating to such tax deductible goodwill.

FASB Interpretation ("FIN") No. 48 "Accounting for Uncertainty in Income Taxes" clarifies the accounting for uncertain tax positions, prescribing a minimum recognition threshold a tax position is required to meet before being recognized, and providing guidance on the derecognition, measurement, classification and disclosure relating to income taxes. The Company adopted FIN No. 48 as of January 1, 2007, pursuant to which the Company recorded a $4,430 increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings.

The movement in uncertain tax positions for the year ended December 31, 2008 was as follows:

Uncertain tax positions — January 1, 2008	$ 43,333
Gross increase — tax position in prior periods	2,751
Gross decrease — tax position in prior periods	(787)
Gross increase — current period tax position	50
Settlements	(1,453)
Lapse in statute of limitations	(1,481)
Foreign exchange	(9,512)
Uncertain tax positions — December 31, 2008	$ 32,901

The Company has elected to include interest and penalties in its income tax expense. The total interest and penalties included within uncertain tax positions at December 31, 2008 was $6,739. We do not expect a significant change to the amount of uncertain tax positions within the next twelve months. The Company's U.S. federal returns remain open to examination for 2007 and various foreign and U.S. states jurisdictions are open for periods ranging from 2002 through 2007. The portion of the total amount of uncertain tax positions as of December 31, 2008 that would, if recognized, impact the effective tax rate was $21,939.

The Company does not provide for U.S. taxes relating to undistributed earnings or losses of its foreign subsidiaries. Income from continuing operations before income taxes of foreign subsidiaries (which subsidiaries are predominately in the United Kingdom) was $35,112, $103,395 and $84,635 during the years ended December 31, 2008, 2007 and 2006, respectively. It is the Company's belief that such earnings will be indefinitely reinvested in the companies that produced them. At December 31, 2008, the Company has not provided U.S. federal income taxes on a total of $409,993 of earnings of individual foreign subsidiaries. If these earnings were remitted as dividends, the Company would be subject to U.S. income taxes and certain foreign withholding taxes.

At December 31, 2008, the Company has $32,763 of federal net operating loss carryforwards in the U.S. expiring in 2028, $185,845 of state net operating loss carryforwards in the U.S. that expire at various dates through 2028, U.S. federal and state credit carryforwards of $2,967 that will not expire, a U.K. net operating loss carryforward of $3,811 that will not expire, a U.K. capital loss of $3,504 that will not expire, and a German net operating loss of $742 that will not expire. A valuation allowance of $3,349 has been recorded against the state net operating loss carryforwards in the U.S. and a valuation allowance of $29 has been recorded against the U.S. state credit carryforwards.

(In thousands, except per share amounts) -- (Continued)

The Company has classified its tax reserves as a long term obligation on the basis that management does not expect to make payments relating to those reserves within the next twelve months.

17. Segment Information

The Company's operations are organized by management into operating segments by line of business and geography. The Company has determined it has three reportable segments as defined in SFAS No. 131: (i) Retail, consisting of our automotive retail operations, (ii) Distribution, consisting of our distribution of the smart fortwo vehicle, parts and accessories in the U.S. and Puerto Rico and (iii) PAG Investments, consisting of our investments in non-automotive retail operations. The Retail reportable segment includes all automotive dealerships and all departments relevant to the operation of the dealerships. The individual dealership operations included in the Retail segment have been grouped into five geographic operating segments which are aggregated into one reportable segment as their operations (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). The accounting policies of the segments are the same and are described in Note 1. In connection with the addition of PAG Investments, the third reportable segment, we have reclassified historical amounts to conform to our current segment presentation.

The following table summarizes revenues, floor plan interest expense, other interest expense, depreciation and amortization, equity in earnings (loss) of affiliates and income (loss) from continuing operations before certain non-recurring items, income taxes and minority interest, which is the measure by which management allocates resources to its segments and which we refer to as adjusted segment income (loss), for each of our reportable segments.

	Retail	Distribution	PAG Investments	Intersegment Elimination	Total
Revenues					
2008	$ 11,297,536	$ 409,640	$ —	$ (60,831)	$ 11,646,345
2007	12,792,109	—	—	—	12,792,109
2006	10,956,868	—	—	—	10,956,868
Floor plan interest expense					
2008	$ 63,828	$ 667	$ —	$ —	$ 64,495
2007	73,432	—	—	—	73,432
2006	58,513	—	—	—	58,513
Other interest expense					
2008	$ 54,870	$ —	$ —	$ —	$ 54,870
2007	55,900	—	—	—	55,900
2006	48,848	—	—	—	48,848
Depreciation and amortization					
2008	$ 53,420	$ 402	$ —	$ —	$ 53,822
2007	50,027	—	—	—	50,027
2006	42,445	—	—	—	42,445
Equity in earnings (losses) of affiliates					
2008	$ 3,293	$ —	$ 13,220	$ —	$ 16,513
2007	4,415	—	(331)	—	4,084
2006	7,339	—	862	—	8,201
Adjusted segment income (loss)					
2008	$ 98,188	$ 30,525	$ 13,220	$ (986)	$ 140,947
2007	214,845	—	(331)	—	214,514
2006	201,609	—	862	—	202,471

(In thousands, except per share amounts) -- (Continued)

The following table reconciles total adjusted segment income (loss) to consolidated (loss) income from continuing operations before income taxes and minority interests. Adjusted segment income (loss) excludes the items discussed below in order to enhance the comparability of segment income from period to period. The intangible impairment is associated with the Retail reportable segment as there is no goodwill reported in the Distribution or PAG Investments reportable segments.

	Year Ended December 31,		
	2008	2007	2006
Adjusted segment income	$ 140,947	$ 214,514	$ 202,471
Intangible impairments	(643,459)	—	—
Loss on debt redemption	—	(18,634)	—
(Loss) income from continuing operations before income taxes and minority interests	$ (502,512)	$ 195,880	$ 202,471

Total assets, equity method investments, and capital expenditures by reporting segment are as set forth in the table below.

	Retail	Distribution	PAG Investments	Intersegment Elimination	Total
Total assets					
2008	$ 3,677,359	$ 47,054	$ 240,138	$ (1,390)	$ 3,963,161
2007	4,623,685	36,073	8,795	—	4,668,553
Equity method investments					
2008	$ 56,349	$ —	$ 240,138	$ —	$ 296,487
2007	53,957	—	8,795	—	62,752
Capital expenditures					
2008	$ 207,433	$ 5,644	$ —	$ (2,103)	$ 210,974
2007	190,531	5,405	—	(1,443)	194,493
2006	222,782	—	—	—	222,782

The following table presents certain data by geographic area:

	Year Ended December 31,		
	2008	2007	2006
Sales to external customers:			
United States	$ 7,426,059	$ 8,026,926	$ 7,458,355
Foreign	4,220,286	4,765,183	3,498,513
Total sales to external customers	$ 11,646,345	$ 12,792,109	$10,956,868
Long-lived assets, net:			
United States	$ 771,197	$ 460,043	
Foreign	210,805	241,039	
Total long-lived assets	$ 982,002	$ 701,082	

The Company's foreign operations are predominantly based in the United Kingdom.

(In thousands, except per share amounts) -- (Continued)

18. Summary of Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2008(1)(2)(3)				
Total revenues	$ 3,175,337	$ 3,337,021	$ 2,976,045	$ 2,157,942
Gross profit	488,487	497,083	458,159	348,049
Net income (loss)	33,929	39,864	24,216	(509,910)
Diluted earnings (loss) per share	$ 0.36	$ 0.42	$ 0.26	$ (5.61)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007(1)(2)(4)				
Total revenues	$ 3,050,070	$ 3,334,660	$ 3,357,919	$ 3,049,460
Gross profit	457,275	488,051	495,453	458,101
Net income	14,576	40,355	43,400	29,408
Diluted earnings per share	$ 0.15	$ 0.43	$ 0.46	$ 0.31

(1) As discussed in Note 4, the Company has treated the operations of certain entities as discontinued operations. The results for all periods have been restated to reflect such treatment.

(2) Per share amounts are calculated independently for each of the quarters presented. The sum of the quarters may not equal the full year per share amounts due to rounding.

(3) Results for the year ended December 31, 2008 include fourth quarter charges of $657,590, including $643,459, relating to goodwill and franchise asset impairments, as well as, an additional $14,131 of dealership consolidation and relocation costs, severance costs, and other asset impairment charges, and third quarter charges of $4,290 relating to severance costs, costs associated with the termination of an acquisition agreement, and insurance deductibles relating to damage sustained at our dealerships in the Houston market during Hurricane Ike.

(4) Results for the year ended December 31, 2007 include charges of $18,634 relating to the redemption of $300,000 aggregate principal amount of 9.625% Senior Subordinated Notes during the first quarter and $6,267 relating to impairment losses during the fourth quarter.

19. Condensed Consolidating Financial Information

The following tables include condensed consolidating financial information as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007, and 2006 for Penske Automotive Group, Inc. (as the issuer of the Convertible Notes and the 7.75% Notes), guarantor subsidiaries and non-guarantor subsidiaries (primarily representing foreign entities). The condensed consolidating financial information includes certain allocations of balance sheet, income statement and cash flow items which are not necessarily indicative of the financial position, results of operations and cash flows of these entities on a stand-alone basis.

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2008

	Total Company	Eliminations	Penske Automotive Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Cash and cash equivalents	$ 20,109	$ —	$ —	$ 14,060	$ 6,049
Accounts receivable, net	294,567	(196,465)	196,465	182,582	111,985
Inventories	1,593,267	—	—	1,001,571	591,696
Other current assets	88,828	—	3,161	59,931	25,736
Assets held for sale	9,739	—	—	1,700	8,039
Total current assets	2,006,510	(196,465)	199,626	1,259,844	743,505
Property and equipment, net	662,493	—	6,927	416,277	239,289
Intangible assets	974,649	—	—	542,128	432,521
Equity method investments	296,487	—	227,451	—	69,036
Other assets	23,022	(1,303,594)	1,311,271	12,169	3,176
Total assets	$ 3,963,161	$ (1,500,059)	$ 1,745,275	$ 2,230,418	$ 1,487,527
Floor plan notes payable	$ 968,873	$ —	$ —	$ 659,532	$ 309,341
Floor plan notes payable — non-trade	511,357	—	—	268,987	242,370
Accounts payable	178,811	—	2,183	80,000	96,628
Accrued expenses	196,274	(196,465)	366	94,929	297,444
Current portion of long-term debt	11,305	—	—	978	10,327
Liabilities held for sale	13,492	—	—	1,460	12,032
Total current liabilities	1,880,112	(196,465)	2,549	1,105,886	968,142
Long-term debt	1,087,932	(138,341)	959,000	44,117	223,156
Other long-term liabilities	211,391	—	—	191,526	19,865
Total liabilities	3,179,435	(334,806)	961,549	1,341,529	1,211,163
Total stockholders' equity	783,726	(1,165,253)	783,726	888,889	276,364
Total liabilities and stockholders' equity	$ 3,963,161	$ (1,500,059)	$ 1,745,275	$ 2,230,418	$ 1,487,527

PENSKE AUTOMOTIVE GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts) -- (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2007

	Total Company	Eliminations	Penske Automotive Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Cash and cash equivalents	$ 14,798	$ —	$ —	$ 480	$ 14,318
Accounts receivable, net	445,772	(210,645)	210,945	286,457	159,015
Inventories	1,667,522	—	—	914,402	753,120
Other current assets	65,655	—	3,849	27,958	33,848
Assets held for sale	106,983	—	—	79,423	27,560
Total current assets	2,300,730	(210,645)	214,794	1,308,720	987,861
Property and equipment, net	616,201	—	4,617	344,706	266,878
Intangible assets	1,666,741	—	—	1,072,078	594,663
Equity method investments	62,752	—	—	—	62,752
Other assets	22,129	(1,951,050)	1,956,788	12,382	4,009
Total assets	$ 4,668,553	$ (2,161,695)	$ 2,176,199	$ 2,737,886	$ 1,916,163
Floor plan notes payable	$ 1,060,503	$ —	$ —	$ 560,851	$ 499,652
Floor plan notes payable — non-trade	475,188	—	—	293,190	181,998
Accounts payable	264,473	—	4,550	96,214	163,709
Accrued expenses	210,049	(210,645)	190	63,635	356,869
Current portion of long-term debt	14,522	—	—	496	14,026
Liabilities held for sale	71,304	—	—	43,494	27,810
Total current liabilities	2,096,039	(210,645)	4,740	1,057,880	1,244,064
Long-term debt	830,106	(237,616)	750,000	2,548	315,174
Other long-term liabilities	320,949	—	—	288,647	32,302
Total liabilities	3,247,094	(448,261)	754,740	1,349,075	1,591,540
Total stockholders' equity	1,421,459	(1,713,434)	1,421,459	1,388,811	324,623
Total liabilities and stockholders' equity	$ 4,668,553	$ (2,161,695)	$ 2,176,199	$ 2,737,886	$ 1,916,163

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2008

	Total Company	Eliminations	Penske Automotive Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$ 11,646,345	$ —	$ —	$ 6,849,126	$ 4,797,219
Cost of sales	9,854,567	—	—	5,748,897	4,105,670
Gross profit	1,791,778	—	—	1,100,229	691,549
Selling, general, and administrative expenses	1,494,157	—	26,436	938,655	529,066
Intangible impairments	643,459	—	—	611,520	31,939
Depreciation and amortization	53,822	—	1,233	31,412	21,177
Operating (loss) income	(399,660)	—	(27,669)	(481,358)	109,367
Floor plan interest expense	(64,495)	—	—	(37,439)	(27,056)
Other interest expense	(54,870)	—	(37,860)	(230)	(16,780)
Equity in earnings of affiliates	16,513	—	10,827	—	5,686
Equity in earnings of subsidiaries	—	448,943	(448,943)	—	—
(Loss) income from continuing operations before income taxes and minority interests	(502,512)	448,943	(503,645)	(519,027)	71,217
Income tax benefit (provision)	100,020	(89,157)	100,020	110,927	(21,770)
Minority interests	(1,133)	—	—	—	(1,133)
(Loss) income from continuing operations	(403,625)	359,786	(403,625)	(408,100)	48,314
Loss from discontinued operations, net of tax	(8,276)	8,276	(8,276)	(6,495)	(1,781)
Net (loss) income	$ (411,901)	$ 368,062	$ (411,901)	$ (414,595)	$ 46,533

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2007

	Total Company	Eliminations	Penske Automotive Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$ 12,792,109	$ —	$ —	$ 7,099,899	$ 5,692,210
Cost of sales	10,893,229	—	—	6,009,873	4,883,356
Gross profit	1,898,880	—	—	1,090,026	808,854
Selling, general, and administrative expenses	1,509,091	—	16,529	866,291	626,271
Depreciation and amortization	50,027	—	1,166	26,415	22,446
Operating income (loss)	339,762	—	(17,695)	197,320	160,137
Floor plan interest expense	(73,432)	—	—	(42,277)	(31,155)
Other interest expense	(55,900)	—	(31,509)	(97)	(24,294)
Equity in earnings of affiliates	4,084	—	—	—	4,084
Loss on debt redemption	(18,634)	—	(18,634)	—	—
Equity in earnings of subsidiaries	—	(261,746)	261,746	—	—
Income from continuing operations before income taxes and minority interests	195,880	(261,746)	193,908	154,946	108,772
Income tax provision	(66,943)	88,994	(66,943)	(54,555)	(34,439)
Minority interests	(1,972)	—	—	—	(1,972)
Income from continuing operations	126,965	(172,752)	126,965	100,391	72,361
Income (loss) from discontinued operations, net of tax	774	1,330	774	(1,473)	143
Net income	$ 127,739	$ (171,422)	$ 127,739	$ 98,918	$ 72,504

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2006

	Total Company	Eliminations	Penske Automotive Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
			(In thousands)		
Revenues	$ 10,956,868	$ —	$ —	$ 6,607,478	$ 4,349,390
Cost of sales	9,297,218	—	—	5,580,906	3,716,312
Gross profit	1,659,650	—	—	1,026,572	633,078
Selling, general, and administrative expenses	1,315,574	—	15,153	805,797	494,624
Depreciation and amortization	42,445	—	1,427	23,432	17,586
Operating income (loss)	301,631	—	(16,580)	197,343	120,868
Floor plan interest expense	(58,513)	—	—	(38,090)	(20,423)
Other interest expense	(48,848)	—	(29,624)	(5)	(19,219)
Equity in earnings of affiliates	8,201	—	—	—	8,201
Equity in earnings of subsidiaries	—	(246,503)	246,503	—	—
Income from continuing operations before income taxes and minority interests	202,471	(246,503)	200,299	159,248	89,427
Income tax provision	(68,638)	84,471	(68,638)	(56,152)	(28,319)
Minority interests	(2,172)	—	—	—	(2,172)
Income from continuing operations	131,661	(162,032)	131,661	103,096	58,936
(Loss) from discontinued operations, net of tax	(6,960)	6,960	(6,960)	(6,152)	(808)
Net income	$ 124,701	$ (155,072)	$ 124,701	$ 96,944	$ 58,128

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2008

	Total Company	Penske Automotive Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
	(In thousands)			
Net cash from continuing operating activities	$ 407,067	$ 23,543	$ 204,089	$ 179,435
Investing Activities:				
Purchase of equipment and improvements	(210,974)	(3,543)	(130,809)	(76,622)
Proceeds from sale — leaseback transactions	37,422	—	23,223	14,199
Dealership acquisitions, net	(147,089)	—	(98,589)	(48,500)
Purchase of Penske Truck Leasing Co., L.P. partnership interest	(219,000)	(219,000)	—	—
Other	(1,500)	—	—	(1,500)
Net cash from continuing investing activities	(541,141)	(222,543)	(206,175)	(112,423)
Financing Activities:				
Proceeds from U.S. credit agreement term loan	219,000	219,000	—	—
Repayments under U.S. credit agreement term loan	(10,000)	(10,000)	—	—
Proceeds from mortgage facility	42,400	—	42,400	—
Net (repayments) borrowings of long-term debt	(1,520)	77,259	7,798	(86,577)
Net (repayments) borrowings of floor plan notes payable — non-trade	(54,252)	—	(63,658)	9,406
Payment of deferred financing costs	(661)	(521)	—	(140)
Proceeds from exercises of options, including excess tax benefit	825	825	—	—
Distributions from (to) parent	—	—	4,824	(4,824)
Repurchase of common stock	(53,661)	(53,661)	—	—
Dividends	(33,902)	(33,902)	—	—
Net cash from continuing financing activities	108,229	199,000	(8,636)	(82,135)
Net cash from discontinued operations	31,156	—	24,302	6,854
Net change in cash and cash equivalents	5,311	—	13,580	(8,269)
Cash and cash equivalents, beginning of period	14,798	—	480	14,318
Cash and cash equivalents, end of period	$ 20,109	$ —	$ 14,060	$ 6,049

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2007

	Total Company	Penske Automotive Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
		(In thousands)		
Net cash from continuing operating activities	$ 300,249	$ 7,634	$ 115,063	$ 177,552
Investing Activities:				
Purchase of equipment and improvements	(194,493)	(1,959)	(103,793)	(88,741)
Proceeds from sale — leaseback transactions	131,793	—	67,351	64,442
Dealership acquisitions, net	(180,721)	—	(121,025)	(59,696)
Other	15,518	8,764	—	6,754
Net cash from continuing investing activities	(227,903)	6,805	(157,467)	(77,241)
Financing Activities:				
Net (repayments) borrowings of long-term debt	(34,190)	325,833	(287,212)	(72,811)
Net borrowings (repayments) of floor plan notes payable — non-trade	193,428	—	202,390	(8,962)
Proceeds from exercises of options, including excess tax benefit	2,614	2,614	—	—
Redemption of 9 5/8% senior subordinated debt	(314,439)	(314,439)	—	—
Distributions from (to) parent	—	—	17,002	(17,002)
Dividends	(28,447)	(28,447)	—	—
Net cash from continuing financing activities	(181,034)	(14,439)	(67,820)	(98,775)
Net cash from discontinued operations	103,457	—	108,285	(4,828)
Net change in cash and cash equivalents	(5,231)	—	(1,939)	(3,292)
Cash and cash equivalents, beginning of period	20,029	—	2,419	17,610
Cash and cash equivalents, end of period	$ 14,798	$ —	$ 480	$ 14,318

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2006

	Total Company	Penske Automotive Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
		(In thousands)		
Net cash from continuing operating activities	$ 125,615	$ 954	$ 115,706	$ 8,955
Investing Activities:				
Purchase of equipment and improvements	(222,782)	(954)	(54,580)	(167,248)
Proceeds from sale — leaseback transactions	106,167	—	26,447	79,720
Dealership acquisitions, net	(368,193)	—	(134,122)	(234,071)
Net cash from continuing investing activities	(484,808)	(954)	(162,255)	(321,599)
Financing Activities:				
Net (repayments) borrowings of long-term debt	(211,075)	(706,689)	338,866	156,748
Issuance of subordinated debt	750,000	750,000	—	—
Net (repayments) borrowings of floor plan notes payable — non-trade	(55,287)	—	(223,251)	167,964
Payment of deferred financing costs	(17,210)	(17,210)	—	—
Proceeds from exercises of options, including excess tax benefit	18,069	18,069	—	—
Repurchase of common stock	(18,955)	(18,955)	—	—
Distributions from (to) parent	—	—	5,144	(5,144)
Dividends	(25,215)	(25,215)	—	—
Net cash from continuing financing activities	440,327	—	120,759	319,568
Net cash from discontinued operations	(68,754)	—	(69,538)	784
Net change in cash and cash equivalents	12,380	—	4,672	7,708
Cash and cash equivalents, beginning of period	7,649	—	(2,253)	9,902
Cash and cash equivalents, end of period	$ 20,029	$ —	$ 2,419	$ 17,610

Schedule II

PENSKE AUTOMOTIVE GROUP, INC.
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Additions	Deductions, Recoveries & Other	Balance at End of Year
		(In thousands)		
Year Ended December 31, 2008				
Allowance for doubtful accounts	2,871	1,353	(2,149)	2,075
Tax valuation allowance	2,337	1,041	—	3,378
Year Ended December 31, 2007				
Allowance for doubtful accounts	2,724	1,815	(1,668)	2,871
Tax valuation allowance	3,943	725	(2,331)	2,337
Year Ended December 31, 2006				
Allowance for doubtful accounts	3,708	1,467	(2,451)	2,724
Tax valuation allowance	4,119	1,456	(1,632)	3,943

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-105311, 333-14971, 333-26219, 333-50816, and 333-61835 on Form S-8 of our report dated March 10, 2009, relating to the consolidated financial statements and financial statement schedule of Penske Automotive Group, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, which report expressed an unqualified opinion, appearing in this Annual Report on Form 10-K of Penske Automotive Group, Inc. for the year ended December 31, 2008.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 10, 2009

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors Penske Automotive Group Inc:

We consent to the incorporation by reference in the registration statements No. 333-105311, 333-14971, 333-26219, 333-50816, and 333-61835 on Form S-8 of Penske Automotive Group, Inc. of our report dated March 10, 2009, with respect to the consolidated balance sheets of UAG UK Holdings Limited as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholder's equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2008, the related financial statement schedule and the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, which report appears in the Annual Report on Form 10-K of Penske Automotive Group, Inc for the year ended December 31, 2008 ("in the Form 10-K"). None of the aforementioned financial statements or the related financial statement schedule are presented separately in the Form 10-K..

/s/ KPMG Audit Plc

Birmingham, United Kingdom
March 10, 2009

Exhibit 31.1

CERTIFICATION

I, Roger S. Penske, certify that:

1. I have reviewed this annual report on Form 10-K of Penske Automotive Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROGER S. PENSKE

Roger S. Penske
Chief Executive Officer

March 10, 2009

Exhibit 31.2

CERTIFICATION

I, Robert T. O'Shaughnessy, certify that:

1. I have reviewed this annual report on Form 10-K of Penske Automotive Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBERT T. O'SHAUGHNESSY

Robert T. O'Shaughnessy
Chief Financial Officer

March 10, 2009

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Penske Automotive Group, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Roger S. Penske and Robert T. O’Shaughnessy, Principal Executive Officer and Principal Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROGER S. PENSKE

Roger S. Penske
Chief Executive Officer

March 10, 2009

/s/ ROBERT T. O’SHAUGHNESSY

Robert T. O’Shaughnessy
Chief Financial Officer

March 10, 2009

A signed original of this written statement required by Section 906 has been provided to Penske Automotive Group, Inc. and will be retained by Penske Automotive Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dear Fellow Stockholder:

You are invited to attend the annual meeting of stockholders of Penske Automotive Group, Inc. to be held at 8:00 a.m., Eastern Daylight Time on April 30, 2009, at our corporate headquarters, 2555 Telegraph Rd., Bloomfield Hills, Michigan.

At this year's annual meeting, the agenda includes the annual election of directors and ratification of the selection of our independent auditing firm. The Board of Directors recommends that you vote FOR the director nominees and FOR the ratification of our independent auditors. Please refer to the detailed information on each of these proposals and the annual meeting in the accompanying materials.

The annual meeting provides an excellent opportunity for stockholders to become better acquainted with Penske Automotive Group and its directors and officers, and I hope that you will attend. Whether or not you plan to attend, we ask that you cast your vote as soon as possible. This will assure your shares are represented at the meeting. Thank you for your continued support of Penske Automotive Group.

Sincerely,

/s/ Roger S. Penske

Roger S. Penske
Chairman of the Board and
Chief Executive Officer

Bloomfield Hills, Michigan
March 12, 2009

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

and

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

April 30, 2009

We will hold our annual meeting of stockholders at 8:00 a.m., Eastern Daylight Time on April 30, 2009, at our corporate headquarters, 2555 Telegraph Rd., Bloomfield Hills, Michigan. The agenda items for approval at the meeting consist of:

(1) the election of eleven directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified; and

(2) the ratification of the selection of Deloitte & Touche LLP as our independent auditing firm for 2009; and

(3) the transaction of such other business as may properly come before the meeting.

Stockholders of record as of March 10, 2009 can vote at the annual meeting and any postponements or adjournments of the annual meeting. We will make available for inspection a list of holders of our common stock as of the record date during business hours from April 10, 2009 through April 30, 2009 at our corporate headquarters. This proxy statement and the enclosed proxy card are first being distributed on or about March 12, 2009.

Your vote is very important. Please complete, date and sign the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope or otherwise cast your vote. Your prompt voting will help to ensure a quorum. If you choose to attend the annual meeting, you may revoke your proxy and vote personally on all matters brought before the annual meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on April 30, 2009

The proxy statement and 2008 annual report to stockholders are available at the Investor Relations section of our website at www.penskeautomotive.com/investorrelations.aspx.

By Order of the Board of Directors,

/s/ Shane M. Spradlin

Shane M. Spradlin
Senior Vice President, General Counsel and Secretary

Bloomfield Hills, Michigan
March 12, 2009

PROCEDURAL QUESTIONS ABOUT THE MEETING

Q. What am I voting on?

A. Proposal 1: Election of eleven directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified.

Proposal 2: Ratification of the selection of Deloitte & Touche LLP as our independent auditing firm for 2009

Q. Who can vote?

A. Our stockholders as of the close of business on the record date, March 10, 2009, can vote at the annual meeting. Each share of our common stock gets one vote. Votes may not be cumulated. As of March 10, 2009, there were 91,529,539 shares of our common stock outstanding.

Q. How do I vote before the meeting?

A. By completing, signing and returning the enclosed proxy card in the enclosed envelope.

Q. May I vote at the meeting?

A. You may vote at the meeting if you attend in person. If you hold your shares through an account with a bank or broker, you must obtain a legal proxy from the bank or broker in order to vote at the meeting. Even if you plan to attend the meeting, we encourage you to vote your shares by proxy.

Q. Can I change my mind after I vote?

A. You may change your vote at any time before the meeting by (1) signing and returning another proxy card with a later date, (2) voting at the meeting if you are a registered stockholder or have obtained a legal proxy from your bank or broker or (3) sending a notice to our Corporate Secretary prior to the meeting stating that you are revoking your proxy.

Q. What if I return my proxy card but do not provide voting instructions?

A. Proxies that are signed and returned but do not contain instructions will be voted (1) FOR the election of the eleven nominees for director, (2) FOR the ratification of our independent auditors and (3) in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

Q. Will my shares be voted if I do not provide my proxy instruction form?

A. If you are a registered stockholder and do not provide a proxy, you must attend the meeting in order to vote your shares. If you hold shares through an account with a bank or broker, your shares may be voted even if you do not provide voting instructions on your instruction form. Brokers have the authority under New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain "routine" matters such as the election of directors and the ratification of auditors.

Q. May stockholders ask questions at the meeting?

A. Yes. Our representatives will answer stockholders' questions of general interest at the end of the meeting. In order to give a greater number of stockholders an opportunity to ask questions, individuals or groups may be allowed to ask only one question and repetitive or follow-up questions may not be permitted.

Q. How many votes must be present to hold the meeting?

A. Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy card. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of March 10, 2009 must be present in person or by proxy at the meeting (45,764,770 shares). This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.

Q. How many votes are needed to approve the proposals?

A. Regarding proposal 1, the eleven nominees receiving the highest number of "For" votes will be elected as directors. This number is called a plurality. Shares not voted, whether by marking "Abstain" on the proxy card or otherwise, will have no impact on the election of directors. Regarding proposal 2, the measure will pass if it receives the affirmative vote of a majority of the shares present and entitled to vote at the meeting.

Q. How do I vote my 401(k) shares?

A. If you participate in the Penske Automotive Group 401(k) Plan, you may vote the number of shares credited to your account as of 5:00 p.m. Eastern Daylight Time on March 10, 2009, by instructing the plan's trustee how to vote your shares pursuant to the instruction card being mailed with this proxy statement to plan participants. If you do not provide clear voting instructions, the trustee will not vote the shares in your account.

PROPOSAL 1 — ELECTION OF DIRECTORS

Proposal 1 to be voted on at the annual meeting is the election of the following eleven director nominees, each of whom is recommended by our Nominating and Corporate Governance Committee and Board of Directors. If elected, each of these nominees will serve a one-year term and will be subject to re-election at next year's annual meeting. Pursuant to a stockholders agreement, certain of our stockholders affiliated with Roger S. Penske and Mitsui & Co., Ltd. have agreed to vote together to elect members of our Board of Directors. See "Related Party Transactions" for a description of this stockholders agreement.

Our Board of Directors Recommends a Vote "FOR" Each of The Following Nominees:

John D. Barr —
CEO, Papa Murphy's International, Inc.

Mr. Barr, 61, has served as a director since December 2002. Mr. Barr has been the Chief Executive Officer of Papa Murphy's International, Inc., a take-and-bake pizza chain, since April 2005 and its Vice Chairman since July 2004. From 1999 until April 2004, Mr. Barr served as President and Chief Executive Officer of Automotive Performance Industries, a vehicle transportation service provider. Prior thereto, Mr. Barr was President and Chief Operating Officer, as well as a member of the Board of Directors, of the Quaker State Corporation from June 1995 to 1999. Prior to joining Quaker State, Mr. Barr spent 25 years with The Valvoline Company, a subsidiary of Ashland, Inc., where he was President and Chief Executive Officer from 1987 to 1995. Mr. Barr is a director of Clean Harbors, Inc.

Michael R. Eisenson —
Managing Director and CEO of Charlesbank Capital Partners, L.L.C

Mr. Eisenson, 53, has served as a director since December 1993. He is a Managing Director and CEO of Charlesbank Capital Partners LLC, a private investment firm and the successor to Harvard Private Capital Group, Inc., which he joined in 1986. Mr. Eisenson is also a director of Animal Health International, Inc. and Catlin Group Limited, as well as a number of private companies.

Hiroshi Ishikawa —
Executive Vice President — International Business Development of Penske Automotive Group

Mr. Ishikawa,46, has served as a director since May 2004 and our Executive Vice President — International Business Development since June 2004. Previously, Mr. Ishikawa served as the President of Mitsui Automotive North America, Inc. from June 2003 to May 2004. From October 2001 to May 2003, Mr. Ishikawa served as Vice President, Secretary & Treasurer for Mitsui Automotive North America, Inc.

Robert H. Kurnick, Jr. —
President of Penske Automotive Group

Mr. Kurnick, Jr. 47, has served as our President since April 1, 2008 and a director since May 3, 2006. From March 2006 through March 2008, Mr. Kurnick served as our Vice Chairman. From February 2000 until March 2006, Mr. Kurnick served as our Executive Vice President and General Counsel. He also serves as President and a director of Penske Corporation, which he joined in 1995.

William J. Lovejoy —
Manager of Lovejoy & Associates

Mr. Lovejoy, 68, has served as a director since March 2004. Since September 2003, Mr. Lovejoy has served as Manager of Lovejoy & Associates, an automotive consulting firm. From January 2000 until December 2002, Mr. Lovejoy served as Group Vice President, North American vehicle sales, service and marketing for General Motors Corporation. From 1994 until December 1999, Mr. Lovejoy served as Vice President of General Motors service and parts operation. From 1962 until 1992, Mr. Lovejoy served in various capacities for General Motors Acceptance Corporation (''GMAC") and ultimately President of GMAC in 1990. He also serves on the Advisory Board of On My Own of Michigan.

Kimberly J. McWaters —
CEO of Universal Technical Institute, Inc.

Ms. McWaters, 44, has served as a director since December 2004. Since October 2003, Ms. McWaters has served as CEO of Universal Technical Institute, Inc. ("UTI"), a nationwide provider of technical educational training for individuals seeking careers as professional automotive technicians. Since February 2000, Ms.

McWaters has served as President of UTI. From 1984 until 2000, Ms. McWaters held several positions at UTI including Vice President of Marketing and Vice President of Sales and Marketing.

Lucio A. Noto —
Retired Vice Chairman of ExxonMobil Corporation

Mr. Noto, 70, has served as a director since March 2001. Mr. Noto retired as Vice Chairman of ExxonMobil Corporation in January 2001, a position he had held since the merger of Exxon and Mobil companies in November 1999. Before the merger, Mr. Noto was Chairman and CEO of Mobil Corporation, where he had been employed since 1962. Mr. Noto is a managing partner of Midstream Partners LLC, an investment company specializing in energy and transportation projects. He is also a director of Phillip Morris International and Commercial International Bank of Egypt.

Roger S. Penske —
Chairman of the Board and CEO of Penske Automotive Group

Mr. Penske, 72, has served as our Chairman and CEO since May 1999. Mr. Penske has also been Chairman of the Board and CEO of Penske Corporation since 1969. Penske Corporation is a privately owned diversified transportation services company that holds, through its subsidiaries, interests in a number of businesses. Mr. Penske has also been Chairman of the Board of Penske Truck Leasing Corporation since 1982. Mr. Penske serves as a member of the Boards of Directors of General Electric Company, Universal Technical Institute and Internet Brands, Inc. Mr. Penske also is Chairman of the Downtown Detroit Partnership and a director of Detroit Renaissance.

Richard J. Peters —
Managing Director of Transportation Resource Partners, LP

Mr. Peters, 61, has served as a director since May 1999. Since January 2003, Mr. Peters has been a Managing Director of Transportation Resource Partners (''TRP''). From January 2000 to December 2002, Mr. Peters was President of Penske Corporation. Since 1997, Mr. Peters has also served as President and CEO of R.J. Peters & Company, LLC, a private investment company. Mr. Peters has been a member of the Board of Directors of Penske Corporation since 1990 and serves as a member of the Board of Directors of various TRP portfolio companies.

Ronald G. Steinhart —
Retired Chairman and CEO, Commercial Banking Group, Bank One Corporation

Mr. Steinhart, 68, has served as a director since March 2001. Mr. Steinhart served as Chairman and CEO, Commercial Banking Group, of Bank One Corporation from December 1996 until his retirement in January 2000. From January 1995 to December 1996, Mr. Steinhart was Chairman and CEO of Bank One, Texas, N.A. Mr. Steinhart joined Bank One in connection with its merger with Team Bank, which he founded in 1988. Mr. Steinhart also serves as a director of Animal Health International, Inc. and Texas Industries Inc., and as a Trustee of the MFS/Compass Group of mutual funds.

H. Brian Thompson —
Executive Chairman of Global Telecom & Technology

Mr. Thompson, 69, has served as a director since March 2002. Mr. Thompson is Executive Chairman of Global Telecom & Technology (GTT), a worldwide multi-network telecommunications operator. He also heads his own private equity investment and advisory firm, Universal Telecommunications, Inc., in Vienna, Virginia. Mr. Thompson served as Chairman and CEO of Global TeleSystems Group, Inc. from March 1999 through September 2000 and from 1991 to 1998, he served as Chairman and CEO of LCI International. Subsequent to the June 1998 merger of LCI with Qwest Communications International Inc., Mr. Thompson became Vice Chairman of the Board for Qwest until his resignation in December 1998. In 1999, Mr. Thompson was Non-Executive Chairman of the Irish telephone company, Telecom Eireann, and Executive Vice President of MCI Communications Corporation from 1981 to 1990. Mr. Thompson currently serves as a member of the Board of Directors of Axcelis Technologies, Inc., ICO Global Communications (Holdings) Limited, and Sonus Networks, Inc.

OUR CORPORATE GOVERNANCE

CURRENT DIRECTORS	BOD	Audit	Compensation & Management Development	Nominating & Corporate Governance	Executive
John D. Barr	X	X			
Michael R. Eisenson	X	C			X
Hiroshi Ishikawa	X				
Robert H. Kurnick, Jr.	X				
William J. Lovejoy	X		X		
Kimberly J. McWaters	X			C	
Lucio A. Noto	X				X
Roger S. Penske	X				C
Richard J. Peters	X				X
Ronald G. Steinhart	X	X			
H. Brian Thompson	X		C	X	
No. of Meetings 2008	10	10	5	2	0

*Chairperson of each committee is denoted by a "C."

Our Board of Directors has four standing committees: the Audit Committee, the Compensation and Management Development Committee, the Nominating and Corporate Governance Committee and the Executive Committee. The Board of Directors approved a charter for each of the Audit, Compensation and Management Development, and Nominating and Corporate Governance committees, which charters are available on our website, www.penskeautomotive.com under the tab "Corporate Governance" or in print (see "Corporate Governance Guidelines" below). The principal responsibilities of each committee are described below. Collectively, our directors attended over 93% of our board and committee meetings in 2008 and each director attended at least 80% of his or her meetings. All of our directors are encouraged to attend the annual meeting and all did attend the annual meeting in 2008.

Audit Committee. The purpose of this committee is to assist the Board of Directors in fulfilling its oversight responsibility relating to (1) the integrity of our financial statements and financial reporting process and our systems of internal accounting and financial controls; (2) the performance of the internal audit function; (3) the engagement of the Company's independent auditing firms and the evaluation of their qualifications, independence and performance; (4) the annual independent audit of our financial statements; (5) reviewing our quarterly and annual financial statements prior to their filing with the Securities and Exchange Commission; and (6) reviewing with management significant financial risks or exposures and assessing the steps management has taken to minimize, monitor and control such risks or exposures and the fulfillment of the other responsibilities set out in the Audit Committee charter. The Board of Directors has confirmed that all members of the Audit Committee are "independent" and "financially literate" under the New York Stock Exchange rules and applicable law, and each is an "audit committee financial expert," as that term is defined in Securities and Exchange Commission rules. Mr. Steinhart serves on the audit committee of three other public entities. In 2009, the Board determined that Mr. Steinhart's simultaneous service on four public entity audit committees does not impair his ability to serve effectively as a member of our audit committee.

Compensation and Management Development Committee. The purpose of this committee is to assist the Board of Directors in discharging its responsibility relating to compensation of our directors, executive officers and such other employees as this committee may determine, succession planning and related matters. Each committee member is independent under the New York Stock Exchange guidelines and our guidelines for director independence.

Nominating and Corporate Governance Committee. The purpose of this committee is to identify individuals qualified to become members of the Board of Directors, to recommend Director nominees for each annual meeting of stockholders and any interim vacancies the Board of Directors determines to fill and to address related matters. This committee also develops and recommends to the Board of Directors corporate governance principles and is responsible for leading the annual review of our corporate governance policies and the Board of Directors' performance. Each committee member is independent under the New York Stock Exchange guidelines and our guidelines for director independence.

Executive Committee. Our Executive Committee's primary function is to assist our Board of Directors by acting upon matters when the Board of Directors is not in session. The Executive Committee has the full power and authority of the Board of Directors, except to the extent limited by law or our certificate of incorporation or bylaws.

Corporate Governance Guidelines. The Nominating and Corporate Governance Committee also makes recommendations concerning our corporate governance guidelines, which are posted on our website, www.penskeautomotive.com, under the tab "Corporate Governance." These guidelines, and the other documents referenced in this section, are also available in print without charge to any stockholder who requests them by calling our investor relations department at 248-648-2500 or 866-715-5289.

Lead Director. One of our governance principles is that we have an independent "Lead Director," who is responsible for coordinating the activities of the other outside Directors, including the establishment of the agenda for executive sessions of the outside Directors, and who shall preside at their meetings. These sessions generally occur as part of each Board meeting and include, at least annually, a session comprised of only our independent directors. Our Lead Director is currently H. Brian Thompson. He may be contacted by leaving a message at the following telephone number: 800-469-1634. All messages will be reviewed by our Corporate Secretary's office and all (other than frivolous messages) will be forwarded to the Lead Director. Any written communications to the Board of Directors may be sent care of the Corporate Secretary to our principal executive office. These communications (other than frivolous messages) will also be forwarded to the Lead Director.

Code of Conduct. We have also adopted a Code of Business Conduct and Ethics, applicable to all of our employees and directors, which is posted on our website at www.penskeautomotive.com under the tab "Corporate Governance" and is available in print (see "Corporate Governance Guidelines" above). We intend to disclose waivers, if any, for our executive officers or directors from the code on our website, www.penskeautomotive.com.

Director Independence. A majority of our Board of Directors is independent and each of the members of our audit, compensation and nominating committees is independent. The Board of Directors has determined that Ms. McWaters and Messrs. Barr, Eisenson, Lovejoy, Noto, Steinhart and Thompson are each independent in accordance with the listing requirements of the New York Stock Exchange, as well as with the more stringent requirements of our guidelines for independent directors found in our corporate governance guidelines which are available on our website www.penskeautomotive.com and are set forth below. As required by New York Stock Exchange rules, our Board of Directors made an affirmative determination as to each independent director that no material relationship exists which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board of Directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities as they may relate to us and our management.

For a director to be considered independent under our corporate governance guidelines, the Board of Directors must determine that the director does not have any direct or indirect material relationship with us. In addition to applying these guidelines, the Board of Directors considers relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. With respect to our independent directors, the Board considers the transactions, relationships and arrangements described under "Related Party Transactions" in its independence determination. The Board also considers any ownership of our securities by the directors and any of their affiliates as well as any direct or indirect co-investments with Transportation Resource Partners, an affiliate of Penske Corporation.

Under our guidelines, a director will not be independent if:

1. the director is employed by us, or an immediate family member is one of our executive officers;
2. the director receives any direct compensation from us, other than director fees and forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
3. the director is affiliated with or employed by one of our independent auditing firms, or an immediate family member is affiliated with or employed in a professional capacity by one of our independent auditing firms; or
4. an executive officer of ours serves on the compensation committee of the board of directors of a company that employs the director or an immediate family member as an executive officer.

A director also will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or if an immediate family member is an executive officer, of another company that does business with us and the sales by that company to us or purchases by that company from us, in any single fiscal year during the evaluation period, are more than the greater of one percent of the annual revenues of that company or $1 million. Furthermore, a director will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or an immediate family member is an executive officer, of another company that is indebted to us and the total amount of the other company's indebtedness to us at the end of the last completed fiscal year is more than one percent of the other company's total consolidated assets. Finally, a director will not be independent if, at the time of the independence determination, the director serves as an officer, director or trustee of a charitable organization, and our charitable contributions to the organization are more than the greater of $250,000 or one percent of that organization's total annual charitable receipts during its last completed fiscal year.

Under the New York Stock Exchange rules, if a company is "controlled," it need not have a majority of independent directors or solely independent compensation or nominating committees. We are a "controlled company" because more than 50% of the voting power for the election of directors is collectively held by Penske Corporation, Mitsui & Co. and their affiliates. These entities are considered a group due to the provisions of the stockholders agreement between these parties described under "Related Party Transactions." Even though we are a "controlled company," we are fully compliant with the New York Stock Exchange rules for non-controlled companies. A majority of our Board of Directors is independent and each of our nominating, audit and compensation committees is comprised solely of independent directors.

Director Nominees. The Nominating and Corporate Governance Committee believes that director candidates should have certain minimum qualifications, including having personal integrity, loyalty to Penske Automotive and concern for its success and welfare, willingness to apply sound and independent business judgment and time available for Penske Automotive matters. Experience in at least one of the following is also desired: high level of leadership experience in business or administration, breadth of knowledge concerning issues affecting Penske Automotive, willingness to contribute special competence to board activities, accomplishments within the director's respective field, and experience reading and understanding financial statements. The Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time.

For incumbent directors, the Nominating and Corporate Governance Committee's process for identifying and evaluating nominees includes a review of such directors' overall service to Penske Automotive during their term. In the case of new director candidates, the committee uses its network of contacts to compile potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee considers whether the nominee would be independent and meets with each candidate individually to discuss and consider his or her qualifications and, if approved, recommends the candidate to the Board.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. Stockholder proposals for nominees should be addressed to our Corporate Secretary, Penske Automotive Group, 2555 Telegraph Road, Bloomfield Hills, MI 48302, and must comply with the procedures outlined below. The committee's evaluation of stockholder-proposed candidates will be the same as for any other candidates.

Stockholders who wish to recommend individuals for consideration by the committee to become nominees for election to the Board may do so by submitting a written recommendation to our Corporate Secretary. Submissions must include sufficient biographical information concerning the recommended individual, including age, employment history with employer names, and a description of the employer's business, whether such individual can read and understand basic financial statements and a list of board memberships and other affiliations of the nominee. The submission must be accompanied by a written consent of the individual to stand for election and serve if elected by the stockholders, a statement of any relationships between the person recommended and the person submitting the recommendation, a statement of any relationships between the candidate and any automotive retailer, manufacturer or supplier and proof of ownership by the person submitting the recommendation of 500 shares of our common stock for one year. Recommendations received by November 11, 2009, will be considered for nomination at the 2010 annual meeting of stockholders. Recommendations received after November 11, 2009 will be considered for nomination at the 2011 annual meeting of stockholders.

Compensation Committee Interlocks and Insider Participation. Our Compensation and Management Development Committee was comprised of H. Brian Thompson (Chairman), Eustace Mita and William Lovejoy through December 2008, at which time Mr. Mita resigned from that committee. As more fully discussed under "Related Party Transactions," Mr. Mita is an investor in Transportation Resource Partners, which is affiliated with Penske Corporation.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight of our accounting functions and internal controls as more fully discussed above under "—Our Corporate Governance." The Audit Committee acts under a written charter adopted and approved by the Board of Directors. The Audit Committee is comprised only of independent directors as set forth in the listing requirements of the New York Stock Exchange, the more stringent requirements of our corporate governance guidelines, and the Securities and Exchange Commission's additional independence requirements. In addition, our Board of Directors has determined that each of our committee members is an "audit committee financial expert," as defined by Securities and Exchange Commission rules. In accordance with the Audit Committee charter, the Audit Committee has the sole authority to retain and terminate our independent auditing firms, and is responsible for recommending to the Board of Directors that our financial statements be included in our annual report on Form 10-K.

The Audit Committee took a number of steps in making this recommendation for our 2008 annual report. First, the Audit Committee discussed with our independent auditing firms those matters required to be discussed by applicable requirements of the Public Company Accounting Oversight Board, including information regarding their independence and the scope and results of their audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process. Second, the Audit Committee discussed with the independent auditing firms their independence and received letters and written disclosures from the independent auditing firms required by Independence Standards Board Standard No. 1. These discussions and disclosures assisted the Audit Committee in evaluating such independence. Finally, the Audit Committee reviewed and discussed the annual audited financial statements with our management and the independent auditing firms in advance of the public release of operating results, and before the filing of our annual and quarterly reports with the Securities and Exchange Commission.

Based on the foregoing, and such other matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Board of Directors that our audited financial statements be included in our 2008 annual report on Form 10-K as filed with the SEC on March 10, 2009.

The Audit Committee of the Board of Directors

Michael R. Eisenson (Chairman)
John D. Barr
Ronald G. Steinhart

INDEPENDENT AUDITING FIRMS

We anticipate that Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively referred to as "Deloitte") will audit our consolidated financial statements for 2009 and perform other services. In 2008, Deloitte did not audit certain of our subsidiaries which own certain of our international operations and Deloitte's opinions, insofar as they relate to those operations, are based solely on the reports of the independent auditor of those operations, KPMG Audit Plc ("KPMG"). We anticipate that this arrangement will continue in 2009. We refer to Deloitte and KPMG collectively as our independent auditing firms. We paid the independent auditing firms the following fees for the enumerated services in 2007 and 2008, all of which services were approved by our Audit Committee.

Audit Fees. Audit Fees in the table below include the aggregate fees for professional services rendered by the independent auditing firms in connection with the audits of our consolidated financial statements, including the audits of management's assessment of internal control over financial reporting included in our annual report on Form 10-K, reviews of the consolidated condensed financial statements included in our quarterly reports on Form 10-Q, and other services normally provided in connection with statutory or regulatory engagements.

Audit Related Fees. Audit Related Fees in the table below include the aggregate fees for professional services rendered by the independent auditing firms in connection with communications with the Securities & Exchange Commission, registration statements, acquisition due diligence, their assurance services related to benefit plans and accounting research and consultation.

Tax Fees. Tax Fees in the table below include aggregate fees for professional services rendered by the independent auditing firms in connection with tax compliance, planning and advice.

All Other Fees. All Other Fees in the table below include aggregate fees for all other services rendered by the independent auditing firms. These fees related primarily to employee benefit plan advisory services.

	Deloitte		KPMG	
	2008	2007	2008	2007
Audit Fees	$ 1,258,000	$ 1,204,000	$ 555,000	$ 538,000
Audit Related Fees	147,500	85,000	80,000	117,000
Tax Fees				
Tax Compliance	29,000	28,000	—	—
Other Tax Fees	237,500	242,000	50,000	—
	266,500	270,000	50,000	—
All Other Fees	40,000	—	208,500	283,500
Total Fees	$ 1,712,000	$ 1,559,000	$ 893,500	$ 938,500

The Audit Committee has considered the nature of the above-listed services provided by the independent auditing firms and determined that they are compatible with their provision of independent audit services. The Audit Committee has discussed these services with the independent auditing firms and management and determined that they are permitted under the Code of Professional Conduct of the American Institute of Certified Public Accountants and the auditor independence requirements of the Public Company Accounting Oversight Board and the securities laws and regulations administered by the Securities and Exchange Commission.

Pre-approval Policy. The Audit Committee has adopted a policy requiring pre-approval of audit and non-audit services provided by the independent auditing firms. The primary purpose of this policy is to ensure that we engage our public accountants only to provide audit and non-audit services with a view toward maintaining independence. The Audit Committee is required to pre-approve all services relating to work performed for us by our independent auditing firms and related fees. The Audit Committee must also approve fees incurred for pre-approved services that are in excess of the approved amount prior to payment. Pre-approval of audit and non-audit services may be given at any time up to a year before commencement of the specified service. Engagement of the independent auditing firms and their fees for the annual audit must be approved by the entire Audit Committee. The Chairman of the Audit Committee may independently approve services if the estimated fee for the service is less than 10% of the total estimated audit fee, or if the excess fees for pre-approved services are less than 20% of the approved fees for that service; provided, however, that no such pre-approval may be granted with respect to any service prohibited by applicable law or that otherwise appears reasonably likely to compromise the independent auditing firm's independence. Any pre-approval granted pursuant to this delegation of authority is reviewed with the Audit Committee at its next regularly scheduled meeting. Our independent auditing firms are prohibited from performing any service prohibited by applicable law.

PROPOSAL 2 — Ratification of the Selection of our Independent Auditors

Our Audit Committee has selected Deloitte and Touche LLP as our independent auditing firm for 2009. In performing its services for 2009, we anticipate Deloitte will not audit certain of our subsidiaries which own certain of our international operations and their opinions, insofar as they relate to those operations, will be based solely on the reports of the independent auditor of those operations, KPMG Audit Plc. We have determined to submit the selection of auditors to shareholder ratification, even though it is not required by our governing documents or Delaware law. If the selection of Deloitte & Touche as our independent auditing firm is not ratified by our stockholders, our Audit Committee will re-evaluate its selection, taking into consideration the stockholder vote on the ratification and the advisability of selecting new auditors prior to completion of the 2009 audit. Our Audit Committee is solely responsible for selecting and terminating our independent auditing firm, and may do so at any time at its discretion. It is anticipated that a representative of Deloitte will be present at the annual meeting with the opportunity to make a statement and to answer appropriate questions.

Our Board of Directors Recommends a Vote "FOR" Ratification of Deloitte & Touche LLP as our Independent Auditors.

EXECUTIVE OFFICERS

Our executive officers are elected by the Board of Directors and hold office until their successors have been duly elected and qualified or until their earlier resignation or removal from office. Brief biographies of Messrs. Kurnick and Penske are set forth above. Brief biographies of our other executive officers are provided below:

Robert T. O'Shaughnessy, 43, has served as our Executive Vice President and Chief Financial Officer since January 3, 2007. From July 2005 until January 2007, he served as Senior Vice President — Finance. From August 1999 until July 2005, he served as our Vice President and Controller. Prior to joining us in May 1997 as Assistant Controller, Mr. O'Shaughnessy was a Senior Manager for Ernst & Young LLP, an accounting and financial advisory services firm, which he joined in 1987.

Calvin C. Sharp, 57, has served as our Executive Vice President – Human Resources since July 1, 2007. Mr. Sharp served as Senior Vice President - Human Resources for our Eastern Region from October 2003 to July 2007. From 1988 to 2003, Mr. Sharp served in numerous positions with Detroit Diesel Corporation, culminating in his appointment as Senior Vice President – Administration. From 1974 to 1988, Mr. Sharp held various positions in Human Resources Management with General Motors.

Shane M. Spradlin, 39, has served as our Senior Vice President and General Counsel since December 2007 and our Corporate Secretary since March 2004. Mr. Spradlin joined our Company in March 2003 as Corporate Counsel. From 1999 to 2003, he served as Corporate Counsel for Nextel Communications in Reston, Virginia. From 1995 through 1999, Mr. Spradlin was an associate with the New York and Washington, D.C. offices of the law firm of Latham & Watkins, specializing in corporate finance and mergers and acquisitions.

COMPENSATION COMMITTEE REPORT

The Compensation and Management Development Committee of the Board of Directors, which we will refer to as the "compensation committee" or "committee," has reviewed and discussed the Compensation Discussion and Analysis set forth below with management. Based on this review and these discussions with management, the committee has recommended to our Board of Directors that the Compensation Disclosure and Analysis be included in this proxy statement.

The Compensation & Management
Development Committee of the Board of Directors

H. Brian Thompson (Chairman)
William J. Lovejoy

COMPENSATION DISCUSSION AND ANALYSIS ("CD&A")

I. General Information

Our Compensation Committee. Our compensation committee is comprised of two independent directors, as determined by our Board of Directors pursuant to the listing requirements of the New York Stock Exchange, as well as the more stringent requirements of our corporate governance guidelines. See "Our Corporate Governance — Director Independence" for a discussion of these independence requirements. Our committee's primary responsibilities are to:

- Determine all elements of our executive officers' compensation;
- Review and recommend compensation for other members of senior management;
- Review and recommend our compensation and benefit policies for our employees generally;
- Administer our equity incentive plans;
- Make recommendations to the Board of Directors with respect to director compensation; and
- Review our management progression and succession plans.

These responsibilities are set out in the committee's charter which you can find on our website www.penskeautomotive.com. This charter is reviewed annually by our corporate governance committee and Board of Directors. The compensation committee retains the authority to delegate its duties to a subcommittee, though it did not do so in 2008. Proposed committee meeting agendas are prepared by management and sent to the committee prior to every meeting along with material for committee review. The final agenda for each meeting is determined by the committee chairman. The committee met five times during 2008, and each meeting is typically concluded with an executive session including only the committee members.

Outside Advisors and Consultants. Our compensation committee has the authority to hire outside consultants and advisors at their discretion, and it has full access to any of our employees. While it may do so in the future, neither the committee nor company management has retained any outside consultants to assist them in determining or recommending the amount or form of executive or director compensation in the past several years.

Role of Executive Officers. The committee relies on our senior management to assist in fulfilling many of its duties, in particular our Executive Vice President — Human Resources and Chief Executive Officer, each of whom attend part of most committee meetings. These executives make recommendations concerning our compensation policies generally, certain specific elements of compensation for senior management (such as equity awards and bonuses) as well as report to the committee as to company personnel and developments. Our Chief Executive Officer also makes specific compensation recommendations concerning our other executive officers and certain other employees. Our Chief Executive Officer does not participate in determining his own compensation except as noted below under "Chief Executive Officer Compensation."

II. Compensation Philosophy

Our compensation program is designed to motivate and reward our executive officers and other key employees to enhance long-term stockholder value and to attract and retain the highest quality executive and key employee talent available. We believe our executive compensation should be aligned with increasing the value of our common stock and promoting our key strategies, values and long term financial and operational objectives.

Our compensation program has evolved over time. At several times during each year, the program is reviewed in whole or in part with respect to various factors, including: competitive benchmarking; the tax and accounting treatment of certain elements of employee compensation; and recent trends regarding executive compensation. We evaluate the effectiveness of our program generally based on our ability to motivate our executives to deliver superior company wide performance and to retain them on a cost-effective basis.

The majority of our executive and employee compensation is payable in cash in the short-term, and is comprised principally of salary and cash bonuses. We use cash compensation as the majority of our compensation because we believe it provides the most flexibility for our employees and it is less dilutive to existing stockholders than equity compensation. The committee also recognizes that stock prices may also reflect factors other than long-term performance, such as general economic conditions and varying attitudes among investors toward the stock market in general and toward retail companies specifically. However, we also provide long-term compensation in the form of restricted stock awards for certain employees. Our restricted stock program awards typically vest over four years, with 70% of any award vesting in the third and fourth years. We believe this long term compensation helps to align management's goals with those of our other stockholders and provides a long-term retention inducement for our key employees, as discussed below under the heading "Restricted Stock."

We do not have any required stock ownership guidelines for our employees. We monitor the stock ownership of our key executives and believe the weighted vesting of our restricted stock awards will contribute to our executive officers holding a significant equity position in our company.

Addressing Risk. Our compensation committee recognizes that any incentive based compensation arrangement induces an inherent element of risk taking by senior management. We attempt to incent management through annual discretionary bonuses, restricted stock grants and, in some cases, performance based bonuses. We believe our compensation arrangements do not lend themselves to unnecessary or excessive risk taking. With respect to our named executive officers, inherent risk is mitigated in part by our stated commitment to full compliance with our code of conduct, our executive compensation recovery policy noted below and our committee's negative discretion to reduce any performance based award.

Executive Compensation Recovery Policy. In 2008, our committee adopted a policy regarding the recovery of unfairly earned executive compensation. Under the policy, if our Board determines that a member of senior management earned performance based compensation or incentive compensation within the last three years due to fraud, negligence or intentional misconduct, and such conduct was a significant contributing factor to our restating our financial statements or reporting material inaccuracies relating to financial reporting or other performance metrics used in those awards, our Board has the discretion to cause that officer to repay and forfeit all compensation that was expressly conditioned upon the achievement of the misreported financial results.

Equity Award Approval Policy. Our committee has adopted an equity award approval policy which generally requires that all equity awards are approved by the committee, that the committee shall endeavor to approve all such awards at a committee meeting and that the grant date of all such awards shall be the date of the approval by the committee. As part of that policy, the committee delegated to our chief executive officer the authority to grant awards of up to an aggregate of 50,000 shares of our common stock (or stock equivalents) for new hires or spot awards, provided that the awards are reported to the committee at its next meeting. Our compensation committee believes that this delegation of authority allows us to meet our ongoing business needs in a practical manner. Our chief executive officer approved awards for 4,000 shares of restricted common stock under that authority in 2008.

Determination of Amounts. The committee reviews and determines all aspects of compensation for our executive officers. In making decisions regarding non-CEO compensation, the committee receives input from our Chief Executive Officer. Except with respect to our non-equity incentive plan awards, which depend on achieving specific quantitative performance objectives noted below, our compensation committee does not use formulas in determining the amount and mix of compensation. The committee believes that solely using annual quantitative performance measurements does not create the appropriate balance of incentives to build long-term value. Thus, the committee evaluates a broad range of qualitative factors, including reliability, a track record of integrity, good judgment, foresight and the ability to lead others.

The committee reviews annual salary adjustments with a view toward maintaining external compensation competitiveness. External competitiveness with respect to each element of our compensation was benchmarked in 2008 against a group of publicly traded automotive retailers (Asbury Automotive Group, AutoNation, CarMax, Group1 Automotive, Lithia Motors and Sonic Automotive) as well as a sampling of other retail companies (Circuit City, Limited Brands, OfficeMax and Sherwin Williams). The non-automotive retail companies are the same as those selected by Risk Metrics (formerly named Institutional Shareholder Services) for its evaluation of our chief executive officer's compensation relative to company performance. We are the second largest publicly traded automotive retailer as measured by total revenue and the only one with extensive international operations. While we benchmark our compensation, we do not target a specific quartile of pay for our executive officers as compared to our peers as we believe each of our executive officer's circumstances and challenges is unique to the individual and we base our compensation accordingly.

Management Incentive Plan. Section 162(m) of the Internal Revenue Code of 1986, as amended, generally imposes a $1 million per year ceiling on the tax-deductibility of remuneration paid to any one of the named executive officers of a public company (except for the chief financial officer), unless the remuneration is treated as performance-based or is otherwise exempt from the provisions of Section 162(m). We have designed our Management Incentive Plan, which was approved by our stockholders in 2004, to provide for the payment of performance-based compensation that is qualified within the meaning of Section 162(m) of the Internal Revenue Code.

We expect to continue to issue awards under the Management Incentive Plan for our Chief Executive Officer and certain other officers in order to provide motivation to advance specific annual objectives of the Company, while also maximizing the tax deductibility of our compensation expense. For any awards under the Management Incentive Plan, the compensation committee reserves discretion to reduce (but not increase) the payout under the award. While the committee intends to maximize the tax-efficiency of its compensation programs generally, it retains flexibility in the manner in which it awards compensation to act in our best interests, including awarding compensation that may not be tax deductible.

III. Our Compensation Program

Our compensation program primarily consists of four elements:

- base salary;
- annual cash bonus payment;
- restricted stock awards; and
- employee health care and other benefits, such as the use of a company vehicle.

Base Salary. We pay base salary to set a baseline level of compensation for all senior management. The salary levels for our executive officers are determined by scope of job responsibility, experience, individual performance, historical salary levels and the benchmarking information discussed earlier under "Determination of Amounts." The committee approves salary levels for executive officers and certain key employees in order to maintain external compensation competitiveness using the benchmarks noted above, and to reflect the performance of those employees in the prior year and to reflect any change in the employee's level of responsibility within the organization. The evaluation of the individual's performance is based the committee's subjective perception of that performance, based in large part on input from our Chief Executive Officer and the factors noted above under "Determination of Amounts."

The committee also considers our Company-wide performance as well as general economic factors. The items of corporate performance that are considered for our named executive officers are the same as those with respect to the non-equity incentive plan award detailed below under "Chief Executive Officer Compensation." Our compensation committee uses these factors in a subjective evaluation to gauge Company performance, keeping in mind the impact of the general performance of the automotive retail industry.

Annual Bonus Payments. Our senior management is eligible to receive annual discretionary bonus payments. In the past several years, our Chief Executive Officer and President have not received any discretionary bonus payments, receiving only the amounts contemplated from their performance based awards described below under "Chief Executive Officer Compensation" and "President Compensation." See below "— 2008 Performance" for further discussion of recent bonus awards. We pay annual bonuses to provide an incentive for future performance and as a reward for performance during the prior year. These discretionary bonus payments are determined in varying degrees based on three criteria:

- Company-wide performance in the prior year;
- Evaluation of an individual's performance in the prior year; and
- Evaluation of the annual performance of an individual's business unit in the prior year.

The items of Company-wide performance that are considered for our named executive officers are the same as those with respect to the non-equity incentive plan award detailed below under "Chief Executive Officer Compensation." Our compensation committee uses these factors in a subjective evaluation to gauge Company performance, keeping in mind the impact of the overall performance of the automotive retail industry. The evaluation of the individual's performance and the performance of the individual's business unit is based on the committee's perception of that performance, based in part on input from our Chief Executive Officer, and the factors noted above under "Determination of Amounts."

Restricted Stock. The committee believes that the interests of senior management should be closely aligned with those of our stockholders. Therefore, each member of senior management is eligible to receive an incentive equity award because we believe equity grants effectively align management's goals with those of our other stockholders.

In 2008 and 2009, we issued incentive compensation to our senior management team in the form of restricted stock under our 2002 Equity Compensation Plan. Our restricted stock grants for management typically vest over four years at a rate of 15%, 15%, 20% and 50% per annum, respectively. These shares are subject to forfeiture in the event the executive departs from the Company. We believe vesting the majority of the awards in the third and fourth years provides a longer-term incentive and more closely aligns the incentives for management with the interests of our long-term stockholders. We employ this form of compensation in part because many of our initiatives may take several years to yield benefits, such as building premium facilities. We also believe that weighted vesting of these awards provides an additional incentive to retain our valuable employees due to the value that may be created over time. Our restricted stock awards mirror our other outstanding stock, including the right to vote with our other stockholders and receive dividends.

Restricted stock grants for our named executive officers are generally discretionary (other than those awarded to our Chief Executive Officer, President and others under our Management Incentive Plan discussed above), and are based upon the awards granted in the prior year adjusted to reflect changes in the responsibilities of the named executive officers and Company-wide performance measures detailed below under "Chief Executive Officer Compensation," keeping in mind the impact of the overall performance of the automotive retail industry. The amounts are also established considering the retention component of the award, as the awards are the sole aspect of long-term compensation for our named executive officers. In 2008, the committee approved the granting of approximately 310,000 shares of restricted stock to employees (representing about 0.3% of our current outstanding equity).

Other Compensation. We may provide our employees with selected other benefits or perquisites in order to attract and retain highly skilled employees. Certain of our employees are entitled to benefits such as company contributions toward health and welfare benefits and company-sponsored life insurance. Our corporate employees are also entitled to a company-sponsored lunch. With respect to health and welfare benefits, the committee believes that our employees should receive a meaningful benefit package commensurate with those of other automotive retailers, recognizing the increasing cost of those benefits in recent years. We previously provided our U.S. employees with company matching under our 401(k) plan. In the fourth quarter of 2008, as part of cost curtailment initiatives implemented in light of deteriorating industry conditions, we suspended the matching under our 401(k) plan, as more fully discussed below under "— 2008 Performance."

Our senior management is typically provided the use of a company vehicle, company-sponsored automobile insurance, and a tax gross-up relating to these amounts. We typically contribute a monthly allowance toward a lease payment for a company vehicle selected by the employee. The vehicle must be leased from one of our dealerships and the allowance is based on an employee's position within our company. In some circumstances, we purchase a vehicle if we believe this will be more cost effective over the life of the vehicle's use. We have valued the use of company vehicles in the following disclosure tables based on the value of our lease payments or, in situations where we have purchased a vehicle or the employee has used a company owned vehicle, on IRS guidelines. We also pay for maintenance and repairs on the vehicles, which costs are included in those tables. Similar to any company providing its products to employees, we provide these vehicles as an inducement and retention benefit.

From time to time, we may adopt other benefits for our senior management, such as payment for a country club membership or tax gross-ups for certain items. We review these benefits on a case-by-case basis and believe, if limited in scope, such benefits can provide an incentive to long term performance and help retain our valuable employees. We have valued these other types of perquisites in the following disclosure tables based on our cost.

Other Forms of Compensation. The committee has also reviewed various other forms of executive compensation for our management, such as stock options and supplemental retirement plans. Currently, the committee is of the view that salary, bonus and restricted stock awards should provide the principal components of management compensation and that these forms of compensation best align management's goals with those of our stockholders. Therefore, after review, the committee has determined not to issue or grant stock options, allow for deferred compensation in the form of a deferral of salary or bonus, or any retirement benefit (other than under our defined contribution plans that are available to all qualified employees from time to time). The committee considers the advisability of these additional types of compensation periodically and retains the flexibility to implement other forms of compensation in the future.

No Employment Agreements, Change of Control and Pre-arranged Severance Compensation. None of our current executive officers have been provided an employment agreement, nor are they entitled to any pre-arranged severance compensation or compensation upon a change of control. We believe our mix of short-term and long-term compensation provides a retention incentive that makes an employment contract unnecessary, while providing us maximum flexibility with respect to managing the departure of our executive officers. Our lack of pre-arranged severance compensation is consistent with our performance based compensation philosophy, and provides us the flexibility to enter into post-employment arrangements based on the circumstances existing upon departure. We have entered into varying types of severance arrangements with departing members of our senior management in the past several years, which have included vesting of restricted stock and consulting agreements, as we believe it may be important to have continuing access to these individual's knowledge base and guidance. In the event we employ consulting agreements, we have typically obtained a non-compete agreement with these individuals.

With respect to a change in control, none of our current executive officers have been guaranteed any change of control payments. However, our outstanding equity awards provide that, in the event of a change of control, the compensation committee has the discretion to accelerate, vest or rollover any outstanding equity awards.

IV. 2008 Compensation

2008 Performance. The worldwide automotive industry experienced significant operational and financial difficulties in 2008. The turbulence in worldwide credit markets and resulting decrease in the availability of financing and leasing alternatives for consumers hampered our sales efforts. In addition, there was reduced consumer confidence and spending in the markets in which we operate, which we believe reduced customer traffic in our dealerships, particularly since September 2008. Rapid changes in fuel prices also resulted in rapid changes in consumer preferences and demand, which negatively impacted vehicle retail sales. In response to the challenging operating environment, we have undertaken significant cost saving initiatives, including personnel reductions, a reduction in advertising activities, and a suspension of our quarterly cash dividend to stockholders, as well as the following other measures with respect to executive and director compensation.

> *2008 Bonus Payments.* Our Chief Executive Officer and our President were granted the opportunity to earn a performance based award relating to calendar 2008 under our management incentive plan. The maximum potential payouts for these awards were $3.0 million and $300,000, respectively, in the form of restricted stock grants, and were based on various performance objectives noted below. In recognition of our cost savings initiatives, each of Mr. Penske and Mr. Kurnick agreed to forgo the amounts ultimately payable under those awards. For our remaining executive officers, in recent years our annual bonuses have been based on the three factors discussed under “Annual Bonus Payments” above in varying degrees. However, for 2008, Company-wide performance has received a higher degree of weighting versus prior years given the challenging operating environment, resulting in significant decreases in executive officer bonuses.
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> *2008 Director Compensation.* As more fully discussed below under “Director Compensation,” each of our non-employee Board members is entitled to a cash annual fee ranging from $40,000 to $50,000. In recognition of our cost savings initiatives, each of the non-employee Board members agreed to forgo $10,000 of that cash annual fee relating to 2008.
>
> *Other Compensation.* We provide our employees with selected other benefits or perquisites in order to attract and retain highly skilled employees. We previously provided our employees in the U.S. with company matching contributions under our 401(k) plan. In the fourth quarter of 2008, as part of our cost savings initiatives, we suspended these matching contributions.

Chief Executive Officer Compensation. In February 2008, Mr. Penske’s salary was increased to $1.0 million retroactive to January 1, 2008. This salary adjustment for Mr. Penske was based on our 2007 company performance as noted in our 2008 CD&A in last year’s proxy, including a comparison to the compensation of our peer automotive retail companies. Mr. Penske received a performance based award in February 2008 with respect to 2008 performance under our management incentive plan discussed above. The maximum potential amount Mr. Penske could have earned pursuant to this award was $3.0 million in the form of restricted stock to be granted in 2009, although the committee reserved discretion to reduce (but not increase) the payout under this award. Mr. Penske achieved 28% of the performance metrics noted below, which entitled him to $840,000 in the form of restricted stock. Mr. Penske agreed to forgo the amounts ultimately payable under the award in recognition of our cost savings initiatives. The specific 2008 performance objectives and related performance were as follows:

Objective	Result	% of Award	Achievement
• return on equity of 11% (1)	7%	11%	0%
• same store retail sales revenue increase of 3% (50% attainment), 4% (75% attainment) and 5% (100% attainment) (2)	(12.3%)	12%	0%
• acquisition of gross annualized revenue of $300 million	$550 million	10%	10%
• employee turnover at or below 32%	32.2%	10%	0%
• operating margin above 2.7% (50% attainment) and 3% (100% attainment) (1)	2.3%	10%	0%
• customer satisfaction scores exceed manufacturer objectives at 80% of our franchises	Exceeds	10%	10%
• no material weaknesses in our internal controls	None	8%	8%
• new car inventory less than 59 days supply	99 days	8%	0%
and used car inventory less than 43 days supply	39 days		
• earnings per share from continuing operations at least $1.67 per share (1)	$1.09	11%	0%
• common stock price performance to exceed the S&P 500 Index during 2008	(56%) v. (38%) S&P	10%	0%
Total		100%	28%

(1) This performance target excluded any items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, or related to discontinued operations or a change in accounting principles or other regulations, provided that such items were specifically identified, quantified and disclosed in any public earnings release with respect to the period.

(2) This performance target excluded the impact of identifiable changes due solely to changes in foreign exchange rates.

In February 2009, the committee established a similar award for Mr. Penske with respect to 2009, with a maximum potential payout of $3.0 million in the form of restricted stock to be granted in 2010. The performance objectives for 2009 are as follows:

Objective	% of Award
• EBITDA (earnings before interest, taxes, depreciation and amortization) of $220 million (50% attainment) and $240 million (100% attainment) (1)	20%
• Maintenance of credit availability of $150 million, excluding funds used for repurchases of outstanding debt or common stock	20%
• Maintenance of compliance with the covenants in our credit facilities	20%
• customer satisfaction scores exceed manufacturer objectives at 80% of our franchises	10%
• no material weaknesses in our internal controls	10%
• new car inventory less than 60 days supply	5%
• used car inventory less than 40 days supply	5%
• common stock price performance to exceed the S&P 500 Index during 2009	10%
	100%

(1) Attainment between $220 million and $240 million will result in a pro rata achievement of this component. This performance target shall exclude any items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, or related to discontinued operations or a change in accounting principles or other regulations, provided that such items are specifically identified, quantified and disclosed in any public earnings release with respect to the period.

President Compensation. Robert H. Kurnick, Jr. was appointed President effective April 1, 2008 at which time his annual salary was increased to $600,000 effective January 1, 2008. This salary adjustment for Mr. Kurnick was based on our 2007 company performance as noted in our 2008 CD&A in last year's proxy, and a comparison to the compensation of officers at our peer automotive retail companies. Mr. Kurnick is also the President of Penske Corporation and he receives a substantial amount of compensation from Penske Corporation, our controlling stockholder. While Mr. Kurnick devotes a substantial amount of time and effort to our company, his total compensation paid by us reflects that he devotes time to Penske Corporation. Our committee does not track the exact percentage of time spent on Penske Automotive matters, recognizing that the amount varies from year to year, but it is generally expected to represent approximately 75% of his time. Instead, in determining Mr. Kurnick's pay, our compensation committee considers the impact of the time Mr. Kurnick spends on Penske Automotive matters, including the benefits of his leadership capabilities.

Mr. Kurnick received a performance based award in March 2008 with respect to 2008 performance under our management incentive plan discussed above. The maximum potential amount Mr. Kurnick could have earned pursuant to this award was $300,000 in the form of restricted stock to be granted in 2009, although the committee reserved discretion to reduce (but not increase) the payout under this award. Mr. Kurnick achieved 34% of the performance metrics noted below, which entitled him to $102,000 in the form of restricted stock. Mr. Kurnick agreed to forgo the amounts ultimately payable under this award in recognition of our cost savings initiatives. The specific 2008 performance objectives and related performance were as follows:

Objective	Result	% of Award	Achievement
• return on equity of 11% (1)	7%	14%	0%
• same store retail sales revenue increase of 3% (50% attainment), 4% (75% attainment) and 5% (100% attainment) (2)	(12.3%)	14%	0%
• acquisition of gross annualized revenue of $300 million	$550	12%	12%
• operating margin above 2.7% (50% attainment) and 3% (100% attainment) (1)	2.3%	12%	0%
• customer satisfaction scores exceed manufacturer objectives at 80% of our franchises	Exceeds	14%	14%
• no material weaknesses in our internal controls	None	8%	8%
• earnings per share from continuing operations at least $1.67 per share (1)	$1.09	12%	0%
• common stock price performance to exceed the S&P 500 Index during 2008	(56%) v. (38%)S&P	14%	0%
Total		100%	34%

(1) This performance target excluded any items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, or related to discontinued operations or a change in accounting principles or other regulations, provided that such items were specifically identified, quantified and disclosed in any public earnings release with respect to the period.

(2) This performance target excluded the impact of identifiable changes due solely to changes in foreign exchange rates.

In February 2009, the committee established a similar award for Mr. Kurnick with respect to 2009, with a maximum potential payout of $300,000 in the form of restricted stock to be granted in 2010. The performance objectives and component percentages are the same as those set forth above with respect to the similar award for Mr. Penske.

Former President Compensation. Effective March 31, 2008, Roger S. Penske, Jr. stepped down from his position as our President. Until his departure, Mr. Penske was compensated with an annual salary of $1.05 million. As President, Mr. Penske, Jr. retained direct oversight responsibility for our U.S. East operations. For that reason, Mr. Penske, Jr. was granted a non-equity incentive plan award for the first quarter of 2008 based on a specific objective relating to the performance of our U.S. East operations. We believe tying Mr. Penske, Jr.'s compensation to the performance of our East region served as an incentive to Mr. Penske, Jr. with regard to that area's performance, while his accumulated restricted stock represented a key incentive for company-wide performance.

Upon his departure, we paid Mr. Penske, Jr. $72,485 pursuant to the non-equity incentive plan award, which was based on a percentage of actual 2008 East region pre-tax first quarter earnings, as adjusted to exclude gains and losses attributable to the sale or shutdown of dealerships in the East region in that period (as these losses did not reflect operating performance). The payment levels were set in advance as compared to our internal budget. If our East region pre-tax first quarter earnings were below $6.5 million, Mr. Penske, Jr. was to receive no payment. If our East region pre-tax first quarter earnings were in excess of $6.5 million, Mr. Penske, Jr. was to receive one percent of East region pre-tax first quarter earnings and, for pre-tax first quarter earnings in excess of $8.45 million, he was to receive two percent of the excess above $8.45 million. Our East region pre-tax first quarter earnings were approximately $7.25 million, resulting in the $72,485 payment.

In connection with his departure, we approved the vesting of Mr. Penske, Jr.'s outstanding restricted stock at that time, consisting of 19,894 shares, which were worth $387,100 based on the closing price on the date of vesting. Like our other named executive officers, Mr. Penske, Jr. was not entitled to any pre-arranged severance compensation at the time of his departure, and the determination to vest his restricted stock was based on the recognition of his prior meritorious service. As discussed above under "–No Employment Agreements, Change of Control and Pre-arranged Severance Compensation," we do not typically have any pre-arranged severance with our executive officers because our compensation committee prefers the flexibility to enter into a post-employment arrangement with an employee based on the circumstances existing upon departure. The Board considered Mr. Penske Jr.'s aggregate service beginning in January 2001 when electing to vest his restricted stock upon his departure. During his tenure, Mr. Penske, Jr. served us in various capacities, and was responsible for consolidating three operating regions into one, as well as the oversight of the development and construction of three of our largest dealership campuses, including in Warwick, Rhode Island, Turnersville, New Jersey and Tysons Corner, Virginia. In addition, the compensation committee considered Mr. Penske, Jr.'s efforts to assist us with transitioning the role of President to Mr. Kurnick.

Other Executive Officer Compensation. Each of our other executive officers received the stock awards and bonuses set forth in the tables below. In February 2009, Messrs. O'Shaughnessy, Sharp and Spradlin received 8,710, 2,010 and 3,518 restricted shares, respectively, vesting over four years at a rate of 15%, 15%, 20% and 50%. In addition, Mr. O'Shaughnessy's salary was increased $25,000 effective July 1, 2008 as part of his regularly scheduled compensation review. These amounts were determined based on the principles set forth above. In addition, for 2008, we were reimbursed approximately ten percent of Mr. Spradlin's base salary and benefits by Penske Corporation to reflect his efforts on behalf of Penske Corporation. The full amount of Mr. Spradlin's compensation is shown in the table below.

EXECUTIVE AND DIRECTOR COMPENSATION

The following table contains information concerning 2008 annual and long-term compensation for our Chief Executive Officer, Chief Financial Officer and each of our three other most highly compensated executive officers during 2008, collectively referred to as the "named executive officers."

2008 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation	All Other Compensation ($)	Total ($)
Roger S. Penske	2008	$1,000,000	—	$929,928	—	$26,383 (2)	$1,956,311 (3)
Chief Executive Officer	2007	$750,000	—	$1,459,063	—	$25,000	$2,234,063
	2006	$750,000	—	$393,878	—	—	$1,143,878
Robert T. O'Shaughnessy......	2008	$577,404	$168,000	$218,192	—	$50,345 (4)	$1,013,941
Executive Vice President &	2007	$565,000	$235,000	$173,538	—	$42,376	$1,015,914
Chief Financial Officer	2006	$515,000	$200,000	$130,851	—	$141,046	$986,897
Robert H. Kurnick, Jr.	2008	$600,000	—	$185,338	—	$23,463 (5)	$808,801 (6)
President	2007	$375,000	—	$145,073	—	$20,596	$540,669
	2006	$350,000	—	$103,655	—	$14,346	$468,001
Calvin C. Sharp	2008	$350,000	$90,000	$38,930	—	$46,551 (7)	$525,481
Executive Vice President — Human Resources	2007	$320,000	$135,000	$30,940	—	$18,670	$504,610
Shane M. Spradlin................ SVP, General Counsel & Secretary	2008	$250,000	$69,000	$59,617	—	$20,104 (8)	$398,721
Roger S. Penske, Jr...............	2008	$266,538	—	$332,313	$72,485	$8,953 (9)	$680,289
Former President	2007	$1,075,000	—	$98,820	$547,946	$53,963	$1,775,729

(1) These amounts represent the amount of compensation expense we recorded in 2008 in connection with restricted stock awards granted under our 2002 Equity Compensation Plan, which amounts were determined in accordance with FAS 123R as discussed in footnotes 1 and 14 to our consolidated financial statements filed in our annual report on Form 10-K on March 10, 2009.

(2) Reflects $25,000 in matching charitable donations pursuant to our director charitable matching program (see below "Director Compensation – Charitable Donation Matching Program") and a tax allowance of $1,383 relating to spousal travel on corporate aircraft in conjunction with corporate travel. For a discussion of our methodology in valuing these items, see "CD&A — Other Compensation."

(3) In February 2008, Mr. Penske received an equity incentive plan-based award in the form of an award payable upon achievement of 2008 performance targets. The maximum total award for this grant was $3.0 million, payable in restricted stock. Mr. Penske achieved 28% of the performance metrics relating to this award, which entitled him to $840,000 in the form of restricted stock. In December 2008, Mr. Penske agreed to forgo the amounts ultimately payable under the award in recognition of our cost savings initiatives. See the narrative discussion following this table for further discussion of this award.

(4) Represents the use of company vehicles and related automobile insurance, payments for a country club membership (though this membership is used for personal and business purposes), matching funds under our U.S. 401(k) plan, company-sponsored life insurance, company-sponsored lunch program and a tax allowance of $16,501. For a discussion of our methodology in valuing these items, see "CD&A — Other Compensation."

(5) Represents the use of Company vehicles and related automobile insurance and a tax allowance of $9,289. For a discussion of our methodology in valuing these items, see "CD&A — Other Compensation."

(6) In February 2008, Mr. Kurnick received an equity incentive plan-based award in the form of an award payable upon achievement of 2008 performance targets. The maximum total award for this grant was $300,000, payable in restricted stock. Mr. Kurnick achieved 34% of the performance metrics relating to this award, which entitled him to $102,000 in the form of restricted stock. In December 2008, Mr. Kurnick agreed to forgo the amounts ultimately payable under the award in recognition of our cost savings initiatives. See the narrative discussion following this table for further discussion of this award.

(7) Represents $25,751 relating to the use of Company vehicles and related automobile insurance, matching funds under our U.S. 401(k) plan,

company-sponsored life insurance, company-sponsored lunch program and a tax allowance of $12,361. For a discussion of our methodology in valuing these items, see "CD&A — Other Compensation."

(8) Represents the use of Company vehicles and related automobile insurance, matching funds under our U.S. 401(k) plan, company-sponsored life insurance, company-sponsored lunch program, personal use of sporting event tickets and a tax allowance of $5,855. For a discussion of our methodology in valuing these items, see "CD&A — Other Compensation."

(9) Represents the use of company vehicles and related automobile insurance, family travel on corporate aircraft in conjunction with corporate travel, payments for a country club membership (though this membership was used for personal and business purposes), matching funds under our U.S. 401(k) plan, company-sponsored life insurance, company-sponsored lunch program and a tax allowance of $2,526. For a discussion of our methodology in valuing these items, see "CD&A — Other Compensation."

Grants of Plan-Based Awards in 2008

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All other Awards: Number of Shares of Stock	Grant Date Fair Value of Stock Awards ($)
Name and Principal Position	**Grant Date**	**Threshold ($)**	**Maximum ($)**	**Threshold ($)**	**Maximum ($)**		
Roger S. Penske........................	2/28/2008					89,267(1)	1,680,005(1)
Chief Executive Officer	2/28/2008			—	3,000,000(2)		
Robert T. O'Shaughnessy.......... Executive Vice President & Chief Financial Officer	2/28/2008					11,000	207,020
Robert H. Kurnick, Jr., ...	2/28/2008					11,000	207,020
President	3/25/2008			—	300,000(2)		
Calvin C. Sharp .... Executive Vice President – Human Resources	2/28/2008					2,500	47,050
Shane M. Spradlin .... SVP, General Counsel & Secretary	2/28/2008					4,500	84,690
Roger S. Penske, Jr.	2/28/2008					1,594(3)	30,000(3)
Former President	2/28/2008	(4)	(4)				

(1) This represents the shares of restricted stock issued to Mr. Penske in February 2008 resulting from his attainment of goals outlined in his 2007 incentive award.

(2) See the following narrative discussion for an explanation of this award. Note that this table reflects two years of awards: the 2007 award actually received in 2008 and the total potential award for 2008.

(3) See the following narrative discussion for an explanation of this award.

(4) Mr. Penske, Jr. was awarded $72,485 in 2008 resulting from a "non-equity incentive plan award." As described in more detail in the following narrative discussion, this payment was based on a percentage of the pre-tax earnings of our East region, and therefore no threshold, target or maximum amount is applicable to this award.

Narrative Discussion of Summary Compensation Table and Plan Based Awards

The amounts set forth in the two preceding tables reflect payments and awards to our named executive officers based on the principles and descriptions discussed under "Compensation Discussion and Analysis."

Mr. Penske's Performance Based Award. Mr. Penske received a performance based award in 2008 under our management incentive plan based on performance targets to be achieved in 2008 which was to be payable in 2009. A maximum potential payout of $3.0 million in the form of shares of restricted stock was available under the award. Mr. Penske achieved 28% of the performance metrics relating to this award, which entitled him to $840,000 in the form of restricted stock. In December 2008, Mr. Penske agreed to forgo the amounts ultimately payable under this award in recognition of our cost savings initiatives, as more fully discussed above in "CD&A – Chief Executive Officer Compensation."

Mr. Kurnick's Performance Based Award. Mr. Kurnick received a performance based award in 2008 under our management incentive plan based on performance targets to be achieved in 2008 which was to be payable in 2009. A maximum potential payout of $300,000 in the form of shares of restricted stock was available under the award. Mr. Kurnick achieved 34% of the performance metrics relating to this award, which entitled him to $102,000 in the form of restricted stock. In December 2008, Mr. Kurnick agreed to forgo the amounts ultimately payable under this award in recognition of our cost savings initiatives, as more fully discussed above in "CD&A – President Compensation."

Mr. Penske, Jr.'s Awards. Effective March 31, 2008, Roger S. Penske, Jr. stepped down from his position as our President. Mr. Penske, Jr. received a performance based award relating to 2007 issued under our Management Incentive Plan and based on performance targets to be achieved in 2007. A maximum potential payout of $300,000 in the form of shares of restricted stock was available under the award. The payment of the award in 2008 amounted to $30,000 in the form of 1,594 shares of restricted common stock that vest over four years at a rate of 15%, 15%, 20% and 50%. As discussed above under "CD&A-Former President Compensation," Mr. Penske, Jr. received $72,485, resulting from a non-equity incentive plan award with respect to the first quarter of 2008.

Other Restricted Stock Awards. The other equity awards noted in the table were each issued to our named executive officers as part of an annual grant of restricted stock pursuant to the terms of the 2002 Equity Compensation Plan. These awards vest annually over four years at a rate of 15%, 15%, 20% and 50% and were issued based on principles described in the "CD&A — Restricted Stock."

Outstanding Equity Awards at 2008 Year-End

	Option Awards			Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested(1)
Roger S. Penske .... Chief Executive Officer				207,285(2)	$1,591,949
Robert T. O'Shaughnessy	5,000 (3)	$10.48	2/22/12		
Executive Vice President & Chief Financial Officer				36,200(4)	$278,016
Robert H. Kurnick, Jr........................ President				31,500(5)	$241,920
Calvin C. Sharp................................. Executive Vice President – Human Resources				6,600(6)	$50,688
Shane M. Spradlin	7,000 (7)	$5.55	3/18/13		
SVP, General Counsel & Secretary				10,613(8)	$81,508
Roger S. Penske, Jr. .... Former President	—	—	—	—	—

(1) Market value is based upon the closing price of our common stock on December 31, 2008 ($7.68).

(2) These restricted shares vest as follows:
June 1, 2009 – 53,116 June 1, 2011 – 57,296
June 1, 2010 – 52,240 June 1, 2012 – 44,633

(3) This award was granted on February 22, 2002 under our Amended and Restated Stock Option Plan, vested in three equal annual installments and is now fully vested.

(4) The restricted shares vest as follows:
June 1, 2009 – 16,850 June 1, 2011 – 7,200
June 1, 2010 – 6,650 June 1, 2012 – 5,500

(5) These restricted shares vest as follows:
June 1, 2009 – 10,150 June 1, 2011 – 7,200
June 1, 2010 – 8,650 June 1, 2012 – 5,500

(6) The restricted shares vest as follows:
June 1, 2009 – 2,075 June 1, 2011 – 1,500
June 1, 2010 – 1,775 June 1, 2012 – 1,250

(7) This award was granted on March 18, 2003 under our Amended and Restated Stock Option Plan, vested in three equal annual installments and is now fully vested.

(8) The restricted shares vest as follows:
June 1, 2009 – 3,013 June 1, 2011 – 2,525
June 1, 2010 – 2,825 June 1, 2012 – 2,250

Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting(1)
Roger S. Penske Chief Executive Officer	—	—	33,721	$704,432
Robert T. O'Shaughnessy Executive Vice President & Chief Financial Officer	—	—	8,900	$185,921
Robert H. Kurnick, Jr. President	—	—	8,000	$167,120
Calvin C. Sharp Executive Vice President — Human Resources	—	—	2,000	$41,780
Shane M. Spradlin SVP, General Counsel & Secretary	—	—	2,437	$50,909
Roger S. Penske, Jr. Former President	10,000	$103,220	19,894	$387,137

(1) The value is based upon the closing price of our common stock on the vesting date.

Pension Benefits and Nonqualified Deferred Compensation

Our executive officers are not eligible to participate in any defined benefit or nonqualified deferred compensation plans.

Termination Payments

None of our current named executive officers is employed under an employment agreement, and none have any contractual severance or termination payments. See "CD&A — Former President Compensation" for a discussion of our severance arrangements with our former President, Roger S. Penske, Jr.

Director Compensation

The Board of Directors believes that its members should receive a mix of cash and equity compensation, with the option to receive all compensation in the form of equity. The Board of Directors approves changes to director compensation only upon the recommendation of the compensation committee, which is composed solely of independent directors. Only directors who are not our paid employees are eligible for director compensation, unless otherwise noted.

Annual Fee and Restricted Stock Award. Each non-employee director receives an annual fee of $40,000, except for audit committee members, who receive $45,000, as well as committee chairpersons, who receive an additional $5,000. These fees are payable, at the option of each non-employee director, in cash or common stock valued on the date of receipt (generally in March of the year subsequent to service). Our non-employee directors also receive an annual grant of 4,000 shares of stock payable generally during the first quarter of the year following service. In recognition of our cost savings initiatives more fully discussed above under "CD&A—2008 Performance," each of the non-employee directors agreed to forgo $10,000 of their annual cash fee relating to 2008.

Option to Defer Receipt until Termination of Board Service. Under our Non-Employee Director Compensation Plan, the annual fee and equity awards earned by our non-employee directors may be deferred in either the form of cash (for the annual fee) and/or deferred stock. Each deferred stock unit is equal in value to a share of common stock, and ultimately will be paid in cash after a director retires. These stock units do not have voting rights, but do receive dividends in the form of additional stock units which are credited to the director's account on the date dividends are paid. All fees deferred in cash are held in our general funds and interest on such deferred fees is credited to the director's account at the then current U.S. 90-day Treasury bill rate on a quarterly basis.

Charitable Donation Matching Program. All directors are also eligible to participate in a charitable matching gift program. Under this program, we match up to $25,000 per year in contributions by each director to institutions qualified as tax-exempt organizations under 501(c)(3) of the Internal Revenue Code and other institutions approved at the discretion of management. We may decline to match any contribution to an institution with goals that are incompatible with ours, or due to conflicts with our director independence policy. This program is not available for matching of political contributions. While the contributions are directed by our directors, we retain the tax deduction for these contributions.

Other Amounts. As part of our director continuing education program, each director is eligible to be reimbursed by us for the cost and expenses relating to one education seminar per year. These amounts are excluded from the table below. Each non-employee director is also entitled to the use of a company vehicle, as well as the cost of routine maintenance and repairs and company-sponsored automobile insurance relating to that vehicle. All directors are also entitled to reimbursement for their reasonable out-of-pocket expenses in connection with their travel to, and attendance at, meetings of the Board of Directors or its committees. Because we expect attendance at all meetings, and a substantial portion of the Board of Directors' work is done outside of formal meetings, we do not pay meeting fees.

Director Compensation Table

Our directors who are also our employees (Messrs. Kurnick, Ishikawa, and Penske) receive no additional compensation for serving as directors, though they are eligible for the charitable matching program noted above. Effective December 5, 2008, Mr. Mita resigned from our Board of Directors.

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	All Other Compensation	Total
John D. Barr	$35,000	$119,166 (3)	$43,454 (3)	$197,620
Michael R. Eisenson	$40,000	$119,166 (4)	$41,801 (4)	$200,967
William J. Lovejoy	$30,000	$119,166 (5)	$38,100 (5)	$187,266
Kimberly J. McWaters	$30,000	$119,166 (6)	$46,605 (6)	$195,771
Eustace W. Mita, Former Director (7)	$35,000	$100,473 (7)	$22,829 (7)	$158,302
Lucio A. Noto	$30,000	$119,166 (8)	$28,550 (8)	$177,716
Richard J. Peters	$30,000	$119,166 (9)	$39,368 (9)	$188,534
Ronald G. Steinhart	$35,000	$119,166 (10)	$35,417 (10)	$189,583
H. Brian Thompson	$35,000	$119,166 (11)	$69,726 (11)	$223,892

(1) Each of the non-employee directors agreed to forgo $10,000 of their annual cash fee relating to 2008. These amounts reflect the reduced fees as more fully discussed above under "CD&A-2008 Performance." We pay our directors in the year subsequent to service. Unless otherwise noted, this column reflects the fees earned in 2008, though these fees were paid in 2009. Messrs. Eisenson, Lovejoy and Noto elected to receive equity in lieu of a cash fee for 2008. Mr. Thompson elected to receive equity for 50% of his cash fee in 2008.

(2) These amounts represent the amount of compensation expense we recorded in 2008 in connection with equity awards granted under our 2002 Equity Compensation Plan, which amounts were determined in accordance with FAS 123R as discussed in footnotes 1 and 14 to our consolidated financial statements filed in our annual report on Form 10-K on March 10, 2009. For 2008, our directors received equity compensation in the form of common stock while in prior years they received restricted common stock. As a result, the 2008 expense we recorded included all of the value of unrestricted shares issued relating to 2008 service, as well as the previously unrecognized expense relating to restricted stock issued to the directors for service in prior years.

(3) Mr. Barr had 8,292.58 deferred stock units outstanding at December 31, 2008. "All Other Compensation" reflects $40,954 for the use of a Company vehicle and related insurance, and the remainder in matching of charitable donations. The grant date fair value of the 4,000 deferred stock units granted to Mr. Barr on February 29, 2008 was $72,160.

(4) Mr. Eisenson had 5,999 shares of unvested restricted stock outstanding at December 31, 2008. "All Other Compensation" reflects the use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of restricted stock and the 2,453 shares of stock granted to Mr. Eisenson on February 29, 2008 was $116,412.

(5) Mr. Lovejoy had 25,342.46 deferred stock units outstanding at December 31, 2008, including the award earned in 2008. "All Other Compensation" reflects the use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 6,180.43 deferred stock units granted to Mr. Lovejoy on February 29, 2008 was $111,495.

(6) Ms. McWaters had 4,000 deferred stock units and 5,999 shares of unvested restricted stock outstanding at December 31, 2008, including the award earned in 2008. "All Other Compensation" reflects $30,779 for the use of a Company vehicle and related insurance, and the remainder in matching of charitable donations. The grant date fair value of the 4,000 shares of restricted stock granted to Ms. McWaters on February 29, 2008 was $72,160.

(7) Effective December 5, 2008, Mr. Mita resigned from our Board of Directors. Upon his resignation, we vested Mr. Mita's outstanding 5,999 shares of restricted stock and paid his 2008 annual fee. "All Other Compensation" reflects the use of a Company vehicle and related insurance. The grant date fair value of the 4,000 shares of restricted stock granted to Mr. Mita on February 29, 2008 was $72,160.

(8) Mr. Noto had 20,412.31 deferred stock units outstanding at December 31, 2008. "All Other Compensation" reflects the use of a Company vehicle and related insurance and matching of charitable donations. The grant date fair value of the 6,180.43 deferred stock units granted to Mr. Noto on February 29, 2008 was $111,495.

(9) Mr. Peters had 5,999 shares of unvested restricted stock outstanding at December 31, 2008. "All Other Compensation" reflects the use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of restricted stock granted to Mr. Peters on February 29, 2008 was $72,160.

(10) Mr. Steinhart had 5,999 shares of unvested restricted stock outstanding at December 31, 2008. "All Other Compensation" reflects the use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of restricted stock granted to Mr. Steinhart on February 29, 2008 was $72,160.

(11) Mr. Thompson had 5,999 shares of unvested restricted stock outstanding at December 31, 2008. "All Other Compensation" reflects $44,726 for use of a Company vehicle and related insurance and $25,000 in matching of charitable donations. The grant date fair value of the 4,000 shares of restricted stock and the 1,090 shares of stock granted to Mr. Thompson on February 29, 2008 was $91,824.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 10, 2009 by (1) each person known to us to own more than five percent of our common stock, (2) each of our directors, (3) each of our named executive officers and (4) all of our directors and executive officers as a group.

"Beneficial ownership" is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares including shares of restricted, but unvested stock. "Economic ownership" is determined by adding deferred stock units owned by the non-employee directors and received as director compensation to beneficial ownership. The percentage of ownership is based on 91,529,539 shares of our common stock outstanding on March 10, 2009. Unless otherwise indicated in a footnote, each person identified in the table below has sole voting and dispositive power with respect to the common stock beneficially owned by that person and none of the shares are pledged as security.

Beneficial Owner	Economic Ownership(1)	Beneficial Ownership (2)	Percent
Penske Corporation(3) 2555 Telegraph Road, Bloomfield Hills, MI 48302-0954	36,898,068	36,898,068	40.3 %
Mitsui(4) 2-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo, Japan	15,559,217	15,559,217	17.0 %
Baron Capital Group, Inc.(5) 767 Fifth Avenue, New York, NY 10153	5,938,118	5,938,118	6.5 %
Dimension Fund Advisors LP(6) 1294 Ocean Avenue, 11th Floor, Santa Monica, CA 90401	5,970,612	5,970,612	6.5 %
Barclays Global Investors, NA(7) 145 Fremont St., San Francisco, CA 91405	4,673,727	4,673,727	5.1 %
John D. Barr(8)	21,293	13,000	*
Michael R. Eisenson	45,828	45,828	*
Hiroshi Ishikawa	11,950	11,950	*
Robert H. Kurnick, Jr.(9)	94,292	94,292	*
William J. Lovejoy(10)	37,342	12,000	*
Kimberly J. McWaters(11)	14,924	10,924	*
Lucio A. Noto(12)	44,089	23,677	*
Robert T. O'Shaughnessy(13)	68,255	68,255	*
Roger S. Penske(14)	37,623,738	37,623,738	41.1 %
Richard J. Peters(15)	129,760	129,760	*
Calvin C. Sharp	15,412	15,412	*
Shane M. Spradlin(16)	29,439	29,439	
Ronald G. Steinhart	32,500	32,500	*
H. Brian Thompson	46,325	46,325	*
All directors and executive officers as a group (14 persons)		38,013,048	41.5 %

* Less than 1%

(1) Economic Ownership is defined as "Beneficial Ownership" (see footnote 2), plus the amount of deferred stock units held by certain non-employee directors.

(2) Pursuant to the regulations of the SEC, shares are deemed to be "beneficially owned" by a person if such person directly or indirectly has or shares the power to vote or dispose of such shares. Each person is deemed to be the beneficial owner of securities which may be acquired within sixty days through the exercise of options, warrants, and rights, if any, and such securities are deemed to be outstanding for the purpose of computing the percentage of the class beneficially owned by such person.

(3) Penske Corporation is the beneficial owner of 36,112,044 shares of common stock, of which it has shared power to vote and dispose together with a wholly owned subsidiary. Penske Corporation also has shared voting power over 786,024 shares under voting agreements. Penske Corporation also has the right to vote the shares owned by the Mitsui entities (see note 3) under certain circumstances discussed under "Certain Relationships and Related Party Transactions." If these shares were deemed to be beneficially owned by Penske Corporation, its beneficial ownership would be 52,457,285 shares or 57.3%.

(4) Represents 3,111,444 shares held by Mitsui & Co., (U.S.A.), Inc. and 12,447,773 shares held by Mitsui & Co., Ltd.

(5) As reported on Schedule 13G as of December 31, 2008 and filed with the SEC February 12, 2009.

(6) As reported on Schedule 13G as of December 31, 2008 and filed with the SEC February 9, 2009.

(7) As reported on Schedule 13G as of December 31, 2008 and filed with the SEC on February 5, 2009.

(8) Mr. Barr owns 8,292.58 deferred stock units which vest following his retirement from our Board of Directors.

(9) Mr. Kurnick has shared voting power with respect to 31,292 of these shares.

(10) Mr. Lovejoy owns 25,342.46 deferred stock units which vest following his retirement from our Board of Directors.

(11) Ms. McWaters owns 4,000 deferred stock units which vest following her retirement from our Board of Directors.

(12) Mr. Noto also owns 20,412.31 deferred stock units which vest following his retirement from our Board of Directors.

(13) Includes 5,000 shares issuable upon the exercise of options.

(14) Includes the 36,898,068 shares deemed to be beneficially owned by Penske Corporation and 64,550 shares deemed to be beneficially owned by Penske Capital Partners, L.L.C., as to all of which shares Mr. Penske may be deemed to have shared voting and dispositive power. Mr. Penske is the managing member of Penske Capital Partners and the Chairman and Chief Executive Officer of Penske Corporation. 64,500 of the shares deemed owned by Penske Capital Partners are pledged as security to Penske Corporation. Mr. Penske disclaims beneficial ownership of the shares beneficially owned by Penske Capital and Penske Corporation, except to the extent of his pecuniary interest therein. Penske Corporation also has the right to vote the shares owned by the Mitsui entities (see note 3) under certain circumstances discussed under "Certain Relationships and Related Party Transactions." If these shares were deemed to be beneficially owned by Mr. Penske, his beneficial ownership would be 53,182,955 shares or 58.1%.

(15) Mr. Peters has shared voting power with respect to these shares.

(16) Includes 7,000 shares issuable upon the exercise of options.

RELATED PARTY TRANSACTIONS

Our Board of Directors has adopted a written policy with respect to the approval of related party transactions. Under the policy, related party transactions valued over $5,000 are to be approved by a majority of either the members of our Audit Committee or our disinterested Board members. Our Audit Committee shall approve all individual related party transactions valued below $1 million, and all multiple-payment transactions valued below $5 million (such as a lease), or any transaction substantially similar to a prior year's transaction (regardless of amount), if not approved by the Board. Our Board, by a vote of the disinterested directors, must review and approve all related party transactions valued above those amounts or not otherwise approved by the Audit Committee. At each regularly scheduled meeting, our Audit Committee reviews any proposed new related party transactions for approval and reviews the status of previously approved transactions. Each of the transactions noted below was approved by our Board of Directors or Audit Committee pursuant to this policy.

Entities affiliated with Roger S. Penske, our Chairman of the Board and Chief Executive Officer, are parties to a stockholders agreement described below. Mr. Penske is also Chairman of the Board and Chief Executive Officer of Penske Corporation, and, through entities affiliated with Penske Corporation, our largest stockholder. The parties to the stockholders agreement are International Motor Cars Group, II, L.L.C. ("IMCGII"), Mitsui & Co., Ltd., Mitsui & Co, (USA), Inc. (collectively, "Mitsui"), Penske Corporation and Penske Automotive Holdings Corp. We refer to IMCGII, Penske Corporation and Penske Automotive Holdings Corp. as the Penske affiliated companies.

In connection with a sale of shares of our common stock to Mitsui in March 2004, Mitsui and the Penske affiliated companies agreed to certain "standstill" provisions. Until termination of the stockholders agreement discussed below, among other things and with some exceptions, the parties have agreed not to acquire or seek to acquire any of our capital stock or assets, enter into or propose business combinations involving us, participate in a proxy contest with respect to us or initiate or propose any stockholder proposals with respect to us. Notwithstanding the prior sentence, the purchase agreement permits (1) any transaction approved by either a majority of disinterested members of our Board of Directors or a majority of our disinterested stockholders, (2) in the case of Mitsui, the acquisition of securities if, after giving effect to such acquisition, its beneficial ownership in us is less than or equal to 49%, (3) in the case of the Penske affiliated companies, the acquisition of securities if, after giving effect to such acquisition, their aggregate beneficial ownership in us is less than or equal to 65%, and (4) the acquisition of securities resulting from equity grants by the Board of Directors to individuals for compensatory purposes.

We have also agreed to grant Mitsui the right to an observer to our Board of Directors as long as it owns at least 2.5% of our outstanding common stock, and the right to have an appointee designated as a senior vice president of Penske Automotive, as long as it owns at least 10% of our outstanding common stock. Mr. Hiroshi Ishikawa, one of our directors, has been appointed as our Executive Vice President — International Business Development. We also agreed not to take any action that would restrict the ability of a stockholder to propose, nominate or vote for any person as a director of us, subject to specified limitations.

Stockholders Agreement. Simultaneously with this purchase, Mitsui and the Penske affiliated companies entered into a stockholders agreement. Under this stockholders agreement, the Penske affiliated companies agreed to vote their shares for one director who is a representative of Mitsui. In turn, Mitsui agreed to vote its shares for up to fourteen directors voted for by the Penske affiliated companies. In addition, the Penske affiliated companies agreed that if they transfer any of our shares of common stock, Mitsui would be entitled to "tag along" by transferring a pro rata amount of its shares upon similar terms and conditions, subject to certain limitations. This agreement terminates on its tenth anniversary, upon the mutual consent of the parties or when either party no longer owns any of our common stock.

Registration Rights Agreements. We have granted the Penske affiliated companies registration rights. Pursuant to our agreements, the Penske affiliated companies each may require us on three occasions to register all or part of our common stock held by them, subject to specified limitations. They are also entitled to request inclusion of all or any part of their common stock in any registration of securities by us on Forms S-1 or S-3 under the Securities Act of 1933, as amended. In connection with the purchase of shares by Mitsui discussed above, we have granted registration rights to Mitsui. Under our agreement, Mitsui may require us on two occasions to register all or part of its common stock, subject to specified limitations. Mitsui also is entitled to request inclusion of all or any part of its common stock in any registration of securities by us on Forms S-1 or S-3 under the Securities Act.

Other Related Party Interests. Several of our directors and officers are affiliated with Penske Corporation or related entities. Mr. Penske is a managing member of Transportation Resource Partners, an organization that undertakes investments in transportation-related industries. Richard J. Peters, one of our directors, is a director of Penske Corporation and a managing director of Transportation Resource Partners. Robert H. Kurnick, Jr., our President and a director, is also the President and a director of Penske Corporation. Mr. Ishikawa, one of our directors, serves as our Executive Vice President — International Business Development and in a similar capacity for Penske Corporation. For 2008, we were reimbursed approximately ten percent of the base salary and benefits of Shane Spradlin, our General Counsel, by Penske Corporation to reflect his efforts on behalf of Penske Corporation. Our former President and employee through March 31, 2008, Roger S. Penske, Jr., also serves as a director of Penske Corporation and is the son of our Chairman and Chief Executive Officer. These employees or directors may receive salary, bonus or other compensation from Penske Corporation or its affiliates unrelated to their service at Penske Automotive. Our former director, Eustace W. Mita and director Lucio A. Noto are each investors in Transportation Resources Partners.

Penske Truck Leasing. In June 2008, we acquired a 9% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading global transportation services provider, from subsidiaries of General Electric Capital Corporation (collectively, "GE Capital") in exchange for $219 million. PTL operates and maintains more than 200,000 vehicles and serves customers in North America, South America, Europe and Asia. Product lines include full-service leasing, contract maintenance, commercial and consumer truck rental and logistics services, transportation and distribution center management and supply chain management. The general partner of PTL is Penske Truck Leasing Corporation (the "General Partner"), a subsidiary of Penske Corporation which, together with other wholly owned subsidiaries of Penske Corporation (the "Penske Parties"), owns 40% of PTL. The remaining 51% of PTL is owned by GE Capital.

In connection with this transaction, we became a party to a previously existing partnership agreement among the other partners which, among other things, provides us with specified partner distribution and governance rights, and restricts our ability to transfer our interests. Specifically, as a limited partner, we are entitled only to a limited number of rights, including the right to act as an observer at all meetings of PTL's Advisory Committee and a right to pro rata distributions of available profits. Further, we may only transfer our interests with the unanimous consent of the other partners, or if we and the Penske Parties provide the remaining partners with a right of first refusal to acquire our interests at fair market value. We and the Penske Parties have also agreed that (1) in the event of any transfer by the Penske Parties of their partnership interests to a third party, we shall be entitled to "tag-along" by transferring a pro rata amount of our partnership interests on similar terms and conditions, and (2) the Penske Parties are entitled to a right of first refusal in the event of any transfer of our partnership interests. Additionally, the partnership has agreed to indemnify the General Partner for any actions in connection with managing the partnership, except those taken in bad faith or in violation of the partnership agreement. In the event of certain changes to PTL's capital structure, GE Capital and the General Partner have agreed to provide us with certain "make whole" payments, as further described in the purchase agreement with respect to the transaction, which is filed as exhibit 10.1 to our annual report on Form 10-K.

In 2008, we received $2.7 million from PTL in pro rata cash distributions to its partners. We are also party to a five year agreement pursuant to which PTL subleases a portion of one of our dealership locations in New Jersey for $87,000 per year plus its pro rata share of certain property expenses. Payments are expected to be $3.4 million over the term of the sublease, including six optional five-year extension periods and an optional forty-four month extension period, but not including any potential increases in the rent resulting from changes in the consumer price index. Our Chairman and Chief Executive Officer also serves as chairman of PTL, for which he is compensated by PTL. As a limited partner, we do not influence or control the amount or composition of that compensation.

smart USA. Our subsidiary, smart USA Distributor, LLC, is the exclusive distributor for the smart fortwo vehicle in the U.S. and Puerto Rico. Penske Motor Group, Inc., a California based automotive retailer separate from us but also controlled by Penske Corporation, a subsidiary of UAG Connecticut I, which is affiliated with one of our directors as discussed below, and HBL, LLC (discussed below) and another affiliate of Roger S. Penske Jr., the son of our Chairman and Chief Executive Officer, are each smart fortwo vehicle dealers and as such participate in transactions with smart USA on the same terms as those applicable to the other dealers, such as the purchase of inventory.

During 2008, smart USA retained Ilmor Engineering, Inc., an affiliate of Penske Corporation, to provide certain engine development services in exchange for $139,000. PTL, discussed above, assists smart USA with the provision of roadside assistance and other services to smart fortwo owners. During 2008, smart USA paid PTL $1.2 million for these services, which amount includes $860,000 of pass-through expenses to be paid by PTL to third party vendors.

Other Transactions. From time to time, we pay and/or receive fees from Penske Corporation and its affiliates for services rendered in the normal course of business, including payments to third parties by Penske Corporation on our behalf which we then reimburse them, payments to third parties made by us on behalf of Penske Corporation which they then reimburse to us, shared office expenses, and payments relating to the use of aircraft from Penske Jet, a subsidiary of Penske Corporation. These transactions are reviewed quarterly by our Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties. Aggregate payments relating to such transactions amounted to $2.5 million paid by us, excluding the payments to AGR discussed below.

We are currently a tenant under a number of lease agreements with Automotive Group Realty, LLC (AGR) and its subsidiaries. AGR is a wholly owned subsidiary of Penske Corporation. The aggregate amount paid by us to AGR in 2008 under these leases was $0.5 million. The aggregate amount of all contractual payments from us to AGR under these leases from January 2009 through termination in 2014 is $1.9 million, with an additional $4.4 million due in the event we exercised all of our optional extensions under the leases through 2024, but not including any potential increases in the rent resulting from changes in consumer price index.

We and Penske Corporation have entered into a joint insurance agreement which provides that, with respect to certain joint crime and property insurance policies, available coverage with respect to a loss shall be paid to each party (or its relevant subsidiary) as stipulated in the policies. In the event of losses by us and Penske Corporation that exceed the limit of liability for any policy or policy period, the total policy proceeds will be allocated based on the ratio of premiums paid.

We have entered into a license agreement with an affiliate of Penske Corporation for a license of the “Penske Automotive” name. This agreement provides us with a perpetual license of the name “Penske Automotive” and related trade names so long as Penske Corporation and its affiliates own in excess of 20% of our outstanding stock and we adhere to the other terms of the license agreement. We have continuing investments in three companies controlled by Transportation Resource Partners, an organization discussed above: a provider of outsourced vehicle management solutions, a mobile vehicle washing company and an auctioneer of powersport vehicles.

Prior to April 28, 2008, we were party to an operating agreement with Roger S. Penske, Jr. relating to his 10% ownership investment in one of our subsidiaries, HBL, LLC, which is a holding company for five of our franchises in Virginia. From time to time, we provide HBL with working capital and other debt financing. From January 1, 2008 through April 28, 2008, we made periodic pro rata distributions from HBL, pursuant to which Mr. Penske, Jr. was paid $270,000. On April 28, 2008, we purchased Mr. Penske, Jr.’s 10% interest in HBL, LLC for $7.9 million. In a separate transaction in June 2008, an affiliate of Mr. Penske, Jr. purchased the ownership interests of two of our subsidiaries operating six franchises in California for $3.7 million in cash plus the assumption of certain liabilities, including floor plan notes payable. As part of the transaction, these two former subsidiaries continue to utilize certain technology for which they are reimbursing our cost. In addition, we entered into two leases pursuant to which the former subsidiaries are leasing certain fixed assets from us. One of the leases has a thirty year term and annual rent of $289,000 per year (or $8.5 million over the thirty year period), and the second lease has a nineteen year term and annual rent of $219,000 per year (or $4.1 million over the nineteen year period). The purchase and sale transactions were approved by the disinterested members of our Board of Directors, which included review by an independent committee of our Board of Directors.

Our officers, directors and their affiliates periodically purchase, lease or sell vehicles from our dealerships at fair market. Additionally, we hire automotive technicians who have graduated from Universal Technical Institute (“UTI”), a provider of technical education, whose Chief Executive Officer is Kimberly McWaters, one of our directors. We make no payments to UTI relating to the hiring of these graduates and hire them on the same terms as other employers.

In 2008, our board of directors approved a stock repurchase program for our outstanding common stock with an original authority of $150 million. Pursuant to that program, on August 5th and November 6th we repurchased an aggregate of 950,000 shares of our common stock from Eustace W. Mita, a former director, for an aggregate of $10.3 million. The transaction prices were based on the relevant closing prices of our common stock on the New York Stock Exchange. In 2008, Mr. Ishikawa, one of our board members, received approximately $150,000 in total cash compensation relating to his service as Executive Vice President — International Business Development, as well as 2,500 shares of restricted stock with a grant date fair value of $47,050.

An entity (the “Investor”) controlled by one of our directors, Lucio A. Noto, owns an 11.5% interest in one of our subsidiaries, UAG Connecticut I, LLC (“UAG Connecticut I”), pursuant to an agreement which entitles the Investor to 20% of the operating profits of UAG Connecticut I. This agreement also provides the Investor with the right to appoint one of three directors, as well as “tag-along rights” in the event we intend to sell our interest in UAG Connecticut I. We are entitled to a right of first refusal with respect to any potential sale by the Investor of its interest. From time to time, we provide UAG Connecticut I with working capital and other debt financing. In addition, we make periodic pro rata distributions from UAG Connecticut I, pursuant to which the Investor was paid approximately $708,000 during 2008. The Investor also paid approximately $402,000 to us in 2008 pursuant to its option to purchase up to a 20% interest in UAG Connecticut I.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and persons who beneficially own more than 10% of our common stock to file initial reports of ownership and reports of changes of ownership with the SEC. To our knowledge, based solely on our review of the Section 16(a) forms furnished to us and representations from our executive officers, directors and greater than 10% beneficial owners, all Section 16(a) reports were timely filed in 2008.

Stockholder Nominations and Proposals for 2010. We must receive any proposals submitted pursuant to Rule 14(a)-8 of the proxy rules of the Securities and Exchange Commission (SEC) intended to be presented to stockholders at our 2010 annual meeting of stockholders at our principal executive offices at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302-0954 for inclusion in the proxy statement by November 11, 2009. These proposals must also meet other requirements of the rules of the SEC relating to stockholder proposals. Stockholders who intend to present an item of business at the annual meeting of stockholders in 2010 (other than a proposal submitted for inclusion in our proxy statement) must follow the procedures set forth in our bylaws and provide us notice of the business no later than February 1, 2010.

Proxy Information. We do not anticipate that there will be presented at the annual meeting any business other than as discussed in the above proposals and the Board of Directors is not aware of any other matters that might properly be presented for action at the meeting. If any other business should properly come before the annual meeting, the persons named on the enclosed proxy card will have discretionary authority to vote all proxies in accordance with their best judgment.

Proxies in the form enclosed are solicited by or on behalf of our Board of Directors. We will bear the cost of this solicitation. In addition to the solicitation of the proxies by use of the mails, some of our officers and regular employees, without extra remuneration, may solicit proxies personally, or by telephone or otherwise. In addition, we will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward proxies and proxy material to their principals, and we will reimburse them for their expenses in forwarding soliciting materials, which are not expected to exceed an aggregate of $10,000.

It is important that proxies be returned promptly. Therefore, you are urged to sign, date and return the enclosed proxy card in the accompanying stamped and addressed envelope as soon as possible.

We will provide without charge to each of our stockholders, on the written request of such stockholder, a copy of our Form 10-K for the year ended December 31, 2008 and any of the other documents referenced herein. Copies can be obtained from Penske Automotive Group, Inc., Investor Relations, 2555 Telegraph Road, Bloomfield Hills, Michigan 48302-0954 (248-648-2500) or (866-715-5289).

Dated: March 12, 2009

Leadership

EXECUTIVE OFFICERS

Roger S. Penske
Chairman of the Board and CEO

Robert H. Kurnick, Jr.
President

Robert T. O'Shaughnessy
Chief Financial Officer

Calvin C. Sharp
Executive Vice President
Human Resources

Shane M. Spradlin
Senior Vice President,
General Counsel and Secretary

OPERATIONS

George W. Brochick
Executive Vice President
West Operations

Gerard Nieuwenhuys
Managing Director
Sytner Group

R. Whitfield Ramonat
Executive Vice President
Central Operations and
Financial Services

Bernard W. Wolfe
Executive Vice President
Eastern Operations

INVESTOR RELATIONS

Anthony R. Pordon
Senior Vice President

BOARD OF DIRECTORS

Roger S. Penske
Chairman of the Board and CEO
Penske Automotive Group

Robert H. Kurnick, Jr.
President
Penske Automotive Group

John D. Barr
CEO
Papa Murphy's International, Inc.

Michael R. Eisenson
Managing Director & CEO
Charlesbank Capital Partners, LLC

Hiroshi Ishikawa
Executive Vice President
International Business Development
Penske Automotive Group

William J. Lovejoy
Manager
Lovejoy & Associates

Kimberly J. McWaters
CEO
Universal Technical Institute, Inc.

Lucio A. Noto
Retired Vice Chairman
ExxonMobil Corporation

Richard J. Peters
Managing Director
Transportation Resource Partners, LP

Ronald G. Steinhart
Retired Chairman & CEO
Commercial Banking Group
Bank One Corporation

H. Brian Thompson
Executive Chairman
Global Telecom & Technology

EXECUTIVE OFFICES

Penske Automotive Group, Inc.
2555 Telegraph Road
Bloomfield Hills, MI 48302-0954
248 648-2500

Investor Relations and
Corporate Communications
Anthony R. Pordon
Senior Vice President
2555 Telegraph Road
Bloomfield Hills, MI 48302
248 648-2540

Stock Exchange Listing
Penske Automotive Group common stock is traded on the New York Stock Exchange under the ticker symbol PAG

Transfer Agent
Computershare Investor Services
P.O. Box 40378
Providence, RI 02940-3078

Independent Auditors
Deloitte & Touche LLP
600 Renaissance Center
Suite 900
Detroit, MI 48243

Form 10-K
The Company's Form 10-K is on file with the Securities and Exchange Commission. You may download an electronic copy by accessing the Company's Investor Relations section at *www.penskeautomotive.com*.

PAG
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NYSE

Penske Automotive Group, Inc.
2555 Telegraph Road, Bloomfield Hills, MI 48302-0954
www.penskeautomotive.com