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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

or

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

For the transition period from to

Commission file number: 001-31262

ASBURY AUTOMOTIVE GROUP, INC.
(Exact name of Registrant as specified in its charter)

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

(770) 418-8200
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 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 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 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 (as defined in Rule 12b-2 of the Act).

Large Accelerated Filer ☐ Accelerated filer ☒ Non-Accelerated Filer ☐ Smaller reporting company ☐

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

Based on the closing price of the registrant's common stock as of June 30, 2008, the aggregate market value of the common stock held by non-affiliates of the registrant was $409,086,663.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of March 12, 2009 was 32,105,515 (net of 4,760,218 treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the

ASBURY AUTOMOTIVE GROUP, INC.

2008 FORM 10-K ANNUAL REPORT

PART I

Forward-Looking Information

Certain statements in this report constitute "forward-looking statements" as such term is defined in the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this report include statements relating to goals, plans and pending acquisitions, projections regarding our financial position, results of operations, market position, business strategy and expectations of our management with respect to, among other things:

- our relationships with vehicle manufacturers;
- our ability to improve our margins;
- operating cash flows, availability of capital and liquidity;
- capital expenditures;
- the completion of future acquisitions and the revenues to be generated by those acquisitions;
- our ability to mitigate future negative trends in new vehicle sales with the stability of our parts and service business, the variable nature of significant components of our cost structure and our advantageous brand mix;
- manufacturers' willingness to continue to use incentive programs in the near future to drive demand for their product offerings;
- general economic trends, including, the price of oil and gasoline, consumer confidence levels, the availability of customer financing and interest rates;
- automotive retail industry trends, including our expectation that (i) the recent industry-wide gain in market share of the luxury and mid-line import brands will continue in the near future, (ii) 2009 will continue to be a challenging retail environment and will impact our new vehicle, used vehicle and F&I after new vehicle revenue and gross profit levels as well as our current SG&A expense as a percentage of gross profit levels, (iii) our light vehicle unit sales will outperform industry-wide U.S. light vehicle unit sales and (iv) the luxury and mid-line import brands will continue to increase market share;
- our expectation that we will recognize improved parts and service gross profit in the future from heavy trucks as a result of the addition of service capacity and as the customers who purchased vehicles prior to the emission law changes begin to bring their vehicles in for maintenance and repairs;
- our expectation that we will recognize cost savings resulting from the relocation of our corporate offices from New York and Connecticut to Georgia, the reorganization of our retail network and our store-level productivity initiatives;
- our belief that the jury verdict against us in Portland, Oregon is unsupported by both the evidence and the law, and that we will prevail on appeal;
- our belief that we can manage our costs by centralizing our processing system and capitalizing on best practices among our dealerships, standardizing of compensation and benefit plans, and negotiating contracts with certain of our vendors on a national rather than a regional basis;
- our expectation that we will achieve annualized cost savings of approximately $3.5 million in our data processing costs upon the completion of our conversion to the Arkona dealer management system;
- our ability to sell certain of our dealerships to raise capital or to refine our dealership portfolio;
- excluding the impact of impairment expense, we expect to experience lower net income in 2009 as compared to 2008, as a result of (i) our expectation of 2009 U.S. new vehicle unit sales between 10.0 million and 11.0 million, which had been above 16.0 million since 1999, and was 13.2 million in

2008, (ii) retail margins continuing to decrease while manufacturers bring supply in line with demand, and (iii) continued difficulty for consumers to secure vehicle financing;

- our expectation that our SG&A initiatives may not keep pace with declining margins and lower gross profit as a result of lower sales volumes;
- our ability to successfully sell our dealerships, if necessary, to supplement our liquidity position in the current difficult economic environment and to manage our capital structure in order to remain in compliance with the financial covenants included in our debt agreements;
- our expectation that it will be challenging to maintain 2008 parts and service revenue in 2009;
- our belief that opportunities exist in the marketplace to improve profitability over the long-term, including (i) focusing on our higher margin parts and service and finance and insurance businesses, (ii) managing inventory to meet customer demands, (iii) managing our capital structure, (iv) executing on cost reduction initiatives and (v) improving customer service at our dealerships;
- our expectation that a significant amount of U.S. dealerships may close during the year, and that most of these dealerships will be domestic dealerships, which we anticipate will result in market share gains for mid-line import and luxury dealerships;
- our expectation that we will experience lower F&I per vehicle sold levels in 2009 compared to 2008 as a result of (i) tighter lending standards, including lower loan-to-value constraints, (ii) lower income as a result of our decision to discontinue our investments in consumer loans and (iii) lower F&I retro payments as a result of the sale of our remaining interest in a pool of extended maintenance contracts; and
- our belief that our cash and cash equivalents on hand as of December 31, 2008, the funds that will be generated through future operations, and the funds available for borrowings, proceeds from sale-leaseback transactions and asset sales will be sufficient to fund our debt service and working capital requirements, commitments and contingencies, debt repurchases, acquisitions, capital expenditures and any seasonal operating requirements for at least the next twelve months.

To the extent that statements in this report are not recitations of historical fact, such statements constitute forward-looking statements that, by definition, are based on our current expectations and assumptions and involve significant risks and uncertainties. As a result, there can be no guarantees that our plans for future operations will be successfully implemented or that they will prove to be commercially successful. The following are some but not all of the factors that could cause actual results or events to differ materially from those anticipated, including:

- our ability to generate sufficient cash flows and maintain our liquidity;
- the effect of us taking a tangible or intangible impairment charge in 2009;
- our inability to comply with our debt or lease covenants and obtain waivers of these covenants as necessary;
- the effect of receiving a “going concern” qualification in our auditor’s report on our 2008 consolidated financial statements;

- market factors and the future economic environment, including consumer confidence, interest rates, the price of oil and gasoline, the level of manufacturer incentives, unprecedented low vehicle sales, which are expected to be between 10.0 million and 11.0 million in 2009, and the availability of consumer credit;
- the reputation and financial health and viability of vehicle manufacturers whose brands we sell, and their ability to design, manufacture, deliver and market their vehicles successfully;
- the ability of our principal vehicle manufacturers to continue to produce vehicles that are in high demand by our customers;
- our ability to enter into and/or renew our framework and dealership agreements on favorable terms;
- our ability to minimize operating expenses or adjust our cost structure;
- the inability of our dealership operations to perform at expected levels or achieve expected targets;
- our ability to divest of our dealerships and other assets in a timely manner and at profit to sustain our operations and maintain our liquidity;
- our ability to successfully integrate future acquisitions into our existing operations;
- the financial health and viability of the institutions with which we have our credit facilities and our ability to borrow under such facilities if necessary to sustain our operations;
- changes in, or failure or inability to comply with, laws and regulations governing the operation of automobile franchises, accounting standards, the environment and taxation requirements;
- high levels of competition in the automotive retailing industry which may create pricing pressures on the products and services we offer;
- our relationship with the automotive manufacturers which may affect our ability to complete additional acquisitions;
- the loss of key personnel; and
- the outcome of any pending or threatened litigation.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this report. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, whether as a result of new information, future events or otherwise, except as required under federal securities law. Please see the section under “Item 1A. Risk Factors” for a further discussion of the factors that may cause our actual results of operations to differ from our projections.

Moreover, the factors set forth under “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” below and other cautionary statements made in this report should be read and understood as being applicable to all related forward-looking statements wherever they appear in this report. We urge you to carefully consider those factors.

Additional Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge on our Internet site at *http://www.asburyauto.com* on the same day that the information is filed with the Securities and Exchange Commission (the "Commission"). In addition, the proxy statement that will be delivered to our stockholders in connection with our 2009 annual meeting, when filed, will also be available on our web site, and at the URL stated in such proxy statement. We also make available on our web site copies of our charter, bylaws and materials that outline our corporate governance policies and practices, including:

- the respective charters of our audit committee, governance and nominating committee, compensation committee and risk committee;
- our criteria for independence of the members of our board of directors, audit committee, governance and nominating committee and compensation committee;
- our Corporate Governance Guidelines; and
- our Code of Business Conduct and Ethics for Directors, Officers and Employees.

We intend to provide any information required by Item 5.05 of Form 8-K (relating to amendments or waivers of our Code of Business Conduct and Ethics) by the alternative of disclosure on our web site.

You may also obtain a printed copy of the foregoing materials by sending a written request to: Investor Relations Department, Asbury Automotive Group, Inc., 2905 Premiere Parkway, NW, Suite 300, Duluth, Georgia 30097. In addition, the Commission makes available on its web site, free of charge, reports, proxy and information statements and other information regarding issuers, such as us, that file electronically with the Commission. The Commission's web site is *http://www.sec.gov*. Unless otherwise specified, information contained on our web site, available by hyperlink from our web site or on the Commission's web site, is not incorporated into this report or other documents we file with, or furnish to, the Commission.

As required by Section 303A.12 of the Listed Company Manual of the New York Stock Exchange (the "NYSE"), our Chief Executive Officer submitted to the NYSE his annual certification on May 19, 2008, stating that he was not aware of any violation by our company of the corporate governance listing standards of the NYSE. In addition, we have filed the certifications of our Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to our annual report on Form 10-K for the year ended December 31, 2007.

Except as the context otherwise requires, "we," "our," "us," "Asbury" and "the Company" refer to Asbury Automotive Group, Inc. and its subsidiaries.

Item 1. Business

We are one of the largest automotive retailers in the United States, operating 115 franchises at 87 dealership locations as of December 31, 2008. We offer our customers an extensive range of automotive products and services, including:

- new and used vehicles;
- vehicle maintenance and repair services;
- replacement parts;
- new and used vehicle financing; and
- the sale of warranty, insurance and extended service contracts.

Asbury Automotive Group, Inc. was incorporated in the State of Delaware on February 15, 2002. On March 13, 2002, we effected an initial public offering of our common stock, and on March 14, 2002, our stock was listed on the NYSE under the ticker symbol "ABG".

General Description of Our Operations

As of December 31, 2008, we operated dealerships in 22 metropolitan markets throughout the United States. We developed our dealership portfolio through the acquisition of large, locally branded dealership groups operating throughout the United States. We complemented these large dealership groups with the purchase of numerous single point dealerships and small dealership groups in our existing market areas (referred to in this Annual Report as "tuck-in acquisitions"). Our retail network is currently organized into two regions, East and West, and includes nine locally branded dealership groups. The following is a detailed breakdown of our markets and dealerships as of December 31, 2008:

Brand Names by Region	Date of Initial Acquisition	Markets	Franchises
East			
Nalley Automotive Group	September 1996	Atlanta, GA	Acura, Audi, BMW, Chrysler, Hino(a), Honda, IC Bus, Infiniti(a), International(a), Isuzu Truck, Jaguar, Jeep, Lexus(a), Nissan, Peterbilt, Toyota, Volvo, Workhorse, UD Truck
Courtesy Autogroup	September 1998	Tampa, FL	Chrysler, Dodge, Honda, Hyundai, Infiniti, Jeep, Kia, Mercedes-Benz, Nissan, Toyota, smart
Coggin Automotive Group	October 1998	Jacksonville, FL	Buick, Chevrolet, GMC, Honda(a), Nissan(a), Pontiac, Toyota
		Orlando, FL	Buick, Chevrolet, Ford, GMC, Honda(a), Lincoln, Mercury, Pontiac
		Fort Pierce, FL	Acura, BMW, Honda, Mercedes-Benz
Crown Automotive Company	December 1998	Princeton, NJ	BMW, MINI
		Greensboro, NC	Acura, BMW, Cadillac, Chevrolet, Chrysler, Dodge, Honda, Nissan, Volvo
		Chapel Hill, NC	Honda
		Fayetteville, NC	Dodge, Ford
		Charlotte, NC	Honda
		Richmond, VA	Acura, BMW(a), MINI
		Charlottesville, VA	BMW
		Greenville, SC	Nissan
West			
David McDavid Auto Group	April 1998	Dallas/Fort Worth, TX	Acura, Honda(a), Lincoln, Mercury
		Houston, TX	Honda, Nissan
		Austin, TX	Acura
California Dealerships	April 2003	Fresno, CA	Mercedes-Benz(b), Nissan(b)
		Sacramento, CA	Mercedes-Benz(b)
		Los Angeles, CA	Honda
North Point Auto Group	February 1999	Little Rock, AR	BMW, Ford, Lincoln, Mazda, Mercury, Nissan(a), Toyota, Volkswagen, Volvo
Gray-Daniels Auto Family	April 2000	Jackson, MS	Chevrolet, Ford, Lincoln, Mercury, Nissan(a), Toyota
Plaza Motor Company	December 1997	St. Louis, MO	Audi, BMW, Cadillac, Infiniti, Land Rover, Lexus, Mercedes-Benz, Porsche, smart

(a) This market has two of these franchises.
(b) Represents pending divestitures as of December 31, 2008.

New Vehicle Sales

Our franchises include a diverse portfolio of 37 American, European and Asian brands. Our new vehicle unit sales include the sale of new vehicles to individual retail customers ("new light vehicle retail"), the sale of new vehicles to commercial customers ("fleet"), and the sale of new heavy trucks ("heavy trucks") (the terms "new light vehicle retail," "fleet" and "heavy trucks," being collectively referred to as "new"). Our new light vehicle retail revenue and new light vehicle gross profit include revenue and gross profit from new light vehicle unit and fleet unit sales. In 2008, we sold 87,754 new vehicles through our dealerships. New light vehicle retail sales were 54% of our total revenues and 23% of our total gross profit for the year ended December 31, 2008. New heavy truck revenue totaled 4% of total revenue and 1% of gross profit for the year ended December 31, 2008. We evaluate the results of our new vehicle sales based on unit volumes and gross profit per vehicle sold. We believe we are well-positioned to capitalize on changes in consumer preferences as a result of our strong brand mix, which is heavily weighted towards mid-line import and luxury brands. Please see "Business Strategy—Focus on Premier Brand Mix, Strategic Markets and Diversification" below for a discussion on our diverse offering of brands and products.

Our new vehicle retail sales include new vehicle sales, new vehicle retail lease transactions provided by third parties and other similar agreements arranged by our individual dealerships. As a result of finite lease terms, customers who lease new vehicles generally return to the market more frequently than customers who purchase new vehicles. In addition, because third-party lessors frequently give our dealerships the first option to purchase vehicles returned by customers at lease-end, leases provide us with an additional source of late-model vehicles for our used vehicle inventory. Generally, leased vehicles remain under factory warranty for the term of the lease, allowing dealerships to provide warranty repair service to the lessee throughout the lease term.

Used Vehicle Sales

We sell used vehicles at all of our dealership locations. Used vehicle sales include the sale of used vehicles to individual retail customers ("used retail") and the sale of used vehicles to other dealers at auction ("wholesale") (the terms "used retail" and "wholesale" being collectively referred to as "used"). In 2008, we retailed 47,325 used vehicles through our dealerships. Retail sales of used vehicles, which generally have higher gross margins than new vehicles, made up approximately 18% of our total revenues and 13% of our total gross profit for the year ended December 31, 2008. We evaluate the results of our used vehicle sales based on unit volumes and gross profit per vehicle sold. Used vehicle revenue from wholesale sales was 5% of total revenue for the year ended December 31, 2008. Profits from the sales of used vehicles depend primarily on the ability of our dealerships to obtain a high quality supply of used vehicles and the use of the best available technology to manage our inventory. Our new vehicle operations provide our used vehicle operations with a large supply of high quality trade-ins and off-lease vehicles, which we believe are good sources of attractive used vehicle inventory. We purchase a significant portion of our used vehicle inventory at auctions restricted to new vehicle dealers (offering off-lease, rental and fleet vehicles) and "open" auctions that offer vehicles sold by other dealers and repossessed vehicles. Used vehicle inventory is typically wholesaled if they are not retailed within 60 days, except for used vehicles that do not fit within our inventory mix, which are wholesaled almost immediately. The reconditioning of used vehicles also creates profitable service work for our parts and service departments.

In addition to our high quality supply of used vehicles, we employ state-of-the-art technology to manage our inventory on a local basis. We transfer used vehicles among our dealerships to provide a balanced mix of used vehicle inventory at each of our dealerships. We believe that acquisitions of additional dealerships expand the internal market for the transfer of used vehicles among our dealerships and, therefore, increase the ability of each dealership to offer a balanced mix of used vehicles.

We have taken several steps towards building customer confidence in our used vehicle inventory, including participation in manufacturer certification programs as well as the development of our own used vehicle certification program. Manufacturer programs make certain used vehicles eligible for vehicle benefits such as special finance rates and extended manufacturer warranties. In addition, our internal used vehicle certification program includes a thorough inspection of used vehicle inventory within the program and allows our customers to return used vehicles for any reason within five days or five hundred miles, whichever occurs first. We guarantee the operation of the vehicle, subject to certain limitations and state laws, for sixty days from the date of purchase. In addition, we offer customers the opportunity to purchase extended warranties, which are provided by third parties.

Over time, we intend to grow our used vehicle sales by:

- maintaining high quality inventory across all price ranges and all classes of used vehicles, including factory certified as well as traditional non-certified used vehicles:
- providing competitive prices to our customers;
- executing our marketing initiatives; and
- increasing our focus on training our sales and service team.

Parts and Service

We sell parts and provide maintenance and repair service at all of our franchised dealerships, primarily for the vehicle brands sold at those dealerships. In addition, as of December 31, 2008, we maintained 25 free-standing collision repair centers either on the premises of, or in close proximity to, our dealerships. We operate approximately 2,700 service bays. Parts and service accounted for approximately 15% of our total revenues and 46% of our total gross profit for the year ended December 31, 2008.

Historically, parts and service revenues have been more stable than vehicle sales. Industry-wide, parts and service revenues have consistently increased over time primarily due to the increased cost of maintaining vehicles, the added technical complexity of vehicles and the increased number of vehicles on the road. We believe the variety and quality of parts and service offerings available for both new and used vehicles in recent years have seen progressive expansion and improvement. Our parts and service business benefits from the service work generated through the sale of extended service contracts to customers who purchase new and used vehicles from us because customers tend to service their vehicles at the same location where they purchase extended warranty contracts. For the year ended December 31, 2008, warranty work accounted for 17% of our parts and service revenue.

Historically, the automotive repair industry has been highly fragmented. We believe, however, that the increased use of advanced technology in vehicles has made it difficult for independent repair shops to have the expertise to perform major or technical repairs, especially as such repairs relate to luxury and mid-line imports that comprise a significant majority of our new vehicle retail sales. Additionally, all manufacturers require manufacturer warranty work to be performed only at franchised dealerships. As a result, unlike independent service stations or independent and superstore used car dealerships with service operations, our franchised dealerships are qualified to perform work covered by manufacturer warranties on increasingly technologically complex vehicles.

One of our major goals is to retain each vehicle purchaser as a long-term customer of our parts and service departments. Therefore, we believe that significant opportunity for growth exists in our maintenance service business. Each dealership has systems in place to track customer maintenance records and to notify owners of vehicles purchased at the dealership when their vehicles are due for periodic services. We have additional customer retention initiatives in place and have expanded our service offerings over the last few years to essentially make the parts and service business at our stores a “one stop” shop. Service and repair activities are an integral part of our overall approach to customer service. From selling tires to utilizing state-of-the-art diagnostic equipment, our parts and service business offers our customers all the services needed to maintain their vehicles.

In order to improve the profitability of our parts and service business, we continue to recruit technicians and other employees to our service centers to ensure that our customers continue to receive excellent service. Over time, we maintained growth in this line of our business due to our attention to customer retention initiatives and our continued investment in human capital in past years. We continue to train our staff, including service advisors, on menu-selling and customer service skills. We have also added Business Development Centers in some of our stores to drive customer retention. At these Business Development Centers, we have staff dedicated to maintaining periodic contact with our customers. Furthermore, we have continued to add equipment to our service centers that help our technicians identify issues with our customers' vehicles and promote incremental service sales.

We expect to improve our parts and service profitability by (i) maximizing the use of our service capacity, (ii) upgrading equipment, where appropriate, (iii) capitalizing on our regional training programs, and (iv) continuing to develop long-term customer relationships.

Finance and Insurance

We refer to the finance and insurance area of our business as F&I. Through our F&I business, we arrange for third-party financing of the sale or lease of new and used vehicles to customers, as well as offer a number of insurance and warranty products such as extended service contracts, guaranteed asset protection ("GAP") insurance, prepaid maintenance, credit life and disability insurance, and similar products. Our finance and insurance business generated approximately 3% of our total revenues and 18% of our total gross profit for the year ended December 31, 2008.

We arranged customer financing on approximately 70% of the vehicles we sold during the year ended December 31, 2008. These transactions resulted in commissions being paid to us by the third-party lenders, including manufacturer captive finance subsidiaries. As a general matter, we do not retain liability for the credit risk associated with these purchase and lease transactions after the completion of the transactions. However, we may be required to repay the finance company certain commissions if a customer prepays or defaults on the retail installment sales contract, typically during a specified time period following the sale. Similarly, we may be required to refund a portion of our profit relating to the sale of warranty, maintenance and insurance products in the event of early cancellation. We do not, however, bear any risk related to insurance payments, which are borne by third parties. We receive favorable pricing on many of the warranty, maintenance and insurance products that we provide as a result of our size and sales volume. We earn sales-based commissions on substantially all of these products and may be charged back ("chargebacks") for these commissions in the event a finance contract is cancelled, typically within the first 90 days or if a non-finance contract is canceled prior to its maturity.

We are currently party to a number of "preferred lender agreements." Under the terms of the preferred lender agreements, each lender has agreed to provide a marketing fee to us above the standard commission for each loan that our dealerships place with that lender. Furthermore, many of the warranty and insurance products we sell result in underwriting profits and investment income based on portfolio performance.

Recent Developments

On March 16, 2009, we announced that, as part of our continuous restructuring and cost reduction efforts, we are eliminating our regional management structure. In connection with this further evolution of our company, Michael S. Kearney, former President and CEO of our East Region, has been named Senior Vice President and Chief Operating Officer, responsible for the oversight of our dealership operations.

Our independent public accounting firm included an explanatory paragraph in its audit report for our 2008 financial statements that indicated there is uncertainty that we will remain in compliance with certain covenants in our debt agreements, and that this uncertainty raises substantial doubt about our ability to continue as a going concern. The inclusion of this explanatory paragraph in the audit report constituted a default under our revolving credit facility with Bank of America, as administrative agent, and a syndicate of commercial banks and commercial financing entities (the "BofA Revolving Credit Facility"), our used vehicle floor plan facility with

JPMorgan Chase Bank, N.A. and Bank of America (the "JPMorgan Used Vehicle Floor Plan Facility") and our new vehicle floor plan facility with General Motors Acceptance Corporation. As of March 12, 2009, we had received waivers from all of our associated lending partners with respect to these defaults and, as a result, we were in compliance with the covenants contained in these borrowing facilities. In connection with these waivers, we agreed to reduce the total credit availability under our BofA Revolving Credit Facility by $25.0 million to $175.0 million and the total credit availability under our JPMorgan Used Vehicle Floor Plan Facility by $25.0 million to $50.0 million.

On August 27, 2008, a U.S. District Court jury in Portland, Oregon reached a verdict against one of our subsidiaries in an action by four former salesmen alleging claims related to a hostile work environment at our former Thomason Toyota dealership in Gladstone, Oregon. We sold the Thomason Toyota dealership in 2006, though the alleged conduct involved in this matter occurred in 2005. During trial, the court dismissed the plaintiffs' claims for race discrimination and retaliation in employment as well as their claims for economic damages. The jury, however, awarded $19.0 million in total damages against our subsidiary consisting of $8.0 million in non-economic damages and $11.0 million in punitive damages.

In a post-trial opinion and order issued January 23, 2009, the U.S. District Court in Portland, Oregon reduced the total damages awarded against our subsidiary to $1.2 million consisting of $600,000 in non-economic damages and $600,000 in punitive damages. The court gave the plaintiffs the choice of either accepting the reduced award or proceeding with a new trial on damages.

We will seek to further reduce damages if the plaintiffs request a new trial and, if necessary, we will seek to overturn the verdict or seek to eliminate or further reduce damages on appeal to the U.S. Court of Appeals for the Ninth Circuit. We believe that the jury verdict is unsupported by both the evidence and the law, and that we will prevail on appeal.

Business Strategy

Focus on Premier Brand Mix, Strategic Markets and Diversification

We classify our franchise sales into luxury, mid-line import, mid-line domestic, value, and heavy trucks. Luxury and mid-line imports together accounted for approximately 85% of our new light vehicle retail revenues for the year ended December 31, 2008. Over the last two decades, luxury and mid-line imports have gained market share at the expense of mid-line domestic brands. Luxury and mid-line import vehicles have delivered more desirable vehicle models and have demonstrated greater resilience to downturns in the economy, garnered higher customer loyalty and presented more attractive service and used car opportunities. The mid-line import brands are generally viewed as more fuel efficient and continue to be in higher demand during times when gas prices are high.

The following table reflects the number of franchises and the share of new light retail vehicle revenue represented by each class of franchise as of December 31, 2008:

Class/Franchise	Number of Franchises as of December 31, 2008	% of New Light Vehicle Retail Revenue for the Year Ended December 31, 2008
Light Vehicles		
Luxury		
BMW	9	9%
Acura	6	5
Mercedes-Benz(a)	5	8
Infiniti	4	4
Lincoln	4	2
Lexus	3	6
Volvo	3	1
Audi	2	1
Cadillac	2	1
Jaguar	1	*
Land Rover	1	*
Porsche	1	*
Total Luxury	41	37%
Mid-Line Import		
Honda	14	25%
Nissan(b)	12	11
Toyota	5	10
MINI	2	1
Mazda	1	*
Volkswagen	1	1
Total Mid-Line Import	35	48%
Mid-Line Domestic		
Chevrolet	4	4%
Ford	4	6
Mercury	4	1
Chrysler	3	*
Dodge	3	2
Buick	2	*
GMC	2	*
Jeep	2	1
Pontiac	2	*
Total Mid-Line Domestic	26	14%
Value		
smart	2	*
Hyundai	1	1%
Kia	1	*
Total Value	4	1%
Total Light Vehicles	**106**	100%

Class/Franchise	Number of Franchises as of December 31, 2008	% of New Light Vehicle Retail Revenue for the Year Ended December 31, 2008
Heavy Trucks		
Hino	2	
International	2	
Isuzu Truck	1	
IC Bus	1	
Peterbilt	1	
UD Truck	1	
Workhorse	1	
Total Heavy Trucks	**9**	
TOTAL	**115**	

* Franchise accounted for less than 1% of new light vehicle retail revenue for the year ended December 31, 2008.

(a) Includes two pending divestitures as of December 31, 2008.

(b) Includes a pending divestiture as of December 31, 2008.

Our geographic coverage encompassed 22 different metropolitan markets at 87 locations in 11 states as of December 31, 2008, including: Arkansas, California, Florida, Georgia, Mississippi, Missouri, New Jersey, North Carolina, South Carolina, Texas and Virginia. New vehicle sales revenue is diversified among certain manufacturers as shown in the table above. We believe that our broad geographic coverage as well as diversification among manufacturers decreases our exposure to regional economic downturns and manufacturer-specific risks such as warranty issues or production disruption. See "Risk Factors—Risk Factors Related to our Dependence on Vehicle Manufacturers" for a list of such manufacturer-specific risks.

Each of our dealerships maintains a strong local brand that has been enhanced through local advertising over many years. We believe our cultivation of strong local brands is beneficial because consumers prefer to interact with a locally recognized brand. By placing franchises in one geographic location under a single, local brand, we expect to generate advertising synergies and retain customers even as they purchase and service different automobile brands.

Maintain Flexible Cost Structure and Emphasize Expense Control

We continually focus on controlling expenses at our existing dealerships and those that are integrated into our operations upon acquisition. We categorize our cost structure in three groups, which are variable, semi-variable and fixed. Variable costs include incentive-based compensation and vehicle carrying cost. Salespeople, sales managers, service managers, parts managers, service advisors, service technicians and the majority of other non-clerical dealership personnel are paid a commission. The majority of our general manager compensation and virtually all salesperson compensation is tied to profits of the dealership. In addition, the bonus portion of our salaried employee's compensation is tied to our operating results. Fixed costs include rent, utilities and depreciation expense. Semi-variable expenses include base salaries, outside services, travel and entertainment expenses, advertising and loaner vehicle amortization. We believe we can further manage these types of costs by centralizing our processing systems and capitalizing on best practices among our dealerships, standardizing of compensation and benefit plans, and negotiating contracts with certain of our vendors on a national rather than regional basis.

Furthermore, in order to further control our expenses, in the third quarter of 2008, we commenced a corporate and regional restructuring plan, which included the relocation of our corporate offices and the reorganization of our retail network. We have moved our corporate headquarters to Duluth, Georgia, and we expect to close our corporate offices in New York, New York and Stamford, Connecticut, by the end of March 2009. We expect this relocation will deliver cost savings of up to $5.0 million annually, resulting primarily from staffing reductions and lower rent expense. In addition, the reorganization of our retail network has reduced our operating structure to two regions from four regions and two stand-alone platforms. Finally, we are expanding our store-level productivity initiatives, focusing on advertising and personnel expenses, improved inventory management and selected technology investments to enhance our productivity. For a further discussion of the cost-savings resulting from our restructuring and productivity initiatives, please see the discussion in "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report.

Focus on Higher Margin Products and Services

While new vehicle sales are critical to drawing customers to our dealerships, parts and service, used vehicle retail sales, and finance and insurance generally provide significantly higher profit margins and account for the majority of our profitability. In addition, we have discipline-specific executives at both the corporate and regional levels who focus on increasing the penetration of current services and expanding the breadth of our offerings to customers. While each of our dealership general managers has flexibility to respond effectively to local market conditions, including market-specific advertising and management of inventory mix, each pursues an integrated strategy, as directed from our centralized management team at our corporate office, to enhance profitability and stimulate organic growth.

- **Parts and Service.** We offer parts, perform vehicle service work and operate collision repair centers at our dealerships, all of which provide important sources of recurring revenue with high gross profit margins. We expect to improve the profitability of our parts and service business by (i) maximizing the use of our service capacity, (ii) upgrading equipment, where appropriate, (iii) capitalizing on our regional training programs, and (iv) continuing to develop long-term customer relationships.

  Over the long term, we intend to expand this higher-margin business by adding new service bays and increasing capacity utilization of existing service bays. To help ensure high levels of customer satisfaction within our parts and service operations, we continue to recruit and train skilled technicians and service advisors to our operations. In addition, given the increased sophistication of vehicles, our repair operations provide detailed expertise and state-of-the-art diagnostic equipment that we believe independent repair shops cannot adequately provide. Our repair operations also provide manufacturer warranty work that must be done at certified franchise dealerships, rather than through independent dealers.

- **Used Vehicles.** We sell used vehicles at all of our franchised dealerships. Used vehicle sales include the sale of used vehicles to individual retail customers and the sale of used vehicles to other dealers at auction. We maximize the profitability of our used vehicle business by maintaining high quality inventory across all price ranges, providing competitive prices, continuing to enhance our marketing initiatives by focusing our efforts on marketing used vehicles through the Internet and building customer confidence in our vehicle inventory through manufacturer sponsored and internally developed used car certification programs.

- **Finance and Insurance.** Historically, we have increased our finance and insurance revenues over the years by offering a broad range of conventional finance and lease alternatives to fund the purchase of new and used vehicles. Moreover, continued in-depth sales training and certification efforts and innovative computer technologies have and will serve as important tools in improving our finance and insurance profitability. We have increased same-store dealership generated finance and insurance revenue per vehicle sold to $984 for the year ended December 31, 2008, from $947 for the year ended December 31, 2007. We have successfully increased our dealership generated finance and insurance revenue per vehicle sold each year since our inception.

Local Management of Dealership Operations

We believe that local management of dealership operations enables our retail network to provide market-specific responses to sales, customer service and inventory requirements. Our dealerships are operated as distinct profit centers in which the general managers are responsible for the operations, personnel and financial performance of their dealerships as well as other day-to-day operations. Our local management teams' familiarity with their markets enables them to effectively run day-to-day operations, market to customers and recruit new employees. The general manager of each dealership is supported by a management team consisting, in most cases, of a new vehicle sales manager, a used vehicle sales manager, a finance and insurance manager, and a parts and service manager. This management structure is complemented by regionally centralized technology and financial controls, as well as sharing market intelligence throughout the organization. See "Business Strategy—Experienced Corporate and Regional Management" below for a discussion of the incentive-based pay system for corporate and regional management.

We believe that our leadership at the store level represents some of the best talent in the industry. Our regional executives and store general managers are proven leaders in their local markets and have many years of experience in the automotive retail industry. In addition, our continued focus on college recruiting, training, development, and retention is designed to maintain our talented management pool. See "Business Strategy—Investment in Human Capital" below for further description of certain of our training programs.

We tie compensation of our senior dealership management to performance by relying upon an incentive-based pay system. We compensate our general managers based on dealership profitability, and our department managers and salespeople are similarly compensated based upon departmental profitability and individual performance.

We believe the application of professional management practices provides us with a competitive advantage over many independent dealerships. We regularly examine our operations in order to identify areas for improvement and disseminate best practices company-wide.

Experienced Corporate Management

We have a corporate management team that has served in prominent leadership positions within the automotive industry.

Charles R. Oglesby has served as our President and Chief Executive Officer since May 2007. Prior to serving as President and Chief Executive Officer, Mr. Oglesby served as our Senior Vice President and Chief Operating Officer from September 2006 to May 2007. Mr. Oglesby served as the Chief Executive Officer of our Nalley Automotive Group and North Point Auto Group from August 2004 until March 2007. Mr. Oglesby originally joined us as President and Chief Executive Officer of our North Point Auto Group in February 2002. Prior to joining our company, Mr. Oglesby served as President of the First America Automotive Group in San Francisco, California.

Craig T. Monaghan has served as the Senior Vice President and Chief Financial Officer of the Company since May 2008. Prior to joining the Company, Mr. Monaghan served as the Chief Financial Officer at Sears Holdings Corp. between September 2006 and January 2007. From May 2000 to August 2006, he served as Executive Vice President and Chief Financial Officer of AutoNation, Inc., the nation's largest automotive retailer.

Centralized Administrative and Strategic Functions

Our corporate headquarters are located in Duluth, Georgia. The corporate office is responsible for the capital structure of the business and its expansion and operating strategy. The implementation of our operational strategy rests with each dealership management team based on the policies and procedures established and promulgated by the corporate office. Furthermore, we employ professional management practices in all aspects of our operations, including information technology and employee training. Our dealership operations are complemented by regionally centralized technology and strategic and financial controls, as well as shared market intelligence throughout the organization. Corporate and dealership management utilize computer-based management information systems to monitor each dealership's sales, profitability and inventory on a regular basis.

While in the past we have used various companies to provide our dealer management systems for the data processed at our dealerships, in October 2007, we executed an agreement with DealerTrack Holdings, Inc. ("DealerTrack"). DealerTrack's Arkona dealer management system will become our sole dealer management system. We began this conversion in late 2007, and anticipate that all of our dealerships will use the Arkona dealer management system by 2010. As of December 31, 2008, 35% of our dealerships were converted to the Arkona dealer management system. We expect to achieve an annualized cost savings of approximately $3.5 million annually in our data processing costs upon the completion of our conversion to the Arkona dealer management system. Furthermore, we expect that moving toward a single dealer management system through which all our dealerships will process information will create a more efficient retail operation that will result in a better experience for our customers.

We consolidate financial, accounting and operational data received from our dealerships nationwide through a private communication network. The information from the dealer systems is aggregated at our corporate headquarters to create a consolidated view of the business using Hyperion financial products. Our information technology approach enables us to integrate and aggregate the information from a new acquisition. By creating a connection over our private network between the dealer management system and corporate Hyperion financial products, corporate management can view the financial, accounting and operational data of the newly acquired dealership. Hyperion's products allow us to review operating and financial data at a variety of levels. For example, from our headquarters, management can review the performance of any specific department (*e.g.*, parts and services) at any particular dealership. This system also allows us to compile and monitor our consolidated financial results in a shorter amount of time.

Investment in Human Capital

We recognize that our ability to grow our new vehicle sales is impacted by external factors, including the manufacturers' (i) ability to develop vehicles that meet the consumers' satisfaction and vehicles that consumers desire, (ii) rebates and incentives, as well as (iii) consumer confidence, (iv) gas prices, (v) interest rates, (vi) the availability of credit for consumers and (vii) other economic factors. Growth in our parts and service business is dependent on our ability to generate long-term customer relationships and having our customers return to our stores for service and repairs. Our finance and insurance business is dependent on our ability to arrange financing for our customers through third-party lenders. In each revenue source of our business, our ability to capture the customer and "close the deal" will enable us to generate revenue. In our effort to improve the profitability of all of our revenue sources and set us apart from our competitors, we invest in the training and growth of our employees.

In an effort to provide superior customer service to our customers, our finance and insurance managers, our new and used sales managers and our sales force are certified in the areas of compliance and ethics through third-party programs or internally developed programs. These employees attend classes or seminars on compliance and ethics as such topics relate to the automotive retailing industry, and more specifically, finance and insurance for the finance and insurance managers, and are then required to pass a written examination on these subjects in order to receive certification. The employees are required to renew their certification annually, which ensures their knowledge of compliance and ethics is current. Furthermore, we believe that by certifying these employees, we build the knowledge base of our employees, which improves morale and performance.

In addition, our parts and service employees undergo training provided by the vehicle manufacturers and certain of our vendors, as well as training arranged by dealership management, as needed, addressing various aspects of our parts and service business. Our parts and service employees are trained so that they can offer new car clinics and service clinics to our customers. We believe that as the knowledge base of our parts and service employees increases, we not only build their confidence and improve their performance, but also provide better experience for our customers as they interact with those employees. We believe that a customer who has a positive experience with one of our employees will be a repeat customer, which will lead to the continued growth of our business. We also have a policy that requires all finance and insurance personnel to go through a standard certification process and undergo continuing eduction in the areas of legal, regulatory and ethical compliance matters.

Our corporate and regional executives have also benefited from attending a management training program to assist them in setting and reaching personal and professional goals, and the effective management of their staffs. Through exposure to such training programs, we empower our corporate and regional executive team to work together more efficiently in the management of the business and its employees. We believe that a motivated management team will have a direct, positive effect on the business. With a highly motivated and goal-oriented workforce, we believe that we can continue to generate improved results.

Dealership Portfolio Management

We intend to continue to evaluate acquisition opportunities. In the past, we have focused our acquisition strategy on establishing a presence in new markets through the purchase of multiple individual franchises or through the acquisition of large, profitable and well-managed dealership groups with leading market positions. Our present strategy is to become the leader in every market in which we currently operate. As such, we intend to evaluate tuck-in acquisitions that complement our current dealerships.

Tuck-in acquisitions are typically re-branded immediately after acquisition and operate thereafter under our respective local brand name. By focusing on geographic and brand diversity, we seek to manage economic risk and drive growth and profitability. Because we own dealerships of all major brands and avoid significant concentration with one manufacturer, we are well-positioned to respond to changing customer preferences. We believe that these tuck-in acquisitions have facilitated, and will continue to facilitate, our regional operating efficiencies and cost savings. In addition, we have generally been able to improve the gross profits of tuck-in acquisitions within twelve months following the acquisition. We believe this is due to a number of factors, including:

- improvement in finance and insurance per vehicle sold;
- additional cost savings in finance, insurance and warranty products because of the size of our company;
- greater utilization of service bays acquired in the acquisition;
- improved management practices; and
- enhanced unit sales volumes related to the strength of our local brand names.

We will also evaluate opportunities to acquire large dealership groups or to enter new markets as such opportunities become available.

We continuously evaluate the financial and operating results of our dealerships, as well as each dealership's geographical location and from time to time, we may seek to sell certain of our dealerships to raise capital or to refine our dealership portfolio. However, there can be no assurance that we will be able to sell our dealerships on terms reasonable to us.

Commitment to Customer Service

We are focused on providing a high level of customer service to meet the needs of an increasingly sophisticated and demanding automotive consumer. We design our dealership service business to meet the needs of our customers and establish relationships that will result in both repeat business and additional business through customer referrals. Furthermore, we provide our dealership managers with incentives to employ more efficient selling approaches, engage in extensive follow-up to develop long-term relationships with customers and extensively train our sales staff to be able to meet customer needs.

We continually evaluate innovative ways, and implement new technology, to improve the buying experience for our customers, and believe that our ability to share best practices across our dealerships gives us an advantage over independent dealerships. For example, our customer relations management tool facilitates communications with our customers before, during and after the sale. Our “Auto Exchange” system continues to be our used car inventory management tool. All of our stores have access to these tools to drive the performance of our employees and enhance customer service. See also the discussion above under “Business Strategy—Centralized Administrative and Strategic Functions” for a discussion of our expectation of how the use of the Arkona dealer management system will improve the customer experience.

In addition, our service and repair operations are an integral part of our overall approach to customer service, providing an opportunity to foster ongoing relationships and improve customer loyalty. We continue to train our skilled technicians and service advisors to ensure that our customers continue to receive excellent service. We intend to invest in the human capital necessary to ensure that this aspect of our business continues to expand.

Marketing

Our advertising and marketing efforts are focused at the local market level, with the aim of building our business with a broad base of repeat, referral and new customers. We spend the majority of our advertising dollars on television advertising, followed by Internet-based advertising, including lead generation, radio, print, direct mail and the yellow pages. In addition, we also use electronic mail to assist our marketing efforts and to stay in contact with our customers.

The automotive retail industry has traditionally used locally produced, largely non-professional materials for advertising, often developed under the direction of each dealership’s general manager. However, we have chosen to create common marketing materials for our brand names using professional advertising agencies. Our total company advertising expense from continuing operations was $43.5 million for the year ended December 31, 2008, which translates into an average of $322 per retail vehicle sold. In addition, manufacturers’ direct advertising spending in support of their brands has historically been a significant component of the total amount spent on new car advertising in the United States.

Competition

In new vehicle sales, our dealerships compete with other franchised dealerships in their regions. We do not have any cost advantage in purchasing new vehicles from the manufacturers. Instead, we rely on advertising and merchandising, sales expertise, service reputation, strong local brand names and location of our dealerships to sell new vehicles. Our used vehicle operations compete with other franchised dealers, independent used car dealers, Internet-based vehicle brokers and private parties for supply and resale of used vehicles. See “Risk Factors—Other Risks—Substantial competition in automobile sales and services may adversely affect our profitability.”

We compete with other franchised dealers to perform warranty repairs and with other automobile dealers and franchised and independent service centers for non-warranty repair and routine maintenance business. We compete with other automobile dealers, service stores and auto parts retailers in our parts operations. We believe that the principal competitive factors in parts and service sales are the use of factory-approved replacement parts, price, the familiarity with a manufacturer’s brands and models, and the quality of customer service. A number of regional and national chains as well as some competing franchised dealers may offer certain parts and services at prices lower than our prices.

In arranging financing for our customers’ vehicle purchases, we compete with a broad range of financial institutions. In addition, financial institutions are now offering finance and insurance products through the Internet, which may reduce our profits on these items. We believe that the principal competitive factors in providing financing are convenience, interest rates and flexibility in contract length.

We compete with other national dealer groups and individual investors for acquisitions. Some of our competitors may have greater financial resources and the market may increase acquisition pricing of target dealerships. See “Risk Factors—Risks Related to our Dealership Portfolio Management –There is competition to acquire automotive dealerships, and we may not be able to fully implement our growth through acquisition strategy if attractive targets are acquired by competing buyers or if the market drives prices to the point where an acceptable rate of return is not achievable.”

Dealer and Framework Agreements

Each of our dealerships operates pursuant to a dealer agreement between the dealership and the manufacturer (or in some cases the distributor) of each brand of new vehicles sold and/or serviced at the dealership. Our typical dealer agreement specifies the locations at which the dealer has the right and obligation to sell the manufacturer’s vehicles and related parts and products and/or to perform certain approved services. Each dealer agreement also governs the use of the manufacturer’s trademarks and service marks.

The allocation of new vehicles among dealerships is subject to the discretion of the manufacturer, and generally does not guarantee the dealership exclusivity within a given territory. Most dealer agreements impose requirements on virtually every aspect of the dealer’s operations. For example, most of our dealer agreements contain provisions and standards related to:

- inventories of new vehicles and manufacturer replacement parts;
- the maintenance of minimum net working capital and in some cases minimum net worth;
- the achievement of certain sales and customer satisfaction targets;
- advertising and marketing practices;
- facilities and signs;
- products offered to customers;
- dealership management;
- personnel training;
- information systems; and
- dealership monthly and annual financial reporting.

In addition to requirements under dealer agreements, we are subject to additional provisions contained in supplemental agreements, framework agreements, dealer addenda and manufacturers’ policies, collectively referred to as “framework agreements.” Framework agreements impose additional requirements similar to those discussed above. Such agreements also define other standards and limitations, including:

- company-wide performance criteria;
- capitalization requirements;
- limitations on changes in our ownership or management;
- limitations on the number of a particular manufacturer’s franchises owned by us;
- restrictions or prohibitions on our ability to pledge the stock of certain of our subsidiaries; and
- conditions for consent to proposed acquisitions, including sales and customer satisfaction criteria as well as limitations on the total local, regional and national market share percentage that would be represented by a particular manufacturer’s franchises owned by us after giving effect to a proposed acquisition.

Some dealer agreements and framework agreements grant the manufacturer the right to purchase its dealerships from us under certain circumstances, including the occurrence of an extraordinary corporate transaction without the manufacturer's prior consent or a material breach of the framework agreement. Some of our dealer agreements and framework agreements also give the manufacturer a right of first refusal if we propose to sell any dealership representing the manufacturer's brands to a third party. These agreements may also attempt to limit the protections available under state dealer laws and require us to resolve disputes through binding arbitration.

Provisions for Termination or Non-renewal of Dealer and Framework Agreements. Certain of our dealer agreements expire after a specified period of time, ranging from one year to eight years, while other of our agreements have a perpetual term. We expect to renew expiring agreements in the ordinary course of business. However, typical dealer agreements give the manufacturer the right to terminate or the option of non-renewal of the dealer agreements under certain circumstances, including:

- insolvency or bankruptcy of the dealership;
- failure to adequately operate the dealership or to maintain required capitalization levels;
- impairment of the reputation or financial condition of the dealership;
- change of control of the dealership without manufacturer approval;
- failure to complete facility upgrades required by the manufacturer or agreed to by the dealer; or
- material breach of other provisions of a dealer agreement.

See "Risk Factors—Risk Factors Related to Our Dependence on Vehicle Manufacturers—If we fail to obtain renewals of one or more of our dealer and framework agreements on favorable terms, if certain of our franchises are terminated, or if certain manufacturers' rights under their agreements with us are triggered, our operations may be adversely affected," for a further discussion of the risks related to the termination or non-renewal of our dealer and framework agreements. While our dealer agreements may be terminated or not renewed for the reasons listed above, it is possible to negotiate a waiver of termination or non-renewal with the manufacturer.

Regulations

We operate in a highly regulated industry. Under various state laws each of our dealerships must obtain a license in order to establish, operate or relocate a dealership or operate an automotive repair service. In addition, we are subject to federal, state and local laws regulating the conduct of our business including:

- advertising;
- motor vehicle and retail installment sales practices;
- leasing;
- sales of finance, insurance and vehicle protection products;
- consumer credit; deceptive trade practices;
- consumer protection;
- consumer privacy;
- money laundering;
- environmental;
- land use and zoning; and
- health and safety and employment practices.

Our business is also subject to laws and regulations generally relating to corporate entities. We actively make efforts to assure we are in compliance with these laws and related regulations. See "Risk Factors—Other Risks—Government regulations and environment regulation compliance costs may adversely affect our profitability."

We benefit from the protection of state dealer laws which limit a manufacturer's ability to terminate or refuse to renew a franchise agreement, provide dealers with protest rights with respect to the addition of dealerships within proscribed geographic areas, and protect dealers against manufacturers unreasonably withholding consent to proposed changes in ownership of dealerships. However, some framework agreements attempt to limit the protection of state dealer laws. See "Risk Factors—Risks Related to Our Dependence On Vehicle Manufacturers—The reorganization or bankruptcy of one or more of the vehicle manufacturers could have a material adverse effect on our operations; and—If state dealer laws that protect automotive retailers are repealed, weakened or superseded by our framework agreements with manufacturers, our dealerships will be more susceptible to termination, non-renewal or renegotiation of their dealer agreements."

Environmental Matters

We are subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water, the storage of petroleum substances and chemicals, the handling and disposal of wastes and the remediation of contamination. As with automobile dealerships generally, and service and parts and collision repair center operations in particular, our business involves the generation, use, handling and disposal of hazardous or toxic substances and wastes. Operations involving the management of wastes are subject to requirements of the Federal Resource Conservation and Recovery Act and comparable state statutes. Pursuant to these laws, federal and state environmental agencies have established approved methods for handling, storage, treatment, transportation and disposal of regulated substances and wastes with which we must comply.

Our business also involves the use of above ground and underground storage tanks. Under applicable laws and regulations, we are responsible for the proper use, maintenance and abandonment of our regulated storage tanks and for remediation of subsurface soils and groundwater impacted by releases from existing or abandoned storage tanks. In addition to these regulated tanks, we own, operate, or have otherwise closed in place other underground and above ground devices or containers (such as automotive lifts and service pits) that may not be classified as regulated tanks, but which could or may have released stored materials into the environment, thereby potentially obligating us to clean up any soils or groundwater resulting from such releases.

We are also subject to laws and regulations governing remediation of contamination at or from our facilities or at facilities where we send hazardous or toxic substances or wastes for treatment, recycling or disposal. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, also known as the "Superfund" law, and similar state statutes, imposes liability for the entire cost of a cleanup, without regard to fault or the legality of the original conduct, on those that are considered to have contributed to the release of a "hazardous substance." Responsible parties include the owner or operator of the site or sites where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances released at such sites. These responsible parties also may be liable for damages to natural resources. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances. Currently, we are not aware of any material "Superfund" or other remedial liabilities to which we are subject.

Further, the Federal Clean Water Act and comparable state statutes prohibit discharges of pollutants into regulated waters without the necessary permits, require containment of potential discharges of oil or hazardous substances and require preparation of spill contingency plans. We are not aware of any non-compliance with the wastewater discharge requirements, requirements for the containment of potential discharges and spill contingency planning or other environmental laws applicable to our operations.

Environmental laws and regulations are very complex and it has become difficult for businesses that routinely handle hazardous and non-hazardous wastes to achieve and maintain full compliance with all applicable environmental laws. From time to time we experience incidents and encounter conditions that will not be in compliance with environmental laws and regulations. However, none of our dealerships has been subject to any material environmental liabilities in the past, nor do we know of any fact or condition that would result in any material environmental liabilities being incurred in the future. Nevertheless, environmental laws and regulations and their interpretation and enforcement change frequently and we believe that the trend of more expansive and stricter environmental legislation and regulations is likely to continue. As a result, there can be no assurance that compliance with environmental laws or regulations or the future discovery of unknown environmental conditions will not require additional expenditures by us, or that such expenditures would not be material. Our operations are subject to substantial laws and regulations and related claims and proceedings, any of which could adversely affect our business and financial results.

Employees

As of December 31, 2008, we employed approximately 7,300 people. We believe our relationship with our employees is favorable. We do not have employees that are represented by a labor union. In the future, we may acquire additional businesses that have unionized employees. Certain of our facilities are located in areas of high union concentration, and such facilities are susceptible to union-organizing activity. In addition, because of our dependence on vehicle manufacturers, we may be affected adversely by labor strikes, work slowdowns and walkouts at vehicle manufacturers' production facilities and transportation modes.

Insurance

Because of their vehicle inventory and the nature of the automotive retail business, automobile retail dealerships generally require significant levels of insurance covering a broad variety of risks. Our insurance program includes multiple umbrella policies with a total per occurrence and aggregate limit of $100.0 million. We also have directors and officers insurance, real property insurance, comprehensive coverage for our vehicle inventory, general liability, worker's compensation, employee medical and employee dishonesty insurance.

Item 1A. Risk Factors

In addition to the other information in this report, you should consider carefully the following risk factors when evaluating our business.

RISKS RELATED TO OUR COMPANY

If we are unable to generate sufficient cash, our ability to service our debt may be materially adversely affected, and our failure to comply with certain covenants in our debt, mortgage and lease agreements could adversely affect our ability to access our revolving credit facilities and adversely affect our ability to conduct our business.

We have substantial debt service obligations. As of December 31, 2008, we had total debt of $620.7 million, excluding floor plan notes payable and the effects of our terminated fair value hedge on our 8% Senior Subordinated Notes due 2014 (the "8% Notes). In addition, we and our subsidiaries have the ability to obtain additional debt from time to time to finance acquisitions, real property purchases, capital expenditures or for other purposes, subject to the restrictions contained in our BofA Revolving Credit Facility, our JPMorgan Used Vehicle Floor Plan Facility and the indentures governing our 8% Notes and our 7.625% Senior Subordinated Notes due 2017 (the "7.625% Notes"). We will have substantial debt service obligations, consisting of required cash payments of principal and interest, for the foreseeable future.

In addition, we have operating and financial restrictions and covenants in certain of our leases and in our debt instruments, including our revolving credit facilities with Bank of America, N.A. and JPMorgan Chase Bank N.A., the indentures under our 8% Notes and our 7.625% Notes and the mortgage agreements or guarantees for mortgages held with Wachovia Bank, National Association, Wachovia Financial Services, Inc., BMW Financial Services NA, LLC and Wells Fargo, N.A. These restrictions and covenants limit, among other things, our ability to incur additional indebtedness, to create liens or other encumbrances, and to make certain payments (including dividends and repurchases of our shares and investments).

Because of the uncertainties regarding our compliance with financial covenants during 2009, as discussed below, our independent registered public accounting firm included an explanatory paragraph that indicated there is uncertainty that we will remain in compliance with certain covenants in our debt agreements and that condition raises substantial doubt about our ability to continue as a going concern in its audit report for our 2008 financial statements. The inclusion of this going concern explanatory paragraph constituted a default under our BofA Revolving Credit Facility, JPMorgan Used Vehicle Floor Plan Facility and our floor plan facilities with General Motors Acceptance Corporation. We obtained waivers with respect to these defaults from the relevant lenders prior to the filing of this Form 10-K with the U.S. Securities and Exchange Commission. However, there can be no assurances that (i) our independent public accounting firm will not issue a similar opinion in the future; (ii) we would be able to obtain waivers to our financial covenants; or (iii) we can repurchase debt as needed to remain compliant under our financial covenants.

Our revolving credit facilities, mortgages and/or guarantees related to such mortgages, and certain of our lease agreements require us to maintain certain financial ratios. As of December 31, 2008, we were in compliance with all of these covenants. In order to satisfy certain of our financial covenants in 2008, we relied in part upon income recognized in connection with our purchases of $59.8 million of our outstanding debt securities at a significant discount. These purchases generated approximately $34.2 million of income before tax in 2008. We expect that we may need to engage in similar purchases in order to satisfy our financial covenants during 2009. We cannot give any assurance that we will be able to make such repurchases in 2009 in amounts and at prices sufficient to satisfy our covenants and our ability to comply with these ratios, including our ability to repurchase debt significantly below face value, may be affected by events beyond our control. Our Board of Directors has authorized us to use an additional $50.0 million in cash to repurchase debt securities and/or make unscheduled principal payments on our existing mortgages. Currently, our BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility limit our ability to purchase our debt securities to $30.0 million per calendar year, plus 50% of the net proceeds from asset sales during any given calendar year.

Failure to satisfy any of these covenants would constitute a default under the relevant debt agreements, which would entitle the lenders under such agreements to terminate our ability to borrow under the relevant agreements and accelerate our obligations to repay outstanding borrowings unless compliance with the covenants is waived. Obtaining such waivers often requires the payment to the bank lenders of certain fees. If we fail to satisfy any of these covenants, we could be required to apply our available cash to repay these borrowings and we could be prevented from making debt service payments on our 8% Notes, our 7.625% Notes, and our 3% Senior Subordinated Convertible Notes due 2012. In many cases, defaults under one of our agreements could trigger cross default provisions in our other agreements. If we are unable to comply with our financial or other covenants, we would be required to seek waivers or modifications of our covenants from our lenders, or we would need to raise debt and/or equity financing or sell assets to generate proceeds sufficient to repay such debt. In light of current depressed conditions in the automotive industry and the exceptionally difficult current conditions in the credit markets generally, we cannot give any assurance that we would be able to successfully take these actions.

A number of our dealerships are located on properties that we lease. Certain of the leases governing such properties have certain covenants with which we must comply. If we fail to comply with the covenants under our leases, the respective landlords could, among other remedies, terminate the leases and seek damages which could equal the amount to which the accelerated rents under the applicable lease for the remainder of the lease term exceeds the fair market rent over the same periods or evict us from the property.

We have significant indebtedness, which may limit our flexibility to manage our business.

Our indebtedness and lease obligations could have important consequences to us, including the following:

- our ability to obtain additional financing for acquisitions, capital expenditures, working capital or general corporate purposes may be impaired in the future;
- a substantial portion of our current cash flow from operations must be dedicated to the payment of principal on our indebtedness, thereby reducing the funds available to us for our operations and other purposes;
- some of our borrowings are and will continue to be at variable rates of interest, which exposes us to the risk of increasing interest rates; and
- we may be substantially more leveraged than some of our competitors, which may place us at a relative competitive disadvantage and make us more vulnerable to changing market conditions and regulations.

Global financial markets and economic conditions have been, and continue to be, disrupted and volatile. The debt and equity capital markets have been exceedingly distressed. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions have made, and will likely continue to make, it difficult to obtain funding.

In particular, availability of funds from those markets generally has diminished significantly, while the cost of raising money in the debt and equity capital markets has increased substantially. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity at all or on terms similar to current debt, and reduced and, in some cases, ceased to provide funding to borrowers.

If the retail environment continues to be challenging and our dealerships are unable to generate sufficient cash, our liquidity position may be materially adversely affected and may impact our ability to continue as a going concern.

The automotive retail environment experienced an unprecedented challenging environment during 2008, and we expect that the environment in 2009 will continue to be challenging. Excluding the impact of impairment expenses, we expect to experience lower net income in 2009 as compared to 2008, as a result of (i) our expectation of 2009 U.S. new vehicle unit sales between 10.0 million and 11.0 million, which had been above 16.0 million since 1999, and was 13.2 million for 2008, (ii) retail margins continuing to decrease while manufacturers bring supply in line with demand, and (iii) continued difficulty for consumers to secure vehicle financing.

If we are unable to generate sufficient operating cash flow, we may need to sell certain of our dealerships or other assets and borrow under our existing credit facilities to generate cash to sustain our operations. In the current economic environment, there can be no assurance that, if necessary, we will be able to sell our dealerships and other assets in a timely manner and on reasonable terms, if at all. Furthermore, in the event we are required to sell dealership assets to maintain our liquidity, the sale of a material portion of such assets could have an adverse effect on our revenue stream, the size of our operations and the efficiencies that are generated from being a certain corporate size. If we are unable to generate sufficient operating cash flow or execute the sale of our assets in a timely and lucrative manner, our liquidity may be materially adversely affected, which could impact our ability to continue as a going concern.

Although we currently have funds available for borrowings under our credit facilities to finance our operations, our lenders may be unable to fund borrowings under their credit commitments to us if these lenders face bankruptcy, failure, collapse or sale. The inability to draw cash under our credit facilities due to any such event facing any one of our lenders would have a material adverse effect on our liquidity and operations. See also, “Risk Factors—Risks Related to our Company—Recent turmoil in the credit markets and financial services industry could negatively impact our business, results of operations, financial condition or liquidity” below.

Recent turmoil in the credit markets and financial services industry could negatively impact our business, results of operations, financial condition or liquidity.

Recently, the credit markets and the financial services industry have been experiencing a period of unprecedented turmoil and upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions, an unprecedented level of intervention from the United States federal government and other foreign governments and tighter availability of credit. While the ultimate outcome of these events cannot be predicted, they could have a negative impact on our liquidity and financial condition if our ability to borrow money to finance operations or obtain credit from creditors were to be impaired.

We currently have revolving credit facilities with Bank of America, JPMorgan Chase Bank, N.A., and a syndicate of other banks under those credit facilities, and we have hedge transactions in place with Wells Fargo, N.A., Wachovia Financial Services, Inc., Goldman Sachs & Co. and Deutsche Bank AG, London Branch. If any of these financial institutions that have extended credit commitments to us or have entered into hedge or similar transactions with us are adversely affected by the conditions of the U.S. and international capital markets, they may become unable to fund borrowings under their credit commitments to us or otherwise fulfill their obligations under the relevant transactions, which could have a material and adverse impact on our financial condition and our ability to borrow additional funds, if needed, for working capital, capital expenditures, acquisitions and other corporate purposes.

The recent events in the credit markets and financial services industry have generally made equity and debt financing more difficult to obtain. If these recent trends continue, additional equity or debt financing might not be available on reasonable terms, if at all. Any additional equity financings will be dilutive to our stockholders and any additional debt financings may involve operating covenants that further restrict our business, beyond the operating covenants currently in place.

In addition, the current economic crisis could also adversely impact our customers' ability to purchase or pay for vehicles or other products and services from us or adversely affect the manufacturers' ability to provide us with vehicles, either of which could negatively impact our business and results of operations. See also, "Risk Factors—Risks Related to the Automotive Retail Industry—A decline of available consumer financing may adversely affect our sales of vehicles and the results of our business" below.

If economic conditions in the United States do not improve, and the capital markets remain depressed causing a further negative impact on our stock price, such negative effect on our stock price could jeopardize our listing on the NYSE and affect our ability to raise equity in the future.

The United States economy has been in a recession since December 2007, according to the National Bureau of Economic Research, and it is widely believed that certain elements of the economy, such as housing, were in decline before that time. These general economic conditions have had an adverse effect on the capital markets, causing a sharp decline in the overall stock market and the price of shares of stock in the automotive retailing sector of the economy. On December 31, 2008, our common stock closed at $4.57 on the NYSE and we had a market capitalization of approximately $146.0 million, representing a 70% and 69% decline in our stock price and market capitalization, respectively, from December 31, 2007. As of March 12, 2009, our common stock closed at $2.13 and we had a market capitalization of approximately $68.0 million.

Market or business conditions may continue to decline, and may continue to have a negative impact on our stock price. If our common stock were to trade at an average 30-day closing market price of less than $1 per share and/or our equity market capitalization fell under the $25.0 million minimum requirement of the NYSE, our common stock could be removed from the NYSE and traded in the over the counter market. All of these factors, along with otherwise volatile equity market conditions, could limit our ability to raise new equity capital in the future.

Our capital costs and our results of operations may be materially and adversely affected by changes in interest rates.

We generally finance our purchases of new vehicle inventory and have the ability to finance the purchase of used vehicle inventory using floor plan credit facilities under which we are charged interest at floating rates. In addition, we have the ability to obtain capital for general corporate purposes, dealership acquisitions and property purchases and improvements under predominantly floating interest rate credit facilities. Therefore, our interest expense from variable rate debt will rise with increases in interest rates. In addition, a significant rise in interest rates may also have the effect of depressing demand in the interest rate sensitive aspects of our business, particularly new and used vehicle sales, because most 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. Given our debt composition as of December 31, 2008, each one percent increase in market interest rates would increase our total annual interest expense, including floor plan interest, by $7.3 million.

RISKS RELATED TO OUR DEPENDENCE ON VEHICLE MANUFACTURERS

The reorganization or bankruptcy of one or more of the vehicle manufacturers could have a material adverse effect on our operations.

Certain vehicle manufacturers have incurred substantial operating losses in recent years and have required government bailout funds. Sustained periods of poor financial performance by a manufacturer may cause it to seek protection from creditors in bankruptcy. A reorganization by a manufacturer may, among other things, result in a delay in the introduction of new or competitive makes or models, an elimination of dealership locations, an elimination of certain makes or models, a decrease in the value of our inventory as consumer demand drops, a disruption in delivery or availability of service or parts, a delay or failure to reimburse us for warranty work and holdback receivables, a disruption in vehicle deliveries to our dealerships, or a significant disruption in the availability of consumer credit for the purchase or lease of vehicles or negative changes in the terms of such financing. If an attempted reorganization proves unsuccessful for the manufacturer, the continued financial distress could result in the cessation of its operations.

In the event of a bankruptcy by a vehicle manufacturer, among other things: (i) the manufacturer could seek to terminate all or certain of our franchises, and their efforts may be successful if the state dealership laws that limit their ability to terminate our franchise agreements are superseded by federal bankruptcy laws, (ii) if the manufacturer is successful in terminating all or certain of our franchises, we may not receive adequate compensation for them, (iii) we may not be able to collect some or all of our receivables that are due from such manufacturer and we may be subject to preference claims relating to payments to us made by such manufacturer prior to bankruptcy, (iv) our cost to obtain financing for our new vehicle inventory may increase with such manufacturer's captive finance subsidiary or the manufacturer's captive finance subsidiary may no longer provide financing for our new vehicle inventory, which may cause us to finance our new vehicle inventory with alternate finance sources on less favorable terms, (v) consumer demand for such manufacturer's products could be materially adversely affected, especially if costs related to improving such manufacturer's poor financial condition are imputed to the price of its products, (vi) may result in a significant disruption in the availability of consumer credit to purchase or lease vehicles or negative changes in the terms of such financing, which may negatively impact our sales, (vii) there may be a reduction in the value of receivables and inventory associated with that manufacturer and (viii) there may be an impairment of our manufacturer franchise rights, to the extent that such franchise rights are included in our consolidated balance sheet. The occurrence of any one or more of the above-mentioned events could have a material adverse effect on our business and results of operations.

Our exposure in these areas of our inventory and manufacturer receivables, net of amounts due to manufacturers, as of December 31, 2008, together with comparative data as of December 31, 2007, are as follows:

(in millions)	December 31, 2008	December 31, 2007
Chrysler Brands		
New vehicle inventory	$21.0	$34.2
Parts inventory	1.9	2.0
Receivables, net of payables of $0.6 million and $0.9 million, respectively	0.7	1.0
General Motors Brands		
New vehicle inventory	49.0	60.5
Parts inventory	2.9	3.1
Receivables, net of payables of $0.0 million and $0.1 million, respectively	2.0	2.8
Manufacturer franchise rights	0.3	5.0
Ford Brands		
New vehicle inventory	54.8	72.0
Parts inventory	3.3	3.7
Receivables, net of payables of $0.4 million	3.4	4.3
Manufacturer franchise rights	3.3	4.5

Adverse conditions affecting the manufacturers of the vehicles that we sell may negatively impact our revenues and profitability.

Our ability to successfully market vehicles to the public depends to a great extent on aspects of our manufacturers' operations. Conditions which negatively affect our manufacturers in the following areas could similarly have an adverse affect on our revenues and profitability:

- financial condition;
- marketing efforts;
- vehicle design;
- production capabilities;
- reputation for quality;

- management; and
- labor relations.

If we fail to obtain renewals of one or more of our dealer and framework agreements on favorable terms, if certain of our franchises are terminated, or if certain manufacturers' rights under their agreements with us are triggered, our operations may be adversely affected.

Each of our dealerships operates under the terms of a dealer agreement with the manufacturer (or manufacturer-authorized distributor) of each new vehicle brand it carries and/or is authorized to service. Our dealerships may obtain new vehicles from manufacturers, service vehicles, sell new vehicles and display vehicle manufacturers' trademarks only to the extent permitted under dealer agreements. As a result of the terms of our dealer, framework and related agreements and our dependence on these franchise rights, manufacturers exercise a great deal of control over our day-to-day operations and the terms of these agreements govern key aspects of our operations, acquisition strategy and capital spending.

Our franchise agreements may be terminated or not renewed by manufacturers for a number of reasons, and many of the manufacturers have the right to direct us to divest our dealerships if there is a default under the franchise agreement, an unapproved change of control, or other unapproved events. Although we currently have certain dealer agreements that will expire during 2009, and we expect that these agreements will be renewed, there can be no assurances that we will be able to renew these agreements or that we will be able to obtain renewals on favorable terms. Most of our dealer agreements also provide the manufacturer with the right of first refusal to purchase from us any franchise we seek to sell. Our results of operations may be materially and adversely affected to the extent that our franchise rights become compromised or our operations restricted due to the terms of our dealer agreements or if we lose franchises representing a significant source of our revenues.

If we fail to comply with the financial covenants contained in certain of our framework agreements, the manufacturers who are parties to such agreements may terminate our dealer agreements with them and cause us to divest our dealerships with them, which would have a material adverse effect on our business.

Certain of our manufacturers require us to meet certain financial ratios. Our failure to comply with these ratios gives the manufacturer the right to reject proposed acquisitions, and may give them the right to repurchase their franchises for fair value. The inability to acquire additional dealerships could inhibit the growth of our business, and the repurchase of our dealerships by the manufacturers may have a material adverse effect on our operations.

Our failure to meet manufacturer consumer satisfaction, financial or sales performance requirements may adversely affect our ability to acquire new dealerships and our profitability.

Many manufacturers attempt to measure customers' satisfaction with their experience in our sales and service departments through rating systems that are generally known in the automotive retailing industry as consumer satisfaction indexes ("CSI"). CSI ratings are in addition to the right of manufacturers to monitor the financial and sales performance of dealerships. At the time we acquire a dealership or enter into a new dealership or framework agreement, several manufacturers establish sales or performance criteria for that dealership. These criteria have been modified by various manufacturers from time to time in the past, and we cannot assure you that they will not be further modified or replaced by different criteria in the future. Some of our dealerships have had difficulty from time to time meeting these standards. We cannot assure you that our dealerships will be able to comply with these standards in the future.

In addition, manufacturers may use these criteria as factors in evaluating applications for acquisitions. A manufacturer may refuse to consent to our acquisition of one of its franchises if it determines our dealerships do not comply with its performance standards. This may impede our ability to execute acquisitions and hinder our ability to grow. In addition, we receive payments and incentives from certain manufacturers based, in part, on CSI scores, and future payments may be materially reduced or eliminated if our CSI scores decline.

Manufacturers' restrictions on acquisitions or divestitures may limit our future growth and impact our profitability.

We are generally required to obtain manufacturer consent before we can acquire any additional dealerships. In addition, many of our dealer and framework agreements require that we meet certain customer service and sales performance standards as a condition to additional dealership acquisitions. We cannot assure you that we will meet these performance standards or that manufacturers will consent to future acquisitions, which may prevent us from being able to take advantage of market opportunities and restrict our ability to expand our business. The process of applying for and obtaining manufacturer consents can take a significant amount of time, generally 60 to 90 days or more. Delays in consummating acquisitions caused by this process may negatively affect our ability to acquire dealerships that we believe will produce acquisition synergies and integrate well into our overall growth strategy. In addition, manufacturers typically establish minimum capital requirements for each of their dealerships on a case-by-case basis. As a condition to granting consent to a proposed acquisition, a manufacturer may require us to remodel and upgrade our facilities and capitalize the subject dealership at levels we would not otherwise choose, causing us to divert our financial resources from uses that management believes may be of higher long-term value to us. Furthermore, the exercise by manufacturers of their right of first refusal to acquire a dealership may prevent us from acquiring dealerships that we have identified as important to our growth, thereby having an adverse affect on our ability to grow through acquisitions.

Likewise, from time to time, we may determine that it is in our best interest to divest of a dealership. Parties that are interested in acquiring our dealership must also seek the consent of the manufacturers. The refusal by the manufacturer to approve a potential buyer would delay the divestiture of the dealership, as we would either have to find another potential buyer or wait until the buyer is able to meet the requirements of the manufacturer. A delay in the sale of a dealership may have a negative impact on our profitability and an adverse affect on our business.

Many vehicle manufacturers place limits on the total number of franchises that any group of affiliated dealerships may own. Certain manufacturers place limits on the number of franchises or share of total brand vehicle sales maintained by an affiliated dealership group on a national, regional or local basis, as well as limits on store ownership in contiguous markets. If we reach these limits, we may be prevented from making further acquisitions, which could affect our growth.

If state dealer laws that protect automotive retailers are repealed, weakened or superseded by our framework agreements with manufacturers, our dealerships will be more susceptible to termination, non-renewal or renegotiation of their dealer agreements.

Applicable state dealer laws generally provide that a manufacturer may not terminate or refuse to renew a dealer 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 attempt to comply with the manufacturer's criteria within the notice period to avoid the termination or non-renewal. Though unsuccessful to date, manufacturers' lobbying efforts may lead to the repeal or revision of state dealer laws. We have framework agreements with certain of our manufacturers. Among other provisions, these agreements attempt to limit the protections available to dealers under state dealer laws. If dealer laws are repealed in the states in which we operate, manufacturers may be able to terminate our franchises without providing 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 dealers to renew their dealer agreements upon expiration. Furthermore, if a manufacturer seeks protection from creditors in bankruptcy, it is possible that the federal bankruptcy laws may supersede the state laws which protect automotive retailers. See also, "Risk Factors —Risk Factors Related to our Dependence on Vehicle Manufacturers—The reorganization or bankruptcy of one or more of the vehicle manufacturers could have a material adverse effect on our operations." See "Business—Dealer and Framework Agreements—Regulations."

Our dealerships depend upon vehicle sales and, therefore, their success depends in large part upon customer demand for the particular vehicle lines they carry.

The success of our dealerships depends in large part on the overall success of the vehicle lines they carry. Historically, we have generated most of our revenue through new vehicle sales. New vehicle sales also tend to lead to sales of higher-margin products and services such as finance and insurance products and parts and services. Although we have sought to limit our dependence on any one vehicle brand, we have focused our new vehicle sales operations on mid-line import and luxury brands.

For the year ended December 31, 2008, brands representing 5% or more of our revenues from new light vehicle retail sales were as follows:

Brand	% of Total New Light Vehicle Retail Sales
Honda	25%
Nissan	11%
Toyota	10%
BMW	9%
Mercedes-Benz	8%
Lexus	6%
Ford	6%
Acura	5%

No other brand accounted for more than 5% of our total new light vehicle retail sales revenue for the year ended December 31, 2008.

If we fail to obtain a desirable mix of popular new vehicles from manufacturers, our profitability will be negatively impacted.

We depend on manufacturers to provide us with a desirable mix of popular new vehicles. Typically, popular vehicles produce the highest profit margins but tend to be the most difficult to obtain from manufacturers. Manufacturers generally allocate their vehicles among their franchised dealerships based on the sales history of each dealership and in some instances on the level of capital expenditures. If our dealerships experience prolonged periods of sales declines, those manufacturers may cut back their allotments of popular vehicles to our dealerships and new vehicle sales and profits may decline.

Furthermore, if a manufacturer fails to produce desirable vehicles or has a reputation for producing undesirable vehicles, and we own dealerships of that manufacturer, our revenues at those dealerships could be adversely affected as consumers veer their purchases toward more desirable brands, makes and models.

If automobile manufacturers reduce or discontinue incentive programs, our sales volumes may be adversely affected.

Our dealerships benefit from certain sales incentives, warranties and other programs of our manufacturers that are intended to promote and support new vehicle sales. Some key incentive programs include:

- customer rebates on new vehicles;
- dealer incentives on new vehicles;
- special financing or leasing terms;
- warranties on new and used vehicles; and
- sponsorship of used vehicle sales by authorized new vehicle dealers.

Manufacturers often make many changes to their incentive programs during each year. A reduction or discontinuation of key manufacturers' incentive programs may reduce our new vehicle unit sales and related revenue.

Manufacturers' restrictions regarding a change in our stock ownership may result in the termination or forced sale of our franchises, which may adversely impact the value of our common stock.

Some of our dealer agreements and framework agreements with manufacturers prohibit transfers of any ownership interests of a dealership or, in some cases, its parent, without manufacturer consent. Our agreements with some manufacturers provide that, under certain circumstances, we may lose the franchise (either through termination or forced sale) if a person or entity acquires an ownership interest in us above a specified level or if a person or entity acquires the right to vote a specified level of our common stock without the approval of the applicable manufacturer. Violations by our stockholders of these ownership restrictions are generally outside of our control and may result in the termination or non-renewal of our dealer and framework agreements or forced sale of one or more franchises, which may have a material adverse effect on us. These restrictions may also prevent or deter prospective acquirers from acquiring control of us and, therefore, may adversely impact the value of our common stock.

RISKS RELATED TO THE AUTOMOTIVE RETAIL INDUSTRY

A continued decline in consumer demand will adversely affect our profitability.

Our business is heavily dependent on consumer demand and preferences. We have witnessed severe economic conditions in the U.S. and globally in 2008 and the economic forecast for 2009 is equally bleak. The seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S. decreased to 10.3 million in the fourth quarter, compared to 16.2 million in U.S. industry-wide vehicle sales for the full-year of 2007. Our revenues will be materially and adversely affected if the downward trend in overall levels of consumer spending is not reversed. Retail vehicle sales are cyclical and historically have experienced periodic downturns characterized by oversupply and weak demand. These cycles are often dependent on general economic conditions and consumer confidence, as well as the level of discretionary personal income, credit availability and interest rates. The current economic climate in the United States and future recessions may have a material adverse effect on our retail business, particularly sales of new and used automobiles. In addition, fuel prices in 2008 reached historically high levels. Significant or sustained increases in gasoline prices could cause a reduction in automobile purchases and a shift in buying patterns from luxury or SUV models (which typically provide higher profit margins to retailers) to smaller, more economical vehicles (which typically have lower profit margins). A continued preference for smaller, more economic vehicles with lower profit margins by consumers may have an adverse affect on our revenues and results of operations.

A decline of available consumer financing may adversely affect our sales of vehicles and the results of our business.

The majority of vehicle buyers finance their purchases, particularly those seeking to purchase used vehicles. During 2008, consumers experienced a decline in the availability of credit due to a tightening of the lending markets. If there is a continued decline in the availability of credit or an increase in the cost to consumers for such credit, and such decline is sustained over several periods, the ability of consumers to purchase vehicles could be limited, resulting in a decline in our vehicle sales. Retail sales of used vehicles generally have higher gross margins than new vehicles. A decline in our vehicle sales could have a material adverse effect on our revenues and an adverse effect on our profitability.

Our business may be adversely affected by unfavorable conditions in our local markets, even if those conditions are not prominent nationally.

Our performance is also subject to local economic, competitive and other conditions prevailing in our various geographic areas. Our dealerships currently are located in the Atlanta, Austin, Chapel Hill, Charlotte, Charlottesville, Dallas-Fort Worth, Fayetteville, Fort Pierce, Fresno, Greensboro, Greenville, Houston, Jackson, Jacksonville, Little Rock, Los Angeles, Orlando, Princeton, Richmond, Sacramento, St. Louis and Tampa markets and the results of our operations therefore depend substantially on general economic conditions and consumer spending levels in those areas.

A decline of available financing in the sub-prime lending market may adversely affect our sales of used vehicles.

The majority of vehicle buyers, particularly those seeking to purchase used vehicles, finance the purchase of such vehicles. Sub-prime lenders have historically provided financing to those buyers who, for a number of reasons, do not have access to traditional financing, including those buyers who have a poor credit history or lack the down payment necessary to purchase a vehicle. Sub-prime lenders have become more stringent with their credit standards, which has made it more difficult for consumers needing sub-prime financing to obtain credit. Furthermore, the sub-prime lenders may continue to apply higher standards in the future. If there is a continuous decline in the availability of credit in the sub-prime lending market, the ability of these consumers to purchase vehicles could be limited, resulting in a decline in our used vehicle sales. Retail sales of used vehicles generally have higher gross margins than new vehicles. A decline in our used vehicle sales could have a material adverse effect on our revenues and profitability.

The results of our second and third quarter results may be disproportionately affected by adverse conditions.

The automobile industry is subject to seasonal variations in revenues. Demand for automobiles is generally lower during the first and fourth quarters of each year. Accordingly, we expect our revenues and operating results generally to be lower in our first and fourth quarters than in our second and third quarters. If conditions surface during the second or third quarters that weaken automotive sales, such as severe weather in the geographic areas in which our dealerships operate, war, high fuel costs, depressed economic conditions or similar adverse conditions, our revenues for the year will be disproportionately adversely affected.

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

A portion of our new vehicle business involves the sale of vehicles, parts or vehicles composed of parts that are manufactured outside the United States. As a result, our operations are subject to customary risks of importing merchandise, including import duties, exchange rates, trade restrictions, work stoppages and general political and socio-economic conditions in other countries. The United States or the countries from which our products are imported may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adjust presently prevailing quotas, duties or tariffs, which may affect our operations and our ability to purchase imported vehicles and/or parts at reasonable prices. The relative weakness of the U.S. dollar against foreign currencies may adversely affect our cost of purchasing certain vehicles, which may also result in an increase in the retail price of such vehicles, which could discourage consumers from purchasing such vehicles. This could adversely impact our profitability.

RISKS RELATED TO OUR DEALERSHIP PORTFOLIO MANAGEMENT

If we are unable to acquire and successfully integrate additional dealerships, we will be unable to realize desired results and acquired operations may drain resources from comparatively profitable operations.

We believe that the automobile retailing industry is a mature industry whose sales are significantly impacted by the prevailing economic climate in local markets. Accordingly, we believe that our future growth depends in part on our ability to manage expansion, control costs in our operations and acquire and integrate acquired dealerships into our organization. In pursuing our strategy of acquiring other dealerships, we face risks commonly encountered with growth through acquisitions. These risks include, but are not limited to:

- failing to obtain manufacturers' consents to acquisitions of additional franchises;
- incurring significant transaction related costs for both completed and failed acquisitions;
- incurring significantly higher capital expenditures and operating expenses;

- failing to integrate the operations and personnel of the acquired dealerships and impairing relationships with employees;
- incurring undisclosed liabilities at acquired dealerships;
- disrupting our ongoing business and diverting our management resources to newly acquired dealerships; and
- impairing relationships with manufacturers and customers as a result of changes in management.

We may not adequately anticipate all the demands that our growth will impose on our personnel, procedures and structures, including our financial and reporting control systems, data processing systems and management structure. Moreover, our failure to retain qualified management personnel at any acquired dealership may increase the risk associated with integrating the acquired dealership. If we cannot adequately anticipate and respond to these demands, we may fail to realize acquisition synergies and our resources will be focused on incorporating new operations into our structure rather than on areas that may be more profitable. See also "Risk Factors Related to our Dependence on Vehicle Manufacturers—Manufacturers' restrictions on acquisitions or divestitures may limit our future growth and impact our profitability."

There is competition to acquire automotive dealerships, and we may not be able to fully implement our growth through acquisition strategy if attractive targets are acquired by competing buyers or if the market drives prices to the point where an acceptable rate of return is not achievable.

We believe that the United States automotive retailing market is fragmented and offers many potential acquisition candidates that meet our target criteria. However, we compete with several other national, regional and local dealer groups, and other strategic and financial buyers, some of which may have greater financial resources. Competition for attractive acquisition targets may result in fewer acquisition opportunities for us, and increased acquisition costs. We will have to forego acquisition opportunities to the extent that we cannot negotiate acquisitions on acceptable terms.

OTHER RISKS

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

The automotive retail and service industry is highly competitive with respect to price, service, location and selection. Our competition includes:

- franchised automobile dealerships in our markets that sell the same or similar new and used vehicles;
- privately negotiated sales of used vehicles;
- Internet-based used vehicle brokers that sell used vehicles to consumers;
- service center chain stores; and
- independent service and repair shops.

We do not have any cost advantage in purchasing new vehicles from manufacturers. We typically rely on advertising, merchandising, sales expertise, service reputation and dealership location to sell new and used vehicles. Our dealer agreements do not grant us the exclusive right to sell a manufacturer's product within a given geographic area. Our revenues or profitability may be materially and adversely affected if competing dealerships expand their market share or additional franchises are awarded in our markets.

Government regulations and environmental regulation compliance costs may adversely affect our profitability.

We are subject to a wide range of federal, state and local laws and regulations, including local licensing requirements. These laws regulate the conduct of our business, including:

- motor vehicle and retail installment sales practices;
- leasing;
- sales of finance, insurance and vehicle protection products;
- consumer credit; deceptive trade practices;
- consumer protection;
- consumer privacy;
- money laundering;
- advertising;
- land use and zoning; and
- health and safety and employment practices.

Environmental laws and regulations govern, among other things, discharges into the air and water, storage of petroleum substances and chemicals, the handling and disposal of wastes and remediation of contamination arising from spills and releases. In addition, 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. These federal and state statutes 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 in complying with such federal and state statutes.

If we or our employees at the individual dealerships violate or are alleged to violate these laws and regulations, we could be subject to individual or consumer class actions, administrative, civil or criminal actions investigations or actions and adverse publicity. Such actions could 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. Some jurisdictions regulate finance fees and administrative or document fees that may be charged in connection with vehicle sales, which could restrict our ability to generate revenue from these activities.

Future changes in financial accounting standards or practices or existing taxation rules or practices may affect our reported results of operations.

A change in accounting standards or practices or a change in existing taxation rules or practices can have a significant effect on our reported results and may affect our reporting of transactions completed before the change is effective. New accounting pronouncements and taxation rules and varying interpretations of accounting pronouncements and taxation practices have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. For example, during 2008, the Financial Accounting Standards Board (“FASB”) issued FSP–ABA 14-a, which changed the accounting for convertible debt that may be settled in cash upon conversion. FSP-ABA 14-a will cause an increase to our interest expense by $1.7 million in 2009.

The loss of key personnel may adversely affect our business.

Our success depends to a significant degree upon the continued contributions of our management team. Manufacturer dealer or framework agreements may require the prior approval of the applicable manufacturer before any change is made in dealership general managers or other management positions. The loss of the services of one or more of these key employees may materially impair the profitability of our operations.

In addition, we may need to hire additional managers as we expand. Potential acquisitions are viable to us only if we are able to retain experienced managers or obtain replacement managers should the owner or manager of the acquired dealership not continue to manage the business. The market for qualified employees in the industry and in the regions in which we operate, particularly for general managers and sales and service personnel, is highly competitive and may subject us to increased labor costs during periods of low unemployment. The loss of the services of key employees or the inability to attract additional qualified managers may adversely affect the ability of our dealerships to conduct their operations in accordance with the standards set by us or the manufacturers.

We depend on our executive officers as well as other key personnel. Most of our key personnel are not bound by employment agreements, and those with employment agreements are bound only for a limited period of time. Further, we do not maintain “key man” life insurance policies on any of our executive officers or key personnel. If we are unable to retain our key personnel, we may be unable to successfully develop and implement our business plans.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease our corporate headquarters, which is located at 2905 Premiere Parkway, NW, Suite 300, Duluth, Georgia. In addition, as of December 31, 2008, we had 115 franchises situated in 87 dealership locations throughout 11 states. As of December 31, 2008, we leased 52 of these locations and owned the remainder. We have three locations in North Carolina, one location in Mississippi and one location in St. Louis where we lease the land but own the building facilities. These locations are included in the leased column of the table below. In addition, we operate 25 collision repair centers. We lease 13 of these collision repair centers and own the remainder.

	Dealership Locations		Collision Repair Centers	
	Owned	**Leased**	**Owned**	**Leased**
Coggin Automotive Group	11	6(a)	5	2
Courtesy Autogroup	—	9	—	2
Crown Automotive Company	7	10	1	1
David McDavid Auto Group	5	2	2	3
Gray-Daniels Auto Family	1	5	—	1
Nalley Automotive Group	5	11	3	2
California Dealerships	—	4(b)	—	—
Northpoint Auto Group	2	4	1	1
Plaza Motor Company	4	1	—	1
Total	35	52	12	13

(a) Includes one dealership that leases a new vehicle facility and operates a separate used vehicle facility that is owned.

(b) Includes three pending divestitures as of December 31, 2008.

Item 3. Legal Proceedings

From time to time, we and our dealerships are named in claims, including class action claims, involving the manufacture and sale or lease of motor vehicles, including but not limited to the charging of administrative fees, the operation of dealerships, contractual disputes and other matters arising in the ordinary course of our business. With respect to certain of these claims, the manufacturers of motor vehicles or the sellers of dealerships that we have acquired have indemnified us. We do not expect that any potential liability from these claims will materially affect our financial condition, liquidity, results of operations or financial statement disclosures. However, the outcome of these matters cannot be predicted with certainty, and unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, liquidity, results of operations or financial statement disclosures.

On August 27, 2008, a U.S. District Court jury in Portland, Oregon reached a verdict against one of our subsidiaries in an action by four former salesmen alleging claims related to a hostile work environment at our former Thomason Toyota dealership in Gladstone, Oregon. We sold the Thomason Toyota dealership in 2006, though the alleged conduct involved in this matter occurred in 2005. During trial, the court dismissed the plaintiffs' claims for race discrimination and retaliation in employment as well as their claims for economic damages. The jury, however, awarded $19.0 million in total damages against our subsidiary consisting of $8.0 million in non-economic damages and $11.0 million in punitive damages.

In a post-trial opinion and order issued January 23, 2009, the U.S. District Court in Portland, Oregon reduced the total damages awarded against our subsidiary to $1.2 million consisting of $600,000 in non-economic damages and $600,000 in punitive damages. The court gave the plaintiffs the choice of either accepting the reduced award or proceeding with a new trial on damages.

We will seek to further reduce damages if the plaintiffs request a new trial and, if necessary, we will seek to overturn the verdict or seek to eliminate or further reduce damages on appeal to the U.S. Court of Appeals for the Ninth Circuit. We believe that the jury verdict is unsupported by both the evidence and the law, and that we will prevail on appeal.

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

None.

PART II

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

Our common stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "ABG". Quarterly information concerning (i) our high and low closing sales price per share of our common stock as reported by the NYSE and (ii) the cash dividends that we paid to our stockholders, in 2008 and 2007, is as follows:

	High	Low	Dividend (per share)
Fiscal Year Ended December 31, 2007			
First Quarter	$28.50	$22.94	$ 0.20
Second Quarter	29.82	24.22	0.20
Third Quarter	25.29	19.01	0.225
Fourth Quarter	21.27	14.84	0.225
Fiscal Year Ended December 31, 2008			
First Quarter	$15.62	$12.19	$0.225
Second Quarter	17.39	12.85	0.225
Third Quarter	13.71	9.91	0.225
Fourth Quarter	10.92	2.00	—

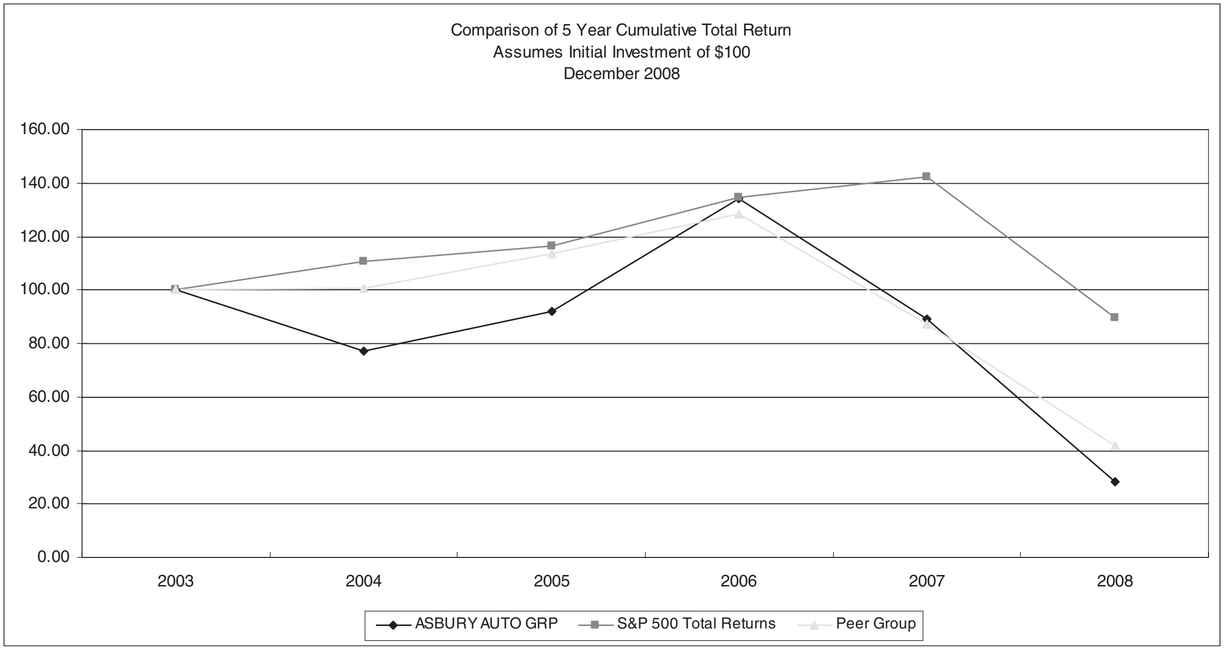
On March 12, 2009, the last reported sale price of our common stock on the New York Stock Exchange was $2.13 per share, and there were approximately 90 record holders of our common stock.

The repurchase of stock and payment of dividends are subject to certain limitations under the terms of our 8% Notes, 7.625% Notes, BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility. Such limits are calculated by adding 50% of cumulative net income or subtracting 100% of cumulative net losses (the "Cumulative Net Income Basket"); however, under our most restrictive covenant we may spend $15.0 million in addition to amounts provided by the Cumulative Net Income Basket to repurchase common stock or pay dividends. As of December 31, 2008, our ability to repurchase common stock or pay dividends was limited to $2.4 million under our most restrictive covenant. In addition, notwithstanding the limitations mentioned above, we may spend up to $2.0 million per year to repurchase common stock.

Due to the challenging retail environment and the resulting decline in our profitability, in October 2008, our board of directors elected to suspend our dividend program.

PERFORMANCE GRAPH

The following graph furnished by the Company shows the value as of December 31, 2008, of a $100 investment in the Company's common stock made on December 31, 2003 (with dividends reinvested), as compared with similar investments based on (i) the value of the S & P 500 Index (with dividends reinvested) and (ii) the value of a market-weighted Peer Group Index composed of the common stock of AutoNation, Inc., Sonic Automotive, Inc., Group 1 Automotive, Inc., Penske Automotive Group, Inc. and Lithia Motors, Inc., in each case on a "total return" basis assuming reinvestment of dividends. The market-weighted Peer Group Index values were calculated from the beginning of the performance period. The stock performance shown below is not necessarily indicative of future performance.



Item 6. Selected Financial Data

The accompanying (loss) income statement data for the years ended December 31, 2007, 2006, 2005, and 2004 have been reclassified to reflect the status of our discontinued operations as of December 31, 2008.

(Loss) Income Statement Data:	For the Years Ended December 31, 2008	2007	2006	2005	2004
	(in millions, except per share data)				
Revenues:					
New vehicle	$2,705.8	$3,263.9	$3,294.7	$3,137.3	$2,841.9
Used vehicle	1,085.3	1,389.8	1,357.5	1,237.6	1,089.8
Parts and service	692.6	664.9	631.7	587.6	529.0
Finance and insurance, net	135.8	155.2	147.2	139.9	123.9
Total revenues	4,619.5	5,473.8	5,431.1	5,102.4	4,584.6
Cost of sales	3,862.3	4,621.0	4,601.5	4,334.5	3,896.1
Gross profit	757.2	852.8	829.6	767.9	688.5
Selling, general and administrative expenses	616.6	656.2	634.2	598.6	547.5
Depreciation and amortization	23.4	20.6	19.1	18.5	17.3
Impairment expenses	535.9	—	—	—	—
Other operating expense (income), net	1.3	1.0	(1.4)	0.6	(0.7)
(Loss) income from operations	(420.0)	175.0	177.7	150.2	124.4
Other income (expense):					
Floor plan interest expense	(30.8)	(41.0)	(38.8)	(26.2)	(17.6)
Other interest expense	(40.1)	(39.1)	(43.9)	(40.7)	(38.7)
Interest income	1.5	4.3	5.1	1.0	0.7
Gain (loss) on extinguishment of long-term debt, net	32.5	(18.5)	(1.1)	—	—
Total other expense, net	(36.9)	(94.3)	(78.7)	(65.9)	(55.6)
(Loss) income before income taxes	(456.9)	80.7	99.0	84.3	68.8
Income tax (benefit) expense	(133.8)	29.0	37.3	31.6	25.6
(Loss) income from continuing operations	(323.1)	51.7	61.7	52.7	43.2
Discontinued operations, net of tax	(14.9)	(0.7)	(1.0)	8.4	6.9
Net (loss) income	$ (338.0)	$ 51.0	$ 60.7	$ 61.1	$ 50.1
(Loss) income from continuing operations per common share:					
Basic	$ (10.19)	$ 1.59	$ 1.86	$ 1.61	$ 1.33
Diluted	$ (10.19)	$ 1.55	$ 1.81	$ 1.60	$ 1.32
Cash dividends declared per common share	$ 0.68	$ 0.85	$ 0.40	$ —	$ —

Balance Sheet Data:	As of December 31, 2008	2007	2006	2005	2004
	(in millions)				
Working Capital	$ 165.2	$ 320.7	$ 412.0	$ 347.0	$ 295.5
Inventories(a)	689.5	782.8	780.1	728.7	769.4
Total assets	1,654.3	2,016.3	2,030.8	1,930.8	1,898.0
Floor plan notes payable(b)	633.4	683.8	704.7	631.2	658.4
Total debt	607.1	475.6	455.9	496.9	526.4
Total shareholders' equity	222.7	584.2	611.8	547.8	481.7

(a) Includes amounts classified as Assets held for sale on our consolidated balance sheets.

(b) Includes amounts classified as Liabilities associated with assets held for sale on our consolidated balance sheets.

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

OVERVIEW

We are one of the largest automotive retailers in the United States operating 115 franchises (87 dealership locations) in 22 metropolitan markets within 11 states as of December 31, 2008. We offer an extensive range of automotive products and services, including new and used vehicles; vehicle maintenance, replacement parts and collision repair services; and financing, insurance and service contracts. We offer 37 domestic and foreign brands of new vehicles, including 7 heavy truck brands. We also operate 25 collision repair centers that serve customers in our local markets.

During the third quarter of 2008, we initiated a phased restructuring plan, which included the relocation of our corporate offices and the reorganization of our retail network. We have moved our corporate headquarters to Duluth, Georgia and we expect to close our corporate offices in New York, New York, and Stamford, Connecticut, by the end of March 2009. Our retail network reorganization has reduced our operating structure to two regions, East and West, from our previous structure of four regions and two stand-alone platforms, and includes nine locally branded dealership groups: (i) our East region includes our Coggin dealerships, operating primarily in the Florida markets of Jacksonville, Fort Pierce and Orlando; our Courtesy dealerships operating in Tampa, Florida; our Crown dealerships operating in New Jersey, North Carolina, South Carolina and Virginia; and our Nalley dealerships operating in Atlanta, Georgia; and (ii) our West region includes our McDavid dealerships operating throughout Texas; our North Point dealerships operating in Little Rock, Arkansas; our California dealerships operating in Los Angeles, Sacramento and Fresno; our Plaza dealerships operating in St. Louis, Missouri; and our Gray Daniels dealerships operating in Jackson, Mississippi.

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

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

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

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

Our operating results are generally subject to changes in the economic environment as well as seasonal variations. We tend to generate more revenue and operating income in the second and third quarters than in the first and fourth quarters of the calendar year. Generally, the seasonal variations in our operations are caused by factors related to weather conditions, changes in manufacturer incentive programs, model changeovers and consumer buying patterns, among other things. We anticipate that certain automotive manufacturers will continue to use a combination of vehicle pricing and financing incentive programs to increase demand for their product offerings. In addition, we believe the automotive manufacturers will adjust production to meet consumer demand; however, we do not expect that the near-term production adjustments by automotive manufacturers will be sufficient to align inventories with current consumer demand.

The automotive retail market declined significantly throughout 2008, and our results reflect the impact of weak economic conditions in the U.S., including turmoil in the debt markets, broad declines in the equity markets and continued weakness in the housing markets. The seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S. decreased to 10.3 million in the fourth quarter, compared to 16.2 million in U.S. industry-wide vehicle sales for the full-year of 2007. The economic environment was particularly weak in Florida during 2008, which has historically generated over 30% of our total revenues. Tighter lending standards for automotive financing and certain manufacturers' decisions to reduce support of customer leasing programs has limited some customers' ability to purchase vehicles. In addition, rapid changes in customer vehicle preferences due to volatility of gasoline prices provided further challenges for us during the second half of 2008.

While U.S. vehicle sales for all major vehicle manufacturers have declined during the current difficult economic environment, U.S. domestic manufacturers have contributed a disproportionate amount of the decline in U.S. industry-wide vehicle sales. The financial condition of the domestic manufacturers continued to deteriorate during 2008, and the domestic manufacturers may require additional government assistance to avoid bankruptcy. Although the full impact on us of a bankruptcy of any one or more of the domestic manufacturers is not determinable at this time, such bankruptcy could have a material adverse impact on our operations, liquidity position and financial results. Risks associated with a manufacturer bankruptcy include our ability to collect net receivables due from manufacturers, a reduction in the values of our new vehicle and parts inventory and an impairment of our manufacturer franchise rights, to the extent that such franchise rights are included in our consolidated balance sheet. Our exposure in these areas as of December 31, 2008, together with comparable data as of December 31, 2007, are as follows:

(in millions)	December 31, 2008	December 31, 2007
Chrysler Brands		
New vehicle inventory	$21.0	$34.2
Parts inventory	1.9	2.0
Receivables, net of payables of $0.6 million and $0.9 million, respectively	0.7	1.0
General Motors Brands		
New vehicle inventory	49.0	60.5
Parts inventory	2.9	3.1
Receivables, net of payables of $0.0 million and $0.1 million, respectively	2.0	2.8
Manufacturer franchise rights	0.3	5.0
Ford Brands		
New vehicle inventory	54.8	72.0
Parts inventory	3.3	3.7
Receivables, net of payables of $0.4 million	3.4	4.3
Manufacturer franchise rights	3.3	4.5

In addition, we rely on the manufacturer captive finance companies of Ford Motor Company and General Motors for new vehicle floor plan financing. The bankruptcy of either of these domestic manufacturers could result in an attempt by the related captive finance company to terminate our floor plan financing, which would have a material adverse impact on our operations and liquidity position.

We expect 2009 to continue to be a very challenging retail environment, which will continue to negatively impact new vehicle, used vehicle and F&I revenue. We have experienced increasing momentum in period over period parts and service sales declines, with the fourth quarter of 2008 having the largest sales decline in our history. We expect it will be challenging to maintain 2008 parts and service revenue in 2009. However, we expect the luxury and mid-line import brands, which comprised approximately 85% of our light vehicle unit volumes in the fourth quarter of 2008, will continue to increase their share of the U.S. market. Excluding the impact of impairment expenses, we expect to experience lower net income in 2009 as compared to 2008, as a result of our expectation (i) of new vehicle unit sales between 10.0 million and 11.0 million in 2009, which had been above 16.0 million since 1999, and was 13.2 million for 2008, (ii) that retail margins will remain under pressure while manufacturers bring supply in line with demand, and (iii) that continued difficulty for consumers to secure vehicle financing. As a result of our lower expectations of net income, it may be necessary for us to repurchase debt significantly below face value in order to remain in compliance with the financial covenants included in our debt and lease agreements. See also the discussion under, "Risk Factors—Risks Related to our Company—If we are unable to generate sufficient cash, our ability to service our debt may be materially adversely affected, and our failure to comply with certain covenants in our debt, mortgage and lease agreements could adversely affect our ability to access our revolving credit facilities and adversely affect our ability to conduct our business."

MANAGEMENT'S PLAN FOR MANAGING THROUGH THE CURRENT ECONOMIC CRISIS

In response to the weakening U.S. automotive retail environment in 2008 and our expectation for continued weakness in U.S. automotive sales in 2009, we took action to further align our expense structure to current business levels, including our phased restructuring plan, which was initiated during the third quarter of 2008, and our store-level productivity initiatives. We expect that the relocation of our corporate offices will deliver pre-tax cost savings of up to $5.0 million annually, resulting principally from staffing reductions and lower rent expense, from which we began to benefit in January 2009, and expect to receive full benefit beginning in April 2009. We expect that the reorganization of our operating structure to two regions will reduce the annual pre-tax operating expenses of our regions, consisting of personnel and rent expense, by approximately $8.0 million annually. We began to experience the benefit from our restructuring plan in January 2009, and expect to receive full benefit beginning in July 2009. In addition to our phased restructuring, other recent cost saving measures include (i) a 10% salary reduction for executive management, (ii) no 2008 bonuses or 2009 raises for corporate employees, (iii) suspension of 401(k) matching contributions for employees with a salary greater than $105,000, and (iv) suspension of the company matching contributions for all employees in our deferred compensation plan for 2009. These efforts, combined with our store-level productivity initiatives, delivered a $63.4 million (10%) reduction in same-store SG&A expense in 2008 and, more recently, a $26.6 million (17%) reduction in same-store SG&A expense in the fourth quarter of 2008, compared to the corresponding quarter of 2007. Overall, our nationwide workforce was reduced by 14% during the second half of 2008. Looking ahead, our phased restructuring plan and store-level productivity initiatives have been designed with the objective of structuring our business to be profitable in the current, depressed automotive retail market.

In addition to our expense reduction initiatives, in the fourth quarter of 2008, we placed a greater focus on working capital efficiency and liquidity, as well as managing our capital structure to ensure compliance with our debt covenants. We repurchased a total of $59.8 million of our senior subordinated notes for $24.0 million, resulting in a gain of $34.2 million, which is net of a $1.6 million pro-rata write-off of related debt issuance costs. In addition, we reviewed our dealership portfolio to limit our exposure to domestic manufacturers by selling stores, closing stores and reducing new vehicle inventory. We continuously evaluate the financial and operating results of our dealerships, as well as our geographic exposure, and expect to refine our dealership portfolio through strategic divestitures. We may use the proceeds from the future sale of dealerships to supplement our liquidity position in the current difficult economic environment and to manage our capital structure in order to remain in compliance with the financial covenants included in our debt agreements. Please refer to "Liquidity and Capital Resources" for further discussion.

BASIS OF PRESENTATION

Management's discussion and analysis should be read in conjunction with the accompanying consolidated financial statements which have been prepared assuming that we will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, uncertainty exists regarding our need to repurchase debt and the potential need to seek waivers or modifications of our debt covenants from our lenders to maintain compliance with our debt covenants. Management's plans concerning these matters are also described in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

RESULTS OF OPERATIONS

Year Ended December 31, 2008, Compared to the Year Ended December 31, 2007

	For the Years Ended December 31,			
	2008	2007	Increase (Decrease)	% Change
	(In millions, except per share data)			
REVENUES:				
New vehicle	$2,705.8	$3,263.9	$(558.1)	(17)%
Used vehicle	1,085.3	1,389.8	(304.5)	(22)%
Parts and service	692.6	664.9	27.7	4%
Finance and insurance, net	135.8	155.2	(19.4)	(13)%
Total revenues	4,619.5	5,473.8	(854.3)	(16)%
GROSS PROFIT:				
New vehicle	181.2	235.1	(53.9)	(23)%
Used vehicle	91.0	121.1	(30.1)	(25)%
Parts and service	349.2	341.4	7.8	2%
Finance and insurance, net	135.8	155.2	(19.4)	(13)%
Total gross profit	757.2	852.8	(95.6)	(11)%
OPERATING EXPENSES:				
Selling, general and administrative	616.6	656.2	(39.6)	(6)%
Depreciation and amortization	23.4	20.6	2.8	14%
Impairment expenses	535.9	—	535.9	NM
Other operating expense, net	1.3	1.0	0.3	30%
(Loss) income from operations	(420.0)	175.0	(595.0)	NM
OTHER INCOME (EXPENSE):				
Floor plan interest expense	(30.8)	(41.0)	(10.2)	(25)%
Other interest expense	(40.1)	(39.1)	1.0	3%
Interest income	1.5	4.3	(2.8)	(65)%
Gain (loss) on extinguishment of long-term debt, net	32.5	(18.5)	51.0	276%
Total other expense, net	(36.9)	(94.3)	57.4	(61)%
(Loss) income before income taxes	(456.9)	80.7	(537.6)	NM
INCOME TAX (BENEFIT) EXPENSE	(133.8)	29.0	(162.8)	NM
(LOSS) INCOME FROM CONTINUING OPERATIONS	(323.1)	51.7	(374.8)	NM
DISCONTINUED OPERATIONS, net of tax	(14.9)	(0.7)	(14.2)	NM
NET (LOSS) INCOME	$ (338.0)	$ 51.0	$(389.0)	NM
(Loss) income from continuing operations per common share—Diluted	$ (10.19)	$ 1.55	$(11.74)	NM
Net (loss) income per common share—Diluted	$ (10.66)	$ 1.53	$(12.19)	NM

	For the Years Ended December 31,	
	2008	2007
REVENUE MIX PERCENTAGES:		
New light vehicles	54.4%	55.7%
New heavy trucks	4.1%	4.0%
Used retail	18.2%	19.3%
Used wholesale	5.4%	6.1%
Parts and service	15.0%	12.1%
Finance and insurance, net	2.9%	2.8%
GROSS PROFIT MIX PERCENTAGES:		
New light vehicles	22.9%	26.4%
New heavy trucks	1.0%	1.2%
Used retail	12.5%	14.5%
Used wholesale	(0.4)%	(0.3)%
Parts and service	46.1%	40.0%
Finance and insurance, net	17.9%	18.2%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	81.4%	76.9%

Net (loss) income and (loss) income from continuing operations decreased $389.0 million and $374.8 million, respectively, during 2008, as compared to 2007, primarily as a result of impairment expenses during 2008 totaling $383.0 million, net of tax. Discontinued operations decreased $14.2 million, net of tax, during 2008 as compared to 2007, primarily related to $9.9 million of impairment expenses, net of tax, during 2008 associated with two dealerships that are pending disposition. Our operations during 2008 and 2007 were impacted by certain items that are not core dealership operating items, which we believe are important to highlight when reviewing our results and should not be considered when forecasting our future results. (Loss) income from continuing operations during 2008 and 2007 includes net of tax "non-core items" of $354.1 million and $15.3 million, respectively, as detailed in the table below.

	For the Years Ended December 31,	
	2008	2007
	(In millions)	
NON–CORE ITEMS		
Impairment expenses	$ 535.9	$ —
(Gain) loss on extinguishment of long-term debt, net	(32.5)	18.5
Corporate generated F&I gain	(4.7)	—
Restructuring costs	5.8	—
Executive separation benefits expense	1.7	3.0
Dealer management system implementation costs	1.0	—
Legal settlements expense	—	2.5
Secondary offering expenses	—	0.3
Tax impact of non-core items above	(152.0)	(9.0)
Reversal of deferred tax valuation allowance	(1.1)	—
Total non-core items	$ 354.1	$15.3

The non-core items shown in the table above include (i) impairment expenses totaling $491.7 million related to the write-off of all of our goodwill, a $36.8 million impairment of franchise rights and other intangible assets and a $7.4 million impairment of certain property and equipment as a result of a sustained decline in our market capitalization and a significant decline in our total revenue in the fourth quarter of 2008, (ii) gains and losses on the extinguishment of long-term debt, (iii) a corporate generated F&I gain related to the sale of our remaining interest in a pool of maintenance contracts, (iv) restructuring costs consisting primarily of severance and retention expenses related to the relocation of our corporate headquarters, (v) a reversal of deferred tax asset valuation allowances that we now expect to realize, (vi) executive separation benefits in 2008 and 2007, related to the departure of our former chief financial officer and chief executive officer, respectively, (vii) implementation costs associated with transitioning approximately 35% of our dealerships to DealerTrack's Arkona dealer management system, (viii) legal settlement expenses in 2007 related to the settlement of legal claims arising in, and before, the year 2003, and (ix) secondary offering expenses in 2007 related to two secondary offerings in which we did not receive any proceeds.

The $374.8 million decrease in (loss) income from continuing operations was primarily a result of impairment expenses totaling $373.1 million, net of tax. New and used vehicle gross profit decreased $53.9 million (23%) and $30.1 million (25%), respectively, and F&I gross profit decreased $19.4 million (13%), all primarily as a result of lower unit sales volumes. The decrease in new vehicle, used vehicle and F&I gross profit had a de-leveraging impact on our selling, general and administrative expense ("SG&A") as a percentage of gross profit, which increased 450 basis points to 81.4%. These decreases in (loss) income from continuing operations were partially offset by (i) a $51.0 million favorable variance relating to debt extinguishments, including a $32.5 million net gain during 2008 and an $18.5 million loss in 2007, from the repurchases of our senior subordinated notes, and (ii) a $10.2 million (25%) decrease in floor plan interest expense, as a result of lower inventory and lower short-term interest rates. The $32.5 million net gain from debt extinguishments in 2008 and the $18.5 million loss in 2007 include $3.3 million and $5.5 million, respectively, in write-offs of debt issuance costs.

The $854.3 million (16%) decrease in total revenue was primarily a result of a $558.1 million (17%) decrease in new vehicle revenue and a $304.5 million (22%) decrease in used vehicle revenue. The decrease in new vehicle revenue includes a $666.1 million (22%) decrease in same store light vehicle revenue, a $25.3 million (12%) decrease in heavy truck revenue, partially offset by $133.3 million derived from dealership acquisitions. The decrease in used vehicle revenue includes a $246.0 million (23%) decrease in same store retail revenue and $103.6 million (31%) decrease in same store wholesale revenue, partially offset by a $45.1 million increase in used vehicle revenue derived from dealership acquisitions.

The $95.6 million (11%) decrease in total gross profit was primarily a result of a $53.9 million (23%) decrease in new vehicle gross profit, a $30.1 million (25%) decrease in used vehicle gross profit and a $19.4 million (13%) decrease in F&I gross profit. Our total gross profit margin increased 80 basis points to 16.4%, principally as a result of a mix shift to our higher margin parts and service and F&I businesses. We expect our total gross profit margin to increase as a result of a continued mix shift to our higher margin parts and service and F&I businesses. Our total light vehicle gross profit margin increased 80 basis points to 16.7%.

New Vehicle—

	For the Years Ended December 31, 2008	2007	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
Revenue:				
New retail revenue—same store(1)				
Luxury	$ 856.4	$1,095.4	$(239.0)	(22)%
Mid-line import	1,145.3	1,402.3	(257.0)	(18)%
Mid-line domestic	359.8	514.2	(154.4)	(30)%
Value	19.9	35.6	(15.7)	(44)%
Total light vehicle revenue—same store(1)	2,381.4	3,047.5	(666.1)	(22)%
Heavy trucks	191.1	216.4	(25.3)	(12)%
Total new revenue—same store(1)	2,572.5	3,263.9	(691.4)	(21)%
New retail revenue—acquisitions	133.3	—		
New vehicle revenue, as reported	$2,705.8	$3,263.9	$(558.1)	(17)%
New revenue per vehicle sold—same store(1)	$ 30,912	$ 30,737	$ 175	1%
New revenue per vehicle sold —actual	$ 30,834	$ 30,737	$ 97	— %
New revenue mix—same store(1)				
Luxury	33%	34%		
Mid-line import	45%	43%		
Mid-line domestic	14%	15%		
Value	1%	1%		
Heavy trucks	7%	7%		
Gross Profit:				
New gross profit—same store(1)				
Luxury	$ 61.2	$ 86.8	$ (25.6)	(29)%
Mid-line import	76.6	99.5	(22.9)	(23)%
Mid-line domestic	24.1	36.7	(12.6)	(34)%
Value	1.0	1.8	(0.8)	(44)%
Total light vehicle gross profit—same store(1)	162.9	224.8	(61.9)	(28)%
Heavy trucks	7.6	10.3	(2.7)	(26)%
Total new gross profit—same store(1)	170.5	235.1	(64.6)	(27)%
New gross profit—acquisitions	10.7	—		
Total new gross profit, as reported	$ 181.2	$ 235.1	$ (53.9)	(23)%
New gross profit per vehicle sold —same store(1)	$ 2,049	$ 2,214	$ (165)	(7)%
New gross profit per vehicle sold —actual	$ 2,065	$ 2,214	$ (149)	(7)%
New retail gross margin—same store(1)	6.6%	7.2%	(0.6)%	(8)%
New retail gross margin—actual	6.7%	7.2%	(0.5)%	(7)%
New gross mix—same store(1)				
Luxury	36%	37%		
Mid-line import	44%	42%		
Mid-line domestic	14%	16%		
Value	1%	1%		
Heavy trucks	5%	4%		

	For the Years Ended December 31, 2008	2007	Increase (Decrease)	% Change
New Retail Units:				
New retail units—same store(1)				
Luxury	18,362	23,207	(4,845)	(21)%
Mid-line import	46,317	55,113	(8,796)	(16)%
Mid-line domestic	10,828	15,039	(4,211)	(28)%
Value	997	1,785	(788)	(44)%
Total light vehicle retail units—same store(1)	76,504	95,144	(18,640)	(20)%
Fleet vehicles	3,831	7,419	(3,588)	(48)%
Total light vehicle units—same store(1)	80,335	102,563	(22,228)	(22)%
Heavy trucks	2,885	3,625	(740)	(20)%
Total new vehicle units—same store(1)	83,220	106,188	(22,968)	(22)%
New vehicle units—acquisitions	4,534	—		
New vehicle units—actual	87,754	106,188	(18,434)	(17)%
Total light vehicle units—same store(1)	80,335	102,563	(22,228)	(22)%
Total light vehicle units—acquisitions	4,534	—		
Total light vehicle units	84,869	102,563	(17,694)	(17)%
New vehicle units mix—same store(1)				
Luxury	22%	22%		
Mid-line import	56%	52%		
Mid-line domestic	13%	14%		
Value	1%	2%		
Heavy trucks	3%	3%		
Fleet vehicles	5%	7%		

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

The $558.1 million (17%) decrease in new vehicle revenue was primarily a result of a $666.1 million (22%) decrease in same store light vehicle revenue due to a 20% decrease in same store light vehicle retail unit sales and a 48% decrease in same store fleet unit sales. These decreases were partially offset by $133.3 million of revenue derived from acquisitions. The decreases in new vehicle revenue was driven by declining consumer confidence, an overall weak economic environment, tighter lending standards and a mix shift toward more fuel efficient, lower priced vehicles, and away from the higher priced trucks and SUVs.

The new vehicle business declined significantly throughout 2008. We experienced sales decreases across all brands; however, our sales decreases were generally in line with overall U.S. vehicle sales and brand specific sales in our regions. New vehicle SAAR reached its lowest level since the first quarter of 1993, decreasing to 10.3 million in the fourth quarter of 2008, from 16.2 million during the full year of 2007. Our revenue was impacted by turmoil in the financial markets, which led to tighter lending standards for manufacturer captive and bank financing, including decreasing loan-to-value ratios and increasing credit score requirements. Unit volumes declined in each brand segment including a 28% decrease in same store light vehicle retail unit sales from our mid-line domestic brands, a 21% decrease from our luxury brands and a 16% decrease from our mid-line import brands. We believe that it has been difficult for manufacturers to adapt in the short-term to the sharp decrease in consumer demand and as a result, it has been challenging for us to adjust our inventories to consumer demand and maintain retail margins. However, we continue to benefit from our brand mix as mid-line domestic brands continue to lose market share to the luxury and mid-line import brands. In addition, we expect a significant amount of U.S. dealerships to close during the year, and believe that most of these dealerships will be domestic dealerships, which we anticipate will result in market share gains for mid-line import and luxury dealerships.

The $53.9 million (23%) decrease in new vehicle gross profit was due to a $61.9 million (28%) decrease in same store light vehicle gross profit, resulting from a 20% decrease in same store light vehicle retail unit sales and a 60 basis point decrease in same store gross margin. These decreases were partially offset by $10.7 million of gross profit derived from acquisitions. The unit sales and margin decreases reflect a competitive marketplace with less business available due to the overall weak economic environment and tighter lending standards. We continue to experience a mix shift away from higher margin truck and SUVs towards more fuel efficient, lower gross margin cars. These factors contributed to a 7% decline in same store gross profit per vehicle sold.

Used Vehicle—

	For the Years Ended December 31, 2008	2007	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
Revenue:				
Used retail revenues—same store(1)				
Light vehicle	$ 802.4	$1,039.8	$ (237.4)	(23)%
Heavy trucks	7.2	15.8	(8.6)	(54)%
Total used retail revenues—same store(1)	809.6	1,055.6	(246.0)	(23)%
Used retail revenues—acquisitions	32.3	—		
Total used retail revenues	841.9	1,055.6	(213.7)	(20)%
Used wholesale revenues—same store(1)	230.6	334.2	(103.6)	(31)%
Used wholesale revenues—acquisitions	12.8	—		
Total used wholesale revenues	243.4	334.2	(90.8)	(27)%
Used vehicle revenue, as reported	$1,085.3	$1,389.8	$ (304.5)	(22)%
Gross profit:				
Used retail gross profit—same store(1)				
Light vehicle	$ 92.0	$ 123.2	$ (31.2)	(25)%
Heavy trucks	(0.1)	0.1	(0.2)	(200)%
Total used retail gross profit—same store(1)	91.9	123.3	(31.4)	(25)%
Used retail gross profit—acquisitions	2.9	—		
Total used retail gross profit	94.8	123.3	(28.5)	(23)%
Used wholesale gross profit—same store(1)	(3.7)	(2.2)	(1.5)	(68)%
Used wholesale gross profit—acquisitions	(0.1)	—		
Total used wholesale gross profit	(3.8)	(2.2)	(1.6)	(73)%
Used vehicle gross profit, as reported	$ 91.0	$ 121.1	$ (30.1)	(25)%
Used retail units—same store(1)				
Light vehicle	45,419	57,234	(11,815)	(21)%
Heavy trucks	188	429	(241)	(56)%
Total used retail units—same store(1)	45,607	57,663	(12,056)	(21)%
Used retail units—acquisitions	1,718	—		
Used retail units—actual	47,325	57,663	(10,338)	(18)%
Used revenue PVR—same store(1)	$ 17,752	$ 18,306	$ (554)	(3)%
Used revenue PVR—actual	$ 17,790	$ 18,306	$ (516)	(3)%
Used gross profit PVR—same store(1)	$ 2,015	$ 2,138	$ (123)	(6)%
Used gross profit PVR—actual	$ 2,003	$ 2,138	$ (135)	(6)%
Used retail gross margin—same store(1)	11.4%	11.7%	(0.3)%	(3)%
Used retail gross margin—actual	11.3%	11.7%	(0.4)%	(3)%

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

The $304.5 million (22%) decrease in used vehicle revenue includes a $246.0 million (23%) decrease in same store retail revenue and a $103.6 million (31%) decrease in same store wholesale revenue, partially offset by $45.1 million derived from dealership acquisitions. The $30.1 million (25%) decrease in used vehicle gross profit was primarily a result of a $31.4 million (25%) decrease in same store retail gross profit. The decrease in used vehicle retail revenue and gross profit reflect (i) a weak retail environment, (ii) a tighter lending environment, (iii) lower sales to sub-prime customers and (iv) a sharp increase in consumer demand for smaller and more fuel efficient vehicles and away from trucks and SUVs. The rapid decline in consumer demand for trucks and SUVs has caused us to lower our inventory and retail more of these vehicles that otherwise would have been wholesaled because of weak demand for these vehicles at auction. The decrease in used vehicle wholesale revenue was a result of lower new retail and used retail unit sales, which provided fewer vehicles from trade-ins to sell at auction. In addition, the wholesale markets were virtually closed towards the end of the third quarter and early fourth quarter of 2008, which further reduced our wholesale results.

We have experienced reduced used vehicle sales to sub-prime customers, primarily as a result of tighter lending standards, particularly in the second half of 2008. We are closely managing our sub-prime business and continue to believe there is opportunity to improve our used vehicle profitability by offering appropriately priced used vehicle inventory; however, we expect our sub-prime gross margins to decrease from their 2008 levels as a result of financing providers lowering their loan to value ratios and increasing credit score requirements.

We continue to focus on inventory management, including aligning our inventory to meet consumer demands and decreasing our inventory in response to the slower retail environment. Although our same store wholesale losses were $3.7 million, we decreased our used vehicle inventory by 41% in 2008. As a result, we believe our used vehicle inventory is now better aligned with consumer demand, with approximately 35 days sales in our year end inventory. We expect that this improvement in our used vehicle inventory will help mitigate the impact of the challenging economic environment on our used vehicle performance. In addition, we continue to focus on the growth of all used vehicle product offerings, including factory certified, traditional and low value trade-ins.

Parts and Service—

	For the Years Ended December 31, 2008	2007	Increase (Decrease)	% Change
	(Dollars in millions)			
Revenue:				
Light vehicle—same store(1)	$602.3	$601.8	$ (0.5)	— %
Heavy trucks	62.2	63.1	(0.9)	(1)%
Total revenue—same store(1)	664.5	664.9	(0.4)	— %
Revenues—acquisitions	28.1	—		
Parts and service revenue, as reported	$692.6	$664.9	$27.7	4%
Gross profit:				
Light vehicle—same store(1)	$315.1	$321.1	$ (6.0)	(2)%
Heavy trucks	19.7	20.3	(0.6)	(3)%
Total gross profit—same store(1)	334.8	341.4	(6.6)	(2)%
Gross profit—acquisitions	14.4	—		
Parts and service gross profit, as reported	$349.2	$341.4	$ 7.8	2%
Parts and service gross margin—same store(1)	50.4%	51.3%	(0.9)%	(2)%
Parts and service gross margin—actual	50.4%	51.3%	(0.9)%	(2)%

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

The $27.7 million (4%) increase in parts and service revenues and $7.8 million (2%) increase in parts and service gross profit was primarily due to revenue and gross profit derived from dealership acquisitions as same store revenue decreased by $0.4 million and same store gross profit decreased by $6.6 million (2%) during 2008, as compared to 2007. Same store customer pay parts and service revenue and gross profit decreased $5.0 million (1%) and $1.5 million (1%), respectively. Same store revenue and gross profit from our wholesale parts business increased $8.3 million (6%) and $2.6 million (9%), respectively. We continue to experience decreases in our warranty business as same store warranty revenue decreased $3.8 million (3%) as a result of improvements in the quality of vehicles produced in recent years.

Despite the challenging retail and overall economic environment, our parts and service business during 2008 remained relatively stable. However, we have experienced increasing momentum in period over period sales declines in the second half of 2008, with the fourth quarter being the largest sales decline in our history, down 8% on a same-store basis. We believe that in difficult economic times consumers may delay new vehicle purchases, but will continue to require maintenance and repair work. However, we believe that customers are deferring larger cost repair items. We continue to focus on improving our customer pay business over the long-term as we (i) continue to invest in additional service capacity, where appropriate, (ii) upgrade equipment, (iii) improve customer retention and customer satisfaction and (iv) capitalize on our regional training programs. In addition, we expect to recognize improved parts and service gross profit in the future from heavy trucks as a result of the addition of service capacity at our heavy truck service center in 2007, and as the customers who purchased vehicles prior to the emission law changes in January 2007, which accelerated demand for 2006 model year heavy trucks into 2006 and the first half of 2007, begin to bring their vehicles in for maintenance and repairs.

Finance and Insurance, net—

	For the Years Ended December 31,		Increase	%
	2008	2007	(Decrease)	Change
	(In millions, except for per vehicle data)			
Dealership generated F&I, net—same store(1)				
Light vehicle	$126.5	$154.3	$(27.8)	(18)%
Heavy trucks	0.3	0.9	(0.6)	(67)%
Dealership generated F&I, net—same store(1)	126.8	155.2	(28.4)	(18)%
Dealership generated F&I—acquisitions	4.3	—		
Dealership generated F&I, net	131.1	155.2	(24.1)	(16)%
Corporate generated F&I gain	4.7	—		
F&I, net as reported	$135.8	$155.2	$(19.4)	(13)%
Dealership F&I per vehicle sold—same store(1)(2)	$ 984	$ 947	$ 37	4%
Dealership F&I per vehicle sold—actual(2)	$ 971	$ 947	$ 24	3%
F&I per vehicle sold—same store(1)	$1,021	$ 947	$ 74	8%
F&I per vehicle sold—actual	$1,005	$ 947	$ 58	6%

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.
(2) Dealership generated F&I per vehicle sold excludes the corporate generated F&I gain.

We evaluate our F&I performance on a per vehicle sold basis by dividing F&I gross profit by the number of vehicles sold during the period. F&I decreased $19.4 million (13%) during 2008 as compared to 2007, as a result of a $28.4 million (18%) decrease in same store dealership generated F&I, partially offset by $4.7 million from a corporate generated F&I gain related to the sale of our remaining interest in a pool of maintenance contracts and $4.3 million derived from dealership acquisitions. The decrease in same store dealership generated F&I was a result of a 21% decrease in same store unit sales, partially offset by a 4% increase in same store dealership generated F&I per vehicle sold. The increase in dealership generated F&I per vehicle sold was attributable to (i) improved F&I performance of the bottom third of our stores, (ii) lengthening of finance contract terms and (iii) mix shift away from sub-prime customers, as these deals typically generate less finance and insurance revenue. These increases were partially offset by lower financing commissions due to tighter lending standards. The tighter lending standards included lower loan to value ratios, which decrease our opportunity to offer customers our full menu of finance and insurance products. In addition, customers were very concerned about their monthly payment during the difficult economic environment.

Overall, our F&I performance is dependent on unit sales and the lending environment. We expect to experience lower F&I per vehicle sold levels in 2009 compared to 2008 as a result of (i) tighter lending standards, including loan-to-value constraints, (ii) lower income as a result of our decision to discontinue our investments in consumer loans and (iii) lower F&I retro payments as a result of the sale of our remaining interest in a pool of extended maintenance contracts. We expect to mitigate these decreases by (i) improving our F&I results at our lower-performing stores, (ii) continuing to refine and enhance in the menu of products we offer our customers and (iii) shifting away from sub-prime customers.

Selling, General and Administrative—

	For the Years Ended December 31,					
	2008	% of Gross Profit	2007	% of Gross Profit	Increase (Decrease)	% of Gross Profit Increase (Decrease)
			(Dollars in millions)			
Personnel costs	$277.6	38.3%	$300.3	35.2%	(22.7)	3.1%
Sales compensation	74.0	10.2%	93.6	11.0%	(19.6)	(0.8)%
Share-based compensation	1.9	0.3%	5.9	0.7%	(4.0)	(0.4)%
Outside services	57.7	8.0%	60.3	7.1%	(2.6)	0.9%
Advertising	41.2	5.7%	47.6	5.6%	(6.4)	0.1%
Rent	48.6	6.7%	55.1	6.5%	(6.5)	0.2%
Utilities	17.8	2.5%	17.6	2.1%	0.2	0.4%
Insurance	13.5	1.9%	13.8	1.6%	(0.3)	0.3%
Other	60.5	8.2%	62.0	7.1%	(1.5)	1.1%
Selling, general and administrative—same store(1)	592.8	81.8%	656.2	76.9%	(63.4)	4.9%
Acquisitions	23.8		—			
Selling, general and administrative—actual	$616.6	81.4%	$656.2	76.9%	(39.6)	4.5%
Gross Profit—same store	$725.0		$852.8			
Gross Profit—actual	$757.2		$852.8			

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

Same store SG&A expense as a percentage of gross profit was 81.8% for 2008, as compared to 76.9% for 2007. The 490 basis point increase was primarily a result of the de-leveraging impact on our cost structure from the decline in vehicle sales volumes, including a 310 basis point increase in personnel costs and a 90 basis point increase in outside services due primarily to Arkona dealer management system installation costs, as well as increased training costs. These items were partially offset by (i) a 40 basis point decrease in share-based compensation expense as a result of an increase in our forfeiture estimates and reductions in performance estimates of employee equity awards and (ii) an 80 basis point decrease in sales compensation expense due to our focus on compensation plans.

During the third quarter of 2008, we initiated a phased restructuring plan, which included the relocation of our corporate offices and the reorganization of our retail network. We have moved our corporate headquarters to Duluth, Georgia, and we will close our corporate offices in New York, New York, and Stamford, Connecticut, by the end of March 2009. We expect that this relocation will deliver pre-tax cost savings of up to $5.0 million annually, resulting principally from staffing reductions and lower rent expense. During 2008, we incurred pre-tax costs of $5.8 million associated with our restructuring plans. In addition, other recent cost saving measures include (i) a 10% salary reduction for executive management, (ii) no 2008 bonuses or 2009 raises for corporate employees, (iii) suspension of 401(k) matching contributions for employees with a salary greater than $105,000, and (iv) suspension of the company matching contributions for all eligible employees in our deferred compensation plan for 2009.

Our retail network reorganization has reduced our operating structure to two regions, from our previous structure of four regions and two stand-alone platforms. We expect that this restructuring will reduce the annual pre-tax operating expenses of our regions, consisting of personnel and rent expense, by approximately $8.0 million annually. We expect approximately 75% of this plan to be complete by the first quarter of 2009 and the remaining 25% to be complete by the end of the third quarter of 2009.

Finally, we are expanding our store-level productivity initiatives, focusing on personnel and advertising expenses, improved inventory management, and selected technology investments to enhance our efficiency. These efforts, combined with our store-level productivity initiatives, delivered a $63.4 million (10%) reduction in same-store SG&A expense in 2008 and, more recently, same-store SG&A expense was down $26.6 million (17%) in the fourth quarter of 2008, compared to the corresponding quarter of 2007.

SG&A expense as a percentage of gross profit is heavily dependent on our unit sales and overall gross profit generation. Therefore, we expect that, despite our cost reduction efforts, it will be challenging to maintain the current level of SG&A expense as a percentage of gross profit in 2009, in what we expect will continue to be a challenging retail environment.

Depreciation and Amortization—

The $2.8 million (14%) increase in depreciation and amortization expense was a result of property and equipment acquired during 2008 and 2007, including the purchase of $207.9 million of previously leased property in the second quarter of 2008.

Impairment Expenses—

During the fourth quarter of 2008, we experienced a sustained decline in market capitalization and a significant decline in total revenue due to overall retail industry conditions driven by declining consumer confidence, tightening lending standards, rising gas prices, changes in consumer demand and falling home prices. Our stock price decreased 60% from $11.52 as of September 30, 2008, to $4.57 as of December 31, 2008. In addition, our total revenues decreased approximately 30% during the fourth quarter of 2008 as compared to the fourth quarter of 2007. During 2008, we recognized impairment expenses from continuing operations totaling $535.9 million, which includes (i) a $491.7 million write-off of all of our goodwill, (ii) a $36.8 million impairment of franchise rights and other intangible assets and (iii) a $7.4 million impairment of certain property and equipment (for further discussion of our asset impairment expenses, please refer to Note 9 of our consolidated financial statements).

Other Operating Expense—

Other operating expense includes gains and losses from the sale of property and equipment, income derived from sub-lease arrangements and other non-core operating items. Other non-core operating items include $1.7 million and $3.0 million of expenses during 2008 and 2007, respectively, related to the departure of our former chief financial officer and chief executive officer.

Floor Plan Interest Expense—

The $10.2 million (25%) decrease in floor plan interest expense was attributable to a lower average balance of new vehicle inventory and the lower short-term rate environment.

Other Interest Expense—

The $1.0 million (3%) increase in other interest expense was primarily attributable to interest expense on $151.1 million of mortgage borrowings in the second quarter of 2008 in connection with the purchase of previously leased real estate, partially offset by the repurchase of $59.8 million of senior subordinated notes in the fourth quarter of 2008 and our debt restructuring in the first quarter of 2007.

Extinguishment of Long-Term Debt—

During 2008, we recognized a $32.5 million net gain on the extinguishment of long-term debt. Included in the $32.5 million net gain was a $34.2 million gain on the repurchase of $59.8 million of our senior subordinated notes for $24.0 million, partially offset by a $1.6 million pro-rata write-off of debt issuance costs. In addition, we recognized a $1.7 million loss as a result of our decision to terminate our credit facility with JPMorgan Chase Bank N.A. in September 2008, which represents the unamortized debt issuance costs associated with such facility.

During 2007, we recognized an $18.5 million loss on the extinguishment of long-term debt in connection with our long-term debt refinancing. The $18.5 million loss includes (i) a $12.9 million premium on the repurchase of the 9% Notes and 8% Notes, (ii) $5.5 million of costs associated with a pro-rata write-off of unamortized debt issuance costs related to our 9% Notes and 8% Notes, and (iii) $0.1 million of costs associated with a pro-rata write-off of the unamortized value of our terminated fair value swap associated with the 8% Notes.

Interest Income—

The $2.8 million (65%) decrease in interest income is primarily a result of a lower average cash balance and lower interest rates during 2008 as compared to 2007.

Income Tax (Benefit) Expense—

The $162.8 million decrease in income tax expense was primarily a result of $535.9 million of impairment expenses from continuing operations. Our effective tax rate decreased from 35.9% for the 2007 period to 29.3% for the 2008 period. The 660 basis point decrease is primarily a result of excess book goodwill over tax goodwill for which we will not receive a tax benefit, the impact of losses on our corporate owned life insurance policies for which we will not receive a tax benefit, partially offset by the reversal of deferred tax asset valuation allowances that we now expect to realize. In 2007, our effective tax rate was impacted by (i) a reversal of a deferred tax asset valuation allowance related to a tax benefit we now expect to realize and (ii) tax credits recognized for employing individuals in the areas affected by Hurricane Katrina. Our effective tax rate is highly dependant on the level of income before income taxes and permanent differences between book and tax income. As a result, it is difficult to project our effective tax rate. Excluding the impact of permanent differences between book and tax income and based upon our current expectation of 2009 income before income taxes, we expect our effective income tax rate will be between 38% and 40% in 2009.

Discontinued Operations—

During 2008, we sold or closed thirteen franchises (seven dealership locations), twelve of which were classified as discontinued operations, and as of December 31, 2008, we were actively pursuing the sale of three franchises (two franchises are currently classified as discontinued operations). The $14.9 million, net of tax, net loss from discontinued operations for 2008 is a result of (i) $9.9 million, net of tax, of impairment expenses related to discontinued operations, (ii) $4.7 million, net of tax, of net operating losses of franchises sold or pending disposition as of December 31, 2008, including rent expense of idle facilities and legal expenses of franchises sold prior December 31, 2008, and (iii) a $0.3 million, net of tax, loss on the sale of five franchises (four dealership locations).

The $0.7 million, net of tax, of net losses from discontinued operations during 2007, includes $1.2 million, net of tax, loss on the sale of two franchises (two dealership locations), partially offset by $0.5 million of net operating income of franchises sold or pending disposition as of December 31, 2008, including rent expense of idle facilities and miscellaneous legal expenses of franchises sold prior to December 31, 2008.

We continuously evaluate the financial and operating results of our dealerships, as well as each dealership's geographical location, and expect to refine our dealership portfolio through strategic divestitures.

RESULTS OF OPERATIONS

Year Ended December 31, 2007, Compared to Year Ended December 31, 2006

	For the Years Ended December 31,			
	2007	2006	Increase (Decrease)	% Change
	(In millions, except per share data)			
REVENUES:				
New vehicle	$3,263.9	$3,294.7	$(30.8)	(1)%
Used vehicle	1,389.8	1,357.5	32.3	2%
Parts and service	664.9	631.7	33.2	5%
Finance and insurance, net	155.2	147.2	8.0	5%
Total revenues	5,473.8	5,431.1	42.7	1%
GROSS PROFIT:				
New vehicle	235.1	235.7	(0.6)	— %
Used vehicle	121.1	127.5	(6.4)	(5)%
Parts and service	341.4	319.2	22.2	7%
Finance and insurance, net	155.2	147.2	8.0	5%
Total gross profit	852.8	829.6	23.2	3%
OPERATING EXPENSES:				
Selling, general and administrative	656.2	634.2	22.0	3%
Depreciation and amortization	20.6	19.1	1.5	8%
Other operating expense (income), net	1.0	(1.4)	(2.4)	(171)%
Income from operations	175.0	177.7	(2.7)	(2)%
OTHER INCOME (EXPENSE):				
Floor plan interest expense	(41.0)	(38.8)	2.2	6%
Other interest expense	(39.1)	(43.9)	(4.8)	(11)%
Interest income	4.3	5.1	(0.8)	(16)%
Loss on extinguishment of long-term debt	(18.5)	(1.1)	(17.4)	NM
Total other expense, net	(94.3)	(78.7)	(15.6)	20%
Income before income taxes	80.7	99.0	(18.3)	(18)%
INCOME TAX EXPENSE	29.0	37.3	(8.3)	(22)%
INCOME FROM CONTINUING OPERATIONS	51.7	61.7	(10.0)	(16)%
DISCONTINUED OPERATIONS, net of tax	(0.7)	(1.0)	0.3	30%
NET INCOME	$ 51.0	$ 60.7	$ (9.7)	(16)%
Income from continuing operations per common share—Diluted	$ 1.55	$ 1.81	$(0.26)	(14)%
Net income per common share—Diluted	$ 1.53	$ 1.78	$(0.25)	(14)%

	For the Years Ended December 31, 2007	2006
REVENUE MIX PERCENTAGES:		
New light vehicles	55.7%	54.5%
New heavy trucks	4.0%	6.1%
Used retail	19.3%	19.1%
Used wholesale	6.1%	6.0%
Parts and service	12.1%	11.6%
Finance and insurance, net	2.8%	2.7%
GROSS PROFIT MIX PERCENTAGES:		
New light vehicles	26.4%	26.8%
New heavy trucks	1.2%	1.6%
Used retail	14.5%	15.5%
Used wholesale	(0.3)%	(0.1)%
Parts and service	40.0%	38.5%
Finance and insurance, net	18.2%	17.7%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	76.9%	76.4%

Net income and income from continuing operations decreased $9.7 million and $10.0 million during 2007 as compared to 2006, respectively, primarily as a result of an $18.5 million loss on extinguishment of long-term debt. Discontinued operations increased $0.3 million, net of tax, during 2007. Our operations during 2007 and 2006 were impacted by certain items that are not core dealership operating items, which we believe are important to highlight when reviewing our results and should not be considered when forecasting our future results. Income from continuing operations during 2007 and 2006 includes net of tax "non-core items" of $15.3 million and $0.9 million, respectively, as detailed in the table below.

	For the Years Ended December 31, 2007	2006
	(In millions)	
NON–CORE ITEMS		
Loss on extinguishment of long-term debt	$18.5	$ 1.1
Corporate generated F&I gain	—	(3.4)
Gain on sale of a franchise	—	(2.6)
Executive separation benefits expense	3.0	—
Abandoned strategic projects expense	—	1.8
Legal settlements expense	2.5	—
Secondary offering expenses	0.3	1.1
Tax impact of non-core items above	(9.0)	1.1
Total non-core items	$15.3	$(0.9)

The non-core items shown in the table above include (i) losses on the extinguishment of long-term debt, resulting from our repurchase of $253.0 million and $17.6 million of senior subordinated notes in 2007 and 2006, respectively, (ii) a corporate generated F&I gain in 2006 related to the sale of our remaining interest in a pool of extended service contracts, (iii) a gain recognized in 2006 on the sale of a franchise in which the dealership facility was retained in our operations, (iv) executive separation benefits related to the departure of our former chief executive officer, (v) our decision to abandon certain strategic projects in 2006, (vi) legal settlement expenses in 2007 related to the settlement of legal claims arising in, and before, the year 2003, and (vii) secondary offering expenses in 2007 and 2006 related to secondary offerings in which we did not receive any proceeds.

The $10.0 million (16%) decrease in income from continuing operations was primarily a result of an $18.5 million loss on the extinguishment of long-term debt. New and used vehicle gross profit decreased $0.6 million and $6.4 million (5%), respectively, primarily as a result of lower unit sales volumes. The decrease in new vehicle and used vehicle gross profit had a de-leveraging impact on our SG&A as a percentage of gross profit, which increased 50 basis points to 76.9%. These decreases in income from continuing operations were partially offset by increased parts and service and F&I gross profit of $22.2 million (7%) and $8.0 million (5%), respectively. In addition, our other interest expense decreased $4.8 million (11%) due to a lower average effective interest rate on our long-term debt as a result of our long-term debt refinancing, which was substantially completed during the first quarter of 2007 and finalized in the second quarter of 2007.

The $42.7 million (1%) increase in total revenue was primarily a result of a $33.2 million (5%) increase in parts and service revenue and a $32.3 million (2%) increase in used vehicle revenue. New vehicle revenue decreased $30.8 million (1%), primarily due to a $116.9 million (35%) decrease in heavy truck revenue, partially offset by a $17.5 million (1%) increase in same store light vehicle revenue and $68.6 million derived from dealership acquisitions. The increase in used vehicle revenue includes a $5.4 million (2%) increase in same store wholesale revenue and $30.4 million derived from dealership acquisitions, partially offset by a $3.5 million decrease in same store retail revenue.

The $23.2 million (3%) increase in total gross profit was a result of a $22.2 million (7%) increase in parts and service gross profit and an $8.0 million (5%) increase in F&I gross profit, partially offset by a $6.4 million (5%) decrease in used vehicle gross profit. Our total gross profit margin increased 30 basis points to 15.6%, principally as a result of a mix shift to our higher margin parts and service and F&I businesses. Our total light vehicle gross profit margin increased 10 basis points to 15.9%.

New Vehicle—

	For the Years Ended December 31,			
	2007	2006	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
Revenue:				
New retail revenue—same store(1)				
Luxury	$1,055.2	$1,015.0	$ 40.2	4%
Mid-line import	1,381.5	1,356.8	24.7	2%
Mid-line domestic	509.5	560.1	(50.6)	(9)%
Value	32.7	29.5	3.2	11%
Total light vehicle revenue—same store(1)	2,978.9	2,961.4	17.5	1%
Heavy trucks	216.4	333.3	(116.9)	(35)%
Total new revenue—same store(1)	3,195.3	3,294.7	(99.4)	(3)%
New retail revenue—acquisitions	68.6	—		
New vehicle revenue, as reported	$3,263.9	$3,294.7	$ (30.8)	(1)%
New revenue per vehicle sold—same store(1)	$ 30,700	$ 30,823	$ (123)	— %
New revenue per vehicle sold —actual	$ 30,737	$ 30,823	$ (86)	— %
New revenue mix—same store(1)				
Luxury	33%	31%		
Mid-line import	43%	41%		
Mid-line domestic	16%	17%		
Value	1%	1%		
Heavy trucks	7%	10%		

	For the Years Ended December 31, 2007	2006	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
Gross Profit:				
New gross profit—same store(1)				
Luxury	$ 83.6	$ 80.7	$ 2.9	4%
Mid-line import	97.9	99.7	(1.8)	(2)%
Mid-line domestic	36.2	40.2	(4.0)	(10)%
Value	1.7	1.7	—	— %
Total light vehicle gross profit—same store(1)	219.4	222.3	(2.9)	(1)%
Heavy trucks	10.3	13.4	(3.1)	(23)%
Total new gross profit—same store(1)	229.7	235.7	(6.0)	(3)%
New gross profit—acquisitions	5.4	—		
Total new gross profit, as reported	$235.1	$235.7	(0.6)	— %
New gross profit per vehicle sold—same store(1)	$2,207	$2,205	$ 2	— %
New gross profit per vehicle sold—actual	$2,214	$2,205	$ 9	— %
New retail gross margin—same store(1)	7.2%	7.2%	— %	— %
New retail gross margin—actual	7.2%	7.2%	— %	— %
New gross mix—same store				
Luxury	36%	34%		
Mid-line import	43%	42%		
Mid-line domestic	15%	17%		
Value	1%	1%		
Heavy trucks	5%	6%		

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

	For the Years Ended December 31, 2007	2006	Increase (Decrease)	% Change
New Retail Units:				
New retail units—same store(1)				
Luxury	22,248	22,272	(24)	— %
Mid-line import	54,268	54,425	(157)	— %
Mid-line domestic	14,874	16,062	(1,188)	(7)%
Value	1,646	1,412	234	17%
Total light vehicle retail units—same store(1)	93,036	94,171	(1,135)	(1)%
Fleet vehicles	7,419	7,154	265	4%
Total light vehicle units—same store(1)	100,455	101,325	(870)	(1)%
Heavy trucks	3,625	5,566	(1,941)	(35)%
Total new vehicle units—same store(1)	104,080	106,891	(2,811)	(3)%
New vehicle units—acquisitions	2,108	—		
New vehicle units—actual	106,188	106,891	(703)	(1)%
Total light vehicle units—same store(1)	100,455	101,325	(870)	(1)%
Total light vehicle units—acquisitions	2,108	—		
Total light vehicle units	102,563	101,325	1,238	1%
New vehicle units mix—same store(1)				
Luxury	21%	21%		
Mid-line import	52%	51%		
Mid-line domestic	15%	15%		
Value	2%	1%		
Heavy trucks	3%	5%		
Fleet vehicles	7%	7%		

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

The $30.8 million (1%) decrease in new vehicle revenue was primarily a result of a $116.9 million (35%) decrease in heavy truck revenue, partially offset by a $17.5 million (1%) increase in same store light vehicle retail revenue and $68.6 million derived from dealership acquisitions. The decrease in heavy truck revenue was as a result of a 35% decrease in unit sales due to (i) changes in emission laws in January 2007, which pulled forward demand for heavy trucks into 2006, and (ii) a weaker freight hauling market during 2007. The increase in same store light vehicle retail revenue was achieved despite a challenging retail sales and overall weak economic environment, particularly in the second half of 2007, primarily as a result of a 7% decrease in same store unit sales from mid-line domestic brands as these brands continue to lose market share to mid-line import and luxury brands. Our same store retail revenue from our luxury and mid-line import brands increased $40.2 million (4%) and $24.7 million (2%), respectively. The increase in luxury revenue reflected a shift towards higher priced luxury models as luxury brands continue to offer attractive products.

The $0.6 million decrease in new vehicle gross profit was due to (i) a $4.0 million (10%) decrease in same store gross profit from the sale of mid-line domestic brands, primarily as a result of a 7% decrease in same store unit sales, (ii) a $3.1 million (23%) decrease in heavy truck gross profit as a result of a 35% decrease in heavy truck unit sales. These decreases were partially offset by a $2.9 million (4%) increase in gross profit from our luxury brands and by $5.4 million of gross profit from dealership acquisitions.

Used Vehicle—

	For the Years Ended December 31, 2007	2006	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
Revenue:				
Used retail revenues—same store(1)				
Light vehicle	$1,019.2	$1,023.0	$ (3.8)	— %
Heavy trucks	15.8	15.5	0.3	2%
Total used retail revenues—same store(1)	1,035.0	1,038.5	(3.5)	— %
Used retail revenues—acquisitions	20.6	—		
Total used retail revenues	1,055.6	1,038.5	17.1	2%
Used wholesale revenues—same store(1)	324.4	319.0	5.4	2%
Used wholesale revenues—acquisitions	9.8	—		
Total used wholesale revenues	334.2	319.0	15.2	5%
Used vehicle revenue, as reported	$1,389.8	$1,357.5	$ 32.3	2%
Gross profit:				
Used retail gross profit—same store(1)				
Light vehicle	$ 120.9	$ 127.5	$ (6.6)	(5)%
Heavy trucks	0.1	0.7	(0.6)	(86)%
Total used retail gross profit—same store(1)	121.0	128.2	(7.2)	(6)%
Used retail gross profit—acquisitions	2.3	—		
Total used retail gross profit	123.3	128.2	(4.9)	(4)%
Used wholesale gross profit—same store(1)	(2.0)	(0.7)	(1.3)	(186)%
Used wholesale gross profit—acquisitions	(0.2)	—		
Total used wholesale gross profit	(2.2)	(0.7)	(1.5)	(214)%
Used vehicle gross profit, as reported	$ 121.1	$ 127.5	$ (6.4)	(5)%
Used retail units—same store(1)				
Light vehicle	56,155	58,074	(1,919)	(3)%
Heavy trucks	429	420	9	2%
Total used retail units—same store(1)	56,584	58,494	(1,190)	(3)%
Used retail units—acquisitions	1,079	—		
Used retail units—actual	57,663	58,494	(831)	(1)%
Used revenue PVR—same store(1)	$ 18,291	$ 17,754	$ 537	3%
Used revenue PVR—actual	$ 18,306	$ 17,754	$ 552	3%
Used gross profit PVR—same store(1)	$ 2,138	$ 2,192	$ (54)	(2)%
Used gross profit PVR—actual	$ 2,138	$ 2,192	$ (54)	(2)%
Used retail gross margin—same store(1)	11.7%	12.3%	(0.6)%	(5)%
Used retail gross margin—actual	11.7%	12.3%	(0.6)%	(5)%

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

The $32.3 million (2%) increase in used vehicle revenue includes $30.4 million derived from dealership acquisitions and a $5.4 million (2%) increase in same store wholesale revenue, partially offset by a $3.5 million decrease in same store retail revenue. The $6.4 million (5%) decrease in used vehicle gross profit includes a $7.2 million (6%) decrease in same store retail gross profit and a $1.3 million decrease in same store wholesale gross profit, partially offset by $2.1 million derived from dealership acquisitions. Our comparison from the prior year proved challenging as we benefited in recent years from (i) targeted initiatives, including the building of experienced used vehicle teams, (ii) our investments in technology to better value trade-ins and improve inventory management and (iii) strong used vehicle sales in the 2006 period in Houston and Mississippi in the aftermath of hurricane Katrina. In addition, we have experienced reduced used vehicle sales to sub-prime customers as a result of the weakening economy and tighter lending practices, particularly in the second half of 2007.

The strong used vehicle wholesale environment during the second and third quarters of 2007 significantly increased the cost to acquire used vehicle inventory, increasing pressure on our used retail margins and used retail unit sales in the second half of 2007. In addition, we believe used vehicle customers were attracted to competitively priced mid-line import and mid-line domestic new vehicles as a result of manufacturer incentive programs.

During the third quarter of 2007, we began a strategic initiative to realign our inventory to (i) serve the broader used vehicle market and (ii) lower our inventory in response to the slower retail environment. Although our same store wholesale losses increased $1.3 million during 2007 and our retail margins decreased 5%, we were able to reduce our used vehicle inventory by 13% and our used vehicle inventory was better aligned with customer demand.

Parts and Service—

	For the Years Ended December 31, 2007	2006	Increase (Decrease)	% Change
	(Dollars in millions)			
Revenue:				
Light vehicle—same store(1)	$587.8	$570.0	$17.8	3%
Heavy trucks	63.1	61.7	1.4	2%
Total revenue—same store(1)	650.9	631.7	19.2	3%
Revenues—acquisitions	14.0	—		
Parts and service revenue, as reported	$664.9	$631.7	$33.2	5%
Gross profit:				
Light vehicle—same store(1)	$313.6	$299.7	$13.9	5%
Heavy trucks	20.3	19.5	0.8	4%
Total gross profit—same store(1)	333.9	319.2	14.7	5%
Gross profit—acquisitions	7.5	—		
Parts and service gross profit, as reported	$341.4	$319.2	$22.2	7%
Parts and service gross margin—same store(1)	51.3%	50.5%	0.8%	2%
Parts and service gross margin—actual	51.3%	50.5%	0.8%	2%

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

The $33.2 million (5%) increase in parts and service revenues and $22.2 million (7%) increase in parts and service gross profit was primarily due to the performance of our customer pay business as well as revenue and gross profit derived from dealership acquisitions. Same store customer pay parts and service revenue and gross profit increased $16.8 million (4%) and $10.9 million (6%), respectively. Same store revenue and gross profit from our wholesale parts business increased $6.3 million (5%) and $1.7 million (7%), respectively. We experienced decreases in our warranty business as same store warranty revenue decreased $3.8 million (3%) as a result of improvements in the quality of vehicles produced in recent years.

Finance and Insurance, net—

	For the Years Ended December 31,		Increase (Decrease)	% Change
	2007	2006		
	(In millions, except for per vehicle data)			
Dealership generated F&I, net—same store(1)				
Light vehicle	$151.7	$142.9	$ 8.8	6%
Heavy trucks	0.9	0.9	—	— %
Dealership generated F&I, net—same store(1)	152.6	143.8	8.8	6%
Dealership generated F&I, net—acquisitions	2.6	—		
Dealership F&I, net	155.2	143.8	11.4	8%
Corporate generated F&I gain	—	3.4		
F&I, net as reported	$155.2	$147.2	$ 8.0	5%
Dealership F&I per vehicle sold—same store(1)	$ 950	$ 869	$ 81	9%
Dealership F&I per vehicle sold—actual	$ 947	$ 869	$ 78	9%
F&I per vehicle sold—same store(1)	$ 950	$ 890	$ 60	7%
F&I per vehicle sold—actual	$ 947	$ 890	$ 57	6%

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

F&I increased $8.0 million (5%) during 2007 as compared to 2006, as a result of an $8.8 million (6%) increase in same store dealership generated F&I and $2.6 million derived from dealership acquisitions, partially offset by $3.4 million from a corporate generated F&I gain in 2006 related to the sale of our remaining interest in a pool of service contracts. The increase in same store dealership generated F&I was a result of a 9% increase in same store dealership generated F&I per vehicle sold, partially offset by a 3% decrease in same store unit sales. The increase in dealership generated F&I per vehicle sold was attributable to (i) increased customer acceptance rates on sales of our aftermarket products and services, (ii) lengthening in finance contract terms during 2007, (iii) improved F&I performance of the bottom third of our stores and (iv) the performance of F&I retrospective programs.

Selling, General and Administrative—

	For the Years Ended December 31,					
	2007	% of Gross Profit	2006	% of Gross Profit	Increase (Decrease)	% of Gross Profit Increase (Decrease)
			(Dollars in millions)			
Personnel costs	$294.4	35.2%	$297.9	35.9%	(3.5)	(0.7)%
Sales compensation	91.9	11.0%	94.2	11.4%	(2.3)	(0.4)%
Share-based compensation	5.9	0.7%	5.0	0.6%	0.9	0.1%
Outside services	59.1	7.1%	51.4	6.2%	7.7	0.9%
Advertising	46.2	5.5%	46.3	5.6%	(0.1)	(0.1)%
Rent	53.3	6.4%	50.8	6.1%	2.5	0.3%
Utilities	17.3	2.1%	17.0	2.0%	0.3	0.1%
Insurance	13.4	1.6%	12.6	1.5%	0.8	0.1%
Other	60.2	7.2%	59.0	7.1%	1.2	0.1%
Selling, general and administrative—same store(1)	$641.7	76.8%	$634.2	76.4%	7.5	0.4%
Acquisitions	14.5		—			
Selling, general and administrative—actual	$656.2	76.9%	$634.2	76.4%	22.0	0.5%
Gross Profit—same store	$835.2		$829.6			
Gross Profit—actual	$852.8		$829.6			

Same store SG&A expense as a percentage of gross profit was 76.8% for 2007, as compared to 76.4% for 2006. The 40 basis point increase was primarily a result of the de-leveraging impact on our cost structure from the decline in vehicle sales volumes, as well as increased outside service expense and a 30 basis point increase in rent expense, partially offset by decreased personnel expense and sales compensation expense. We implemented several expense control initiatives including more efficient advertising practices, personnel reductions and revised compensation structures. The impact of these initiatives was partially offset by increased rent expense from dealership acquisitions and the expansion of our service capacity.

Depreciation and Amortization—

The $1.5 million (8%) increase in depreciation and amortization expense was a result of property and equipment acquired during 2007 and 2006.

Other Operating (Expense) Income—

Other operating (expense) income includes gains and losses from the sale of property and equipment, income derived from sub-lease arrangements and other non-core operating items. Other non-core operating items include $3.0 million during 2007 related to the departure of our former chief executive officer and $0.3 million associated with a secondary stock offering, for which we did not receive any proceeds. Other operating (expense) income during 2006 included a $2.6 million gain on the sale of a franchise that was not placed into discontinued operations, because we expect that increased cash flows of our current operations will replace those of the sold franchise.

Floor Plan Interest Expense—

The $2.2 million (6%) increase in floor plan interest expense was primarily attributable to higher average inventory levels during 2007 and to a lesser extent higher interest rates during 2007, as compared to 2006.

Other Interest Expense—

The $4.8 million (11%) decrease in other interest expense was primarily attributable to a lower effective rate on our long-term debt as a result of our long-term debt refinancing, which was substantially completed in the first quarter of 2007 and finalized in the second quarter of 2007.

Loss on Extinguishment of Long-Term Debt—

We recognized an $18.5 million loss on the extinguishment of long-term debt in 2007 in connection with our long-term debt refinancing. The $18.5 million loss includes (i) a $12.9 million premium on the repurchase of the 9% Notes and 8% Notes, (ii) $5.5 million of costs associated with a pro-rata write-off of unamortized debt issuance costs related to our 9% Notes and 8% Notes, and (iii) $0.1 million of costs associated with a pro-rata write-off of the unamortized value of our terminated fair value swap associated with the 8% Notes.

During 2006, we recognized a $1.1 million net loss on the repurchase of $17.6 million of our 8% Notes.

Income Tax Expense—

The $8.3 million (22%) decrease in income tax expense was a result of (i) an $18.3 million (18%) decrease in our income before income taxes, (ii) $0.4 million related to the reversal of a deferred tax asset valuation allowance related to a tax benefit we now expect to realize and (iii) $0.6 million related to tax credits recognized for employing individuals in the areas affected by Hurricane Katrina.

Discontinued Operations—

During 2007, we sold two franchises (two dealership locations), and as of December 31, 2007, five franchises were pending disposition (four franchises were classified as discontinued operations). The $0.7 million, net of tax, loss from discontinued operations for the 2007 period was the result of a $1.2 million, net of tax, loss on the sale of two franchises (two dealership locations), partially offset by $0.5 million, net of tax, of net operating income of franchises sold or pending disposition, including rent expense of idle facilities and legal expenses of franchises sold prior December 31, 2008.

The $1.0 million, net of tax, loss from discontinued operations for the 2006 period was the result of (i) $1.6 million, net of tax, of net operating losses of franchises sold or pending disposition, including rent expense of idle facilities and legal expenses of franchises sold prior December 31, 2008, partially offset by (ii) a $0.6 million, net of tax, gain on the sale of twelve franchises (seven dealership locations).

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2008, we had cash and cash equivalents of approximately $91.6 million and working capital of $165.2 million. We had $88.0 million available for borrowings under our revolving credit facility with Bank of America, as administrative agent, and a syndicate of commercial banks and commercial financing entities (the "BofA Revolving Credit Facility") for working capital, general corporate purposes and acquisitions. In addition, we had $27.8 million available for borrowings under our used vehicle floor plan facility with JPMorgan Chase Bank, N.A. and Bank of America (the "JPMorgan Used Vehicle Floor Plan Facility") for working capital, capital expenditures and general corporate purposes.

We require cash to fund working capital needs, finance acquisitions of new dealerships and fund capital expenditures. We believe that our cash and cash equivalents on hand as of December 31, 2008, the funds that will be generated through future operations, and the funds available for borrowings under our revolving credit facilities, floor plan facilities, mortgage financing, proceeds from sale-leaseback transactions and asset sales will be sufficient to fund our debt service and working capital requirements, commitments and contingencies, debt repurchases, acquisitions, capital expenditures and any seasonal operating requirements for at least the next twelve months.

Covenants

Because of the uncertainties regarding our compliance with financial covenants during 2009, as discussed below, our independent registered public accounting firm included an explanatory paragraph that indicated there is uncertainty that we will remain in compliance with certain covenants in our debt agreements and that condition raises substantial doubt about our ability to continue as a going concern in its audit report for our 2008 financial statements. The inclusion of this going concern explanatory paragraph constituted a default under our BofA Revolving Credit Facility, JPMorgan Used Vehicle Floor Plan Facility and our new vehicle floor plan facilities with General Motors Acceptance Corporation. We obtained waivers with respect to these defaults from the relevant lenders prior to the filing of this Annual Report on Form 10-K with the U.S. Securities and Exchange Commission.

We are subject to a number of financial covenants in our various debt and lease agreements, including those described below. As of December 31, 2008, we were in compliance with all of these covenants. In order to satisfy certain of our financial covenants in 2008, we relied in part upon income recognized in connection with our purchases of $59.8 million of our outstanding debt securities at a significant discount. See "—Subordinated Note Repurchases" below. These purchases generated approximately $34.2 million of income before tax in 2008. We expect that we may need to engage in similar purchases in order to satisfy our financial covenants during 2009. We cannot give any assurance that we will be able to make such repurchases in 2009 in amounts and at prices sufficient to satisfy our covenants. Our Board of Directors has authorized us to use an additional $50.0 million in cash to repurchase debt securities and/or make unscheduled principal payments on our existing mortgages. Currently, our BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility limit our ability to purchase our debt securities to $30.0 million per calendar year, plus 50% of the net proceeds from asset sales during any given calendar year.

Failure to satisfy any of our debt covenants would constitute a default under the relevant debt agreements, which would entitle the lenders under such agreements to terminate our ability to borrow under the relevant agreements and accelerate our obligations to repay outstanding borrowings, if any, unless compliance with the covenants is waived. In many cases, defaults under one of our agreement could trigger cross default provisions in our other agreements. If we are unable to remain in compliance with our financial or other covenants, we would be required to seek waivers or modifications of our covenants from our lenders, or we would need to raise debt and/or equity financing or sell assets to generate proceeds sufficient to repay such debt. In light of current depressed conditions in the automotive industry and the exceptionally difficult current conditions in the credit markets generally, we cannot give any assurance that we would be able to successfully take these actions.

Our BofA Revolving Credit Facility, JPMorgan Used Vehicle Floor Plan Facility (as defined below) and certain of our mortgages and/or guarantees related to such mortgages include financial covenants with the following requirements: (i) our Current Ratio as of the end of any fiscal quarter must not be less than 1.20 to 1 (our ratio was 1.30 to 1 as of December 31, 2008); (ii) our Fixed Charge Coverage Ratio for any period of four fiscal quarters must not be less than 1.20 to 1 (our ratio was 1.88 to 1 as of December 31, 2008); (iii) our Consolidated Total Leverage Ratio must not at any time be more than 5.00 to 1 (our ratio was 4.06 to 1 as of December 31, 2008); and (iv) our Consolidated Total Senior Leverage Ratio must not at any time be more than 3.00 to 1 (our ratio was 1.56 to 1 as of December 31, 2008).

Our guarantees under the Wachovia Master Loan Agreement includes certain financial covenants with the following requirements: (i) a Current Ratio of at least 1.20 to 1 (our ratio was approximately 1.30 to 1 as of December 31, 2008); (ii) a Fixed Charge Coverage Ratio of at least 1.20 to 1 (our ratio was approximately 1.87 to 1 as of December 31, 2008); (iii) a Total Leverage Ratio of not more than 5.00 to 1 (our ratio was approximately 3.96 to 1 as of December 31, 2008) and (iv) an Adjusted Net Worth of at least $350.0 million (our Adjusted Net Worth was approximately $605.6 million as of December 31, 2008).

Certain of our lease agreements include financial covenants with the following requirements: (i) a Liquidity Ratio of at least 1.20 to 1 (our ratio was approximately 1.27 to 1 as of December 31, 2008), and (ii) an EBITDA plus rent expense ("EBITDAR") Ratio of at least 1.50 to 1 (our ratio was 2.64 to 1 as of December 31, 2008). A breach of these covenants would give rise to certain lessor remedies under our various lease agreements, the most severe of which include the following: (i) termination of the applicable lease and/or other leases with the same landlord under a cross-default provision (ii) the landlord would have a claim for liquidated damages equaling the difference between fair market rent being paid, calculated over the lease term plus the landlord's actual damages, to the extent to which the rents accelerated under the applicable lease and/or other leases with the same landlord under a cross-default provision.

Revolving Credit Facility

In September 2008, we entered into the BofA Revolving Credit Facility with Bank of America, as administrative agent, and a syndicate of commercial banks and commercial financing entities. The BofA Revolving Credit Facility, together with certain floor plan inventory financing agreements entered into (or amended) in September 2008 (collectively, the "New Floor Plan Facilities"), replaced our $550.0 million syndicated credit facility with JPMorgan Chase Bank, N.A. (the "Terminated Credit Facility"). The cancellation of the Terminated Credit Facility resulted in a $1.7 million loss associated with the write-off of related unamortized debt issuance costs, which is included in Gain (Loss) on Extinguishment of Long-Term Debt in the accompanying Consolidated Statement of (Loss) Income.

The BofA Revolving Credit Facility matures on August 15, 2012. Under the BofA Revolving Credit Facility, subject to a borrowing base, we may (i) borrow up to $200.0 million, which amount may be expanded up to $250.0 million in total credit availability upon satisfaction of certain conditions; (ii) borrow up to $25.0 million from Bank of America from a swing line of credit; and (iii) request Bank of America to issue letters of credit on our behalf. The amount available for borrowing under the BofA Revolving Credit Facility will be reduced on a dollar-for-dollar basis by the aggregate face amount of any outstanding letters of credit and swing line loans issued by Bank of America. The borrowing base and the reductions based on $7.3 million of outstanding letters of credit limited our available borrowings to $138.0 million as of December 31, 2008. As of December 31, 2008, we had $50.0 million in borrowings outstanding under the BofA Revolving Credit Facility, leaving $88.0 million in incremental borrowing capacity.

Any loan (including any swing line loans) under the BofA Revolving Credit Facility will bear interest at (i) a specified percentage above the London Interbank Offered Rate ("LIBOR") according to a utilization rate-based pricing grid ranging from 2.25% to 3.25% above LIBOR; or at our option (ii) the higher of (a) the Bank of America prime rate and (b) the federal funds rate plus 0.50%, plus a rate ranging from 0.50% to 1.00% determined in accordance with the utilization rate-based pricing grid.

Under the terms of the BofA Revolving Credit Facility, we agreed not to pledge any assets to a third party, subject to certain exceptions (such as the security interest in new vehicle inventory financed using floor plan arrangements and used vehicles used as collateral under our floor plan facility with JPMorgan Chase Bank, N.A.). In addition, the BofA Revolving Credit Facility contains certain negative covenants, including covenants which could prohibit or restrict the payment of dividends, equity and debt repurchases, capital expenditures and material dispositions of assets, as well as other customary covenants and default provisions. We are also subject to financial covenants under the terms of the BofA Revolving Credit Facility (refer to further discussion above under "Covenants").

The BofA Revolving Credit Facility contains events of default, including cross-defaults to other material indebtedness, change of control events and events of default customary for syndicated commercial credit facilities. Upon the occurrence of an event of default, Bank of America, as the administrative agent, may (i) require us to immediately repay all outstanding amounts under the BofA Revolving Credit Facility; (ii) declare the commitment of each lender to make loans and any obligation of the Bank of America to extend letters of credit terminated; (iii) require us to cash collateralize any letter of credit obligations; and (iv) exercise on behalf of itself and the other lenders all rights and remedies available to it and the other lenders under the credit agreement and each of the other loan documents.

Under the terms of collateral documents entered into with the lenders under the BofA Revolving Credit Facility, the lenders have a security interest in certain of our personal property other than fixtures and certain other excluded property. Our subsidiaries also guarantee our obligations under the BofA Revolving Credit Facility.

Used Vehicle Floor Plan Facility

In October 2008, we entered into a $75.0 million used vehicle floor plan facility with JPMorgan Chase Bank, N.A, as administrative agent, and Bank of America (the "JPMorgan Used Vehicle Floor Plan Facility"), which is secured by certain of our used motor vehicle inventory. The JPMorgan Used Vehicle Floor Plan Facility matures on August 15, 2012. Under the JPMorgan Used Vehicle Floor Plan Facility, subject to a borrowing base, we may borrow up to $75.0 million, which amount may be expanded up to $100.0 million in total credit availability upon satisfaction of certain conditions. The amount available for borrowing under the JPMorgan Used Vehicle Floor Plan Facility is limited by the lesser of (i) $75.0 million and (ii) 65% of the net book value of our used vehicle inventory (excluding heavy trucks and our Ford, Lincoln and Mercury inventory) eligible to be used in the borrowing base calculation, less unpaid liens. As of December 31, 2008, we did not have any amounts outstanding and our available borrowings under the JPMorgan Used Vehicle Floor Plan Facility were limited to $27.8 million.

Any loan under the JPMorgan Used Vehicle Floor Plan Facility will bear interest at LIBOR, as adjusted for statutory reserve requirements for Eurocurrency liabilities, plus 1.5%. If there is a change in the law making it unlawful to make or maintain any loan under the JPMorgan Used Vehicle Floor Plan Facility, then any outstanding loan may be converted to a loan bearing interest at the prime rate in effect, plus 1.5%. Upon an event of default under the JPMorgan Used Vehicle Floor Plan Facility, the lenders may request that we pay interest on the principal outstanding amount of all outstanding loans at the interest rate otherwise applicable to such loan, plus 2% per annum.

Under the terms of the JPMorgan Used Vehicle Floor Plan Facility, we have agreed not to encumber assets, subject to certain exceptions (such as the security interest in new vehicle inventory financed using floor plan arrangements). In addition, the JPMorgan Used Vehicle Floor Plan Facility contains certain negative covenants, including covenants which could prohibit or restrict the payment of dividends, capital expenditures and the dispositions of assets, as well as other customary covenants and default provisions. We are also subject to financial covenants under the terms of the JPMorgan Used Vehicle Floor Plan Facility (refer to further discussion above under "Covenants").

The JPMorgan Used Vehicle Floor Plan Facility contains events of default, including cross-defaults to other material indebtedness, change of control events and events of default customary for syndicated commercial credit facilities. Upon the occurrence of an event of default, JPMorgan Chase Bank, N.A., as the administrative agent, may (i) require us to immediately repay all outstanding amounts under the JPMorgan Used Vehicle Floor Plan Facility; (ii) terminate the commitment of each lender to make loans; and (iii) exercise on behalf of itself and the other lenders all rights and remedies available to it and the other lenders under the credit agreement.

New Vehicle Floor Plan Facilities

As of December 31, 2008, our new inventory purchases were financed by the following floor plan providers:

- American Honda Finance—Honda and Acura new vehicle inventory;
- Bank of America—Chrysler, Dodge and Jeep new vehicle inventory—limited to $29.0 million of borrowing capacity;
- BMW Financial Services—BMW and MINI new vehicle inventory;
- Comerica Bank—Hino and Isuzu Truck new heavy truck inventory;
- Navistar Financial—International Truck, IC Bus, Workhorse and UD new heavy truck inventory;
- DCFS USA LLC—Mercedes-Benz and smart new vehicle inventory;

- Ford Motor Credit Corporation—Ford, Lincoln, Mercury, Volvo and Mazda, new vehicle inventory;
- General Motors Acceptance Corporation—Chevrolet, Pontiac, Buick, GMC and Cadillac new vehicle inventory;
- JPMorgan Chase Bank, N.A.—Hyundai, Kia, Audi, Porsche, Volkswagen, Land Rover and Jaguar new vehicle inventory—limited to $30.0 million of borrowing capacity;
- Nissan Motor Acceptance Corporation—Nissan and Infiniti new vehicle inventory;
- PACCAR Financial Services Corporation—Peterbilt new heavy truck inventory;
- Toyota Financial Services—Toyota new vehicle inventory purchased from Gulf States Toyota and Lexus new vehicle inventory; and
- World Omni Financial Corporation—Toyota new vehicle inventory purchased from Southeast Toyota.

Borrowings on all our floor plan financing facilities mentioned above accrue interest at rates ranging from approximately 1.00% to 3.75% above LIBOR or 0.50% to 1.50% above the prime rate, with some floor plan financing facilities establishing specific prime rate minimums. Other than the limitations under our new vehicle floor plan facilities with Bank of America and JPMorgan Chase Bank, N.A., as discussed above, all of our other new vehicle floor plan facilities do not have stated borrowing limitations. Our floor plan facility with JPMorgan Chase Bank, N.A. matures in August 2012 and the floor plan facilities with all other lenders have no stated termination date.

Under the terms of the collateral documents entered into with the lenders under our new floor plan facilities, we and all of our dealership subsidiaries granted security interests in all of the new vehicle inventory financed under these respective floor plan credit facilities, as well as the proceeds from the sale of such vehicles, and certain other collateral. This grant of security interests replaces the grants made to such floor plan lenders under the prior floor plan credit facilities with such lenders.

Mortgage Notes Payable

In the second quarter of 2008, we acquired thirty-three properties previously leased by our dealerships for an aggregate purchase price of $207.9 million, $202.2 million of which was pursuant to the exercise of a right of first refusal. We financed the purchase of these properties with $151.1 million of mortgage borrowings and $56.8 million of available cash. During the third quarter of 2008, we sold one of these properties at book value for proceeds of $3.6 million and repaid the related mortgage note payable of $3.5 million. As of December 31, 2008, two of these properties with an aggregate book value of $8.2 million and associated mortgage notes payable of $8.0 million were classified as Assets Held For Sale and Liabilities Associated with Assets Held for Sale, respectively, on the accompanying Consolidated Balance Sheets. We do not use these properties in our dealership operations and they are pending disposition.

To finance the purchase of these properties, in June 2008, we entered into a master loan agreement with Wachovia Bank, National Association, a national banking association, and Wachovia Financial Services, Inc., a North Carolina corporation (collectively referred to as, "Wachovia", and the master loan agreement being referred to as, the "Wachovia Master Loan Agreement"). Pursuant to the terms of the Wachovia Master Loan Agreement, Wachovia extended credit to certain of our subsidiaries guaranteed by us through a series of related but separate loans (collectively, the "Wachovia Mortgages") in the aggregate amount of $151.1 million to provide financing for the $202.2 million purchase of previously leased real estate comprised of 32 properties located in Florida, North Carolina, Virginia, Georgia, Arkansas and Texas. Each of the Wachovia Mortgages is secured by the related underlying property and bears interest at 1-month LIBOR plus 2.95%. We are required to make monthly principal payments based on a straight-line twenty year amortization schedule, with balloon repayment of all outstanding principal amounts due in June 2013. As of December 31, 2008, the aggregate principal amount of the Wachovia Mortgages was $144.1 million, of which $8.0 million was classified as Liabilities Held for Sale on the accompanying Consolidated Balance Sheet.

The Wachovia Master Loan Agreement contains customary representation and warranties and the guarantees under such agreements contain negative covenants by the Borrowers, including, among other things, covenants not to, with permitted exceptions, (i) incur any additional debt; (ii) create any additional liens on the Property; and (iii) enter into any sale-leaseback transactions in connection with the underlying properties. The Wachovia Master Loan Agreement also contains customary events of default, including, change of control, non-payment of obligations and cross-defaults. We are also subject to financial covenants under the terms of the guarantees related to the Wachovia Master Loan Agreement. Upon an event of default, Wachovia may, among other things, (i) accelerate the Wachovia Mortgages; (ii) opt to have the principal amount outstanding under the Wachovia Mortgages bear interest at 1-month LIBOR, plus 5.95% from the time it chooses to accelerate the repayment of the Wachovia Mortgages until the Wachovia Mortgages are paid in full; and (iii) foreclose on and sell some or all of the properties underlying the Wachovia Mortgages; and cause a cross-default on our other debt obligations.

As of December 31, 2008, excluding the mortgages mentioned above, we had four real estate mortgage notes payable with an outstanding balance of $41.4 million. During 2008, we borrowed $16.7 million from BMW Financial Services in connection with the construction of a service facility at one of our dealerships. These obligations are collateralized by the related real estate with a carrying value of $63.6 million as of December 31, 2008, and mature between 2011 and 2018.

Subordinated Note Repurchases

As of December 31, 2008, we had $384.6 million in aggregate principal amount of subordinated notes outstanding, including: $62.0 million of 3% Senior Subordinated Convertible Notes due 2012 ("the 3% Notes"), $179.4 million of 8% Senior Subordinated Notes due 2014 (the "8% Notes") and $143.2 million of 7.625% Senior Subordinated Notes due 2017 (the "7.625% Notes"). During the fourth quarter of 2008, we repurchased $53.0 million of our 3% Notes for a total cost of $21.2 million and $6.8 million of our 7.625% Notes for a total cost of $2.8 million. We recorded a $34.2 million gain associated with the repurchase of our subordinated notes, net of the write-off of $1.6 million of related unamortized debt issuance costs, which is included in Gain (Loss) on Extinguishment of Long-Term Debt in the accompanying Consolidated Statement of (Loss) Income. We may from time to time repurchase subordinated notes in open market purchases or privately negotiated transactions. The decision to repurchase subordinated notes will be dependent upon prevailing market conditions, our liquidity position, and other factors. Our Board of Directors has authorized us to use up to an additional $50.0 million of cash to repurchase debt securities and/or make unscheduled principal payments on our existing mortgages. Currently, our BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility limit our ability to purchase our debt securities to $30.0 million per calendar year, plus 50% of the net proceeds from asset sales during any given calendar year.

3% Senior Subordinated Convertible Notes due 2012

We had $62.0 million in aggregate principal amount of our 3% Notes outstanding as of December 31, 2008. We pay interest on the 3% Notes on March 15 and September 15 of each year until their maturity on September 15, 2012. If and when the 3% Notes are converted, we will pay cash for the principal amount of each Note and, if applicable, shares of our common stock based on a daily conversion value calculated on a proportionate basis for each volume weighted average price ("VWAP") trading day (as defined in the indenture governing the 3% Notes) in the relevant 30 VWAP trading day observation period. The initial conversion rate for the 3% Notes is 29.4172 shares of common stock per $1,000 principal amount of 3% Notes, which is equivalent to an initial conversion price of $33.99 per share. As of December 31, 2008, the conversion price of our 3% Notes was $33.85, which was reduced as the result of our decision to pay a dividend in the third and fourth quarters of 2007 and the first quarter of 2008 at a rate in excess of the $0.20 per share we were paying at the date of issuance of the 3% Notes. The conversion rate is subject to adjustment in some events but will not be adjusted for accrued interest.

Our 3% Notes are fully and unconditionally guaranteed, on a joint-and-several basis, by all of our current wholly-owned subsidiaries. We are a holding company that has no material independent assets or operations. Any subsidiary other than the subsidiary guarantors are minor. In addition, there are no restrictions on the ability of our consolidated subsidiaries to transfer funds to us. The terms of our 3% Notes, in certain circumstances, restrict our ability to, among other things, enter into merger transactions or sell all or substantially all of our assets.

In connection with the sale of our 3% Notes, we entered into convertible note hedge transactions with respect to our common stock with Deutsche Bank AG, London Branch and Goldman, Sachs & Co. (collectively, the "Counterparties"). The convertible note hedge transactions require the Counterparties to deliver to us, subject to customary anti-dilution adjustments, certain shares of our common stock upon conversion of the 3% Notes as discussed in greater detail below. In connection with the repurchase of $53.0 million of 3% Notes, a pro-rata portion of the convertible note hedges were terminated.

We also entered into separate warrant transactions whereby we sold to the Counterparties warrants to acquire, subject to customary anti-dilution adjustments, shares of our common stock at an initial strike price of $45.09 per share, which was a 62.50% premium over the market price of our common stock at the time of pricing. As of December 31, 2008, the strike price was $44.74 as a result of our decision to increase our quarterly dividend by $0.025 to $0.225 in the third and fourth quarters of 2007 and the first three quarters of 2008.

The convertible note hedge and warrant transactions are separate contracts and are not part of the terms of the 3% Notes, as such, they do not affect the holders' rights under the 3% Notes. Holders of the 3% Notes do not have any rights with respect to the convertible note hedge and warrant transactions. The convertible hedge and warrant transactions will essentially have the effect of increasing the conversion price of the 3% Notes to $44.74. The convertible note hedge and warrant transactions are expected to offset the potential dilution upon conversion of the 3% Notes in the event that the market value per share of our common stock at the time of exercise is between $33.85 and $44.74.

7.625% Senior Subordinated Notes due 2017

We had $143.2 million in aggregate principal amount of our 7.625% Notes outstanding as of December 31, 2008. We pay interest on the 7.625% Notes on March 15 and September 15 of each year until their maturity on March 15, 2017. At any time during the term of the 7.625% Notes, we may choose to redeem all or a portion of the 7.625% Notes at a price equal to 100% of their principal amount plus the make-whole premium set forth in the 7.625% Notes indenture. At any time on or after March 15, 2012, we may, at our option, choose to redeem all or a portion of these notes at a redemption price that begins at 103.813% of the aggregate principal amount of the 7.625% Notes and reduces on each subsequent March 15 by approximately 1.3% until the price reaches 100% of the aggregate principal amount on March 15, 2015 and thereafter. On or before March 15, 2010, we may, at our option, use the net proceeds of one or more equity offerings to redeem up to 35% of the aggregate principal amount of the 7.625% Notes at a redemption price equal to 107.625% of such principal amount plus accrued and unpaid interest thereon.

Our 7.625% Notes are fully and unconditionally guaranteed, on a joint-and-several basis, by all of our current wholly-owned subsidiaries and will be so guaranteed by all of our future domestic subsidiaries that have outstanding, incur or guarantee any other indebtedness. We are a holding company that has no material independent assets or operations. Any subsidiary other than the subsidiary guarantors are minor. In addition, there are no restrictions on the ability of our consolidated subsidiaries to transfer funds to us. The terms of our 7.625% Notes, in certain circumstances, restrict our ability to, among other things, incur additional indebtedness, pay dividends, repurchase our common stock and merge or sell all or substantially all our assets.

8% Senior Subordinated Notes due 2014

We had $179.4 million in aggregate principal amount of our 8% Notes outstanding as of December 31, 2008. We pay interest on March 15 and September 15 of each year until maturity of the 8% Notes on March 15, 2014. At any time on or after March 15, 2009, we may, at our option, choose to redeem all or a portion of these notes at a redemption price that begins at 104.0% of the aggregate principal amount of the 8% Notes and reduces on each subsequent March 15 by approximately 1.3% until the price reaches 100% of the aggregate principal amount on March 15, 2012 and thereafter. At any time before March 15, 2009, we may choose to redeem all or a portion of these notes at a price equal to 100% of their principal amount plus the make-whole premium set forth in the 8% Notes indenture.

Our 8% Notes are fully and unconditionally guaranteed, on a joint-and-several basis, by all of our current wholly-owned subsidiaries and will be so guaranteed by all of our future domestic subsidiaries that have outstanding, incur or guarantee any other indebtedness. We are a holding company that has no material independent assets or operations. Any subsidiary other than the subsidiary guarantors are minor. In addition, there are no restrictions on the ability of our consolidated subsidiaries to transfer funds to us. The terms of our 8% Notes, in certain circumstances, restrict our ability to, among other things, incur additional indebtedness, pay dividends, repurchase our common stock and merge or sell all or substantially all our assets.

Share Repurchase and Dividends

In January, May and August of 2008, our Board of Directors declared a $0.225 per share dividend, which totaled $21.5 million. Due to the challenging retail environment and the resulting decline in our profitability, the Board of Directors elected to suspend our dividend payments, and no dividend was paid in the fourth quarter of 2008 (refer to further discussion below under "Stock Repurchase and Dividend Restrictions").

We repurchased 82,957 shares of our common stock for $1.2 million from employees in connection with the net share settlement of employee share-based awards during 2008 (refer to further discussion below under "Stock Repurchase and Dividend Restrictions").

Contractual Obligations

As of December 31, 2008, we had the following contractual obligations (in millions):

	Payments due by period						
	2009	2010	2011	2012	2013	Thereafter	Total
Floor plan notes payable(a)	$633.4	$ —	$ —	$ —	$ —	$ —	$ 633.4
Operating leases	36.8	34.0	33.5	32.5	29.9	173.5	340.2
Long-term debt, including capital lease obligations(b)	58.8	8.1	29.5	68.9	110.0	337.4	612.7
Interest on long-term debt(c)	35.6	35.2	34.3	32.6	29.9	38.5	206.1
Liabilities associated with assets held for sale(d)	11.0	—	—	—	—	—	11.0
Severance	3.0	0.2	—	—	—	—	3.2
Employee compensation obligations	1.1	0.3	—	—	—	7.7	9.1
Total	$779.7	$77.8	$97.3	$134.0	$169.8	$557.1	$1,815.7

(a) Includes $20.6 million classified as Liabilities associated with assets held for sale
(b) Does not include $5.6 million of fair value hedge which reduces the book value of our 8% Notes
(c) Includes variable interest calculated using a 1.7% estimate of LIBOR
(d) Includes a $3.0 million obligation on property unused and $8.0 million of mortgage notes payable as of December 31, 2008 and classified as Liabilities associated with assets held for sale

As of December 31, 2008, we had a $3.1 million liability for unrecognized tax benefits. We have not included this amount in the table above as we are not able to determine with any certainty which year such liability would be paid.

Cash Flow

Borrowings and repayments of floor plan notes payable to a party unaffiliated with the entity from which we purchase a particular new vehicle, and all floor plan notes payable relating to pre-owned vehicles (collectively referred to as "floor plan notes payable—non-trade"), are classified as financing activities on the accompanying Consolidated Statements of Cash Flows with borrowings reflected separately from repayments. The net change in floor plan notes payable to a party affiliated with the entity from which we purchase new vehicles (collectively referred to as "floor plan notes payable – trade") is classified as an operating activity on the Consolidated Statements of Cash Flows. Borrowings of floor plan notes payable associated with inventory acquired in connection with all acquisitions are classified as a financing activity. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are cash flows related to amounts payable to a lender affiliated with the entity from which we purchased the related inventory while the latter are cash flows related to amounts payable to a lender not affiliated with the entity from which we purchased the related inventory.

Floor plan borrowings are required by all vehicle manufacturers for the purchase of new vehicles, and all floor plan providers require amounts borrowed for the purchase of a vehicle to be repaid immediately after the related vehicle is sold. As a result, we believe that it is important to understand the relationship between the cash flows of all of our floor plan notes payable and new vehicle inventory in order to understand our working capital and operating cash flow and to be able to compare our operating cash flow to that of our competitors (i.e., if our competitors have a different mix of trade and non-trade floor plan as compared to us). In addition, we include all floor plan borrowings and repayments in our operating cash flow forecasts. As a result, we use adjusted cash flow from operating activities to compare our results to forecasts. We believe that by splitting the cash flows of floor plan notes payable between operating activities and financing activities while all new vehicle inventory activity is included in operating activities results in significantly different operating cash flow than when all the cash flows of floor plan notes payable are classified together in operating activities.

The non-GAAP measure "cash provided by operating activities, as adjusted" has material limitations. Cash provided by operating activities, as adjusted, includes borrowings and repayments of floor plan notes payable to lenders not affiliated with the entity from which we purchase the related vehicle. In addition, the non-GAAP measure cash provided by operating activities, as adjusted, may not be comparable to similarly titled measures of other companies. In order to compensate for these limitations we also review the related GAAP measures.

We have provided a reconciliation of cash flow from operating activities, as if all changes in floor plan notes payable, except for (i) borrowings associated with acquisitions and repayments associated with divestitures and (ii) borrowings and repayments associated with the purchase of used vehicle inventory, were classified as an operating activity.

	For the Year Ended December 31,		
	2008	**2007**	**2006**
		(In millions)	
Reconciliation of Cash provided by Operating Activities to Cash provided by Operating Activities, as adjusted			
Cash provided by operating activities, as reported	$ 529.2	$ 69.3	$128.6
New vehicle floor plan (repayments) borrowings—non-trade, net	(354.7)	77.5	(31.0)
Floor plan notes payable—trade divestitures	5.9	—	14.0
Cash provided by operating activities, as adjusted	$ 180.4	$146.8	$111.6

Operating Activities—

Net cash provided by operating activities totaled $529.2 million, $69.3 million and $128.6 million for the years ended December 31, 2008, 2007 and 2006, respectively. Net cash provided by operating activities, as adjusted, totaled $180.4 million, $146.8 million and $111.6 million for the years ended December 31, 2008, 2007 and 2006, respectively. Cash provided by operating activities, as adjusted, includes net (loss) income adjusted for non-cash items and changes in working capital, including changes in floor plan notes payable and inventory. The increase in our cash provided by operating activities, as adjusted, for the year ended December 31, 2008, compared to the year ended December 31, 2007, was primarily the result of (i) $58.9 million related to the timing of collection of accounts receivable and contracts-in-transit and (ii) $71.2 million related to timing of sale of inventory and repayment of the related floor plan notes payable, partially off-set by (iii) a $46.9 million increase in accounts payable and accrued expenses and (iv) a $51.8 million decrease in net (loss) income adjusted for non-cash items.

Investing Activities—

Net cash used in investing activities totaled $292.4 million and $154.9 million for the years ended December 31, 2008 and 2007, respectively. Net cash provided by investing activities totaled $8.8 million for the year ended December 31, 2006. Cash flows from investing activities relate primarily to capital expenditures, acquisition and divestiture activity, purchase of real estate previously rented by us under lease agreements, and construction reimbursements from lessors in connection with our sale-leaseback agreements.

Capital expenditures were $69.3 million, $57.2 million and $45.3 million for the years ended December 31, 2008, 2007 and 2006, respectively. Our capital investments consisted of upgrades of our existing facilities, equipment purchases and construction of new facilities. We received $1.8 million, $11.4 million and $3.4 million in construction reimbursements from lessors in connection with our sale-leaseback agreements during the years ended December 31, 2008, 2007 and 2006, respectively. We expect that capital expenditures during 2009 will be limited to necessary maintenance on our existing facilities and completion of current construction projects, and will total between $10.0 and $15.0 million.

Investments in acquisitions totaled $41.9 million for one franchise and $117.1 million for nine franchises during the years ended December 31, 2008 and 2007, respectively. We did not complete any acquisitions during the year ended December 31, 2006. Included in the $41.9 million was $17.0 million of goodwill, $9.6 million of inventory, $7.5 million of franchise rights, $7.3 million of property and equipment, $0.4 million of loaner vehicles and $0.1 million of deferred acquisition costs. We financed this acquisition by using (i) $33.9 million of cash, (ii) $7.6 million of floor plan borrowings for the purchase of new vehicle inventory and (iii) $0.4 million of loaner vehicle financing.

During the year ended December 31, 2008, we paid $207.9 million for the purchase of previously leased real estate. We financed the purchases of this real estate with $151.1 million of mortgage borrowings and $56.8 million of available cash.

Proceeds from the sale of assets totaled $25.4 million, $11.7 million and $52.8 million for the years ended December 31, 2008, 2007 and 2006, respectively. Included in the proceeds from the sale of assets for the years ended December 31, 2008, 2007 and 2006, were $10.4 million, $5.7 million and $25.2 million, respectively, associated with the sale of inventory in connection with dealership divestitures. We continuously monitor the profitability and market value of our dealerships and, under certain conditions, may strategically divest certain dealerships.

Financing Activities—

Net cash used in financing activities totaled $198.6 million and $65.4 million during 2008 and 2006, respectively. Net cash provided by financing activities totaled $9.8 million during 2007.

During 2008, 2007 and 2006, proceeds from borrowings amounted to $302.8 million, $283.3 million and $1.0 million, respectively.

During 2008, 2007 and 2006, repayments of borrowings totaled $126.1 million, $277.8 million and $20.6 million, respectively. The proceeds from borrowings, net of repayments, during 2008 were primarily related to mortgage borrowings in connection with the purchases of previously leased real estate. The proceeds from borrowing and repayments of borrowings during 2007 were primarily related to the refinancing of our long-term debt.

During 2007, in connection with the issuance of our 3% Notes, we paid $19.3 million for a convertible bond hedge and sold warrants to purchase shares of our common stock at an initial price of $45.09 per share for proceeds of $8.9 million.

During 2008, we paid $2.8 million of debt issuance costs in connection with entering into the BofA Revolving Credit Facility and JPMorgan Chase Used Vehicle Floor Plan Facility and, during 2007, we paid debt issuance costs of $7.9 million in connection with the issuance of our 3% Notes and 7.625% Notes.

During 2007, we received net proceeds of $3.2 million, from sale-leaseback transactions, where we owned real estate with substantial equity. We consider these particular transactions financing activities as we owned the real estate and related improvements prior to the sale-leaseback transaction and continue to use the dealership facilities and related real estate in our operations. We have entered into long-term lease agreements for use of the dealership facilities with the lessors.

We borrowed $7.6 million and $27.9 million, from our Floor Plan Facilities for the purchase of inventory in connection with one and seven dealership acquisitions during 2008 and 2007, respectively. We did not acquire any dealerships during 2006. We repaid $2.8 million, $5.4 million and $11.3 million of non-trade floor plan notes payable associated with sale of six, two and four dealerships during 2008, 2007 and 2006, respectively.

During 2008, 2007 and 2006, we paid dividends totaling $21.5 million, $27.7 million and $13.3 million, respectively. In addition, we repurchased 82,957 shares for $1.2 million from employees in connection with the net share settlement of employee share-based awards during 2008. During 2007, we declared two $0.20 per share dividends and two $0.225 per share dividends totaling $27.7 million. During 2007, we purchased 2.3 million shares of our common stock for $57.1 million.

During 2008, 2007 and 2006 we received proceeds from the exercise of stock options totaling $0.2 million, $3.3 million and $8.1 million, respectively. In connection with the exercise and vesting of share-based awards during 2007, we repurchased 131,629 shares of common stock from employees for $1.6 million, which was equal to the employees' tax liability from the exercise or vesting of share-based payment arrangements. In addition, we recognized $1.7 million and $2.1 million of excess tax benefits from the exercise and vesting of share-based awards during 2007 and 2006, respectively.

Acquisitions and Divestitures

During 2008, we acquired one franchise (one dealership location) and the related real estate for an aggregate purchase price of $41.9 million. During the twelve months ended December 31, 2007, we acquired nine franchises (seven dealership locations), including two heavy truck franchises for an aggregate purchase price of $117.1 million.

During 2008, we sold seven franchises (five dealership locations) and closed six franchises (two dealership locations) for proceeds of $22.5 million. During 2007, we sold two franchises (two dealership locations) for proceeds of $8.3 million.

Pending Acquisitions and Divestitures

As of December 31, 2008, three franchises (three dealership locations) were pending disposition, including one dealership location, which was not placed into discontinued operations because the cash flows will be replaced by our existing operations. Assets associated with pending dispositions totaled $32.6 million as of December 31, 2008. Liabilities associated with pending dispositions totaled $20.6 million as of December 31, 2008.

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

Stock Repurchase and Dividend Restrictions

Pursuant to the indentures governing our 8% Notes, our 7.625% Notes, and the agreements governing our BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility, our ability to repurchase shares of our common stock and pay cash dividends is limited. Such limits are calculated by adding 50% of cumulative net income or subtracting 100% of cumulative net losses (the "Cumulative Net Income Basket"); however, under our most restrictive covenant we may spend $15.0 million in addition to amounts provided by the Cumulative Net Income Basket to repurchase common stock or pay dividends. As of December 31, 2008, our ability to repurchase common stock or pay dividends was limited to $2.4 million under our most restrictive covenant. In addition, notwithstanding the limitations mentioned above, we may spend up to $2.0 million per year to repurchase common stock.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements during the years presented other than those disclosed in Notes 20 and 21 of our consolidated financial statements.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

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 amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual amounts could differ from those estimates. On an ongoing basis, management evaluates its estimates and assumptions and the effects of revisions are reflected in the financial statements in the period in which they are determined to be necessary. The accounting estimates described below are those that require management judgments, and therefore are critical to understanding our results of operations. Senior management has discussed the development and selection of these accounting estimates and the related disclosures with the audit committee of our board of directors.

Goodwill, Manufacturer Franchise Rights and Other Intangible Assets—

Goodwill represents the excess cost of the businesses acquired over the fair market value of the identifiable net assets. We have determined that, based on how we integrate acquisitions into our business, how the components of our business share resources and interact with one another, and the fact that all components are economically similar, we qualify as a single reporting unit for purposes of testing goodwill for impairment. Our dealership general managers are responsible for customer-facing activities, including inventory management, advertising and personnel decisions, and have the flexibility to respond to local market conditions. The corporate management team, with input from the regional management teams, is responsible for infrastructure and general strategy decisions.

The fair market value of our manufacturer franchise rights is determined at the acquisition date through discounting the projected cash flows specific to each franchise. We have determined that manufacturer franchise rights have an indefinite life as there are no economic or other factors that limit their useful lives and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers' brand names. Furthermore, to the extent that any agreements evidencing such manufacturer rights expire, we expect to renew those agreements in the ordinary course of business. Due to the fact that manufacturer franchise rights are specific to the location in which we acquire a dealership, we have determined that the dealership is the reporting unit for purposes of testing franchise rights for impairment.

In accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), we do not amortize goodwill and other intangible assets that are deemed to have indefinite lives. We review goodwill and indefinite lived manufacturer franchise rights for impairment annually on October 1st of each year, or more often if events or circumstances indicate that impairment may have occurred. We are subject to financial statement risk to the extent that manufacturer franchise rights become impaired due to decreases in fair market value of our individual franchises or to the extent that goodwill becomes impaired due to decreases in the fair market value of our automotive retail business.

In addition to the testing above, which is done at least on an annual basis, management uses certain indicators to evaluate whether the carrying value of goodwill and other intangible assets may not be recoverable, such as (i) current-period operating or cash flow declines combined with a history of operating cash flow declines or a forecast that demonstrates continuing declines in the cash flow of an entity or inability of an entity to improve its operations to forecasted levels, (ii) a significant adverse change in the business climate, whether structural or technological, that could affect the value of an entity or (iii) whether the book value of our shareholders' equity continues to be significantly in excess of our market capitalization.

We have determined that the recent economic conditions and the resulting impact on the automotive retailing industry, as well as the uncertainty surrounding the going concern of the domestic automobile manufacturers indicated the impairment of our indefinite-lived intangible assets as of December 31, 2008.

The test for goodwill impairment, as defined by SFAS No. 142, is a two-step approach. In the first step of the impairment test, we determined that the fair value of our single reporting unit was less than its carrying value. We calculated our estimated fair value used in the step one determination of fair value as the amount that we would receive in a sale of our company as a whole in an orderly transaction between market participants as of December 31, 2008, using two valuation methods. First, we used the quoted market price of our outstanding common shares at December 31, 2008, and added a control premium that is representative of (i) recent comparatively sized sale transactions and (ii) certain qualitative and quantitative macroeconomic conditions, including the current economic environment, which we believe impacted the quoted market price of our common stock. Second, we performed a discounted cash flow analysis using forward-looking projections of our estimated future operating results. Based on the results of both valuation methods, we concluded that the fair value of our company was below the carrying value of our net assets at December 31, 2008.

As a result, we proceeded to the second step, which involved an analysis reflecting the allocation of the fair value determined in the first step (as if it were the purchase price in a business combination). This process resulted in no allocation of fair value to goodwill. The calculated fair value of the goodwill resulting from this allocation was therefore deemed to be zero and as a result we incurred a non-cash impairment of $499.8 million related to the decline in the value of our goodwill. We do not have any goodwill remaining as of December 31, 2008.

Prior to our adoption on July 1, 2001, of SFAS No. 141, Business Combinations, and in accordance with applicable accounting standards, we did not separately identify franchise rights associated with the acquisition of dealerships as separate intangible assets. In performing the second step, we were required by SFAS No. 142 to assign value to these previously unrecognized identifiable intangible assets (including such franchise rights) even though such amounts were not separately identified on our Consolidated Balance Sheets.

We determined that the fair market value of certain of our manufacturer franchise rights was below its carrying value. We calculated the fair market value using a discounted projected cash flow analysis specific to each franchise. The reduction in the fair market value was a result of lower projected cash flows and increased discount rates, which is reflective of the current economic environment. As a result we recognized a $37.1 million non-cash impairment of manufacturer franchise rights. As of December 31, 2008, we had $23.6 million of manufacturer franchise rights remaining, primarily related to our luxury franchises, $7.9 million of which were classified as Assets Held for Sale.

The impairment expense associated with other intangible assets totaling $2.6 million consisted primarily of miscellaneous intangible assets related to completed acquisitions.

Impairment of Long-Lived Assets

We identified potential impairment indicators related to certain of our real estate, after giving consideration to the likelihood that certain facilities would not be sold or used by a prospective buyer as an automobile dealership operation given current market conditions. In accordance with SFAS No. 144, we reviewed the carrying value of such assets compared to estimates of fair market values determined by third-party appraisal and brokers' opinions of value. Accordingly, we recorded an $11.4 million non-cash impairment of certain property and equipment.

F&I Chargeback Reserve—

We receive commissions from the sale of vehicle service contracts, credit life insurance and disability insurance to customers. In addition, we receive commissions from financing institutions for arranging customer financing. We may be charged back ("chargebacks") for finance, insurance or vehicle service contract commissions in the event a customer prepays or defaults on a retail sales contract or cancels an insurance or warranty contract. The revenues from financing fees and commissions are recorded at the time the vehicles are sold and a reserve for future chargebacks is established based on historical operating results and the termination provisions of the applicable contracts. This data is evaluated on a product-by-product basis. Our loss histories vary depending on the product but generally range between 8% and 27%. Our F&I chargebacks from continuing operations for the twelve months ended December 31, 2008, 2007 and 2006 were $19.1 million, $22.3 million, and $19.8 million, respectively. Our chargeback reserves were $15.2 million and $16.1 million as of December 31, 2008 and December 31, 2007, respectively. Total chargebacks as a percentage of F&I revenue for the twelve months ended December 31, 2008 and 2007, were 12% and 13%, respectively. A 1% change in our estimate for all our products would have changed our finance and insurance, net by approximately $1.5 million.

Used Vehicle Inventory Lower of Cost or Market Reserves—

Our used vehicle inventory is stated at the lower of cost or market. We use the specific identification method to value our vehicle inventories. We maintain a reserve for specific inventory units where cost basis exceeds fair value. In assessing lower of cost or market for used vehicles, we consider (i) the aging of used vehicles, (ii) loss histories of used vehicles and (iii) current market conditions.

Our used light vehicle loss histories have indicated that our losses range between 2% and 6% of our used light vehicle inventory. Our used light vehicle losses for the twelve months ended December 31, 2008, 2007 and 2006 were $15.6 million, $14.7 million and $13.6 million, respectively. As of December 31, 2008, our used light vehicle loss reserve was $3.1 million or 5.7% of used light vehicle inventory. As of December 31, 2007, our used light vehicle loss reserve was $3.4 million, or 3.4% of used light vehicle inventory. As of December 31, 2008, each 1% change in our estimate would change our used light vehicle reserve approximately $0.5 million. As a result of current market conditions our inventory reserves are at the highest percentage level in recent history. If one or more vehicle manufacturers were to file for bankruptcy, we believe we would need to significantly increase our inventory reserves.

Insurance Reserves—

We are self insured for certain employee medical claims and maintain stop loss insurance for individual claims. We have large deductible insurance programs in place for workers compensation, property and general liability claims. We maintain and review at least monthly our claim and loss history to assist in assessing our future liability for these claims. We also use professional service providers such as account administrators and actuaries to help us accumulate and assess this information. As of December 31, 2008 and December 31, 2007, we had $10.6 million and $8.4 million, respectively, of insurance reserves for both known and unknown employee medical, workers compensation, property and general liability claims. Insurance losses for the twelve months ended December 31, 2008, 2007 and 2006, totaled $23.3 million, $22.7 million and $22.3 million, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” Under the FSP, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. The adoption of FSP No. EITF 03-6-1 will not have a material impact on our consolidated financial statements.

In March 2008, the FASB concluded its re-deliberations on FSP APB 14-a “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)” (“FSP APB 14-a”) deciding to retain its original proposal related to this matter. FSP APB 14-a applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”). FSP APB 14-a will require that the issuer of a convertible debt instrument within its scope separately account for the liability and equity components in a manner that will reflect the issuer’s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The excess of the principal amount of the liability component over its initial fair value shall be amortized to interest cost using the interest method. The provisions of FSP APB 14-a apply to our 3% Senior Subordinated Convertible Notes. FSP APB 14-a is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods thereafter. Early adoption is not permitted. FSP APB 14-a shall be applied retrospectively to all periods presented. The adoption of FSP APB 14-a will increase our interest expense by approximately $1.7 million in 2009, decrease retained earnings on January 1, 2009 by approximately $15.3 million, increase additional paid in capital on January 1, 2009 by $19.3 million and decrease our long-term debt on January 1, 2009 by $4.0 million.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, and how derivative instruments and related hedged items affect an entity’s operating results, financial position and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. Early adoption is permitted. We adopted SFAS 161 in the fourth quarter of 2008. The provisions of SFAS 161 are only related to disclosure of derivative and hedging activities and did not have a material impact on our consolidated financial statements.

We adopted the provisions of SFAS No. 157, “Fair Value Measures” (“SFAS 157”) as of January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. In February 2008, the FASB issued FASB Staff Position (FSP) Financial Accounting Standard (FAS) 157-1, “Application of FASB Statement No. 157 to FASB

Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions," and FSP FAS 157-2, "Effective Date of FASB Statement No. 157." FSP FAS 157-1 removes leasing from the scope of SFAS No. 157. FSP FAS 157-2 delays the effective date of SFAS No. 157 from 2008 to 2009 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Required disclosures are included in Note 15 to our Consolidated Financial Statements. We do not expect the adoption of SFAS 157 for nonfinancial assets and liabilities to have a material impact on our Consolidated Financial Statements. The adoption of FAS 157 with respect to nonfinancial assets and liabilities will not have a material impact on our Consolidated Financial Statements.

RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

The following operating performance measure cash provided by operating activities, as adjusted is not a measure of operating performance under U.S. generally accepted accounting principles ("GAAP") and should not be considered as an alternative or substitute for GAAP profitability measures such as cash provided by operating activities. This non-GAAP operating performance measure has material limitations and as a result should be evaluated in conjunction with the directly comparable GAAP measure. For example, these non-GAAP measures are not defined by GAAP and our definition of each measure may differ from and therefore may not be comparable to similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Other limitations of these non-GAAP measures are discussed below. In order to compensate for these limitations, we also review the related GAAP measures. Investors should not consider the non-GAAP measures in isolation, or as a substitute for analysis of our operating results as reported under GAAP.

Cash provided by operating activities, as adjusted

Borrowings and repayments of floor plan notes payable to a party unaffiliated with the entity from which we purchase a particular new vehicle, and all floor plan notes payable relating to pre-owned vehicles (collectively referred to as "floor plan notes payable—non-trade"), are classified as financing activities on the accompanying Consolidated Statements of Cash Flows, with borrowings reflected separately from repayments. The net change in floor plan notes payable to a party affiliated with the entity from which we purchase new vehicles (collectively referred to as "floor plan notes payable—trade") is classified as an operating activity on the Consolidated Statements of Cash Flows. Borrowings of floor plan notes payable associated with inventory acquired in connection with all acquisitions are classified as a financing activity. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are cash flows related to amounts payable to a lender affiliated with the entity from which we purchased the related inventory while the latter are cash flows related to amounts payable to a lender not affiliated with the entity from which we purchased the related inventory.

Floor plan borrowings are required by all vehicle manufacturers for the purchase of new vehicles, and all floor plan providers require amounts borrowed for the purchase of a vehicle to be repaid immediately after the related vehicle is sold. As a result, we believe that it is important to understand the relationship between the cash flows of all of our floor plan notes payable and new vehicle inventory in order to understand our working capital and operating cash flow and to be able to compare our operating cash flow to that of our competitors (i.e., if our competitors have a different mix of trade and non-trade floor plan as compared to us). In addition, we include all floor plan borrowings and repayments in our operating cash flow forecasts. As a result, we use adjusted cash flow from operating activities to compare our results to forecasts. We believe that by splitting the cash flows of floor plan notes payable between operating activities and financing activities while all new vehicle inventory activity is included in operating activities results in significantly different operating cash flow than when all the cash flows of floor plan notes payable are classified together in operating activities.

The non-GAAP measure "cash provided by operating activities, as adjusted" has material limitations. Cash provided by operating activities, as adjusted includes borrowings and repayments of floor plan notes payable to lenders not affiliated with the entity from which we purchase the related vehicle. In addition, the non-GAAP measure cash provided by operating activities, as adjusted may not be comparable to similarly titled measures of other companies. In order to compensate for these limitations we also review the related GAAP measures.

We have provided a reconciliation of cash flow from operating activities, as if all changes in floor plan notes payable, except for (i) borrowings associated with acquisitions and repayments associated with divestitures and (ii) borrowings and repayments associated with the purchase of used vehicle inventory, were classified as an operating activity.

	For the Year Ended December 31,		
	2008	2007	2006
		(In millions)	
Reconciliation of Cash provided by Operating Activities to Cash provided by Operating Activities, as adjusted			
Cash provided by operating activities, as reported	$ 529.2	$ 69.3	$128.6
New vehicle floor plan (repayments) borrowings—non-trade, net	(354.7)	77.5	(31.0)
Floor plan notes payable—trade divestitures	5.9	—	14.0
Cash provided by operating activities, as adjusted	$ 180.4	$146.8	$111.6

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market risk from changes in interest rates on a significant portion of our outstanding indebtedness. Based on $723.0 million of total variable rate debt (including floor plan notes payable) outstanding as of December 31, 2008, a 1% change in interest rates would result in a change of approximately $7.2 million to our annual other interest expense.

We received $21.1 million of interest credit assistance from certain automobile manufacturers during the twelve months ended December 31, 2008. Interest credit assistance reduced cost of sales (including amounts classified as discontinuing operations) for the twelve months ended December 31, 2008, by $20.8 million and reduced new vehicle inventory by $8.1 million and $7.8 million as of December 31, 2008 and December 31, 2007, respectively. Although we can provide no assurance as to the amount of future floor plan credits, it is our expectation, based on historical data that an increase in prevailing interest rates would result in increased interest credit assistance from certain automobile manufacturers.

Hedging Risk –

In the second quarter of 2008, we entered into an interest rate swap with a current notional principal amount of $125.0 million. The swap was designed to provide a hedge against changes in interest rates of our variable rate floor plan notes payable through maturity in June 2013. This interest rate swap qualifies for cash flow hedge accounting treatment and will contain minor ineffectiveness.

We have an interest rate swap with a current notional principal amount of $12.9 million. The swap was designed to provide a hedge against changes in interest rates of our variable rate mortgage notes payable through maturity in June 2011. This interest rate swap qualifies for cash flow hedge accounting treatment and will contain minor ineffectiveness.

The effect of derivative instruments on the Consolidated Statement of (Loss) Income for the year ended December 31, 2008 (in millions):

Derivative in Cash Flow Hedging relationships	Effective Results Recognized in OCI (Effective Portion)	Location of Results Reclassified from AOCI to Earnings	Amount Reclassified from AOCI to Earnings– Active Swaps	Amount Reclassified from AOCI to Earnings– Terminated Swaps	Ineffective Results Recognized in Earnings	Location of Ineffective Results
Interest rate swaps	$(9.0)	Floor plan interest expense	$(3.6)	$(0.7)	$—	Floor plan interest expense
Interest rate swaps	$(0.5)	Other interest expense	$(0.2)	$—	$—	Other interest expense

On the basis of yield curve conditions as of December 31, 2008, we anticipate that the amount expected to be reclassified out of OCI into earnings in the next 12 calendar months will be a loss of $4.7 million. This loss, however, would be more than compensated for by reduced variable rate funding costs, as the cash flow hedges responsible for the reclassified amounts hedge only approximately 16 percent of our variable interest rate exposure.

Fair Values of Derivative Instruments on the Consolidated Balance Sheet and the Effect of Derivative Instruments on the Consolidated Statement of (Loss) Income for the year ended December 31, 2008 (in millions):

	Asset Derivatives		Liability Derivatives	
Derivatives Designed as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Swaps	Other Long-Term Assets	N/A	Other Long-Term Liabilities	$(7.4)

Fair value estimates reflect making a credit adjustment to the discount rate applied to all expected cash flows under the swap. We used a discount rate of 28 percent for all prospective periods. Other than that assumption, all other inputs in this valuation exercise reflect level 2 inputs.

Market Risk Disclosures as of December 31, 2008:

Instruments entered into for trading purposes—None

Instruments entered into for hedging purposes (in millions)—

Type of Derivative	Notional Size	Fixed Rate	Underlying Rate	Expiration	Fair Value
Interest Rate Swap	$125.0	4.0425%	1 month LIBOR	2013	$(6.8)
Interest Rate Swap*	$ 12.9	4.3300%	1 month LIBOR	2011	$(0.6)

Fair value estimates reflect making a credit adjustment to the discount rate applied to all expected cash flows under the swap. We used a discount rate of 28 percent for all prospective periods. Other than that assumption, all other inputs in this valuation exercise reflect level 2 inputs.

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

In connection with the sale of our 3% Notes, we entered into convertible note hedge transactions with respect to our common stock with Goldman, Sachs & Co. and Deutsche Bank AG, London Branch (collectively, the "Counterparties"). The convertible note hedge transaction requires the Counterparties to deliver to us, subject to customary anti-dilution adjustments, all shares issuable upon conversion of the 3% Notes. The effect of the convertible note hedge transactions is to unwind the conversion feature of the 3% Notes. Under the terms of the convertible note hedge transactions we will receive shares from the Counterparties in the event of a conversion of our 3% Notes. In connection with the repurchase of $53.0 million of 3% Notes, a pro-rata portion of the convertible note hedges was terminated.

We also entered into separate warrant transactions whereby we sold to the Counterparties warrants to acquire, subject to customary anti-dilution adjustments, shares of our common stock at an initial strike price of $45.09 per share, which was a 62.50% premium over the market price of our common stock at the time of pricing. As of December 31, 2008, the strike price was adjusted to $44.74 as a result of our decision to increase our quarterly dividend by $0.025 to $0.225 in the third and fourth quarter of 2007 and the first three quarters of 2008. Under the terms of the warrant transactions we are required to issue shares of our common stock to the Counterparties in the event of a conversion of our 3% Notes at a strike price above $44.74.

The convertible note hedge and warrant transactions are expected to offset the potential dilution upon conversion of the 3% Notes in the event that the market value per share of our common stock at the time of conversion is between $33.85 and $44.74.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Asbury Automotive Group, Inc.
Duluth, GA

We have audited the accompanying consolidated balance sheets of Asbury Automotive Group, Inc. and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of (loss) income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. 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, 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 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 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, 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 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asbury Automotive Group, Inc and subsidiaries as of 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, 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.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, there is uncertainty that the Company will remain in compliance with certain debt covenants throughout 2009. This condition raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109.”

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 16, 2009

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	December 31, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 91.6	$ 53.4
Contracts-in-transit	63.8	116.1
Accounts receivable (net of allowance of $0.9 and $0.7, respectively)	82.2	132.8
Inventories	666.6	770.0
Deferred income taxes	10.9	12.3
Assets held for sale	50.4	34.1
Other current assets	54.2	73.7
Total current assets	1,019.7	1,192.4
PROPERTY AND EQUIPMENT, net	476.7	238.6
GOODWILL	—	483.3
DEFERRED INCOME TAXES, net of current portion	103.2	—
OTHER LONG-TERM ASSETS	54.7	102.0
Total assets	$1,654.3	$2,016.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade	$ 478.2	$ 193.7
Floor plan notes payable—non-trade	134.6	480.2
Current maturities of long-term debt	58.8	1.7
Accounts payable and accrued liabilities	151.3	186.2
Liabilities associated with assets held for sale	31.6	9.9
Total current liabilities	854.5	871.7
LONG-TERM DEBT	548.3	473.9
DEFERRED INCOME TAXES	—	51.7
OTHER LONG-TERM LIABILITIES	28.8	34.8
COMMITMENTS AND CONTINGENCIES (Notes 20 and 21)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 10,000,000 shares authorized	—	—
Common stock, $.01 par value, 90,000,000 shares authorized 36,711,885 and 36,258,961 shares issued, including shares held in treasury, respectively	0.4	0.3
Additional paid-in capital	442.4	440.4
(Accumulated deficit) retained earnings	(140.0)	219.4
Treasury stock, at cost; 4,760,218 and 4,677,261 shares held, respectively	(74.5)	(73.3)
Accumulated other comprehensive loss	(5.6)	(2.6)
Total shareholders' equity	222.7	584.2
Total liabilities and shareholders' equity	$1,654.3	$2,016.3

See accompanying Notes to Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF (LOSS) INCOME
(In millions, except per share data)

	For the Years Ended December 31,		
	2008	2007	2006
REVENUES:			
New vehicle	$2,705.8	$3,263.9	$3,294.7
Used vehicle	1,085.3	1,389.8	1,357.5
Parts and service	692.6	664.9	631.7
Finance and insurance, net	135.8	155.2	147.2
Total revenues	4,619.5	5,473.8	5,431.1
COST OF SALES:			
New vehicle	2,524.6	3,028.8	3,059.0
Used vehicle	994.3	1,268.7	1,230.0
Parts and service	343.4	323.5	312.5
Total cost of sales	3,862.3	4,621.0	4,601.5
GROSS PROFIT	757.2	852.8	829.6
OPERATING EXPENSES:			
Selling, general and administrative	616.6	656.2	634.2
Depreciation and amortization	23.4	20.6	19.1
Impairment expenses	535.9	—	—
Other operating expense (income), net	1.3	1.0	(1.4)
(Loss) income from operations	(420.0)	175.0	177.7
OTHER INCOME (EXPENSE):			
Floor plan interest expense	(30.8)	(41.0)	(38.8)
Other interest expense	(40.1)	(39.1)	(43.9)
Interest income	1.5	4.3	5.1
Gain (loss) on extinguishment of long-term debt, net	32.5	(18.5)	(1.1)
Total other expense, net	(36.9)	(94.3)	(78.7)
(Loss) income before income taxes	(456.9)	80.7	99.0
INCOME TAX (BENEFIT) EXPENSE	(133.8)	29.0	37.3
(LOSS) INCOME FROM CONTINUING OPERATIONS	(323.1)	51.7	61.7
DISCONTINUED OPERATIONS, net of tax	(14.9)	(0.7)	(1.0)
NET (LOSS) INCOME	$ (338.0)	$ 51.0	$ 60.7
(LOSS) EARNINGS PER COMMON SHARE:			
Basic—			
Continuing operations	$ (10.19)	$ 1.59	$ 1.86
Discontinued operations	(0.47)	(0.02)	(0.03)
Net (loss) income	$ (10.66)	$ 1.57	$ 1.83
Diluted—			
Continuing operations	$ (10.19)	$ 1.55	$ 1.81
Discontinued operations	(0.47)	(0.02)	(0.03)
Net (loss) income	$ (10.66)	$ 1.53	$ 1.78
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	31.7	32.5	33.2
Performance share units	*	0.4	0.3
Stock options	*	0.4	0.6
Diluted	31.7	33.3	34.1

* Common stock equivalents were not included in the calculation of diluted net loss per common share as the effect would have been anti-dilutive.

See accompanying Notes to Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in millions)

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balances, December 31, 2005	**34,435,252**	**$ 0.3**	**$417.1**	**$ 149.0**	**1,586,587**	**$(15.0)**	**$(3.6)**	**$ 547.8**
Comprehensive income:								
Net income	—	—	—	60.7	—	—	—	60.7
Change in fair value of cash flow swaps, net of ($0.6) tax expense	—	—	—	—	—	—	1.0	1.0
Amortization of terminated cash flow swaps, net of $(0.3) tax expense	—	—	—	—	—	—	0.5	0.5
Comprehensive income	—	—	—	60.7	—	—	1.5	62.2
Dividends	—	—	—	(13.3)	—	—	—	(13.3)
Issuance of common stock in connection with the exercise of stock options, including $2.1 tax benefit	636,149	—	9.8	—	(49,881)	0.4	—	10.2
Share-based compensation	—	—	5.0	—	—	—	—	5.0
Balances, December 31, 2006	**35,071,401**	**$ 0.3**	**$431.9**	**$ 196.4**	**1,536,706**	**$(14.6)**	**$(2.1)**	**$ 611.9**
Comprehensive Income:								
Net income	—	—	—	51.0	—	—	—	51.0
Change in fair value of cash flow swaps, net of $0.7 tax benefit	—	—	—	—	—	—	(1.1)	(1.1)
Amortization of terminated cash flow swaps, net of $(0.3) tax expense	—	—	—	—	—	—	0.6	0.6
Comprehensive income	—	—	—	51.0	—	—	(0.5)	50.5
Dividends	—	—	—	(28.0)	—	—	—	(28.0)
Share-based compensation	—	—	5.9	—	—	—	—	5.9
Issuance of common stock in connection with share-based payment arrangements, including $1.7 tax benefit	1,187,560	—	5.7	—	—	—	—	5.7
Repurchase of common stock associated with net share settlement of employee share-based awards	—	—	—	—	820,555	(1.6)	—	(1.6)
Purchases of treasury shares	—	—	—	—	2,320,000	(57.1)	—	(57.1)
Purchase of equity call option	—	—	(19.3)	—	—	—	—	(19.3)
Sale of equity warrants	—	—	8.9	—	—	—	—	8.9
Deferred income tax benefit associated with equity call option	—	—	7.3	—	—	—	—	7.3
Balances, December 31, 2007	**36,258,961**	**$ 0.3**	**$440.4**	**$ 219.4**	**4,677,261**	**$(73.3)**	**$(2.6)**	**$ 584.2**
Comprehensive Income:								
Net loss	—	—	—	(338.0)	—	—	—	(338.0)
Change in fair value of cash flow swaps, net of $2.3 tax benefit	—	—	—	—	—	—	(3.4)	(3.4)
Amortization of terminated cash flow swaps, net of $(0.3) tax expense	—	—	—	—	—	—	0.4	0.4
Comprehensive loss	—	—	—	(338.0)	—	—	(3.0)	(341.0)
Dividends	—	—	—	(21.4)	—	—	—	(21.4)
Share-based compensation	—	—	1.9	—	—	—	—	1.9
Issuance of common stock in connection with share-based payment arrangements, including $(0.1) tax benefit	452,924	0.1	0.1	—	—	—	—	0.2
Repurchase of common stock associated with net share settlement of employee share-based awards	—	—	—	—	82,957	(1.2)	—	(1.2)
Balances, December 31, 2008	**36,711,885**	**$ 0.4**	**$442.4**	**$(140.0)**	**4,760,218**	**$(74.5)**	**$(5.6)**	**$ 222.7**

See accompanying Notes to Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	For the Years Ended December 31,		
	2008	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (338.0)	$ 51.0	$ 60.7
Adjustments to reconcile net (loss) income to net cash provided by operating activities—			
Depreciation and amortization	23.4	20.6	19.1
Stock-based compensation	1.9	5.9	5.0
Deferred income taxes	(155.8)	6.9	7.2
(Gain) loss on extinguishment of long-term debt	(32.5)	18.5	1.1
Loaner vehicle amortization	8.5	7.0	6.3
Excess tax benefits from share-based payment arrangements	—	(1.7)	(2.1)
Impairment expenses	550.9	—	1.8
Other adjustments, net	8.1	10.1	3.5
Changes in operating assets and liabilities, net of acquisitions and divestitures—			
Contracts-in-transit	52.3	9.9	(3.8)
Accounts receivable	30.7	14.4	(20.2)
Proceeds from the sale of accounts receivable	20.5	20.3	19.6
Inventories	137.4	59.8	(47.0)
Other current assets	(43.6)	(44.7)	(34.8)
Floor plan notes payable—trade	305.3	(120.5)	129.8
Floor plan notes payable—trade divestitures	(5.9)	—	(14.0)
Accounts payable and accrued liabilities	(35.2)	11.7	(8.6)
Other long-term assets and liabilities, net	1.2	0.1	5.0
Net cash provided by operating activities	529.2	69.3	128.6
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(69.3)	(57.2)	(45.3)
Construction reimbursements associated with sale-leaseback agreements	1.8	11.4	3.4
Acquisitions	(41.9)	(117.1)	—
Purchase of previously leased real estate	(207.9)	—	—
Proceeds from the sale of assets	25.4	11.7	52.8
Other investing activities	(0.5)	(3.7)	(2.1)
Net cash (used in) provided by investing activities	(292.4)	(154.9)	8.8
CASH FLOW FROM FINANCING ACTIVITIES:			
Floor plan borrowings—non-trade	2,028.8	2,736.1	2,476.2
Floor plan borrowings—acquisitions	7.6	27.9	—
Floor plan repayments—non-trade	(2,383.5)	(2,658.6)	(2,507.2)
Floor plan repayments—non-trade divestitures	(2.8)	(5.4)	(11.3)
Payments of dividends	(21.5)	(27.7)	(13.3)
Proceeds from borrowings	302.8	283.3	1.0
Repayments of borrowings	(126.1)	(277.8)	(20.6)
Payments of debt issuance costs	(2.9)	(7.9)	(0.4)
Proceeds from the sale of warrants	—	8.9	—
Purchase of equity call option	—	(19.3)	—
Purchases of treasury stock	—	(57.1)	—
Purchase of treasury stock associated with net share settlement of employee share-based awards	(1.2)	(0.8)	—
Proceeds from the sale of assets associated with sale-leaseback agreements	—	3.2	—
Excess tax benefits from share-based payment arrangements	—	1.7	2.1
Proceeds from the exercise of stock options	0.2	3.3	8.1
Net cash (used in) provided by financing activities	(198.6)	9.8	(65.4)
Net increase (decrease) in cash and cash equivalents	38.2	(75.8)	72.0
CASH AND CASH EQUIVALENTS, beginning of year	53.4	129.2	57.2
CASH AND CASH EQUIVALENTS, end of year	$ 91.6	$ 53.4	$ 129.2

See Note 19 for supplemental cash flow information

See accompanying Notes to Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS

We are one of the largest automotive retailers in the United States, operating 115 franchises (87 dealership locations) in 22 metropolitan markets within 11 states as of December 31, 2008. We offer an extensive range of automotive products and services, including new and used vehicles; vehicle maintenance, replacement parts and collision repair services; and financing, insurance and service contracts. We offer 37 domestic and foreign brands of new vehicles, including 7 heavy truck brands. We also operate 25 collision repair centers that serve customers in our local markets.

During the third quarter of 2008, we initiated a phased restructuring plan, which included the relocation of our corporate offices and reorganizing our retail network. We have moved our corporate headquarters to Duluth, Georgia and we expect to close our corporate offices in New York, New York and Stamford, Connecticut, by the end of March 2009.

In addition, our retail network is now organized into two regions, East and West, from our previous structure of four regions and two stand-alone platforms. Our retail network includes nine locally branded dealership groups: (i) our East region includes our Coggin dealerships, operating primarily in the Florida markets of Jacksonville, Fort Pierce and Orlando; our Courtesy dealerships operating in Tampa, Florida; our Crown dealerships operating in New Jersey, North Carolina, South Carolina and Virginia; and our Nalley dealerships operating in Atlanta, Georgia; and (ii) our West region includes our McDavid dealerships operating throughout Texas; our North Point dealerships operating in Little Rock, Arkansas; our California dealerships operating in Los Angeles, Sacramento and Fresno; our Plaza dealerships operating in St. Louis, Missouri; and our Gray Daniels dealerships operating in Jackson, Mississippi.

The automotive retail market declined significantly throughout 2008, and our results reflect the impact of weak economic conditions in the U.S., including turmoil in the debt markets, broad declines in the equity markets and continued weakness in the housing markets. The seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S. decreased to 10.3 million in the fourth quarter, compared to 16.2 million in U.S. industry-wide vehicle sales for the full-year of 2007. The economic environment was particularly weak in Florida during 2008, which has historically generated over 30% of our total revenues. Tighter lending standards for automotive financing and certain manufacturers' decisions to reduce support of customer leasing programs has limited some customers' ability to purchase vehicles. In addition, rapid changes in customer vehicle preferences due to volatility of gasoline prices provided further challenges for us during the second half of 2008.

While U.S. vehicle sales for all major vehicle manufacturers have declined during the current difficult economic environment, U.S. domestic manufacturers have contributed a disproportionate amount of the decline in U.S. industry-wide vehicle sales. The financial condition of the domestic manufacturers continued to deteriorate during 2008, and the domestic manufacturers may require additional government assistance to avoid bankruptcy. Although the full impact on us of a bankruptcy of any one or more of the domestic manufacturers is not determinable at this time, such bankruptcy could have a material adverse impact on our operations, liquidity position and financial results. Risks associated with a manufacturer bankruptcy include our ability to collect net receivables due from manufacturers, a reduction in the values of our new vehicle and parts inventory and an impairment of our manufacturer franchise rights, to the extent that such franchise rights are included in our consolidated balance sheet. Our exposure in these areas as of December 31, 2008, together with comparative data as of December 31, 2007, are as follows:

(in millions)	December 31, 2008	December 31, 2007
Chrysler Brands		
New vehicle inventory	$21.0	$34.2
Parts inventory	1.9	2.0
Receivables, net of payables of $0.6 million and $0.9 million, respectively	0.7	1.0
General Motors Brands		
New vehicle inventory	49.0	60.5
Parts inventory	2.9	3.1
Receivables, net of payables of $0.0 million and $0.1 million, respectively	2.0	2.8
Manufacturer franchise rights	0.3	5.0
Ford Brands		
New vehicle inventory	54.8	72.0
Parts inventory	3.3	3.7
Receivables, net of payables of $0.4 million	3.4	4.3
Manufacturer franchise rights	3.3	4.5

In addition, we rely on the manufacturer captive finance companies of Ford Motor Company and General Motors for new vehicle floor plan financing. The bankruptcy of either of these domestic manufacturers could result in an attempt by the related captive finance company to terminate our floor plan financing, which would have a material adverse impact on our operations and liquidity position.

We expect 2009 to continue to be a very challenging retail environment, which will continue to negatively impact new vehicle, used vehicle and F&I revenue. We have experienced increasing momentum in period over period parts and service sales declines, with the fourth quarter of 2008 having the largest sales decline in our history. We expect it will be challenging to maintain 2008 parts and service revenue in 2009. However, we expect the luxury and mid-line import brands, which comprised approximately 85% of our light vehicle unit volumes in the fourth quarter of 2008, will continue to increase their share of the U.S. market. Excluding the impact of impairment expenses, we expect to experience lower net income in 2009 as compared to 2008, as a result of (i) our expectation of lower new vehicle unit sales in 2009, which had been above 16.0 million since 1999, and were 13.2 million for 2008, (ii) retail margins will remain under pressure while manufacturers bring supply in line with demand, and (iii) continued difficulty for consumers to secure vehicle financing. As a result of our lower expectations of net income, it may be necessary for us to repurchase debt significantly below face value in order to remain in compliance with the financial covenants included in our debt and lease agreements.

MANAGEMENT'S PLAN FOR MANAGING THROUGH CURRENT ECONOMIC CRISIS

In response to the weakening U.S. automotive retail environment in 2008 and our expectation for continued weakness in U.S. automotive sales in 2009, we took action to further align our expense structure to current business levels, including our phased restructuring plan, which was initiated during the third quarter of 2008, and our store-level productivity initiatives. We expect that the relocation of our corporate offices will deliver pre-tax cost savings resulting principally from staffing reductions and lower rent expense, from which we began to benefit in January 2009, and from which we expect to receive full benefit beginning in April 2009. We expect that the reorganization of our operating structure to two regions will reduce the annual pre-tax operating expenses of our regions, consisting of personnel and rent expense. We began to experience the benefit from our restructuring plan in January 2009, and from which we expect to receive full benefit beginning in July 2009. In addition to our phased restructuring, other recent cost saving measures include (i) a 10% salary reduction for executive management, (ii) no 2008 bonuses or 2009 raises for corporate employees, (iii) suspension of 401(k) matching contributions for employees with a salary greater than $105,000, and (iv) suspension of the company matching contributions for all employees in our deferred compensation plan for 2009. These efforts, combined with our store-level productivity initiatives, delivered a $63.4 million (10%) reduction in same-store SG&A expense in 2008 and, more recently, a $26.6 million (17%) reduction in same-store SG&A expense in the fourth quarter of 2008, compared to the corresponding quarter of 2007; and resulted in a 14% reduction in our nationwide workforce during the second half of 2008. Looking ahead, our phased restructuring plan and store-level productivity initiatives have been designed with the objective of structuring our business to be profitable in the current, depressed automotive retail market.

In addition to our expense reduction initiatives, in the fourth quarter of 2008, we placed a greater focus on working capital efficiency and liquidity, as well as managing our capital structure to ensure compliance with our debt covenants. We repurchased a total of $59.8 million of our senior subordinated notes for $24.0 million, resulting in a gain of $34.2 million, which is net of a $1.6 million pro-rata write-off of related debt issuance costs. In addition, we reviewed our dealership portfolio to limit our exposure to domestic manufacturers by selling stores, closing stores and reducing new vehicle inventory. We continuously evaluate the financial and operating results of our dealerships as well as our geographic exposure, and expect to refine our dealership portfolio through strategic divestitures. We expect that proceeds from the future sale of dealerships would be used to supplement our liquidity position in the current difficult economic environment and to manage our capital structure in order to remain in compliance with the financial covenants included in our debt agreements.

We are subject to a number of financial covenants in our various debt agreements. As of December 31, 2008, we were in compliance with all of these covenants. In order to satisfy certain of our financial covenants in 2008, we relied in part upon income recognized in connection with our purchases of $59.8 million of our outstanding debt securities at a significant discount (see Long-Term Debt footnote below). These purchases generated approximately $34.2 million of income before tax in 2008. We expect that we may need to engage in similar purchases in order to satisfy our financial covenants during 2009. We cannot give any assurance that we will be able to make such repurchases in 2009 in amounts and at prices sufficient to satisfy our covenants. Our Board of Directors has authorized us to use up to an additional $50.0 million of cash to repurchase debt securities and/or make unscheduled principal payments on our existing mortgages. Currently, our BofA Revolving Credit Facility (as defined under "Long-Term Debt" footnote below) and our JPMorgan Used Vehicle Floor Plan Facility (as defined under "Floor Plan Notes Payable" footnote below) limit our ability to purchase our debt securities to $30.0 million per calendar year, plus 50% of the net proceeds from asset sales during any given calendar year.

Failure to satisfy any of these covenants would constitute a default under the relevant debt agreements, which would entitle the lenders under such agreements to terminate our ability to borrow under the relevant agreements and accelerate our obligations to repay outstanding borrowings, if any, unless compliance with the covenants is waived. In many cases, defaults under one of our agreement could trigger cross default provisions in our other agreements. If we are unable to remain in compliance with our financial or other covenants, we would be required to seek waivers or modifications of our covenants from our lenders, or we would need to raise debt and/or equity financing or sell assets to generate proceeds sufficient to repay such debt. In light of current depressed conditions in the automotive industry and the exceptionally difficult current conditions in the credit markets generally, we cannot give any assurance that we would be able to successfully take these actions.

Our independent public accounting firm included an explanatory paragraph in its audit report for our 2008 financial statements that indicated there is uncertainty that we will remain in compliance with certain covenants in our debt agreements, and that this uncertainty raises substantial doubt about our ability to continue as a going concern. The inclusion of this explanatory paragraph in the audit report constituted a default under our BofA Revolving Credit Facility, our JPMorgan Used Vehicle Floor Plan Facility and our new vehicle floor plan facility with General Motors Acceptance Corporation. As of March 12, 2009, we had received waivers from all of our associated lending partners with respect to these defaults and, as a result, we were in compliance with the covenants contained in these borrowing facilities. In connection with these waivers, we agreed to reduce the total credit availability under our BofA Revolving Credit Facility by $25.0 million to $175.0 million and the total credit availability under our JPMorgan Used Vehicle Floor Plan Facility by $25.0 million to $50.0 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and reflect the consolidated accounts of Asbury Automotive Group, Inc. and our wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation. In addition, certain immaterial amounts have been reclassified to conform to current presentation.

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments in money market accounts and short-term certificates of deposit.

Contracts-In-Transit

Contracts-in-transit represent receivables from unrelated finance companies for the portion of the vehicle purchase price financed by customers through sources arranged by us. These contracts-in-transit are generally collected within the first two weeks following the sale of the related vehicles but not usually longer than 30 days.

Inventories

Inventories are stated at the lower of cost or market. We use the specific identification method to value vehicle inventories and the "first-in, first-out" method ("FIFO") to account for our parts inventories. We maintain a reserve for specific vehicles where cost basis exceeds market value. In assessing lower of cost or market for new and used vehicles, we consider (i) the aging of new and used vehicles, (ii) loss histories of new and used vehicles, (iii) the timing of annual and model changeovers of new vehicles and (iv) current market conditions. Our new vehicle loss histories have indicated that our losses range between 1% and 3% of our new vehicle inventory greater than 300 days old. Our used vehicle loss histories have indicated that our losses range between 2% and 5% of our total used vehicle inventory. As a result of current market conditions our inventory reserves are at the highest percentage level in recent history. However, if one or more vehicle manufacturers were to file for bankruptcy, we believe we would need to significantly increase our inventory reserves.

Additionally, we receive advertising and interest credit assistance from certain automobile manufacturers. In accordance with Emerging Issues Task Force ("EITF") 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor," manufacturer advertising credits that are reimbursements of costs associated with specific advertising programs are recognized as a reduction of advertising expense in the period they are earned. All other manufacturer advertising and interest credits are accounted for as purchase discounts and are recorded as a reduction of inventory and recognized as a reduction to New Vehicle Cost of Sales in the accompanying Consolidated Statements of (Loss) Income in the period the related vehicle is sold.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Depreciation is included in Depreciation and Amortization and Discontinued Operations, net of tax, on the accompanying Consolidated Statements of (Loss) Income. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the useful life of the related asset. The range of estimated useful lives is as follows (in years):

Buildings and improvements	10-40
Machinery and equipment	5-10
Furniture and fixtures	3-10
Company vehicles	3-5

Expenditures for major additions or improvements, which extend the useful lives of assets, are capitalized. Minor replacements, maintenance and repairs, which do not improve or extend the lives of such assets, are expensed as incurred.

We review property and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable in accordance with Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." When we conduct our annual impairment test of our long-lived assets, we first compare the carrying amount of the underlying assets to their net recoverable value by reviewing the undiscounted cash flows expected to result from the use and eventual disposition of the underlying assets. If the carrying amount of the underlying assets is less than their net recoverable value, then we calculate the impairment to be, if any, the excess of the carrying amount over the fair market value and the impairment loss would be charged to operations in the period identified. In accordance with SFAS 144, we recorded an impairment of certain of our property and equipment in the fourth quarter of 2008 (see Note 9).

We capitalize interest on borrowings during the active construction period of capital projects. Capitalized interest is added to the cost of the assets and is depreciated over the estimated useful lives of the assets.

Acquisitions

Acquisitions are accounted for under the purchase method of accounting and the assets acquired and liabilities assumed are recorded at their fair value as of the acquisition dates. The operations of the acquired dealerships are included in the accompanying Consolidated Statements of (Loss) Income commencing on the date of acquisition.

Goodwill and Other Intangible Assets

Goodwill represents the excess cost of the businesses acquired over the fair market value of the identifiable net assets. We have determined that, based on how we integrate acquisitions into our business, how the components of our business share resources and interact with one another, and the fact that all components are economically similar, we qualify as a single reporting unit for purposes of testing goodwill for impairment. Our dealership general managers are responsible for customer-facing activities, including inventory management, advertising and personnel decisions, and have the flexibility to respond to local market conditions. The corporate management team, with input from the regional management teams, is responsible for infrastructure and general strategy decisions.

The fair market value of our manufacturer franchise rights is determined at the acquisition date through discounting the projected cash flows specific to each franchise. We have determined that manufacturer franchise rights have an indefinite life as there are no economic or other factors that limit their useful lives and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers' brand names. Furthermore, to the extent that any agreements evidencing our manufacturer franchise rights expire, we expect to renew those agreements in the ordinary course of business. Due to the fact that manufacturer franchise rights are specific to the location in which we acquire a dealership, we have determined that the dealership is the reporting unit for purposes of testing franchise rights for impairment.

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," we do not amortize goodwill and other intangible assets that are deemed to have indefinite lives. We review goodwill and indefinite lived manufacturer franchise rights for impairment annually as of October 1st of each year, or more often if events or circumstances indicate that impairment may have occurred. We are subject to financial statement risk to the extent that manufacturer franchise rights become impaired due to decreases in fair market value of our individual franchises or to the extent that goodwill becomes impaired due to decreases in the fair market value of our automotive retail business.

We completed our annual goodwill and intangible impairment tests as of October 1, 2008. No impairment of goodwill was recognized at that date as a result of such tests. However, in accordance with SFAS No. 142, due to triggering events in the fourth quarter of 2008, we performed an additional goodwill impairment test as of December 31, 2008 and recorded an impairment charge related to goodwill and other intangible assets (see Note 9).

All other intangible assets are deemed to have finite lives and are amortized on a straight-line basis over the life of the asset and are tested for impairment when circumstances indicate that the carrying value of the asset might be impaired.

Fair Value of Financial Instruments

Financial instruments consist primarily of cash, contracts-in-transit, accounts receivable, notes receivable, cash surrender value of corporate-owned life insurance policies, accounts payable, floor plan notes payable, long-term debt and interest rate swap agreements. The carrying amounts of our accounts receivable, notes receivable, restricted investments, accounts payable, floor plan notes payable and interest rate swap agreements approximate fair value due either to length of maturity or existence of variable interest rates, which approximate market rates. As of December 31, 2008, our 8% Senior Subordinated Notes due 2012 (the "8% Notes"), 7.625% Senior Subordinated Notes due 2017 (the "7.625% Notes") and our 3% Convertible Notes due 2014 (the "3% Notes") had a carrying value of $179.4 million (excluding the effects of our terminated fair value hedge), $143.2 million, and $62.0 million, respectively, and a fair market value, based on current market prices, of $85.2 million, $64.4 million, and $23.3 million, respectively.

Derivative Instruments and Hedging Activities

We utilize derivative financial instruments to manage our capital structure and interest rate risk. The types of risks hedged are those relating to the variability of cash flows and changes in the fair value of our financial instruments caused by movements in interest rates. We document our risk management strategy and assess hedge effectiveness at the inception and during the term of each hedge. Derivatives are reported at fair value on the accompanying Consolidated Balance Sheets.

The changes in fair value of the effective portion of "cash flow" hedges are reported as a component of accumulated other comprehensive loss. Amounts in accumulated other comprehensive loss are reclassified to interest expense to the extent the hedge becomes ineffective.

The change in fair value of "fair value" hedges are recorded as a component of interest expense. Changes in the fair value of the associated hedged item are also recorded as a component of interest expense.

Measurements of hedge effectiveness are based on comparisons between the gains or losses of the actual interest rate swaps and the gains or losses of hypothetical interest rate swaps, which have the exact same critical terms of the defined hedged items. Ineffective portions of these interest rate swaps are reported as a component of interest expense in the accompanying Consolidated Statements of (Loss) Income.

Insurance

We are self insured for employee medical claims and maintain stop loss insurance for individual claims. We have large deductible insurance programs for workers compensation, property and general liability claims. We maintain and review our claim and loss history to assist in assessing our future liability for these claims. We also use professional service providers such as account administrators and actuaries to help us accumulate and assess this information.

Revenue Recognition

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

We receive commissions from third-party lending and insurance institutions for arranging customer financing and for the sale of vehicle service contracts, credit life insurance and disability insurance to customers, and other insurance offerings (collectively "F&I"). We may be charged back ("chargebacks") for F&I commissions in the event a contract is prepaid, in default or terminated. F&I commissions are recorded at the time the vehicles are sold and a reserve for future chargebacks is established based on historical operating results and the termination provisions of the applicable contracts. F&I commissions, net of estimated chargebacks, are included in Finance and Insurance, net in the accompanying Consolidated Statements of (Loss) Income.

In addition to the commissions we receive on the sale of third-party service and insurance products, we also have contingent revenue arrangements with third-party administrators whereby we will potentially receive retrospective payments in the future. These payments, if any, represent the amount of funds available to pay future claims in excess of what is actually used to pay claims on the related policies. These payments are determined by the third-party administrator based upon an agreed-upon earnings schedule. The amount of retrospective payments is contingent on the claim performance (i.e. the amount of the funds used to pay customer claims). As a result, we do not record retrospective commissions until such a time that the payment has been confirmed by the third-party administrator to the contracts, because that is the first time that the amount is fixed and determinable.

Internal Profit

Revenues and expenses associated with the internal work performed by our parts and service departments on new and used vehicles are eliminated in consolidation. The gross profit earned by our parts and service departments for internal work performed is included as a reduction of Parts and Service Cost of Sales on the accompanying Consolidated Statements of (Loss) Income. The costs incurred by our new and used departments for work performed by our parts and service departments is included in either New Vehicle Cost of Sales or Used Vehicle Costs of Sales on the accompanying Consolidated Statements of (Loss) Income, depending on the classification of the vehicle serviced. We maintain an internal profit reserve for internal profit on vehicles that have not been sold.

Share-Based Compensation

We record share-based compensation expense under the fair value method of SFAS No. 123R "Share-Based Payment" on a straight-line basis over the vesting period. We adopted SFAS 123R effective January 2006, under the modified prospective transition method and therefore, our consolidated financial statements as of and for the year ended December 31, 2005 have not been restated. Prior to January 2006, including the years ended December 31, 2005, we recorded share-based compensation expense in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." APB Opinion No. 25 required the use of the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at the measurement date over the amount an employee must pay to acquire the stock.

(Loss) Earnings per Common Share

We compute (loss) earnings per common share in accordance with SFAS No. 128, "Earnings Per Share." Basic (loss) earnings per common share is calculated using the weighted average common shares outstanding during each reporting period. Diluted (loss) earnings per common share adjusts the weighted average common shares outstanding for the potential dilution that could occur if common stock equivalents (convertible debt, warrants, stock options, performance share units and restricted stock) were exercised or converted into common stock. Common stock equivalents of approximately 1.9 million shares for the year ended December 31, 2008, were not included in the calculation of diluted net loss per common share as the effects would have been anti-dilutive. In addition, we have issued warrants that, upon exercise, may result in the issuance of between 3,382,978 and 6,765,957 shares of common stock at a current exercise price of $44.74. The shares issuable upon exercise of warrants and 3% Notes could potentially dilute basic earnings per share in the future; however, these shares were not included in the computation of diluted earnings per share, because they are currently anti-dilutive.

Advertising

We expense costs of advertising as incurred and production costs when the advertising initially takes place, net of certain advertising credits and other discounts. Advertising expense from continuing operations totaled $43.5 million, $47.7 million and $46.3 million for the years ended December 31, 2008, 2007 and 2006, net of earned advertising credits and volume discounts of $5.2 million, $6.7 million and $6.6 million, respectively, and is included in Selling, General and Administrative expense in the accompanying Consolidated Statements of (Loss) Income.

Income Taxes

We use the liability method to account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all the deferred tax assets will not be realized. On January 1, 2007, we adopted FASB Interpretation No. 48 ("FIN 48"). The initial application of FIN 48 to our tax positions had no impact on our Shareholders' Equity. We did not record a cumulative effect adjustment related to the adoption of FIN 48. As a result of this adoption, we record liabilities for unrecognized tax benefits in accordance with FIN 48.

Discontinued Operations

In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” certain amounts reflected in the accompanying Consolidated Balance Sheets as of December 31, 2008 and 2007, have been classified to Assets Held for Sale and Liabilities Associated with Assets Held for Sale, to the extent that they were held for sale at each balance sheet date. The accompanying Consolidated Statements of (Loss) Income for the years ended December 31, 2007 and 2006, have been reclassified to reflect the results of franchises sold during 2008 or held for sale as of December 31, 2008, as if we had classified those franchises as discontinued operations for all years presented.

We include franchises as discontinued operations when it is evident that the operations and cash flows of a franchise being sold will be eliminated from our on-going operations and that we will not have any significant continuing involvement in its operations. We do not classify franchises as discontinued operations if we believe that the cash flows generated by the franchise will be replaced by expanded operations of the remaining franchises.

Statements of Cash Flows

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

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

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

Proceeds from the sale of dealership facilities and the related real estate previously owned and subsequently leased back in connection with sale-leaseback agreements are reflected as financing activities in the accompanying Consolidated Statements of Cash Flows.

Tax benefits related to share-based awards that are fully vested prior to the adoption of SFAS No. 123R are included as cash inflows from financing activities on the accompanying Consolidated Statements of Cash Flows. Excess tax benefits related to share-based awards that are partially vested upon or granted after the adoption of SFAS No. 123R are included as cash inflows from financing activities on the accompanying Consolidated Statements of Cash Flows.

Business and Credit Concentration Risk

Financial instruments, which potentially subject us to concentration of credit risk, consist principally of cash deposits. We maintain cash balances in financial institutions with strong credit ratings. Generally, amounts invested with financial institutions are in excess of FDIC insurance limits.

We have substantial debt service obligations. As of December 31, 2008, we had total debt of $620.7 million, excluding floor plan notes payable and the effects of our fair value hedge on our 8% Senior Subordinated Notes due 2014 (the "8% Notes) and including $8.0 million classified as Liabilities Associated with Assets Held for Sale on our Consolidated Balance Sheet. In addition, we and our subsidiaries have the ability to obtain additional debt from time to time to finance acquisitions, real property purchases, capital expenditures or for other purposes, subject to the restrictions contained in our revolving credit facilities and the indentures governing our 8% Notes and our 7.625% Senior Subordinated Notes due 2017 (the "7.625% Notes"). We will have substantial debt service obligations, consisting of required cash payments of principal and interest, for the foreseeable future.

In addition, we have operating and financial restrictions and covenants in certain of our leases and in our debt instruments, including our revolving credit facilities with Bank of America, N.A. ("Bank of America") and JPMorgan Chase Bank N.A. ("JPMorgan Chase") and the indentures under our 8% Notes and our 7.625% Notes and the mortgage agreements or guarantees for mortgages held with Wachovia Bank, National Association, Wachovia Financial Services, Inc., BMW Financial Services NA, LLC and Wells Fargo, N.A. These place restrictions on, among other things, our ability to incur additional indebtedness, to create liens or other encumbrances, and to make certain payments (including dividends and repurchases of our shares and investments). Our revolving credit facilities and mortgages and/or guarantees related to such mortgages require us to maintain certain financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. A breach of any of the covenants in our debt instruments, certain leases or our inability to comply with the required financial ratios could result in an event of default, which, if not cured or waived, could result in cross defaults which would have a material adverse effect on us. In the event of any default under our revolving credit facilities or our mortgages and/or guarantees related to such mortgages, the payment of all outstanding borrowings could be accelerated, together with accrued and unpaid interest and other fees, and we would be required to apply our available cash to repay these borrowings or could be prevented from making debt service payments on our 8% Notes, our 7.625% Notes, and our 3% Senior Subordinated Convertible Notes due 2012 (the "3% Notes"), any of which would be an event of default under the respective indentures for such Notes. Furthermore, failing to comply with any of these covenants or meet required financial ratios could prevent us from being able to access our credit lines under these credit facilities or limit the size or pricing, or result in other less favorable terms, or combination thereof, under such credit facilities.

A number of our dealerships are located on properties that we lease. Each of the leases governing such properties has certain covenants with which we must comply. If we fail to comply with the covenants under our leases, the respective landlords could terminate the leases and seek damages which could equal the amount to which the accelerated rents under the applicable lease for the remainder of the lease term exceeds the fair market rent over the same periods or evict us from the property.

Concentrations of credit risk with respect to contracts-in-transit and accounts receivable are limited primarily to automotive manufacturers and financial institutions. Credit risk arising from receivables from commercial customers is minimal due to the large number of customers comprising our customer base.

For the year ended December 31, 2008, Honda, Nissan, Toyota, BMW, Mercedes-Benz, Ford, Lexus, and Acura accounted for 25%, 11%, 10%, 9%, 8%, 6%, 6%, and 5% of our light vehicle new retail revenue, respectively. No other franchise accounted for more than 5% of our total light vehicle new retail revenues in 2008.

Segment Reporting

We have determined based on the provisions of SFAS No. 131 "Disclosures about the Segments of an Enterprise and Related Information", that as a result of how we internally view our business, regularly review our financial data and operating metrics and allocate resources that we operate in one segment, automotive retail. Our Chief Operating Decision Maker is our Chief Executive Officer who manages the business, regularly reviews financial information and allocates resources on a consolidated basis. Our dealerships are components of our automotive retail segment and, therefore, are not segments themselves. Additionally, it should be noted that we have no international operations.

Recent Accounting Pronouncements

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." Under the FSP, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. The adoption of FSP No. EITF 03-6-1 will not have a material impact on our consolidated financial statements.

In March 2008, the FASB concluded its re-deliberations on FSP APB 14-a "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-a") deciding to retain its original proposal related to this matter. FSP APB 14-a applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). FSP APB 14-a will require that the issuer of a convertible debt instrument within its scope separately account for the liability and equity components in a manner that will reflect the issuer's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The excess of the principal amount of the liability component over its initial fair value shall be amortized to interest cost using the interest method. The provisions of FSP APB 14-a apply to our 3% Notes. FSP APB 14-a is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods thereafter. Early adoption is not permitted. FSP APB 14-a shall be applied retrospectively to all periods presented. We estimate that the adoption of FSP APB 14-a will increase our interest expense by approximately $1.7 million in 2009, and decrease retained earnings on January 1, 2009 by approximately $15.3 million, increase additional paid in capital on January 1, 2009 by $19.3 million and decrease our long-term debt on January 1, 2009 by $4.0 million.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, and how derivative instruments and related hedged items affect an entity's operating results, financial position and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. Early adoption is permitted. We adopted SFAS 161 in the fourth quarter of 2008. The provisions of SFAS 161 are only related to disclosure of derivative and hedging activities and did not have a material impact on our consolidated financial statements.

We adopted the provisions of SFAS No. 157, "Fair Value Measures" ("SFAS 157") as of January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. In February 2008, the FASB issued FASB Staff Position (FSP) Financial Accounting Standard (FAS) 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions," and FSP FAS 157-2, "Effective Date of FASB Statement No. 157." FSP FAS 157-1 removes leasing from the scope of SFAS No. 157. FSP FAS 157-2 delays the effective date of SFAS No. 157 from 2008 to 2009 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Required disclosures are included in Note 15 to our Consolidated Financial Statements. The adoption of FAS 157 with respect to nonfinancial assets and liabilities will not have a material impact on our consolidated financial statements.

3. ACQUISITIONS

During the twelve months ended December 31, 2008, we acquired one franchise (one dealership location) and the related real estate for an aggregate purchase price of $41.9 million. We financed this acquisition through the use of (i) $33.9 million of cash, (ii) $7.6 million of floor plan borrowings for the purchase of new vehicle inventory, and (iii) $0.4 million of loaner vehicle financing. During the twelve months ended December 31, 2007, we acquired nine franchises (seven dealership locations), including two heavy truck franchises, for an aggregate purchase price of $117.1 million. We financed these acquisitions through the use of (i) $79.2 million of cash, (ii) $27.9 million of floor plan borrowings for the purchase of new vehicle inventory, (iii) $8.3 million of bridge loans and (iv) $1.7 million of loaner vehicle financing. We did not complete any acquisitions during 2006.

The allocation of purchase price for acquisitions is as follows:

	For the Years Ended December 31,	
	2008	2007
	(In millions)	
Inventory	$ 9.6	$ 33.9
Property and Equipment	7.3	25.8
Goodwill	17.0	39.5
Franchise rights	7.5	17.0
Other	0.5	0.9
Total purchase price	$41.9	$117.1

4. ACCOUNTS AND NOTES RECEIVABLE

Accounts Receivable

We have agreements to sell certain of our trade receivables, without recourse as to credit risk, in an amount not to exceed $25.0 million annually. The receivables are sold at a discount, which is included in Selling, General and Administrative expense in the accompanying Consolidated Statements of (Loss) Income. The discounts totaled $0.5 million for each of the years ended December 31, 2008, 2007 and 2006. During the years ended December 31, 2008, 2007 and 2006, $21.0 million, $20.8 million and $20.1 million of receivables, respectively, were sold under these agreements and were reflected as reductions of trade accounts receivable.

Notes Receivable—Finance Contracts

Notes receivable resulting from the issuance of finance contracts primarily in connection with the sale of used vehicles is included in Other Current Assets and Other Long-term Assets on the accompanying Consolidated Balance Sheets. Notes receivable have initial terms ranging from 12 to 48 months bearing interest at rates ranging from 6% to 29% and are collateralized by the related vehicles. Notes receivable from finance contracts consists of the following:

	As of December 31,	
	2008	2007
	(In millions)	
Notes receivable—finance contracts, current	$ 5.4	$ 6.6
Notes receivable—finance contracts, long-term	10.6	11.0
Total notes receivable	16.0	17.6
Less—allowance for credit losses	(2.9)	(2.6)
Total notes receivable—finance contracts, net	13.1	15.0
Less—notes receivable—finance contracts, current, net	(3.9)	(4.9)
Notes receivable—finance contracts, long-term, net	$ 9.2	$10.1

Contractual maturities of gross notes receivable-finance contracts as of December 31, 2008 are as follows (in millions):

2009	$ 5.4
2010	5.0
2011	4.0
2012	1.6
2013	—
	$16.0

5. INVENTORIES

Inventories consist of the following:

	As of December 31,	
	2008	2007
	(In millions)	
New vehicles	$562.2	$622.7
Used vehicles	59.9	101.1
Parts and accessories	44.5	46.2
Total inventories	$666.6	$770.0

The lower of cost or market reserves reduced total inventory cost by $5.6 million and $4.5 million as of December 31, 2008 and 2007, respectively. In addition to the inventories shown above, we have $22.9 million and $12.8 million of inventory as of December 31, 2008 and 2007, respectively, classified as Assets Held for Sale on the accompanying Consolidated Balance Sheets as they are associated with franchises held for sale. As of December 31, 2008 and 2007, advertising and interest credits from automobile manufacturers reduced new vehicle inventory cost by $9.7 million and $9.5 million, respectively; and reduced new vehicle cost of sales from continuing operations for the years ended December 31, 2008, 2007 and 2006, by $29.0 million, $36.9 million and $34.6 million, respectively.

6. ASSETS AND LIABILITIES HELD FOR SALE

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

Assets associated with the pending disposition of three franchises (three dealership locations) as of December 31, 2008, totaled $32.6 million. Liabilities associated with pending dispositions totaled $20.6 million as of December 31, 2008. During the twelve months ended December 31, 2008, we sold the five franchises (four dealership locations) that had been held for sale as of December 31, 2007. Assets associated with pending dispositions totaled $24.9 million as of December 31, 2007. Liabilities associated with pending dispositions totaled $9.9 million as of December 31, 2007.

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

Assets held for sale associated with pending sale-leaseback transactions as of December 31, 2007, include $9.2 million related to completed construction projects. During the twelve months ended December 31, 2008, we received final reimbursements of $1.8 million associated with completed construction projects. During 2008, we decided not to pursue a sale-leaseback of the remaining completed projects; therefore, we have reclassified the costs of these completed projects to Property and Equipment on the accompanying Consolidated Balance Sheet as of December 31, 2008.

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

	As of December 31, 2008	As of December 31, 2007
	(In millions)	
Assets:		
Inventories	$22.9	$12.8
Completed construction projects	—	9.2
Property and equipment, net	19.6	7.9
Manufacturer franchise rights	7.9	1.0
Goodwill	—	3.2
Total assets	50.4	34.1
Liabilities:		
Floor plan notes payable	20.6	9.9
Mortgage notes payable	8.0	—
Other	3.0	—
Total liabilities	31.6	9.9
Net assets held for sale	$18.8	$24.2

7. OTHER CURRENT ASSETS

Other current assets consist of the following:

	As of December 31, 2008	As of December 31, 2007
	(In millions)	
Service loaner vehicles	$37.9	$39.9
Prepaid taxes	7.1	9.3
Notes receivable—finance contracts, current, net	3.9	4.9
Ongoing sale-leaseback construction	—	14.9
Other	5.3	4.7
Other current assets	$54.2	$73.7

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	As of December 31, 2008	As of December 31, 2007
	(In millions)	
Land	$ 164.6	$ 57.2
Buildings and leasehold improvements	305.8	168.9
Machinery and equipment	70.3	68.4
Furniture and fixtures	31.3	32.1
Company vehicles	10.0	10.3
Total	582.0	336.9
Less—Accumulated depreciation	(105.3)	(98.3)
Property and equipment, net	$ 476.7	$238.6

During the years ended December 31, 2008, 2007 and 2006, we capitalized $1.1 million, $0.2 million and $0.6 million, respectively of interest in connection with various capital projects to upgrade or remodel our facilities. Depreciation expense from continuing operations was $23.4 million, $20.6 million and $19.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

In the second quarter of 2008, we acquired thirty-three properties previously leased by our dealerships for an aggregate purchase price of $207.9 million, $202.2 million of which was pursuant to the exercise of a right of first refusal. We financed the purchase of these properties with $151.1 million of mortgage borrowings and $56.8 million of available cash. During the third quarter of 2008, we sold one of these properties at book value for proceeds of $3.6 million and repaid the related mortgage note payable of $3.5 million. As of December 31, 2008, two of these properties with an aggregate book value of $8.2 million and associated mortgage notes payable of $8.0 million were classified as Assets Held For Sale and Liabilities Associated with Assets Held for Sale, respectively, on the accompanying Consolidated Balance Sheets. We do not use these properties in our dealership operations and they are pending disposition.

In addition to the mortgages disclosed above, we had four real estate mortgage notes payable outstanding totaling $41.4 million and $25.8 million as of December 31, 2008 and 2007, respectively. These obligations mature between 2011 and 2018 and are collateralized by the related real estate with a carrying value of $63.6 million and $39.4 million as of December 31, 2008 and 2007, respectively.

9. ASSET IMPAIRMENT EXPENSES

We concluded that events had occurred and circumstances had changed during the fourth quarter of 2008 which required us to perform interim period impairment tests. During the fourth quarter of 2008, we experienced a sustained decline in the market capitalization of our common stock and a significant decline in total revenue due to overall retail industry conditions driven by declining consumer confidence, tightening of consumer lending standards, changes in consumer demand and falling home prices. Our stock price decreased 60% from $11.52 as of September 30, 2008 to $4.57 as of December 31, 2008, bringing our total market capitalization to approximately $146.0 million as of December 31, 2008. In addition, our total revenues decreased approximately 30% during the fourth quarter of 2008, as compared to the fourth quarter of 2007.

We determined that these factors indicated an impairment of our intangible assets and certain of our property and equipment. As a result we recognized the following impairment expenses in the fourth quarter of 2008:

	For the Year Ended December 31, 2008
	(In millions)
Goodwill	$499.8
Manufacturer franchise rights	37.1
Property and equipment	11.4
Other intangible assets	2.6
Total impairment expenses	550.9
Less—impairment expenses included in discontinued operations:	
Goodwill	(8.1)
Manufacturer franchise rights	(2.8)
Property and equipment	(4.0)
Other intangible assets	(0.1)
Total impairment expenses included in discontinued operations	(15.0)
Total impairment expenses included in continuing operations	$535.9

Goodwill

The test for goodwill impairment, as defined by SFAS No. 142, is a two-step approach. In the first step of the impairment test, we determined that the fair value of our single reporting unit was less than its carrying value. We calculated our estimated fair value used in the step one determination of fair value as the amount that we would receive in a sale of our company as a whole in an orderly transaction between market participants as of December 31, 2008, using two valuation methods. First, we used the quoted market price of our outstanding common shares at December 31, 2008, and added a control premium that is representative of (i) recent comparatively sized sale transactions and (ii) certain qualitative and quantitative macroeconomic conditions, including the current economic environment, which we believe impacted the quoted market price of our common stock. Second, we performed a discounted cash flow analysis using forward-looking projections of our estimated future operating results. Based on the results of both valuation methods, we concluded that the fair value of our company was below the carrying value of our net assets at December 31, 2008.

As a result, we proceeded to the second step, which involved an analysis reflecting the allocation of the fair value determined in the first step (as if it were the purchase price in a business combination). This process resulted in no allocation of fair value to goodwill. The calculated fair value of the goodwill resulting from this allocation was therefore deemed to be zero, and as a result we incurred a non-cash impairment of $499.8 million related to the decline in the value of our goodwill. We do not have any goodwill remaining as of December 31, 2008.

Prior to our adoption on July 1, 2001, of SFAS No. 141, Business Combinations, and in accordance with applicable accounting standards, we did not separately identify franchise rights associated with the acquisition of dealerships as separate intangible assets. In performing the second step, we were required by SFAS No. 142 to assign value to these previously unrecognized identifiable intangible assets (including such franchise rights) even though such amounts were not separately identified on our Consolidated Balance Sheets.

Manufacturer Franchise Rights

We determined that the fair market value of certain of our manufacturer franchise rights was below its carrying value. We calculated the fair market value using a discounted projected cash flow analysis specific to each franchise. The reduction in the fair market value was a result of lower projected cash flows and increased discount rates, which is reflective of the current economic environment. As a result we recognized a $37.1 million non-cash impairment of manufacturer franchise rights. As of December 31, 2008, we had $23.6 million of manufacturer franchise rights remaining, primarily related to our luxury franchises, $7.9 million of which were classified as Assets Held for Sale.

Property and Equipment

We identified potential impairment indicators related to certain of our real estate, and in accordance with SFAS No. 144, we reviewed the carrying value of such assets compared to estimates of fair market values determined by third-party appraisal and brokers' opinions of value. Accordingly, we recorded an $11.4 million non-cash impairment of certain property and equipment.

Other Intangible Assets

The impairment expense associated with other intangible assets totaling $2.6 million consisted primarily of miscellaneous intangible assets related to completed acquisitions.

10. OTHER LONG-TERM ASSETS

	As of December 31,	
	2008	2007
	(In millions)	
Manufacturer franchise rights	$15.7	$ 53.2
Deferred financing costs	11.6	14.4
Notes receivable-finance contracts, long-term, net	9.2	10.1
Cash surrender value of corporate-owned life insurance policies	8.3	11.0
Construction period rent	4.6	5.7
Other	5.3	7.6
Total other long-term assets	$54.7	$102.0

11. FLOOR PLAN NOTES PAYABLE

In September 2008, we terminated our $550.0 million existing credit facility with JPMorgan Chase Bank, N.A. and 18 other financial institutions (the "Terminated Credit Facility") and entered into new floor plan facilities funded predominantly by our brands' captive finance companies. The Terminated Credit Facility provided us with $475.0 million of borrowing capacity for the purchase of new and used inventory at all of our dealerships, except at our Ford, Lincoln, Mercury, Mazda, Volvo, Jaguar and Land Rover dealerships, our General Motors ("GM") dealerships, our Chrysler, Dodge and Jeep dealerships ("Chrysler Dealerships") and our Mercedes-Benz and smart dealerships. In addition, we terminated our agreement with DaimlerChrysler Financial Services Americas LLC ("DCFSA") and repaid all floor plan notes payable of our Chrysler Dealerships with proceeds from borrowings from our Revolving Credit Facility (defined below).

In October 2008, we secured a $29.0 million new vehicle floor plan facility with Bank of America N.A. (“Bank of America”) for the financing of new vehicle inventory at our Chrysler Dealerships. In addition, we repaid the floor plan notes payable at our Land Rover and Jaguar dealerships with the proceeds from borrowings from our new vehicle floor plan facility with JPMorgan Chase Bank, N.A.

As of December 31, 2008, our new vehicle inventory purchases are now financed by the following floor plan providers:

- American Honda Finance—Honda and Acura new vehicle inventory;
- Bank of America—Chrysler, Dodge and Jeep new vehicle inventory;
- BMW Financial Services—BMW and MINI new vehicle inventory;
- Comerica Bank—Hino and Isuzu Truck new heavy truck inventory;
- Navistar Financial—International Truck, IC Bus, Workhorse and UD new heavy truck inventory;
- DCFS USA LLC—Mercedes-Benz and smart new vehicle inventory;
- Ford Motor Credit Corporation—Ford, Lincoln, Mercury, Volvo and Mazda, new vehicle inventory;
- General Motors Acceptance Corporation—Chevrolet, Pontiac, Buick, GMC and Cadillac new vehicle inventory;
- JPMorgan Chase Bank, N.A.—Audi, Hyundai, Kia, Land Rover, Jaguar, Porsche, and Volkswagen new vehicle inventory;
- Nissan Motor Acceptance Corporation—Nissan and Infiniti new vehicle inventory;
- PACCAR Financial Services Corporation—Peterbilt new heavy truck inventory;
- Toyota Financial Services—Toyota new vehicle inventory purchased from Gulf States Toyota and Lexus new vehicle inventory; and
- World Omni Financial Corporation—Toyota new vehicle inventory purchased from Southeast Toyota.

Borrowings on all our floor plan financing facilities mentioned above accrue interest at rates ranging from 1.00% to 3.75% above the London Interbank Offered Rate (“LIBOR”) or 0.50% to 1.50% above the Prime Rate, with some floor plan financing facilities establishing specific prime rate minimums. Our new vehicle floor plan facilities with Bank of America and JPMorgan Chase Bank, N.A. limit our borrowing capacity to $29.0 million and $30.0 million. All other new vehicle floor plan facilities do not have stated borrowing limitations. Our floor plan facility with JPMorgan Chase Bank, N.A. matures in August 2012, and the floor plan facilities with all other lenders have no stated termination date.

Under the terms of the collateral documents entered into with the lenders under our new floor plan facilities, we and all of our dealership subsidiaries, granted security interests in all of the new vehicle inventory financed under the respective floor plan facilities, as well as the proceeds from the sale of such vehicles, and certain other collateral. This grant of security interests replaces the grants made to such floor plan lenders under our Terminated Credit Facility.

We consider floor plan notes payable to a party that is affiliated with the entity from which we purchase our new vehicle inventory “Floor plan notes payable—trade” and all other floor plan notes payable “Floor plan notes payable—non-trade.” As a result of the termination of the Terminated Credit Facility, during 2008 our floor plan notes payable—trade increased by $296.4 million on the accompanying Consolidated Balance Sheet and our floor plan borrowings—non-trade increased by $18.6 million and our floor plan repayments—non-trade increased by $315.0 million on the accompanying Consolidated Statements of Cash Flows. As of December 31, 2008, we had $498.8 million of floor plan notes payable—trade and $134.6 million of floor plan notes payable—non-trade outstanding, including amounts classified as Liabilities Associated with Asset Held for Sale.

As of December 31, 2008 and 2007, we had $633.4 million and $683.8 million of floor plan notes payable outstanding, respectively, including $20.6 million and $9.9 million classified as Liabilities Associated with Assets Held for Sale.

JPMorgan Used Vehicle Floor Plan Facility

In October 2008, we entered into a $75.0 million revolving credit facility with JPMorgan Chase Bank, N.A., as administrative agent, and Bank of America (the "JPMorgan Used Vehicle Floor Plan Facility"), against which we use certain of our used motor vehicle inventory as collateral. The JPMorgan Used Vehicle Floor Plan Facility matures on August 15, 2012. Under the JPMorgan Used Vehicle Floor Plan Facility, subject to a borrowing base, we may borrow up to $75.0 million, which amount may be expanded up to $100.0 million in total credit availability upon satisfaction of certain conditions. The amount available for borrowing under the JPMorgan Used Vehicle Floor Plan Facility is limited by the lesser of (i) $75.0 million or (ii) 65% of the net book value of our used vehicle inventory (excluding heavy trucks and our Ford, Lincoln and Mercury inventory) eligible to be used in the borrowing base calculation, less unpaid liens. As of December 31, 2008, we did not have any amounts outstanding and our available borrowings under the JPMorgan Used Vehicle Floor Plan Facility were limited to $27.8 million.

Any loan under the JPMorgan Used Vehicle Floor Plan Facility will bear interest at LIBOR, as adjusted for statutory reserve requirements for Eurocurrency liabilities, plus 1.5%. If there is a change in the law making it unlawful to make or maintain any loan under the JPMorgan Used Vehicle Floor Plan Facility, then any outstanding loan may be converted to a loan bearing interest at the prime rate in effect, plus 1.5%. Upon an event of default under the JPMorgan Used Vehicle Floor Plan Facility, the lenders may request that we pay interest on the principal outstanding amount of all outstanding loans at the interest rate otherwise applicable to such loan, plus 2% per annum.

Under the terms of the JPMorgan Used Vehicle Floor Plan Facility, we have agreed not to encumber assets, subject to certain exceptions (such as the security interest in new vehicle inventory financed using floor plan arrangements). In addition, the JPMorgan Used Vehicle Floor Plan Facility contains certain negative covenants, including covenants which could prohibit or restrict the payment of dividends, capital expenditures and the dispositions of assets, as well as other customary covenants and default provisions. We are also subject to financial covenants under the terms of the JPMorgan Used Vehicle Floor Plan Facility.

The JPMorgan Used Vehicle Floor Plan Facility contains events of default, including cross-defaults to other material indebtedness, change of control events and events of default customary for syndicated commercial credit facilities. Upon the occurrence of an event of default, JPMorgan, as the administrative agent, may (i) require us to immediately repay all outstanding amounts under the JPMorgan Used Vehicle Floor Plan Facility; (ii) terminate the commitment of each lender to make loans; and (iii) exercise on behalf of itself and the other lenders all rights and remedies available to it and the other lenders under the credit agreement. The JPMorgan Used Vehicle Floor Plan Facility includes financial covenants with the following requirements: (i) Current Ratio as of the end of any fiscal quarter must not be less than 1.20 to 1, of which our ratio was 1.30 to 1 as of December 31, 2008; (ii) Fixed Charge Coverage Ratio for any period of four fiscal quarters must not be less than 1.20 to 1, of which our ratio was 1.88 to 1 as of December 31, 2008; (iii) Consolidated Total Leverage Ratio must not at any time be more than 5.00 to 1, of which our ratio was 4.06 to 1 as of December 31, 2008; and (iv) Consolidated Total Senior Leverage Ratio must not at any time be more than 3.00 to 1, of which our ratio was 1.56 to 1 as of December 31, 2008.

As of December 31, 2008, we were in compliance with all of these covenants. In order to satisfy certain of these financial covenants in 2008, we relied in part upon income recognized in connection with our purchases of $59.8 million of our outstanding debt securities at a significant discount (see "Long-Term Debt" footnote below). These purchases generated approximately $34.2 million of income before tax in 2008. We expect that we may need to engage in similar purchases in order to satisfy our financial covenants during 2009. We cannot give any assurance that we will be able to make such repurchases in 2009 in amounts and at prices sufficient to satisfy our covenants. Our Board of Directors has authorized us to use up to an additional $50.0 million of cash to repurchase debt securities and/or make unscheduled principal payments on our existing mortgages. Currently, our BofA Revolving Credit Facility (as defined under "Long-Term Debt" footnote below) and our JPMorgan Used Vehicle Floor Plan Facility limit our ability to purchase our debt securities to $30.0 million per calendar year, plus 50% of the net proceeds from asset sales during any given calendar year.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	As of December 31,	
	2008	2007
	(In millions)	
Accounts payable	$ 46.2	$ 72.1
Loaner vehicle notes payable	27.7	27.2
Accrued compensation	18.0	20.1
Taxes payable (non-income tax)	11.6	15.7
Accrued insurance	10.7	8.3
Accrued interest	10.5	12.0
Accrued finance and insurance chargebacks	9.5	10.7
Other	17.1	20.1
Accounts payable and accrued liabilities	$151.3	$186.2

13. LONG-TERM DEBT

Long-term debt consists of the following:

	As of December 31,	
	2008	2007
	(In millions)	
8% Senior Subordinated Notes due 2014 ($179.4 million face value, net of hedging activity of $5.6 million and $6.6 million, respectively)	$173.8	$172.8
7.625% Senior Subordinated Notes due 2017	143.2	150.0
3% Senior Subordinated Convertible Notes Due 2012	62.0	115.0
Mortgage notes payable bearing interest at fixed and variable rates (the weighted average interest rates were 5.4% and 6.5% for years ended December 31, 2008 and 2007, respectively)	177.5	25.8
Revolving credit facility	50.0	—
Bridge loans	—	8.3
Other	0.6	3.7
	607.1	475.6
Less: current portion	(58.8)	(1.7)
Long-term debt	$548.3	$473.9

The aggregate maturities of long-term debt as of December 31, 2008, are as follows (in millions) (a) (b):

2009	$ 58.8
2010	8.1
2011	29.5
2012	68.9
2013	110.0
Thereafter	337.4
	$612.7

(a) Maturities do not include $5.6 million fair value hedge which reduces the book value of our 8% Subordinated Notes due 2014.

(b) Maturities do not include $8.0 million of mortgage notes payable classified as Liabilities Associated with Assets Held for Sale.

Revolving Credit Facility

In September 2008, we entered into a revolving credit facility with Bank of America, as administrative agent, and a syndicate of commercial banks and commercial financing entities (the "BofA Revolving Credit Facility"). The BofA Revolving Credit Facility, together with certain floor plan inventory financing agreements entered into (or amended) in September 2008 (collectively, the "New Floor Plan Facilities"), replaced our $550.0 million syndicated credit facility with JPMorgan Chase Bank, N.A. (the "Terminated Credit Facility"). The cancellation of the Terminated Credit Facility resulted in a $1.7 million loss associated with the write-off of related unamortized debt issuance costs, which is included in Gain (Loss) on Extinguishment of Long-Term Debt, net in the accompanying Consolidated Statement of (Loss) Income.

The BofA Revolving Credit Facility matures on August 15, 2012. Under the BofA Revolving Credit Facility, subject to a usual and customary borrowing base, we may (i) borrow up to $200.0 million, which amount may be expanded up to $250.0 million in total credit availability upon satisfaction of certain conditions; (ii) borrow up to $25.0 million from Bank of America from a swing line of credit; and (iii) request Bank of America to issue letters of credit on our behalf. The amount available for borrowing under the BofA Revolving Credit Facility will be reduced on a dollar-for-dollar basis by the aggregate face amount of any outstanding letters of credit and swing line loans issued by Bank of America. The availability of borrowings under the BofA Revolving Credit Facility is subject to a borrowing base and the cumulative amount of any outstanding letters of credit, together which limited our available borrowings to $138.0 million as of December 31, 2008. As of December 31, 2008, we had $50.0 million in borrowings outstanding under the BofA Revolving Credit Facility, leaving $88.0 million in incremental borrowing capacity.

Any loan (including any swing line loans) under the BofA Revolving Credit Facility will bear interest at (i) a specified percentage above the London Interbank Offered Rate ("LIBOR") according to a utilization rate-based pricing grid ranging from 2.25% to 3.25% above LIBOR; or at our option (ii) the higher of (a) the Bank of America prime rate and (b) the federal funds rate plus 0.50%, plus a rate ranging from 0.50% to 1.00% determined in accordance with the utilization rate-based pricing grid.

Under the terms of the BofA Revolving Credit Facility, we agreed not to pledge any assets to a third party, subject to certain exceptions (such as the security interest in new vehicle inventory financed using floor plan arrangements and used vehicles used as collateral under our floor plan facility with JPMorgan Chase Bank, N.A.). In addition, the BofA Revolving Credit Facility contains certain negative covenants, including covenants which could prohibit or restrict the payment of dividends, equity and debt repurchases, capital expenditures and material dispositions of assets, as well as other customary covenants and default provisions. We are also subject to financial covenants under the terms of the BofA Revolving Credit Facility.

The BofA Revolving Credit Facility contains events of default, including cross-defaults to other material indebtedness, change of control events and events of default customary for syndicated commercial credit facilities. Upon the occurrence of an event of default, Bank of America, as the administrative agent, may (i) require us to immediately repay all outstanding amounts under the BofA Revolving Credit Facility; (ii) declare the commitment of each lender to make loans and any obligation of the Bank of America to extend letters of credit terminated; (iii) require us to cash collateralize any letter of credit obligations; and (iv) exercise on behalf of itself and the other lenders all rights and remedies available to it and the other lenders under the credit agreement and each of the other loan documents.

Under the terms of collateral documents entered into with the lenders under the BofA Revolving Credit Facility, the lenders have a security interest in all our personal property other than fixtures and certain other excluded property. Our subsidiaries also guarantee our obligations under the BofA Revolving Credit Facility.

Mortgage Notes Payable

In June 2008, we entered into a master loan agreement with Wachovia Bank, National Association, a national banking association, and Wachovia Financial Services, Inc., a North Carolina corporation (collectively referred to as, “Wachovia”, and the master loan agreement being referred to as, the “Wachovia Master Loan Agreement”). Pursuant to the terms of the Wachovia Master Loan Agreement, Wachovia extended credit to certain of our subsidiaries guaranteed by Asbury Automotive Group, Inc. through a series of related but separate loans (collectively, the “Wachovia Mortgages”) in the aggregate amount of $151.1 million to provide financing for the $202.2 million purchase of previously leased real estate comprised of 32 properties located in Florida, North Carolina, Virginia, Georgia, Arkansas and Texas. Each of the Wachovia Mortgages is secured by the related underlying property and bears interest at 1-month LIBOR plus 2.95%. We are required to make monthly principal payments based on a straight-line twenty year amortization schedule, with balloon payments due in June 2013. As of December 31, 2008, the aggregate principal amount of the Wachovia Mortgages was $144.1 million, of which $8.0 million was classified as Liabilities Held for Sale on the accompanying Consolidated Balance Sheet.

The Wachovia Master Loan Agreement contains customary representation and warranties, affirmative covenants and the guarantees under such agreements contain negative covenants, including, among other things, covenants not to, with permitted exceptions, (i) incur any additional debt; (ii) create any additional liens on the Property; and (iii) enter into any sale-leaseback transactions in connection with the underlying properties. The Wachovia Master Loan Agreement also contains customary events of default, including, change of control, non-payment of obligations and cross-defaults. We are also subject to financial covenants under the terms of the Wachovia Master Loan Agreement. Upon an event of default, Wachovia may, among other things, (i) accelerate the Wachovia Mortgages; (ii) opt to have the principal amount outstanding under the Wachovia Mortgages bear interest at 1-month LIBOR, plus 5.95% from the time it chooses to accelerate the repayment of the Wachovia Mortgages until the Wachovia Mortgages are paid in full; and (iii) foreclose on and sell some or all of the properties underlying the Wachovia Mortgages.

As of December 31, 2008, excluding the mortgages mentioned above, we had four real estate mortgage notes payable with an outstanding balance of $41.4 million. During 2008, we borrowed $16.7 million from BMW Financial Services in connection with the construction of a service facility at one of our dealerships. These obligations are collateralized by the related real estate with a carrying value of $63.6 million as of December 31, 2008, and mature between 2011 and 2018.

Senior Subordinated Note Repurchases

As of December 31, 2008, we had $384.6 million in aggregate principal amount of senior subordinated notes outstanding, including: $62.0 million of 3% Notes, $179.4 million of 8% Notes and $143.2 million of 7.625% Notes. During the fourth quarter of 2008, we repurchased $53.0 million of our 3% Notes for a total cost of $21.2 million and $6.8 million of our 7.625% Notes for a total cost of $2.8 million. We recorded a $34.2 million gain associated with the repurchase of our debt securities, net of the write-off of $1.6 million of related unamortized debt issuance costs, which is included in Gain (Loss) on Extinguishment of Long-Term Debt, net in the accompanying Consolidated Statement of (Loss) Income. We may from time to time repurchase debt securities in open market purchases or privately negotiated transactions. The decision to repurchase debt securities will be dependent upon prevailing market conditions, our liquidity position, and other factors. Our board of directors has authorized us to use an additional $50.0 million of cash to repurchase debt securities and/or make unscheduled principal payments of our existing mortgages. Currently, our BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility limit our ability to purchase our debt securities to $30.0 million per calendar year, plus 50% of the net proceeds from asset sales during any given calendar year.

3% Senior Subordinated Convertible Notes due 2012

We had $62.0 million in aggregate principal amount of our 3% Notes outstanding as of December 31, 2008. We pay interest on the 3% Notes on March 15 and September 15 of each year until their maturity on September 15, 2012. If and when the 3% Notes are converted, we will pay cash for the principal amount of each Note and, if applicable, shares of our common stock based on a daily conversion value calculated on a proportionate basis for each volume weighted average price ("VWAP") trading day (as defined in the indenture governing the 3% Notes) in the relevant 30 VWAP trading day observation period. The initial conversion rate for the 3% Notes is 29.4172 shares of common stock per $1,000 principal amount of 3% Notes, which is equivalent to an initial conversion price of $33.99 per share. As of December 31, 2008, the conversion price of our 3% Notes was $33.85, which was reduced as the result of our decision to pay a dividend in the third and fourth quarters of 2007 and the first three quarters of 2008 at a rate in excess of the $0.20 per share we were paying at the date of issuance of the 3% Notes. The conversion rate is subject to adjustment in some events but will not be adjusted for accrued interest.

Our 3% Notes are fully and unconditionally guaranteed, on a joint-and-several basis, by all of our current wholly-owned subsidiaries and will be so guaranteed by all of our future domestic subsidiaries that have outstanding, incur or guarantee any other indebtedness. We are a holding company that has no independent assets or operations. Any subsidiaries other than the subsidiary guarantors are minor. In addition, there are no restrictions on the ability of our consolidated subsidiaries to transfer funds to us. The terms of our 3% Notes, in certain circumstances, restrict our ability to, among other things, enter into merger transactions or sell all or substantially all of our assets.

In connection with the sale of our 3% Notes, we entered into convertible note hedge transactions with respect to our common stock with Deutsche Bank AG, London Branch and Goldman, Sachs & Co. (collectively, the "Counterparties"). The convertible note hedge transactions require the Counterparties to deliver to us, subject to customary anti-dilution adjustments, shares of our common stock upon conversion of the 3% Notes as discussed in greater detail below. In connection with the repurchase of $53.0 million of 3% Notes, a pro-rata portion of the convertible note hedges was terminated.

We also entered into separate warrant transactions whereby we sold to the Counterparties warrants to acquire, subject to customary anti-dilution adjustments, shares of our common stock at an initial strike price of $45.09 per share, which was a 62.50% premium over the market price of our common stock at the time of pricing. As of December 31, 2008, the strike price was adjusted to $44.74 as a result of our decision to increase our quarterly dividend by $0.025 to $0.225 in the third and fourth quarter of 2007 and the first three quarters of 2008.

The convertible note hedge and warrant transactions are separate contracts and are not part of the terms of the 3% Notes, as such, they do not affect the holders' rights under the 3% Notes. Holders of the 3% Notes do not have any rights with respect to the convertible note hedge and warrant transactions. The convertible hedge and warrant transactions have the effect of increasing the conversion price of the 3% Notes to $44.74. The convertible note hedge and warrant transactions are expected to offset the potential dilution upon conversion of the 3% Notes in the event that the market value per share of our common stock at the time of exercise is between $33.85 and $44.74.

The convertible note hedge transactions represent purchase options of our common stock. At the issuance, there were 3,382,978 shares of our common stock underlying the convertible note hedge transactions, with 4,144,140 shares representing the maximum number of shares that we could receive thereunder. The initial exercise price of the convertible note hedge contracts was $33.99. The exercise price is subject to certain adjustments which mirror the adjustments to the conversion price of the 3% Notes (including for subsequent changes in our dividend). In connection with entering into the convertible note hedge transactions, we paid a premium of $167.90 per option (or $19,308,500 in total for the 115,000 options that we purchased). A portion of the options will be exercised upon the conversion of our 3% Notes and each such exercise will be settled in shares of our common stock. The convertible note hedge transactions will expire on the earlier of (i) the last day on which any convertible notes remain outstanding and (ii) the third scheduled trading day immediately preceding September 15, 2012. In connection with the repurchase of $53.0 million of our 3% Notes, a pro-rata portion of the convertible note hedges was terminated. As a result, as of December 31, 2008, there were 2,234,232 shares representing the maximum number of shares that we could receive under the convertible note hedge transactions.

The warrant transactions represent net call options. On exercise of the warrants, we are obligated to deliver a number of shares of our common stock to the Counterparties in an amount based on the excess of the market value per share of our common stock over the strike price of the warrants. At issuance, there were 3,382,978 shares of our common stock underlying the warrant transactions, with 6,765,957 shares representing the maximum number of shares of our common stock required to be issued to the Counterparties. In connection with the warrant transactions, we received a premium of $77.60 per option (or $8,924,000 in total for the 115,000 options that we sold.) The warrant transactions are divided into 80 components that expire at various dates from December 14, 2012 through April 11, 2013.

7.625% Senior Subordinated Notes due 2017

We had $143.2 million in aggregate principal amount of our 7.625% Notes outstanding as of December 31, 2008. We pay interest on the 7.625% Notes on March 15 and September 15 of each year until their maturity on March 15, 2017. At any time during the term of the 7.625% Notes, we may choose to redeem all or a portion of the 7.625% Notes at a price equal to 100% of their principal amount plus the make-whole premium set forth in the 7.625% Notes indenture. At any time on or after March 15, 2012, we may, at our option, choose to redeem all or a portion of these notes at a redemption price that begins at 103.813% of the aggregate principal amount of the 7.625% Notes and reduces on each subsequent March 15 by approximately 1.3% until the price reaches 100% of the aggregate principal amount on March 15, 2015 and thereafter. On or before March 15, 2010, we may, at our option, use the net proceeds of one or more equity offerings to redeem up to 35% of the aggregate principal amount of the 7.625% Notes at a redemption price equal to 107.625% of such principal amount plus accrued and unpaid interest thereon.

Our 7.625% Notes are fully and unconditionally guaranteed, on a joint-and-several basis, by all of our current wholly-owned subsidiaries and will be so guaranteed by all of our future domestic subsidiaries that have outstanding, incur or guarantee any other indebtedness. We are a holding company that has no independent assets or operations. Any subsidiaries other than the subsidiary guarantors are minor. In addition, there are no restrictions on the ability of our consolidated subsidiaries to transfer funds to us. The terms of our 7.625% Notes, in certain circumstances, restrict our ability to, among other things, incur additional indebtedness, pay dividends, repurchase our common stock and merge or sell all or substantially all our assets.

8% Senior Subordinated Notes due 2014

We had $179.4 million in aggregate principal amount of our 8% Notes outstanding as of December 31, 2008. We pay interest on March 15 and September 15 of each year until maturity of the 8% Notes on March 15, 2014. At any time on or after March 15, 2009, we may, at our option, choose to redeem all or a portion of these notes at a redemption price that begins at 104.0% of the aggregate principal amount of the 8% Notes and reduces on each subsequent March 15 by approximately 1.3% until the price reaches 100% of the aggregate principal amount on March 15, 2012 and thereafter. At any time before March 15, 2009, we may choose to redeem all or a portion of these notes at a price equal to 100% of their principal amount plus the make-whole premium set forth in the 8% Notes indenture.

Our 8% Notes are fully and unconditionally guaranteed, on a joint-and-several basis, by all of our current wholly-owned subsidiaries and will be so guaranteed by all of our future domestic subsidiaries that have outstanding, incur or guarantee any other indebtedness. We are a holding company that has no independent assets or operations. Any subsidiaries other than the subsidiary guarantors are minor. In addition, there are no restrictions on the ability of our consolidated subsidiaries to transfer funds to us. The terms of our 8% Notes, in certain circumstances, restrict our ability to, among other things, incur additional indebtedness, pay dividends, repurchase our common stock and merge or sell all or substantially all our assets.

We terminated an interest rate swap agreement in March 2006. Included as a reduction to our 8% Notes as of December 31, 2008, was $5.6 million of unrecognized amortization related to our terminated fair value swap, which is being amortized through March 2014 as a component of Other Interest Expense on the accompanying Consolidated Statements of (Loss) Income.

Covenants

Because of the uncertainties regarding our compliance with financial covenants during 2009, as discussed below, our independent registered public accounting firm included an explanatory paragraph that indicated there is uncertainty that we will remain in compliance with certain covenants in our debt agreements and that condition raises substantial doubt about our ability to continue as a going concern in its audit report for our 2008 financial statements. The inclusion of this going concern explanatory paragraph constituted a default under our BofA Revolving Credit Facility, JPMorgan Used Vehicle Floor Plan Facility and our new vehicle floor plan facilities with General Motors Acceptance Corporation. We obtained waivers with respect to these defaults from the relevant lenders prior to the filing of this Annual Report on Form 10-K with the U.S. Securities and Exchange Commission.

We are subject to a number of financial covenants in our various debt agreements, including those described below. As of December 31, 2008, we were in compliance with all of these covenants. In order to satisfy certain of our financial covenants in 2008, we relied in part upon income recognized in connection with our purchases of $59.8 million of our outstanding debt securities at a significant discount. These purchases generated approximately $34.2 million of income before tax in 2008. We expect that we may need to engage in similar purchases in order to satisfy our financial covenants during 2009. We cannot give any assurance that we will be able to make such repurchases in 2009 in amounts and at prices sufficient to satisfy our covenants. Our Board of Directors has authorized us to use an additional $50.0 million in cash to repurchase debt securities and/or make unscheduled principal payments on our existing mortgages. Currently, our BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility limit our ability to purchase our debt securities to $30.0 million per calendar year, plus 50% of the net proceeds from asset sales during any given calendar year.

Failure to satisfy any of these covenants would constitute a default under the relevant debt agreements, which would entitle the lenders under such agreements to terminate our ability to borrow under the relevant agreements and accelerate our obligations to repay outstanding borrowings, if any, unless compliance with the covenants is waived. In many cases, defaults under one of our agreement could trigger cross default provisions in our other agreements. If we are unable to remain in compliance with our financial or other covenants, we would be required to seek waivers or modifications of our covenants from our lenders, or we would need to raise debt and/or equity financing or sell assets to generate proceeds sufficient to repay such debt. In light of current depressed conditions in the automotive industry and the exceptionally difficult current conditions in the credit markets generally, we cannot give any assurance that we would be able to successfully take these actions.

Our BofA Revolving Credit Facility, JPMorgan Used Vehicle Floor Plan Facility and certain of our mortgages and/or guarantees related to such mortgages include financial covenants with the following requirements: (i) our Current Ratio as of the end of any fiscal quarter must not be less than 1.20 to 1 (our ratio was 1.30 to 1 as of December 31, 2008); (ii) our Fixed Charge Coverage Ratio for any period of four fiscal quarters must not be less than 1.20 to 1 (our ratio was 1.88 to 1 as of December 31, 2008); (iii) our Consolidated Total Leverage Ratio must not at any time be more than 5.00 to 1 (our ratio was 4.06 to 1 as of December 31, 2008); and (iv) our Consolidated Total Senior Leverage Ratio must not at any time be more than 3.00 to 1 (our ratio was 1.56 to 1 as of December 31, 2008).

Our guaranties under the Wachovia Master Loan Agreement include certain financial covenants with the following requirements: (i) a Current Ratio of at least 1.20 to 1 (our ratio was approximately 1.30 to 1 as of December 31, 2008); (ii) a Fixed Charge Coverage Ratio of at least 1.20 to 1 (our ratio was approximately 1.87 to 1 as of December 31, 2008); (iii) a Total Leverage Ratio of not more than 5.00 to 1 (our ratio was approximately 3.96 to 1 as of December 31, 2008) and (iv) an Adjusted Net Worth of $350.0 million (our adjusted net worth was approximately $605.6 million as of December 31, 2008).

14. FINANCIAL INSTRUMENTS

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

We have an interest rate swap with a current notional principal amount of $12.9 million. The swap was designed to provide a hedge against changes in interest rates of our variable rate mortgage notes payable through maturity in June 2011. This interest rate swap qualifies for cash flow hedge accounting treatment and will contain minor ineffectiveness.

The effect of derivative instruments on the Consolidated Statement of (Loss) Income for the year ended December 31, 2008 (in millions):

Derivative in Cash Flow Hedging relationships	Effective Results Recognized in OCI (Effective Portion)	Location of Results Reclassified from AOCI to Earnings	Amount Reclassified from AOCI to Earnings– Active Swaps	Amount Reclassified from AOCI to Earnings– Terminated Swaps	Ineffective Results Recognized in Earnings	Location of Ineffective Results
Interest rate swaps	$(9.0)	Floor plan interest expense	$(3.6)	$(0.7)	$—	Floor plan interest expense
Interest rate swaps	$(0.5)	Other interest expense	$(0.2)	$—	$—	Other interest expense

On the basis of yield curve conditions as of December 31, 2008, we anticipate that the amount expected to be reclassified out of AOCI into earnings in the next 12 calendar months will be a loss of $4.7 million. This loss, however, would be more than compensated for by reduced variable rate funding costs, as the cash flow hedges responsible for the reclassified amounts hedge only approximately 16 percent of our variable interest rate exposure.

Fair Values of Derivative Instruments on the Consolidated Balance Sheet as of December 31, 2008 (in millions):

	Asset Derivatives		Liability Derivatives	
Derivatives Designed as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Interest Rate Swaps	Other Long-Term Assets	N/A	Other Long-Term Liabilities	$7.4

Fair value estimates reflect making a credit adjustment to the discount rate applied to all expected cash flows under the swap. We used a discount rate of 28 percent for all prospective periods. Other than that assumption, all other inputs in this valuation exercise reflect level 2 inputs.

Market Risk Disclosures as of December 31, 2008:

Instruments entered into for trading purposes—None

Instruments entered into for hedging purposes (in millions)—

Type of Derivative	Notional Size	Fixed Rate	Underlying Rate	Expiration	Fair Value
Interest Rate Swap	$125.0	4.0425%	1 month LIBOR	2013	$(6.8)
Interest Rate Swap*	$ 12.9	4.3300%	1 month LIBOR	2011	$(0.6)

Fair value estimates reflect making a credit adjustment to the discount rate applied to all expected cash flows under the swap. We used a discount rate of 28 percent for all prospective periods. Other than that assumption, all other inputs in this valuation exercise reflect level 2 inputs.

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

15. FAIR VALUE

In determining fair value, we use various valuation approaches, including market, income and/or cost approaches. SFAS 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

> Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Assets utilizing Level 1 inputs include exchange-traded equity securities that are actively traded.
>
> Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Assets and liabilities utilizing Level 2 inputs include fair value and cash flow swap instruments.
>
> Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Asset and liability measurements utilizing Level 3 inputs include those used in estimating fair value of non-financial assets and non-financial liabilities in purchase acquisitions, those used in assessing impairment under SFAS No. 144 and those used in the reporting unit valuation in the first step of the annual goodwill impairment evaluation.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment required to determine fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, our assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. We use inputs that are current as of the measurement date, including during periods when the market may be abnormally high or abnormally low.

Valuation Techniques

The fair value of cash flow swaps is calculated as the present value of expected future cash flows, determined on the basis of forward interest rates and present value factors that are derived from level 1 inputs. As such, the carrying amounts for these swaps are designated to be level 2 fair values and totaled $7.4 million as of December 31, 2008. The carrying value of these swaps is included in Other Long-Term Liabilities on the accompanying Consolidated Balance Sheet as of December 31, 2008.

Nonfinancial Assets and Liabilities

In November 2007, the FASB placed a one-year deferral for the implementation of SFAS 157 for nonfinancial assets and liabilities. Accordingly, we will adopt the methods of fair value described in SFAS 157 for nonfinancial assets and liabilities on January 1, 2009. In February 2008, the FASB issued FSP FAS 157-2, which delays the effective date of SFAS No. 157 from 2008 to 2009 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS 157 for nonfinancial assets and liabilities will not have a material impact on our consolidated financial statements.

16. INCOME TAXES

The components of income tax expense (benefit) from continuing operations are as follows:

	For the Years Ended December 31,		
	2008	2007	2006
		(In millions)	
Current:			
Federal	$ 17.1	$21.6	$28.0
State	0.5	0.6	2.1
Subtotal	17.6	22.2	30.1
Deferred:			
Federal	(125.7)	5.0	6.0
State	(25.7)	1.8	1.2
Subtotal	(151.4)	6.8	7.2
Total	$(133.8)	$29.0	$37.3

A reconciliation of the statutory federal rate to the effective tax rate from continuing operations is as follows:

	For the Years Ended December 31,		
	2008	2007	2006
		(In millions)	
Provision at the statutory rate	$(159.9)	$28.2	$34.7
Increase (decrease) resulting from:			
State income tax (benefit) expense, net	(14.3)	1.9	1.9
Non deductible secondary offering expenses	—	0.1	0.4
Book goodwill in excess of tax goodwill associated with impairment expense and divestitures	41.1	—	0.1
Loss (gains) on corporate owned life insurance policies	1.1	—	(0.2)
Tax credits received	(0.2)	(0.6)	—
Release of valuation allowance	(1.1)	(0.4)	—
Other	(0.5)	(0.2)	0.4
Provision for income taxes	$(133.8)	$29.0	$37.3

The tax effects of temporary differences representing deferred tax assets (liabilities) result principally from the following:

	December 31,	
	2008	2007
	(In millions)	
Reserves and accruals	$ 20.1	$ 23.1
Valuation allowance on reserves and accruals	—	(0.1)
Net operating loss (“NOL”) and carryforwards	1.7	1.2
Goodwill impairment (amortization)	86.5	(61.7)
Depreciation	(1.2)	(9.5)
Accumulated other comprehensive income	3.7	1.6
Equity call option	2.8	7.1
State tax deferred items	0.5	—
Valuation allowance on NOLs	—	(1.1)
Net deferred tax asset (liability)	$114.1	$(39.4)

	December 31,	
	2008	2007
	(In millions)	
Balance sheet classification:		
Deferred tax assets:		
Current	$ 11.1	$ 13.4
Long-term	108.2	20.6
Deferred tax liabilities:		
Current	(0.2)	(1.1)
Long-term	(5.0)	(72.3)
Net deferred tax asset (liability)	$114.1	$(39.4)

We adopted the provisions of FIN 48 on January 1, 2007. As of December 31, 2008, the total amount of our unrecognized tax benefits was $3.5 million, all of which, if recognized, would affect our effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

In Millions	Gross Liability for Unrecognized Tax Benefits	Gross Asset for Unrecognized Tax Benefits	Net Liability for Unrecognized Tax Benefits
Balance at January 1, 2008	$ 4.3	$(0.6)	$ 3.7
Additions for Tax Positions of Current Period	1.8	—	1.8
Reduction for Tax Positions of Prior Years	(1.6)	0.6	(1.0)
Reduction for Lapse of 2004 Federal Statute of Limitations	(1.0)	—	(1.0)
Effective Settlements	—	—	—
Balance at December 31, 2008	$ 3.5	$—	$ 3.5

Included in the FIN 48 liability above is $0.4 million related to current period assessments that are classified as accounts payable and accrued liabilities on the accompanying Consolidated Balance Sheet as of December 31, 2008. These amounts were paid in the first quarter of 2009.

We recognize interest related to unrecognized tax benefits in income tax expense. Included in the liability for unrecognized tax benefits was accrued interest of $0.5 million and no amount for penalties, as of December 31, 2008.

The statute of limitations related to the consolidated Federal income tax return is closed for all tax years up to and including 2004, with the exception of a sub-consolidation tax return with no unrecognized tax benefits. In addition, the IRS has conducted and closed a Joint Committee Audit for Federal consolidated tax return for the 2004 and 2005 tax years.

The expiration of the statute of limitations related to the various state income tax returns that we and our subsidiaries file varies by state. The 2004 through 2007 tax years generally remain subject to examination by most state tax authorities. We do not anticipate any incremental tax exposure related to unrecognized tax benefits, individually or in the aggregate, to occur within the next twelve months.

17. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of the following:

	As of December 31,	
	2008	2007
	(In millions)	
Deferred compensation liability	$ 7.9	$ 9.4
Interest rate swap liabilities	7.4	1.7
Accrued finance and insurance chargebacks	5.7	5.4
Deferred rent	3.3	2.7
FIN 48 liability	3.1	3.7
Deferred gains from sale-leaseback transactions	0.2	9.0
Other	1.2	2.9
Other long-term liabilities	$28.8	$34.8

18. DISCONTINUED OPERATIONS AND DIVESTITURES

During the year ended December 31, 2008, we sold or closed thirteen franchises (seven dealership locations), of which twelve franchises (six dealership locations) were classified as discontinued operations, and as of December 31, 2008, we were actively pursuing the sale of three franchises (three dealership locations), two of which were classified as discontinued operations. The accompanying Consolidated Statements of (Loss) Income for the years ended December 31, 2007 and 2006, have been reclassified to reflect the status of our discontinued operations as of December 31, 2008. The following table provides further information regarding our discontinued operations as of December 31, 2008, and includes the results of businesses sold prior to December 31, 2008, and businesses pending disposition as of December 31, 2008.

	For the Year Ended December 31, 2008			For the Year Ended December 31, 2007			For the Year Ended December 31, 2006		
	Sold/ Closed	Pending Disposition	Total	Sold/ Closed(a)	Pending Disposition(b)	Total	Sold/ Closed(c)	Pending Disposition(b)	Total
					(Dollars in millions)				
Franchises:									
Mid-line domestic	8	—	8	8	—	8	14	—	14
Mid-line import	1	1	2	1	1	2	2	1	3
Value	1	—	1	3	—	3	4	—	4
Luxury	2	1	3	2	1	3	3	1	4
Total	12	2	14	14	2	16	23	2	25
Revenues	$82.1	$ 83.5	$165.6	$179.1	$114.5	$293.6	$297.4	$127.3	$424.7
Cost of sales	70.6	69.6	140.2	152.8	96.8	249.6	250.7	107.9	358.6
Gross profit	11.5	13.9	25.4	26.3	17.7	44.0	46.7	19.4	66.1
Operating expenses	14.1	14.5	28.6	23.1	16.4	39.5	47.3	15.4	62.7
Income (loss) from operations	(2.6)	(0.6)	(3.2)	3.2	1.3	4.5	(0.6)	4.0	3.4
Other expense, net	(3.2)	(0.6)	(3.8)	(2.7)	(0.9)	(3.6)	(5.0)	(0.8)	(5.8)
Impairment expenses	(2.3)	(12.7)	(15.0)	—	—	—	—	—	—
Gain/(loss) on disposition	(0.5)	—	(0.5)	(2.0)	—	(2.0)	1.5	—	1.5
Income (loss) before income taxes	(8.6)	(13.9)	(22.5)	(1.5)	0.4	(1.1)	(4.1)	3.2	(0.9)
Income tax benefit (expense)	2.7	4.9	7.6	0.5	(0.1)	0.4	1.2	(1.3)	(0.1)
Discontinued operations, net of tax	$ (5.9)	$ (9.0)	$ (14.9)	$ (1.0)	$ 0.3	$ (0.7)	$ (2.9)	$ 1.9	$ (1.0)

(a) Franchises were sold between January 1, 2007 and December 31, 2008
(b) Franchises placed into discontinued operations in 2008 and pending disposition as of December 31, 2008
(c) Franchises were sold between January 1, 2006 and December 31, 2008

19. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended December 31, 2008, 2007 and 2006, we made interest payments, net of amounts capitalized, totaling $70.1 million, $78.0 million and $73.3 million, respectively.

During the years ended December 31, 2008, 2007 and 2006, we made income tax payments, net of refunds received, totaling $8.8 million, $19.1 million and $24.9 million, respectively.

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

	For the Years Ended December 31,		
	2008	2007	2006
Unrealized loss on deferred compensation investments	$ 3.2	$ 0.1	$—
Amortization of deferred financing fees	2.4	2.6	2.4
(Gain) loss on sale of assets	1.2	2.0	(4.1)
Swap amortization	1.7	1.8	1.7
Deferred compensation (income) expense	(2.9)	1.9	2.9
Depreciation and amortization from discontinued operations	0.9	0.9	1.4
Other individually immaterial items	1.6	0.8	(0.8)
Other adjustments, net	$ 8.1	$10.1	$ 3.5

20. LEASE OBLIGATIONS

We lease various facilities, real estate and equipment primarily under operating lease agreements. We record rent expense on a straight-line basis over the life of the lease for lease agreements where the rent escalates at fixed rates over time. Rent expense from continuing operations totaled $50.0 million, $55.1 million and $50.8 million for the years ended December 31, 2008, 2007 and 2006, respectively.

During the year ended December 31, 2008, we completed one sale-leaseback transaction resulting in the sale of $1.8 million of assets to a third party and the commencement of long-term operating leases with the buyer.

Future minimum payments under long-term, non-cancelable leases as of December 31, 2008, are as follows:

	Operating	Capital	Total
	(In millions)		
2009	$ 36.8	$ 0.3	$ 37.1
2010	34.0	0.2	34.2
2011	33.5	—	33.5
2012	32.5	—	32.5
2013	29.9	—	29.9
Thereafter	173.5	—	173.5
Total minimum lease payments	$340.2	0.5	$340.7
Less: amount representing interest		—	
Present value of net minimum lease payments		0.5	
Less: current portion		(0.3)	
Total long-term capital lease obligation		$ 0.2	

Certain of our lease agreements include financial covenants with the following requirements: (i) a Liquidity Ratio of at least 1.20 to 1 (our ratio was approximately 1.27 to 1 as of December 31, 2008), and (ii) an EBITDA plus rent expense ("EBITDAR") Ratio of at least 1.50 to 1 (our ratio was 2.64 to 1 as of December 31, 2008). A breach of these covenants would give rise to certain lessor remedies under our various lease agreements, the most severe of which include the following: (i) termination of the applicable lease and/or other leases with the same landlord under a cross-default provision (ii) the landlord would have a claim for liquidated damages equaling the difference between fair market rent being paid, calculated over the lease term plus the landlord's actual damages, to the extent to which the rents accelerated under the applicable lease and/or other leases with the same landlord under a cross-default provision.

We expect that we may need to repurchase debt significantly below face value in order to satisfy our financial covenants during 2009. We cannot give any assurance that we will be able to make such repurchases in 2009 in amounts and at prices sufficient to satisfy our financial covenants.

21. COMMITMENTS AND CONTINGENCIES

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

Certain manufacturers have incurred substantial operating losses in recent years. Sustained periods of poor financial performance by a manufacturer may force it to seek to reorganize or to seek protection from creditors in bankruptcy. A reorganization by a manufacturer may, among other things, result in a delay in the introduction of new or competitive makes or models, an elimination of certain makes or models or dealership locations, a disruption in delivery or availability of service or parts, a delay or failure to reimburse us for warranty work and holdback receivables, or a disruption in vehicle deliveries to our dealerships. If an attempted reorganization proves unsuccessful for the manufacturer, the continued financial distress could result in the cessation of its operations.

In the event of a bankruptcy by a vehicle manufacturer, among other things: (i) the manufacturer could seek to terminate all or certain of our franchises, and we may not receive adequate compensation for them, (ii) we may not be able to collect some or all of our receivables that are due from such manufacturer and we may be subject to preference claims relating to payment to us made by such manufacturer prior to bankruptcy, (iii) it may increase our cost to obtain financing for our new vehicle inventory with such manufacturer's captive finance subsidiary, which may cause us to finance our new vehicle inventory with alternate finance sources on less favorable terms, and (iv) consumer demand for such manufacturer's products could be materially adversely affected, especially if costs related to improving such manufacture's poor financial condition are imputed to the price of its products. The occurrence of any one or more of the above-mentioned events could have a material adverse effect on our day-to-day operations.

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

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

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

On August 27, 2008, a U.S. District Court jury in Portland, Oregon reached a verdict against one of our subsidiaries in an action by four former salesmen alleging claims related to a hostile work environment at our former Thomason Toyota dealership in Gladstone, Oregon. We sold the Thomason Toyota dealership in 2006, though the alleged conduct involved in this matter occurred in 2005. During trial, the court dismissed the plaintiffs' claims for race discrimination and retaliation in employment as well as their claims for economic damages. The jury, however, awarded $19.0 million in total damages against our subsidiary consisting of $8.0 million in non-economic damages and $11.0 million in punitive damages. In a post-trial opinion and order issued January 23, 2009, the U.S. District Court in Portland, Oregon reduced the total damages awarded against our subsidiary to $1.2 million consisting of $600,000 in non-economic damages and $600,000 in punitive damages. The court gave the plaintiffs the choice of either accepting the reduced award or proceeding with a new trial on damages.

We will seek to further reduce damages if the plaintiffs request a new trial and, if necessary, we will seek to overturn the verdict or seek to eliminate or further reduce damages on appeal to the U.S. Court of Appeals for the Ninth Circuit. We believe that the jury verdict is unsupported by both the evidence and the law, and that we will prevail on appeal.

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

In connection with the purchase of one franchise, we may be required to pay additional consideration to the seller if the franchise achieves specified net (loss) income levels in future periods. If payable, the additional consideration is distributable annually beginning January 1, 2009 through January 1, 2015, and the additional consideration could total up to approximately $2.5 million. Any consideration paid will be recorded as Goodwill in our consolidated balance sheets. The seller did not become our employee subsequent to the transaction and therefore this consideration is not contingent on employment.

We have $7.3 million of letters of credit outstanding as of December 31, 2008, which are required by certain of our insurance providers.

22. RELATED PARTY TRANSACTIONS

Certain of our directors, former directors, and regional management, have engaged in transactions with us. These transactions primarily relate to long-term operating leases of our facilities. We believe that these transactions and our other related party transactions involve terms comparable to what would be obtained from unaffiliated third parties.

For the years ended December 31, 2008, 2007 and 2006, we made rental payments totaling $3.5 million, $2.1 million and $2.6 million, respectively, to entities controlled by our directors or regional management.

In October 2006, we paid $0.8 million in connection with an agreement with an automotive manufacturer to close a dealership in one of our market areas in which a former member of our board of directors had a partial ownership interest. This member resigned from our board of directors effective July 12, 2006.

In 2007 and 2006, we purchased land from one of our regional executives for $3.0 million and $1.3 million, respectively. We used this land to construct a new facility for one of our existing dealerships.

23. SHARE-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

We have established two share-based compensation plans (the "Plans") under which we have granted non-qualified stock options, performance share units and restricted stock to our directors, officers and employees at fair market value on the date of the grant. Stock options generally vest ratably over three years from the date of grant and expire ten years from the date of grant. Performance share units generally vest after two to three years from the date of grant and provide the holder the opportunity to receive additional shares of common stock if certain performance criteria are achieved. The actual number of shares earned by a holder of performance share units may range from 0% to 180% of the target number of shares to be granted to the holder, depending on the achievement of certain performance criteria over a defined period of time. Restricted stock vests ratably over two to three years from the date of grant and have voting and dividend rights prior to vesting. We have granted a total of 4,730,954 non-qualified stock options and 760,751 performance share units to certain of our employees and officers and 321,742 shares of restricted stock to certain of our employees and members of our board of directors. As of December 31, 2008, there were 1,494,300 non-qualified stock options, 474,126 performance share units (excluding performance estimates) and 221,082 restricted share units outstanding. In addition, there were approximately 1,064,000 share-based awards available for grant under our share-based compensation plans as of December 31, 2008.

The fair value of each option award was estimated on the date of grant using the Black Scholes option valuation model. The fair value of each performance share unit and restricted stock was calculated using the closing market price of our common stock on the date of grant. Expected volatilities are based on the historical volatility of our common stock. We use historical data to estimate the rate of option exercises and employee turnover within the valuation model. The expected term of options granted represents the period of time that the related options are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

We have recognized $1.9 million ($0.7 million tax benefit), $5.9 million ($2.2 million tax benefit) and $5.0 million ($1.9 million tax benefit) in stock-based compensation expense for the years ended December 31, 2008, 2007 and 2006, respectively. As of December 31, 2008, there was $4.2 million of total unrecognized share-based compensation expense related to non-vested share-based awards granted under the Plans. That cost is expected to be recognized over a weighted average period of less than a year.

A summary of options outstanding and exercisable under the Plans as of December 31, 2008, changes during the year then ended and changes during the years ended December 31, 2007 and 2006 is presented below:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value*
Options outstanding—December 31, 2005	2,941,262	$15.35		
Granted	—	—		
Exercised	(1,366,702)	16.14		
Expired / Forfeited	(46,381)	15.02		
Options outstanding—December 31, 2006	1,528,179	$14.57		
Granted	—	—		
Exercised	(412,137)	15.10		
Expired / Forfeited	(15,238)	14.15		
Options outstanding—December 31, 2007	1,100,804	$14.37		
Granted	420,000	3.69		
Exercised	(17,335)	12.42		
Expired / Forfeited	(9,169)	14.61		
Options outstanding—December 31, 2008	1,494,300	$11.39	6.1	$—
Options exercisable—December 31, 2008	1,074,300	$14.40	4.6	—

* Based on the closing price of our common stock on December 31, 2008 which was $4.57 per share.

Net cash received from option exercises for the year ended December 31, 2008 was $0.2 million. The actual intrinsic value of options exercised during the year ended December 31, 2008, was not material. The actual tax benefit realized for the tax deductions from option exercises for the year ended December 31, 2008 was not material.

A summary of performance share units and restricted stock as of December 31, 2008, changes during the year then ended and changes during the years ended December 31, 2007 and 2006 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Performance Share Units—December 31, 2005	—	$ —
Granted	376,500	20.14
Performance estimate	93,625	20.14
Vested	—	—
Forfeited	(2,000)	18.39
Performance Share Units—December 31, 2006	468,125	$20.15
Granted	215,000	27.11
Performance estimate	(94,107)	24.85
Vested	—	—
Forfeited	(13,250)	20.91
Performance Share Units—December 31, 2007	575,768	$21.92
Granted	169,251	14.29
Performance estimate	(228,120)	21.94
Vested	(211,094)	16.86
Forfeited	(102,500)	21.63
Performance Share Units—December 31, 2008*	203,305	$21.06

* Maximum of 853,427 issuable upon attaining certain performance metrics.

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

	Shares	Weighted Average Grant Date Fair Value
Restricted Stock—December 31, 2005	—	$ —
Granted	38,342	21.95
Vested	(8,614)	22.98
Forfeited	—	—
Restricted Stock—December 31, 2006	29,728	$21.65
Granted	58,909	28.07
Vested	(13,612)	22.20
Forfeited	(2,500)	19.81
Restricted Stock—December 31, 2007	72,525	$26.83
Granted	224,491	14.39
Vested	(58,483)	22.15
Forfeited	(17,451)	13.85
Restricted Stock—December 31, 2008	221,082	$16.40

Employee Retirement Plan

We sponsor the Asbury Automotive Retirement Savings Plan (the "Plan"), a 401(k) plan, for eligible employees except for the employees of one of our dealer groups, which maintains a separate retirement plan. Employees are eligible to participate in the Plan after ninety days of service. Employees electing to participate in the Plan may contribute up to 75% of their annual compensation. IRS rules limit total participant contributions during 2008 to $15,500 or $20,500 if age 50 or more; however, we limit participant contributions for employees with an annual salary of greater than $105,000 to $10,000 per year or $15,000 if age 50 or more. After one year of employment, we match 50% of employees' contributions up to 4% of their base compensation, with a maximum match of $4,600 per participant. Employer contributions vest ratably over four years after date of hire. Expenses from continuing operations related to employer matching contributions totaled $3.5 million, $3.5 million and $3.2 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Deferred Compensation Plan

We sponsor the Asbury Automotive Wealth Accumulation Plan (the "Deferred Compensation Plan") wherein eligible employees, generally those at senior levels, may elect to defer a portion of their annual compensation. We have established a rabbi trust to finance obligations under the Deferred Compensation Plan with corporate-owned variable life insurance contracts. Participants are 100% vested in their respective deferrals and the earnings thereon. Annually, we may elect to match a portion of certain eligible employee's contributions. The employee deferral match expense totaled $0.2 million, $0.3 million and $0.4 million for the years ended December 31, 2008, 2007 and 2006, respectively. Each annual employer match vests in full three years from the date on which the employee deferral match is funded. The total deferred compensation liability was $7.9 million and $9.4 million as of December 31, 2008 and 2007, respectively. The related cash surrender value on such contracts included in Other Long-Term Assets on our Consolidated Balance Sheets, which totaled $8.3 million and $11.0 million as of December 31, 2008 and 2007, respectively.

24. CONDENSED QUARTERLY REVENUES AND EARNINGS (UNAUDITED):

	For the Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
	(In millions, except per share data)			
Year Ended December 31, 2007				
Revenues(1)	$1,338.6	$1,431.8	$1,412.2	$1,291.2
Gross profit(1)	$ 212.5	$ 221.2	$ 217.3	$ 201.8
Net income(1)	$ 0.4(3)	$ 20.6	$ 19.0	$ 11.0
Net income per common share:				
Basic(2)	$ 0.01	$ 0.63	$ 0.58	$ 0.35
Diluted(2)	$ 0.01	$ 0.62	$ 0.57	$ 0.34
Year Ended December 31, 2008				
Revenues(1)	$1,238.6	$1,280.5	$1,182.0	$ 918.4(4)
Gross profit(1)	$ 201.1	$ 206.0	$ 192.7	$ 157.4(4)
Net (loss) income(1)	$ 10.5	$ 10.9	$ 6.0	$ (365.4)(4)(5)
Net (loss) income per common share:				
Basic(2)	$ 0.33	$ 0.34	$ 0.19	$ (11.53)
Diluted(2)	$ 0.33	$ 0.34	$ 0.19	$ (11.53)

(1) Quarterly revenues, gross profit and net (loss) income do not agree to previously reported amounts on Form 10-Q as a result of subsequent discontinued operations.
(2) The sum of (loss) income per common share for the four quarters does not equal total (loss) income per common share due to changes in the average number of shares outstanding during the respective periods.
(3) Includes (i) an $11.1 million, net of tax, loss on the extinguishment of long-term debt and (ii) $1.8 million, net of tax of executive separation benefits associated with the retirement of our former CEO.
(4) Includes $2.9 million, net of tax, of a corporate generated F&I gain associated with the sale of our remaining interest in a pool of extended maintenance contracts.
(5) Includes $383.0 million, net of tax, of impairment expenses related to goodwill, franchise rights, other intangible assets and property and equipment and $21.4 million, net of tax, gain on the sale on the repurchase of long-term debt.

25. SUBSEQUENT EVENTS

On March 12, 2009, in connection with the waivers we obtained from Bank of America and JPMorgan Chase Bank, N.A., we agreed to reduce the total credit availability under our BofA Revolving Credit Facility by $25.0 million to $175.0 million and the total credit availability under our JPMorgan used Vehicle Floor Plan Facility by $25.0 million to $50.0 million.

Our independent public accounting firm included an explanatory paragraph in its audit report for our 2008 financial statements that indicated there is uncertainty that we will remain in compliance with certain covenants in our debt agreements, and that this uncertainty raises substantial doubt about our ability to continue as a going concern. The inclusion of this explanatory paragraph in the audit report constituted a default under our BofA Revolving Credit Facility, our JPMorgan Used Vehicle Floor Plan Facility and our new vehicle floor plan facility with General Motors Acceptance Corporation. As of March 12, 2009, we had received waivers from all of our associated lending partners with respect to these defaults and, as a result, we were in compliance with the covenants contained in these borrowing facilities. In connection with these waivers, we agreed to reduce the total credit availability under our BofA Revolving Credit Facility by $25.0 million to $175.0 million and the total credit availability under our JPMorgan Used Vehicle Floor Plan Facility by $25.0 million to $50.0 million.

On August 27, 2008, a U.S. District Court jury in Portland, Oregon reached a verdict against one of our subsidiaries in an action by four former salesmen alleging claims related to a hostile work environment at our former Thomason Toyota dealership in Gladstone, Oregon. We sold the Thomason Toyota dealership in 2006, though the alleged conduct involved in this matter occurred in 2005. During trial, the court dismissed the plaintiffs' claims for race discrimination and retaliation in employment as well as their claims for economic damages. The jury, however, awarded $19.0 million in total damages against our subsidiary consisting of $8.0 million in non-economic damages and $11.0 million in punitive damages.

In a post-trial opinion and order issued January 23, 2009, the U.S. District Court in Portland, Oregon reduced the total damages awarded against our subsidiary to $1.2 million consisting of $600,000 in non-economic damages and $600,000 in punitive damages. The court gave the plaintiffs the choice of either accepting the reduced award or proceeding with a new trial on damages.

We will seek to further reduce damages if the plaintiffs request a new trial and, if necessary, we will seek to overturn the verdict or seek to eliminate or further reduce damages on appeal to the U.S. Court of Appeals for the Ninth Circuit. We believe that the jury verdict is unsupported by both the evidence and the law, and that we will prevail on appeal.

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

None.

Item 9A. Controls and Procedures

Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the Company's chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that as of the end of such period such disclosure controls and procedures were reasonably effective to ensure that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time period specified in the rules and forms of the U.S. Securities and Exchange Commission and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding disclosure.

During 2008, the Company began utilizing the Arkona Dealer Management System, which has been implemented at approximately 35% of our dealerships. As appropriate, the Company is modifying the documentation of the internal control process and procedures relating to this change in dealer management systems to supplement and complement existing internal controls over financial reporting. Other than the above, there was no change in the Company's internal control over financial reporting during the fourth quarter of the fiscal year ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our company's financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system was designed to provide reasonable assurance to our management and our board of directors regarding the preparation and fair presentation of published financial statements. Our internal control over financial reporting also includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of our 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 or compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Our assessment included a review of the documentation of controls, evaluation of the design effectiveness of controls and testing of the effectiveness of controls. Based on our assessment under the framework in Internal Control—Integrated Framework issued by COSO, our management concluded that our internal control over financial reporting was effective as of December 31, 2008. Our auditors, Deloitte & Touche LLP, an independent registered public accounting firm, has audited and reported on our consolidated financial statements and on the effectiveness of our internal controls over financial reporting. Their report is contained herein.

Item 9B. Other Information.

Due to the challenging economy and the negative effects it has had on the automotive retailing industry, Jeff I. Wooley, a member of our Board of Directors and the Non-executive Chairman of Asbury Automotive Tampa LLC, one of our wholly-owned subsidiaries, voluntarily agreed to take a temporary reduction in salary from $100,000 to $50,000, effective December 1, 2008.

On March 12, 2009, we executed a limited waiver of our financial covenants with JPMorgan Chase Bank, N.A. in connection with that certain Revolver Credit Agreement dated as of October 29, 2008 (the "JPMorgan Used Vehicle Floor Plan Facility"), which is secured by our used motor vehicle inventory. As a condition precedent to the effectiveness of the waiver, the borrowing capacity under the JPMorgan Used Vehicle Floor Plan Facility was reduced from $75.0 million to $50.0 million.

On March 12, 2009, we executed a limited waiver of our financial covenants with Bank of America, N.A. in connection with that certain Credit Agreement dated as of September 26, 2008 (the "BofA Revolving Credit Facility"). As a condition precedent to the effectiveness of the waiver, the borrowing capacity under the BofA Revolving Credit Facility was reduced from $200.0 million to $175.0 million.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Reference is made to the information set forth in our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

Item 11. Executive Compensation.

Reference is made to the information set forth in our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Reference is made to the information set forth in our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Reference is made to the information set forth in our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Reference is made to the information set forth in our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as a part of this report on Form 10-K:

(1) Financial Statements:

See index to Consolidated Financial Statements.

(2) Exhibits required to be filed by Item 601 of Regulation S-K:

The Exhibits listed below are identified by numbers corresponding to the Exhibit Table of Item 601 of Regulation S-K. The Exhibits designated by two asterisks (**) are management contracts or compensatory plans or arrangements required to be filed pursuant to Item 15(b) of this Form 10-K.

Exhibit Number	Description of Documents
3.1	Restated Certificate of Incorporation of Asbury Automotive Group, Inc. (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (file No. 333-84646) filed with the SEC on March 20, 2002)*
3.2	Restated Bylaws of Asbury Automotive Group, Inc. (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (file No. 333-84646) filed with the SEC on March 20, 2002)*
4.1	Indenture, dated as of December 23, 2003, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule I thereto, and the Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)*
4.2	Form of 8% Senior Subordinated Note due 2014 (filed with Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)*
4.3	Indenture, dated as of December 23, 2003, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule I thereto, and the Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)*
4.4	First Supplemental Indenture, dated as of January 21, 2004, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule II thereto, the other Guarantors, and the Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 (filed as Exhibit 4.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)*
4.5	Second Supplemental Indenture, dated as of December 7, 2004, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule II thereto, the other Guarantors and the Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2012 (filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)*
4.6	Third Supplemental Indenture, dated as of September 30, 2005, among the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, Asbury Automotive Group, Inc., the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the issuance of 8% Senior Subordinated Notes due 2014 (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)*
4.7	Fourth Supplemental Indenture, dated as of March 15, 2007, among Asbury Automotive Group, Inc., the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 of Asbury Automotive Group, Inc. (filed as Exhibit 4.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*

Exhibit Number	Description of Documents
4.8	Fifth Supplemental Indenture, dated as of June 29, 2007, among Asbury Automotive Group, Inc., the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 of Asbury Automotive Group, Inc. (filed as Exhibit 4.7 to the Company's Registration Statement on Form S-4 filed with the SEC on July 5, 2007)*
4.9	Indenture, dated as of March 16, 2007, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule I thereto, and The Bank of New York, as Trustee, relating to the 3.00% Senior Subordinated Convertible Notes due 2012 (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
4.10	Form of 3.00% Senior Subordinated Convertible Notes due 2012 (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
4.11	First Supplemental Indenture, dated as of June 29, 2007, among Asbury Automotive Group, Inc., the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the 3.00% Senior Subordinated Convertible Notes due 2012 of Asbury Automotive Group, Inc. (filed as Exhibit 4.10 to the Company's Registration Statement on Form S-4 filed with the SEC on July 5, 2007)*
4.12	Indenture, dated as of March 26, 2007, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule I thereto, and The Bank of New York, as Trustee, relating to the 7.625% Senior Subordinated Notes due 2017 (filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
4.13	Form of 7.625% Senior Subordinated Notes due 2017 (filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
4.14	First Supplemental Indenture, dated as of June 29, 2007, among Asbury Automotive Group, Inc., the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the 7.625% Senior Subordinated Notes due 2017 of Asbury Automotive Group, Inc. (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-4 filed with the SEC on July 5, 2007)*
4.15**	Amended and Restated Wealth Accumulation Plan (filed as Exhibit 4.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.1**	Amended and Restated 1999 Stock Option Plan (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.2**	Amended and Restated 2002 Equity Incentive Plan (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.3**	Amended and Restated Key Executive Incentive Compensation Plan
10.4**	Form of Officer Director Indemnification Agreement (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002)*
10.5**	Severance Agreement of Philip R. Johnson, dated November 14, 2007 (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.6**	Severance Agreement of Lynne A. Burgess, dated November 14, 2007 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.7**	Letter Agreement between the Company and J. Gordon Smith, dated April 29, 2008 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 13, 2008)*
10.8**	Severance Agreement of Brett Hutchinson, dated February 26, 2008 (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*

Exhibit Number	Description of Documents
10.9**	Severance Agreement of J. Gordon Smith, dated February 28, 2008 (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.10**	Letter Agreement between the Company and Lynne A. Burgess, dated October 29, 2008 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008)*
10.11**	Letter Agreement between the Company and Brett Hutchinson, dated October 29, 2008 (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008)*
10.12**	Severance Agreement of Keith R. Style, dated February 28, 2008
10.13**	Employment Agreement of Jeffrey I. Wooley (filed as an Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)*
10.14**	Agreement between Asbury Automotive Tampa L.L.C. and Jeffrey I. Wooley, dated March 18, 2005 (filed as Exhibit 10.1 to Company's Current Report on Form 8-K filed with the SEC on March 22, 2005)*
10.15	First Amended and Restated Lease Agreement by and between Jeffrey I. Wooley and Asbury Automotive Tampa, L.P., effective September 17, 1998 (for premises located on Hillsborough Avenue, Tampa, Florida) (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.16	First Amended and Restated Lease Agreement by and between Jeffrey I. Wooley and Asbury Automotive Tampa, L.P., effective September 17, 1998 (for premises located on Adamo Drive, Brandon, Florida) (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.17**	Employment Agreement of Charles Oglesby, dated as of September 7, 2006 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 7, 2006)*
10.18**	Amended Employment Agreement of Charles Oglesby, dated as of May 4, 2007 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 9, 2007)*
10.19**	Amendment to Amended Employment Agreement of Charles Oglesby, dated as of May 7, 2008 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 7, 2008)*
10.20**	Letter Agreement between the Company and Craig T. Monaghan, executed on April 30, 2008 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2008)*
10.21**	Severance Agreement between the Company and Craig T. Monaghan, dated April 30, 2008 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2008)*
10.22**	Form of Stock Option Agreement (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.23**	Form of Performance Share Unit Award Agreement (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.24**	Form of Restricted Share Award Agreement for Non-Employee Directors (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.25**	Form of Restricted Share Award Agreement (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.26**	Restricted Share Award Agreement for Non-Employee Directors of Michael J. Durham, dated October 23, 2006 (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006)*

Exhibit Number	Description of Documents
10.27	Ford Dealer Agreement (filed as Exhibit 10.13 to Amendment No. 2 to the Company's Registration Statement on Form S-1 (file No. 333-65998) filed with the SEC on October 12, 2001)*
10.28	General Motors Dealer Agreement (filed as Exhibit 10.14 to Amendment No. 2 to the Company's Registration Statement on Form S-1 (file No. 333-65998) filed with the SEC on October 12, 2001)*
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10.35	Revolving Credit Agreement, dated as of October 29, 2008, among Asbury Automotive Group, Inc., the Lenders listed therein and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2008)*
10.36	Registration Rights Agreement dated March 16, 2007, among Asbury Automotive Group, Inc., the subsidiaries of Asbury Automotive Group, Inc. listed on the signature pages thereto, Goldman, Sachs & Co. and Deutsche Bank Securities Inc., relating to the 3% Senior Subordinated Convertible Notes due 2012 of Asbury Automotive Group, Inc. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
10.37	Confirmation of Convertible Bond Hedge Transaction dated March 12, 2007, between Asbury Automotive Group, Inc. and Goldman, Sachs & Co. (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
10.38	Confirmation of Convertible Bond Hedge Transaction dated March 12, 2007 among Asbury Automotive Group, Inc., Deutsche Bank AG, London Branch and Deutsche Bank AG, New York (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
10.39	Confirmation of Issuer Warrant dated March 12, 2007 between Asbury Automotive Group, Inc. and Goldman, Sachs & Co., dated March 12, 2007 (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
10.40	Confirmation of Issuer Warrant dated March 12, 2007 among Asbury Automotive Group, Inc., Deutsche Bank AG, London Branch and Deutsche Bank AG, New York (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
10.41	Amendment to Confirmation dated March 13, 2007, between Goldman, Sachs & Co. and Asbury Automotive Group, Inc. relating to the Issuer Warrant (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*

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10.42	Amendment to Confirmation dated March 13, 2007, between Deutsche Bank AG, London Branch and Asbury Automotive Group, Inc. relating to the Issuer Warrant (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
10.43	Exchange and Registration Rights Agreement dated March 26, 2007, among Asbury Automotive Group, Inc., the subsidiaries of Asbury Automotive Group, Inc. listed on the signature pages thereto, Goldman, Sachs & Co. and Deutsche Bank Securities Inc., relating to the 7.625% Senior Subordinated Notes due 2017 of Asbury Automotive Group, Inc. (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
10.44	Master Loan Agreement between certain subsidiaries of Asbury Automotive Group, Inc. and Wachovia Bank, National Association and Wachovia Financial Services, Inc., dated as of June 4, 2008 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 10, 2008)*
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21	Subsidiaries of the Company
23	Consent of Deloitte & Touche LLP
24	Powers of Attorney (included with Signature Page hereto)
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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* Incorporated by reference.

** Management contract or compensatory plan or arrangement.

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.

Asbury Automotive Group, Inc.

Date: March 16, 2009

By: /s/ Charles R. Oglesby

Name: **Charles R. Oglesby**
Title: **Chief Executive Officer and President**

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Charles R. Oglesby and Craig T Monaghan, and each of them, acting individually, as his or her true and lawful attorney-in-fact, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K for the year ended December 31, 2008, and other documents in connection herewith and therewith, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection herewith and therewith and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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.

Signature	Title	Date
/s/ Charles R. Oglesby **(Charles R. Oglesby)**	Chief Executive Officer, President and Director	March 16, 2009
/s/ Craig T. Monaghan **(Craig T. Monaghan)**	Senior Vice President and Chief Financial Officer	March 16, 2009
/s/ Keith R. Style **(Keith R. Style)**	Vice President of Finance	March 16, 2009
/s/ Bryan C. Hanlon **(Bryan C. Hanlon)**	Controller and Chief Accounting Officer	March 16, 2009
/s/ Michael J. Durham **(Michael J. Durham)**	Nonexecutive Chairman of the Board	March 16, 2009
/s/ Janet M. Clarke **(Janet M. Clarke)**	Director	March 16, 2009
/s/ Dennis E. Clements **(Dennis E. Clements)**	Director	March 16, 2009

Signature	Title	Date
/s/ Thomas C. DeLoach, Jr. **(Thomas C. DeLoach, Jr.)**	Director	March 16, 2009
/s/ Juanita T. James **(Juanita T. James)**	Director	March 16, 2009
/s/ Vernon E. Jordan, Jr. **(Vernon E. Jordan, Jr.)**	Director	March 16, 2009
/s/ Eugene S. Katz **(Eugene S. Katz)**	Director	March 16, 2009
/s/ Philip F. Maritz **(Philip F. Maritz)**	Director	March 16, 2009
/s/ Jeffrey I. Wooley **(Jeffrey I. Wooley)**	Director	March 16, 2009

EXHIBIT INDEX

Exhibit Number	Description of Documents
3.1	Restated Certificate of Incorporation of Asbury Automotive Group, Inc. (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 (file No. 333-84646) filed with the SEC on March 20, 2002)*
3.2	Restated Bylaws of Asbury Automotive Group, Inc. (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (file No. 333-84646) filed with the SEC on March 20, 2002)*
4.1	Indenture, dated as of December 23, 2003, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule I thereto, and the Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)*
4.2	Form of 8% Senior Subordinated Note due 2014 (filed with Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)*
4.3	Indenture, dated as of December 23, 2003, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule I thereto, and the Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)*
4.4	First Supplemental Indenture, dated as of January 21, 2004, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule II thereto, the other Guarantors, and the Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 (filed as Exhibit 4.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)*
4.5	Second Supplemental Indenture, dated as of December 7, 2004, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule II thereto, the other Guarantors and the Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2012 (filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)*
4.6	Third Supplemental Indenture, dated as of September 30, 2005, among the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, Asbury Automotive Group, Inc., the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the issuance of 8% Senior Subordinated Notes due 2014 (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)*
4.7	Fourth Supplemental Indenture, dated as of March 15, 2007, among Asbury Automotive Group, Inc., the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 of Asbury Automotive Group, Inc. (filed as Exhibit 4.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
4.8	Fifth Supplemental Indenture, dated as of June 29, 2007, among Asbury Automotive Group, Inc., the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the 8% Senior Subordinated Notes due 2014 of Asbury Automotive Group, Inc. (filed as Exhibit 4.7 to the Company's Registration Statement on Form S-4 filed with the SEC on July 5, 2007)*
4.9	Indenture, dated as of March 16, 2007, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule I thereto, and The Bank of New York, as Trustee, relating to the 3.00% Senior Subordinated Convertible Notes due 2012 (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
4.10	Form of 3.00% Senior Subordinated Convertible Notes due 2012 (filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*

Exhibit Number	Description of Documents
4.11	First Supplemental Indenture, dated as of June 29, 2007, among Asbury Automotive Group, Inc., the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the 3.00% Senior Subordinated Convertible Notes due 2012 of Asbury Automotive Group, Inc. (filed as Exhibit 4.10 to the Company's Registration Statement on Form S-4 filed with the SEC on July 5, 2007)*
4.12	Indenture, dated as of March 26, 2007, among Asbury Automotive Group, Inc., the subsidiary guarantors listed on Schedule I thereto, and The Bank of New York, as Trustee, relating to the 7.625% Senior Subordinated Notes due 2017 (filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
4.13	Form of 7.625% Senior Subordinated Notes due 2017 (filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)*
4.14	First Supplemental Indenture, dated as of June 29, 2007, among Asbury Automotive Group, Inc., the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York, as Trustee, related to the 7.625% Senior Subordinated Notes due 2017 of Asbury Automotive Group, Inc. (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-4 filed with the SEC on July 5, 2007)*
4.15**	Amended and Restated Wealth Accumulation Plan (filed as Exhibit 4.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)
10.1**	Amended and Restated 1999 Stock Option Plan (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)
10.2**	Amended and Restated 2002 Equity Incentive Plan (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)
10.3**	Amended and Restated Key Executive Incentive Compensation Plan
10.4**	Form of Officer Director Indemnification Agreement (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002)*
10.5**	Severance Agreement of Philip R. Johnson, dated November 14, 2007 (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.6**	Severance Agreement of Lynne A. Burgess, dated November 14, 2007 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.7**	Letter Agreement between the Company and J. Gordon Smith, dated April 29, 2008 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 13, 2008)*
10.8**	Severance Agreement of Brett Hutchinson, dated February 26, 2008 (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.9**	Severance Agreement of J. Gordon Smith, dated February 28, 2008 (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
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10.12**	Severance Agreement of Keith R. Style, dated February 28, 2008
10.13**	Employment Agreement of Jeffrey I. Wooley (filed as an Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)*

Exhibit Number	Description of Documents
10.14**	Agreement between Asbury Automotive Tampa L.L.C. and Jeffrey I. Wooley, dated March 18, 2005 (filed as Exhibit 10.1 to Company's Current Report on Form 8-K filed with the SEC on March 22, 2005)*
10.15	First Amended and Restated Lease Agreement by and between Jeffrey I. Wooley and Asbury Automotive Tampa, L.P., effective September 17, 1998 (for premises located on Hillsborough Avenue, Tampa, Florida) (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.16	First Amended and Restated Lease Agreement by and between Jeffrey I. Wooley and Asbury Automotive Tampa, L.P., effective September 17, 1998 (for premises located on Adamo Drive, Brandon, Florida) (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007)*
10.17**	Employment Agreement of Charles Oglesby, dated as of September 7, 2006 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 7, 2006)*
10.18**	Amended Employment Agreement of Charles Oglesby, dated as of May 4, 2007 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 9, 2007)*
10.19**	Amendment to Amended Employment Agreement of Charles Oglesby, dated as of May 7, 2008 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 7, 2008)*
10.20**	Letter Agreement between the Company and Craig T. Monaghan, executed on April 30, 2008 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2008)*
10.21**	Severance Agreement between the Company and Craig T. Monaghan, dated April 30, 2008 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2008)*
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* Incorporated by reference.

** Management contract or compensatory plan or arrangement.

Exhibit 10.3

ASBURY AUTOMOTIVE GROUP, INC.
KEY EXECUTIVE INCENTIVE COMPENSATION PLAN

(Effective January 1, 2004 Amended and Restated as of November 21, 2008)

SECTION 1. Purpose. The purpose of the Asbury Automotive Group, Inc. Key Executive Incentive Compensation Plan (the "Plan") is to attract, retain and motivate highly qualified individuals who are key executives of Asbury Automotive Group, Inc. (the "Company"), and its subsidiaries and affiliates (together with the Company and their and its successors, "Asbury"); to obtain the best possible performance from each Participant; to further underscore the importance of achieving particular business objectives established for Asbury; and to include in Participants' compensation package a bonus component that is tied directly to the achievement of those objectives. Such bonus component is intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), and the Plan shall be interpreted accordingly.

SECTION 2. Definitions. For the purposes of the Plan, the following terms shall have the following meanings:

"Asbury" shall have the meaning set forth in Section 1.

"Awards" shall mean the incentive awards made pursuant to the Plan.

"Board of Directors" shall mean the Board of Directors of the Company.

"Code" shall have the meaning set forth in Section 1.

"Committee" shall mean the Compensation Committee of the Board of Directors.

"Company" shall have the meaning set forth in Section 1.

"Covered Person" shall have the meaning set forth in Section 12(f).

"Eligible Employee" shall mean an Employee who is an executive officer of Asbury, as determined by the Committee.

"Employee" shall mean an individual who is on the active payroll of Asbury at any time during the period for which an Award is made under the Plan.

"Establishment Period" shall have the meaning set forth in Section 5.

"Participant" shall mean an Eligible Employee who is selected by the Committee to participate in the Plan.

"Performance Period" shall mean a full fiscal year of the Company unless, to the extent consistent with Section 162(m) of the Code, otherwise determined by the Committee.

"Plan" shall have the meaning set forth in Section 1.

"Section 409A" shall mean Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder.

Effective Date; Term. The Plan became effective as of January 1, 2004, and was approved by the Company's stockholders at the Company's 2004 Annual Meeting of Stockholders on June 3, 2004, and, subject to Section 9, shall remain in effect until such time as it shall be terminated by the Board of Directors. The Plan supersedes all previous bonus plans. The Plan is hereby amended and restated to include the revised requirements of Section 409A of the Code, which amendment and restatement was approved by the Committee on November 21, 2008.

SECTION 3.

SECTION 4. Maximum Awards. Awards payable with respect to any fiscal year of the Company to any Participant shall not exceed $5,000,000.

SECTION 5. Eligibility. (a) Within the first 90 days of the applicable Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) (the "Establishment Period"), the Committee shall select those Eligible Employees who shall participate in the Plan for such Performance Period. In determining those Eligible Employees who are selected to participate in the Plan, the Committee shall give consideration to the contribution made by the Employee to the achievement of Asbury's established objectives and such other matters as it shall deem relevant. The Committee shall have the authority at any time prior to the payment of Awards for the applicable Performance Period to remove Participants from the Plan for that Performance Period.

(b) To be eligible to receive an Award, the Eligible Employee must be employed on the date Asbury makes payments with respect to Awards for the applicable Performance Period. Notwithstanding the foregoing, in the discretion of the Committee, Awards may be made to Eligible Employees who have retired or whose employment has terminated after the beginning of the Performance Period for which an Award is made, or to the designee or estate of an Eligible Employee who died prior to the date on which Asbury makes payments with respect to Awards for the applicable Performance Period, but not unless and until the Committee has certified attainment of the relevant performance goals in accordance with Section 7(b).

SECTION 6. Awards. (a) Subject to the terms of the Plan, the Committee shall have the authority to determine the terms of any Award.

(b) Within the Establishment Period, the Committee shall establish in writing (i) the length of the Performance Period, (ii) the Eligible Employees who shall participate in the applicable Performance Period, (iii) the target/maximum Award payable to each Participant and (iv) the performance goal(s) for Awards granted for that Performance Period. The performance goal(s) that may be selected by the Committee shall be based upon one or more of the following criteria: (A) net income before or after taxes, (B) earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization), (C) operating income, (D) earnings per share, (E) return on stockholders' equity, (F) return on investment, (G) return on assets, (H) level or amount of acquisitions, (I) share price, (J) profitability/profit margins, (K) market share, (L) revenues or sales (based on units and/or dollars), (M) costs, (N) cash flow, (O) working capital, (P) objective measures of customer satisfaction and (Q) objective measures of objective measures of employee satisfaction. The foregoing criteria may, as determined by the Committee, relate to the Company, one or more of its subsidiaries, affiliates, divisions or operational units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer companies or indices or any combination thereof. To the extent required under Section 162(m) of the Code, within the Establishment Period, the Committee shall define, in writing and in an objective fashion, the manner of calculating the performance criteria it selects to use for the applicable Performance Period in order to determine whether the applicable performance goal(s) have been attained.

(c) The Committee is authorized at any time during the Establishment Period, or any time thereafter (but only to the extent the exercise of such authority after the Establishment Period would not cause the applicable Awards to fail to qualify as "qualified performance-based compensation" under Section 162(m) of the Code), in its sole and absolute discretion, to adjust or modify the calculation of performance goal(s) for the applicable Performance Period to the extent permitted under Section 162(m) of the Code (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development affecting the Company, or any of its subsidiaries, affiliates, divisions or operating units (to the extent applicable to such performance goal(s)) or (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company or any of its subsidiaries, affiliates, divisions or operating units (to the extent applicable to such performance goal(s)), or the financial statements of the Company or any of its subsidiaries, affiliates, divisions or operating units (to the extent applicable to such performance goal(s)), or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles, law or business conditions.

SECTION 7. Payment of Awards. (a) Awards payable under the Plan for a Performance Period shall be paid in cash to Participants as soon as administratively possible following completion of the performance goal certifications required by Section 7(b), but in any event within the period required by Section 409A such that it qualifies as a "short-term deferral" pursuant to Section 1.409A-1(b)(4) of the Department of Treasury regulations, unless the Committee shall determine that any Award or any portion thereof shall be deferred pursuant to an approved deferred compensation plan in accordance with Section 409A. In no event may a Participant receive any payment (i) in respect of an Award unless and until, and only to the extent that, the performance goal(s) for the applicable Performance Period are achieved and certified by the Committee in accordance with Section 7(b) and (ii) of any Award in excess of the limitation set forth in Section 4.

(b) Following the completion of the applicable Performance Period, the Committee shall meet to review and certify in writing whether, and to what extent, the performance goal(s) for the Performance Period have been achieved. If the applicable performance goal(s) have been achieved, the Committee shall then determine the actual size of each Participant's Award for the Performance Period. In determining the actual size of an individual Award for a Performance Period, the Committee may, in its sole judgment, reduce or eliminate the maximum Award payable to the Participant for the Performance Period.

SECTION 8. Administration and Interpretation. (a) The Committee shall have full authority to administer the Plan. The Committee shall have full power to construe and interpret the Plan, establish and amend rules and regulations for its administration, correct any defect, supply any omission and reconcile any inconsistency in the Plan and any Award, and perform all other acts relating to the Plan, including the delegation of administrative responsibilities, that it believes reasonable and proper and in conformity with the purposes of the Plan and the requirements of Section 162(m) of the Code.

(b) The Committee has sole responsibility for selecting Eligible Employees and Participants, establishing performance goals, setting Performance Periods, setting target/maximum Award amounts, certifying whether performance goals have been attained and determining actual Award amounts.

(c) Any decision made, or action taken, by the Committee arising out of or in connection with the interpretation and/or administration of the Plan shall be final, conclusive and binding on all persons affected thereby.

(d) In no event shall any discretionary authority granted to the Committee by the Plan be used to (i) provide payment in respect of any Award if the performance goal(s) for the applicable Performance Period have not been attained and certified by the Committee, (ii) increase an Award for any Participant following the Establishment Period or (iii) increase an Award above the maximum amount payable under Section 4 of the Plan.

SECTION 9. Amendment/Termination. The Committee shall have the right to amend the Plan from time to time or to repeal it entirely or to direct the discontinuance of Awards either temporarily or permanently; provided, however, that no amendment of the Plan that changes (i) the persons eligible to receive Awards under the Plan, (ii) the criteria that may be used to set performance goals under the Plan, as set forth in Section 6(b), or (iii) the maximum Award payable to an Eligible Employee, as set forth in Section 4, shall be effective before approval by shareholders in a manner that complies with the requirements of Section 162(m) of the Code.

SECTION 10. Special Awards and Other Plans. (a) Nothing contained in the Plan shall prohibit Asbury from establishing other special awards or incentive compensation plans providing for the payment of incentive compensation to Employees (including Eligible Employees).

(b) Payments or benefits provided to an Eligible Employee under any stock, deferred compensation, savings, retirement or other employee benefit plan are governed solely by the terms of such plan.

SECTION 11. Rights of Eligible Employees. (a) Neither the Plan, nor the adoption or operation of the Plan, nor any documents describing or referring to the Plan (or any part hereof) shall confer upon any Employee any right to continue in the employ of Asbury.

(b) No individual to whom an Award has been made or any other party shall have any interest in any asset of Asbury until such amount has been paid.

(c) No right or interest of any Participant in the Plan shall be assignable or transferable, or subject to any claims of any creditor or subject to any lien.

SECTION 12. Miscellaneous. (a) All expenses and costs incurred in connection with the operation of the Plan shall be borne by Asbury, and no part therefor (other than the amounts of Awards under the Plan) shall be charged against the maximum limitation of Section 4.

(b) All Awards are subject to withholding, where applicable, for Federal, state, local and foreign taxes.

(c) Any provision of the Plan that is held to be invalid, illegal or unenforceable (whether in whole or in part) shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions of the Plan shall not be affected thereby.

(d) The Plan and the rights and obligations of the parties to the Plan shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware (without regard to principles of conflicts of law).

(e) All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, including any purchaser of all or substantially all the assets of the Company.

(f) No member of the Board of Directors, the Committee or any employee of Asbury (each such person, a "Covered Person") shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Covered Person shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's Restated Certificate of Incorporation or Restated Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

(g) To the extent applicable, the Plan and the Awards shall be interpreted in accordance with Section 409A. Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any Award may be subject to Section 409A, the Committee may adopt such amendments to the Plan and the applicable Award or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (i) exempt the Award from Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Section 409A and thereby avoid the application of penalty taxes under Section 409A.

Exhibit 10.12

SEVERANCE PAY AGREEMENT FOR KEY EMPLOYEE

Reference is made to that certain agreement (the "Agreement") entered into as of August 1, 2006 between Asbury Automotive Group, Inc. and its subsidiaries and affiliates ("Asbury") and Keith Style ("Executive"), a key employee of Asbury, which provides for an agreed-upon compensation in the event that there is a Termination (as defined below) of Executive's employment with Asbury. The parties hereto agree to amend and restate such Agreement as hereinafter provided.

1. Severance Pay Arrangement

If a Termination (as defined below) of Executive's employment occurs at any time during Executive's employment, Asbury will pay Executive 6 months of Executive's base salary as of the date of Termination as Severance Pay. Payment (subject to required withholding) will be made by Asbury to Executive monthly on the regular payroll dates of Asbury starting with the date of Termination.

If Executive participates in a bonus compensation plan at the date of Termination, Severance Pay will also include a portion of the target bonus for the year of Termination in an amount equal to the target bonus multiplied by the percentage of such year that has expired through the date of Termination.

In addition, for 6 months following the date of Termination, Executive shall be entitled to continue to participate at the same level of coverage and Executive contribution in any health and dental insurance plans, as may be amended from time to time, in which Executive was participating immediately prior to the date of Termination. Such participation will terminate 30 days after Executive has obtained other employment under which Executive is covered by equal benefits. The Executive agrees to notify Asbury promptly upon obtaining such other employment. At the end of 12 months, Employee, at his or her option, may elect to obtain COBRA coverage in accordance with the terms and conditions of applicable law and Asbury's standard policy.

Notwithstanding anything herein to the contrary, if Executive is determined to be a "specified employee" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended the ("Code") and if one or more of the payments or benefits to be received by Executive pursuant to this Agreement would be considered deferred compensation subject to Section 409A of the Code, then no such payment shall be made or benefit provided until six (6) months following Executive's date of Termination.

2. Change of Control Arrangement

In the event that a Termination occurs at any time within two years after a Change of Control, then (1) the term "6 months" in the first and third paragraphs of Section 1 of this agreement shall be replaced with "12 months", and (2) the term "6 months" in Section 5 and Section 6 of this agreement shall be replaced with "one year". For purposes of this Section, "Change of Control" shall having the meaning ascribed to such term in Asbury's 2002 Stock Option Plan, as such plan may be amended from time to time.

3. Definition of Termination Triggering Severance Pay

A "Termination" triggering the Severance Pay set forth above in Section 1 is defined as a termination of Executive's employment with Asbury (1) by Asbury without "cause", or (2) by Executive because of (x) a material change in the geographic location at which Executive must perform Executive's services (which shall in no event include a relocation of Executive's current principal place of business to a location less than 50 miles away), (y) a material diminution in Executive's base compensation, or (z) a material diminution in Executive's authority, duties, or responsibilities. For avoidance of doubt, a "Termination" shall not include a termination of Executive's employment by Asbury for "cause" or due to Executive's, death, disability, retirement or voluntary resignation.

For the purposes of this Agreement, the definition of "cause" is: (a) Executive's gross negligence or serious misconduct (including, without limitation, any criminal, fraudulent or dishonest conduct) that is or may be injurious to Asbury; or (b) Executive being convicted of, or entering a plea of nolo contendere to, any crime that constitutes a felony or involves moral turpitude; or (c) Executive's breach of Sections 3, 4 or 5 below; or (d) Executive's willful and continued failure to perform Executive's duties on behalf of Asbury; or (e) Executive's material breach of a written policy of Asbury. For purposes of this Agreement, the definition of "disability" is a physical or mental disability or infirmity that prevents the performance by Executive of his or her duties lasting (or likely to last, based on competent medical evidence presented to Asbury) for a continuous period of six months or longer.

"Change of Control" is defined in accordance with the definition of such term in Asbury's 2002 Equity Incentive Plan, as such plan may be amended from time to time.

4. Confidential Information and Nondisclosure Provision

As a condition to the receipt of the Severance Pay payments and benefits described in Section 1 above, during and after employment with Asbury, Executive shall agree not to disclose to any person (other than to an employee or director of Asbury, or to Asbury's attorneys, accountants and other advisors or except as may be required by law) and not use to compete with Asbury any confidential or proprietary information, knowledge or data that is not in the public domain that was obtained by Executive while employed by Asbury regarding Asbury or any products, improvements, customers, methods of distribution, sales, prices, profits, costs, contracts, suppliers, business prospects, business methods, techniques, research, trade secrets or know-how of Asbury (collectively, "Confidential Information"). In the event that Executive's employment terminates for any reason, Executive will deliver to Asbury on or before the date of Termination all documents and data of any nature pertaining to Executive's work with Asbury and will not take any documents or data or any reproduction, or any documents containing or pertaining to any Confidential Information. Executive agrees that in the event of a breach by Executive of this provision, Asbury shall be entitled to inform all potential or new employers of such breach and to cease payments and benefits that would otherwise be made pursuant to Section 1 above, as well as to obtain injunctive relief and damages which may include recovery of amounts paid to Executive under this Agreement.

5. Non-Solicitation of Employees

As a condition to the receipt of the Severance Pay payments and benefits described in Section 1 above, Executive agrees that during employment with Asbury and for 6 months following termination of Executive's employment for any reason, Executive shall not directly or indirectly solicit for employment or employ any person who, at any time during the 12 months preceding the last day of Executive's employment, is or was employed by Asbury or induce or attempt to persuade any Executive of Asbury to terminate their employment relationship. Executive agrees that in the event of a breach by Executive of this provision, Asbury shall be entitled to inform all potential or new employers of such breach and to cease payments and benefits that would otherwise be made pursuant to Section 1 above, as well as to obtain injunctive relief and damages which may include recovery of amounts paid to Executive under this Agreement.

6. Covenant Not to Compete

As a condition to the receipt of the Severance Pay payments and benefits described in Section 1 above, while Executive is employed by Asbury and for 6 months following termination of Executive's employment for any reason (subject to the next paragraph), Executive shall not directly or indirectly engage in, participate in, represent or be connected with in any way, as an officer, director, partner, owner, employee, agent, independent contractor, consultant, proprietor or stockholder (except for the ownership of a less than 5% stock interest in a publicly-traded corporation) or otherwise, any business or activity which competes with the business of Asbury unless expressly consented to in writing by the Chief Executive Officer of Asbury (collectively, "Covenant Not To Compete").

In the event that Executive's employment ends for any reason, the provisions of the Covenant Not To Compete shall remain in effect for 6 months following the date of Termination except that the prohibition above on "any business or activity which competes with the business of Asbury" shall be limited to AutoNation, Inc., Sonic Automotive, Inc., Lithia Motors, Inc., Penske Automotive Group, Inc., f/k/a/ United Auto Group, Inc., Group One Automotive Inc., and other competitive groups of similar size. Executive shall disclose in writing to Asbury the name, address and type of business conducted by any proposed new employer of Executive if requested in writing by Asbury. Executive agrees that in the event of a breach by Executive of this Covenant Not To Compete, Asbury shall be entitled to inform all potential or new employers of such breach and to cease payments and benefits that would otherwise be made pursuant to Section 1 above, as well as to obtain injunctive relief and damages which may include recovery of amounts paid to Executive under this Agreement.

GENERAL PROVISIONS

A. Employment is At Will

Executive and Asbury acknowledge and agree that Executive is an "at will" employee, which means that either Executive or Asbury may terminate the employment relationship at any time, for any reason, with or without cause or notice, and that nothing in this Agreement shall be construed as an express or implied contract of employment.

B. Execution of Release

As a condition to the receipt of the Severance Pay payments and benefits described in Section 1 above, Executive agrees to execute a release of all claims arising out of Executive's employment or Termination including but not limited to any claim of discrimination, harassment or wrongful discharge under local, state or federal law.

C. Alternative Dispute Resolution

Any disputes arising under or in connection with this Agreement shall be resolved by binding arbitration before an arbitrator (who shall be an attorney with at least ten years' experience in employment law) in the city where Executive is located and in accordance with the rules and procedures of the American Arbitration Association. Each party may choose to retain legal counsel and shall pay its own attorneys' fees, regardless of the outcome of the arbitration. Executive may be required to pay a filing fee limited to the equivalent cost of filing in the court of jurisdiction. Asbury will pay the fees and costs of conducting the arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court of jurisdiction.

D. Other Provisions

This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of Executive and Asbury, including any successor to Asbury.

The provisions of Sections 3, 4 and 5 shall survive the termination of this Agreement.

The headings and captions are provided for reference and convenience only and shall not be considered part of this Agreement.

Any notice or other communication required or permitted to be delivered under this Agreement shall be (i) in writing, (ii) delivered personally, by nationally recognized overnight courier service or by certified or registered mail, first-class postage prepaid and return receipt requested, (iii) deemed to have been received on the date of delivery or on the third business day after mailing, and (iv) addressed as follows (or to such other address as the party entitled to notice shall later designate in accordance with these terms):

If to Asbury:	Asbury Automotive Group, Inc. c/o General Counsel 622 3rd Avenue, 37th floor New York, New York 10017
If to Executive:	To the most recent address of Executive set forth in the personnel records of Asbury.

This Agreement supersedes any and all agreements between Asbury and Executive relating to payments upon Termination of employment or Severance Pay and may only be modified in a writing signed by Asbury and Executive.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

All payments hereunder shall be subject to any required withholding of federal, state, local and foreign taxes pursuant to any applicable law or regulation.

If any provision of this Agreement shall be held invalid or unenforceable, such holding shall not affect any other provisions, and this Agreement shall be construed and enforced as if such provisions had not been included. No provision of this Agreement shall be waived unless the waiver is agreed to in writing and signed by Executive and the Chief Executive Officer of Asbury. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of this Agreement to the contrary, in the event that Asbury determines that any amounts payable hereunder will be immediately taxable to Executive under Section 409A of the Code and related Department of Treasury guidance, Asbury and Executive shall cooperate in good faith to (x) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that they mutually determine to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for Asbury and/or (y) take such other actions as mutually determined to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A of the Code or to comply with the requirements of Section 409A of the Code and thereby avoid the application of penalty taxes thereunder.

[*Remainder of Page Intentionally Left Blank*]

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

AGREED TO AS OF FEBRUARY 28, 2008:

BY EXECUTIVE:	**BY ASBURY:**
	ASBURY AUTOMOTIVE GROUP, INC.
/s/ Keith Style	/s/ Philip R. Johnson
Print Name:	**Print Name and Title:**
Keith Style	Philip R. Johnson Vice President, Human Resources

Exhibit 10.48

MODIFICATION NUMBER ONE TO MASTER LOAN AGREEMENT

THIS MODIFICATION NUMBER ONE TO MASTER LOAN AGREEMENT (the "Agreement"), dated as of December 1, 2008 between NP FLM L.L.C., a Delaware limited liability company, PREMIER NSN L.L.C., a Delaware limited liability company, ASBURY ATLANTA JAGUAR L.L.C., a Delaware limited liability company, ASBURY ATLANTA LEX L.L.C., a Delaware limited liability company, CN MOTORS, LTD., a Florida limited partnership, C&O PROPERTIES, LTD., a Florida limited partnership, CFP MOTORS, LTD., a Florida limited partnership, AVENUES MOTORS, LTD., a Florida limited partnership, AF MOTORS, L.L.C., a Delaware limited liability company, ALM MOTORS, L.L.C., a Delaware limited liability company, ASBURY-DELAND IMPORTS, L.L.C., a Delaware limited liability company, COGGIN CHEVROLET L.L.C., a Delaware limited liability company, COGGIN CARS L.L.C., a Delaware limited liability company, CH MOTORS, LTD., a Florida limited partnership, HFP MOTORS L.L.C., a Delaware limited liability company, CROWN GPG L.L.C., a Delaware limited liability company, CROWN CHV L.L.C., a Delaware limited liability company, CROWN GHO L.L.C., a Delaware limited liability company, CROWN GDO L.L.C., a Delaware limited liability company, CROWN RIB L.L.C., a Delaware limited liability company, CROWN MOTORCAR COMPANY L.L.C., a Delaware limited liability company, ASBURY AUTOMOTIVE ATLANTA L.L.C., a Delaware limited liability company, MCDAVID IRVING-HON, L.L.C., a Delaware limited liability company, MCDAVID PLANO-ACRA, L.L.C., a Delaware limited liability company, MCDAVID AUSTIN-ACRA, L.L.C., a Delaware limited liability company, MCDAVID HOUSTON-HON, L.L.C., a Delaware limited liability company, MCDAVID HOUSTON-NISS, L.L.C., a Delaware limited liability company and ASBURY AUTOMOTIVE TEXAS REAL ESTATE HOLDINGS L.L.C., a Delaware limited liability company (each referred to herein individually and collectively as "Borrower"), and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association (together with its successors and assigns, "WBNA") and WACHOVIA FINANCIAL SERVICES, INC., a North Carolina corporation (together with its successors and assigns, "WFSI") (WBNA and WFSI referred to herein individually and collectively as "Lender").

RECITALS

A. Lender is the holder of certain Notes, as modified from time to time, executed and delivered by Borrower and certain other loan documents, including without limitation, a Master Loan Agreement, dated as of June 4, 2008, as modified from time to time (the "Loan Agreement").

B. Borrower and Lender have agreed to modify the terms of the Loan Agreement as set forth herein.

In consideration of Lender's continued extension of credit and the agreements contained herein, the parties agree as follows:

AGREEMENT

ACKNOWLEDGMENT OF BALANCE. Borrower acknowledges that the most recent Commercial Loan Invoices sent to Borrower with respect to the Obligations under each Note is correct.

DEFINITIONS. Terms used in this Agreement which are capitalized and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

MODIFICATIONS.

1. Section 1.1 "Defined Terms" of the Loan Agreement is hereby amended as follows:

(a) The definition of "Bridge Loan" or "Bridge Loans" is hereby deleted in its entirety and the following new definition of "Bridge Loan" or "Bridge Loans" is hereby substituted in lieu thereof:

> "'Bridge Loan' or 'Bridge Loans' means the term loans made by WBNA to Bridge Loan Borrower as provided in Section 2.1.1 hereof."

(b) The definition of "Bridge Loan Maturity Date" is hereby deleted in its entirety and the following new definition of "Bridge Loan Maturity Date" is hereby substituted in lieu thereof:

> "'Bridge Loan Maturity Date' means April 30, 2009."

(c) The definition of "Tenant" is hereby deleted in its entirety and the following new definition of "Tenant" is hereby substituted in lieu thereof:

> "'Tenant' means each, any and all tenants under a Lease for any Property."

2. Exhibit A-3 of the Loan Agreement is hereby amended by deleting the reference therein to "9401 Atlantic Boulevard, Jacksonville, Duval County, Florida".

FACILITY FEE. In connection with the extension of the Bridge Loans, Borrower shall pay to Lender contemporaneously with the execution hereof a non-refundable, fully earned facility fee in the aggregate amount of $7,990.00.

ACKNOWLEDGMENTS AND REPRESENTATIONS. Borrower acknowledges and represents that the Note, the Loan Agreement and other Loan Documents, as amended hereby, are in full force and effect without any defense, counterclaim, right or claim of set-off; that, after giving effect to this Agreement, no Event of Default under the Loan Documents has occurred, all representations and warranties contained in the Loan Documents are true and correct as of this date, all necessary action to authorize the execution and delivery of this Agreement has been taken; and this Agreement is a modification of an existing obligation and is not a novation.

COLLATERAL. Borrower acknowledges and confirms that there have been no changes in the ownership of any Collateral since the Collateral was originally pledged; Borrower acknowledges and confirms that the Lender has existing, valid first priority security interests and liens in the Collateral; and that such security interests and liens shall secure Borrower's Obligations, including any modification of the Note or Loan Agreement, if any, and all future modifications, extensions, renewals and/or replacements of the Loan Documents.

MISCELLANEOUS. This Agreement shall be construed in accordance with and governed by the laws of the Jurisdiction as originally provided in the Loan Documents, without reference to the Jurisdiction's conflicts of law principles. This Agreement and the other Loan Documents constitute the sole agreement of the parties with respect to the subject matter thereof and supersede all oral negotiations and prior writings with respect to the subject matter thereof. No amendment of this Agreement, and no waiver of any one or more of the provisions hereof shall be effective unless set forth in writing and signed by the parties hereto. The illegality, unenforceability or inconsistency of any provision of this Agreement shall not in any way affect or impair the legality, enforceability or consistency of the remaining provisions of this Agreement or the other Loan Documents. This Agreement and the other Loan Documents are intended to be consistent. However, in the event of any inconsistencies among this Agreement and any of the Loan Documents, the terms of this Agreement, and then the Loan Agreement, shall control. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which when taken together shall constitute but one and the same instrument. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto. **LIMITATION ON LIABILITY; WAIVER OF PUNITIVE DAMAGES.** EACH OF THE PARTIES HERETO, INCLUDING LENDER BY ACCEPTANCE HEREOF, AGREES THAT IN ANY JUDICIAL, MEDIATION OR

ARBITRATION PROCEEDING OR ANY CLAIM OR CONTROVERSY BETWEEN OR AMONG THEM (A "DISPUTE") THAT MAY ARISE OUT OF OR BE IN ANY WAY CONNECTED WITH THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY OTHER AGREEMENT OR DOCUMENT BETWEEN OR AMONG THEM OR THE OBLIGATIONS EVIDENCED HEREBY OR RELATED HERETO, IN NO EVENT SHALL ANY PARTY HAVE A REMEDY OF, OR BE LIABLE TO THE OTHER FOR, (A) INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR (B) PUNITIVE OR EXEMPLARY DAMAGES. EACH OF THE PARTIES HEREBY EXPRESSLY WAIVES ANY RIGHT OR CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES THEY MAY HAVE OR WHICH MAY ARISE IN THE FUTURE IN CONNECTION WITH ANY SUCH PROCEEDING, CLAIM OR CONTROVERSY, WHETHER THE DISPUTE IS RESOLVED BY ARBITRATION, MEDIATION, JUDICIALLY OR OTHERWISE. **Final Agreement.** This Agreement and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any claim or controversy arising out of or relating to the Loan Documents between parties hereto shall be resolved by binding arbitration conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and the Federal Arbitration Act. Disputes may include, without limitation, tort claims, counterclaims, a dispute as to whether a matter is subject to arbitration, or claims arising from documents executed in the future, but shall specifically exclude claims brought as or converted to class actions. A judgment upon the award may be entered in any court having jurisdiction. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements. **Special Rules.** All arbitration hearings shall be conducted in Charlotte, North Carolina. A hearing shall begin within 90 days of demand for arbitration and all hearings shall conclude within 120 days of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then for no more than a total of 60 days. The expedited procedures set forth in Rule 51 <u>et seq.</u> of the Arbitration Rules shall be applicable to claims of less than $1,000,000.00. Arbitrators shall be licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The parties do not waive applicable Federal or state substantive law except as provided herein. **Preservation and Limitation of Remedies.** Notwithstanding the preceding binding arbitration provisions, the parties agree to preserve, without diminution, certain remedies that any party may exercise before or after an arbitration proceeding is brought. The parties shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (a) all rights to foreclose against any real or personal property or other security by exercising a power of sale or under applicable law by judicial foreclosure including a proceeding to confirm the sale; (b) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (c) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (d) when applicable, a judgment by confession of judgment. Any claim or controversy with regard to any party's entitlement to such remedies is a Dispute. **Waiver of Jury Trial.** THE PARTIES ACKNOWLEDGE THAT BY AGREEING TO BINDING ARBITRATION THEY HAVE IRREVOCABLY WAIVED ANY RIGHT THEY MAY HAVE TO JURY TRIAL WITH REGARD TO A DISPUTE.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Modification Number One to Master Loan Agreement to be duly executed under seal as of the day and year first above written.

Property 1	CH MOTORS, LTD., a Florida limited partnership By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 2	CN MOTORS, LTD., a Florida limited partnership By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 3 BRIDGE	C&O PROPERTIES, LTD., a Florida limited partnership By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 4	COGGIN CARS L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 5	COGGIN CHEVROLET L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 6	AVENUES MOTORS, LTD., a Florida limited partnership By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 7	AF MOTORS, L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President And ALM MOTORS, L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President

[Signatures continue on following page]

Property 8	ASBURY-DELAND IMPORTS, L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 9	HFP MOTORS L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 10	CFP MOTORS, LTD., a Florida limited partnership By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 11	CROWN GHO L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 12	CROWN GDO L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 13	CROWN GPG L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 14 BRIDGE	CROWN CHV L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 15	CROWN RIB L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 16	CROWN MOTORCAR COMPANY L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President

[Signatures continue on following page]

Property 17	ASBURY ATLANTA LEX L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 18	ASBURY ATLANTA JAGUAR L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 19	PREMIER NSN L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 20	NP FLM L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 21	ASBURY AUTOMOTIVE ATLANTA L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 22 and 23	MCDAVID IRVING-HON, L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 24	ASBURY AUTOMOTIVE TEXAS REAL ESTATE HOLDINGS L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 25	MCDAVID PLANO-ACRA, L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 26, 30, 31 and 32	MCDAVID HOUSTON-HON, L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President

[Signatures continue on following page]

Property 27 and 29	MCDAVID HOUSTON-NISS, L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President
Property 28	MCDAVID AUSTIN-ACRA, L.L.C., a Delaware limited liability company By: /s/ Craig Monaghan Craig Monaghan, its Vice President

Accepted in Winston-Salem, North Carolina:

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Michael R. Burkitt
Michael R. Burkitt, Senior Vice President

WACHOVIA FINANCIAL SERVICES, INC.

By: /s/ Michael R. Burkitt
Michael R. Burkitt, Senior Vice President

LIMITED WAIVER

This **LIMITED WAIVER** (this "Agreement"), effective as of March 12, 2009, is entered into by and among **Asbury Automotive Group, Inc.** (the "Borrower"), each of the subsidiaries of the Borrower listed on the signature pages hereof (the "Guarantors"), each of the Lenders listed on the signature pages hereof (the "Lenders"), **JPMorgan Chase Bank, N.A.**, as Administrative Agent for the Lenders (the "Agent").

PRELIMINARY STATEMENT

WHEREAS, the Borrower, the Lenders, and the Agent, entered into that certain Revolving Credit Agreement dated as of October 29, 2008, (as amended from time to time, the "Credit Agreement"), under the terms of which such Lenders agreed to make available to the Borrower a revolving credit commitment not to exceed at any time $75,000,000.00. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement; and

WHEREAS, each of the Guarantors has entered into a Guaranty Agreement pursuant to which it has guaranteed the payment and performance of certain or all of the obligations of the Borrower under the Credit Agreement and the other Loan Documents, and the Borrower and the Guarantors have entered into various Security Instruments to secure their respective obligations and liabilities in respect the Loan Documents; and

WHEREAS, the Borrower has advised the Agent and the Lenders that Deloitte & Touche LLP will include a "going concern" qualification (the "Going Concern Qualification") in its audit opinion delivered with respect to the financial statements of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2008 (the "2008 Audited Financial Statements"); and

WHEREAS, the Borrower's delivery to the Agent of 2008 Audited Financial Statements accompanied by an auditor's report containing the Going Concern Qualification would violate Section 5.5(a) of the Credit Agreement and may result in a Default or Event of Default under Section 7.1(e) of the Credit Agreement; and

WHEREAS, the Borrower has requested that the Lenders waive any Default or Event of Default arising from such violation of Section 5.5(a), and the Agent and Lenders signatory hereto are willing to make such waiver on the terms and conditions contained in this Agreement;

NOW, THEREFORE, in consideration of the premises and further valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Waivers. Subject to the terms and conditions set forth herein, the Lenders signatory hereto hereby waive any Default or Event of Default arising solely from the Borrower's delivery of an audit report containing the Going Concern Qualification with respect to the 2008 Audited Financial Statements.

The waiver set forth in this Section 1 (the "Default Waiver") is limited to the extent specifically set forth above and no other terms, covenants or provisions of the Credit Agreement or any other Loan Document are intended to be effected hereby. The Default Waiver is granted only with respect to the Going Concern Qualification relating to the 2008 Audited Financial Statements, and shall not apply to any financial statements for any other fiscal year, any other violation of Section 5.5(a) of the Credit Agreement, or any actual or prospective default or violation of any other provision of the Loan Agreement or any other Loan Document. The Default Waiver shall not in any manner create a course of dealing or otherwise impair the future ability of the Agent or the Lenders to declare a Default or Event of Default under or otherwise enforce the terms of the Credit Agreement or any other Loan Document with respect to any matter other than those specifically and expressly waived in the Default Waiver.

2. Conditions Precedent. The effectiveness of this Agreement, and the effectiveness of the waiver provided in Paragraph 1, are subject to the satisfaction of the following conditions precedent:

(a) the Agent shall have received each of the following documents or instruments in form and substance reasonably acceptable to the Agent:

(i) counterparts of this Agreement, duly executed by the Borrower, each Guarantor, and the Lenders;

(ii) an irrevocable notice pursuant to Section 2.9 of the Credit Agreement, providing for the reduction of the Commitments from $75,000,000 to $50,000,000 on a date (the "Reduction Effectiveness Date") that is 1 Business Day after the date of this Agreement (such reduction to be allocated to each Lender according to its Pro Rata Share of Commitments on the Reduction Effectiveness Date, as set forth in Section 2.9); and

(iii) such other documents, instruments, opinions, certifications, undertakings, further assurances and other matters as the Agent shall reasonably request; and

(b) all fees and expenses payable to the Agent and the Lenders (including the fees and expenses of counsel to the Agent) accrued to date shall have been paid in full to the extent invoiced prior to the date hereof, but without prejudice to the later payment of accrued fees and expenses not so invoiced.

The continuing effectiveness of the waiver provided in Paragraph 1 is subject to the further condition that the reduction in the Commitments contemplated by Clause 2(a)(ii) above shall occur on the Reduction Effectiveness Date.

3. Ratification. Each Guarantor hereby consents, acknowledges and agrees to the waiver set forth herein. The Borrower and each of the Guarantors hereby ratify all of its Obligations under the Credit Agreement and each of the Loan Documents to which it is a party, and agrees and acknowledges that the Credit Agreement and each of the Loan Documents to which it is a party are and shall continue to be in full force and effect as amended and modified by this Agreement. Nothing in this Agreement extinguishes, novates or releases any right, claim, lien, security interest or entitlement of any of the Lenders or the Agent created by or contained in any of such documents nor is the Borrower nor any Guarantor released from any covenant, warranty or obligation created by or contained herein or therein.

4. Representations and Warranties. The Borrower and each of the Guarantors hereby represents and warrants to the Agent and the Lenders that (a) this Agreement has been duly executed and delivered on behalf of the Borrower and each of the Guarantors, (b) this Agreement constitutes a valid and legally binding agreement enforceable against the Borrower and each of the Guarantors in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law, (c) the representations and warranties made by it in the Credit Agreement and the Loan Documents to which it is a party are true and correct on and as of the date hereof in all material respects as though made as of the date hereof except to the extent that such representations and warranties expressly relate to an earlier date in which case they are true and correct as of such earlier date, (d) after giving effect to this Agreement, no Default or Event of Default exists under the Credit Agreement or under any Loan Document, (e) the Persons appearing as Guarantors on the signature pages to this Agreement constitute all Persons who are required to be Guarantors pursuant to the terms of the Credit Agreement and the other Loan Documents, including without limitation all Persons who became Subsidiaries or were otherwise required to become Guarantors after the Closing Date, and each such Person has executed and delivered all documents and other items required to be delivered pursuant to Section 5.14 of the Credit Agreement; and (e) the execution, delivery and performance of this Agreement has been duly authorized by the Borrower and each of the Guarantors.

5. Release and Indemnity. (a) The Borrower and each Guarantor does hereby release and forever discharge the Agent and each of the Lenders and each affiliate thereof and each of their respective employees,

officers, directors, trustees, agents, attorneys, successors, assigns or other representatives from any and all claims, demands, damages, actions, cross-actions, causes of action, costs and expenses (including legal expenses), of any kind or nature whatsoever, whether based on law or equity, which any of said parties has held or may now or in the future own or hold, whether known or unknown, for or because of any matter or thing done, omitted or suffered to be done on or before the actual date upon which this Agreement is signed by any of such parties (i) arising directly or indirectly out of the Loan Documents, or any other documents, instruments or any other transactions relating thereto and/or (ii) relating directly or indirectly to all transactions by and between the Borrower, the Guarantors, or their representatives and the Agent, and each Lender or any of their respective directors, officers, agents, employees, attorneys or other representatives. Such release, waiver, acquittal and discharge shall and does include, without limitation, any claims of usury, fraud, duress, misrepresentation, lender liability, control, exercise of remedies and all similar items and claims, which may, or could be, asserted by the Borrower or any Guarantor **including any such caused by the actions or negligence of the indemnified party (other than its gross negligence or willful misconduct)**.

(b) The Borrower and each Guarantor hereby ratifies the indemnification provisions contained in the Loan Documents, including, without limitation, Section 9.4 of the Credit Agreement, and agrees that this Agreement and losses, claims, damages and expenses related thereto shall be covered by such indemnities.

6. Counterparts. This Agreement may be signed in any number of counterparts, which may be delivered in original, facsimile or electronic form each of which shall be construed as an original, but all of which together shall constitute one and the same instrument.

7. Governing Law. **This Agreement shall be deemed to be contracts and agreements under the laws of the State of New York and of the United States of America and for all purposes shall be construed in accordance with, and governed by, the laws of New York and of the United States.**

8. Final Agreement of the Parties. This Agreement, together with all the Loan Documents (collectively, the "Relevant Documents"), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relative to such subject matter. No promise, condition, representation or warranty, express or implied, not herein set forth shall bind any party hereto, and not one of them has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other. None of the terms or conditions of this Agreement may be changed, modified, waived or canceled orally or otherwise, except as permitted pursuant to Section 9.7 of the Credit Agreement.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

JPMORGAN CHASE BANK, N.A., as Agent and Lender

By: /s/ Jeffrey G. Calder

Jeffrey G. Calder,
Vice President

BANK OF AMERICA, N.A, as Lender

By: /s/ K.W. Winston, III
Name: K.W. Winston
Title: Senior Vice President

GUARANTORS:

ASBURY AUTOMOTIVE GROUP, INC.

/s/ Craig Monaghan

Craig Monaghan
Senior Vice President and Chief Financial Officer

ASBURY AUTOMOTIVE MANAGEMENT L.L.C.

/s/ Craig Monaghan

Craig Monaghan
Vice President

ASBURY AUTOMOTIVE JACKSONVILLE, L.P.

By: **ASBURY AUTOMOTIVE JACKSONVILLE GP L.L.C.**,
its General Partner

ASBURY AUTOMOTIVE TAMPA, L.P.

By: **ASBURY AUTOMOTIVE TAMPA GP L.L.C.**,
its General Partner

ANL, L.P.
ASBURY JAX HOLDINGS, L.P.
AVENUES MOTORS, LTD.
BAYWAY FINANCIAL SERVICES, L.P.
C&O PROPERTIES, LTD.
CFP MOTORS, LTD.
CH MOTORS, LTD.
CHO PARTNERSHIP, LTD.
CN MOTORS, LTD.
COGGIN MANAGEMENT, L.P.
CP-GMC MOTORS, LTD.

By: **ASBURY JAX MANAGEMENT L.L.C.**, its General Partner

ASBURY AUTOMOTIVE BRANDON, L.P.
TAMPA HUND, L.P.
TAMPA KIA, L.P.
TAMPA LM, L.P.
TAMPA MIT, L.P.
TAMPA SUZU, L.P.
WMZ BRANDON MOTORS, L.P.
WMZ MOTORS, L.P.
WTY MOTORS, L.P.

By: **ASBURY TAMPA MANAGEMENT L.L.C.**, its General Partner

ASBURY AR NISS L.L.C.
ASBURY ARKANSAS HUND L.L.C.
ASBURY ATLANTA AC L.L.C.
ASBURY ATLANTA AU L.L.C.
ASBURY ATLANTA BM L.L.C.
ASBURY ATLANTA CHEVROLET L.L.C.
ASBURY ATLANTA HON L.L.C.
ASBURY ATLANTA INF L.L.C.
ASBURY ATLANTA INFINITI L.L.C.
ASBURY ATLANTA JAGUAR L.L.C.
ASBURY ATLANTA LEX L.L.C.
ASBURY ATLANTA NIS L.L.C.
ASBURY ATLANTA TOY L.L.C.
ASBURY ATLANTA VL L.L.C.
ASBURY AUTOMOTIVE ARKANSAS DEALERSHIP HOLDINGS L.L.C.
ASBURY AUTOMOTIVE ARKANSAS L.L.C.
ASBURY AUTOMOTIVE ATLANTA L.L.C.
ASBURY AUTOMOTIVE ATLANTA II L.L.C.
ASBURY AUTOMOTIVE CENTRAL FLORIDA, L.L.C.
ASBURY AUTOMOTIVE DELAND, L.L.C.

ASBURY AUTOMOTIVE FRESNO L.L.C.
ASBURY AUTOMOTIVE GROUP L.L.C.
ASBURY AUTOMOTIVE JACKSONVILLE GP L.L.C.
ASBURY AUTOMOTIVE MISSISSIPPI L.L.C.
ASBURY AUTOMOTIVE NORTH CAROLINA DEALERSHIP HOLDINGS L.L.C.
ASBURY AUTOMOTIVE NORTH CAROLINA L.L.C.
ASBURY AUTOMOTIVE NORTH CAROLINA MANAGEMENT L.L.C.
ASBURY AUTOMOTIVE NORTH CAROLINA REAL ESTATE HOLDINGS L.L.C.
ASBURY AUTOMOTIVE OREGON L.L.C.
ASBURY AUTOMOTIVE OREGON MANAGEMENT L.L.C.
ASBURY AUTOMOTIVE SOUTHERN CALIFORNIA L.L.C.
ASBURY AUTOMOTIVE ST. LOUIS L.L.C.
ASBURY AUTOMOTIVE ST. LOUIS II L.L.C.
ASBURY AUTOMOTIVE TAMPA GP L.L.C.
ASBURY AUTOMOTIVE TEXAS L.L.C.
ASBURY AUTOMOTIVE TEXAS REAL ESTATE HOLDINGS L.L.C.
ASBURY DELAND IMPORTS 2, L.L.C.
ASBURY FRESNO IMPORTS L.L.C.
ASBURY JAX AC, L.L.C.
ASBURY JAX HON L.L.C.
ASBURY JAX K L.L.C.
ASBURY JAX MANAGEMENT L.L.C.
ASBURY JAX PB CHEV L.L.C.
ASBURY JAX VW L.L.C.
ASBURY MS CHEV L.L.C.
ASBURY MS YAZOO L.L.C.
ASBURY NO CAL NISS L.L.C.
ASBURY SACRAMENTO IMPORTS L.L.C.
ASBURY SO CAL DC L.L.C.
ASBURY SO CAL HON L.L.C.
ASBURY SO CAL NISS L.L.C.
ASBURY ST. LOUIS CADILLAC L.L.C.
ASBURY ST. LOUIS LEX L.L.C.
ASBURY ST. LOUIS LR L.L.C.
ASBURY TAMPA MANAGEMENT L.L.C.
ASBURY-DELAND IMPORTS, L.L.C.
ATLANTA REAL ESTATE HOLDINGS L.L.C.
BFP MOTORS L.L.C.
CAMCO FINANCE II L.L.C.
CK CHEVROLET L.L.C.
CK MOTORS LLC

COGGIN AUTOMOTIVE CORP.
COGGIN CARS L.L.C.
COGGIN CHEVROLET L.L.C.
CROWN ACURA/NISSAN, LLC
CROWN CHH L.L.C.
CROWN CHO L.L.C.
CROWN CHV L.L.C.
CROWN FDO L.L.C.
CROWN FFO HOLDINGS L.L.C.
CROWN GAC L.L.C.
CROWN GBM L.L.C.
CROWN GCA L.L.C.
CROWN GDO L.L.C.
CROWN GHO L.L.C.
CROWN GNI L.L.C.
CROWN GPG L.L.C.
CROWN GVO L.L.C.
CROWN HONDA, L.L.C.
CROWN MOTORCAR COMPANY L.L.C.
CROWN PBM L.L.C.
CROWN RIA L.L.C.
CROWN RIB L.L.C.
CROWN SJC L.L.C.
CROWN SNI L.L.C.
CSA IMPORTS L.L.C.
ESCUDE-NN L.L.C.
ESCUDE-NS L.L.C.
ESCUDE-T L.L.C.
FLORIDA AUTOMOTIVE SERVICES L.L.C.
GEORGIA AUTOMOTIVE SERVICES L.L.C.
HFP MOTORS L.L.C.
JC DEALER SYSTEMS, LLC
KP MOTORS L.L.C.
MCDAVID AUSTIN-ACRA, L.L.C.
MCDAVID FRISCO-HON, L.L.C.
MCDAVID GRANDE, L.L.C.
MCDAVID HOUSTON-HON, L.L.C.
MCDAVID HOUSTON-NISS, L.L.C.
MCDAVID IRVING-HON, L.L.C.
MCDAVID OUTFITTERS, L.L.C.
MCDAVID PLANO-ACRA, L.L.C.
NP MZD L.L.C.
NP VKW L.L.C.
PRECISION COMPUTER SERVICES, INC.
PRECISION ENTERPRISES TAMPA, INC.
PRECISION INFINITI, INC.
PRECISION MOTORCARS, INC.
PRECISION NISSAN, INC.
PREMIER NSN L.L.C.
PREMIER PON L.L.C.
PRESTIGE BAY L.L.C.

PRESTIGE TOY L.L.C.
THOMASON AUTO CREDIT NORTHWEST, INC.
THOMASON DAM L.L.C.
THOMASON FRD L.L.C.
THOMASON HON L.L.C.
THOMASON HUND L.L.C.
THOMASON MAZ L.L.C.
THOMASON NISS L.L.C.
THOMASON OUTFITTERS L.L.C.
THOMASON PONTIAC-GMC L.L.C.
THOMASON SUZU L.L.C.
THOMASON TY L.L.C.
THOMASON ZUK L.L.C.

/s/ Craig Monaghan

Craig Monaghan
Vice President

LIMITED WAIVER

This Limited Waiver (this "Agreement") dated as of March 12, 2009 is made by and among ASBURY AUTOMOTIVE GROUP, INC., a Delaware corporation (the "Borrower"), BANK OF AMERICA, N.A., in its capacity as administrative agent for the Lenders (as defined in the Credit Agreement referred to below) (in such capacity, the "Administrative Agent"), and as Swing Line Lender and L/C Issuer, each of the Lenders under such Credit Agreement signatory hereto, and each of the Subsidiary Guarantors (as defined in the Credit Agreement) signatory hereto.

WITNESSETH:

WHEREAS, the Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer and the Lenders have entered into that certain Credit Agreement dated as of September 26, 2008 (as hereby amended and as from time to time further amended, modified, supplemented, restated, or amended and restated, the "Credit Agreement"; capitalized terms used in this Amendment and not otherwise defined herein shall have the respective meanings given thereto in the Credit Agreement), pursuant to which the Lenders have made available to the Borrower a revolving credit facility, including a letter of credit facility and a swing line facility; and

WHEREAS, each of the Subsidiary Guarantors has entered into a Subsidiary Guaranty pursuant to which it has guaranteed the payment and performance of certain or all of the obligations of the Borrower under the Credit Agreement and the other Loan Documents, and the Borrower and the Subsidiary Guarantors have entered into various Security Instruments to secure their respective obligations and liabilities in respect the Loan Documents; and

WHEREAS, the Borrower has advised the Administrative Agent and the Lenders that Deloitte & Touche LLP will include a "going concern" qualification (the "Going Concern Qualification") in its audit opinion delivered with respect to the financial statements of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2008 (the "2008 Audited Financial Statements"); and

WHEREAS, the Borrower's delivery to the Administrative Agent of 2008 Audited Financial Statements accompanied by an auditor's report containing the Going Concern Qualification would violate Section 6.05(a) of the Credit Agreement and may result in a Default or Event of Default under Section 8.01(d) of the Credit Agreement; and

WHEREAS, the Borrower has requested that the Lenders waive any Default or Event of Default arising from such violation of Section 6.05(a), and the Administrative Agent and Lenders signatory hereto are willing to make such waiver on the terms and conditions contained in this Agreement;

NOW, THEREFORE, in consideration of the premises and further valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Waivers. Subject to the terms and conditions set forth herein, the Lenders signatory hereto hereby waive any Default or Event of Default arising solely from the Borrower's delivery of an audit report containing the Going Concern Qualification with respect to the 2008 Audited Financial Statements.

The waiver set forth in this Section 1 (the "Default Waiver") is limited to the extent specifically set forth above and no other terms, covenants or provisions of the Credit Agreement or any other Loan Document are intended to be effected hereby. The Default Waiver is granted only with respect to the Going Concern Qualification relating to the 2008 Audited Financial Statements, and shall not apply to any financial statements for any other fiscal year, any other violation of Section 6.05 of the Credit Agreement, or any actual or prospective default or violation of any other provision of the Loan Agreement or any other Loan Document. The Default Waiver shall not in any manner create a course of dealing or otherwise impair the future ability of the Administrative Agent or the Lenders to declare a Default or Event of Default under or otherwise enforce the terms of the Credit Agreement or any other Loan Document with respect to any matter other than those specifically and expressly waived in the Default Waiver.

2. Conditions Precedent. The effectiveness of this Agreement, and the effectiveness of the waiver provided in Paragraph 1, are subject to the satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received each of the following documents or instruments in form and substance reasonably acceptable to the Administrative Agent:

(i) counterparts of this Agreement, duly executed by the Borrower, each Subsidiary Guarantor, and such Lenders as are necessary to constitute the Required Lenders;

(ii) an irrevocable notice pursuant to Section 2.06 of the Credit Agreement, providing for the reduction of the Aggregate Commitments from $200,000,000 to $175,000,000 on a date (the "Reduction Effectiveness Date") that is 16 days after the date of this Agreement (such reduction to be allocated to each Lender according to its Applicable Percentage on the Reduction Effectiveness Date, as set forth in Section 2.06); and

(iii) such other documents, instruments, opinions, certifications, undertakings, further assurances and other matters as the Administrative Agent shall reasonably request; and

(b) all fees and expenses payable to the Administrative Agent and the Lenders (including the fees and expenses of counsel to the Administrative Agent) accrued to date shall have been paid in full to the extent invoiced prior to the date hereof, but without prejudice to the later payment of accrued fees and expenses not so invoiced.

The continuing effectiveness of the waiver provided in Paragraph 1 is subject to the further condition that that the reduction in the Aggregate Commitments contemplated by Clause 2(a)(ii) above shall occur on the Reduction Effectiveness Date

3. Consent of the Subsidiary Guarantors. Each Subsidiary Guarantor hereby consents, acknowledges and agrees to the waiver set forth herein and hereby confirms and ratifies in all respects the Subsidiary Guaranty to which such Subsidiary Guarantor is a party (including without limitation the continuation of such Subsidiary Guarantor's payment and performance obligations thereunder upon and after the effectiveness of this Agreement and the waiver contemplated hereby) and the enforceability of such Subsidiary Guaranty against such Subsidiary Guarantor in accordance with its terms.

4. Representations and Warranties. In order to induce the Lenders party hereto to enter into this Agreement, each Loan Party represents and warrants to the Administrative Agent and such Lenders as follows:

(a) The representations and warranties made by or with respect to each Loan Party in Article V of the Credit Agreement and in each of the other Loan Documents to which such Loan Party is a party are true and correct on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date in which case they are true and correct as of such earlier date;

(b) The Persons appearing as Subsidiary Guarantors on the signature pages to this Agreement constitute all Persons who are required to be Subsidiary Guarantors pursuant to the terms of the Credit Agreement and the other Loan Documents, including without limitation all Persons who became Subsidiaries or were otherwise required to become Subsidiary Guarantors after the Closing Date, and each such Person has executed and delivered a Subsidiary Guaranty; and

(c) After giving effect to the waiver contained in this Agreement, no Default or Event of Default has occurred and is continuing either immediately prior to or immediately after the effectiveness of this Agreement.

5. Entire Agreement. This Agreement, together with all the Loan Documents (collectively, the "Relevant Documents"), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relative to such subject matter. No promise, condition, representation or warranty, express or implied, not herein set forth shall bind any party hereto, and not one of them has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other. None of the terms or conditions of this Agreement may be changed, modified, waived or canceled orally or otherwise, except as permitted pursuant to Section 10.01 of the Credit Agreement.

6. Full Force and Effect of Agreement. After giving effect to this Agreement and the waiver contained herein, the Credit Agreement and all other Loan Documents are hereby confirmed and ratified in all respects by each party hereto and shall be and remain in full force and effect according to their respective terms.

7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or electronic delivery (including by .pdf) shall be effective as delivery of a manually executed counterpart of this Agreement.

8. Governing Law. This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and to be performed entirely within such State, and shall be further subject to the provisions of Section 10.14 of the Credit Agreement.

9. Enforceability. Should any one or more of the provisions of this Agreement be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

10. References. All references in any of the Loan Documents to the "Credit Agreement" shall mean the Credit Agreement, as modified hereby and as further amended, supplemented or otherwise modified from time to time in accordance with the terms of the Credit Agreement.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and each of the Subsidiary Guarantors and Lenders, and their respective successors, legal representatives and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWER:

ASBURY AUTOMOTIVE GROUP, INC.

By: /s/ Craig T. Monaghan
Name: Craig T. Monaghan
Title: Senior Vice President & CFO

SUBSIDIARY GUARANTORS:

ASBURY AUTOMOTIVE GROUP, INC.

By: /s/ Craig T. Monaghan
Name: Craig T. Monaghan
Title: Senior Vice President & CFO

ASBURY AUTOMOTIVE MANAGEMENT L.L.C.

By: /s/ Craig T. Monaghan
Name: Craig T. Monaghan
Title: Vice President

ASBURY AUTOMOTIVE JACKSONVILLE, L.P.

By: **ASBURY AUTOMOTIVE JACKSONVILLE GP L.L.C.,** its General Partner

ASBURY AUTOMOTIVE TAMPA, L.P.

By: **ASBURY AUTOMOTIVE TAMPA GP L.L.C.,** its General Partner

By: /s/ Craig T. Monaghan
Name: Craig T. Monaghan
Title: Vice President

ANL, L.P.
ASBURY JAX HOLDINGS, L.P.
AVENUES MOTORS, LTD.
BAYWAY FINANCIAL SERVICES, L.P.
C&O PROPERTIES, LTD.
CFP MOTORS, LTD.
CH MOTORS, LTD.
CHO PARTNERSHIP, LTD.
CN MOTORS, LTD.
COGGIN MANAGEMENT, L.P.
CP-GMC MOTORS, LTD.

By: **ASBURY JAX MANAGEMENT L.L.C.**, its General Partner

ASBURY AUTOMOTIVE BRANDON, L.P.
TAMPA HUND, L.P.
TAMPA KIA, L.P.
TAMPA LM, L.P.
TAMPA MIT, L.P.
TAMPA SUZU, L.P.
WMZ BRANDON MOTORS, L.P.
WMZ MOTORS, L.P.
WTY MOTORS, L.P.

By: **ASBURY TAMPA MANAGEMENT L.L.C.**, its General Partner

AF MOTORS, L.L.C.
ALM MOTORS, L.L.C.
ASBURY AR NISS L.L.C.
ASBURY ARKANSAS HUND L.L.C.
ASBURY ATLANTA AC L.L.C.
ASBURY ATLANTA AU L.L.C.
ASBURY ATLANTA BM L.L.C.
ASBURY ATLANTA CHEVROLET L.L.C.
ASBURY ATLANTA HON L.L.C.
ASBURY ATLANTA INF L.L.C.
ASBURY ATLANTA INFINITI L.L.C.
ASBURY ATLANTA JAGUAR L.L.C.
ASBURY ATLANTA LEX L.L.C.
ASBURY ATLANTA NIS L.L.C.
ASBURY ATLANTA TOY L.L.C.
ASBURY ATLANTA VL L.L.C.
ASBURY AUTOMOTIVE ARKANSAS DEALERSHIP HOLDINGS L.L.C.
ASBURY AUTOMOTIVE ARKANSAS L.L.C.
ASBURY AUTOMOTIVE ATLANTA L.L.C.
ASBURY AUTOMOTIVE ATLANTA II L.L.C.

ASBURY AUTOMOTIVE CENTRAL FLORIDA, L.L.C.
ASBURY AUTOMOTIVE DELAND, L.L.C.
FLORIDA AUTOMOTIVE SERVICES L.L.C.
(f/k/a Asbury Automotive Florida LLC)
ASBURY AUTOMOTIVE FRESNO L.L.C.
ASBURY AUTOMOTIVE GROUP L.L.C.
ASBURY AUTOMOTIVE JACKSONVILLE GP L.L.C.
ASBURY AUTOMOTIVE MISSISSIPPI L.L.C.
ASBURY AUTOMOTIVE NORTH CAROLINA DEALERSHIP HOLDINGS L.L.C.
ASBURY AUTOMOTIVE NORTH CAROLINA L.L.C.
ASBURY AUTOMOTIVE NORTH CAROLINA MANAGEMENT L.L.C.
ASBURY AUTOMOTIVE NORTH CAROLINA REAL ESTATE HOLDINGS L.L.C.
ASBURY AUTOMOTIVE OREGON L.L.C.
ASBURY AUTOMOTIVE OREGON MANAGEMENT L.L.C.
GEORGIA AUTOMOTIVE SERVICES L.L.C.
(f/k/a Asbury Automotive South LLC)
ASBURY AUTOMOTIVE SOUTHERN CALIFORNIA L.L.C.
ASBURY AUTOMOTIVE ST. LOUIS L.L.C.
ASBURY AUTOMOTIVE ST. LOUIS II L.L.C.
ASBURY AUTOMOTIVE TAMPA GP L.L.C.
ASBURY AUTOMOTIVE TEXAS L.L.C.
ASBURY AUTOMOTIVE TEXAS REAL ESTATE HOLDINGS L.L.C.
ASBURY DELAND IMPORTS 2, L.L.C.
ASBURY FRESNO IMPORTS L.L.C.
ASBURY JAX AC, L.L.C.
ASBURY JAX HON L.L.C.
ASBURY JAX K L.L.C.
ASBURY JAX MANAGEMENT L.L.C.
ASBURY JAX PB CHEV L.L.C.
ASBURY JAX VW L.L.C.
ASBURY MS CHEV L.L.C.
ASBURY MS GRAY-DANIELS L.L.C.
ASBURY MS YAZOO L.L.C.
ASBURY NO CAL NISS L.L.C.
ASBURY SACRAMENTO IMPORTS L.L.C.
ASBURY SO CAL DC L.L.C.
ASBURY SO CAL HON L.L.C.
ASBURY SO CAL NISS L.L.C.
ASBURY ST. LOUIS CADILLAC L.L.C.
ASBURY ST. LOUIS LEX L.L.C.
ASBURY ST. LOUIS LR L.L.C.

ASBURY TAMPA MANAGEMENT L.L.C.
ASBURY-DELAND IMPORTS, L.L.C.
ATLANTA REAL ESTATE HOLDINGS L.L.C.
BFP MOTORS L.L.C.
CAMCO FINANCE II L.L.C.
CK CHEVROLET L.L.C.
CK MOTORS LLC
COGGIN AUTOMOTIVE CORP.
COGGIN CARS L.L.C.
COGGIN CHEVROLET L.L.C.
CROWN ACURA/NISSAN, LLC
CROWN CHH L.L.C.
CROWN CHO L.L.C.
CROWN CHV L.L.C.
CROWN FDO L.L.C.
CROWN FFO HOLDINGS L.L.C.
CROWN FFO L.L.C.
CROWN GAC L.L.C.
CROWN GBM L.L.C.
CROWN GCA L.L.C.
CROWN GDO L.L.C.
CROWN GHO L.L.C.
CROWN GNI L.L.C.
CROWN GPG L.L.C.
CROWN GVO L.L.C.
CROWN HONDA, L.L.C.
CROWN MOTORCAR COMPANY L.L.C.
CROWN PBM L.L.C.
CROWN RIA L.L.C.
CROWN RIB L.L.C.
CROWN SJC L.L.C.
CROWN SNI L.L.C.
CSA IMPORTS L.L.C.
ESCUDE-NN L.L.C.
ESCUDE-NS L.L.C.
ESCUDE-T L.L.C.
HFP MOTORS L.L.C.
JC DEALER SYSTEMS, LLC
KP MOTORS L.L.C.
MCDAVID AUSTIN-ACRA, L.L.C.
MCDAVID FRISCO-HON, L.L.C.
MCDAVID GRANDE, L.L.C.
MCDAVID HOUSTON-HON, L.L.C.
MCDAVID HOUSTON-NISS, L.L.C.
MCDAVID IRVING-HON, L.L.C.
MCDAVID OUTFITTERS, L.L.C.
MCDAVID PLANO-ACRA, L.L.C.
NP FLM L.L.C.
NP MZD L.L.C.
NP VKW L.L.C.

PLANO LINCOLN-MERCURY, INC.
PRECISION COMPUTER SERVICES, INC.
PRECISION ENTERPRISES TAMPA, INC.
PRECISION INFINITI, INC.
PRECISION MOTORCARS, INC.
PRECISION NISSAN, INC.
PREMIER NSN L.L.C.
PREMIER PON L.L.C.
PRESTIGE BAY L.L.C.
PRESTIGE TOY L.L.C.
THOMASON AUTO CREDIT NORTHWEST, INC.
THOMASON DAM L.L.C.
THOMASON FRD L.L.C.
THOMASON HON L.L.C.
THOMASON HUND L.L.C.
THOMASON MAZ L.L.C.
THOMASON NISS L.L.C.
THOMASON OUTFITTERS L.L.C.
THOMASON PONTIAC-GMC L.L.C.
THOMASON SUZU L.L.C.
THOMASON TY L.L.C.
THOMASON ZUK L.L.C.

By: /s/ Craig T. Monaghan
Name: Craig T. Monaghan
Title: Vice President

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A., as Administrative Agent

By: /s/ Anne M. Zeschke
Name: Anne M. Zeschke
Title: Vice President

<u>LENDERS</u>:

BANK OF AMERICA, N.A., as A Lender, L/C Issuer and Swing Line Lender

By: /s/ M. Patricia Kay
Name: M. Patricia Kay
Title: Senior Vice President

DCFS USA LLC, as a Lender

By: /s/ Michele Nowak

Name: Michele Nowak

Title: Credit Director, National Accounts

AMERICAN HONDA FINANCE CORPORATION,
as a Lender

By: /s/ Warren A. Bradley
Name: Warren A. Bradley
Title: Sr. Manager

BMW FINANCIAL SERVICES NA, LLC, as a Lender

By: /s/ Scott Bargar

Name: Scott Bargar

Title: Retail Finance
Credit Manager, BMW FS

By: /s/ Patrick Sullivan

Name: Patrick Sullivan

Title: GM, Retailer Finance
BMW Group Financial Services

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Jeffrey Calder
Name: Jeffrey Calder
Title: Vice President

NISSAN MOTOR ACCEPTANCE CORPORATION, as a Lender

By: /s/ Kevin Collum
Name: Kevin Collum
Title: Director of Commercial Credit

TOYOTA MOTOR CREDIT CORPORATION, as a Lender

By: /s/ Mark Doi

Name: Mark Doi

Title: National Dealer Credit Manager

DEUTSCHE BANK TRUST COMPANY AMERICAS, as a Lender

By: /s/ Scottyc Lindsey
Name: Scottyc Lindsey
Title: Director

DEUTSCHE BANK TRUST COMPANY AMERICAS, as a Lender

By: /s/ Carin Keegan
Name: Carin Keegan
Title: Director

WACHOVIA BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Michael R. Burkitt
Name: Michael R. Burkitt
Title: Senior Vice President

WORLD OMNI FINANCIAL CORP., as a Lender

By: /s/ William J. Shore
Name: William J. Shore
Title: V.P.

Asbury Automotive Group Subsidiary List
As of December 31, 2008

Exhibit 21

Entity Name	Domestic State	Foreign Qualification
AF Motors L.L.C.	DE	FL
ALM Motors L.L.C.	DE	FL
ANL L.P.	DE	FL
Asbury AR Niss L.L.C.	DE	AR
Asbury Arkansas Hund L.L.C.	DE	AR
Asbury Atlanta AC L.L.C.	DE	GA
Asbury Atlanta AU L.L.C.	DE	GA
Asbury Atlanta BM L.L.C.	DE	GA
Asbury Atlanta Chevrolet L.L.C.	DE	GA
Asbury Atlanta Hon L.L.C.	DE	GA
Asbury Atlanta Inf L.L.C.	DE	GA
Asbury Atlanta Infiniti L.L.C.	DE	GA
Asbury Atlanta Jaguar L.L.C.	DE	GA
Asbury Atlanta Lex L.L.C.	DE	GA
Asbury Atlanta Nis L.L.C.	DE	GA
Asbury Atlanta Toy L.L.C.	DE	GA
Asbury Atlanta VL L.L.C.	DE	GA
Asbury Automotive Arkansas Dealership Holdings L.L.C.	DE	AR, MS
Asbury Automotive Arkansas L.L.C.	DE	AR, MS
Asbury Automotive Atlanta L.L.C.	DE	GA
Asbury Automotive Atlanta II L.L.C.	DE	GA
Asbury Automotive Brandon, L.P.	DE	FL
Asbury Automotive Central Florida, L.L.C.	DE	FL
Asbury Automotive Deland, L.L.C.	DE	FL
Asbury Automotive Fresno L.L.C.	DE	CA
Asbury Automotive Group L.L.C.	DE	CT, NJ, OR
Asbury Automotive Group, Inc.	DE	AR, FL, GA, NJ, NY, NC, PA, TX, VA
Asbury Automotive Jacksonville GP L.L.C.	DE	FL
Asbury Automotive Jacksonville, L.P.	DE	FL
Asbury Automotive Management L.L.C.	DE	NY, PA
Asbury Automotive Mississippi L.L.C.	DE	MS
Asbury Automotive North Carolina Dealership Holdings L.L.C.	DE	NC
Asbury Automotive North Carolina L.L.C.	DE	NC, SC
Asbury Automotive North Carolina Management L.L.C.	DE	NC
Asbury Automotive North Carolina Real Estate Holdings L.L.C.	DE	NC, NJ, SC, VA
Asbury Automotive Oregon L.L.C.	DE	OR
Asbury Automotive Oregon Management L.L.C.	DE	OR
Asbury Automotive Southern California L.L.C.	DE	CA
Asbury Automotive St. Louis, L.L.C.	DE	MO
Asbury Automotive St. Louis II, L.L.C.	DE	MO
Asbury Automotive Tampa GP L.L.C.	DE	FL
Asbury Automotive Tampa, L.P.	DE	FL
Asbury Automotive Texas L.L.C.	DE	TX
Asbury Automotive Texas Real Estate Holdings L.L.C.	DE	TX

Asbury Automotive Group Subsidiary List **Exhibit 21**
As of December 31, 2008

Entity Name	Domestic State	Foreign Qualification
Asbury Deland Imports 2, L.L.C.	DE	FL
Asbury Fresno Imports L.L.C.	DE	CA
Asbury Jax AC, L.L.C.	DE	FL
Asbury Jax Holdings, L.P.	DE	FL
Asbury Jax Hon, L.L.C.	DE	FL
Asbury Jax K, L.L.C.	DE	FL
Asbury Jax Management L.L.C.	DE	FL
Asbury Jax PB Chev, L.L.C.	DE	
Asbury Jax VW, L.L.C.	DE	FL
Asbury MS Chev, L.L.C.	DE	MS
Asbury MS Gray-Daniels L.L.C.	DE	MS
Asbury MS Yazoo L.L.C.	DE	MS
Asbury No Cal Niss L.L.C.	DE	CA
Asbury Sacramento Imports L.L.C.	DE	CA
Asbury So Cal DC L.L.C.	DE	CA
Asbury So Cal Hon L.L.C.	DE	CA
Asbury So Cal Niss L.L.C.	DE	CA
Asbury St. Louis Cadillac L.L.C.	DE	MO
Asbury St. Louis Lex L.L.C.	DE	MO
Asbury St. Louis LR L.L.C.	DE	MO
Asbury Tampa Management L.L.C.	DE	FL
Asbury-Deland Imports L.L.C.	DE	FL
Atlanta Real Estate Holdings L.L.C.	DE	GA
Avenues Motors, Ltd.	FL	
Bayway Financial Services, L.P.	DE	FL
BFP Motors L.L.C.	DE	FL
C&O Properties, Ltd.	FL	
Camco Finance II L.L.C.	DE	NC, SC
CFP Motors, Ltd.	FL	
CH Motors, Ltd.	FL	
CHO Partnership, Ltd.	FL	
CK Chevrolet LLC	DE	FL
CK Motors LLC	DE	FL
CN Motors, Ltd.	FL	
Coggin Automotive Corp.	FL	
Coggin Cars L.L.C.	DE	FL
Coggin Chevrolet L.L.C.	DE	FL
Coggin Management, L.P.	DE	FL
CP-GMC Motors, Ltd.	FL	
Crown Acura/Nissan, LLC	NC	
Crown CHH L.L.C.	DE	NC
Crown CHO L.L.C.	DE	NC
Crown CHV L.L.C.	DE	NC
Crown FDO L.L.C.	DE	NC
Crown FFO Holdings L.L.C.	DE	NC
Crown FFO L.L.C.	DE	NC
Crown GAC L.L.C.	DE	NC
Crown GBM L.L.C.	DE	NC
Crown GCA L.L.C.	DE	NC

Exhibit 21

Entity Name	Domestic State	Foreign Qualification
Crown GDO L.L.C.	DE	NC
Crown GHO L.L.C.	DE	NC
Crown GNI L.L.C.	DE	NC
Crown GPG L.L.C.	DE	NC
Crown GVO L.L.C.	DE	NC
Crown Honda, LLC	NC	
Crown Motorcar Company L.L.C.	DE	VA
Crown PBM L.L.C.	DE	NJ
Crown RIA L.L.C.	DE	VA
Crown RIB L.L.C.	DE	VA
Crown SJC L.L.C.	DE	SC
Crown SNI L.L.C.	DE	SC
CSA Imports L.L.C.	DE	FL
Escude-NN L.L.C.	DE	MS
Escude-NS L.L.C.	DE	MS
Escude-T L.L.C.	DE	MS
Florida Automotive Services, L.L.C (f/k/a Asbury Automotive Florida, L.L.C.).	DE	FL
Florida Automotive Services West, L.L.C.	DE	FL
Georgia Automotive Services, L.L.C. (f/k/a Asbury Automotive South, L.L.C.).	DE	GA
HFP Motors L.L.C.	DE	FL
JC Dealer Systems LLC (f/k/a Dealer Profit Systems L.L.C.)	DE	FL
KP Motors L.L.C.	DE	FL
McDavid Austin-Acra, L.L.C.	DE	TX
McDavid Frisco-Hon, L.L.C.	DE	TX
McDavid Grande, L.L.C.	DE	TX
McDavid Houston-Hon, L.L.C.	DE	TX
McDavid Houston-Niss, L.L.C.	DE	TX
McDavid Irving-Hon, L.L.C.	DE	TX
McDavid Outfitters, L.L.C.	DE	TX, LA
McDavid Plano-Acra, L.L.C.	DE	TX
NP FLM L.L.C.	DE	AR
NP MZD L.L.C.	DE	AR
NP VKW L.L.C.	DE	AR
Plano Lincoln-Mercury, Inc.	DE	TX
Precision Computer Services, Inc.	FL	
Precision Enterprises Tampa, Inc.	FL	
Precision Infiniti, Inc.	FL	
Precision Motorcars, Inc.	FL	
Precision Nissan, Inc.	FL	
Premier NSN L.L.C.	DE	AR
Premier Pon L.L.C.	DE	AR
Prestige Bay L.L.C.	DE	AR
Prestige Toy L.L.C.	DE	AR
Tampa Hund, L.P.	DE	FL
Tampa Kia, L.P.	DE	FL
Tampa LM, L.P.	DE	
Tampa Mit, L.P.	DE	

Exhibit 21

Entity Name	Domestic State	Foreign Qualification
Tampa Suzu, L.P.	DE	
Thomason Auto Credit Northwest, Inc.	OR	
Thomason Dam L.L.C.	DE	OR
Thomason Frd L.L.C.	DE	OR
Thomason Hon L.L.C.	DE	OR
Thomason Hund L.L.C.	DE	OR
Thomason Maz L.L.C.	DE	OR
Thomason Niss L.L.C.	DE	OR
Thomason Outfitters L.L.C.	DE	OR
Thomason Pontiac-GMC L.L.C.	DE	OR
Thomason Suzu L.L.C.	DE	OR
Thomason TY L.L.C.	DE	OR
Thomason Zuk L.L.C.	DE	OR
WMZ Brandon Motors, L.P.	DE	
WMZ Motors, L.P.	DE	
WTY Motors, L.P.	DE	FL

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-105450, 333-84646 and 333-115402 on Form S-8 and Registration Statement No. 333-123505 on Form S-3 of our report dated March 16, 2009, relating to the consolidated financial statements of Asbury Automotive Group, Inc., and subsidiaries (which report expresses an unqualified opinion and includes explanatory paragraphs relating to (1) the existence of substantial doubt about the Company's ability to continue as a going concern, and (2) the adoption of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109, on January 1, 2007"), and on the effectiveness of Asbury Automotive Group, Inc. and subsidiaries' internal control over financial reporting, and appearing in this Annual Report on Form 10-K of Asbury Automotive Group, Inc. and subsidiaries for the year ended December 31, 2008.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 16, 2009

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles R. Oglesby, certify that:

1. I have reviewed this annual report on Form 10-K of Asbury 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 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 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;

5. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent function):

   (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/ Charles R. Oglesby

Charles R. Oglesby
Chief Executive Officer
March 16, 2009

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Craig T. Monaghan, certify that:

1. I have reviewed this annual report on Form 10-K of Asbury 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 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 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;

5. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent function):

   (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/ Craig T. Monaghan

Craig T. Monaghan
Chief Financial Officer
March 16, 2009

Exhibit 32.1

**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 Asbury Automotive Group, Inc. (the "Company") on Form 10-K for the year ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles R. Oglesby, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(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/ Charles R. Oglesby

Charles R. Oglesby
Chief Executive Officer
March 16, 2009

Exhibit 32.2

**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 Asbury Automotive Group, Inc. (the "Company") on Form 10-K for the year ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig T. Monaghan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(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/ Craig T. Monaghan

Craig T. Monaghan
Chief Financial Officer
March 16, 2009