

UNITED AUTO GROUP INC

Form DEF 14A

March 15, 2005

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

SCHEDULE 14A

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

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☐ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

United Auto Group, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☐ No fee required.
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To Our Stockholders:

We are pleased to invite you to attend the annual meeting of stockholders of United Auto Group, Inc. to be held at our offices located at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302, on April 14, 2005, at 8:30 a.m., Eastern Daylight Time.

The accompanying Notice of Annual Meeting and Proxy Statement describe the specific matters to be voted upon at the meeting. I believe the annual meeting provides an excellent opportunity for stockholders to become better acquainted with UnitedAuto and its directors and officers. I hope that you will be able to attend.

Whether or not you plan to attend, we ask that you cast your vote as soon as possible. This will both assure your shares are represented at the meeting and minimize the cost of proxy solicitation. Thank you for your continued support of UnitedAuto.

Sincerely,

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

Bloomfield Hills, Michigan
March 14, 2005

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
April 14, 2005**

We will hold our annual meeting of stockholders at our offices located at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302, on April 14, 2005, at 8:30 a.m., Eastern Daylight Time, for the following purposes:

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

(2) to transact such other business as may properly come before the meeting.

Stockholders of record as of February 25, 2005 can vote at the annual meeting and any adjournments of our 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 1, 2005 through April 14, 2005 at our principal executive offices, located at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302. This proxy statement is being distributed on or about March 14, 2005.

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 ensure a quorum. You may revoke your proxy and vote personally on all matters brought before the annual meeting.

By Order of the Board of Directors,

Shane M. Spradlin
Secretary

Bloomfield Hills, Michigan
March 14, 2005

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ABOUT THE MEETING

Q. What am I voting on?

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

Q. Who can vote?

- A. Common stockholders of UnitedAuto as of the close of business on the record date, February 25, 2005, can vote at the annual meeting. Each share of our common stock gets one vote. Votes may not be cumulated. As of February 25, 2005, there were 46,530,699 shares of our common stock outstanding.

Q. How do I vote before the meeting?

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

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 polls close at the meeting by (1) signing another proxy card with a later date and returning it to us prior to the meeting or (2) voting at the meeting if you are a registered stockholder or have obtained a legal proxy from your bank or broker.

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 twelve nominees for director, and (2) 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. Brokerage firms 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. The election of directors is considered a routine matter for which brokerage firms may vote without specific instructions.

Q. May stockholders ask questions at the meeting?

- A. Yes. Representatives of the Company will answer stockholder's 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 will be allowed to ask only one question and no repetitive or follow-up questions will be permitted.

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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. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of February 25, 2005 must be present in person or by proxy at the meeting (23,265,350 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 Company's proposal?

A. The 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 your proxy card or otherwise, will have no impact on the election of directors.

Q. What is the Company's policy regarding director attendance at the annual meeting?

A. We encourage all of our directors to attend the annual meeting. In 2004, all of our directors attended the annual meeting.

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PROPOSAL 1 ELECTION OF DIRECTORS

Proposal 1 to be voted on at the annual meeting is the election of the following twelve director nominees, each of whom is recommended by our Board of Directors. Biographical information about each of these nominees is included below. If elected, each of these nominees will be elected to serve a one-year term and will be subject to reelection 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
Chairman,
Performance Logistics
Group

Mr. Barr, 56, has served as a director since December 2002. Mr. Barr has been the Chairman of Performance Logistics Group, a vehicle transportation service provider, since 1999 and Vice Chairman of Papa Murphy's International, Inc., a take-and-bake pizza chain, since July 2004. 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., James Hardie Industries, NV and UST, Inc.

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

Mr. Eisenson, 49, has served as a director since December 1993. He is a Managing Director and CEO of Charlesbank Capital Partners L.L.C., 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 Catlin Group Limited, CCC Information Services Group, Inc., Playtex Products, Inc., Universal Technical Institute, Inc. and Xenogen Corporation

James A. Hislop
Managing Director of
Transportation
Resource Partners, LP

Mr. Hislop, 47, has served as a director since May 1999. Mr. Hislop has been Managing Director of Transportation Resource Partners since January 2003. He has been a managing member of Penske Capital Partners, L.L.C., since its inception in June 1997. Penske Capital Partners and Transportation Resources Partners are organizations formed to undertake acquisitions and strategic investments in the transportation and transportation services industry. Mr. Hislop served as a Managing Director in the Investment Banking Group of Merrill Lynch & Co. from 1991 to 1997. Mr. Hislop is a director of Penske Corporation.

Hiroshi Ishikawa
Executive Vice President
International Business
Development of the
Company

Mr. Ishikawa, 42, 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. From March 1997 to October 2001, Mr. Ishikawa served as the Assistant General Manager, Machinery & Automotive Department of Mitsui & Co. (U.S.A.), Inc. Detroit Office.

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William J. Lovejoy
Manager of
Lovejoy & Associates

Mr. Lovejoy, 64, 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.

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

Ms. McWaters, 40, 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 students 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.

Eustace W. Mita
Chairman of Achristavest,
LLC

Mr. Mita, 50, has served as a director since August 1999. Since October 2002, Mr. Mita has been chairman of Achristavest, LLC and CEO of Mita Management, L.L.P. From April 2000 until October 2001, Mr. Mita served as the Executive Vice President of The Reynolds and Reynolds Company, an integrated solutions provider for the automotive industry, and had been General Manager of Reynolds Transformation Services since May 2000. Prior thereto, Mr. Mita served as President and Chief Executive Officer of HAC Group, LLC, and President of Half-A-Car II, Inc., each automobile training and consulting companies, since 1990. Mr. Mita is also a director of The Reynolds and Reynolds Company.

Lucio A. Noto
Retired Vice Chairman of
ExxonMobil Corporation

Mr. Noto, 66, has served as a director since March 2001. Mr. Noto retired as Vice Chairman of ExxonMobil Corporation in January 2001, a position he 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 International Business Machines Corporation and the Altria Group, Inc. Mr. Noto is a member of the Mitsubishi Corp. (Japan) International Advisory Counsel and the Tamasek Technologies (Singapore) International Advisory Counsel.

Roger S. Penske
Chairman of the Board and
CEO of the Company and
Penske Corporation

Mr. Penske, 68, 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 CarsDirect.com, Inc., a private company offering online retail automotive services, General Electric Company, UTI and Home Depot, Inc. Mr. Penske has declined to stand for re-election for the board of Home

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Depot at its May 2005 annual meeting. Mr. Penske also is a director of Detroit Renaissance and a member of The Business Council.

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

Mr. Peters, 57, has served as a director since May 1999. Since January 2003, Mr. Peters has been Managing Director of Transportation Resource Partners. 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 also served as an officer and director of various subsidiaries of Penske Corporation since 1990. Mr. Peters has been a member of the Board of Directors of Penske Corporation since 1990.

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

Mr. Steinhart, 64, 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 the merger of Team Bank, which he founded in 1988. Mr. Steinhart also serves as a director of Carreker Corporation and as a Trustee of Prentiss Properties Trust.

H. Brian Thompson
Chairman of Comsat
International

Mr. Thompson, 66, has served as a Director since March 2002. Mr. Thompson is currently Chairman of Comsat International, a telecommunications services provider, and heads his own private equity investment and advisory firm, Universal Telecommunications, Inc., in Vienna, Virginia. Mr. Thompson was previously Chairman and CEO of Global TeleSystems Group, Inc. from March 1999 through September of 2000. From 1991 to 1998, Mr. Thompson served as chairman and CEO of LCI International. Subsequent to the merger of LCI with Qwest Communications International Inc. in June 1998, Mr. Thompson became Vice Chairman of the Board for Qwest until his resignation in December 1998. Mr. Thompson was Chairman of the Irish telephone company, Telecom Eirann, in 1999 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., Bell Canada International Inc., and Sonus Networks, Inc.

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Name	BOD	Audit	Compensation & Management Development	Nominating & Corporate Governance	Executive
John D. Barr	X	X			
Michael R. Eisenson	X	X			X
James A. Hislop	X				
Hiroshi Ishikawa	X				
William J. Lovejoy	X		X		
Kimberly J. McWaters	X				
Eustace W. Mita	X			X	
Lucio A. Noto	X				X
Roger S. Penske	X				X
Richard J. Peters	X				X
Ronald G. Steinhart	X	X			
H. Brian Thompson	X		X	X	
No. of Meetings 2004	6	9	5	4	0

Our Board of Directors has four standing committees: the Audit Committee, the Compensation and Management Development Committee, the Executive Committee and the Nominating and Corporate Governance 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.unitedauto.com under the tab Investor Relations. The principal responsibilities of each committee are described in the following paragraphs. All of our directors attended over 75% of our board and committee meetings and the average attendance was over 95%.

Audit Committee. The purpose of this committee is to assist the Board of Directors in fulfilling its oversight responsibility relating to (i) the integrity of our financial statements and financial reporting process and our systems of internal accounting and financial controls; (ii) the performance of the internal audit function; (iii) the annual independent audit of our financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; and (iv) 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 within the meaning of the New York Stock Exchange rules and applicable law and each is an audit committee financial expert.

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 the Company's directors, executive officers and such other employees as this committee may determine, succession planning and related matters. Each of the Committee members is independent under New York Stock Exchange rules and our more stringent 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. This Committee did not meet in 2004.

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 nominees for election to fill any vacancies on the Board of Directors 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

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the Board's performance. Each of the Committee members is independent under New York Stock Exchange rules and our more stringent guidelines for director independence.

Corporate Governance Guidelines. The Nominating and Corporate Governance Committee also makes recommendations concerning our corporate governance guidelines, which are posted on our website, www.unitedauto.com under the tab Investor Relations. These guidelines, and the other documents referenced in this section, are also available in print to any stockholder who requests them by calling our investor relations department at 248-648-2500.

Lead Director. One of our governance principles is that we must have a Lead Director, who shall be 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 General Counsel'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) also will 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.unitedauto.com under the tab Investor Relations. This code also is available in print to any stockholder who requests it by calling our investor relations department at 248-648-2500. We plan to disclose waivers for our executive officers or directors from the code on our website, www.unitedauto.com.

Independence. A majority of our Board of Directors is independent. The Board of Directors has determined that Ms. McWaters and Messrs. Barr, Eisenson, Lovejoy, Mita, 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 and which are discussed below. As required by NYSE rules, our Board made an affirmative determination as to each independent director that no material relationship exists which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board reviewed and discussed information provided by the directors and the Company with regard to each director's business and personal activities as they may relate to the Company and its 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 (including any parent or subsidiary in a consolidated group with us). In addition to applying these guidelines, the Board of Directors considers all 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. In accordance with NYSE rules, independence determinations under these guidelines will be based upon a director's relationships with us during the 36 months preceding the determination unless otherwise mentioned.

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 and committee 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 our independent auditors (or internal auditors), or an immediate family member is affiliated with or employed in a professional capacity by our independent auditors (or internal auditors); or

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4. an executive officer of ours serves on the compensation committee of the board of directors of a company which 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 which is indebted to us, or to which we are indebted, and the total amount of either company's indebtedness to the other 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 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 independent Board of Directors or solely independent compensation or nominating committees. We are a controlled company because Penske Corporation and its affiliates, and Mitsui & Co. and its affiliates, collectively own more than fifty percent of our voting stock. 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 is independent and each of our nominating, audit and compensation committees are 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 UnitedAuto and concern for its success and welfare, willingness to apply sound and independent business judgment and time available for UnitedAuto 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 UnitedAuto, willingness to contribute special competence to board activities, accomplishments within the director's respective field and some basic experience reading and understanding financial statements. The Committee retains the right to modify these qualifications from time to time.

The Nominating and Corporate Governance Committee's process for identifying and evaluating nominees is as follows: in the case of incumbent directors whose terms of office are set to expire, the Committee reviews such directors' overall service to the Company 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 determines whether the nominee would be independent. The Committee then meets with each candidate individually to discuss and consider his or her qualifications and, if approved, recommends the candidate to the Board for election. Ms. McWaters joined our Board in December 2004. Due to her substantial automotive experience, several of our directors (including our Chairman and Chief Executive Officer) recommended Ms. McWaters as a candidate for Board membership.

The Nominating and Corporate Governance Committee will consider director candidates nominated by stockholders. Stockholder proposals for nominees should be addressed to Corporate Secretary, United Auto Group, 2555 Telegraph Road, Bloomfield Hills, MI 48302 and must comply with the procedures outlined immediately 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 submission to the Corporate Secretary. Submissions must include sufficient biographical information concerning the recommended individual, including age, five-year 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

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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, and a statement of any relationships between the candidate and any automotive retailer, manufacturer or supplier. Recommendations received by September 30, 2005, will be considered for nomination at the 2006 annual meeting of stockholders. Recommendations received after September 30, 2005, will be considered for nomination at the 2007 annual meeting of stockholders.

Director Compensation. We have established a Non-Employee Director Compensation Plan to compensate our directors who are not our paid employees, who we call Outside Directors. Pursuant to the Non-Employee Director Compensation Plan, each Outside Director receives an annual retainer of \$40,000, except for Audit Committee members who receive \$45,000. These fees are payable, at the option of each Outside Director, in cash or in common stock at the current market price. Our Outside Directors also receive an annual grant of 1,000 shares of restricted stock generally in the first quarter. These restricted shares vest ratably and annually over three years. These amounts may be deferred in either the form of cash (for the annual retainer) and/or deferred stock units. Each deferred stock unit is equal in value to a share of common stock and ultimately paid in cash after a director retires. These stock units do not have voting rights but do generate dividend equivalents in the form of additional stock units and are credited to the director's account on the date the dividends are paid. Any fees deferred in cash will be held in the general funds of the Company. Interest on deferred fees is credited quarterly to the account at the then current U.S. 90-day Treasury Bill rate.

Each Outside Director is also entitled to the use of one of our vehicles. All directors are 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. We have ten Outside Directors and two employee directors. Directors who are also our employees receive no cash compensation for serving as directors or as members of committees. In July 2004, Roger Penske and Hiroshi Ishikawa were granted 7,500 and 1,000 shares, respectively, of restricted common stock in their capacity as company officers.

Compensation Committee Interlocks and Insider Participation. As of March 2005, the Compensation and Management Development Committee was comprised of H. Brian Thompson (Chairman) and William Lovejoy. Previously in 2004, the Committee was comprised of Mr. Lucio Noto (Chairman), an investor in Transportation Resource Partners, Mr. Thompson and Motokazu Yoshida, an officer of a subsidiary of Mitsui & Co. Mr. Penske is the Chairman of our Board of Directors and Chief Executive Officer. Mr. Penske is also the Chairman of the Board, Chief Executive Officer and a member of the compensation committee of Penske Corporation. Mr. Penske is also a managing member of Penske Capital Partners and Transportation Resource Partners. See the section entitled Related Party Transactions for descriptions of further transactions involving Penske Capital Partners, Penske Corporation, Transportation Resource Partners and Mr. Penske, as well as descriptions of transactions relating to the March 2004 sale of our common stock to Mitsui & Co. and one of its affiliates.

Since April 2003, an entity controlled by one of our directors (and a former member of the Compensation and Management Development Committee), Lucio A. Noto (the Investor), has owned an interest in one of our subsidiaries, UAG Connecticut I, LLC, which entitles the Investor to 20% of the operating profits of UAG Connecticut I. From time to time, we provide UAG Connecticut I with working capital and other debt financing and make periodic pro rata distributions from UAG Connecticut I to the Investor, which in 2004 totaled \$358,000. In addition, in October 2004, the Investor paid us \$150,000 pursuant to its option to purchase up to a 20% interest in UAG Connecticut I. The Investor currently owns 7.1% of UAG Connecticut I. The Investor had previously guaranteed 20% of UAG Connecticut I's lease obligation to AGR, our previous landlord of the dealership property. In exchange for that guarantee, the Investor was entitled to 20% of any appreciation of the property value, which appreciation would otherwise accrue to AGR at the time of sale, and the Investor was responsible to AGR for any corresponding loss of the property value at the time of sale, which obligation was secured solely by the Investor's ownership interest in UAG Connecticut I, LLC. In October 2004, we sold the underlying property to a third party and no appreciation or loss of the property value had occurred. Therefore, no amounts were paid or received by Investor at that time and the related property agreements were terminated.

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EXECUTIVE OFFICERS

Our named 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. A brief biography of Mr. Penske is set forth above. Brief biographies of our other named executive officers are provided below.

James R. Davidson, 59, has served as our Executive Vice President Finance since May 1999, as our Executive Vice President Accounting and Treasurer from August 1997 to May 1999, and as our Senior Vice President Finance from February 1997 to August 1997. Prior to joining us, Mr. Davidson was an audit partner for Ernst & Young LLP, an accounting and financial advisory services firm, which he joined in 1973.

Samuel X. DiFeo, 55, has served as our President and Chief Operating Officer since February 1998. Mr. DiFeo was also a director from February 1998 to May 2004 and previously served as Executive Vice President of some of our subsidiaries whose assets were formerly owned by Mr. DiFeo and members of his family from October 1992 to January 1998.

Robert H. Kurnick, Jr., 43, has served as our Executive Vice President and General Counsel since February 2000. Since January 2003, Mr. Kurnick has served as President of Penske Corporation. Employed by Penske Corporation since January 1995, Mr. Kurnick has served in various capacities including Executive Vice President of Penske Corporation and General Counsel of Penske Capital from August 1999 to December 2002 and Senior Vice President and General Counsel of Penske Auto Centers, Inc. from November 1995 to January 2001. Mr. Kurnick is also a director of Penske Corporation.

Paul F. Walters, 61, has served as our Executive Vice President Human Resources since August 1999. Since July 1997, Mr. Walters has also served as Executive Vice President Administration of Penske Corporation. Mr. Walters served as Senior Vice President of Detroit Diesel Corporation from August 1997 to December 2000.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table contains information concerning annual and long-term compensation of each individual who served as our chief executive officer during 2004 and each of our other named executive officers who served during 2004 for services rendered in all capacities during 2004, 2003 and 2002.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards	
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)	Restricted Stock Award \$(1)	Securities Underlying Options(#)
Roger S. Penske	2004	750,000	900,000		225,825	
Chairman of the Board and Chief Executive Officer	2003	750,000	1,000,000		225,625	
	2002	294,231	900,000			20,000
Samuel X. DiFeo	2004	400,000	200,000	116(3)	105,385	
President and Chief Operating Officer	2003	400,000	200,000	552(3)	135,375	
	2002	400,000	175,000	552(3)		20,000
James R. Davidson	2004	465,000	320,000	20,734(4)	90,330	
Executive Vice President	2003	450,000	300,000	15,169(4)	108,300	
Finance	2002	400,000	190,000	14,796(4)		11,000
Robert H. Kurnick, Jr.	2004	166,000(2)	99,000(2)	9,276(5)	90,330	
Executive Vice President	2003	171,500(2)	67,750(2)		108,300	
and General Counsel	2002	272,000(2)				12,500
Paul F. Walters	2004	282,000(2)	163,000(2)		90,300	
Executive Vice President	2003	268,500(2)	141,000(2)		108,300	
Human Resources	2002	250,000(2)				7,500

(1) Represents the value of the award based on the closing price of our common stock on the date of grant. The restricted stock awarded on July 1, 2004 vests annually over four years at a rate of 15%, 15%, 20% and 50%. The restricted stock awarded on May 16, 2003 vests ratably and annually over three years. We pay dividend equivalents on our outstanding and unvested restricted stock. The aggregate total number and value of restricted stock holdings as of December 31, 2004, based on the market closing price of \$29.59 on such date, for our named executive officers was as follows: Roger Penske: 15,833 shares (\$468,498), Sam DiFeo: 8,500 shares (\$251,515), each of James Davidson, Paul Walters and Robert Kurnick, Jr.: 7,000 shares (\$207,130).

(2) Messrs. Kurnick and Walters are paid directly by Penske Corporation. The amounts shown reflect that portion of the salary compensation and bonus of Messrs. Kurnick and Walters that was paid by us to Penske Corporation.

- (3) Represents tax allowance for life insurance sponsored by us as part of our company wide plan. In addition, Mr. DiFeo uses company vehicles in the ordinary course of his employment, which use cannot be measured.
- (4) Represents the use of and tax allowance for a company vehicle and life insurance sponsored by us as part of our company wide plan.
- (5) Represents an allowance for a company vehicle.

Option Grants

The Company did not grant any options to purchase common stock during 2004 to our named executive officers.

Table of Contents**Aggregated Option Exercises in 2004 and Year-End Option Values**

The following table sets forth information concerning the number and value of options held by our named executive officers on December 31, 2004 and 2004 option exercises.

Name	Number of Shares Acquired upon Exercise(#)	Value Realized(\$)	Number of Securities Underlying Unexercised Options at Fiscal Year End(#)		Value of Unexercised In the Money Options at Fiscal Year End (\$)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Roger S. Penske			453,334	6,666	8,740,456	57,594
Samuel X. DiFeo	140,000	3,099,045	173,334	6,666	2,365,256	57,594
James R. Davidson	13,333	291,895	3,667	3,667	31,683	31,683
Robert H. Kurnick, Jr.			20,833	4,167	317,822	36,003
Paul F. Walters			17,500	2,500		