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

FORM 8-K

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

Date of Report (Date of earliest event reported): November 1, 2021

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

Delaware
(State or other jurisdiction of incorporation)

001-31262 **(Commission File Number)**	**01-0609375** **(IRS Employer Identification No.)**
2905 Premiere Parkway NW Suite 300 **Duluth, GA** **(Address of principal executive offices)**	**30097** **(Zip Code)**

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

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	**ABG**	**New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01 Entry into a Material Definitive Agreement.

Amendment to 2019 Senior Credit Facility

On October 29, 2021, Asbury Automotive Group, Inc. (the "Company") obtained an amendment (the "Amendment") to the Third Amended and Restated Credit Agreement dated, as of September 26, 2019, among the Company, as a borrower, certain of its subsidiaries, as vehicle borrowers, Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swingline lender and an L/C issuer, and the other lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as co-syndication agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as co-documentation agents, and BofA Securities, Inc. as sole lead arranger and sole bookrunner.

Pursuant to the terms of the Amendment, upon the Company's delivery of a notice at its discretion indicating the effective date of certain of the amendments therein, and satisfaction of certain other customary closing conditions, the Amendment will, among other things,

- increase the aggregate commitments under the Revolving Credit Facility to $450.0 million;
- increase the aggregate commitments under the Used Vehicle Floorplan Facility to $350.0 million;
- increase the aggregate commitments under the New Vehicle Floorplan Facility to $1.75 billion;
- remove our minimum consolidated current ratio covenant; and
- provide for limited conditionality with respect to the borrowings under the 2019 Senior Credit Agreement to be used to fund a portion of the consideration for the LHM Acquisition (as defined below).

The foregoing description of the Amendment does not purport to be complete and is subject to, and qualified in its entirety by reference to, the full text of the Amendment, a copy of which will be filed with the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2021.

Item 7.01 Regulation FD Disclosure.

On September 28, 2021, Asbury Automotive Group, LLC ("Purchaser"), a Delaware limited liability company and a wholly-owned subsidiary of Asbury Automotive Group, Inc., a Delaware corporation (the "Company"), entered into (i) a Purchase Agreement with certain members of the Larry H. Miller Dealership family of entities; (ii) a Real Estate Purchase and Sale Agreement with Miller Family Real Estate, L.L.C. and (iii) a Purchase Agreement with certain equity owners of the Total Care Auto, Powered by Landcar insurance business affiliated with the Larry H. Miller Dealership family of entities (the transaction contemplated thereby, the "LHM Acquisition").

The Company is furnishing herewith the following historical financial statements of each of (i) the Larry H. Miller Dealerships; (ii) the Larry H. Miller Automotive Real Estate Properties and (iii) the Total Care Auto, Powered by Landcar.

The audited combined financial statements for each of the Larry H. Miller Dealerships, Larry H. Miller Automotive Real Estate Properties and Total Care Auto, Powered by Landcar as of and for the years ended December 31, 2020 and 2019, together with the notes thereto and the independent auditors' report thereon, which are furnished as Exhibits 99.1, 99.2, and 99.3, respectively, and are incorporated herein by reference.

The unaudited combined interim financial statements for each of the Larry H. Miller Dealerships, the Larry H. Miller Automotive Real Estate Properties and Total Care Auto, Powered by Landcar as of and for the nine months ended September 30, 2021 and September 30, 2020, together with the notes thereto, which are furnished as Exhibits 99.4, 99.5 and 99.6, respectively, and are incorporated herein by reference.

In addition, the Company is furnishing herewith the following pro forma condensed combined financial statements of the Company.

The unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2021, and unaudited pro forma condensed combined statements of income of the Company for the nine months ended September 30, 2021 and September 30, 2020 and for the year ended December 31, 2020 which are furnished as Exhibit 99.7 hereto and are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Audited combined financial statements of the Larry H. Miller Dealerships as of and for the years ended December 31, 2020 and 2019 (with independent auditors' report thereon)
99.2	Audited combined financial statements of the Larry H. Miller Automotive Real Estate Properties as of and for the years ended December 31, 2020 and 2019 (with independent auditors' report thereon)
99.3	Audited combined financial statements of Total Care Auto, Powered by Landcar as of and for the years ended December 31, 2020 and 2019 (with independent auditors' report thereon)
99.4	Unaudited condensed combined interim financial statements of the Larry H. Miller Dealerships as of September 30, 2021 and for the nine months ended September 30, 2021 and September 30, 2020
99.5	Unaudited condensed combined interim financial statements of the Larry H. Miller Automotive Real Estate Properties as of September 30, 2021 and for the nine months ended September 30, 2021 and September 30, 2020
99.6	Unaudited combined interim financial statements of Total Care Auto, Powered by Landcar as of and for the nine months ended September 30, 2021 and September 30, 2020
99.7	Unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2021, and unaudited pro forma condensed combined statements of income of the Company for the nine months ended September 30, 2021 and September 30, 2020 and for the year ended December 31, 2020
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	ASBURY AUTOMOTIVE GROUP, INC.	
Date: November 1, 2021	By:	/s/ Michael D. Welch
	Name:	Michael D. Welch
	Title:	Senior Vice President and Chief Financial Officer

KPMG

LARRY H. MILLER DEALERSHIPS

Combined Financial Statements

December 31, 2020 and 2019

(With Independent Auditors’ Report Thereon)

LARRY H. MILLER DEALERSHIPS

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KPMG LLP
Suite 1500
15 W. South Temple
Salt Lake City, UT 84101

Independent Auditors' Report

To the Board of Directors
Larry H. Miller Dealerships:

We have audited the accompanying combined financial statements of Larry H. Miller Dealerships (collectively referred to as the Company), which comprise the combined balance sheets as of December 31, 2020 and

2019, and the related combined statements of income, equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Larry H. Miller Dealerships as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
April 23, 2021

LARRY H. MILLER DEALERSHIPS

Combined Balance Sheets

December 31, 2020 and 2019

(In thousands)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 46,150	17,733
Accounts receivable, net	206,620	214,914
Inventories	677,578	841,660
Other current assets	6,716	7,781
Total current assets	937,064	1,082,088
Property and equipment, net	33,510	36,980
Goodwill	86,350	70,350
Franchise value	174,694	158,194
Other long term assets, net	—	6,051
Total assets	$1,231,618	1,353,663
Liabilities and Equity		
Current liabilities:		
Floorplan notes payable – trade	$ 45,843	52,178
Floorplan notes payable – nontrade	381,358	440,930
Trade payables	66,231	54,784
Accrued liabilities	81,838	76,319
Incentive bonus plan	19,427	16,976
Due to related parties	163,217	276,534
Notes payable to related parties, current portion	8,709	17,275
Note payable to owners	—	768
Total current liabilities	766,623	935,764
Other liabilities	28,829	26,400
Notes payable to related parties	5,249	8,666
Total liabilities	800,701	970,830
Equity:		
Common stock	2,517	2,517
Additional paid-in capital	430,294	382,210
Treasury stock	(1,894)	(1,894)
Total equity	430,917	382,833
Total liabilities and equity	$1,231,618	1,353,663

See accompanying notes to combined financial statements.

LARRY H. MILLER DEALERSHIPS

Combined Statements of Income

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Revenues:		
New vehicle	$2,481,520	2,390,776
Used vehicle retail	1,118,568	1,112,816
Used vehicle wholesale	385,311	466,083
Service, body and parts	622,238	620,302
Fleet	119,212	144,243
Finance and insurance, net	206,809	196,867
Other	884	823
Total revenues	4,934,542	4,931,910
Cost of sales:		
New vehicle	2,297,070	2,242,588
Used vehicle retail	950,161	953,573
Used vehicle wholesale	374,830	460,678
Service, body and parts	353,267	350,643
Fleet	114,420	138,986
Total cost of sales	4,089,748	4,146,468
Gross profit	844,794	785,442
Selling, general and administrative	662,432	662,686
Depreciation and amortization	9,128	9,166
Impairment loss	7,400	26,000
Operating income	165,834	87,590
Floorplan interest expense	(12,110)	(28,597)
Other income, net	343	1,011
Net income	$ 154,067	60,004

See accompanying notes to combined financial statements.

LARRY H. MILLER DEALERSHIPS

Combined Statements of Equity

Years ended December 31, 2020 and 2019

(In thousands)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings and owners' earnings	Total equity
Balance at December 31, 2018	$ 2,517	368,308	(1,894)	—	368,931
Net income	—	—	—	60,004	60,004
Capital contributions	—	56,327	—	1,048	57,375
Dividends	—	(42,425)	—	(61,052)	(103,477)
Balance at December 31, 2019	2,517	382,210	(1,894)	—	382,833
Net income	—	—	—	154,067	154,067
Capital contributions	—	60,429	—	1,230	61,659
Dividends	—	(12,345)	—	(155,297)	(167,642)
Balance at December 31, 2020	$ 2,517	430,294	(1,894)	—	430,917

See accompanying notes to combined financial statements.

LARRY H. MILLER DEALERSHIPS

Combined Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Cash flows from operating activities:		
Net income	$ 154,067	60,004
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,128	9,166
Impairment loss	7,400	26,000
Net loss on asset sales and dispositions and sale of dealerships	5,575	12,534
(Increase) decrease in assets, net of acquisitions and dispositions:		
Accounts receivable, net	8,294	(11,962)
Inventories	182,169	34,965
Other current assets	1,058	2,361
Increase (decrease) in liabilities, net of acquisitions and dispositions:		
Floorplan notes payable – trade	(6,335)	(21,140)
Trade payables	11,385	(2,543)
Accrued and other liabilities	7,263	7,931
Incentive bonus plan	2,451	(395)
Net cash provided by operating activities	382,455	116,921
Cash flows from investing activities:		
Capital expenditures	(4,328)	(7,199)
Proceeds from asset sales and dispositions	674	618
Proceeds from sale of dealership	1,151	—
Cash paid for purchase of dealerships	(46,974)	(40,246)
Net cash used in investing activities	(49,477)	(46,827)
Cash flows from financing activities:		
Net repayment on floorplan notes payable – nontrade, net of acquisitions and dispositions	(72,510)	(96,403)
Net change in due to related parties	(113,317)	95,181
Principal payments on notes payable to related parties	(13,087)	(16,664)
Principal payments on note payable to owners	(768)	—
Proceeds from issuance of notes payable to related parties	1,104	2,392
Capital contributions	61,659	57,375
Dividends paid	(167,642)	(103,477)
Net cash used in financing activities	(304,561)	(61,596)
Change in cash and cash equivalents	28,417	8,498
Cash and cash equivalents at beginning of year	17,733	9,235
Cash and cash equivalents at end of year	$ 46,150	17,733
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 13,754	28,878

See accompanying notes to combined financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Business Overview

The Larry H. Miller Dealerships (collectively, the Company) is engaged in the retail automotive industry with dealership operations in Utah, Arizona, New Mexico, Colorado, Idaho, California and Washington. The Company operates 55 new car dealerships under franchise agreements with a number of automotive manufacturers. In accordance with individual franchise agreements, each dealership is subject to certain rights and restrictions typical of the industry. The manufacturers have a significant influence on the operations of the Company.

The Company's dealerships sell new and used vehicles, vehicle maintenance and repair services, vehicle parts, extended service contracts, vehicle protection products and aftermarket products. The Company also operates seven used car dealerships, 11 collision centers, and a used vehicle wholesale business. The Company also provides management services to other new vehicle franchised dealers. The management fees earned from these services are included as other revenues in the combined statements of income.

(b) Basis of Presentation

The accompanying combined financial statements reflect the results of operations, the financial position and the cash flows for all dealership related entities owned by the Larry H. Miller Family (the Miller Family or Owners). All intercompany balances and transactions have been eliminated in combination. These combined financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

(c) Cash and Cash Equivalents

Cash is defined as cash on hand and cash in bank accounts without restrictions. With the exception of contracts in transit, which are classified as a component of accounts receivable, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

(d) Accounts Receivable

Accounts receivable includes contracts in transit, vehicle receivables, amounts due from companies and customers for vehicles, service and parts sold and amounts due from manufacturers for factory rebates, dealer incentives, warranty reimbursement and other credits for vehicles sold.

Accounts receivable are recorded at the invoiced amount and do not bear interest until such time as they are 60 days past due. An allowance for doubtful accounts is estimated based on historical write-off experience and is reviewed on a monthly basis. Account balances are charged off against the allowance after all appropriate means of collection have been exhausted and the potential for recovery is considered remote.

(e) Inventories

Most of the vehicle inventories are valued at the lower of cost or net realizable value using a specific identification method. Thirty-one of the Company's dealerships account for their new vehicle and demonstrator vehicle inventory at cost, as determined by the last-in, first-out (LIFO) method. The cost of new and used vehicle inventories includes acquisition, reconditioning, dealer installed accessories and transportation expense.

Most manufacturers provide financial assistance and reimbursement for holdback, floorplan interest and advertising credits, which are reflected as a reduction in the carrying value of each vehicle purchased by the Company. The Company recognizes holdback, floorplan interest, advertising and other rebates and incentives received from the manufacturers as a reduction to cost of sales as the related vehicles are sold.

As the net realizable value of vehicle inventory typically declines over time, especially with respect to used vehicles, the Company establishes a new cost basis for used vehicles based on its historical loss experience and management's considerations of current market trends. The related write downs are charged to cost of sales and reduce the carrying value of vehicle inventory on hand. Used vehicles are complex to value as there is no standardized source for determining the exact values of each vehicle and each market in which the Company operates is unique. As a result, the value of each used vehicle taken at trade-in, or purchased at auction, is determined based on industry data, primarily accessed via the Company's used vehicle management software and the industry expertise of the responsible used vehicle manager. Valuation risk is partially mitigated by the speed at which the Company turns this inventory.

Parts inventories are valued by the Company at lower of cost or net realizable value, which approximates cost on a first-in, first-out (FIFO) basis. Parts purchase discounts received from the manufacturer are reflected as a reduction in the carrying value of the parts purchased from the manufacturer and are recognized as a reduction to cost of sales as the related inventory is sold.

(f) Property and Equipment

Property and equipment are recorded at cost. Leasehold improvements made at the inception of the lease or during the term of the lease are amortized on a straight-line basis over the shorter of the useful life of the improvement or the remaining term of the lease. Expenditures for major additions and improvements are capitalized, while minor additions, maintenance and repairs are charged to expense as incurred. Depreciation expense is computed using the straight-line method.

The range of estimated useful lives is as follows:

Leasehold improvements	5 to 10 years
Service and parts equipment	5 to 15 years
Furniture, signs and fixtures	3 to 10 years
Company vehicles	4 to 10 years

When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to income from operations. Long-lived assets held and used by the Company are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. The Company considers several factors when evaluating whether there are indications of potential impairment related to long-lived assets, including store profitability, macroeconomic factors and the impact of the Company's strategic management decisions. If recoverability testing is performed, the Company evaluates assets to be held and used by comparing the carrying amount of an asset to future net undiscounted cash flows associated with the asset, including its disposition. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(g) Goodwill

Goodwill represents the excess purchase price over the fair value of net assets acquired which is not allocable to separately identifiable intangible assets. Other identifiable intangible assets, such as franchise value, are separately recognized if the intangible asset is obtained through contractual or other legal right or if the intangible asset can be sold, transferred, licensed or exchanged.

Goodwill is not amortized but is tested for impairment at least annually, or more frequently if events or circumstances indicate its carrying value may exceed fair value. Goodwill is tested for impairment at the reporting unit level. The Company's reporting units are individual stores as this is the level at which discrete financial information is available and for which operating results are regularly reviewed by our chief operating decision maker to allocate resources and assess performance. The Company reviews goodwill during the fourth calendar quarter of each year. Goodwill is initially evaluated based on qualitative factors such as macroeconomic conditions, industry conditions, overall financial performance and other relevant factors to determine if it is more likely than not that the fair value of a reporting unit exceeds its carrying amount. If it is deemed that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a quantitative analysis to measure the impairment is required.

The quantitative analysis involves estimating the fair value of a reporting unit using widely accepted valuation methodologies including the income and market approaches, which requires the use of estimates and assumptions. If the fair value of the reporting unit is less than its carrying amount, an impairment loss is recognized in an amount equal to the excess of the carrying amount over the fair value of the reporting unit, not to exceed the carrying amount of the goodwill. The annual goodwill impairment analysis resulted in no impairment in 2020 and $19.1 million in 2019.

(h) Franchise Value

The Company enters into agreements (Franchise Agreements) with automobile manufacturers. Franchise value represents a right received under Franchise Agreements with manufacturers and is identified on an individual store basis.

The Company evaluated the useful lives of Franchise Agreements based on the following factors:

- certain of the Company's Franchise Agreements continue indefinitely by their terms;
- certain of the Company's Franchise Agreements have limited terms, but are routinely renewed without substantial cost;

(Continued)

- other than franchise terminations related to the unprecedented reorganizations of Chrysler and General Motors, and allowed by bankruptcy law, the Company is not aware of manufacturers terminating Franchise Agreements against the wishes of the franchise owners under the ordinary course of business. A manufacturer may pressure a franchise owner to sell a franchise when they are in breach of the franchise agreement over an extended period of time;
- state dealership franchise laws typically limit the rights of the manufacturer to terminate or not renew a franchise;
- the Company is not aware of any legislation or other factors that would materially change the retail automotive franchise system; and
- as evidenced by the Company's acquisition and disposition history, there is an active market for most automotive dealership franchises within the United States. The Company attributes value to the Franchise Agreements acquired with the dealerships they purchase based on the understanding and industry practice that the Franchise Agreements will be renewed indefinitely by the manufacturer.

Accordingly, the Company has determined that their Franchise Agreements will continue to contribute to their cash flows indefinitely and, therefore, have indefinite lives.

As an indefinite lived intangible asset, franchise value is tested for impairment at least annually, or more frequently if events or circumstances indicate the carrying value may exceed fair value. Indefinite lived intangibles are initially evaluated based on qualitative factors such as macroeconomic conditions, industry conditions, overall financial performance and other relevant factors to determine if it is more likely than not that an indefinite lived asset is impaired. If it is deemed that it is more likely than not that the fair value of the indefinite lived intangible asset is less than its carrying value, an impairment test is required. The impairment test for indefinite lived intangible assets requires the comparison of estimated fair value to carrying value, and an impairment charge is recorded to the extent the fair value is less than the carrying value. The Company has determined the appropriate unit of accounting for testing franchise value for impairment is on an individual store basis.

The Company performs impairment tests in the fourth calendar quarter of each year first by analyzing qualitative factors and then, if necessary, using a market or income based approach to estimate the fair value of franchises. Our impairment testing of franchise value resulted in $7.4 million in 2020 and $6.9 million in 2019.

(i) Other Long-Term Assets

Other long-term assets consisted principally of museum grade automobiles and are stated at the lower of cost or net realizable value and amortized over the life of the automobiles.

(j) Advertising

The Company expenses production and other costs of advertising as incurred as a component of selling, general and administrative expense. Additionally, advertising credits that are not tied to specific vehicles, that are earned from the manufacturer when submitted for reimbursement of qualifying advertising expenditures are recognized as a reduction of advertising expense upon manufacturer confirmation that the submitted expenditures qualify for such credits.

Advertising expense, net of manufacturer cooperative advertising credits, was $39.1 million and $50.6 million during the years ended December 31, 2020 and 2019, respectively.

(k) Income and Other Taxes

All of the entities included in these combined financial statements are S Corporations (Subchapter S corporation), QSUBs (Qualified Subchapter S Subsidiary), or partnerships under provisions of the Internal Revenue Code and state law. The taxable income or loss of these entities flows through to the income tax returns of the owners. Accordingly, no provision for federal or state income taxes is made for these entities.

The Company evaluates the tax positions taken or expected to be taken in the course of preparing the Company’s tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. The Company has determined that there is no tax liability resulting from unrecognized tax benefits related to uncertain income tax positions taken or expected to be taken on the tax return for the years ended December 31, 2020 and 2019. Tax years subject to examination include 2013 and 2014 for one taxpayer currently under examination and 2017 forward for all tax returns.

(l) Concentrations of Risk and Uncertainties

The Company enters into Franchise Agreements with the manufacturers. The Franchise Agreements generally limit the location of the dealership and provide the auto manufacturer approval rights over changes in dealership management and ownership. The auto manufacturers are also entitled to terminate the Franchise Agreements if the dealership is in material breach of the terms. The Company’s ability to expand operations depends, in part, on obtaining consents of the manufacturers for the acquisition of additional dealerships.

The Company is subject to a concentration of risk in the event of financial distress, including potential reorganization or bankruptcy, of a major vehicle manufacturer. The Company purchases substantially all new vehicles from various manufacturers or distributors at the prevailing prices available to all franchised dealers. The Company’s sales volume could be materially adversely impacted by the manufacturers’ or distributors’ inability to supply the stores with an adequate supply of vehicles. The largest vehicle manufacturers represented by the Company are FCA US LLC (Chrysler) and Toyota Motor Sales, USA (Toyota). The Company’s Chrysler and Toyota stores represented 34.8% and 28.2% and 32.3% and 31.2% of new vehicle unit sales for 2020 and 2019, respectively. The Company’s Chrysler, General Motors (GM) and Ford (collectively, the Domestic Manufacturers) stores represented 47.7% and 44.0% of new vehicle unit sales for 2020 and 2019, respectively.

The Company receives incentives and rebates from manufacturers, including cash allowances, financing programs, discounts, holdbacks and other incentives. These incentives are recorded as receivables on the combined balance sheets until payment is received. The Company’s financial condition could be materially adversely impacted by the manufacturers’ or distributors’ inability to continue to offer these incentives and rebates at substantially similar terms, or to pay outstanding receivables. Total receivables from manufacturers were $24.4 million and $25.1 million as of December 31, 2020 and 2019, respectively.

(m) Financial Instruments, Fair Value and Market Risks

The carrying amounts of floorplan notes payable – trade and nontrade, due to related parties and note payable to owners approximate fair value because of the short-term nature and current market rates of these instruments. The carrying amount of notes payable to related parties approximate fair value as the terms are comparable to current terms for similar instruments.

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Company had variable rate floorplan notes payable that subject the Company to market risk exposure. At December 31, 2020 and 2019, the Company had $427.2 million and $493.1 million, respectively, outstanding under such facilities, at interest rates ranging from 1.40% to 2.89% per annum. An increase or decrease in the interest rates would affect interest expense for the period accordingly. We estimate the fair value of the assets acquired and liabilities assumed in a business combination using various assumptions. The most significant assumptions used relate to determining the fair value of franchise rights.

We estimate the fair value of our franchise rights primarily using the Multi-Period Excess Earnings (MPEE) model. The forecasted cash flows used in the MPEE model contain inherent uncertainties, including significant estimates and assumptions related to growth rates, margins, general operating expenses, and cost of capital. We use primarily internally-developed forecasts and business plans to estimate the future cash flows that each franchise will generate. We have determined that only certain cash flows of the store are directly attributable to the franchise rights. We estimate the appropriate interest rate to discount future cash flows to their present value equivalent taking into consideration factors such as a risk-free rate, a peer group average beta, an equity risk premium and a small stock risk premium. Additionally, we also may use a market approach to determine the fair value of our franchise rights. These market data points include our acquisition and divestiture experience and third-party broker estimates.

(n) Use of Estimates

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and related notes to combined financial statements. Changes in such estimates may affect amounts reported in future periods.

Estimates are used in the calculation of certain reserves maintained for charge-backs on estimated cancellations of service contracts; guaranteed asset protection (GAP) contracts; and finance fees from customer financing contracts. The Company also uses estimates in the calculation of various expenses, accruals and reserves, including anticipated workers’ compensation premium expenses related to a retrospective cost policy, anticipated losses related to self-insurance components of their property and casualty insurance and discretionary employee bonuses. The Company also makes certain estimates regarding the assessment of the recoverability of goodwill, long-lived assets and indefinite lived intangible assets.

(Continued)

(o) Revenue Recognition

Revenue is recorded when vehicles are delivered to customers, when service work is performed and when parts are delivered. Conditions for completing a sale include having an agreement with the customer, which includes pricing, and a sales price that is probable of being collected.

Revenue from the sale of a vehicle is recognized at a point in time, as all performance obligations are satisfied when a contract is signed by the customer, financing has been arranged or collectability is probable and the control of the vehicle is transferred to the customer. The transaction price for a vehicle sale is determined with the customer at the time of the sale. Customers often trade in their own vehicle to apply toward the purchase of a retail new or used vehicle. The trade-in vehicle is a type of noncash consideration measured at fair value, based on external and internal market data for the specified vehicle, and applied as payment to the contract price for the purchased vehicle. The Company does not allow the return of new or used vehicles, except where mandated by state law.

Revenue from parts and service is recognized at a point in time upon delivery of the parts to the customer or when the service is performed. Each automotive repair and maintenance service is a single performance obligation that includes both parts and labor. Payment for the service is typically due upon completion of the service, which is generally completed within a short period of time from contract inception. The transaction price is based on the parts used, the number of labor hours applied, and the hourly labor rate.

The transaction price for counter parts sales is determined at the time of sale and based on the quantity and price of each product purchased. Payment is typically due at time of sale, or within a short period following the sale. The Company allows for customer returns on sales of parts inventory up to 30 days after the sale. Most parts returns generally occur within one to two weeks from the time of sale, and are not significant.

Revenue from finance and insurance sales is recognized, net of estimated cancellations or charge-backs, at the time of the sale of the related vehicle. We arrange financing for customers through various financial institutions and receive a commission from the financial institution. We also receive commission from selling extended service contracts, maintenance programs, guaranteed auto protection, tire and wheel protection and theft protection products with both related and third party companies. The Company acts as an agent in these arrangements.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the combined statements of income.

(p) Recently Adopted Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-4, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides temporary optional expedients to reduce the costs and complexity associated with the high volume of contractual modifications expected in the transition away from LIBOR as the benchmark rate in contracts. These optional expedients allow entities to negate many of the accounting impacts of modifying contracts necessitated by reference rate reform, allowing them to generally maintain the accounting as if a change had not occurred. This standard is effective as of March 12, 2020. The Company adopted this standard during 2020 and elected the practical expedients relative to the Company’s contracts that will be modified as a result of reference rate reform through December 31, 2022. The application of these practical expedients did not have a material impact on the Company's business, financial position, results of operations, or disclosures in 2020 and the Company will continue to monitor the impact of this standard through 2022.

(q) Legal Costs

The Company accrues a liability for loss contingencies related to litigation, claims, assessments, and other legal matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(2) Accounts Receivable, Net

Accounts receivable, net consisted of the following (in thousands):

	2020	2019
Contracts in transit	$108,612	116,091
Vehicle receivables	43,422	46,998
Manufacturer receivables	24,363	25,073
Trade receivables	30,318	26,480
Other	411	895
	207,126	215,537
Less allowance for doubtful accounts	(506)	(623)
	$206,620	214,914

Contracts in transit are receivables from various lenders for the financing of vehicles that the Company has arranged on behalf of the customer and are typically received within ten days of selling a vehicle. Vehicle receivables primarily represent amounts due from other franchised vehicle dealers and from vehicle wholesalers for vehicles sold on a wholesale basis. Manufacturer receivables include amounts due from manufacturers including holdbacks, rebates, incentives and warranty claims. Trade receivables comprise amounts due from customers and lenders for the commissions earned on financing and for commissions earned on service, GAP, and VTR contracts. Other accounts receivable primarily comprises trade receivables due from customers of the Company's advertising and management companies and employee loans.

(3) Inventories

Inventories consisted of the following (in thousands):

	2020	2019
LIFO valued inventories:		
New vehicles	$341,349	418,002
Excess of cost over LIFO valued inventories	(21,044)	(16,427)
Total LIFO valued inventories	320,305	401,575
New vehicles	176,651	253,281
Used vehicles	110,106	113,958
Program and rental vehicles	26,743	30,316
Parts, accessories and other	43,773	42,530
Total inventories	$677,578	841,660

New vehicle inventory cost is generally reduced by manufacturer holdbacks and incentives, while the related floorplan notes payable are reflective of the gross cost of the vehicle, as measured by manufacturer invoice. As of December 31, 2020 and 2019, the carrying value of new vehicle inventory had been reduced by $4.4 million and $5.2 million, respectively, for assistance received from manufacturers.

(4) Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	2020	2019
Furniture, signs and fixtures	$ 38,611	36,694
Service and parts equipment	33,476	32,078
Company vehicles	6,293	6,537
Leasehold improvements	5,193	4,008
Construction in progress	482	642
	84,055	79,959
Less accumulated depreciation and amortization	(50,545)	(42,979)
	$ 33,510	36,980

Total depreciation and amortization for the years ended December 31, 2020 and 2019 was $8.8 million and $8.5 million, respectively.

(Continued)

(5) Goodwill and Franchise Value

The resulting changes to goodwill and franchise value are as follows (in thousands):

	Goodwill
Balance as of December 31, 2018	$ 80,819
Acquisition	8,631
Impairment	(19,100)
Balance as of December 31, 2019	70,350
Acquisition	16,000
Balance as of December 31, 2020	$ 86,350

	Franchise value
Balance as of December 31, 2018	$143,725
Acquisition	21,369
Impairment	(6,900)
Balance as of December 31, 2019	158,194
Acquisition	24,000
Disposition	(100)
Impairment	(7,400)
Balance as of December 31, 2020	$174,694

(6) Floorplan Notes Payable

The Company currently has relationships with a number of banks and manufacturer affiliated finance companies. These companies provide new and used vehicle floorplan financing.

The floorplan notes payable bear interest, payable monthly on the outstanding balance, at a rate of interest that varies by provider. The vehicle floorplan notes are payable on demand and are typically paid upon the sale of the related vehicle. As such, these floorplan notes payable are shown as current liabilities in the accompanying combined balance sheets. Vehicles financed by lenders not directly associated with the manufacturer are classified as floorplan notes payable – nontrade and are included as a financing activity in the accompanying combined statements of cash flows. Vehicles financed by lenders directly associated with the manufacturer are classified as floorplan notes payable – trade and are included as an operating activity in the accompanying combined statements of cash flows.

The weighted average interest rate on the floorplan facilities was 1.48% and 3.09% at December 31, 2020 and 2019, respectively.

(Continued)

Floorplan notes payable are generally guaranteed by each dealership that borrows from each bank or finance company. Floorplan notes payable are secured by new vehicle inventory, used vehicle and parts inventory, equipment, deposit accounts, contracts in transit, vehicle receivables and accounts receivable. The flooring agreements provide for events of default that include nonpayment, breach of covenants, a change of control and certain financial measurements. In the event of a default, the flooring agreements provide that the lenders may declare the entire principal balance immediately due, foreclose on collateral and increase the applicable interest rate to the revolving loan rate plus up to 4% per annum, among other remedies.

The Company maintains cash management deposit relationships with certain floorplan providers. As of December 31, 2020 and 2019, $211.0 million and $321.5 million, respectively, is on deposit in these cash management accounts, which is recorded as a reduction to the floorplan notes payable in the accompanying combined balance sheets.

(7) Related Party Transactions

(a) Note Payable to Owners

The Company held a note payable to owners. The amounts owed to, and the terms of the note payable to, owners are summarized in the following table (in thousands):

	2020	2019
Unsecured demand note to owners. Bears interest at a variable rate (2.49% at December 31, 2019)	$—	768

(b) Due to Related Parties

The Company borrows various amounts from related parties. Interest expense recorded related to due to related parties was $1.4 million and $5.7 million for the years ended December 31, 2020 and 2019, respectively. The amounts owed to, and the terms of the borrowings from, these related parties are summarized in the following table (in thousands):

	2020	2019
Unsecured cash management demand borrowings to related parties. Bears interest at a variable rate (0.64% and 2.49% at December 31, 2020 and 2019, respectively)	$163,217	276,534

(c) *Notes Payable to Related Parties*

The Company holds notes payable to related parties. Interest expense recorded related to notes payable to related parties was $0.5 million and $0.7 million for the years ended December 31, 2020 and 2019, respectively. The amounts and terms of notes payable to related parties are summarized in the following table (in thousands):

	2020	2019
Unsecured demand note payable from a dealership to a minority shareholder. Bears interest at the dealership flooring rate (2.64% and 4.26% at December 31, 2020 and 2019, respectively)	$ 300	300
Unsecured demand note payable to Landcar Agency. Bears interest at a rate of 1.0% annum	4,032	12,032
Demand notes payable to Miller Management Company. Bears interest at a variable rate (1.44% and 2.99% at December 31, 2020 and 2019, respectively)	444	517
Notes payable from Miller Automotive Operations to Miller Management Company bears interest at variable rates (ranging from 2.13% and 4.78%, at December 31, 2020 and 2019)	9,182	13,092
Total notes payable to related parties	13,958	25,941
Less current portion	(8,709)	(17,275)
Noncurrent notes payable to related parties	$ 5,249	8,666

Future contractual maturities of the related party notes payable are as follows as of December 31, 2020 (in thousands):

Year ending December 31:	
2021	$ 8,709
2022	3,260
2023	1,550
2024	295
2025	144
	$13,958

(d) Incentive Bonus Plan

Certain of the general managers of dealerships owned by the Company participate in an incentive bonus plan. Under the terms of this arrangement, these general managers will pay an amount to the Company as determined by management. This amount paid represents the general manager buy-in to the performance of the dealership and enables the general manager to earn 10% of the earnings of the dealership based on a specified formula. These amounts paid to the Company do not increase or decrease in value and are payable to the general manager in the event of termination of their position with the Company. While the Company does not currently expect these amounts to be repaid in the year ending December 31, 2020, due to the nature of this liability, the Company has reflected the amount as a current obligation on the accompanying combined balance sheets. The amount owing to general managers participating in this incentive bonus plan was $19.4 million and $17.0 million at December 31, 2020 and 2019, respectively. Amounts earned by the general managers under this plan are included as a component of selling, general and administrative expenses in the accompanying combined statements of income and totaled $13.5 million and $8.4 million during the years ended December 31, 2020 and 2019, respectively.

(e) Real Estate Leases with Affiliated Real Estate Companies

The Company leases the majority of its facilities under noncancelable operating leases from Miller Family Real Estate, Jordan Commons, and Larry H. Miller Corporation – Boise. These entities are all owned and controlled by the Miller Family. These leases expire between March 1, 2021 and December 31, 2034. These lease commitments are subject to escalation clauses of an amount equal to the change in the consumer price index.

The minimum future lease payments for noncancelable operating leases with related parties as of December 31, 2020 are as follows (in thousands):

Year ending December 31:	
2021	$ 55,857
2022	47,383
2023	34,677
2024	27,685
2025	22,067
Thereafter	7,945
	$195,614

Rental expense for these operating leases with related parties was $60.1 million and $57.5 million during the years ended December 31, 2020 and 2019, respectively. This amount is included as a component of selling, general and administrative expenses in the accompanying combined statements of income.

(f) Furniture, Fixture and Equipment Leases with Affiliated Real Estate Companies

The Company leases a portion of its furniture, fixtures and equipment under annual operating leases from Miller Family Real Estate. These leases renew annually unless terminated by either party with written notice delivered 30 days prior to the end of the current fiscal year.

Rental expense for all furniture, fixtures and equipment leases was $1.1 million and $1.6 million during the years ended December 31, 2020 and 2019, respectively. These amounts are included as a component of selling, general and administrative expenses in the accompanying combined statements of income. During the year ending December 31, 2021 the Company expects to make rental payments of $0.3 million.

(g) Transactions with Affiliated Insurance and Service Contract Companies

The Company sells extended service, maintenance and vehicle theft reduction contracts for automobiles underwritten by Landcar Agency, Inc. (dba Total Care Auto), an affiliated entity owned and controlled by the Miller Family. During the years ended December 31, 2020 and 2019, respectively, the Company earned commissions of $89.8 million and $84.6 million selling service contracts, commissions of $8.6 million and $9.2 million selling guaranteed auto protection and commissions of $18.0 million and $15.2 million selling vehicle theft reduction products.

The Company sells vehicle protection warranty contracts and products for automobiles. These contracts are underwritten by Landcar Century, Inc. During the years ended December 31, 2020 and 2019, the Company earned commissions of $28.7 million and $28.2 million, respectively, selling these products.

(h) Advertising Services

Saxton-Horne Advertising, an affiliate owned by the Miller Family, provided advertising services to the Company. The Company incurred expenses of $26.0 million and $20.5 million for these services during the years ended December 31, 2020 and 2019, respectively.

(i) Management Services

The Company paid management services fees to Miller Management Company, Inc. (MMC), an affiliate management company owned by the Miller Family. During the years ended December 31, 2020 and 2019, the Company paid MMC $38.4 million and $3.0 million for the management services provided.

(j) Owners Salary and Bonus

The Company paid management services fees to MMC, an affiliate management company owned by the Miller Family. During the year ended December 31, 2020, the Company did not pay any owner salary and bonus. During the year ended December 31, 2019 the Company paid an owner salary of $2.8 million and an owner bonus of $18.9 million, respectively.

(Continued)

(8) Commitments and Contingencies

(a) Leases

The Company leases certain of their facilities under noncancelable operating leases with unrelated parties. These leases expire at various dates through February 1, 2029. Certain lease commitments contain fixed payment increases at predetermined intervals over the life of the lease, while other lease commitments are subject to escalation clauses of an amount equal to the change in the consumer price index. Lease expense is recognized on a straight-line basis over the life of the lease.

The minimum future lease payments under these operating leases as of December 31, 2020 are as follows (in thousands):

2021	$ 6,213
2022	6,181
2023	3,182
2024	2,223
2025	2,020
Thereafter	4,427
	$24,246

Rental expense for all operating leases with unrelated parties was $6.4 million and $6.3 million during the years ended December 31, 2020 and 2019, respectively. This amount is included as a component of selling, general and administrative expenses in the accompanying combined statements of income.

(b) Other Liabilities

The Company has recorded a reserve of $28.0 million for estimated contractual obligations related to potential charge-backs for vehicle service contracts and other various insurance contracts that are terminated early by the customer. These amounts are included in other liabilities in the accompanying combined balance sheets. The Company estimates that the charge-backs will be paid out as follows (in thousands):

Year ending December 31:	
2021	$ 16,400
2022	7,500
2023	2,900
2024	950
2025	200
Thereafter	50
	$ 28,000

(c) Regulatory Compliance

The Company is subject to numerous state and federal regulations common in the automotive sector that cover retail transactions with customers and employment and trade practices. The Company does not anticipate that compliance with these regulations will have an adverse effect on their business, combined results of operations, financial condition or cash flows, although such outcome is possible given the nature of our operations and the legal and regulatory environment affecting our business.

(d) Litigation

The Company is party to legal proceedings arising in the normal course of business. In the opinion of management, the resolution of legal proceedings arising in the normal course of business will not have a material adverse effect on their combined business, results of operations, financial condition, or cash flows.

(e) Environmental Matters

The Company monitors for the presence of hazardous or toxic substances. Management is not aware of any environmental liability with respect to the Company that would have a material adverse effect on the Company's combined business, assets, or results of operations; however, there can be no assurance that such a material environmental liability does not exist. The existence of any such environmental liability could have an adverse effect on the Company's combined financial position, results of operations, or cash flows.

(f) Self-Insurance

The Company partially self-insures against certain general liability claims. Specifically, the Company carries a $250,000 deductible on general liability claims. The Company carries aggregate stop-loss insurance that limits total losses at certain pre-defined levels. Additionally, the Company is subject to claims lag resulting from timing differences between the occurrence of a claim and the time that the claim is reported and paid. Accordingly, the Company has accrued $3.6 million and $4.4 million for losses incurred under these self-insured programs as of December 31, 2020 and 2019, respectively.

(9) Common Stock

The following table outlines the common stock of each of the entities included in these accompanying combined financial statements:

		(Shares not in thousands)					
	Par value	Number of shares authorized	Shares issued/ outstanding	Shares held in treasury	Common Stock	Treasury	Ownership
Larry H. Miller American Toyota Albuquerque	$ no par	1,000	1,000	—	$ 10	—	100%
Larry H. Miller Casa Chevrolet	no par	1,000	1,000	—	—	—	100
Larry H. Miller Casa Chrysler Jeep	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chevrolet Murray	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chevrolet Provo	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chrysler Jeep Avondale	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chrysler Jeep Dodge Bountiful	no par	—	—	—	—	—	100
Larry H. Miller Chrysler Jeep Dodge Ram Albuquerque	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chrysler Jeep Dodge Ram Boise	100	2,500	1,528	—	171	—	100
Larry H. Miller Chrysler Jeep Dodge Ram Provo	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chrysler Jeep Dodge Ram Riverdale	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chrysler Jeep Dodge Ram Sandy	no par	2,000	2,000	—	54	—	100
Larry H. Miller Chrysler Jeep Dodge Ram Surprise	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chrysler Jeep Dodge Thornton	no par	1,000	1,000	—	—	—	100
Larry H. Miller Chrysler Jeep Tucson	no par	1,000	1,000	—	—	—	100
Larry H. Miller Collision Center Colorado Springs	no par	1,000	1,000	—	—	—	100
Larry H. Miller Collision Center Orem	no par	1,000	1,000	—	—	—	100
Larry H. Miller Colorado Chrysler Jeep	no par	1,000	1,000	—	—	—	100
Larry H. Miller Dodge Ram Avondale	no par	1,000	1,000	—	—	—	100
Larry H. Miller Dodge Ram Cherry Creek	no par	1,000	1,000	—	—	—	100
Larry H. Miller Dodge Ram Peoria	no par	1,000	1,000	—	10	—	100
Larry H. Miller Dodge Ram Tucson	no par	1,000	1,000	—	—	—	100
Larry H. Miller Fiat Tucson	no par	1,000	1,000	—	—	—	100
Larry H. Miller Fleet Lease	no par	1,000	1,000	—	10	—	100
Larry H. Miller Ford Lakew ood	no par	1,000	1,000	—	—	—	100
Larry H. Miller Ford Lincoln Provo	no par	1,000	1,000	—	—	—	100
Larry H. Miller Ford Lincoln Sandy	no par	1,000	1,000	—	—	—	100
Larry H. Miller Ford Mesa	no par	1,000	1,000	—	—	—	100
Larry H. Miller Ford Salt Lake City	no par	1,000	1,000	—	1	—	100
Larry H. Miller Honda Boise	no par	750,000	260,000	—	250	—	100
Larry H. Miller Honda Murray	1	50,000	10,000	—	10	—	100
Larry H. Miller Honda Spokane	no par	1,000	1,000	—	—	—	100
Larry H. Miller Hyundai Albuquerque	no par	10,000	1,000	—	1	—	100
Larry H. Miller Hyundai Peoria	no par	1,000	1,000	—	—	—	100
Larry H. Miller Lexus Murray/Lindon	no par	1,000	1,000	—	1	—	100
Larry H. Miller Lexus Spokane	no par	1,000	1,000	—	—	—	100

		(Shares not in thousands)					
	Par value	Number of shares authorized	Shares issued/ outstanding	Shares held in treasury	Common Stock	Treasury	Ownership
Larry H. Miller Liberty Toyota Colorado Springs	no par	1,000	1,000	—	$ 1	—	100%
Larry H. Miller Management	no par	—	—	—	—	—	100
Larry H. Miller Mercedes-Benz of Lindon	no par	1,000	1,000	—	950	—	100
Larry H. Miller Nissan Arapahoe	no par	1,000	1,000	—	—	—	100
Larry H. Miller Nissan Corona	no par	1,000	1,000	—	—	—	100
Larry H. Miller Nissan Denver	no par	1,000	1,000	—	—	—	100
Larry H. Miller Nissan Highlands Ranch	no par	1,000	1,000	—	1	—	100
Larry H. Miller Nissan Mesa	no par	1,000	1,000	—	1	—	100
Larry H. Miller Nissan San Bernadino	no par	1,000	1,000	—	—	—	100
Larry H. Miller Southw est Hyundai Albuquerque	no par	1,000	1,000	—	1	—	100
Larry H. Miller Subaru Boise	25	5,000	2,188	—	559	—	100
Larry H. Miller Toyota Albuquerque	no par	1,000	1,000	—	10	—	100
Larry H. Miller Toyota Boulder	no par	50,000	1,000	510	275	(1,894)	100
Larry H. Miller Toyota Colorado Springs	no par	1,000	1,000	—	1	—	100
Larry H. Miller Toyota Corona	no par	1,000	1,000	—	—	—	100
Larry H. Miller Toyota Lemon Grove	no par	1,000	1,000	—	—	—	100
Larry H. Miller Toyota Spokane	no par	1,000	1,000	—	—	—	100
Larry H. Miller Toyota Murray	no par	1,000	1,000	—	—	—	100
Larry H. Miller Toyota Scion Peoria	no par	10,000	1,000	—	—	—	100
Larry H. Miller Used Car Supermarket Boise	no par	1,000	1,000	—	—	—	100
Larry H. Miller Used Car Supermarket 90th	no par	1,000	1,000	—	—	—	100
Larry H. Miller Used Car Supermarket Orem	no par	1,000	1,000	—	—	—	100
Larry H. Miller Used Car Supermarket Sandy/Murray/Riverdale	no par	1,000	1,000	—	200	—	100
Larry H. Miller Volksw agen Avondale	no par	1,000	1,000	—	—	—	100
Larry H. Miller Volksw agen Lakew ood	no par	—	—	—	—	—	50
Larry H. Miller Volksw agen Tucson	no par	1,000	1,000	—	—	—	100
		930,500	329,716	510	$ 2,517	(1,894)	

The minority ownership in one partnership is deemed by the Company to be immaterial and is, therefore, not separately stated in these accompanying combined financial statements.

(10) Retirement Plan

The Company participates in the Larry H. Miller Employees' Retirement Plan and Trust (the Plan), filed under Section 401(k) of the Internal Revenue Code. This plan covers eligible employees who complete one year of continuous service, work more than 1,000 hours, and have attained the age of 21. The Plan allows each participant to contribute up to 50% of the participant's total annual salary, or the maximum amount allowed by the Internal Revenue Code, whichever is less.

The Company has agreed to match 50% of each participant's contribution, up to 6% of each participant's total annual salary, with a total salary limit of \$0.29 million and \$0.28 million for the years ended December 31, 2020 and 2019, respectively. Contributions are vested 20% each year based on each participant's hire date with the Company. The Company has the right under the Plan to discontinue matching the salary deferral at any time or to terminate its participation in the Plan. In the event of the termination of the Plan, the net assets of the Plan are available for payment of benefits to the participants.

The Company incurred expenses for matching contributions in the amount of $5.1 million during the years ended December 31, 2020 and 2019. Amounts payable to the Plan were $0.4 million and $0.8 million at December 31, 2020 and 2019, respectively.

(11) Acquisitions and Dispositions

On February 3, 2020, the Company acquired a Chevrolet dealership and Chrysler Jeep dealership in Albuquerque, New Mexico. The purchase price of the acquisitions was $47.0 million, which was paid in cash. The primary purpose for the acquisitions was to increase the Company's dealership presence in the New Mexico market and diversify the Company's dealership mix.

On March 1, 2019, the Company acquired a Ford dealership in Mesa, Arizona. The purchase price of the acquisition was $40.2 million, which was paid in cash. The primary purpose for the acquisitions was to increase the Company's dealership presence in the Arizona market and diversify the Company's dealership mix.

The results of operations of the acquired stores have been included in the combined financial statements since the date of acquisition. The following table summarizes the consideration paid and estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

	2020	2019
Inventory	$ 21,723	38,386
Goodwill	16,000	8,631
Franchise value	24,000	21,369
Property and equipment	2,053	910
Trade payables and accrued liabilities	(706)	(872)
Floorplan note payable – nontrade	(16,096)	(28,178)
Total	$ 46,974	40,246

On October 20, 2020, the Company sold the assets of a Nissan dealership in San Bernardino, California. The Company received $1.2 million in cash for the sale of $1.2 million of assets, net of outstanding balances under the floorplan notes payable.

(12) Subsequent Events

The Company has evaluated subsequent events through April 23, 2021, which is the date these combined financial statements were available to be issued.

On January 21, 2021, the Company sold the assets of a Nissan dealership in Corona, California. The Company received $1.0 million in cash for the sale of $1.0 million of assets, net of outstanding balances under the floorplan notes payable.

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Combined Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Table of Contents

KPMG LLP
Suite 1500
15 W. South Temple
Salt Lake City, UT 84101

Independent Auditors' Report

The Board of Directors
Larry H. Miller Automotive Real Estate Properties:

We have audited the accompanying combined financial statements of Larry H. Miller Automotive Real Estate Properties (collectively referred to as the Company), which comprise the combined balance sheets as of December 31, 2020 and 2019, and the related combined statements of income, parent's net investment, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Larry H. Miller Automotive Real Estate Properties as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1 to the combined financial statements, which describes the Company's carve-out basis of presentation used in preparing the combined financial statements. Our opinion is not modified with respect to this matter.

KPMG LLP

Salt Lake City, Utah
October 25, 2021

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Combined Balance Sheets

December 31, 2020 and 2019 `

(In thousands)

	2020	2019
Assets		
Real estate:		
Land	$ 189,890	186,433
Buildings and leasehold improvements	409,906	410,167
Furniture, fixtures, and equipment	42,820	42,835
Construction and equipment in progress	9,440	6,943
Less accumulated depreciation and amortization	(162,419)	(147,673)
Real estate, net	489,637	498,705
Due from related parties	132	13
Prepaid expenses and other assets	6,376	428
Total assets	$ 496,145	499,146
Liabilities and Parent's Net Investment		
Liabilities:		
Mortgage notes payable, net	$ 147,724	156,622
Notes payable to related party	47,581	54,187
Due to related party	155,001	157,193
Accounts payable and accrued liabilities	1,662	2,538
Other liabilities	6,601	3,889
Total liabilities	358,569	374,429
Parent's net investment:		
Parent's net investment	137,576	124,717
Total parent's net investment	137,576	124,717
Total liabilities and parent's net investment	$ 496,145	499,146

See accompanying notes to combined financial statements.

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Combined Statements of Income

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Rental revenues, primarily related party	$ 62,297	59,489
Total revenues	62,297	59,489
Operating expenses:		
General and administrative	10,888	7,752
Repairs and maintenance	143	226
Depreciation and amortization	15,433	15,667
Loss on disposal of assets	13	302
Total operating expenses	26,477	23,947
Income from operations	35,820	35,542
Other income (expense):		
Interest, investment, and other income	512	655
Interest expense	(16,094)	(16,701)
Unrealized loss on fair value of derivative instruments	(7,030)	(8,000)
Total other expense, net	(22,612)	(24,046)
Net income	$ 13,208	11,496

See accompanying notes to combined financial statements.

LARRY H. MILLER REAL ESTATE ENTITIES PROPERTIES

Combined Statements of Changes in Parent's Net Investment

Years ended December 31, 2020 and 2019

(In thousands)

Balance, December 31, 2018	$118,010
Change in parent's net investment	(4,789)
Net income	11,496
Balance, December 31, 2019	124,717
Change in parent's net investment	(349)
Net income	13,208
Balance, December 31, 2020	$137,576

See accompanying notes to combined financial statements.

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Combined Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Cash flows from operating activities:		
Net income	$ 13,208	11,496
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,433	15,667
Loss on disposal of assets	13	302
Unrealized loss on fair value of derivative instruments	7,030	8,000
Amortization of deferred financing costs	95	100
Changes in operating assets and liabilities:		
Accounts receivable, net	(119)	538
Prepaid expenses and other assets	(5,949)	1,010
Accounts payable and accrued liabilities	(77)	(254)
Other liabilities	13	(840)
Net cash provided by operating activities	29,647	36,019
Cash flows from investing activities:		
Capital expenditures	(16,015)	(47,570)
Proceeds from sale of properties, furniture, fixtures, and equipment	8,839	7,150
Net cash used in investing activities	(7,176)	(40,420)
Cash flows from financing activities:		
Principal payments on mortgage notes payable	(8,823)	(9,274)
Proceeds from issuance of mortgage notes payable	169	21,828
Payments for loan origination costs	(339)	(47)
Principal payments on related party notes payable	(6,606)	(5,472)
Proceeds from issuance of related party notes payable	—	25,500
Net change in due to related party	(6,523)	(23,345)
Change in parent’s net investment	(349)	(4,789)
Net cash (used in) provided by financing activities	(22,471)	4,401
Net change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of year	—	—
Cash and cash equivalents, end of year	$ —	—
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 16,173	16,607
Supplemental noncash investing and financing activities:		
Accrued purchases of properties, furniture, fixtures, and equipment	18	817

See accompanying notes to combined financial statements.

(1) Nature of Business and Basis of Presentation

(a) Nature of Business

We have prepared the accompanying combined financial statements of real property related to the Larry H. Miller Dealership operations (Larry H. Miller Automotive Real Estate Properties or Company). The real property related to the Larry H. Miller Dealerships has historically operated as part of the Larry H. Miller Real Estate Entities (Parent) and not as a standalone company. The accompanying combined financial statements comprise the combined balance sheets as of December 31, 2020, and 2019, and the related combined statements of income, changes in Parent's net investment, and cash flows for the years then ended.

(b) Basis of Presentation

The combined financial statements of the Parent include the accounts of Miller Family Real Estate LLC (MFRE) and Larry H. Miller Corporation – Boise (Boise), all of which are principally owned by the Larry H. Miller Family (the Miller Family). MFRE is a limited liability company and is treated as a partnership for federal income tax purposes. Boise is a Subchapter S corporation and is taxed as a flow-through entity for federal income tax purposes.

The accompanying combined financial statements representing the historical operations of the Parent's automotive real estate business have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The combined financial statements have been derived from the combined financial statements and accounting records of the Parent using the historical results of operations and historical cost basis of the assets and liabilities that comprise the Company to demonstrate the Company's combined historical financial position, results of operations, and cash flows on a carve-out basis. All intercompany balances and transactions within the Company's combined financial statements have been eliminated. Transactions and balances between the Company and the Parent that are not included in these combined financial statements are reflected as related party balances and transactions within these financial statements. Transactions between the Company and the Parent are reflected as change in Parent's net investment.

The combined financial statements include the assets, liabilities, revenues, and expenses that are specifically identifiable to the Company. As part of Parent, the Company is dependent upon Parent for all of its working capital and financing requirements as Parent uses a centralized approach to cash management and financing of its operations. Financial transactions relating to the Company are accounted for through the Parent's net investment account and due to related parties account. Accordingly, none of Parent's cash or cash equivalents at the corporate level have been allocated to the Company in the combined financial statements. Debt balances that are directly related to the Company's financing have been included in the combined financial statements. Parent's net investment represents Parent's interest in the recorded net assets of the Company. The combined financial statements also include allocations of certain administrative, accounting, legal, human resources and information technology expenses from the Parent based on the percentage of revenue recognized by the Company divided by total revenue recognized by the Parent. These allocated costs are primarily related to corporate general and administrative expenses and employee related costs for corporate and shared employees. Nevertheless, the combined financial statements may not include all of the actual expenses that would have been incurred had the Company operated as a standalone company during the periods presented and may not reflect the combined results of operation, financial position and cash flows had the Company operated as a standalone business during the periods presented. Actual costs that would have been incurred if the Company had operated as a standalone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. The Company also may incur additional costs associated with being a standalone company that were not included in the expense allocations and therefore would result in additional costs that are not reflected in the combined historical results of operations, financial position, and cash flows. Consequently, future results of operations should the Company operate separately from the Parent could include costs and expenses that may be materially different than the Company’s historical results of operations, financial position, and cash flows. Accordingly, the combined financial statements for the periods presented may not be indicative of the Company’s future results of operations, financial position, and cash flows.

(2) Summary of Significant Accounting Principles

These combined financial statements are prepared in accordance with U.S. GAAP, and the accounting policies generally accepted by the industry in which the Company operates.

(a) Real Estate

Real estate is recorded at cost and consists of land, buildings, leasehold improvements, furniture, fixtures, and equipment. Significant expenditures that improve or extend the life of an asset are capitalized, while minor replacements, maintenance, and repairs that do not increase the useful life of an asset are expensed as incurred.

Depreciation is calculated using the straight-line method over the useful lives of the assets. Leasehold and tenant improvements are amortized using the straight-line method over the shorter of the useful lives or the term of the lease.

The range of estimated useful lives is as follows:

Buildings and leasehold improvements	25 to 39 years
Furniture, fixtures, and equipment	5 to 10 years

When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or debited to income from operations. The Company recorded $15.4 million and $15.7 million in depreciation expense for 2020 and 2019, respectively.

(b) Accounts Receivable

Accounts receivable include amounts due from tenants and miscellaneous receivables generated in the ordinary course of business. The Company determines an allowance for doubtful accounts based on historical write-off experience, current market and industry conditions, aging of the accounts receivable, and the nature of the receivable. No allowance for doubtful accounts has been recorded as of December 31, 2020 and 2019.

(c) Prepaid Expenses and Other Assets

Other assets primarily consist of pre-paid real estate commissions, funds held in escrow for 1031 exchanges and development bonds relating to projects under construction and refundable by the applicable city once the project is complete.

(d) Fair Value of Financial Instruments

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Management Estimates

The preparation of the combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 2020 and 2019, and revenues and expenses reported for the years then ended. The actual outcome could differ from the estimates made in the preparation of these combined financial statements.

Estimates are used in the calculation of various expenses, accruals, and reserves, including the assessment of the recoverability of long-lived assets.

(f) Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Impairment is recognized when estimated future cash flows (undiscounted and without interest charges) are less than the carrying amount of the asset. The estimation of future net cash flows is inherently uncertain and relies to a considerable extent on assumptions regarding current and future economic and market conditions and the availability of capital. If, in future periods, there are changes in the estimates or assumptions incorporated into the impairment review analysis, the changes could result in an adjustment to the carrying amount of the long-lived assets. To the extent that an impairment has occurred, the excess of the carrying amount of the asset over its estimated fair value is charged to income from operations.

(g) Derivative Instruments

The Company’s derivative instruments consist of interest rate swap agreements to manage the Company’s exposure to interest rate volatility. The interest rate swap agreements mitigate the cash flow effects of interest rate fluctuations on interest expense for variable-rate debt instruments.

All derivatives are recognized at their current fair value. Changes in the fair value of derivative financial instruments are recorded in the combined statements of income unless specific hedge accounting criteria are met. If such criteria are met for cash flow hedges, the effective portion of the change in the fair value is recorded directly to accumulated other comprehensive income, a component of equity, until the hedged transaction occurs. The ineffective portion of the change in fair value is recorded in the combined statements of income. The Company’s derivative instruments did not qualify as a hedge, and accordingly, the Company has recorded the gains and losses from the interest rate swaps in the combined statements of income.

(Continued)

(h) Revenue Recognition

The Company's primary source of revenue is derived from tenant rents. The majority of the Company's revenue contracts are classified as leases and accounted for in accordance with ASC 840 – *Leases.* The Company leases its property with lease terms of generally five to fifteen years. Rental revenue is recognized monthly as earned. Rent received in advance is deferred and recognized in income when earned. Rent concessions and escalating payments are recognized on a straight-line basis as an offset to revenues over the term of the underlying lease.

The Company recognizes revenue on professional services in accordance with Topic 606 when the performance obligation is satisfied which typically occurs over time when the services are rendered. Revenue is recognized based on contractual rates and payment is typically due in full within thirty days of delivery.

(i) Income Taxes

The income of the Parent flows directly to its owners. Accordingly, there are no liabilities or provisions for income taxes recorded in the Parent's combined financial statements; therefore, there are no liabilities or provisions for income taxes recorded in the accompanying combined financial statements.

The Parent evaluates the tax positions taken or expected to be taken in the course of preparing the Parent's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. The Parent has determined that there is no tax liability resulting from unrecognized tax benefits related to uncertain income tax positions taken or expected to be taken on the tax return for the years ended December 31, 2020 and 2019. There are no tax returns that are currently under examination. Tax years that remain subject to examination are years 2017 and forward.

(j) Legal Matters

The Company recognizes a liability for loss contingencies related to litigation, claims, assessments, and other legal matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(Continued)

(3) Mortgage Notes Payable

Mortgage notes payable consisted of the following at December 31, 2020 and 2019 (in thousands):

Description*	Rate	Monthly payment	Maturity date	Collateral	2020	2019
MLIBOR + 2%	3.00%	prin + int	6/5/2024	Secured by Land and Buildings	$ 23,840	25,334
MLIBOR + 1.6%	1.75%	prin + int	6/1/2022	Secured by Land and Buildings	19,280	20,192
DLIBOR + 2.15%	2.90%	prin + int	10/31/2022	Secured by Land and Buildings	25,992	26,959
Fixed	4.46%	prin + int	12/1/2027	Secured by Land and Buildings	7,842	8,117
MLIBOR + 1.75%	1.89%	prin + int	1/1/2031	Secured by Buildings	6,162	6,689
5 yr LIBOR + 1.75%	4.42%	prin + int	3/28/2038	Secured by Land and Buildings	8,908	9,368
MLIBOR + 1.9%	2.05%	prin + int	3/31/2025	Secured by Land and Buildings	7,944	8,283
MLIBOR + 1.95%	2.10%	prin + int	6/1/2025	Secured by Land and Buildings	14,315	16,481
MLIBOR + 1.6%	1.75%	prin + int	9/5/2023	Secured by Land and Buildings	13,716	14,415
MLIBOR + 1.7%	1.85%	prin + int	3/31/2026	Secured by Land and Buildings	20,308	21,122
					148,307	156,960
Less unamortized debt issuance costs					(583)	(338)
Mortgage notes payable, net					$147,724	156,622

* MLIBOR equals 30-day LIBOR

* DLIBOR equals daily LIBOR

The mortgage notes payable agreements contain covenants including debt service coverage ratios, lease sufficiency ratios, loan-to-value ratios, and minimum average liquidity requirements.

As of December 31, 2020, the expected principal payments are scheduled to be paid as follows (in thousands):

Year:	
2021	$ 8,134
2022	48,481
2023	17,319
2024	23,114
2025	20,328
Thereafter	30,931
	$148,307

(4) Related Party Transactions

(a) Rental Revenues

The Company's rental revenue is generated from lease agreements with related entities owned by the Miller Family. Revenue recognized by the Company during the years ended December 31, 2020 and 2019 from related entities totaled $60.8 million and $58.8 million, respectively.

(b) Notes Payable to Related Party

The Company has secured notes payable to Larry H. Miller Management Corporation (MMC). Interest expense recorded on notes payable to related parties was $2.5 million and $2.4 million for the years ended December 31, 2020 and 2019, respectively. Notes payable to related party consisted of the following at December 31, 2020 and 2019 (in thousands):

	2020	2019
A note payable bearing interest at 3.28%. Secured by furniture, fixtures, and equipment. Monthly payments of principal and interest of $18. Matures June 2020.	—	42
A note payable bearing interest at 3.43%. Secured by real property. Monthly payments of principal and interest of $163. Matures April 2030.	15,427	16,833
A note payable bearing interest at 3.18%. Secured by furniture, fixtures, and equipment. Monthly payments of principal and interest of $3. Matures May 2020.	—	13
A note payable bearing interest at 3.43%. Secured by real property. Monthly payments of principal and interest of $15. Matures August 2031.	1,617	1,744
A note payable bearing interest at 4.29%. Secured by real property. Monthly payments of principal and interest of $34. Matures December 2032.	3,815	4,053
A note payable bearing interest at 4.76%. Secured by real property. Monthly payments of principal and interest of $53. Matures August 2033.	3,006	3,793
A note payable bearing interest at 4.42%. Secured by real property. Monthly payments of principal and interest of $68. Matures April 2034.	8,266	8,711
A note payable bearing interest at 4.32%. Secured by real property. Monthly payments of principal and interest of $123. Matures April 2029.	10,341	11,351
A note payable bearing interest at 4.32%. Secured by real property. Monthly payments of principal and interest of $32. Matures November 2034.	4,249	4,480
A note payable bearing interest at 4.69%. Secured by real property. Monthly payments of principal and interest of $167. Matures December 2027.	860	3,167
	$47,581	54,187

(Continued)

As of December 31, 2020, the principal payments are scheduled to be paid as follows (in thousands):

Year:	
2021	$ 4,694
2022	3,988
2023	4,148
2024	4,315
2025	4,489
Thereafter	25,947
	$47,581

(c) *Due to Related Party*

The Company has a net payable due to related parties of $155.0 million and $157.2 million as of December 31, 2020 and 2019, respectively. Included in these amounts are a net payable due to MMC for loans from MMC of $9.0 million and $5.1 million as of December 31, 2020 and 2019, respectively, which is due on demand.

Also included in these amounts are a net payable due to the Parent for financing provided by the Parent. The Company has debt under credit agreements to which it is the legal obligor as described in Note (3) Mortgage Notes Payable and Note (4) Notes Payable to Related Party. In addition, although the Company is not the obligor, the Parent has mortgage notes payable that are secured by the assets of the Company of $137.7 million and $148.1 million as of December 31, 2020 and 2019, respectively. The Parent's mortgage notes payable includes a line of credit with a borrowing capacity of $50 million bearing interest at LIBOR + 1.7% and had no amounts outstanding as of the end of each period presented.

As of December 31, 2020, the expected principal payments to the Parent are scheduled to be paid as follows (in thousands):

Year:	
2021	$ 11,450
2022	11,450
2023	11,450
2024	104,313
	$138,663

In addition, as of December 31, 2020 and 2019, the net payable due to the Parent included a net payable due to the Parent of $8.3 million and $4.0 million, respectively, for the Parent's interest rate swap derivatives related to the Parent's mortgage notes payable.

The Parent's mortgage notes payable include debt service coverage ratios, lease sufficiency ratios, loan-to-value ratios, and minimum average liquidity requirements. The mortgage notes payable mature June 2024. In the event of a change in control, the Company would be required to repay the outstanding balance to the Parent.

(d) Management Services

The Company paid management services fees to MMC. The Company paid MMC $0.6 million for the affiliate management services provided during the years ended December 31, 2020 and 2019. The expenses are included as a component of general and administrative expense in the accompanying combined statements of income.

(5) Lease Commitments

The Company is a party to several lease agreements expiring on various dates through 2034. Lease terms generally include combined initial and option terms of 15 to 30 years. The option terms are typically in five-year increments. Rental payments include minimum rentals. Rental expense for operating leases during the years ended December 31, 2020 and 2019 totaled $6.4 million and $4.7 million, respectively.

Future minimum lease payments under operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2020 are as follows (in thousands):

Year ending December 31:	
2021	$ 6,370
2022	6,080
2023	5,840
2024	4,409
2025	3,439
Thereafter	7,481
	$33,619

(6) Commitments and Contingencies

(a) Legal Matters

The Company is party to certain legal matters arising in the ordinary course of business. In the opinion of management, the resolution of legal proceedings arising in the normal course of business will not have a material adverse effect on its combined business, results of operations, financial condition, or cash flows.

(b) Environmental Matters

The Company monitors for the presence of hazardous or toxic substances. Management is not aware of any environmental liability with respect to the Company that would have a material adverse effect on the Company's combined business, assets, or results of operations; however, there can be no assurance that such a material environmental liability does not exist. The existence of any such environmental liability could have an adverse effect on the Company's combined financial position, results of operations, or cash flows.

(c) General Uninsured Losses

The Company carries comprehensive liability, fire, flood, environmental, extended coverage, and rental loss insurance with policy specifications, limits, and deductibles that management believes are adequate and appropriate under the circumstances given the relative risk of loss, the cost of such coverage, and industry practice. There are, however, certain types of losses that may be either uninsurable or not economically insurable. Should an uninsured loss occur, it could have an adverse effect on the Company's combined financial position, results of operations, or cash flows.

(d) Future Construction Projects

As of December 31, 2020, the Company did not have any commitments for construction projects. Due to the COVID-19 pandemic, all projects planned for 2020 were discontinued and existing contracts were terminated by right of owner convenience.

(7) Rentals Receivable under Operating Leases

The following is a schedule by years of minimum future rental income on noncancelable operating leases as of December 31, 2020 (in thousands):

Year ending December 31:	
2021	$ 56,782
2022	48,834
2023	35,887
2024	28,847
2025	22,894
Thereafter	8,661
	$201,905

(8) Retirement Plan Expenses

The Parent participates in the Larry H. Miller Employees' Retirement Plan and Trust (the Plan), filed under Section 401(k) of the Internal Revenue Code. This plan covers eligible employees who complete one year of continuous service, work more than 1,000 hours, and have attained the age of 21. The Plan allows each participant to contribute up to 50% of the participant's total annual salary, or the maximum amount allowed by the Internal Revenue Code, whichever is less.

The Parent has agreed to match 50% of each participant's contribution, up to 6% of each participant's total annual salary, with a total salary limit of $0.3 million for the years ended December 31, 2020 and 2019. Contributions are vested 20% each year based on each participant's hire date with the Parent. The Parent has the right under the Plan to discontinue matching the salary deferral at any time or to terminate their participation in the plan. In the event of the termination of the plan, the net assets of the Plan are available for payment of benefits to the participants.

The Company incurred an insignificant amount of expenses for matching contributions during the years ended December 31, 2020 and 2019.

(9) Fair Value of Financial Instruments

GAAP 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 based on market pricing data obtained from sources independent of the Company. Unobservable inputs reflect management's judgment about the assumptions market participants would use in pricing the asset or liability.

Level 1 inputs are quoted prices in active markets as of the measurement date for identical assets or liabilities that Company had the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The following table presents the Company's fair value hierarchy for the above assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019 (in thousands):

	Quoted market prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
2020:			
Financial liabilities:			
Derivatives	$ —	6,532	—
2019:			
Financial liabilities:			
Derivatives	—	3,834	—

Interest rate swaps that are in an asset position are recorded as a component of prepaid expenses and other assets, and interest rate swaps that are in a liability position are recorded as a component of other liabilities.

(10) Subsequent Events

The Company has evaluated subsequent events through October 25, 2021, which is the date these combined financial statements were available to be issued.

On September 29, 2021, it was announced that the Asbury Automotive Group entered into a definitive agreement to acquire the Company from the Miller Family as part of a broader transaction for the Larry H. Miller automotive business.

Total Care Auto,
Powered by Landcar

COMBINED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2020 and 2019

Larson
CERTIFIED PUBLIC ACCOUNTANTS

TOTAL CARE AUTO, POWERED BY LANDCAR

CONTENTS

Independent Auditor's Report

To the Board of Directors of
Total Care Auto, Powered by Landcar

Opinion

We have audited the accompanying combined financial statements of **Total Care Auto, Powered by Landcar** which comprise the combined balance sheets as of December 31, 2020 and 2019, and the related combined statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of **Total Care Auto, Powered by Landcar** as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Total Care Auto, Powered by Landcar** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development information, and the historical claims duration information on pages 25 to 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Total Care Auto, Powered by Landcar**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Total Care Auto, Powered by Landcar** 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Total Care Auto, Powered by Landcar** 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Larson & Company PC

Salt Lake City, Utah
April 14, 2021

TOTAL CARE AUTO, POWERED BY LANDCAR
Combined Balance Sheets
As of December 31, 2020 and 2019

	Combined 2020	Combined 2019 (As Restated)
ASSETS		
Current assets:		
Cash and cash equivalents, at estimated fair value	**$ 74,708,047**	$ 51,031,396
Short-term investments, at estimated fair value	**201,310**	2,047,247
Premiums receivables	**13,577,564**	9,048,296
Reinsurance recoverable	**1,339**	4,088
Other receivable	**13,012**	8,000,000
Accrued investment income	**473,707**	656,924
Notes receivable, current portion	**—**	20,000,000
Prepaid expenses	**106,156**	155,549
Mortgage loans, at amortized, current portion, net of the uncollectible allowance of $0	**86,971**	177,506
Deferred acquisition costs, current portion	**102,916,570**	90,519,088
Related party receivable	**—**	5,877
Total current assets	**192,084,676**	181,645,971
Investments		
Bonds, available for sale, at estimated fair value (amortized cost: **$12,363,757** and $11,517,211)	**12,673,890**	11,681,105
Bonds, held-to-maturity, amortized cost	**33,363,406**	29,141,953
Preferred stock, available-for-sale, at estimated fair value	**3,445,191**	3,984,895
Common stock, available-for-sale, at estimated fair value	**35,642,082**	28,624,422
Mortgage loans, amortized cost, long-term portion	**2,363,317**	3,790,450
Alternative investments	**197,241**	458,432
Related party notes receivable	**91,680,000**	39,755,061
Notes receivable, non-current portion	**—**	53,000,000
Deferred acquisition costs, long-term portion	**293,521,236**	245,330,422
Deferred income tax asset	**310,824**	645,562
Property and equipment, net of accumulated depreciation of **$2,629,659** and $1,731,938	**2,167,006**	2,908,084
Total noncurrent assets	**475,364,193**	419,320,386
Total assets	**$667,448,869**	$600,966,357

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR
Combined Balance Sheets (Continued)
As of December 31, 2020 and 2019

	Combined 2020	Combined 2019 (As Restated)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	**$ 9,806,397**	$ 14,700,811
Securities payable	**—**	108,987
Taxes, licenses, and fees, excluding income taxes	**103,536**	87,462
Claims payable	**1,100,319**	944,236
Interest payable	**20,652**	—
Unearned premiums, current portion	**179,481,064**	153,085,550
Line of credit	**14,000,000**	—
Income taxes payable	**21,239**	334,234
Total current liabilities	**204,533,207**	169,261,280
Other liabilities:		
Unpaid losses and loss adjustment expenses	**2,424,159**	2,321,556
Total other liabilities	**2,424,159**	2,321,556
Noncurrent liabilities:		
Unearned premiums, long-term portion	**421,345,772**	401,882,654
Total noncurrent liabilities	**421,345,772**	401,882,654
Total liabilities	**628,303,138**	573,465,490
Stockholders' equity:		
Common stock	**2,501,000**	2,501,000
Additional paid-in capital	**85,125,956**	85,125,956
Retained earnings	**(48,791,357)**	(60,289,983)
Accumulated other comprehensive income (loss), net	**310,133**	163,894
Total stockholders' equity	**39,145,732**	27,500,867
Total liabilities and stockholders' equity	**$ 667,448,869**	$ 600,966,357

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR

Combined Statements of Income

For the Years Ended December 31, 2020 and 2019

	Combined 2020	Combined 2019 (As Restated)
Premium and administrative fee income	**$190,896,847**	187,810,450
Service and licensing fee income	**37,600,000**	—
Cost of sales:		
Claims expense incurred	**42,542,890**	44,036,107
Other cost of sales	**500,563**	289,620
Amortization of deferred acquisition costs	**97,928,967**	99,721,890
Total cost of sales	**140,972,420**	144,047,617
Gross profit	**87,524,428**	43,762,833
Operating expenses:		
Salaries and benefits	**3,838,243**	4,203,057
Rent	**238,982**	232,237
Depreciation	**897,721**	586,662
Professional fees	**1,003,123**	1,182,145
Advertising	—	27,910
Other general and administrative	**1,501,661**	1,160,461
Total expenses	**7,479,730**	7,392,472
Gain from operations	**80,044,698**	36,370,361
Net investment income	**7,588,260**	8,530,553
Net realized gains	**859,376**	736,259
Other income	**2,173,226**	2,279,431
Net income before provision for income taxes	**90,665,560**	47,916,604
Provision for income taxes	**1,559,434**	1,516,644
Net income	**$ 89,106,126**	$ 46,399,960

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR
Combined Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019

	Combined 2020	Combined 2019 (As Restated)
Net income	**$89,106,126**	$46,399,960
Other comprehensive income (loss):		
Unrealized investment gain (loss) arising during the period	**233,879**	218,997
Reclassification adjustment for (gains) losses included in net income	**(87,640)**	(17,793)
Other comprehensive income (loss):	**146,239**	201,204
Income tax expense related to items of other comprehensive income (loss)	**—**	—
Other comprehensive income (loss), net of income tax	**146,239**	201,204
Total comprehensive income	**$89,252,365**	$46,601,164

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR

Combined Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2020 and 2019

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Combined					
Balance at January 1, 2019	$2,501,000	$ 12,325,956	$ 33,381,880	$ (37,310)	$ 48,171,526
Change in accounting principles	—	—	(87,621,823)		(87,621,823)
Capital contribution	—	73,000,000	—	—	73,000,000
Dissolution of MPA	—	(200,000)	—	—	(200,000)
Net income	—	—	46,399,960	—	46,399,960
Dividends paid	—	—	(52,450,000)	—	(52,450,000)
Comprehensive income, net	—	—	—	201,204	201,204
Balance at December 31, 2019 (As Restated)	**2,501,000**	**85,125,956**	**(60,289,983)**	**163,894**	**27,500,867**
Net income	**—**	**—**	**89,106,126**	**—**	**89,106,126**
Dividends paid	**—**	**—**	**(77,607,500)**	**—**	**(77,607,500)**
Comprehensive income, net	**—**	**—**	**—**	**146,239**	**146,239**
Balance at December 31, 2020	**$2,501,000**	**$ 85,125,956**	**$(48,791,357)**	**$ 310,133**	**$ 39,145,732**

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR
Combined Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	Combined 2020	Combined 2019 (As Restated)
Reconciliation of net income to net cash provided by operating activities:		
Net income	**$ 89,106,126**	$ 46,399,960
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gain on investments	**(859,376)**	(736,259)
Unrealized (gain) loss on investments	**(3,738,782)**	(2,580,188)
Amortization (accretion) of bonds	**660,352**	513,530
Change in accounting principle	**—**	8,922,590
Depreciation	**897,721**	586,662
Change in:		
Premiums receivables	**(4,529,268)**	(1,111,537)
Reinsurance recoverable	**2,749**	(4,088)
Accrued investment income	**183,217**	7,276
Prepaid expenses	**49,393**	4,212
Deferred acquisition costs	**(60,588,296)**	(38,301,209)
Deferred income tax asset/liability	**(123,925)**	428,093
Related party receivable	**5,877**	(52)
Income tax recoverable/payable	**(312,995)**	213,552
Unpaid losses and loss adjustment expenses	**102,603**	274,656
Claims payable	**156,083**	64,728
Interest payable	**20,652**	—
Accounts payable and accrued expenses	**3,092,573**	492,501
Securities payable	**(108,987)**	108,987
Taxes, licenses, and fees	**16,074**	(76,486)
Unearned premiums	**45,858,632**	69,068,693
Allowance for cancellations	**—**	(11,987,376)
Net cash provided by operating activities	**69,890,423**	72,288,245

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR
Combined Statements of Cash Flows (Continued)
For the Years Ended December 31, 2020 and 2019

	Combined 2020	Combined 2019 (As Restated)
Cash flows from investing activities:		
Proceeds from short—term investments	**$ 1,845,937**	$ (155,010)
Proceeds from sale of property and equipment	**—**	449,380
Proceeds from bonds	**36,592,084**	22,099,284
Proceeds from stocks	**4,809,599**	18,913,029
Proceeds from mortgage loan principal collections	**1,517,668**	1,177,417
Proceeds from other invested assets	**261,191**	—
Purchase of property and equipment	**(156,643)**	(1,788,379)
Purchase of bonds	**(22,451,292)**	(25,316,996)
Purchase of stocks	**(26,095,376)**	(23,125,524)
Mis cellaneous applications	**(8,331)**	(209,583)
Net cash used by investing activities	**(3,685,163)**	(7,956,382)
Cash flows from financing activities:		
Return of capital	**—**	(200,000)
Capital contributions	**—**	73,000,000
Proceeds from line of credit	**14,000,000**	—
Related party notes receivable funded	**(51,924,939)**	(100,000,000)
Proceeds from related party notes receivable	**73,000,000**	28,401,894
Dividends paid	**(77,607,500)**	(52,450,000)
Other cash used	**3,830**	(35,716)
Net cash used by financing activities	**(42,528,609)**	(51,283,822)
Net increase in cash and cash equivalents	**23,676,651**	13,048,041
Cash and cash equivalents at beginning of year	**51,031,396**	37,983,355
Cash and cash equivalents at end of year	**$ 74,708,047**	$ 51,031,396
Supplemental Disclosures of Cash Flow Information:		
Interest paid	**$ —**	$ —
Taxes paid	**$ 1,537,691**	$ 2,685,000

The accompanying notes are an integral part of these combined financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Company

Total Care Auto, Powered by Landcar (“TCA”) is made up of two different entities: Landcar Agency, Inc. (“LCA”), and Landcar Casualty Company (“LCC”).

The combined financial statements presented herein contain the accounts of both of these entities. All significant intercompany balances and transactions have been eliminated in combination.

TCA offers extended vehicle service contracts, prepaid maintenance contracts, vehicle theft assistance contracts, key replacement contracts, guaranteed asset protection (“GAP”) contracts, paintless dent repair contracts, appearance protection contracts, tire and wheel, DrivePur, and lease wear and tear contracts. In addition, TCA provides the required contractual liability insurance if needed. The majority of these warranty contracts are sold through affiliated automobile dealerships.

Basis of Presentation

The accompanying combined financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”) using the accrual method of accounting. All income is recorded when earned and all expenses are recorded when incurred regardless of when such amounts are received or paid.

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the reserve for unpaid losses and loss adjustment expenses, unearned premiums, collectability of the notes receivables and mortgage loans, and fair value of investments.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with a maturity date of three months or less at the time of purchase and are stated at cost, which approximates fair market value. TCA maintains cash balances in demand deposits and money market funds in which the carrying amount approximates fair value.

Short-term investments

Short-term investments are made up of bonds with a maturity date of more than three months, but less than 12 months. These holdings are stated at cost, which approximates fair market value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Securities

TCA places securities on statutory deposit with certain state agencies to retain the right to do business in those states.

Premiums Receivable/Bad Debts

Receivables are recorded when invoices are issued and are presented in the balance sheet net of the allowance for doubtful accounts. Receivables are written off when they are determined to be uncollectible. TCA believes no allowance for doubtful accounts is necessary as of December 31, 2020 and 2019.

Investment Securities

Bonds and treasury instruments at December 31, 2020 and 2019 consist of held-to-maturity securities and available-for-sale securities.

Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the interest method over the period to maturity. A portion of the bonds are classified as available-for-sale securities. Available-for-sale securities are reported at market value.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary would result in write-downs of the individual securities to their fair value. The related write-downs would be included in earnings as realized losses. During the 2020 and 2019 fiscal years, no such write-downs were noted.

Equity securities are made up of preferred and common stock. These are reported at market value with the change in value being recognized in net income.

Cost Method Investments

During 2012, LCA invested in Mercato Partners Growth II GP, LLC and has accounted for it using the cost method in accordance with FASB Accounting Standards Codification (ASC - 323*), Investments – Equity Method and Joint Ventures*. The carrying value of this investment as of December 31, 2020 and 2019 was **$197,241** and $458,432, respectively. Management performs an annual assessment of these investments for impairment. As of December 31, 2020, there were no identified events or changes in circumstances that had a significant adverse effect on the carrying value of this investment.

Mortgages and Notes Receivable

Mortgage loans and notes receivable are carried at the outstanding principal balances with an allowance for estimated uncollectible amounts, if any.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Acquisition Costs

Direct expenses paid for the acquisition of contracts on which revenue has been received but not yet earned have been deferred and are amortized over the related contract period.

Property and Equipment

Property and equipment is recorded at cost at the time of purchase and depreciated over the useful life of the assets using the straight-line depreciation method. Acquisitions of under $5,000 are expensed in the year purchased. The estimated useful lives for the various asset classes are as follows:

Asset Categories	Useful life
Furniture and equipment	10 years
Computer hardware	3 years
Computer software	5 years
Leasehold improvements	3-5 years

Property and equipment was made up of the following as of December 31:

	2020	2019
Property and Equipment		
Furniture and fixtures	**$ 413,894**	$ 413,894
Computer hardware and office equipment	**310,559**	302,827
Software	**4,069,479**	3,923,301
Work in progress	**2,733**	—
Total	**4,796,665**	4,640,022
Accumulated depreciation	**(2,629,659)**	(1,731,938)
Net property and equipment	**$ 2,167,006**	$ 2,908,084

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to **$897,721** and $586,662, respectively.

Costs of software developed for internal use are capitalized in a work in progress account until the project has been placed in service. Depreciation begins once the project has been placed in service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Premiums

Revenue is earned over the period of the related warranty contract. Accordingly, TCA records a deferred revenue reserve to ratably recognize revenue over the contract period.

Unpaid Losses and Loss Adjustment Expense Reserve

Losses and loss adjustment expense reserves represent management’s best estimate of the ultimate net cost of all reported and unreported losses incurred through December 31, 2020 and 2019. TCA does not discount liabilities for unpaid losses or unpaid loss adjustment expense reserves. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analysis. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Claims are counted when incidents that may result in a liability are reported and are based on policy coverage.

Revenue Recognition

Effective January 1, 2019, the Company adopted new FASB guidance contained in ASU 2014-09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers,* using the modified retrospective method applied to all active contracts. The modified retrospective method results in no changes to the December 31, 2018 balances presented in these financial statements, but instead results in adjustments to the January 1, 2019 balances. This standard revises the criteria for revenue recognition. Under the new guidance, the transaction price is attributed to the underlying performance obligations in the contract and revenue is deferred and recognized as income as the Company satisfies the performance obligations in the contract as the obligations under the contracts are performed. Under the new guidance, revenue is recognized more slowly as compared to the historic revenue recognition pattern. Incremental costs of obtaining a contract are capitalized and amortized to the extent the Company expects to recover those costs. The Company considers all revenue other than investment and interest income to be the result of contracts with customers. Each contract is considered to have one performance obligation which extends over the life of the contract. The method for recognizing revenue for the various types of contracts is described in the following paragraphs. Expenses are matched with earned premiums resulting in recognition of profits over the life of the contracts. This has resulted in contract costs that were expensed upon payment last year now being included in the amortization of deferred acquisition costs. Unearned premium reserves are established to cover the unexpired portion of premiums written.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Earnings methods are assigned based on contract type and expected claim patterns and consist of the pro-rata, rule of 78's, and reverse rule of 78's methods. GAP insurance unearned premium reserve is calculated by the rule of 78's. The other contracts are earned ratably over the contract period.

Extended vehicle service contracts are earned ratably over the contract based on historical claims payment patterns for TCA.

The Company receives monthly retrospective commissions from third party vendors. These commissions are earned when received and are reported as other income on the statement of income and comprehensive income.

Revenue from service and licensing fees is earned monthly as it is received.

The timing of revenue recognition, billings and cash collections results in billed accounts receivables, contract assets (reported as deferred acquisition costs) and contract liabilities (reported as unearned premium) on the Company's balance sheets. Balances as of December 31 were as follows:

	2020	2019
Billed receivables	**$ 13,577,564**	$ 9,048,296
Contract assets	**$396,437,806**	$335,849,510
Contract liabilities	**$600,826,836**	$554,968,204

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Premium and administrative fee income for the years ended December 31, 2020 and 2019 by product is as follows:

	2020	2019
Company:		
LCC:		
Guaranteed asset protection contracts	**$ 7,756,644**	$ 6,156,805
Lease, wear and tear	**11,858**	—
LCA:		
Service contracts	**93,868,951**	91,637,134
Maintenance	**29,765,812**	31,179,829
Vehicle theft assistance	**23,872,592**	23,777,389
Paintless dent repair and appearance protection	**22,333,895**	21,822,613
Guaranteed asset protection administrative fees	**4,078,713**	5,468,870
Key replacement	**5,542,943**	4,053,854
Tire and wheel	**1,434,348**	1,429,905
DrivePur	**2,273,601**	1,386,357
Lease, wear and tear	**(192,274)**	812,096
Other	**149,764**	85,598
Total	**$190,896,847**	$187,810,450

Dividends

LCA pays monthly dividends to the shareholders that are based on the prior month's earnings. Dividends are only accrued when they are formally declared by the board. If the board does not make a declaration, then dividends will be accounted for when paid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

LCC accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*. FASB ASC 740 is an asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the tax and financial reporting basis of certain assets and liabilities. LCC has deferred tax assets and liabilities principally from differences in the methods of accounting for reserves, unamortized acquisition costs and unrealized gain and losses on common and preferred stock.

LCA has elected under IRC Section 1362 to be an S-Corporation. In lieu of corporation income taxes, the stockholders of an S-Corporation are taxed on their proportionate share of LCA's taxable income.

TCA accounts for uncertain tax positions in accordance with provisions of FASB ASC 740. Management has determined that TCA does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that TCA's tax returns will not be challenged by the taxing authorities and that TCA or their shareholders will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, LCA's and LCC's tax returns remain open for three years for federal and state income tax examination.

Concentration of Credit Risk

Financial instruments, which potentially subject TCA to concentrations of credit risk, consist of temporary cash investments, fixed maturity securities, mortgage loans, notes receivables and other investments.

TCA maintains interest bearing accounts at a financial institution. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. TCA's total cash exceeded the insurance limit as of December 31, 2020 and 2019. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks relating to its cash accounts.

TCA invests in money market funds that are not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in the fund. As of December 31, 2020 and 2019, TCA held **$3,498,838** and $2,937,941 in money market funds, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

TCA categorizes assets and liabilities measured at fair value into a three -level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value in accordance with Financial Accounting Standards Board ("FASB") Accounti ng Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, TCA may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Comprehensive Income

TCA presents comprehensive income in accordance with the standards established by the *Comprehensive Income* topic of FASB ASC 220. Comprehensive income consists of net income and net unrealized gains or losses on debt securities and is presented in the statement of changes in stockholders' equity and statement of comprehensive income.

Restatement

Subsequent to initial issuance, there was a change in the entities included in the combined financials resulting in a restatement of the 2019 financial statements. The restatements resulted in decrease of $9,864,882 in net income and a decrease of $18,382 ,122 in stockholders' equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COVID-19 Uncertainties

The COVID-19 pandemic has not had a significant impact on the Company's underwriting results and the Company does not expect it to going forward.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March of 2016, the FASB issued ASU 2016-02, *Leases*, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2020. TCA does not anticipate a significant impact on TCA's results of operations, financial position, or cash flows as a result of this new standard.

In June of 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses*, which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This requirement eliminates the probable initial recognition threshold in Current GAAP which has delayed recognition of credit losses until the loss was probable. Instead, the new treatment will better reflect an entity's current estimate of all expected credit losses. In addition, the new guidance requires that any credit losses on available -for-sale debt securities to be presented as an allowance rather than as a write-down. Initial allowance for credit losses is added to the purchase price rather than reported as a credit loss expense. Subsequent changes in the allowance for credit losses are recorded in credit loss expense. This will allow entities to also record reversals of credit losses in current period net income, whereas the current GAAP prohibits reflecting these improvements in current period earnings. This guidance will become effective for the Company's year ending on December 31, 2022. The Company does not expect a significant impact to the Company's financials as a result of this guidance.

3. INVESTMENTS

The carrying amounts of investment securities and their fair values as of December 31, 2020 and 2019 are as follows:

	2020			
	Cost/ Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Investments:				
Common stock	**$26,034,522**	**$ 10,031,833**	**$424,273**	**$35,642,082**
Preferred stock	**3,223,872**	**221,319**	**—**	**3,445,191**
Bonds, available-for-sale	**12,363,757**	**311,534**	**1,401**	**12,673,890**
Bonds, held-to-maturity	**33,363,406**	**804,061**	**11,879**	**34,155,588**
Total investments	**$74,985,557**	**$ 11,368,747**	**$437,553**	**$85,916,751**

	2019			
	Cost/ Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Investments:				
Common stock	$22,676,392	$ 6,420,199	$472,169	$28,624,422
Preferred stock	3,826,329	195,240	36,674	3,984,895
Bonds, available-for-sale	11,517,211	169,444	5,550	11,681,105
Bonds, held-to-maturity	29,141,953	460,804	6,797	29,595,960
Total investments	$67,161,885	$ 7,245,687	$521,190	$73,886,382

A summary of amortized cost and fair value of TCA's investment in bonds at December 31, 2020, is as follows:

	Amortized Cost	**Fair Value**
2021	$ 3,108,369	$ 3,122,449
2022 through 2025	32,994,981	33,851,489
2026 through 2030	2,969,602	3,102,855
2031 through 2040	4,764,364	4,808,954
After 2041	1,889,847	1,943,731
Total by maturity	$45,727,163	$46,829,478

3. INVESTMENTS (Continued)

On a regular basis, TCA reviews its investment portfolios for securities in an unrealized loss position for other-than-temporary impairment. This review for potential impairment is performed on a specific identification basis and requires significant management judgment related to a number of qualitative and quantitative factors including the severity of the impairment, the duration of the impairment, recent trends and expected market performance. Management considers all unrealized losses as of December 31, 2020 to be temporary. The securities summarized below were in an unrealized loss position for which other-than-temporary declines in value have not been recognized as of December 31, 2020.

	Less than 12 Months		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 4,287,599	$ (13,280)	$ 4,274,319
Common stocks	7,021,225	(311,984)	6,709,241
Total	$ 11,308,824	$(325,264)	$10,983,560

	12 Months or More		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Common stocks	$ 2,436,874	$(112,289)	$ 2,324,585
Total	$ 2,436,874	$(112,289)	$ 2,324,585

	Total		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 4,287,599	$ (13,280)	$ 4,274,319
Common stocks	9,458,099	(424,273)	9,033,826
Total	$ 13,745,698	$(437,553)	$13,308,145

3. INVESTMENTS (Continued)

The securities summarized below were in an unrealized loss position for which other-than- temporary declines in value have not been recognized as of December 31, 2019.

	Less than 12 Months		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 6,403,570	$ (11,517)	$ 6,392,053
Preferred stocks	498,200	(2,729)	495,471
Common stocks	148,961	(1,680)	147,281
Total	$ 7,050,731	$ (15,926)	$ 7,034,805

	12 Months or More		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 2,172,349	$ (830)	$ 2,171,519
Preferred stocks	334,065	(33,945)	300,120
Common stocks	9,114,100	(470,489)	8,643,611
Total	$ 11,620,514	$(505,264)	$11,115,250

	Total		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 8,575,919	$ (12,347)	$ 8,563,572
Preferred stocks	832,265	(36,674)	795,591
Common stocks	9,263,061	(472,169)	8,790,892
Total	$ 18,671,245	$(521,190)	$18,150,055

3. INVESTMENTS (Continued)

Assets measured at fair market value are as follows:

	Assets Measured at Fair Value			
	Fair Value	Level 1	Level 2	Level 3
December 31, 2020				
Bonds	**$12,673,890**	**$12,673,890**	**$ —**	**$ —**
Preferred stocks	**3,445,191**	**3,445,191**	**—**	**—**
Common stocks	**35,642,082**	**35,642,082**	**—**	**—**
Total	**$51,761,163**	**$51,761,163**	**$ —**	**$ —**
December 31, 2019				
Bonds	$11,681,105	$11,681,105	$ —	$ —
Preferred stocks	3,984,895	3,984,895	—	—
Common stocks	28,624,422	28,624,422	—	—
Total	$44,290,422	$44,290,422	$ —	$ —

Investments held in trust or on deposit with various state insurance departments and reinsurers on December 31, 2020 and 2019 are reported at statement values as follows:

	2020	2019
Utah	**$2,098,757**	$2,159,444
Nevada	**214,711**	218,660
New Mexico	**225,012**	225,021
Georgia	**—**	53,070
Total	**$2,538,480**	$2,656,195

3. INVESTMENTS (Continued)

Realized gains and losses by investment class for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Bonds:		
Gross gains from sales	**$ 341,907**	$ 111,082
Gross losses from sales	**(42,458)**	(33,355)
Preferred stock:		
Gross gains from sales	**102,633**	—
Gross losses from sales	**(34,065)**	(5,883)
Common stock:		
Gross gains from sales	**1,392,085**	813,530
Gross losses from sales	**(903,229)**	(149,115)
Short-term investments	**2,503**	—
Net capital gains	**$ 859,376**	$ 736,259

Mortgage Loans

Mortgage loans at December 31, 2020 and 2019 totaled **$2,450,288** and $3,967,956, respectively. The maximum and minimum lending rates for mortgage loans during the year were 7.50% and 4.40%.

4. UNAMORTIZED ACQUISITION COST S

Commissions paid for premiums received but not yet earned have been deferred. These deferred acquisition costs are being amortized over the contracts term. For the years ended December 31, 2020 and 2019, commissions and insurance capitalized were as follows:

	2020	2019
Company:		
LCC:		
Guaranteed asset protection contracts	**$ 8,976,206**	$ 8,877,895
Lease, wear and tear	**604,879**	—
LCA:		
Vehicle theft assistance contracts	**22,328,741**	17,625,697
Extended vehicle service contracts	**116,904,142**	87,288,533
Paintless dent repair and appearance protection	**20,207,398**	17,454,861
Key replacement contracts	**6,737,425**	4,446,220
Maintenance contracts	**2,370,527**	2,496,901
Tire and wheel	**388,039**	415,360
DrivePur	**1,357,528**	273,418
Lease, wear and tear	**296,193**	—
Other	**653,781**	657734
Guaranteed asset protection contracts admin	**7,416,748**	1,066,769
Total	**$188,241,607**	$140,603,388

Total amortization expense for the years ended December 31, 2020 and 2019 amounted to **$97,358,258** and $99,721,890 respectively.

5. UNEARNED PREMIUMS

Extended vehicle service, prepaid maintenance, vehicle theft assistance, key replacement, GAP, paintless dent repair, and appearance protection contract income received but not yet earned has been deferred. These unearned premiums are being amortized over the contract term of the related policies. For the years ended December 31, 2020 and 2019, premiums capitalized were as follows:

	2020	2019
Company:		
LCC:		
Guaranteed asset protection contracts	**$ 9,377,303**	$ 8,975,757
Lease, wear and tear	**579,018**	—
LCA:		
Vehicle theft assistance contracts	**25,709,523**	24,701,205
Extended vehicle service contracts	**145,127,956**	136,965,743
Paintless dent repair and appearance protection	**24,635,884**	23,798,766
Key replacement contracts	**8,842,696**	8,234,377
Maintenance contracts	**29,386,242**	30,699,477
Guaranteed asset protection contracts admin fee	**6,407,749**	5,997,150
Tire and wheel	**1,446,744**	1,097,866
DrivePur	**2,731,430**	2,270,237
Lease, wear and tear	**602,978**	661,517
Total	**$254,847,523**	$243,402,095

Total earned premiums for the years ended December 31, 2020 and 2019 amounted to **$190,896,847** and $187,810,304, respectively.

6. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased (decreased) by approximately **($126,000)** and ($57,000) as of December 31, 2020 and 2019, respectively, as a result of re-estimation of unpaid losses and loss adjustment expenses. This change is generally a result of on -going analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

	2020	2019
(In thousands)		
Balance at January 1	**$2,115**	$2,047
Incurred, related to:		
Current year	**7,414**	8,542
Prior year	**(126)**	(57)
Total incurred	**7,288**	8,485
Paid, related to:		
Current year	**5,260**	6,465
Prior year	**1,942**	1,952
Total paid	**7,202**	8,417
Balance at December 31	**$2,201**	$2,115

6. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)

The following is information about incurred claims development as of December 31, 2020 as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

The information about incurred claims development for the years ended December 31, 2011 to 2019, is presented as supplementary information and is unaudited.

	Incurred Claims and Allocated Claims Adjustment Expenses (000s)										As of December 31, 2020	
	For the Years Ended December 31,										Total of Incurred-but-Not-Reported Liabilities Plus Expected Development of Reported Claims	Cumulative Number of Reported Claims
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**		
2011	987	800	801	802	802	802	802	802	802	802	—	330
2012		848	936	936	936	936	936	936	936	936	—	373
2013			1,326	1,330	1,333	1,333	1,333	1,333	1,333	1,333	—	551
2014				2,413	2,671	2,680	2,681	2,681	2,681	2,681	—	916
2015					4,389	4,489	4,502	4,501	4,501	4,501	—	1,510
2016						6,978	7,202	7,224	7,226	7,226	—	2,057
2017							10,045	9,186	9,165	9,163	—	2,412
2018								8,502	8,471	8,478	4	2,526
2019									8,502	8,304	37	2,487
2020										7,288	1,321	1,692
										$50,712		
					Ultimate incurred							

	Cumulative Paid Claims and Allocated Claims Adjustment Expenses (000s)									
	For the Years Ended December 31,									
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2011	633	800	801	802	802	802	802	802	802	802
2012		649	936	936	936	936	936	936	935	935
2013			980	1,330	1,333	1,333	1,333	1,333	1,333	1,333
2014				1,879	2,670	2,680	2,681	2,681	2,681	2,681
2015					3,211	4,474	4,501	4,501	4,501	4,501
2016						5,105	7,172	7,222	7,226	7,226
2017							7,388	9,145	9,163	9,163
2018								6,528	8,437	8,473
2019									6,528	8,261
2020										5,166
					Total cumulative paid					48,541
					All o/s liabilities before 2010					—
					Liabilities for losses and LAE, net of reinsurance					$ 2,171

Below is a reconciliation of the disclosure of incurred and paid claims development to the liability for unpaid loss and loss adjustment expenses.

	December 31, 2020	December 31, 2019
Net liability for losses & LAE (000s)	**$ 2,171**	$ 2,017
Unallocated claims adjustment expense	**30**	30
Adjusting and other expense liability (000s)	**30**	30
Total gross liability for unpaid claims and claims adjustment expense	**$ 2,201**	$ 2,047

6. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)

The following is supplementary information about average historical claims duration as of December 31, 2020.

	Average Annual Percentage Payout of Incurred Claims by Age									
Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
All lines	73.9%	99.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

7. LINE OF CREDIT

On July 27, 2015, the Company signed a line of credit with a financial institution for up to $15,000,000 in financing. The line of credit bears a fixed interest rate of the LIBOR daily floating rate plus 1% per year, interest payable monthly. The line of credit may be repaid at any time and is collateralized by the assets of the Company. As of December 31, 2020 and 2019, the balance on the line of credit was **$14,000,000** and $0 with accrued interest of **$20,652** and $0, respectively.

8. RELATED PARTY TRANSACTIONS

TCA's transactions with the primary stockholder and immediate family, affiliated companies, and management personnel involve the following:

Cash: TCA had **$67,021,399** and $45,302,708 in a sweep account as of December 31, 2020 and 2019, respectively, which is held by a company affiliated through common control. Interest earned on that account was **$586,134** and $1,010,359 for the years ended December 31, 2020 and 2019, respectively. Accrued interest receivable on the cash management account was **$27,745** and $84,092 as of December 31, 2020 and 2019, respectively.

Accounts receivable: Approximately **80%** and 80% of premiums receivable for the years 2020 and 2019, respectively, were from related party dealerships.

The Company had a capital contribution receivable of $8,000,000 as of December 31, 2019. This amount was received during 2020.

Accounts payable: Payroll for TCA is paid by LCC and LCA and is subsequently reimbursed by the affiliated entities.

As of December 31, 2019, the Company owed $8,000,000 to Company owners in relation to the adoption of ASC 606 as described in Note 10 which was paid during 2020.

8. RELATED PARTY TRANSACTIONS (Continued)

Notes receivable: Notes receivable with interest rates ranging from of 0.35% - 3.43% from an affiliated company of **$91,680,000** and $39,755,061 were held by the Company as of December 31, 2020 and 2019 with accrued interest of **$20,652** and $0, respectively.

On December 20, 2019, as part of adopting ASC 606 as described in Note 10, the Company entered into notes receivable agreements with its owners in the amount of $73,000,000 with an interest rate of 1.69% annually. The agreements call for annual principal and interest payments on January 1st of each year for four years. These notes were repaid in full during the year ended December 31, 2020.

On March 23, 2020, the Company signed a line of credit with an affiliated company to provide up to $20,000,000 in financing. The line of credit bears a fixed interest rate of the LIBOR daily floating rate plus 1% per year, interest payable monthly. The line of credit may be repaid at any time. As of December 31, 2020, the balance on the line of credit was $14,000,000 which is included in the $91,680,000 disclosed above.

Minimum payments due from the notes receivable above are as follows:

Years ending December 31, 2021	$22,000,000
2022	18,000,000
2023	6,648,000
2024	27,000,000
Thereafter	18,032,000
Total	$91,680,000

Unearned premiums: Approximately **99%** and 97% of the gross unearned premiums for the year ended December 31, 2020 and 2019, respectively, were from related party dealerships which amounts to **$595,990,829** and $535,945,698, respectively.

Dividends: Upon approval of the board of directors, TCA paid dividends totaling **$77,607,500** and $52,450,000 to their stockholders during the years ended December 31, 2020 and 2019, respectively.

Management fees: TCA pays a management fee to an affiliated company per contract sold for extended vehicle service, GAP, VTA, paintless dent repair, and appearance protection contracts. The management fee for the years ended December 31, 2020 and 2019 totaled **$1,732,558** and $1,420,011, respectively.

Service and licensing fee income: Effective January 1, 2020, the Company receives a management fee from an affiliated company on a monthly basis for maintenance and use of policy administration software. The management fee for the year ended December 31, 2020 totaled **$37,600,000.**

Service and maintenance contract income: TCA had gross sales of extended vehicle service contracts and prepaid maintenance contracts in the amount of **$174,519,203** and $167,764,647 and also paid gross commissions of **$72,423,494** and $67,739,532 to related party dealerships for the years ended December 31, 2020 and 2019, respectively.

8. RELATED PARTY TRANSACTIONS (Continued)

GAP contract income: TCA had gross sales of GAP contracts of **$15,464,089** and $15,023,706 from related party dealerships for the years ended December 31, 2020 and 2019, respectively.

VTA contract income: TCA had gross sales of vehicle theft assistance ("VTA") contracts of **$25,712,916** and $24,480,155 from related party dealerships for the years ended December 31, 2020 and 2019, respectively. TCA also paid gross commissions of **$14,119,375** and $12,205,185 to related party dealerships for the years ended December 31, 2020 and 2019, respectively.

Paintless dent repair and appearance protection contract income: TCA had gross sales of paintless dent repair and appearance protection contract income in the amount of **$24,636,075** and $23,968,869 and also paid gross commissions of **$15,470,896** and $14,515,263 to related party dealerships for the years ended December 31, 2020 and 2019, respectively.

Key replacement protection income: The Company had sales of key replacement protection contracts of **$8,844,978** and $8,258,805 from related party dealerships for the years ended December 31, 2020 and 2019, respectively. The Company also paid commissions of **$4,327,381** and $3,982,263 to related party dealerships for the years ended December 31, 2020 and 2019, respectively.

Other income: The Company had sales of other products including lease wear and tear, tire and wheel, and DrivePur of **$5,249,550** and $3,890,526 from related party dealerships for the years ended December 31, 2020 and 2019, respectively.

Commissions: The Company pays commissions to related parties based on monthly contract counts. In addition to the product-specific commissions noted in the respective product descriptions above, the Company paid additional commissions and other incentives to affiliated companies of **$69,930,785** and $30,817,772 for the years ended December 31, 2020 and 2019, respectively.

Rent Expense: TCA leases office space from a company affiliated by common control under a month-to-month lease. The lease is classified as an operating lease. Rent expense for the years ended December 31, 2020 and 2019 totaled **$238,982** and $289,697, respectively. Future minimum lease payments are as follows:

Year	Amount
2021	$ 260,320
2022	266,828
2023	273,499
2024	280,336
Thereafter	1,297,195
Total	$2,378,178

9. INCOME TAXES

LCC is taxed as a non-life insurer under provisions of the Internal Revenue Code based on a modified statutory accounting method.

The following is a summary of LCC's provision for federal income taxes for the years ended December 31, 2020 and 2019:

	2020	2019
Current income tax benefit	**$1,224,696**	$1,088,551
Deferred income taxes	**334,738**	428,093
Provision for income taxes	**$1,559,434**	$1,516,644

LCC's deferred tax assets and liabilities at December 31, 2020 consisted of the following:

	2020	2019
Reserves	**$ 51,281**	$ 47,129
Unearned premiums	**1,367,190**	1,251,332
Reserves—transition adjustment	**(19,579)**	(23,495)
Net unrealized gain on securities	**(1,088,068)**	(629,404)
Total net deferred tax asset	**$ 310,824**	$ 645,562

The difference between pre-tax statutory net income and taxable net income is due to the discounting of the loss reserves and unearned premiums as follows:

	2020	2019
Statutory net income before taxes	**$5,632,069**	$4,174,534
Adjustments for:		
Interest and dividends subject to section 832	**116,373**	63,730
Discounting of loss reserves	**38,418**	25,830
Discounting of unearned premiums	**551,705**	397,134
Tax-exempt interest	**(263,173)**	(212,385)
Dividends received deduction	**(202,320)**	(42,536)
Change in accounting principle	—	666,627
Net taxable income	**$5,873,072**	$5,072,934
Tax at statutory rates	**$1,207,188**	$1,065,316
Changes from prior year accrual	**17,508**	23,235
Income taxes	**$1,224,696**	$1,088,551

10. RETIREMENT PLAN

The employees of TCA are covered under a 401(k) defined contribution plan. TCA pays an amount equal to 50% of the employee's contribution up to 6% of the employee's salary. TCA's contributions to the plan for the years ended December 31, 2020 and 2019 were **$79,506** and $91,914 respectively.

11. CONTINGENCIES

TCA is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated claims liabilities.

12. CHANGE IN ACCOUNTING PRINCIPLES

As of January 1, 2019, LCC changed the method used to calculate contractual liability insurance vehicle service contract unearned premiums from rule of 78's to pro -rata. The purpose of the change was to standardize the unearned premium calculation for all products other than GAP. The effect on prior year retained earnings was $833,283.

The Company adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* using the modified retrospective method for those contracts which were not substantially completed as of the transition date. The adoption of this guidance resulted in a net decrease in retained earnings as of January 1, 2019 of $88,455,106. The impact on the statement of income and comprehensive income for the year ended December 31, 2019 was a decrease of $8,922,590. The adoption resulted in administrative fees which had previously been earned at the beginning of a contract to be earned over the life of the contract. The corresponding expenses were also deferred and will be amortized over the life of the contract.

13. CAPITAL AND SURPLUS

The State of Utah has adopted the National Association of Insurance Commissioner's ("NAIC") risk-based capital ("RBC") calculation to evaluate the minimum capital requirements for an insurance company to support its overall business operations in consideration of its size and risk profile. LCC's risk-based capital is calculated by applying factors to various asset, premium, and reserve items.

The RBC requirements provide for four different levels of regulatory attention depending on the ratio of LCC's total adjusted capital ("TAC") to its authorized control level ("ACL"). The four regulatory attention levels (and the associated percentage of TAC to ACL) are defined as follows: (1) Company Action (200%), (2) Regulatory Action (150%), (3) Authorized Control (100%), and (4) Mandatory Control Levels (75%). As of December 31, 2020 and 2019, LCC and LCL maintained TAC in excess of 200% of ACL.

LCA's common stock has no par value with 10,000 shares authorized of which 1,000 shares are issued and outstanding. LCC's common stock has a $5 par value with 1,000,000 shares authorized of which 500,000 shares are issued and outstanding.

14. SUPPLEMENTARY INFORMATION

Included in the supplementary information are the individual balance sheets and the individual statements of income for LCA and LCC. The financial statements included in the supplementary information exclude the eliminating journal entries used to prepare these combined financial statements. As noted in the independent auditor's report on supplementary information, the information is presented for purposes of additional analysis and is not a required part of these combined financial statements.

15. SUBSEQUENT EVENTS

Subsequent events have been considered by management through the date of this report, which is the date the financial statements were available to be issued. Other than those noted below no events have occurred subsequent to December 31, 2020 which would have a material effect on the financial condition of the Company.

Subsequent to year-end, the mortgage loan held by LCC was fully repaid.

Subsequent to year-end LCA repaid its $14,000,000 line of credit. LCA also received the $14,000,000 which was outstanding on the line of credit with an affiliate.

SUPPLEMENTARY INFORMATION

Independent Auditor's Report
on Supplementary Information

To the Board of Directors of
Total Care Auto, Powered by Landcar

We have audited the combined financial statements of **Total Care Auto, Powered by Landcar** as of and for the years ended December 31, 2020 and 2019 and our report thereon dated April 14, 2021, which expressed an unmodified opinion on those financial statements, appears on page 2 -3. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The balance sheets and statements of income for Landcar Agency, Inc. and Landcar Casualty Company (the information) are presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Larson & Company PC

Salt Lake City, Utah
April 14, 2021

Larson & Company
11240 South River Heights Drive, Suite 300, Salt Lake City, UT 84095
Main: (801) 313-1900 | Fax: (801) 313-1912
www.larsco.com

TOTAL CARE AUTO, POWERED BY LANDCAR
Landcar Agency, Inc. – Balance Sheets
As of December 31, 2020 and 2019

	2020	**2019**
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 68,204,688**	$ 46,431,103
Premiums receivable	**13,577,564**	9,048,296
Capital contribution receivable	**—**	8,000,000
Related party receivable	**12,061**	16,875
Accrued investment income	**156,883**	336,051
Other receivable	**13,011**	—
Reinsurance recoverable	**1,339**	4,088
Mortgage loans, at amortized cost, current portion	**—**	94,272
Related party notes receivable, current portion	**22,000,000**	—
Notes receivable, current portion	**—**	20,000,000
Deferred acquisition costs, current portion	**113,959,267**	93,678,200
Prepaid expenses	**97,824**	149,699
Total current assets	**218,022,637**	177,758,584
Investments:		
Bonds, available-for-sale, at estimated fair value	**12,673,890**	12,133,762
Preferred stock, at estimated fair value	**1,541,908**	1,998,820
Common stock, at estimated fair value	**14,190,292**	11,633,534
Alternative investments	**197,241**	458,432
Mortgage loans, at amortized cost, long-term portion	**1,114,635**	2,454,797
Total investments	**29,717,966**	28,679,345
Related party notes receivable	**69,680,000**	39,755,061
Notes receivable, long-term portion	**—**	53,000,000
Deferred acquisition costs, long-term portion	**313,963,245**	252,942,372
Property and equipment, net of accumulated depreciation of **$2,629,659** and $1,731,938, respectively	**2,167,006**	2,908,084
Total assets	**$633,550,854**	$555,043,446
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	**$ 11,191,273**	$ 8,058,153
Claims payable	**1,100,319**	944,236
Related party payable	**35,276**	8,039,590
Interest payable	**20,652**	—
Unearned premium, current portion	**178,979,637**	156,244,719
Line of credit	**14,000,000**	—
Total current liabilities	**205,327,157**	173,286,698
Noncurrent liabilities:		
Unearned premium, long-term portion	**420,779,752**	379,700,979
Total noncurrent liabilties:	**420,779,752**	379,700,979
Total liabilities	**626,106,909**	552,987,677
Stockholders equity:		
Common stock, no par value, 10,000 shares authorized 1,000 shares issued and outstanding	**1,000**	1,000
Additional paid-in capital	**83,552,356**	83,552,356
Retained earnings (deficit)	**(76,419,544)**	(81,661,481)
Accumulated other comprehensive income (loss)	**310,133**	163,894
Total stockholders' equity	**7,443,945**	2,055,769
Total liabilities and stockholders' equity	**$633,550,854**	$555,043,446

See the independent auditor's report on supplementary information

TOTAL CARE AUTO, POWERED BY LANDCAR
Landcar Agency, Inc. – Statements of Income
For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Premium and administrative fee income	**$183,128,345**	$181,653,645
Service and licensing fee income	**37,600,000**	—
Total revenue	**220,728,345**	181,653,645
Cost of sales:		
Claims expense incurred	**35,255,234**	35,551,443
Amortization of deferred acquisition costs	**102,870,001**	101,599,073
Other cost of sales	**500,563**	289,620
Total cost of sales	**138,625,798**	137,440,136
Gross profit	**82,102,547**	44,213,509
Expenses:		
Salaries and benefits	**3,300,594**	3,762,318
Rent	**196,307**	171,507
Depreciation	**897,721**	586,662
Professional fees	**769,129**	1,043,802
Advertising	**—**	27,910
Other general and administrative expenses	**1,167,465**	853,163
Total expenses	**6,331,216**	6,445,362
Gain from operations	**75,771,331**	37,768,147
Net investment income	**4,418,671**	4,815,743
Net realized gains	**486,749**	247,981
Other income	**2,172,686**	2,278,561
Net income	**82,849,437**	45,110,432
Other comprehensive income (loss):		
Unrealized gains (losses) arising during the period	**233,879**	218,911
Less:		
reclassification adjustment for (gains) losses included in net income	**(87,640)**	(17,707)
Other comprehensive income (loss)	**146,239**	201,204
Total comprehensive income	**$ 82,995,676**	$ 45,311,636

See the independent auditor’s report on supplementary information

TOTAL CARE AUTO, POWERED BY LANDCAR

Landcar Casualty Company – Balance Sheets

As of December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 6,503,359**	$ 4,922,113
Short-term investments	**201,310**	1,272,771
Premiums receivable	**1,242,606**	1,157,384
Related party receivable	**35,276**	40,465
Accrued investment income	**316,824**	320,873
Mortgage loans, at amortized cost	**86,971**	83,234
Prepaid expenses	**8,333**	5,850
Deferred acquisition costs	**—**	57
Total current assets	**8,394,679**	7,802,747
Investments		
Bonds, held-to-maturity, at amortized cost	**33,363,406**	29,141,953
Preferred stocks, at estimated fair value	**1,903,283**	1,986,075
Common stocks, at estimated fair value	**21,451,790**	16,990,888
Mortgage loans, at amortized cost, long-term portion	**1,248,682**	1,335,653.00
Defered tax asset	**310,824**	645,562
Total assets	**$66,672,664**	$ 57,902,878
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	**$ 36,714**	$ 30,941
Related party payable	**12,061**	11,873
Taxes, licenses and fees, excluding income taxes	**103,536**	87,462
Federal income taxes payable	**21,239**	334,234
Securities payable	**—**	76,185
Ceded reinsurance payable	**36,957**	—
Amounts withheld for others	**7,330**	8,876
Unearned premium, current portion	**11,544,123**	12,168,703
Total current liabilities	**11,761,960**	12,718,274
Other liabilities:		
Unpaid losses and loss adjustment expenses	**2,200,888**	2,114,582
Unearned premium, long-term portion	**21,008,029**	17,624,922
Total liabilities	**34,970,877**	32,457,778
Stockholders’ equity:		
Common stock, $5 par value; 1,000,000 shares authorized; 480,000 shares issued and outstanding	**2,500,000**	2,500,000
Additional paid-in capital	**1,573,600**	1,573,600
Retained earnings	**27,628,187**	21,371,500
Total stockholders’ equity	**31,701,787**	25,445,100
Total liabilities and stockholders’ equity	**$66,672,664**	$ 57,902,878

See the independent auditor’s report on supplementary information

TOTAL CARE AUTO, POWERED BY LANDCAR

Landcar Casualty Company – Statements of Income

For the Year Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Net contractual liability insurance policy income	**$12,709,593**	$11,982,477
Net investment income	**3,169,589**	3,714,810
Net realized gains	**372,627**	488,278
Other income	**105**	871
Total revenue	**16,251,914**	16,186,436
Cost of sales:		
Claims expense incurred	**7,287,656**	8,484,664
Amortization of deferred acquisition costs	**57**	5,023
Total cost of sales	**7,287,713**	8,489,687
Gross profit	**8,964,201**	7,696,749
Expenses:		
Salaries and benefits	**537,651**	440,740
Rent	**42,676**	60,730
Professional fees	**233,994**	138,343
Other general and administrative expenses	**333,758**	307,297
Total expenses	**1,148,079**	947,110
Net income before income taxes	**7,816,122**	6,749,639
Provision for income taxes	**1,559,433**	1,516,644
Net income	**$ 6,256,689**	$ 5,232,995

See the independent auditor’s report on supplementary information

Exhibit 99.4

KPMG

LARRY H. MILLER DEALERSHIPS

Condensed Combined Financial Statements

Nine Months Ended September 30, 2021 and 2020

LARRY H. MILLER DEALERSHIPS

Condensed Combined Balance Sheets

(unaudited)

(In thousands)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 83,628	46,150
Accounts receivable, net	169,634	206,620
Inventories	372,138	677,578
Other current assets	6,408	6,716
Total current assets	631,808	937,064
Property and equipment, net	31,489	33,510
Goodwill	86,350	86,350
Franchise value	174,194	174,694
Total assets	$ 923,841	1,231,618
Liabilities and Equity		
Current liabilities:		
Floorplan notes payable – trade	$ 9,030	45,843
Floorplan notes payable – nontrade	173,194	381,358
Trade payables	80,270	66,231
Accrued liabilities	109,393	81,838
Incentive bonus plan	20,798	19,427
Due to related parties	40,145	163,217
Notes payable to related parties, current portion	5,844	8,709
Total current liabilities	438,674	766,623
Other liabilities	32,500	28,829
Notes payable to related parties	2,824	5,249
Total liabilities	473,998	800,701
Equity:		
Common stock	2,517	2,517
Additional paid-in capital	432,536	430,294
Treasury stock	(1,894)	(1,894)
Retained earnings and owners’ earnings	16,684	—
Total equity	449,843	430,917
Total liabilities and equity	$ 923,841	1,231,618

See accompanying notes to condensed combined financial statements.

LARRY H. MILLER DEALERSHIPS

Condensed Combined Statements of Income

(unaudited)

(In thousands)

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Revenues:		
New vehicle	$ 2,151,173	1,778,397
Used vehicle retail	1,084,832	858,447
Used vehicle wholesale	340,386	292,492
Service, body and parts	520,432	461,539
Fleet	104,276	88,947
Finance and insurance, net	191,006	154,917
Other	1,773	620
Total revenues	4,393,878	3,635,359
Cost of sales:		
New vehicle	1,911,066	1,654,930
Used vehicle retail	916,501	730,699
Used vehicle wholesale	325,252	282,989
Service, body and parts	298,073	261,950
Fleet	97,860	85,638
Total cost of sales	3,548,752	3,016,206
Gross profit	845,126	619,153
Selling, general and administrative	598,385	489,440
Depreciation and amortization	5,843	6,900
Operating income	240,898	122,813
Floorplan interest expense	(3,990)	(10,247)
Other income, net	999	280
Net income	$ 237,907	112,846

See accompanying notes to condensed combined financial statements.

LARRY H. MILLER DEALERSHIPS

Condensed Combined Statements of Equity

(unaudited)

(In thousands)

Nine months ended September 30, 2020

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings and owners' earnings	Total equity
Balance at December 31, 2019	2,517	382,210	(1,894)	—	382,833
Net income	—	—	—	112,846	112,846
Capital contributions	—	58,159	—	808	58,967
Dividends	—	—	—	(112,305)	(112,305)
Balance at September 30, 2020 $	$ 2,517	440,369	(1,894)	1,349	442,341

Nine months ended September 30, 2021

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings and owners' earnings	Total equity
Balance at December 31, 2020	2,517	430,294	(1,894)	—	430,917
Net income	—	—	—	237,907	237,907
Capital contributions	—	2,242	—	1,372	3,614
Dividends	—	—	—	(222,595)	(222,595)
Balance at September 30, 2021 $	$ 2,517	432,536	(1,894)	16,684	449,843

See accompanying notes to condensed combined financial statements.

LARRY H. MILLER DEALERSHIPS

Condensed Combined Statements of Cash Flows

(unaudited)

(In thousands)

	Nine Months Ended	
	September 30, 2021	September 30, 2020
Cash flows from operating activities:		
Net income	$ 237,907	112,846
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,843	6,900
Net gain on asset sales and dispositions and sale of dealerships	(231)	(169)
Decrease in assets, net of acquisitions and dispositions:		
Accounts receivable, net	36,986	14,120
Inventories	301,491	248,380
Other current assets	308	1,901
Increase (decrease) in liabilities, net of acquisitions and dispositions:		
Floorplan notes payable – trade	(36,813)	(20,133)
Trade payables	14,038	10,984
Accrued and other liabilities	31,320	23,481
Incentive bonus plan	1,371	1,838
Net cash provided by operating activities	592,220	400,148
Cash flows from investing activities:		
Capital expenditures	(4,114)	(3,156)
Proceeds from asset sales and dispositions	275	505
Proceeds from sale of dealership	975	—
Cash paid for purchase of dealerships	—	(46,974)
Net cash used in investing activities	(2,864)	(49,625)
Cash flows from financing activities:		
Net repayment on floorplan notes payable – nontrade, net of acquisitions and dispositions	(204,535)	(161,385)
Net change in due to related parties	(123,072)	(102,615)
Principal payments on notes payable to related parties	(7,047)	(3,935)
Principal payments on note payable to owners	—	(768)
Proceeds from issuance of notes payable to related parties	1,757	1,102
Capital contributions	3,614	58,967
Dividends paid	(222,595)	(112,305)
Net cash used in financing activities	(551,878)	(320,939)
Change in cash and cash equivalents	37,478	29,584
Cash and cash equivalents at beginning of period	46,150	17,733
Cash and cash equivalents at end of period	$ 83,628	47,317
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,682	11,873

See accompanying notes to condensed combined financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Business Overview

The Larry H. Miller Dealerships (collectively, the Company) is engaged in the retail automotive industry with dealership operations in Utah, Arizona, New Mexico, Colorado, Idaho, California and Washington. The Company operates 54 new car dealerships under franchise agreements with a number of automotive manufacturers. In accordance with individual franchise agreements, each dealership is subject to certain rights and restrictions typical of the industry. The manufacturers have a significant influence on the operations of the Company.

The Company's dealerships sell new and used vehicles, vehicle maintenance and repair services, vehicle parts, extended service contracts, vehicle protection products and aftermarket products. The Company also operates seven used car dealerships, 11 collision centers, and a used vehicle wholesale business. The Company also provides management services to other new vehicle franchised dealers. The management fees earned from these services are included as other revenues in the combined statements of income.

(b) Basis of Presentation

The accompanying unaudited condensed combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) from the consolidated financial statements and accounting records of the Company using the historical results of operations and historical cost basis of the assets and liabilities that comprise the Company to demonstrate the Company's condensed combined historical financial position, results of operations, and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. These condensed combined financial statements reflect all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the financial position, the results of operations, and cash flows of the Company for the periods presented. All intercompany balances and transactions within the Company's condensed combined financial statements have been eliminated. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

The accompanying unaudited condensed combined financial statements reflect the results of operations, the financial position and the cash flows for all dealership related entities owned by the Larry H. Miller Family (the Miller Family or Owners).

(c) Concentrations of Risk and Uncertainties

The Company enters into Franchise Agreements with the manufacturers. The Franchise Agreements generally limit the location of the dealership and provide the auto manufacturer approval rights over changes in dealership management and ownership. The auto manufacturers are also entitled to terminate the Franchise Agreements if the dealership is in material breach of the terms. The Company's ability to expand operations depends, in part, on obtaining consents of the manufacturers for the acquisition of additional dealerships.

The Company is subject to a concentration of risk in the event of financial distress, including potential reorganization or bankruptcy, of a major vehicle manufacturer. The Company purchases substantially

(Continued)

all new vehicles from various manufacturers or distributors at the prevailing prices available to all franchised dealers. The Company's sales volume could be materially adversely impacted by the manufacturers' or distributors' inability to supply the stores with an adequate supply of vehicles. The largest vehicle manufacturers represented by the Company are Stellantis, N.V. (Chrysler) and Toyota Motor Sales, USA (Toyota). The Company's Chrysler and Toyota stores represented 33.4% and 28.8% and 35.0% and 28.0% of new vehicle unit sales for the nine months ended September 30, 2021 and 2020, respectively. The Company's Chrysler, General Motors (GM) and Ford (collectively, the Domestic Manufacturers) stores represented 44.8% and 47.7% of new vehicle unit sales for the nine months ended September 30, 2021 and 2020, respectively.

The Company receives incentives and rebates from manufacturers, including cash allowances, financing programs, discounts, holdbacks and other incentives. These incentives are recorded as receivables on the combined balance sheets until payment is received. The Company's financial condition could be materially adversely impacted by the manufacturers' or distributors' inability to continue to offer these incentives and rebates at substantially similar terms, or to pay outstanding receivables. Total receivables from manufacturers were $14.5 million and $24.4 million as of September 30, 2021 and December 31, 2020, respectively.

(d) Use of Estimates

The preparation of the condensed combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the condensed combined financial statements and related notes to the condensed combined financial statements. Changes in such estimates may affect amounts reported in future periods.

Estimates are used in the calculation of certain reserves maintained for charge-backs on estimated cancellations of service contracts; guaranteed asset protection (GAP) contracts; and finance fees from customer financing contracts. The Company also uses estimates in the calculation of various expenses, accruals and reserves, including anticipated workers' compensation premium expenses related to a retrospective cost policy, anticipated losses related to self-insurance components of their property and casualty insurance and discretionary employee bonuses. The Company also makes certain estimates regarding the assessment of the recoverability of goodwill, long-lived assets and indefinite lived intangible assets.

(2) Accounts Receivable, Net

Accounts receivable, net consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Contracts in transit	$ 86,869	108,612
Vehicle receivables	32,851	43,422
Manufacturer receivables	14,463	24,363
Trade receivables	35,790	30,318
Other	280	411
	170,253	207,126
Less allowance for doubtful accounts	(619)	(506)
	$ 169,634	206,620

(3) Inventories

Inventories consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
LIFO valued inventories:		
New vehicles	$ 100,970	341,349
Excess of cost over LIFO valued inventories	(6,238)	(21,044)
Total LIFO valued inventories	94,732	320,305
New vehicles	74,107	176,651
Used vehicles	133,485	110,106
Program and rental vehicles	21,270	26,743
Parts, accessories and other	48,544	43,773
Total inventories	$ 372,138	677,578

New vehicle inventory cost is generally reduced by manufacturer holdbacks and incentives, while the related floorplan notes payable are reflective of the gross cost of the vehicle, as measured by manufacturer invoice. As of September 30, 2021 and December 31, 2020, the carrying value of new vehicle inventory had been reduced by $1.0 million and $4.4 million, respectively, for assistance received from manufacturers.

(4) Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Furniture, signs and fixtures	$ 38,125	38,611
Service and parts equipment	35,050	33,476
Company vehicles	6,812	6,293
Leasehold improvements	5,193	5,193
Construction in progress	1,280	482
	86,460	84,055
Less accumulated depreciation and amortization	(54,971)	(50,545)
Total inventories	$ 31,489	33,510

Total depreciation and amortization for the nine months ended September 30, 2021 and 2020 was $5.8 million and $6.6 million, respectively.

(5) Goodwill and Franchise Value

There was no change in goodwill during the nine-months ended September 30, 2021. Goodwill increased by $16.0 million as a result of acquisitions during the nine-months ended September 30, 2020.

There was a $0.5 million decrease in franchise value as a result of disposals during the nine-months ended September 30, 2021. Franchise value increased by $24.0 milllion as a result of acquisitions during the nine-months ended September 30, 2020.

(6) Floorplan Notes Payable

The Company currently has relationships with a number of banks and manufacturer affiliated finance companies. These companies provide new and used vehicle floorplan financing.

The floorplan notes payable bear interest, payable monthly on the outstanding balance, at a rate of interest that varies by provider. The vehicle floorplan notes are payable on demand and are typically paid upon the sale of the related vehicle. As such, these floorplan notes payable are shown as current liabilities in the accompanying combined balance sheets. Vehicles financed by lenders not directly associated with the manufacturer are classified as floorplan notes payable – nontrade and are included as a financing activity in the accompanying combined statements of cash flows. Vehicles financed by lenders directly associated with the manufacturer are classified as floorplan notes payable – trade and are included as an operating activity in the accompanying combined statements of cash flows.

The weighted average interest rate on the floorplan facilities was 1.45% and 1.48% at September 30, 2021 and December 31, 2020, respectively.

Floorplan notes payable are generally guaranteed by each dealership that borrows from each bank or finance company. Floorplan notes payable are secured by new vehicle inventory, used vehicle and parts inventory, equipment, deposit accounts, contracts in transit, vehicle receivables and accounts receivable. The flooring agreements provide for events of default that include nonpayment, breach of covenants, a change of control and certain financial measurements. In the event of a default, the flooring agreements provide that the lenders may declare the entire principal balance immediately due, foreclose on collateral and increase the applicable interest rate to the revolving loan rate plus up to 4% per annum, among other remedies.

The Company maintains cash management deposit relationships with certain floorplan providers. As of September 30, 2021 and December 31, 2020, $86.3 million and $211.0 million, respectively, is on deposit in these cash management accounts, which is recorded as a reduction to the floorplan notes payable in the accompanying condensed combined balance sheets.

(7) Related Party Transactions

(a) Due to Related Parties

The Company borrows various amounts from related parties. Interest expense recorded related to due to related parties was $0.8 million and $1.5 million for the nine months ended September 30, 2021 and 2020, respectively. The amounts owed to, and the terms of the borrowings from, these related parties are summarized in the following table (in thousands):

	September 30, 2021	December 31, 2020
Unsecured cash management demand borrowings to related parties. Bears interest at a variable rate (0.78% and 0.64% at September 30, 2021 and December 31, 2020, respectively)	$40,145	163,217

(b) Notes Payable to Related Parties

The Company holds notes payable to related parties. Interest expense recorded related to notes payable to related parties was $0.4 million and $0.6 million for the nine months ended September 30, 2021 and 2020, respectively. The amounts and terms of notes payable to related parties are summarized in the following table (in thousands):

	September 30, 2021	December 31, 2020
Unsecured demand note payable from a dealership to a minority shareholder. Bears interest at the dealership flooring rate (2.58% and 2.64% at September 30, 2021 and December 31, 2020, respectively)	1,200	300
Unsecured demand note payable to Landcar Agency. Bears interest at a rate of 1.0% annum	—	4,032
Demand notes payable to Miller Management Company. Bears interest at a variable rate of 1.38% and 1.44% at September 30, 2021 and December 31, 2020, respectively	1,304	444
Notes payable from Miller Automotive Operations to Miller Management Company bears interest at variable rates (ranging from 2.14% and 4.78%, at September 30, 2021 and December 31, 2020)	6,164	9,182
Total notes payable to related parties	8,668	13,958
Less current portion	(5,844)	(8,709)
Noncurrent notes payable to related parties	$ 2,824	5,249

(c) Incentive Bonus Plan

Certain of the general managers of dealerships owned by the Company participate in an incentive bonus plan. Under the terms of this arrangement, these general managers will pay an amount to the Company as determined by management. This amount paid represents the general manager buy-in to the performance of the dealership and enables the general manager to earn 10% of the earnings of the dealership based on a specified formula. These amounts paid to the Company do not increase or decrease in value and are payable to the general manager in the event of termination of their position with the Company. While the Company does not currently expect these amounts to be repaid in the in the next twelve months, due to the nature of this liability, the Company has reflected the amount as a current obligation on the accompanying condensed combined balance sheets. The amount owing to general managers participating in this incentive bonus plan was $20.8 million and $19.4 million at September 30, 2021 and December 31, 2020, respectively. Amounts earned by the general managers under this plan are included as a component of selling, general and administrative expenses in the accompanying condensed combined statements of income and totaled $19.1 million and $9.3 million during the nine months ended September 30, 2021 and 2020, respectively.

(d) Real Estate Leases with Affiliated Real Estate Companies

The Company leases the majority of its facilities under noncancelable operating leases from Miller Family Real Estate, Jordan Commons, and Larry H. Miller Corporation – Boise. These entities are all owned and controlled by the Miller Family. These leases expire between December 1, 2021 and December 31, 2034. These lease commitments are subject to escalation clauses of an amount equal to the change in the consumer price index.

Rental expense for these operating leases with related parties was $45.3 million and $45.1 million during the nine months ended September 30, 2021 and 2020, respectively. This amount is included as a component of selling, general and administrative expenses in the accompanying condensed combined statements of income.

(e) Furniture, Fixture and Equipment Leases with Affiliated Real Estate Companies

The Company leases a portion of its furniture, fixtures and equipment under operating leases from Miller Family Real Estate.

Rental expense for all furniture, fixtures and equipment leases was $0.2 million and $1.0 million during the nine months ended September 30, 2021 and 2020, respectively. These amounts are included as a component of selling, general and administrative expenses in the accompanying condensed combined statements of income.

(f) Transactions with Affiliated Insurance and Service Contract Companies

The Company sells extended service, maintenance and vehicle theft reduction contracts for automobiles underwritten by Landcar Agency, Inc. (dba Total Care Auto), an affiliated entity owned and controlled by the Miller Family. During the nine months ended September 30, 2021 and 2020, respectively, the Company earned commissions of $78.1 million and $67.3 million selling service contracts, commissions of $7.1 million and $7.2 million selling guaranteed auto protection and commissions of $16.5 million and $11.3 million selling vehicle theft reduction products.

The Company sells vehicle protection warranty contracts and products for automobiles. These contracts are underwritten by Landcar Century, Inc. During the nine months ended September 30, 2021 and 2020, the Company earned commissions of $29.4 million and $23.3 million, respectively, selling these products.

(g) Advertising Services

Saxton-Horne Advertising, an affiliate owned by the Miller Family, provided advertising services to the Company. The Company incurred expenses of $25.3 million and $18.2 million for these services during the nine months ended September 30, 2021 and 2020, respectively.

(h) Management Services

The Company paid management services fees to Miller Management Company, Inc. (MMC), an affiliate management company owned by the Miller Family. During the nine months ended September 30, 2021 and 2020, the Company paid MMC $46.9 million and $26.7 million, respectively, for the management services provided.

(Continued)

(8) Commitments and Contingencies

(a) Leases

The Company leases certain of their facilities under noncancelable operating leases with unrelated parties. These leases expire at various dates through February 1, 2029. Certain lease commitments contain fixed payment increases at predetermined intervals over the life of the lease, while other lease commitments are subject to escalation clauses of an amount equal to the change in the consumer price index. Lease expense is recognized on a straight-line basis over the life of the lease.

Rental expense for all operating leases with unrelated parties was $4.0 million and $4.8 million during the nine months ended September 30, 2021 and 2020, respectively. This amount is included as a component of selling, general and administrative expenses in the accompanying condensed combined statements of income.

(b) Other Liabilities

The Company has recorded a reserve of $32.5 million and $28.0 million as of September 30, 2021 and December 31, 2020, respectively, for estimated contractual obligations related to potential charge-backs for vehicle service contracts and other various insurance contracts that are terminated early by the customer. These amounts are included in other liabilities in the accompanying condensed combined balance sheets.

(c) Regulatory Compliance

The Company is subject to numerous state and federal regulations common in the automotive sector that cover retail transactions with customers and employment and trade practices. The Company does not anticipate that compliance with these regulations will have an adverse effect on their business, combined results of operations, financial condition or cash flows, although such outcome is possible given the nature of our operations and the legal and regulatory environment affecting our business.

(d) Litigation

The Company is party to legal proceedings arising in the normal course of business. In the opinion of management, the resolution of legal proceedings arising in the normal course of business will not have a material adverse effect on their combined business, results of operations, financial condition, or cash flows.

(e) Environmental Matters

The Company monitors for the presence of hazardous or toxic substances. Management is not aware of any environmental liability with respect to the Company that would have a material adverse effect on the Company's combined business, assets, or results of operations; however, there can be no assurance that such a material environmental liability does not exist. The existence of any such environmental liability could have an adverse effect on the Company's combined financial position, results of operations, or cash flows.

(Continued)

(f) Self-Insurance

The Company partially self-insures against certain general liability claims. Specifically, the Company carries a $250,000 deductible on general liability claims. The Company carries aggregate stop-loss insurance that limits total losses at certain pre-defined levels. Additionally, the Company is subject to claims lag resulting from timing differences between the occurrence of a claim and the time that the claim is reported and paid. Accordingly, the Company has accrued $2.9 million and $3.6 million for losses incurred under these self-insured programs as of September 30, 2021 and December 31, 2020, respectively.

(9) Acquisitions and Dispositions

On February 3, 2020, the Company acquired a Chevrolet dealership and Chrysler Jeep dealership in Albuquerque, New Mexico. The purchase price of the acquisitions was $47.0 million, which was paid in cash. The primary purpose for the acquisitions was to increase the Company's dealership presence in the New Mexico market and diversify the Company's dealership mix.

The results of operations of the acquired stores have been included in the condensed combined financial statements since the date of acquisition. The following table summarizes the consideration paid and estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

	2020
Inventory	$ 21,723
Goodwill	16,000
Franchise value	24,000
Property and equipment	2,053
Trade payables and accrued liabilities	(706)
Floorplan note payable - nontrade	(16,096)
Total	$ 46,974

On January 21, 2021, the Company sold the assets of a Nissan dealership in Corona, California. The Company received $1.0 million in cash for the sale of $1.0 million of assets, net of outstanding balances under the floorplan notes payable.

(10) Subsequent Events

The Company has evaluated subsequent events through October 25, 2021, which is the date these unaudited condensed combined financial statements were available to be issued.

On September 29, 2021, it was announced that the Asbury Automotive Group entered into a definitive agreement to acquire the Company from the Miller Family as part of a broader transaction to purchase the Company and related assets.

KPMG

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Condensed Combined Financial Statements

September 30, 2021 and 2020

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Condensed Combined Balance Sheets

(unaudited)

(In thousands)

	September 30, 2021	December 31, 2020
Assets		
Real estate:		
Land	$ 206,138	189,890
Buildings and leasehold improvements	438,473	409,906
Furniture, fixtures, and equipment	41,702	42,820
Construction and equipment in progress	15,797	9,440
Less accumulated depreciation and amortization	(172,897)	(162,419)
Real estate, net	529,213	489,637
Accounts receivable, net	38	132
Prepaid expenses and other assets	588	6,376
Total assets	$ 529,839	496,145
Liabilities and Parent's Net Investment		
Liabilities:		
Mortgage notes payable, net	$ 16,284	147,724
Notes payable to related party	—	47,581
Due to related party	431,550	155,001
Accounts payable and accrued liabilities	1,922	1,662
Other liabilities	91	6,601
Total liabilities	449,847	358,569
Parent's net investment:		
Parent's net investment	79,992	137,576
Total liabilities and parent's net investment	$ 529,839	496,145

See accompanying notes to condensed combined financial statements.

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Condensed Combined Statements of Income

(unaudited)

(In thousands)

	Nine Months Ended	
	Setpember 30, 2021	September 30, 2020
Rental revenues, primarily related party	$ 46,422	46,690
Total revenues	46,422	46,690
Operating expenses:		
General and administrative	7,558	7,202
Repairs and maintenance	152	111
Depreciation and amortization	11,640	11,613
Loss on disposal of assets	230	194
Total operating expenses	19,580	19,120
Income from operations	26,842	27,570
Other income (expense):		
Interest, investment, and other income	552	958
Interest expense	(12,558)	(11,735)
Unrealized (loss) gain on fair value of derivative instruments	1,914	(5,717)
Total other expense, net	(10,092)	(16,494)
Net income	$ 16,750	11,076

See accompanying notes to condensed combined financial statements.

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Condensed Combined Statements of Changes in Parent's Net Investment

(unaudited)

(In thousands)

Nine months ended September 30, 2020	**Total Parent's net Investment**
Balance, December 31, 2019	124,717
Change in parent's net investment	(7,850)
Net income	11,076
Balance, September 30, 2020	127,943

Nine months ended September 30, 2021	**Total Parent's net Investment**
Balance, December 31, 2020	137,576
Change in parent's net investment	(74,334)
Net income	16,750
Balance, September 30, 2021	79,992

See accompanying notes to condensed combined financial statements.

LARRY H. MILLER AUTOMOTIVE REAL ESTATE PROPERTIES

Condensed Combined Statements of Cash Flows

(unaudited)

(In thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net income	$ 16,750	11,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,640	11,613
Loss on disposal of assets	230	194
Unrealized (gain) loss on fair value of derivative instruments	(1,914)	5,717
Amortization of deferred financing costs	196	70
Changes in operating assets and liabilities:		
Accounts receivable, net	95	(188)
Prepaid expenses and other assets	5,789	(117)
Accounts payable and accrued liabilities	(22)	(215)
Other liabilities	22	(3)
Net cash provided by operating activities	32,786	28,147
Cash flows from investing activities:		
Capital expenditures	(60,696)	(5,880)
Proceeds from sale of properties, furniture, fixtures, and equipment	9,531	—
Net cash used in investing activities	(51,165)	(5,880)
Cash flows from financing activities:		
Principal payments on mortgage notes payable	(131,636)	(5,377)
Proceeds from issuance of mortgage notes payable	—	169
Payments for loan origination costs	—	(339)
Principal payments on related party notes payable	(47,581)	(5,005)
Net change in due to related party	271,930	(3,865)
Change in parent's net investment	(74,334)	(7,850)
Net cash provided by (used in) financing activities	18,379	(22,267)
Net change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	$ —	—
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 10,218	11,636
Supplemental noncash investing and financing activities:		
Accrued purchases of properties, furniture, fixtures, and equipment	301	77

See accompanying notes to condensed combined financial statements.

(1) **Nature of Business and Basis of Presentation**

(a) Nature of Business

We have prepared the accompanying condensed combined financial statements of real property related to the Larry H. Miller Dealership operations (Larry H. Miller Automotive Real Estate Properties or Company). The real property related to the Larry H. Miller Dealerships has historically operated as part of the Larry H. Miller Real Estate Entities (Parent) and not as a standalone company. The accompanying condensed combined financial statements comprise the condensed combined balance sheets as of September 30, 2021 and 2020, and the related combined statements of income, changes in Parent's net investment, and cash flows for the nine-month periods ended September 30, 2021 and 2020.

(b) Basis of Presentation

The combined financial statements of the Parent include the accounts of Miller Family Real Estate LLC (MFRE) and Larry H. Miller Corporation – Boise (Boise), all of which are principally owned by the Larry H. Miller Family (the Miller Family). MFRE is a limited liability company and is treated as a partnership for federal income tax purposes. Boise is a Subchapter S corporation and is taxed as a flow-through entity for federal income tax purposes.

The accompanying condensed combined financial statements representing the historical operations of the Parent's automotive real estate business have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The condensed combined financial statements have been derived from the December 31, 2020 audited combined financial statements and unaudited interim financial information and accounting records of the Parent using the historical results of operations and historical cost basis of the assets and liabilities that comprise the Company to demonstrate the Company's condensed combined historical financial position, results of operations, and cash flows on a carve-out basis. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 270, *Interim Reporting*. These condensed combined financial statements reflect all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly the financial position, the results of operations, and cash flows of the Company for the periods presented. All intercompany balances and transactions within the Company's condensed combined financial statements have been eliminated. Transactions and balances between the Company and the Parent that are not included in these condensed combined financial statements are reflected as related party balances and transactions within these financial statements. Transactions between the Company and the Parent are reflected as change in Parent's net investment.

The condensed combined financial statements include the assets, liabilities, revenues, and expenses that are specifically identifiable to the Company. As part of Parent, the Company is dependent upon Parent for all its working capital and financing requirements as Parent uses a centralized approach to cash management and financing of its operations. Financial transactions relating to the Company are accounted for through the Parent's net investment account and due to related parties account. Accordingly, none of Parent's cash or cash equivalents at the corporate level have been allocated to the Company in the condensed combined financial statements. Debt balances that are directly related to the Company's financing have been included in the condensed combined financial statements.

(Continued)

Parent's net investment represents Parent's interest in the recorded net assets of the Company. The condensed combined financial statements also include allocations of certain administrative, accounting, legal, human resources and information technology expenses from the Parent based on the percentage of revenue recognized by the Company divided by total revenue recognized by the Parent. These allocated costs are primarily related to corporate general and administrative expenses and employee related costs for corporate and shared employees. Nevertheless, the condensed combined financial statements may not include all of the actual expenses that would have been incurred had the Company operated as a standalone company during the periods presented and may not reflect the condensed combined results of operation, financial position and cash flows had the Company operated as a standalone business during the periods presented. Actual costs that would have been incurred if the Company had operated as a standalone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. The Company also may incur additional costs associated with being a standalone company that were not included in the expense allocations and therefore would result in additional costs that are not reflected in the condensed combined historical results of operations, financial position, and cash flows. Consequently, future results of operations should the Company operate separately from the Parent could include costs and expenses that may be materially different than the Company's historical results of operations, financial position, and cash flows. Accordingly, the condensed combined financial statements for the periods presented may not be indicative of the Company's future results of operations, financial position, and cash flows.

(2) Summary of Significant Accounting Principles

These condensed combined financial statements are prepared in accordance with U.S. GAAP, and the accounting policies generally accepted by the industry in which the Company operates.

(a) Real Estate

Real estate is recorded at cost and consists of land, buildings, leasehold improvements, furniture, fixtures, and equipment. Significant expenditures that improve or extend the life of an asset are capitalized, while minor replacements, maintenance, and repairs that do not increase the useful life of an asset are expensed as incurred.

Depreciation is calculated using the straight-line method over the useful lives of the assets. Leasehold and tenant improvements are amortized using the straight-line method over the shorter of the useful lives or the term of the lease.

The range of estimated useful lives is as follows:

Buildings and leasehold improvements	25 to 39 years
Furniture, fixtures, and equipment	5 to 10 years

When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or debited to income from operations. The Company recorded \$11.6 million and \$11.6 million in depreciation expense for the nine months ended September 30, 2021 and 2020, respectively.

(b) Management Estimates

The preparation of the condensed combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at September 30, 2021 and 2020, and revenues and expenses reported for the respective reporting periods. The actual outcome could differ from the estimates made in the preparation of these condensed combined financial statements.

(3) Mortgage Notes Payable

Mortgage notes payable consisted of the following at September 30, 2021 and December 31, 2020 (in thousands):

Description*	Rate	Monthly payment	Maturity date	Collateral	September 30, 2021	December 31, 2020
MLIBOR + 2%	2.08%	prin + int	6/5/2024	Secured by Land and Buildings	$ —	23,840
MLIBOR + 1.6%	1.68%	prin + int	6/1/2022	Secured by Land and Buildings	—	19,280
DLIBOR + 2.15%	2.22%	prin + int	10/31/2022	Secured by Land and Buildings	—	25,992
Fixed	4.46%	prin + int	12/1/2027	Secured by Land and Buildings	7,653	7,842
MLIBOR + 1.75%	1.83%	prin + int	1/1/2031	Secured by Buildings	—	6,162
5 yr LIBOR + 1.75%	4.42%	prin + int	3/28/2038	Secured by Land and Buildings	8,647	8,908
MLIBOR + 1.9%	1.98%	prin + int	3/31/2025	Secured by Land and Buildings	—	7,944
MLIBOR + 1.95%	2.03%	prin + int	6/1/2025	Secured by Land and Buildings	—	14,315
MLIBOR + 1.6%	1.68%	prin + int	9/5/2023	Secured by Land and Buildings	—	13,716
MLIBOR + 1.7%	1.78%	prin + int	3/31/2026	Secured by Land and Buildings	—	20,308
					$ 16,300	$ 148,307
Less unamortized debt issuance costs					(16)	(583)
Mortgage notes payable, net					$ 16,284	147,724

* MLIBOR equals 30-day LIBOR
* DLIBOR equals daily LIBOR

The mortgage notes payable agreements contain covenants including debt service coverage ratios, lease sufficiency ratios, loan-to-value ratios, and minimum average liquidity requirements.

(4) Related Party Transactions

(a) Rental Revenues

The Company's rental revenue is generated from lease agreements with related automotive dealership entities owned by the Miller Family. Revenue recognized by the Company during the nine months ended September 30, 2021 and 2020 from related entities totaled $43.8 million and $45.7 million, respectively.

(b) Notes Payable to Related Party

The Company has secured notes payable to Larry H. Miller Management Corporation (MMC). Interest expense recorded on notes payable to related parties was $1.4 million and $1.6 million for the nine months ended September 30, 2021 and 2020, respectively. Notes payable to related party consisted of the following at September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
A note payable bearing interest at 3.43%. Secured by real property. Monthly payments of principal and interest of $163. Matures April 2030.	—	15,427
A note payable bearing interest at 3.43%. Secured by real property. Monthly payments of principal and interest of $15. Matures August 2031.	—	1,617
A note payable bearing interest at 4.29%. Secured by real property. Monthly payments of principal and interest of $34. Matures December 2032.	—	3,815
A note payable bearing interest at 4.76%. Secured by real property. Monthly payments of principal and interest of $52. Matures August 2033.	—	3,006
A note payable bearing interest at 4.42%. Secured by real property. Monthly payments of principal and interest of $68. Matures April 2034.	—	8,266
A note payable bearing interest at 4.32%. Secured by real property. Monthly payments of principal and interest of $123. Matures April 2029.	—	10,341
A note payable bearing interest at 4.32%. Secured by real property. Monthly payments of principal and interest of $32. Matures November 2034.	—	4,249
A note payable bearing interest at 4.69%. Secured by real property. Monthly payments of principal and interest of $167. Matures December 2027.	—	860
	$ —	47,581

(c) Due to Related Party

The Company has a net payable due to related parties of $431.6 million and $155.0 million as of September 30, 2021 and December 31, 2020, respectively. Included in $155.0 million are net payables due to MMC for loans from MMC of $9.0 million, which was due on demand.

Also included in these amounts are a net payable due to the Parent for financing provided by the Parent. The Company has debt under credit agreements to which it is the legal obligor as described in Note (3) Mortgage Notes Payable. In addition, although the Company is not the legal obligor, the Parent has mortgage notes payable that are secured by the assets of the Company of $418.6 million and $137.7 million as of September 30, 2021 and December 31, 2020, respectively. The Parent's mortgage notes payable includes a line of credit with a borrowing capacity of $100 million bearing interest at LIBOR + 1.85% and had no amounts outstanding as of the end of each period presented.

In addition, as of September 30, 2021 and December 31, 2020, the due to related party included a net payable to the Parent of $12.9 million and $8.3 million, respectively, for Parent's interest rate swap derivatives related to the Parent's mortgage notes payable.

The Parent's mortgage notes payable included debt service coverage ratios, lease sufficiency ratios, loan-to-value ratios, and minimum average liquidity requirements. The mortgage notes payable mature June 2026. In the event of a change in control, the Company would be required to repay the outstanding balance to the Parent.

(d) Management Services

The Company paid management services fees to MMC. The Company paid MMC for management services $0.4 million and $0.4 million, for the nine months ended September 30, 2021 and 2020, respectively. The expenses are included as a component of general and administrative expense in the accompanying condensed combined statements of income.

(e) Related Party Lease Commitments

The Company is managed with other assets held by the Parent and therefore does not have a separate lease for administrative office space. A portion of the cost to occupy office space for administrative purposes has been allocated to the Company as discussed in Note 1.

(5) Lease Commitments

The Company is a party to several lease agreements expiring on various dates through 2034. Lease terms generally include combined initial and option terms of 15 to 30 years. The option terms are typically in five-year increments. Rental payments include minimum rentals. Rental expense for operating leases during the nine months ended September 30, 2021 and 2020 totaled $4.8 million and $4.8 million, respectively.

(6) Commitments and Contingencies

(a) Legal Matters

The Company is party to certain legal matters arising in the ordinary course of business. In the opinion of management, the resolution of legal proceedings arising in the normal course of business will not have a material adverse effect on its combined business, results of operations, financial condition, or cash flows.

(b) Environmental Matters

The Company monitors for the presence of hazardous or toxic substances. Management is not aware of any environmental liability with respect to the Company that would have a material adverse effect on the Company's combined business, assets, or results of operations; however, there can be no assurance that such a material environmental liability does not exist. The existence of any such environmental liability could have an adverse effect on the Company's combined financial position, results of operations, or cash flows.

(c) General Uninsured Losses

The Company carries comprehensive liability, fire, flood, environmental, extended coverage, and rental loss insurance with policy specifications, limits, and deductibles that management believes are adequate and appropriate under the circumstances given the relative risk of loss, the cost of such coverage, and industry practice. There are, however, certain types of losses that may be either uninsurable or not economically insurable. Should an uninsured loss occur, it could have an adverse effect on the Company's combined financial position, results of operations, or cash flows.

(d) Future Construction Projects

As of September 30, 2021, the Company has commitments for construction projects totaling $15.1 million. It is anticipated that the projects will be completed, and all commitments will be paid within 2022.

(7) Fair Value of Financial Instruments

GAAP 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 based on market pricing data obtained from sources independent of the Company. Unobservable inputs reflect management's judgment about the assumptions market participants would use in pricing the asset or liability.

Level 1 inputs are quoted prices in active markets as of the measurement date for identical assets or liabilities that Company had the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The following table presents the Company's fair value hierarchy for the above assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020 (in thousands):

	Quoted market prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
September 30, 2021 Financial liabilities:			
Derivatives	$ —	—	—
December 31, 2020 Financial liabilities:			
Derivatives	—	6,532	—

Interest rate swaps that are in an asset position are recorded as a component of prepaid expenses and other assets, and interest rate swaps that are in a liability position are recorded as a component of other liabilities.

(8) Subsequent Events

The Company has evaluated subsequent events through October 25, 2021, which is the date these unaudited condensed combined financial statements were available to be issued.

On September 29, 2021, it was announced that the Asbury Automotive Group entered into a definitive agreement to acquire the Company from the Miller Family as part of a broader transaction for the Larry H. Miller automotive business.

Exhibit 99.6

Total Care Auto,
Powered by Landcar

COMBINED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021 and 2020

TOTAL CARE AUTO, POWERED BY LANDCAR

CONTENTS

TOTAL CARE AUTO, POWERED BY LANDCAR
Combined Balance Sheets
As of September 30, 2021 and December 31, 2020

	Combined 9/30/2021	Combined 12/31/2020
ASSETS		
Current assets:		
Cash and cash equivalents, at estimated fair value	**$ 57,434,881**	$ 74,708,047
Short-term investments, at estimated fair value	**3,521,236**	201,310
Premiums receivables	**16,055,473**	13,577,564
Reinsurance recoverable	**15,406**	1,339
Other receivable	**69,827**	13,012
Accrued investment income	**636,829**	473,707
Prepaid expenses	**25,940**	106,157
Mortgage loans, at amortized, current portion, net of the uncollectible allowance of $0	**—**	86,971
Deferred acquisition costs, current portion	**120,462,177**	102,916,570
Related party receivable	**—**	—
Total current assets	**198,221,769**	192,084,677
Investments		
Bonds, available for sale, at estimated fair value (amortized cost: **$25,028,265** and $12,363,757)	**25,180,812**	12,673,890
Bonds, held-to-maturity, amortized cost	**36,200,790**	33,363,406
Preferred stock, available-for-sale, at estimated fair value	**2,121**	3,445,191
Common stock, available-for-sale, at estimated fair value	**61,080,409**	35,642,082
Mortgage loans, amortized cost, long-term portion	**789,326**	2,363,317
Alternative investments	**4,220,654**	197,241
Related party notes receivable	**58,755,354**	91,680,000
Notes receivable, non-current portion	**—**	—
Deferred acquisition costs, long-term portion	**346,022,896**	293,521,236
Deferred income tax asset	**58,628**	310,824
Property and equipment, net of accumulated depreciation of **$2,543,403** and $2,629,659	**1,493,326**	2,167,006
Total noncurrent assets	**533,804,316**	475,364,193
Total assets	**$732,026,085**	$667,448,870

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR

Combined Balance Sheets (Continued)

As of September 30, 2021 and December 31, 2020

	Combined 9/30/2021	Combined 12/31/2020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	**$ 8,896,995**	$ 9,806,397
Securities payable	**3,971**	—
Taxes, licenses, and fees, excluding income taxes	**63,042**	103,536
Claims payable	**1,113,433**	1,100,319
Interest payable	**—**	20,652
Unearned premiums, current portion	**199,857,637**	179,481,064
Line of credit	**—**	14,000,000
Income taxes payable	**101,795**	21,239
Total current liabilities	**210,036,873**	204,533,207
Other liabilities:		
Unpaid losses and loss adjustment expenses	**2,105,804**	2,424,159
Total other liabilities	**2,105,804**	2,424,159
Noncurrent liabilities:		
Unearned premiums, long-term portion	**471,755,115**	421,345,772
Total noncurrent liabilities	**471,755,115**	421,345,772
Total liabilities	**683,897,792**	628,303,138
Stockholders' equity:		
Common stock	**2,501,000**	2,501,000
Additional paid-in capital	**85,125,956**	85,125,956
Retained earnings (deficit)	**(39,648,257)**	(48,791,357)
Accumulated other comprehensive income (loss), net	**149,594**	310,133
Total stockholders' equity	**48,128,293**	39,145,732
Total liabilities and stockholders' equity	**$732,026,085**	$667,448,870

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR
Combined Statements of Income
For the Nine Months Ended September 30, 2021 and 2020

	Combined 9/30/2021	Combined 9/30/2020
Premium and administrative fee income	**$160,446,723**	$143,472,588
Service and licensing fee income	**31,050,000**	27,700,000
Total income	**191,496,723**	171,172,588
Cost of sales:		
Claims expense incurred	**32,257,253**	31,971,636
Other cost of sales	**668,844**	387,258
Amortization of deferred acquisition costs	**90,394,542**	73,666,165
Total cost of sales	**123,320,639**	106,025,059
Gross profit	**68,176,084**	65,147,529
Operating expenses:		
Salaries and benefits	**2,889,507**	2,751,098
Rent	**194,707**	174,969
Depreciation	**692,499**	665,069
Professional fees	**782,438**	799,489
Advertising	**20,349**	—
Other general and administrative	**1,012,121**	1,254,418
Total expenses	**5,591,621**	5,645,043
Gain from operations	**62,584,463**	59,502,486
Net investment income	**6,285,285**	3,664,311
Net realized gains	**874,321**	710,405
Other income	**2,126,783**	1,908,964
Net income before provision for income taxes	**71,870,852**	65,786,166
Provision for income taxes	**1,717,752**	866,933
Net income	**$ 70,153,100**	$ 64,919,233

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR

Combined Statements of Comprehensive Income

For the Nine Months Ended September 30, 2021 and 2020

	Combined 9/30/2021	Combined 9/30/2020
Net income	**$70,153,100**	$64,919,233
Other comprehensive income (loss):		
Unrealized investment gain (loss) arising during the period	**(176,373)**	230,706
Reclassification adjustment for (gains) losses included in net income	**15,834**	(84,467)
Other comprehensive income (loss):	**(160,539)**	146,239
Income tax expense related to items of other comprehensive income (loss)	—	—
Other comprehensive income (loss), net of income tax	**(160,539)**	146,239
Total comprehensive income	**$69,992,561**	$65,065,472

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR

Combined Statements of Changes in Stockholders' Equity
For the Nine Months Ended September 30, 2021 and
the Year Ended December 31, 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Combined					
Balance at January 1, 2020	$2,501,000	$ 85,125,956	$(60,289,983)	$ 163,894	$ 27,500,867
Net income	—	—	89,106,126	—	89,106,126
Dividends paid	—	—	(77,607,500)	—	(77,607,500)
Comprehensive income, net	—	—	—	146,239	146,239
Balance at December 31, 2020	**2,501,000**	**85,125,956**	**(48,791,357)**	**310,133**	**39,145,732**
Net income	—	—	**70,153,100**	—	**70,153,100**
Dividends paid	—	—	**(61,010,000)**	—	**(61,010,000)**
Comprehensive income, net	—	—	—	**(160,539)**	**(160,539)**
Balance at September 30, 2021	**$2,501,000**	**$ 85,125,956**	**$(39,648,257)**	**$ 149,594**	**$ 48,128,293**

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR

Combined Statements of Cash Flows

For the Nine Months Ended September 30, 2021 and 2020

	Combined 9/30/2021	Combined 9/30/2020
Reconciliation of net income to net cash provided by operating activities:		
Net income	**$ 70,153,100**	$ 64,919,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gain on investments	**(874,321)**	(710,405)
Unrealized (gain) loss on investments	**(4,129,424)**	(580,500)
Amortization (accretion) of bonds	**733,121**	481,148
Depreciation	**692,499**	692,499
Change in:		
Premiums receivables	**(2,477,909)**	(3,557,253)
Reinsurance recoverable	**(14,067)**	(19,471)
Accrued investment income	**(163,122)**	266,283
Prepaid expenses	**80,217**	27,734
Deferred acquisition costs	**(70,047,267)**	(43,176,499)
Deferred income tax asset/liability	**252,196**	(14,072)
Related party receivable	**—**	5,877
Income tax recoverable/payable	**80,556**	31,310
Unpaid losses and loss adjustment expenses	**(318,355)**	69,714
Claims payable	**13,114**	7,291
Interest payable	**(20,652)**	20,771
Accounts payable and accrued expenses	**(966,217)**	3,627,826
Securities payable	**3,971**	544,990
Taxes, licenses, and fees	**(40,494)**	(9,228)
Unearned premiums	**70,785,916**	32,567,255
Net cash provided by operating activities	**63,742,863**	55,194,503

The accompanying notes are an integral part of these combined financial statements

TOTAL CARE AUTO, POWERED BY LANDCAR
Combined Statements of Cash Flows (Continued)
For the Nine Months Ended September 30, 2021 and 2020

	Combined 9/30/2021	Combined 9/30/2020
Cash flows from investing activities:		
Proceeds from short-term investments	**$ (3,319,926)**	$ 1,247,118
Proceeds from sale of investments	**148,976,986**	44,857,900
Proceeds from mortgage loan principal collections	**1,660,962**	1,503,447
Purchase of property and equipment	**—**	(181,340)
Purchase of investments	**(186,248,697)**	(50,394,796)
Net cash used by investing activities	**(38,930,675)**	(2,967,671)
Cash flows from financing activities:		
Proceeds from (repayment of) line of credit	**(14,000,000)**	14,000,000
Related party notes receivable funded	**—**	(67,213,939)
Proceeds from related party notes receivable	**32,924,646**	73,000,000
Dividends paid	**(61,010,000)**	(57,720,000)
Other cash used	**—**	—
Net cash used by financing activities	**(42,085,354)**	(37,933,939)
Net increase (decrease) in cash and cash equivalents	**(17,273,167)**	14,292,893
Cash and cash equivalents at beginning of year	**74,708,047**	51,031,396
Cash and cash equivalents at end of year	**$ 57,434,881**	$ 65,324,289
Supplemental Disclosures of Cash Flow Information:		
Interest paid	**$ —**	$ —
Taxes paid	**$ 1,385,000**	$ 1,162,691

The accompanying notes are an integral part of these combined financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Company

Total Care Auto, Powered by Landcar ("TCA") is made up of two different entities: Landcar Agency, Inc. ("LCA"), and Landcar Casualty Company ("LCC").

The combined financial statements presented herein contain the accounts of both of these entities. All significant intercompany balances and transactions have been eliminated in combination.

TCA offers extended vehicle service contracts, prepaid maintenance contracts, vehicle theft assistance contracts, key replacement contracts, guaranteed asset protection ("GAP") contracts, paintless dent repair contracts, appearance protection contracts, tire and wheel, Anti-bacterial, and lease wear and tear contracts. In addition, TCA provides the required contractual liability insurance if needed. The majority of these warranty contracts are sold through affiliated automobile dealerships.

Basis of Presentation

The accompanying combined financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") using the accrual method of accounting. All income is recorded when earned and all expenses are recorded when incurred regardless of when such amounts are received or paid.

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset s and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the reserve for unpaid losses and loss adjustment expenses, unearned premiums, collectability of the notes receivables and mortgage loans, and fair value of investments.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with a maturity date of three months or less at the time of purchase and are stated at cost, which approximates fair market value. TCA maintains cash balances in demand deposits and money market funds in which the carrying amount approximates fair value.

Short-term investments

Short-term investments are made up of bonds with a maturity date of more than three months, but less than 12 months. These holdings are stated at cost, which approximates fair market value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Securities

TCA places securities on statutory deposit with certain state agencies to retain the right to do business in those states.

Premiums Receivable/Bad Debts

Receivables are recorded when invoices are issued and are presented in the balance sheet net of the allowance for doubtful accounts. Receivables are written off when they are determined to be uncollectible. TCA believes no allowance for doubtful accounts is necessary as of September 30, 2021 and December 31, 2020.

Investment Securities

Bonds and treasury instruments at September 30, 2021 and December 31, 2020 consist of held-to-maturity securities and available-for-sale securities.

Held-to-maturity securities are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using the interest method over the period to maturity. A portion of the bonds are classified as available-for-sale securities. Available-for-sale securities are reported at market value.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary would result in write-downs of the individual securities to their fair value. The related write-downs would be included in earnings as realized losses. During the 2021 and 2020 fiscal years, no such write-downs were noted.

Equity securities are made up of preferred and common stock. These are reported at market value with the change in value being recognized in net income.

Cost Method Investments

During 2012, LCA invested in Mercato Partners Growth II GP, LLC and has accounted for it using the cost method in accordance with FASB Accounting Standards Codification (ASC- 323*), Investments – Equity Method and Joint Ventures*. During the nine months ended September 30, 2021, the Company received distributions from the fund related to the investment performance of the assets held. The carrying value of this investment as of September 30, 2021 and December 31, 2020 was **$0** and $197,421, respectively. Management performs an annual assessment of these investments for impairment.

Mortgages and Notes Receivable

Mortgage loans and notes receivable are carried at the outstanding principal balances with an allowance for estimated uncollectible amounts, if any.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Acquisition Costs

Direct expenses paid for the acquisition of contracts on which revenue has been received but not yet earned have been deferred and are amortized over the related contract period.

Property and Equipment

Property and equipment is recorded at cost at the time of purchase and depreciated over the useful life of the assets using the straight-line depreciation method. Acquisitions of under $5,000 are expensed in the year purchased. The estimated useful lives for the various asset classes are as follows:

Asset Categories	Useful life
Furniture and equipment	10 years
Computer hardware	3 years
Computer software	5 years
Leasehold improvements	3-5 years

Property and equipment was made up of the following as of September 30, 2021 and December 31, 2020:

	2021	2020
Property and Equipment		
Furniture and fixtures	**$ 413,894**	$ 413,894
Computer hardware and office equipment	**181,852**	310,559
Software	**3,437,212**	4,069,479
Work in progress	**3,771**	2,733
Total	**4,036,729**	4,796,665
Accumulated depreciation	**(2,543,403)**	(2,629,659)
Net property and equipment	**$ 1,493,326**	$ 2,167,006

Depreciation expense for the nine months ended September 30, 2021 and 2020 amounted to **$692,499** and $665,069 respectively.

Costs of software developed for internal use are capitalized in a work in progress account until the project has been placed in service. Depreciation begins once the project has been placed in service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Premiums

Revenue is earned over the period of the related warranty contract. Accordingly, TCA records a deferred revenue reserve to ratably recognize revenue over the contract period.

Unpaid Losses and Loss Adjustment Expense Reserve

Losses and loss adjustment expense reserves represent management's best estimate of the ultimate net cost of all reported and unreported losses incurred through September 30, 2021 and December 31, 2020. TCA does not discount liabilities for unpaid losses or unpaid loss adjustment expense reserves. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations and statistical analysis. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Claims are counted when incidents that may result in a liability are reported and are based on policy coverage.

Revenue Recognition

Effective January 1, 2019, the Company adopted new FASB guidance contained in ASU 2014-09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers,* using the modified retrospective method applied to all active contracts. This standard revises the criteria for revenue recognition. Under the new guidance, the transaction price is attributed to the underlying performance obligations in the contract and revenue is deferred and recognized as income as the Company satisfies the performance obligations in the contract as the obligations under the contracts are performed. Under the new guidance, revenue is recognized more slowly as compared to the historic revenue recognition pattern. Incremental costs of obtaining a contract are capitalized and amo rtized to the extent the Company expects to recover those costs. The Company considers all revenue other than investment and interest income to be the result of contracts with customers. Each contract is considered to have one performance obligation which extends over the life of the contract. The method for recognizing revenue for the various types of contracts is described in the following paragraphs. Expenses are matched with earned premiums resulting in recognition of profits over the life of the contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Earnings methods are assigned based on contract type and expected claim patterns and consist of the pro-rata, rule of 78's, and reverse rule of 78's methods. GAP insurance unearned premium reserve is calculated by the rule of 78's. The other contracts are earned ratably over the contract period.

Extended vehicle service contracts are earned ratably over the contract based on historical claims payment patterns for TCA.

The Company receives monthly retrospective commissions from third party vendors. These commissions are earned when received and are reported as other income on the statement of income and comprehensive income.

Revenue from service and licensing fees is earned monthly as it is received.

The timing of revenue recognition, billings and cash collections results in billed account s receivables, contract assets (reported as deferred acquisition costs) and contract liabilities (reported as unearned premium) on the Company's balance sheets. Balances as of September 30, 2021 and December 31, 2020 were as follows:

	2021	2020
Billed receivables	**$ 16,055,473**	$ 13,577,564
Contract assets	**$466,485,073**	$ 396,437,806
Contract liabilities	**$671,612,752**	$ 600,826,836

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Premium and administrative fee income for the nine months ended September 30, 2021 and 2020 by product is as follows:

	2021	2020
Company:		
LCC:		
Guaranteed asset protection contracts	**$ 6,112,854**	$ 5,796,760
Lease, wear and tear	**80,687**	3,687
LCA:		
Service contracts	**81,217,937**	69,099,352
Maintenance	**22,628,390**	22,367,035
Vehicle theft assistance	**18,779,883**	17,708,341
Paintless dent repair and appearance protection	**17,447,451**	16,576,094
Guaranteed asset protection administrative fees	**5,020,522**	5,091,493
Key replacement	**5,383,130**	3,952,089
Tire and wheel	**1,304,309**	1,074,226
Anti-bacterial	**2,192,872**	1,604,211
Lease, wear and tear	**283,038**	222,362
Other	**(4,350)**	(23,062)
Total	**$160,446,723**	$143,472,588

Dividends

LCA pays monthly dividends to the shareholders that are based on the prior month’s earnings. Dividends are only accrued when they are formally declared by the board. If the board does not make a declaration, then dividends will be accounted for when paid.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

LCC accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*. FASB ASC 740 is an asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the tax and financial reporting basis of certain assets and liabilities. LCC has deferred tax assets and liabilities principally from differences in the methods of accounting for reserves, unamortized acquisition costs and unrealized gain and losses on common and preferred stock.

LCA has elected under IRC Section 1362 to be an S-Corporation. In lieu of corporation income taxes, the stockholders of an S-Corporation are taxed on their proportionate share of LCA's taxable income.

TCA accounts for uncertain tax positions in accordance with provisions of FASB ASC 740. Management has determined that TCA does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that TCA's tax returns will not be challenged by the taxing authorities and that TCA or their shareholders will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, LCA's and LCC's tax returns remain open for three years for federal and state income tax examination.

Concentration of Credit Risk

Financial instruments, which potentially subject TCA to concentrations of credit risk, consist of temporary cash investments, fixed maturity securities, mortgage loans, notes receivables and other investments.

TCA maintains interest bearing accounts at a financial institution. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. TCA's total cash exceeded the insurance limit as of September 30, 2021 and December 31, 2020. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks relating to its cash accounts.

TCA invests in money market funds that are not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in the fund. As of September 30, 2021 and December 31, 2020, TCA held **$6,211,848** and $3,498,838 in money market funds, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

TCA categorizes assets and liabilities measured at fair value into a three -level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, TCA may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Comprehensive Income

TCA presents comprehensive income in accordance with the standards establish ed by the *Comprehensive Income* topic of FASB ASC 220. Comprehensive income consists of net income and net unrealized gains or losses on debt securities and is presented in the statement of changes in stockholders' equity and statement of comprehensive income.

COVID-19 Uncertainties

The COVID-19 pandemic has not had a significant impact on the Company's underwriting results and the Company does not expect it to going forward.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March of 2016, the FASB issued ASU 2016-02, *Leases*, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the les see is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2021. TCA does not anticipate a significant impact on TCA's results of operations, financial position, or cash flows as a result of this new standard.

In June of 2016, the FASB issued Accounting Standards Update 2016 -13, *Financial Instruments – Credit Losses*, which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This requirement eliminates the probable initial recognition threshold in Current GAAP which has delayed recognition of credit losses until the loss was probable. Instead, the new treatment will better reflect an entity's current estimate of all expected credit losses. In addition, the new guidance requires that any credit losses on available -for-sale debt securities to be presented as an allowance rather than as a write-down. Initial allowance for credit losses is added to the purchase price rather than reported as a credit loss expense. Subsequent changes in the allowance for credit losses are recorded in credit loss expense. This will allow entities to also record reversals of credit losses in current period net income, whereas the current GAAP prohibits reflecting these improvements in current period earnings. This guidance will become effective for the Company's year ending on December 31, 2023. The Company does not expect a significant impact to the Company's financials as a result of this guidance.

3. INVESTMENTS

The carrying amounts of investment securities and their fair values as of September 30, 2021 and December 31, 2020 are as follows:

	2021			
	Cost/ Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Investments:				
Common stock	**$ 47,334,605**	**$14,248,594**	**$502,790**	**$ 61,080,409**
Preferred stock	**—**	**2,121**	**—**	**2,121**
Bonds, available-for-sale	**25,028,265**	**219,607**	**67,060**	**25,180,812**
Bonds, held-to-maturity	**36,200,790**	**526,921**	**97,747**	**36,629,964**
Total investments	**$108,563,660**	**$14,997,243**	**$667,597**	**$122,893,306**

	2020			
	Cost/ Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Investments:				
Common stock	$ 26,034,522	$10,031,833	$424,273	$ 35,642,082
Preferred stock	3,223,872	221,319	—	3,445,191
Bonds, available-for-sale	12,363,757	311,534	1,401	12,673,890
Bonds, held-to-maturity	33,363,406	804,061	11,879	34,155,588
Total investments	$ 74,985,557	$11,368,747	$437,553	$ 85,916,751

A summary of amortized cost and fair value of TCA's investment in bonds at September 30, 2021, is as follows:

	Amortized Cost	**Fair Value**
2021	$ 200,993	$ 201,528
2022 through 2025	42,556,411	43,039,474
2026 through 2030	10,783,076	10,846,415
2031 through 2040	5,758,771	5,765,546
After 2041	1,929,804	1,957,813
Total by maturity	$61,229,055	$61,810,776

3. INVESTMENTS (Continued)

On a regular basis, TCA reviews its investment portfolios for securities in an unrealized loss position for other-than-temporary impairment. This review for potential impairment is performed on a specific identification basis and requires significant management judgment related to a number of qualitative and quantitative factors including the severity o f the impairment, the duration of the impairment, recent trends and expected market performance. Management considers all unrealized losses as of September 30, 2021 to be temporary. The securities summarized below were in an unrealized loss position for which other-than-temporary declines in value have not been recognized as of September 30, 2021.

	Less than 12 Months		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 21,337,022	$(128,396)	$21,208,626
Common stocks	3,759,059	(346,712)	3,412,347
Total	**$ 25,096,081**	**$(475,108)**	**$24,620,973**

	12 Months or More		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 2,421,911	$ (36,411)	$ 2,385,500
Common stocks	$ 12,098,228	$(156,078)	$11,942,150
Total	**$ 14,520,139**	**$(192,489)**	**$14,327,650**

	Total		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 23,758,933	$(164,807)	$23,594,126
Common stocks	15,857,287	(502,790)	15,354,497
Total	**$ 39,616,220**	**$(667,597)**	**$38,948,623**

3. INVESTMENTS (Continued)

The securities summarized below were in an unrealized loss position for which other -than- temporary declines in value have not been recognized as of December 31, 2020.

	Less than 12 Months		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 4,287,599	$ (13,280)	$ 4,274,319
Common stocks	7,021,225	(311,984)	6,709,241
Total	$ 11,308,824	$(325,264)	$10,983,560

	12 Months or More		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Common stocks	2,436,874	(112,289)	2,324,585
Total	$ 2,436,874	$(112,289)	$ 2,324,585

	Total		
Asset class:	**Cost/ Amortized Cost**	**Unrealized Loss**	**Market Value**
Bonds	$ 4,287,599	$ (13,280)	$ 4,274,319
Common stocks	9,458,099	(424,273)	9,033,826
Total	$ 13,745,698	$(437,553)	$13,308,145

3. INVESTMENTS (Continued)

Assets measured at fair market value are as follows:

	Assets Measured at Fair Value			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
September 30, 2021				
Bonds	**$25,180,812**	**$25,180,812**	**$ —**	**$ —**
Preferred stocks	**2,121**	**2,121**	**—**	**—**
Common stocks	**61,080,409**	**61,080,409**	**—**	**—**
Total	**$86,263,342**	**$86,263,342**	**$ —**	**$ —**
December 31, 2020				
Bonds	$12,673,890	$12,673,890	$ —	$ —
Preferred stocks	3,445,191	3,445,191	—	—
Common stocks	35,642,082	35,642,082	—	—
Total	$51,761,163	$51,761,163	$ —	$ —

Investments held in trust or on deposit with various state insurance departments and reinsurers on September 30, 2021 and December 31, 2020 are reported at statement values as follows:

	2021	**2020**
Utah	**$2,103,155**	$2,098,757
Nevada	**225,186**	214,711
New Mexico	**227,865**	225,012
Total	**$2,556,206**	$2,538,480

3. INVESTMENTS (Continued)

Realized gains and losses by investment class for the nine months ended September 30, 2021 and 2020 are as follows:

	2021	2020
Bonds:		
Gross gains from sales	**$ 70,569**	$ 319,239
Gross losses from sales	**(81,178)**	(28,724)
Preferred stock:		
Gross gains from sales	**250,444**	48,872
Gross losses from sales	**(9,932)**	(34,065)
Common stock:		
Gross gains from sales	**898,880**	1,257,196
Gross losses from sales	**(255,226)**	(855,927)
Short-term investments	**91**	3,814
Other invested assets	**673**	—
Net capital gains	**$ 874,321**	$ 710,405

Mortgage Loans

Mortgage loans at September 30, 2021 and December 31, 2020 totaled **$789,326** and $2,450,288 respectively. The maximum and minimum lending rates for mortgage loans during the year were 7.50% and 4.40%.

4. UNAMORTIZED ACQUISITION COSTS

Commissions paid for premiums received but not yet earned have been deferred. These deferred acquisition costs are being amortized over the contracts term. For the nine months ended September 30, 2021 and 2020, commissions and insurance capitalized were as follows:

	2021	2020
Company:		
LCC:		
Guaranteed asset protection contracts	**$ 7,467,554**	$ 7,073,870
Lease, wear and tear	**712,094**	522,977
LCA:		
Vehicle theft assistance contracts	**20,596,288**	16,620,880
Extended vehicle service contracts	**103,174,905**	87,998,553
Paintless dent repair	**7,212,830**	5,479,037
Appearance protection	**13,144,338**	9,568,451
Key replacement contracts	**6,686,933**	4,976,774
Maintenance contracts	**1,881,158**	1,711,812
Tire and wheel	**393,139**	283,994
Anti-bacterial	**1,419,278**	999,251
Lease, wear and tear	**326,962**	196,909
Guaranteed asset protection contracts admin	**5,062,057**	5,656,106
Other	**543,919**	491,197
Total	**$168,621,455**	$141,579,811

Total amortization expense for the periods ended September 30, 2021 and 2020 amounted to **$90,394,542** and $73,666,165 respectively.

5. UNEARNED PREMIUMS

Extended vehicle service, prepaid maintenance, vehicle theft assistance, key replacement, GAP, paintless dent repair, and appearance protection contract income received but not yet earned has been deferred. These unearned premiums are being amortized over the contract term of the related policies. For the nine months ended September 30, 2021 and 2020, premiums capitalized were as follows:

	2021	2020
Company:		
LCC:		
Guaranteed asset protection contracts	**$ 8,209,553**	$ 7,313,134
Lease, wear and tear	**632,468**	383,859
LCA:		
Vehicle theft assistance contracts	**23,492,304**	19,190,450
Extended vehicle service contracts	**130,531,710**	109,184,088
Paintless dent repair	**8,749,250**	6,814,630
Appearance protection	**15,365,832**	11,557,675
Key replacement contracts	**8,780,986**	6,577,634
Maintenance contracts	**24,407,677**	22,127,510
Guaranteed asset protection contracts admin fee	**4,684,637**	4,943,873
Tire and wheel	**1,315,623**	1,086,622
Anti-bacterial	**2,823,023**	1,988,090
Lease, wear and tear	**513,945**	446,956
Total	**$229,507,008**	$191,614,521

Total earned premiums for the nine months ended September 30, 2021 and 2020 amounted to **$160,446,723** and $143,472,588, respectively.

6. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased (decreased) by approximately **($680,000)** and ($126,000) as of September 30, 2021 and December 31, 2020, respectively, as a result of re-estimation of unpaid losses and loss adjustment expenses. This change is generally a result of on -going analysis of recent loss development trends. Original estimates change as additional information becomes known regarding individual claims.

	2021	2020
(In thousands)		
Balance at January 1	**$2,201**	$2,115
Incurred, related to:		
Current year	**4,388**	7,414
Prior year	**(680)**	(126)
Total incurred	**3,708**	7,288
Paid, related to:		
Current year	**2,619**	5,260
Prior year	**1,439**	1,942
Total paid	**4,058**	7,202
Balance at September 30, 2021 and December 31, 2020	**$1,851**	$2,201

6. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)

The following is information about incurred claims development as of September 30, 2021 as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

	Incurred Claims and Allocated Claims Adjustment Expenses (000s)										As of September 30, 2021	
	For the Years Ended December 31,										Total of Incurred-but-Not-Reported Liabilities Plus Expected Development of Reported Claims	Cumulative Number of Reported Claims
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
2012	848	936	936	936	936	936	936	936	936	936	—	373
2013		1,326	1,330	1,333	1,333	1,333	1,333	1,333	1,333	1,333	—	551
2014			2,413	2,671	2,680	2,681	2,681	2,681	2,681	2,681	—	916
2015				4,389	4,489	4,502	4,501	4,501	4,501	4,501	—	1,510
2016					6,978	7,202	7,224	7,226	7,226	7,226	—	2,057
2017						10,045	9,186	9,165	9,163	9,163	—	2,412
2018							8,502	8,471	8,478	8,481	—	2,526
2019								8,502	8,304	8,295	7	2,488
2020									7,288	6,614	35	1,870
2021										4,388	1,422	946
					Ultimate incurred					$53,618		

	Cumulative Paid Claims and Allocated Claims Adjustment Expenses (000s)									
	For the Years Ended December 31,									
Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	649	936	936	936	936	936	936	935	935	936
2013		980	1,330	1,333	1,333	1,333	1,333	1,333	1,333	1,333
2014			1,879	2,670	2,680	2,681	2,681	2,681	2,681	2,681
2015				3,211	4,474	4,501	4,501	4,501	4,501	4,501
2016					5,105	7,172	7,222	7,226	7,226	7,226
2017						7,388	9,145	9,163	9,163	9,163
2018							6,528	8,437	8,473	8,481
2019								6,528	8,261	8,288
2020									5,166	6,569
2021										2,619
					Total cumulative paid					51,797
					All o/s liabilities before 2010					—
					Liabilities for losses and LAE, net of reinsurance					$ 1,821

Below is a reconciliation of the disclosure of incurred and paid claims development to the liability for unpaid loss and loss adjustment expenses.

	September 30, 2021	December 31, 2020
Net liability for losses & LAE (000s)	**$ 1,821**	$ 2,171
Reinsurance recoverable on unpaid claims:	**4**	—
Unallocated claims adjustment expense	**27**	30
Adjusting and other expense liability (000s)	**27**	30
Total gross liability for unpaid claims and claims adjustment expense	**$ 1,852**	**$ 2,201**

6. UNPAID CLAIMS, LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)

The following is supplementary information about average historical claims duration as of September 30, 2021.

	Average Annual Percentage Payout of Incurred Claims by Age									
Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
All lines	73.9%	99.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

7. LINE OF CREDIT

On July 27, 2015, the Company signed a line of credit with a financial institution for up to $15,000,000 in financing. Effective April 16, 2021, the limit on the line of credit was increased to $25,000,000. The line of credit bears a fixed interest rate of the LIBOR daily floating rate plus 1% per year, interest payable monthly. The line of credit may be repaid at any time and is collateralized by the assets of the Company. As of September 30, 2021 and December 31, 2020, the balance on the line of credit was **$0** and $14,000,000 with accrued interest of **$0** and $20,652, respectively.

8. RELATED PARTY TRANSACTIONS

TCA's transactions with the primary stockholder and immediate family, affiliated companies, and management personnel involve the following:

Cash: TCA had **$45,311,775** and $67,021,399 in a sweep account as of September 30, 2021 and December 31, 2020, respectively, which is held by a company affiliated through common control. Interest earned on that account was **$248,363** and $483,309 for the nine months ended September 30, 2021 and 2020, respectively. Accrued interest receivable on the cash management account was **$24,852** and $27,745 as of September 30, 2021 and December 31, 2020, respectively.

Accounts receivable: Approximately **76%** and 80% of premiums receivable as of September 30, 2021 and December 31, 2020, respectively, were from related party dealerships.

Accounts payable: Payroll for TCA is paid by LCC and LCA and is subsequently reimbursed by the affiliated entities.

8. RELATED PARTY TRANSACTIONS (Continued)

Notes receivable: Notes receivable with interest rates ranging from of 0.35% - 3.43% from an affiliated company of **$58,755,354** and $91,680,000 were held by the Company as of September 30, 2021 and December 31, 2020 with accrued interest of **$0** and $20,652, respectively.

On December 20, 2019, as part of adopting ASC 606 as described in Note 10, the Company entered into notes receivable agreements with its owners in the amount of $73,000,000 with an interest rate of 1.69% annually. The agreements call for annual principal and interest payments on January 1st of each year for four years. These notes were repaid in full during the year ended December 31, 2020.

On March 23, 2020, the Company signed a line of credit with an affiliated company to provide up to $20,000,000 in financing. The line of credit bears a fixed interest rate of the LIBOR daily floating rate plus 1% per year, interest payable monthly. The line of credit may be repaid at any time. As of December 31, 2020, the balance on the line of credit was $14,000,000 which is included in the $91,680,000 disclosed above. The line of credit was repaid during 2021 and is not reflected in the September 30, 2021 balance above.

Minimum payments due from the notes receivable above are as follows:

Years ending December 31,	
2021	$ —
2022	18,000,000
2023	13,755,354
2024	27,000,000
Thereafter	—
Total	$ 58,755,354

Unearned premiums: Approximately **99%** and 99% of the gross unearned premiums as of September 30, 2021 and December 31, 2020, respectively, were from related party dealerships which amounts to **$665,516,483** and $581,145,472, respectively.

Dividends: Upon approval of the board of directors, TCA paid dividends totaling **$61,010,000** and $57,720,000 to their stockholders during the nine months ended September 30, 2021 and 2020, respectively.

Management fees: TCA pays a management fee to an affiliated company per contract sold for extended vehicle service, GAP, VTA, paintless dent repair, and appearance protection contracts. The management fee for the nine months ended September 30, 2021 and 2020 totaled **$1,424,375** and $1,312,048, respectively.

Service and licensing fee income: Effective January 1, 2020, the Company receives a management fee from an affiliated company on a monthly basis for maintenance and use of policy administration software. The management fee for the nine months ended September 30, 2021 and 2020 totaled **$31,050,000** and $27,700,000, respectively.

8. RELATED PARTY TRANSACTIONS (Continued)

Service and maintenance contract income: TCA had gross sales of extended vehicle service contracts and prepaid maintenance contracts in the amount of **$154,954,805** and $131,329,017 and also paid gross commissions of **$66,350,145** and $54,321,440 to related party dealerships for the nine months ended September 30, 2021 and 2020, respectively.

GAP contract income: TCA had gross sales of GAP contracts of **$12,480,474** and $12,008,681 from related party dealerships for the nine months ended September 30, 2021 and 2020, respectively.

VTA contract income: TCA had gross sales of vehicle theft assistance ("VTA") contracts of **$23,901,887** and $19,193,011 from related party dealerships for the nine months ended September 30, 2021 and 2020, respectively. TCA also paid gross commissions of **$13,830,781** and $10,501,373 to related party dealerships for the nine months ended September 30, 2021 and 2020, respectively.

Paintless dent repair and appearance protection contract income: TCA had gross sales of paintless dent repair and appearance protection contract income in the amount of **$24,116,491** and $18,372,593 and also paid gross commissions of **$13,817,032** and $11,516,762 to related party dealerships for the nine months ended September 30, 2021 and 2020, respectively.

Key replacement protection income: The Company had sales of key replacement protection contracts of **$8,782,005** and $6,580,522 from related party dealerships for the nine months ended September 30, 2021 and 2020, respectively. The Company also paid commissions of **$4,712,441** and $3,200,907 to related party dealerships for the nine months ended September 30, 2021 and 2020, respectively.

Other income: The Company had sales of other products including lease wear and tear, tire and wheel, and Anti-bacterial of **$5,328,178** and $3,957,533 from related party dealerships for the nine months ended September 30, 2021 and 2020, respectively.

Commissions: The Company pays commissions to related parties based on monthly contract counts. In addition to the product-specific commissions noted in the respective product descriptions above, the Company paid additional commissions and other incentives to affiliated companies of **$58,126,197** and $52,659,129 for the nine months ended September 30, 2021 and 2020, respectively.

8. RELATED PARTY TRANSACTIONS (Continued)

Rent Expense: TCA leases office space from a company affiliated by common control under a month-to-month lease. The lease is classified as an operating lease. Rent expense for the nine months ended September 30, 2021 and 2020 totaled **$194,707** and $174,969 respectively. Future minimum lease payments are as follows:

Year	Amount
2021	$ 260,320
2022	266,828
2023	273,499
2024	280,336
Thereafter	1,297,195
Total	$ 2,378,178

9. INCOME TAXES

LCC is taxed as a non-life insurer under provisions of the Internal Revenue Code based on a modified statutory accounting method.

The following is a summary of LCC's provision for federal income taxes for the nine months ended September 30, 2021 and 2020:

	2021	2020
Current income tax benefit	**$1,465,556**	$881,006
Deferred income taxes	**252,196**	(14,073)
Provision for income taxes	**$1,717,752**	$866,933

LCC's deferred tax assets and liabilities at September 30, 2021 and December 31, 2020 consisted of the following:

	2021	2020
Reserves	**$ 43,053**	$ 51,281
Unearned premiums	**1,515,238**	1,367,190
Reserves—transition adjustment	**(15,664)**	(19,579)
Net unrealized gain on securities	**(1,483,999)**	(1,088,068)
Total net deferred tax asset	**$ 58,628**	$ 310,824

9. INCOME TAXES (Continued)

The difference between pre-tax statutory net income and taxable net income is due to the discounting of the loss reserves and unearned premiums as follows:

	2021	2020
Statutory net income before taxes	**$6,432,060**	$3,949,840
Adjustments for:		
Interest and dividends subject to section 832	**93,756**	74,055
Discounting of loss reserves	**44,161**	(28,140)
Discounting of unearned premiums	**704,990**	474,429
Tax-exempt interest	**(205,788)**	(197,786)
Dividends received deduction	**(169,236)**	(98,436)
Net taxable income	**$6,899,943**	$4,173,962
Tax at statutory rates	**$1,448,988**	$ 876,532
Changes from prior year accrual	**16,568**	4,474
Income taxes	**$1,465,556**	$ 881,006

10. RETIREMENT PLAN

The employees of TCA are covered under a 401(k) defined contribution plan. TCA pays an amount equal to 50% of the employee's contribution up to 6% of the employee's salary. TCA's contributions to the plan for the nine months ended September 30, 2021 and 2020 were **$64,240** and $45,117 respectively.

11. CONTINGENCIES

TCA is subject to litigation from the settlement of claims contested in the normal course of business. The losses from the actual settlement of such unknown claims are taken into consideration in the computation of the estimated claims liabilities.

12. CAPITAL AND SURPLUS

The State of Utah has adopted the National Association of Insurance Commissioner's ("NAIC") risk-based capital ("RBC") calculation to evaluate the minimum capital requirements for an insurance company to support its overall business operations in consideration of its size and risk profile. LCC's risk-based capital is calculated by applying factors to various asset, premium, and reserve items.

The RBC requirements provide for four different levels of regulatory attention depending on the ratio of LCC's total adjusted capital ("TAC") to its authorized control level ("ACL"). The four regulatory attention levels (and the associated percentage of TAC to ACL) are defined as follows: (1) Company Action (200%), (2) Regulatory Action (150%), (3) Authorized Control (100%), and (4) Mandatory Control Levels (75%). As of September 30, 2021 and December 31 2020, LCC and LCL maintained TAC in excess of 200% of ACL.

LCA's common stock has no par value with 10,000 shares authorized of which 1,000 shares are issued and outstanding. LCC's common stock has a $5 par value with 1,000,000 shares authorized of which 500,000 shares are issued and outstanding.

13. SUBSEQUENT EVENTS

Subsequent events have been considered by management through the date of this report, which is the date the financial statements were available to be issued. Other than those noted below, no events have occurred subsequent to September 30, 2021 which would have a material effect on the financial condition of the Company.

During September 2021 the Company entered into negotiations to sell the Company. This transaction is anticipated to be completed prior to December 31, 2021.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF THE COMBINED COMPANY

On September 28, 2021, a wholly-owned subsidiary of the Company entered into the Equity Purchase Agreement, the Insurance Purchase Agreement and the Real Estate Purchase Agreement (collectively, the “Acquisition Agreements”) with certain entities affiliated with the LHM Business and the other parties thereto (collectively, the “Sellers”). Pursuant to the Acquisition Agreements, the Company will acquire all of the equity interests in the entities related to, and the real property related to, the LHM Business for a purchase price of approximately $3.3 billion (including related fees).

The unaudited pro forma condensed combined financial statements (referred to as the “pro forma financial statements”) presented below are derived from the historical combined financial statements of the Company, the LHM Dealership Business, the TCA Insurance Business and the LHM Real Estate Business, as adjusted to as adjusted to reflect following pro forma transactions (collectively, the “Pro Forma Transactions”):

- the consummation of the LHM Acquisition in full;
- the assumed net cash proceeds, after deducting the underwriting discount, of $600.0 million from the Company’s proposed issuance of approximately 3,300,000 shares of its common stock;
- the proposed issuance of $ aggregate principal amount of 2029 Notes and $ aggregate principal amount of 2032 Notes;
- the proposed drawdown of $175.1 million under the New Vehicle Floor Plan Facility, $140.0 million under the Used Vehicle Floor Plan Facility and $235.0 million under the 2019 Senior Credit Facility; and
- the assumed execution and drawdown of $600.0 million in connection with the New Real Estate Facility.

The information regarding the LHM Business presented in this section represents the combined results of the LHM Dealership Business, the LHM Real Estate Business and the TCA Insurance Business. For summaries of the Pro Forma Transactions, including the LHM Acquisition and this offering of Notes, see the section of this offering memorandum entitled “Summary–The Transactions–Acquisition of the LHM Business.”

The unaudited pro forma condensed combined balance sheet as of September 30, 2021, assumes that the Pro Forma Transactions, including this offering of Notes, occurred on September 30, 2021.

The unaudited pro forma condensed combined statements of income for the nine months ended September 30, 2021, the year ended December 31, 2020 and the nine months ended September 30, 2020 assume that the Pro Forma Transactions, including this offering of Notes, occurred on January 1, 2020.

The following unaudited pro forma condensed combined financial information should be read in conjunction with the following financial statements, all of which are incorporated by reference herein:

- the audited consolidated financial statements of Asbury as of December 31, 2020 and for the three years ended December 31, 2020;
- the unaudited consolidated financial statements of Asbury as of and for the nine months ended September 30, 2021 and September 30, 2020;
- the audited combined financial statements of the LHM Dealership Business as of and for the years ended December 31, 2020 and 2019;
- the unaudited combined financial statements of the LHM Dealership Business as of and for the nine months ended September 30, 2021 and September 30, 2020;
- the audited combined financial statements of the LHM Real Estate Business as of and for the years ended December 31, 2020 and 2019;
- the unaudited combined financial statements of the LHM Real Estate Business as of and for the nine months ended September 30, 2021 and September 30, 2020;
- the audited combined financial statements of the TCA Insurance Business as of and for the years ended December 31, 2020 and 2019; and
- the unaudited combined financial statements of the TCA Insurance Business as of and for the nine months ended September 30, 2021 and September 30, 2020.

The unaudited pro forma condensed combined financial information of the Combined Company does not give effect to (1) future cost savings or run-rate synergies, restructuring or integration charges or operational improvements that are expected to result from the LHM Acquisition, except as indicated below, (2) the impact of non-recurring items directly related to the Transactions, (3) four recent dealership acquisitions and two recent dispositions as described under the caption "—Other Recent Acquisitions and Dispositions" or (4) the anticipated disposition of six dealerships by the end of first quarter of 2022 and assumes the acquisition of the entire LHM Business. See "Risk Factors—Risks Related to the LHM Acquisition—We may not acquire all assets of the LHM Business." The consummation of the Pro Forma Transactions, including the LHM Acquisition, is subject to the satisfaction of customary closing conditions, including the absence of a material adverse change in the LHM Business and the receipt of competition clearances in certain jurisdictions. If the LHM Acquisition is consummated, our post-closing recourse is limited. See "Risk Factors—Risks Related to the LHM Acquisition —If the LHM Acquisition is consummated, our post-closing recourse for liabilities related to the LHM Business is limited."

The pro forma adjustments reported in these financial statements are based upon available information and certain assumptions that the Company's management believes are reasonable. See "Risk Factors—Risks Related to the LHM Acquisition—We may not acquire all assets of the LHM Business." The unaudited pro forma condensed combined financial information of the Combined Company is presented for informational purposes only and is not intended to represent or be indicative of what the results of operations or financial condition would have been had Pro Forma Transactions, including the LHM Acquisition and this offering of Notes, actually occurred on the dates indicated, nor is it meant to be indicative of future results of operations or financial condition for any future period or as of any future date. See "Risk Factors—Risks Related to the LHM Acquisition—The pro forma financial information in this offering memorandum may not be reflective of our operating results and financial condition following the Transactions, particularly if less than all of the assets of the LHM Business are acquired." The unaudited pro forma condensed combined financial information of the Combined Company should be read in conjunction with "Summary—The Transactions—Acquisition of the LHM Business," "Risk Factors," "Use of Proceeds," "Summary—Summary Historical Combined Financial Information of Asbury and Unaudited Pro Forma Condensed Combined Financial Information of the Combined Company," "Summary—Summary Historical Combined Financial Information of the LHM Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company," as well as the audited and unaudited historical financial statements and related notes of the Company and the LHM Business included in this offering memorandum.

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information of the Combined Company.

ASBURY AUTOMOTIVE GROUP, INC.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2021
(In millions, except per share data)

		LHM Group							
	Asbury Automotive Group, Inc.	TCA Insurance Business (Note 4)	LHM Dealership Business	LHM Real Estate Business (Note 4)	LHM Business Pro Forma Adjustments (Note 6)		Finance Adjustments (Note 8)		Pro Forma Combined
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 330.6	$ 57.4	$ 83.6	$ —	$(3,294.1)	a	$3,176.7	f	$ 354.2
Investments, short-term	—	3.5	—	—	—		—		3.5
Contracts-in-transit, net	100.3	—	—	—	86.9	o	—		187.2
Accounts receivable, net	106.6	16.1	169.6	—	(103.0)	b, o	—		189.3
Inventories, net	413.8	—	372.1	—	(15.0)	c	—		770.9
Assets held for sale	15.8	—	—	—	—		—		15.8
Deferred acquisition costs	—	120.5	—	—	(120.5)	b	—		—
Other current assets	183.4	0.7	6.4	0.6	21.2	l	—		212.3
Total current assets	1,150.5	198.2	631.7	0.6	(3,424.5)		3,176.7		1,733.2
PROPERTY AND EQUIPMENT, net	1,196.8	1.5	31.5	529.2	220.2	d	—		1,979.2
INVESTMENTS, LONG-TERM	—	127.5	—	—	0.4	k	—		127.9
DEFERRED ACQUISITION COSTS	—	346.0	—	—	(346.0)	b	—		—
OPERATING LEASE RIGHT-OF-USE-ASSETS	215.9	—	—	—	34.0	e	—		249.9
GOODWILL	569.5	—	86.4	—	1,984.6	f	—		2,640.5
INTANGIBLE ASSETS	425.2	—	174.2	—	(169.0)	f	—		430.4
RELATED PARTY RECEIVABLES	—	58.8	—	—	(58.8)	b	—		—
OTHER LONG-TERM ASSETS	13.5	0.1	—	—	—		2.2	c	15.8
Total assets	$ 3,571.4	$ 732.1	$ 923.8	$ 529.8	$(1,759.1)		$3,178.9		$ 7,176.9
LIABILITIES AND SHAREHOLDERS' EQUITY									
CURRENT LIABILITIES:									
Floor plan notes payable—trade, net	$ 22.1	$ —	$ 9.0	$ —	$ (9.0)	g	—		$ 22.1
Floor plan notes payable—non-trade, net	116.1	—	173.2	—	(173.2)	g	293.9	c	410.0
Current maturities of long-term debt	43.3	—	—	—	—		30.0	d	73.3
Unearned premiums, current	—	199.9	—	—	(154.7)	i	—		45.2
Due to related parties	—	—	46.0	—	(46.0)	b	—		—
Current maturities of operating leases	18.2	—	—	—	7.5	e	—		25.7
Accounts payable and accrued liabilities	459.5	12.3	210.5	1.9	(16.0)	b	21.3		689.5
Total current liabilities	659.2	212.2	438.7	1.9	(391.4)		345.2		1,265.7
LONG-TERM DEBT	1,327.7	—	—	16.3	(16.3)	h	2,281.9	g	3,609.6
OPERATING LEASE LIABILITY	202.3	—	—	—	26.5	e	—		228.8
DEFERRED INCOME TAXES	35.3	—	—	—	—		—		35.3
UNEARNED PREMIUMS, LONG-TERM	—	471.8	—	—	(365.7)	i	—		106.1
OTHER LONG-TERM LIABILITIES	45.6	—	32.5	—	—		—		78.1
RELATED PARTY PAYABLES	—	—	2.8	431.6	(434.4)	b	—		—
COMMITMENTS AND CONTINGENCIES	—	—	—	—	—		—		—
SHAREHOLDERS' EQUITY:									
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued or outstanding	—	—	—	—	—		—		—
Common stock, $.01 par value, 90,000,000 shares authorized; 41,254,248 actual shares issued and 44,554,248 shares issued on a pro forma basis, including shares held in treasury, respectively	0.4	2.5	2.5	—	(5.0)	j	—		0.4
Additional paid-in capital	607.7	85.1	432.5	80.0	(597.6)	j	578.7	b	1,186.4
Retained earnings	1,740.8	(39.6)	16.7	—	23.0	j	(26.9)	e	1,714.0
Treasury stock, at cost; 21,913,437 shares, respectively	(1,043.9)	—	(1.9)	—	1.9	j	—		(1,043.9)
Accumulated other comprehensive loss	(3.7)	0.1	—	—	(0.1)	j	—		(3.7)
Total shareholders' equity	1,301.3	48.1	449.8	80.0	(577.8)		551.8		1,853.2
Total liabilities and shareholders' equity	$ 3,571.4	$ 732.1	$ 923.8	$ 529.8	$(1,759.1)		$3,178.9		$ 7,176.9

ASBURY AUTOMOTIVE GROUP, INC.
Unaudited Pro Forma Condensed Combined Statements of Income
For the Nine Months Ended September 30, 2021
(In millions, except per share data)

		LHM Group								
	Asbury Automotive Group, Inc.	TCA Insurance Business (Note 4)	LHM Dealership Business (Note 4)	LHM Real Estate Business (Note 4)	LHM Group Eliminations (Note 5)	LHM Business	LHM Business Pro Forma Adjustments (Note 6)	Finance Adjustments (Note 8)		Pro Forma Combined
REVENUE:										
New vehicle	$ 3,649.6	$ —	$ 2,255.5	$ —	$ —	$ 2,255.5	$ —	$ —		$ 5,905.1
Used vehicle	2,386.1	—	1,425.2	—	—	1,425.2	—	—		3,811.3
Parts and service	851.5	—	520.4	—	(26.8) c	493.6	—	—		1,345.1
Finance and insurance, net	295.7	200.8	191.0	—	(177.0) a, b	214.8	—	—		510.5
Rent income	—	—	—	46.4	(46.4) d	—	—	—		—
Other	—	—	1.8	—	(0.2) b	1.6	—	—		1.6
TOTAL REVENUE	7,182.9	200.8	4,393.9	46.4	(250.4)	4,390.7	—	—		11,573.6
COST OF SALES:										
New vehicle	3,324.0	—	2,008.9	—	—	2,008.9	(14.8) c	—		5,318.1
Used vehicle	2,174.6	—	1,241.8	—	—	1,241.8	—	—		3,416.4
Parts and service	324.4	—	298.1	—	(15.4) c	282.7	—	—		607.1
Finance and insurance	—	123.4	—	—	(99.1) b,c	24.3	0.8 f	—		25.1
TOTAL COST OF SALES	5,823.0	123.4	3,548.8	—	(114.5)	3,557.7	(14.0)	—		9,366.7
GROSS PROFIT	1,359.9	77.4	845.1	46.4	(135.9)	833.0	14.0	—		2,206.9
OPERATING EXPENSES:										
Selling, general, and administrative	778.2	4.9	597.6	7.7	(97.8) a,b,d	512.4	—	—		1,290.6
Depreciation and amortization	30.6	0.7	5.8	11.6	—	18.1	2.0 d	—		50.7
Other operating (income) expense, net	(4.6)	—	—	0.2	—	0.2	—	—		(4.4)
INCOME FROM OPERATIONS	555.7	71.8	241.7	26.9	(38.1)	302.3	12.0	—		870.0
OTHER EXPENSES (INCOME):										
Floor plan interest expense	6.5	—	4.0	—	—	4.0	—	(0.8)	c	9.7
Other interest expense, net	43.2	—	(0.2)	10.1	—	9.9	—	56.7	a, c, d	109.8
Gain on divestiture	(8.0)	—	—	—	—	—	—	—		(8.0)
Total other expenses, net	41.7	—	3.8	10.1	—	13.9	—	55.9		111.5
INCOME BEFORE INCOME TAXES	514.0	71.8	237.9	16.8	(38.1)	288.4	12.0	(55.9)		758.5
Income tax expense	122.1	1.7	—	—	—	1.7	70.4 i	(13.4)	6(i)	180.8
NET INCOME	$ 391.9	$ 70.1	$ 237.9	$ 16.8	$ (38.1)	$ 286.7	$ (58.4)	$ (42.5)		$ 577.7
EARNINGS PER SHARE:										
Net income—Basic	$ 20.31									$ 25.56
Net income—Diluted	$ 20.10									$ 25.34
WEIGHTED AVERAGE SHARES OUTSTANDING:										
Basic	19.3									22.6
Restricted stock	0.1									0.1
Performance share units	0.1									0.1
Diluted	19.5									22.8

ASBURY AUTOMOTIVE GROUP, INC.
Pro Forma Condensed Combined Statements of Income
For the Year Ended December 31, 2020
(In millions, except per share data)

		LHM Group								
	Asbury Automotive Group, Inc.	Adjusted TCA Business (Note 4)	LHM Dealership Business	LHM Real Estate Business (Note 4)	LHM Group Eliminations (Note 5)	LHM Business	LHM Pro Forma Adjustments (Note 6)	Park Place Pro Forma Information (Note 7)	Finance Adjustments (Note 8)	Pro Forma Combined
REVENUE:										
New vehicle	$ 3,767.4	$ —	$ 2,600.7	$ —	$ —	$ 2,600.7	$ —	$ 389.8	$ —	$ 6,757.9
Used vehicle	2,169.5	—	1,503.9	—	—	1,503.9	—	305.5	—	3,978.9
Parts and service	889.8	—	622.2	—	(32.7) c	589.5	—	143.4	—	1,622.7
Finance and insurance, net	305.1	239.2	206.8	—	(202.5) a,b	243.5	—	16.6	—	565.2
Rent income	—	—	—	62.3	(62.3) d	—	—	—	—	—
Other		—	0.9	—	(0.1) b	0.8	—	1.8	—	2.6
TOTAL REVENUE	7,131.8	239.2	4,934.5	62.3	(297.6)	4,938.4	—	857.1	—	12,927.3
COST OF SALES:										
New vehicle	3,548.9	—	2,411.5	—	—	2,411.5	4.6c	359.5	—	6,324.5
Used vehicle	2,012.9	—	1,325.0	—	—	1,325.0	—	283.6	—	3,621.5
Parts and service	346.6	—	353.3	—	(18.6) c	334.7	—	63.2	—	744.5
Finance and insurance	—	141.0	—	—	(111.0) b,c	30.0	1.0 f	—	—	31.0
Other cost of sales	—	—	—	—	—	—	—	0.3	—	0.3
TOTAL COST OF SALES	5,908.4	141.0	4,089.8	—	(129.6)	4,101.2	5.6	706.6	—	10,721.8
GROSS PROFIT	1,223.4	98.2	844.7	62.3	(168.0)	837.2	(5.6)	150.5	—	2,205.5
OPERATING EXPENSES:										
Selling, general, and administrative	781.9	6.6	662.4	11.0	(122.1) a,b,d	557.9	—	133.0	—	1,472.8
Depreciation and amortization	38.5	0.9	9.1	15.4	—	25.4	1.3 d	2.4	—	67.6
Franchise rights impairment	23.0	—	7.4	—	—	7.4	(7.4) f	—	—	23.0
Other operating (income) expense, net	9.2	—	—	—	—	—	—	(0.6)	—	8.6
INCOME FROM OPERATIONS	370.8	90.7	165.8	35.9	(45.9)	246.5	0.5	15.7	—	633.5
OTHER EXPENSES (INCOME):										
Floor plan interest expense	17.7	—	12.1	—	—	12.1	—	0.8	(7.8) c	22.8
Other interest expense, net	56.7	—	(0.3)	22.6	—	22.3	—	0.8	93.4 a, c, d	173.2
Loss on extinguishment of long-term debt, net	20.6	—	—	—	—	—	—	—	—	20.6
Gain on divestiture	(62.3)	—	—	—	—	—	—	—	—	(62.3)
Total other expenses, net	32.7	—	11.8	22.6	—	34.4	—	1.6	85.6	154.3
INCOME BEFORE INCOME TAXES	338.1	90.7	154.0	13.3	(45.9)	212.1	0.5	14.1	(85.6)	479.2
Income tax expense	83.7	1.6	—	—	—	1.6	49.4 i	4.2	(20.5)6 (i)	118.4
NET INCOME	$ 254.4	$ 89.1	$ 154.0	$ 13.3	$ (45.9)	$ 210.5	$ (48.9)	$ 9.9	$ (65.1)	$ 360.8
EARNINGS PER SHARE:										
Net income—Basic	$ 13.25									$ 16.04
Net income—Diluted	$ 13.18									$ 15.96
WEIGHTED AVERAGE SHARES OUTSTANDING:										
Basic	19.2									22.5
Restricted stock	—									—
Performance share units	0.1									0.1
Diluted	19.3									22.6

ASBURY AUTOMOTIVE GROUP, INC.
Unaudited Pro Forma Condensed Combined Statements of Income
For the Nine Months Ended September 30, 2020
(In millions, except per share data)

		LHM Group											
	Asbury Automotive Group, Inc.	TCA Insurance Business (Note 4)	LHM Dealership Business	LHM Real Estate Business (Note 4)	LHM Group Eliminations (Note 5)		LHM Business	LHM Business Pro Forma Adjustments (Note 6)		Park Place Pro Forma Information (Note 7)	Finance Adjustments (Note 8)		Pro Forma Combined
REVENUE:													
New vehicle	$ 2,541.8	$ —	$ 1,867.3	$ —	$ —		$1,867.3	$ —		$ 389.8	$ —		$ 4,798.9
Used vehicle	1,510.2	—	1,150.9	—	—		1,150.9	—		305.5	—		2,966.6
Parts and service	628.0	—	461.5	—	(24.5)	c	437.0	—		143.4	—		1,208.4
Finance and insurance, net	217.8	177.5	154.9	—	(151.1)	a,b	181.3	—		16.6	—		415.7
Rent income	—	—	—	46.7	(46.7)	d	—	—		—	—		—
Other	—	—	0.6	—	(0.1)	b	0.5	—		1.8	—		2.3
TOTAL REVENUE	4,897.8	177.5	3,635.2	46.7	(222.4)		3,637.0	—		857.1	—		9,391.9
COST OF SALES:													
New vehicle	2,406.2	—	1,740.5	—	—		1,740.5	3.5	c	359.5	—		4,509.7
Used vehicle	1,393.2	—	1,013.7	—	—		1,013.7	—		283.6	—		2,690.5
Parts and service	247.3	—	262.0	—	(13.9)	c	248.1	—		63.2	—		558.6
Finance and insurance	—	106.0	—	—	(81.4)	b,c	24.6	0.8	f	0.3	—		25.7
TOTAL COST OF SALES	4,046.7	106.0	3,016.2	—	(95.3)		3,026.9	4.3		706.6	—		7,784.5
GROSS PROFIT	851.1	71.5	619.0	46.7	(127.1)		610.1	(4.3)		150.5	—		1,607.4
OPERATING EXPENSES:													
Selling, general, and administrative	553.4	5.0	489.4	7.3	(91.5)	a,b,d	410.4	—		133.0	—		1,096.6
Depreciation and amortization	29.0	0.7	6.9	11.6	—		19.2	0.9	d	2.4	—		51.5
Franchise rights impairment	23.0	—	—	—	—		—	—		—	—		23.0
Other operating (income) expense, net	9.4	—	—	0.2	—		—	—		(0.6)	—		9.0
INCOME FROM OPERATIONS	236.3	65.8	122.7	27.6	(35.6)		180.5	(5.2)		15.7	—		427.3
OTHER EXPENSES (INCOME):													
Floor plan interest expense	14.1	—	10.2	—	—		10.2	—		0.8	(7.0)	c	18.1
Other interest expense, net	41.7	—	(0.3)	16.5	—		16.2	—		0.8	50.4	a,c,d	109.1
Loss on extinguishment of long-term debt, net	20.6	—	—	—	—		—	—		—	—		20.6
Gain on divestiture	(58.4)	—	—	—	—		—	—		—	—		(58.4)
Total other expenses, net	18.0	—	9.9	16.5	—		26.4	—		1.6	43.4		89.4
INCOME BEFORE INCOME TAXES	218.3	65.8	112.8	11.1	(35.6)		154.1	(5.2)		14.1	(43.4)		337.9
Income tax expense	53.0	0.9	—	—	—		0.9	34.9	i	4.2	(10.4)	6(i)	82.6
NET INCOME	$ 165.3	$ 64.9	$ 112.8	$ 11.1	$ (35.6)		$ 153.2	$ (40.1)		$ 9.9	$ (33.0)		$ 255.3
EARNINGS PER SHARE:													
Net income—Basic	$ 8.61												$ 11.35
Net income—Diluted	$ 8.56												$ 11.30
WEIGHTED AVERAGE SHARES OUTSTANDING:													
Basic	19.2												22.5
Restricted stock	—												—
Performance share units	0.1												0.1
Diluted	19.3												22.6

1. Basis of Presentation

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of SEC Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses". The unaudited pro forma information depicts the accounting for the LHM Acquisition ("LHM Business Pro Forma Adjustments"), along with the assumed LHM Acquisition financing ("Financing Adjustments") and present reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur ("Management's Adjustments"). In addition, pro forma information related to the Park Place acquisition, which closed in August 2020, for the pre-acquisition period of January 1, 2020 to August 23, 2020 has been added to the pro forma condensed combined financial information. The adjustments presented in the unaudited pro forma condensed combined financial information have been identified and presented to provide relevant information necessary to assist in understanding the Combined Company upon consummation of the LHM Acquisition and other Pro Forma Transactions.

The acquisition of the LHM Business will be accounted for as a business combination using the acquisition method of accounting under ASC Topic 805, *Business Combinations*. Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values at the date of acquisition, with any excess purchase price allocated to goodwill. To date, the Company has estimated a preliminary allocation of the purchase price to the assets acquired and liabilities assumed in the LHM Acquisition based on available information, and will complete the allocation of such purchase price as further information becomes available. The final purchase price allocation may differ from that reflected in the following unaudited pro forma condensed combined financial statements, and these differences may be material.

The unaudited pro forma condensed combined consolidated balance sheet as of September 30, 2021, assumes that the following Pro Forma Transactions occurred on September 30, 2021:

- the consummation of the LHM Acquisition in full;
- the assumed net cash proceeds, after deducting the underwriting discount, of $600.0 million from the Company's proposed issuance of approximately 3,300,000 shares of its common stock;
- the proposed issuance of the $ million aggregate principal amount of 2029 Notes and $ billion aggregate principal amount of 2032 Notes;
- the proposed drawdown of $175.1 million under the New Vehicle Floor Plan Facility, $140.0 million under the Used Vehicle Floor Plan Facility and $235.0 million under the 2019 Senior Credit Facility; and
- the assumed execution and drawdown of $600.0 million in connection with the New Real Estate Facility.

The unaudited pro forma condensed combined statements of income for the nine months ended September 30, 2021, the year ended December 31, 2020 and the nine months ended September 30, 2020 assume that the Pro Forma Transactions, including this offering of Notes, occurred on January 1, 2020.

The pro forma adjustments reported in these financial statements are based upon available information and certain assumptions that the Company's management believe are reasonable. See "Risk Factors—Risks Related to the LHM Acquisition—We may not acquire all assets of the LHM Business. The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not intended to represent or be indicative of what the results of operations or financial condition would have been had the Pro Forma Transactions actually occurred on the dates indicated, nor is it meant to be indicative of future results of operations or financial condition for any future period or as of any future date. See "Risk Factors—Risks Related to the LHM Acquisition—The pro forma financial information in this offering memorandum may not be reflective of our operating results and financial condition following the Transactions, particularly if less than all of the assets of the LHM Business are acquired." The unaudited combined pro forma financial information does not reflect the realization of any expected cost savings or other synergies from the LHM Acquisition. See the accompanying Note 9, Management's Adjustments, for details on expected cost savings and synergies. The unaudited pro forma condensed combined financial information of the Combined Company should be read in conjunction with the audited and unaudited historical financial statements and related notes of the Company and the TCA Insurance Business, the LHM Dealership Business and LHM Real Estate Business.

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information.

2. Proposed Sources of Purchase Price

The Company is expected to close on the LHM Acquisition in the fourth quarter of fiscal year 2021. The preliminary purchase price as described in the Equity Purchase Agreement is approximately $3.3 billion, excluding new vehicle inventory and estimated transaction fees and expenses related to the LHM Acquisition. The expected sources of the preliminary purchase consideration is as follows:

	(In millions)
Cash, net of cash acquired	44.0
Proceeds of Senior Notes issuance	1,500.0
Proceeds from Common Stock issuance	600.0
New Vehicle Floor Plan Facility	175.1
Used Vehicle Floor Plan Facility	140.0
New Real Estate Facility	600.0
Senior Credit Facility Revolver	235.0
Preliminary purchase price	$ 3,294.1

3. Preliminary Purchase Price Allocation

Under the acquisition method of accounting, the estimated purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on management's estimates of fair value and assumptions related to information currently available. The following table summarizes the allocation of the estimated purchase price based on preliminary estimates of fair value:

Assets Acquired and Liabilities Assumed	(In millions)
Cash	$ 141.1
Investments, short-term	3.5
Contracts-in-transit	86.9
Accounts receivable	82.7
Inventories	357.2
Other current assets	29.0
Property and equipment	782.4
Goodwill and other intangible assets	2,075.9
Investments, long-term	127.9
Operating lease assets	34.0
Total assets acquired	3,720.6
Unearned premiums	(151.2)
Operating lease liabilities	(34.0)
Accounts payable and accrued liabilities	(208.9)
Other liabilities	(32.4)
Deferred taxes	—
Total liabilities assumed	(426.5)
Net assets acquired	$ 3,294.1

The fair value of property and equipment acquired is summarized below:

	Fair value (In millions)	Estimated useful life
Land	$ 274.4	N/A
Buildings	455.9	30-40 years
Leasehold improvements	2.5	Lesser of remaining lease term or life of asset
Construction in progress	17.1	N/A
Computer equipment and software	1.2	3-10 years
Company vehicles	2.2	3-5 years
Furniture, fixtures & equipment	29.1	3-10 years
	$ 782.4	

The final purchase price allocation will be determined once the Company has completed the detailed valuations and necessary calculations related to the LHM Acquisition.

A decrease in the fair value of the assets acquired or liabilities assumed in the LHM Acquisition from the preliminary estimates presented would result in a dollar-for-dollar corresponding increase in the amount of goodwill resulting from the LHM Acquisition. In addition, if the value of the property and equipment and other intangible assets is higher than the amount included in these unaudited pro forma condensed combined financial statements, it may result in higher depreciation and amortization expense than is presented herein. Any such increases could be material, and could result in the Company's actual future financial condition or results of operations differing materially from that presented herein. As a result, the final purchase price allocation may differ materially from the preliminary purchase price allocation.

4. Reclassifications

The following reclassification adjustments were made to conform the presentation of the TCA Insurance Business financial information to the Company's presentation (in millions):

Presentation in TCA Insurance Business Historical Combined Statements of Income	Presentation in Unaudited Pro Forma Condensed Combined Statements of Income	Nine Months Ended September 30, 2021	Year ended December 31, 2020	Nine Months Ended September 30, 2020
			(Dollars in millions)	
Premium and administrative fee income	Revenue—Finance and insurance, net	160.5	190.9	143.5
Service and licensing fee income	Revenue—Finance and insurance, net	31.0	37.6	27.7
Claims expense incurred	Cost of Sales—Finance and insurance	32.3	42.5	32.0
Other cost of sales	Cost of Sales—Finance and insurance	0.7	0.5	0.4
Amortization of deferred acquisition costs	Cost of Sales—Finance and insurance	90.4	97.9	73.7
Salaries and benefits	Selling, general and administrative	2.9	3.8	2.8
Rent	Selling, general and administrative	0.2	0.2	0.2
Professional fees	Selling, general and administrative	0.8	1.0	0.8
Other general and administrative	Selling, general and administrative	1.0	1.5	1.3
Net investment income	Revenue—Finance and insurance, net	6.3	7.6	3.7
Net realized gains	Revenue—Finance and insurance, net	0.9	0.9	0.7
Other income	Revenue—Finance and insurance, net	2.1	2.2	1.9

Presentation in TCA Insurance Business Historical Balance Sheet	Presentation in Unaudited Pro Forma Condensed Combined Balance Sheet	As of September 30, 2021 (Dollars in millions)
Premiums receivables	Accounts receivable, net	16.1
Accrued investment income	Other current assets	0.6
Other receivable	Other current assets	0.1
Bonds, available for sale, at estimated fair value	Investments, long-term	25.2
Bonds, held-to-maturity, amortized cost	Investments, long-term	36.2
Common stock, available for sale	Investments, long-term	61.1
Mortgage loans, amortized cost, long-term portion	Investments, long-term	0.8
Alternative investments	Investments, long-term	4.2
Deferred income tax asset	Other long-term assets	0.1
Taxes, licenses, and fees, excluding income taxes	Accounts payable and accrued liabilities	0.1
Claims payable	Accounts payable and accrued liabilities	1.1
Unpaid losses and loss adjustment expenses	Accounts payable and accrued liabilities	2.1

The following reclassification adjustments were made to conform the presentation of the LHM Real Estate Business financial information to the Company's presentation:

Presentation in LHM Real Estate Business Historical Financial Statements	Presentation in Unaudited Pro Forma Condensed Combined Financial Statements	As of September 30, 2021 (Dollars in millions)
Land	Property and equipment, net	206.1
Buildings and leasehold improvements	Property and equipment, net	438.5
Furniture, fixtures, and equipment	Property and equipment, net	41.7
Construction and equipment in progress	Property and equipment, net	15.8
Accumulated depreciation and amortization	Property and equipment, net	172.9
Mortgage notes payable, net	Long-term debt	16.3
Parent's net investment	Additional paid-in capital	80.0

Presentation in LHM Real Estate Business Historical Combined Statements of Income	Presentation in Unaudited Pro Forma Condensed Combined Statements of Income	Nine Months Ended September 30, 2021	Year ended December 31, 2020	Nine Months Ended September 30, 2020
		(Dollars in millions)		
Repairs and maintenance	Selling, general and administrative	0.2	0.1	0.1
Loss on disposal of assets	Other operating (income) expense, net	0.2	—	0.2
Interest, investment, and other income	Other interest expense, net	0.6	0.5	1.0
Interest expense	Other interest expense, net	12.6	16.1	11.7
Unrealized (loss) gain on fair value of derivative instruments	Other interest expense, net	1.9	(7.0)	(5.7)

A reclassification adjustment of $0.8 million was made as a reduction to selling, general and administrative expense and as an increase to other operating (income) expense net, to conform the presentation of the LHM Dealership Business financial information to the Company's presentation.

5. LHM Business Eliminations

The LHM Business limitation set forth in the unaudited pro forma condensed combined financial information reflect the elimination of certain inter-group transactions within the Condensed Combined Statements of Income as follows:

a. The elimination of service and license fees payable by the LHM Dealership Business to the TCA Insurance Business which is recorded as selling, general and administrative expense in the LHM Dealership Business. Service and license fees revenue was $31.1 million for the nine months ended September 30, 2021, $37.6 million for the year ended December 31, 2020, and $27.7 million for the nine months ended September 30, 2020.

b. The elimination of commissions earned by the LHM Dealership Business from the TCA Insurance Business in connection with the sale of the TCA Insurance Business F&I products;

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020	Nine Months Ended September 30, 2020
		(Dollars in millions)	
Finance and insurance revenue	(145.9)	(164.9)	(123.4)
Other revenue	(0.2)	(0.1)	(0.1)
Finance and insurance cost of sales	(87.7)	(96.9)	(70.8)
Selling, general and administrative	(20.3)	(22.2)	(17.1)

c. The elimination of P&S revenue and costs of goods sold in the LHM Dealership Business in connection with service related claims incurred by the TCA Insurance Business; and

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020	Nine Months Ended September 30, 2020
		(Dollars in millions)	
Parts and service revenue	(26.8)	(32.7)	(24.5)
Parts and service cost of sales	(15.4)	(18.6)	(13.9)
Finance and insurance cost of sales	(11.4)	(14.1)	(10.6)

d. The elimination of rental income in the LHM Real Estate Business payable by the LHM Dealership Business. Rental income was $46.4 million for the nine months ended September 30, 2021, $62.3 million for the year ended December 31, 2020, and $46.7 million for the nine months ended September 30, 2020.

6. LHM Business Pro Forma Adjustments

The LHM Business pro forma adjustments set forth in the unaudited pro forma condensed combined financial information reflect the following:

a. Represents cash paid by the Company to the sellers of the LHM Business in exchange for the assets and liabilities acquired in the LHM Acquisition.

b. The settlement or elimination of inter-group assets, liabilities and transactions between entities within the LHM Business including the following:

i. Elimination of inter-company accounts receivable and accounts payable of $16.1 million;

ii. Elimination of deferred acquisition costs related to commissions payable by the TCA Insurance Business to the LHM Dealership Business of $120.5 million (current) and $346.0 million (long-term);

iii. Settlement of related party receivables of $58.8 million; and

iv. Settlement of related party payables of $46.0 million and $434.4 million.

c. Recording the preliminary fair value estimate of inventory acquired of $357.2 million adjusted to reverse a LIFO reserve of $6.2 million. Based on the preliminary fair value estimate, no significant future income statement impact is anticipated related to this fair value adjustment. In addition, the impact of the LIFO reserve within the historical LHM Dealership Business was eliminated from the Pro Forma Condensed Combined Statements of Income for the nine months ended September 30, 2021 ($14.8 million increase to net income before taxes), for the year ended December 31, 2020 ($4.6 million decrease to net income before taxes) and for the nine months ended September 30, 2020 ($3.5 million decrease to net income before taxes).

d. The preliminary adjustment of $220.2 million to the historical carrying value of property and equipment acquired to its estimated fair value. The estimated fair value of property and equipment is expected to be depreciated over their estimated useful lives as outlined in Note 3, Preliminary Purchase Price Allocation. An adjustment to historical depreciation expense to reflect depreciation expense using adjusted fair values has been reflected in the Pro Forma Condensed Combined Statements of Income.

e. To conform the LHM Business accounting policies to reflect the adoption of ASC Topic 842, Leases, including the right-of-use asset of $34.0 million and current ($7.5 million) and long-term ($26.6 million) lease liabilities for operating leases entered into and assumed in the LHM Acquisition.

f. The recording of goodwill and indefinite-lived franchise intangible assets acquired of $2.1 billion and definite-lived value of business acquired intangible assets of $5.1 million, less the adjustment to remove the LHM Business's historical goodwill of $86.4 million and franchise rights intangible assets of $174.2 million and the reversal of the franchise rights impairment charge of $7.4 million reflected in the LHM Dealership Business Statement of Income for the year ended December 31, 2020. Goodwill represents the excess cost of the LHM Business over the estimated fair value of the identifiable net assets acquired. Indefinite-lived franchise rights intangible assets represent the Company's rights under franchise agreements with manufacturers, which will be recorded at an individual franchise level. The Condensed Combined Statements of Income include an increase to cost of sales, F&I, to reflect estimated amortization expense of acquired definite-lived value of business acquired intangible assets at their estimated fair value as follows:

	Nine Months Ended September 30, 2021	Year Ended December 31, 2020	Nine Months Ended September 30, 2020
	(Dollars in millions)		
Amortization expense	0.8	1.0	0.8

g. Represents the settlement of the Floor plan notes—trade, net of the LHM Dealership Business $9.0 million and Floor plan notes payable—non-trade, net of $173.2 million upon consummation of the LHM Acquisition.

h. Represents the settlement of the LHM Real Estate Business long-term debt of $16.3 million.

i. Represents adjustments to income tax provision. The income tax provision adjustment is calculated by applying the estimated U.S. statutory tax rates of 24% for the year ended December 31, 2020 and for the nine months ended September 30, 2021 and 2020 to the historical LHM Business pre-tax income to the extent certain entities forming part of the LHM Business were historically pass-through entities. The pro forma tax rates used in these Pro Forma Condensed Combined Statements of Income will likely vary from the actual effective tax rate in periods subsequent to the consummation of the LHM Acquisition.

j. The equity impact of the elimination of historical equity balances of the LHM Business.

k. The adjustment of $0.4 million to the reflect investments acquired at their estimated fair value.

l. The recording of the preliminary fair value estimate of courtesy vehicles of $21.2 million and the related liability in the same amount recorded within Accounts payable and accrued liabilities to be consistent with the Company's financial statement presentation.

m. Represents the adjustments to record unearned premium related to TCA at its preliminary fair value.

n. Basic and diluted weighted average per share data has been adjusted for the assumed issuance of 3,300,000 shares of Common Stock.

o. Represents the reclassification of Contracts-in-transit, net of $86.9 million from Accounts receivable, net to align to the Company's financial statement presentation.

p. $3.5 million of transaction costs have been recorded in the Condensed Combined Statement of Income for the nine months ended September 30, 2021.

Management of the Company is currently in the process of conducting a more detailed review of accounting policies used in the historical financial statements of the TCA Insurance Business, the LHM Dealership Business and the LHM Real Estate Business to determine if differences in accounting policies require any further reclassification to conform to the Company's accounting policies and classifications. As a result, we may identify additional differences between the accounting policies of the Company and the LHM Business that, when conformed, could have a material impact on these unaudited pro forma condensed combined financial statements.

7. Park Place Pro Forma Financial Information

The unaudited pro forma condensed combined financial information presented below is derived from the historical financial statements for the six months ended June 30, 2020 and historical financial information for the pre-acquisition period from July 1, 2020 to August 23, 2020 of the Park Place dealerships acquired, as adjusted to give effect to the Park Place Acquisition and reflect the issuance of the $200.0 million notes issued by the seller of the Park Place dealerships and the drawdown of $127.5 million the New Vehicle Floor Plan Facility and $35.0 million under the Used Vehicle Floor Plan Facility which partly funded the purchase price.

The unaudited pro forma financial information for the nine months ended September 30, 2020 and for the year ended December 31, 2020, assume that the Park Place Acquisition occurred on January 1, 2019.

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed financial information.

Park Place Pro Forma Financial Information

	Park Place Acquisition		
	Nine Months Ended September 30, 2020 and Year Ended December 31, 2020	Park Place Pro Forma Adjustments	Pro Forma Park Place
		(In millions)	
REVENUE:			
New vehicle	$ 413.9	$ (24.1) a	$ 389.8
Used vehicle	327.7	(22.2) a	305.5
Parts and service	151.1	(7.7) a	143.4
Finance and insurance, net	18.1	(1.5) a	16.6
Other	1.8	—	1.8
TOTAL REVENUE	912.6	(55.5)	857.1
COST OF SALES:			
New vehicle	381.7	(22.2) a	359.5
Used vehicle	304.2	(20.6) a	283.6
Parts and service	66.9	(3.7) a	63.2
Other	0.3	—	0.3
TOTAL COST OF SALES	753.1	(46.5)	706.6
GROSS PROFIT	159.5	(9.0)	150.5
OPERATING EXPENSES:			
Selling, general, and administrative	125.3	7.7 a, b	133.0
Depreciation and amortization	7.1	(4.7) a, c	2.4
Other operating (income) expense, net	(0.3)	(0.3) a	(0.6)
INCOME FROM OPERATIONS	27.4	(11.7)	15.7
OTHER EXPENSES (INCOME):			
Floor plan interest expense	1.7	(0.9) a, d	0.8
Other interest expense, net	2.6	(1.8) a, d	0.8
Gain on divestiture	—	—	—
Total other expenses, net	4.3	(2.7)	1.6
INCOME BEFORE INCOME TAXES	23.1	9.0	14.1
Income tax expense	—	4.2 a, e	4.2
NET INCOME	$ 23.1	$ (13.2)	$ 9.9

Pro forma adjustments

The pro forma adjustments set forth in the unaudited pro forma condensed combined financial information reflect the following:

a. Adjustments related to the divestiture of the Lexus Greenville dealership.

b. The right-of-use asset and lease liabilities for operating leases entered into and assumed in the Park Place acquisition and related rent expense.

c. The estimated depreciation expense associated with the fair value of property and equipment acquired.

d. Changes in interest expense resulting from the $200.0 million Seller Notes issued, and the drawdowns under the New Vehicle Floor Plan Facility and Used Vehicle Floor Plan Facility, in connection with the Park Place acquisition, and resulting interest expense not incurred on the indebtedness of Park Place not assumed by the Company in the Acquisition.

e. The income tax effect of the pro forma adjustments outlined in (a) through (d) above and the Park Place dealerships' pre-tax income. The income tax provision adjustment is calculated by applying the estimated U.S. statutory tax rates of 24% for the year ended December 31, 2020 and for the nine months ended September 30, 2020.

8. Finance Adjustments

The finance adjustments set forth in the unaudited pro forma condensed combined financial information reflect certain proposed financing transactions and resultant changes in the Company's indebtedness that have been assumed to have occurred in conjunction with LHM Acquisition. As it relates to the financings noted in (c) and (d) below for which interest expense is based on a variable interest rate, a change in the interest rate of 0.125% will result in an increase or decrease in Other interest expense, net of $1.4 million. The financing adjustments include the following:

a. The assumed aggregate proceeds of $1.5 billion from the proposed issuance of 2029 Notes and 2032 Notes, as described herein, offset by the capitalized transaction costs of $18.8 million incurred in connection with the Senior Notes issuance. The pro forma condensed combined statements of income include the increase in interest expense and amortization of deferred finance charges resulting from the Senior Notes issuance.

b. The assumed net proceeds, after deducting the underwriting discount, of $600.0 million arising from the proposed issuance of approximately 3,300,000 shares of the Company's Common Stock at a share price of $195.71 per share as of October 29, 2021. The net proceeds reflected in the Pro Forma Condensed Combined Balance Sheet is offset by $19.5 million of transaction costs associated with the Common Stock issuance. The share price at the time of the Common Stock Offering may vary significantly from the share price reflected in the Pro Forma Condensed Combined Balance Sheet.

c. The drawdowns of $175.1 million under the New Vehicle Floor Plan Facility ($21.2 million related to courtesy vehicles is reflected in Accounts payable and accrued liabilities while the remaining $153.9 million is reflected in Floor plan notes payable–non-trade, net) and $140.0 million under the Used Vehicle Floor Plan Facility (reflected in Floor plan notes payable–non-trade, net) and $235.0 million under the Revolving Credit Facility (reflected in Long-term debt), net of $2.2 million finance charges incurred. The pro forma condensed combined statements of income include the increase in interest expense and including the amortization of deferred finance charges of $2.2 million incurred in connection with the Senior Credit Facility drawdowns. To calculate the related interest expense, the interest rate applied to these drawdowns was the 1-month USD LIBOR rate as of September 30, 2021 of 0.08% plus an applicable margin.

d. The assumed proceeds of $600.0 million from the New Real Estate Facility, offset by the capitalized transaction costs of $1.5 million incurred in connection with the execution of the New Real Estate Facility to finance the real estate properties acquired in connection with the LHM Acquisition. The pro forma condensed combined statements of income include the increase in interest expense and amortization of deferred finance charges resulting from the execution of the New Real Estate Facility within Other interest expense, net. To calculate the related interest expense, the interest rate applied to these drawdowns was the 1-month USD LIBOR rate as of September 30, 2021 of 0.08% plus an applicable margin.

e. The commitment fees of $26.9 million included in Other interest expense, net for the year ended December 31, 2020 associated with the Bridge Commitment Letter, pursuant to which, among other things, the Commitment Parties and a syndicate of lenders (the "Bridge Lenders") have committed to provide bridge debt financing for the LHM Acquisition, consisting of (i) a $2.35 billion HY Bridge Facility; and (ii) a $900.0 million 364-Bridge Facility, the availability of each will be reduced upon the completion of certain debt and equity financings, as applicable, including upon issuance of the Notes and the completion of the Common Stock offerings, and upon other specified events. We intend to terminate the commitments under the Bridge Commitment Letter when we obtain the permanent financing described above.

f. The proceeds from the financing transactions referenced in (a) through (d) above resulted in the following cash proceeds:

	As of September 30, 2021 (In millions)
Senior Notes Issuance	$ 1,500.0
Common Stock Issuance	600.0
New Vehicle Floor Plan Facility	175.1
Used Vehicle Floor Plan Facility	140.0
New Real Estate Facility	600.0
Senior Credit Facility Revolver	235.0
(Less) Transaction Costs and Finance Charges	(73.4)
Net Proceeds	$ 3,176.7

g. Long-term debt comprises the following, net of debt issuance costs:

	As of September 30, 2021 (In millions)
Senior Notes Issuance	$ 1,500.0
Senior Credit Facility Revolver	235.0
New Real Estate Facility	600.0
(Less) Debt Issuance Costs	(23.1)
	$ 2,311.9
(Less) Current portion of Long-term debt	(30.0)
Net Proceeds	$ 2,281.9

9. Management's Adjustments

The tables below reflect estimated cost savings consisting of a reduction in (i) corporate costs due to the elimination of family management fees of the LHM Business and (ii) the ability to leverage our scale to reduce costs related to purchasing certain information technology and advertising contracts through national vendor relationships, based on current contracted rates paid by Asbury.

These items below reflect all Management's Adjustments that are, in the opinion of management, deemed necessary to a fair statement of the pro forma combined financial information presented. The adjustments presented include forward-looking information subject to safe-harbor protections of the Securities Act of 1934, and future results may vary significantly to what is presented below. Management's Adjustments do not include the divestiture of up to six dealership franchises in connection with the LHM Acquisition, as required by the original equipment manufacturers.

	Nine Months Ended September 30, 2021	For the Year Ended December 31, 2020	Nine Months Ended September 30, 2020
		(In millions)	
Pro forma combined net income	$ 577.7	$ 360.8	$ 255.3
Management's adjustments:			
Cost savings	51.8	43.5	30.3
Tax effect	(12.4)	(10.4)	(7.3)
Pro forma combined net income after management's adjustments	$ 617.1	$ 393.9	$ 278.3

	For the Nine Months Ended September 30, 2021		
	Pro forma combined	Cost savings, net of tax	Pro forma combined, after cost savings
Earnings per share			
Basic	$ 25.56	$ 1.75	$ 27.31
Diluted	$ 25.34	$ 1.73	$ 27.07
Weighted average number of shares (in millions)			
Basic	22.6	—	22.6
Diluted	22.8	—	22.8

	For the Year Ended December 31, 2020		
	Pro forma combined	Cost savings, net of tax	Pro forma combined, after cost savings
Earnings per share			
Basic	$ 16.04	$ 1.47	$ 17.51
Diluted	$ 15.96	$ 1.47	$ 17.43
Weighted average number of shares (in millions)			
Basic	22.5	—	22.5
Diluted	22.6	—	22.6

	For the Nine Months Ended September 30, 2020		
	Pro forma combined	Cost savings, net of tax	Pro forma combined, after cost savings
Earnings per share			
Basic	$ 11.35	$ 1.02	$ 12.37
Diluted	$ 11.30	$ 1.01	$ 12.31
Weighted average number of shares (in millions)			
Basic	22.5	—	22.5
Diluted	22.6	—	22.6